

Ministry of Food, Agriculture and Fisheries



# The Danish Rural Development Programme 2007-2013

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The European Agricultural Fund for Rural Development

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# 1. Title of the programme

**The Danish Rural Development Programme 2007-2013**

## 2. The member state and administrative units

### 2.1 The geographical area covered by the programme

The Danish rural development programme covers the whole country.

For use in the geographical demarcation of the programme's LEADER initiative pursuant to Axis 4 of Council Regulation (EC) No 1698/2005, the following classification system is used, which shows the "rural development scale" for the individual municipalities following the local-government reform as of 1 January 2007. The classification system that has been devised will be used instead of the OECD's definition of rural areas, as it provides a more subtle indication of where the need to boost development in rural areas is the greatest.

The classification system is based on the following 14 indicators, selected to describe the structural, economic and demographic situation in the 98 Danish municipalities. In the calculations, all 14 indicators are weighted equally.

- Population per km<sup>2</sup>
- Population in rural areas and towns with less than 1,000 inhabitants
- Proportion of the municipality's area in rural zones
- Percentage employed in agricultural enterprises
- Percentage of the population aged 17-64 years
- Percentage of the population aged 25-44 years
- Employment trends, 1994-2004
- Population trends, 1994-2004
- Average distance to a motorway
- Jobs in proportion to employees (dependence on commuting)
- Percentage of workforce with basic schooling, 2005
- Percentage of the workforce with medium-cycle or tertiary education, 2005
- Average distance to areas with a high surplus of jobs, 2004
- Taxation base per capita, 2007

By using this classification system, rural municipalities are divided into four different classes that define the "rural development scale" for each individual municipality: 1) peripheral municipalities, 2) rural municipalities, 3) intermediate municipalities and 4) urban municipalities. The four categories of municipalities are shown on the map overleaf.



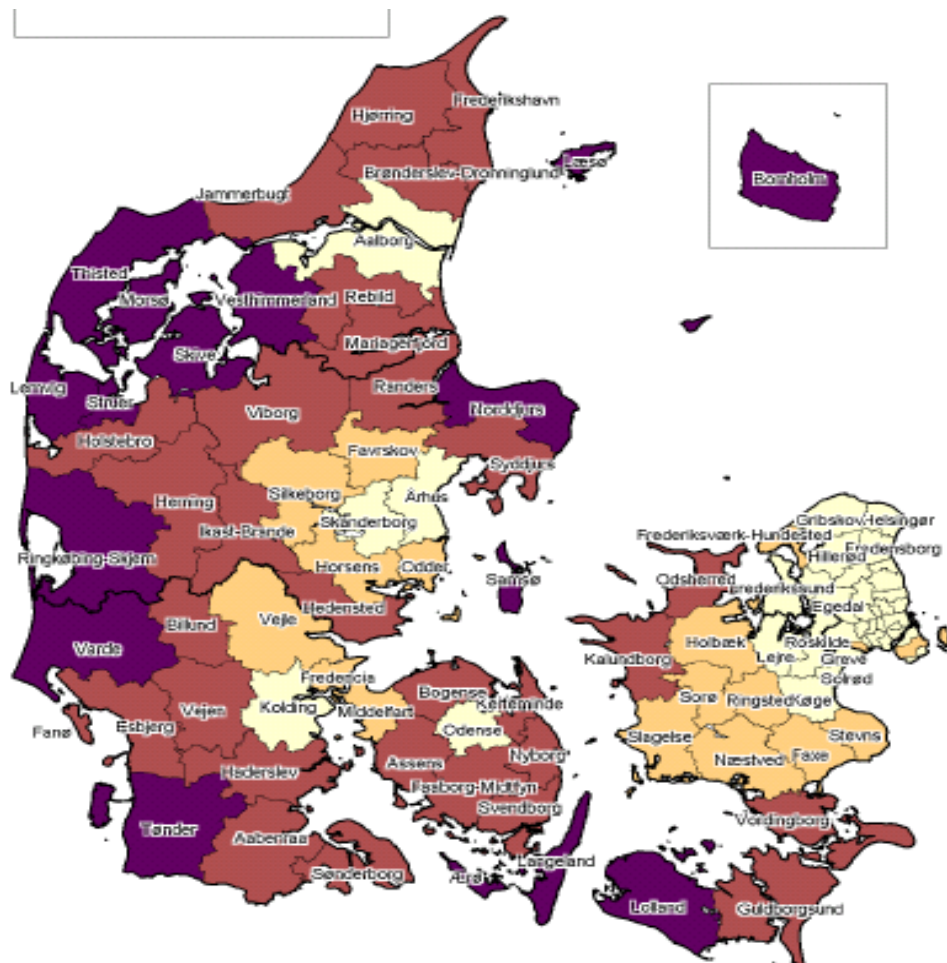


Figure 1: Index for rural development scale.  
 Note: Four classes of municipalities;  
 Peripheral municipalities (dark purple colour): 16  
 Rural municipalities (red colour): 30  
 Intermediate municipalities (orange colour): 17  
 Urban municipalities (light yellow colour): 35

A choice has been made in favour of defining peripheral municipalities as municipalities with an index value below 27 (the darkest colour on the map). These municipalities have the lowest score in relation to measurement of the 14 indicators mentioned. Using this definition there are a total of 16 peripheral municipalities.

The term “rural development municipalities” is used in the present programme for the total quantity of municipalities in classes: 1) peripheral municipalities, 2) rural municipalities and 3) intermediate municipalities, a total of 63 municipalities.

The Danish rural development programme will apply horizontally with regard to a number of actions under Axes 1 and 2. The food and forestry sector is not exclusively located in rural development municipalities, but the effects of the initiatives will to a great extent have an

impact. In the case of the nature and environment initiatives, there may be a need for nature conservation and environmental improvements throughout the country.

The Leader initiative is implemented via local action groups. Local action groups can be set up throughout the country, while aid can be paid under the rural development programme to local action groups set up in the 63 rural development districts mentioned above, see also Section 5.2.4. Priority can be given to peripheral municipalities. For most of the measures under Axis 3 projects shall be recommended by local action groups according to the Leader approach.

*Supplementary designation of rural areas*

In order to implement fully certain measures under the RDP according to the Government Green Growth agreement from 2009 a supplementary designation of eligible rural areas is established. The supplementary designation is valid for those activities under following measures to be implemented according to provisions of article 52 of Regulation 1698/2005:

- Investments in biogas plants (chapter 5.3.1.a)
- Establishment of wetlands (chapter 5.3.5.3)
- Nature- and environment projects (chapter 5.3.6)
- Restoration of natural hydrology and conversion of agricultural areas to permanent pasture or semi-natural areas in Natura 2000 sites (chapter 5.3.5.6)
- Conservation and upgrading of the rural heritage (Code 323d)
- Grants for networking activities (chapter 5.3.3.a)
- projects aimed at children and young people in rural areas and cultural and leisure facilities in rural areas (chapter 5.2.3.4)

The rural areas eligible for support under these measures should be extended to include certain parts of the 35 urban municipalities as defined above. The measures all contribute to achieving the aims of rural development as described in chapter 4.

The supplementary designation consists of areas within the urban municipalities except for the urban zone area for towns in urban municipalities with more than 20,000 inhabitants. With this supplementary designation, support will be eligible to projects according to Article 52 of Regulation (EC) 1698/2005 under the above mentioned measures for all areas of Denmark except for the area of 28 towns in urban municipalities with more than 20,000 inhabitants. The towns are:

<b>Urban municipality</b>	<b>Town code</b>	<b>Town name</b>
København	1100	København
Frederiksberg	1100	Frederiksberg
Ballerup	1100	Ballerup
Brøndby	1100	Brøndby
Gentofte	1100	Gentofte
Gladsaxe	1100	Gladsaxe
Glostrup	1100	Glostrup
Herlev	1100	Herlev
Albertslund	1100	Albertslund

Hvidovre	1100	Hvidovre
Lyngby-Taarbæk	1100	Lyngby-Taarbæk
Rødovre	1100	Rødovre
Vallensbæk	1100	Vallensbæk
Furesø	1100	Furesø
Rudersdal	1100	Rudersdal
Greve	1100	Greve Strand
Roskilde	10040	Roskilde
Kolding	10064	Kolding
Fredensborg	10172	Helsingør *
Helsingør	10172	Helsingør *
Høje-Taastrup	10203	Taastrup
Fredensborg	10303	Hørsholm *
Hørsholm	10303	Hørsholm *
Rudersdal	10303	Hørsholm *
Køge	10313	Køge
Hillerød	10652	Hillerød
Odense	10677	Odense
Aalborg	10938	Aalborg
Århus	11045	Aarhus
Aalborg	18442	Nørresundby
Egedal	18767	Ølstykke-Stenløse

Note: \* The town is part of more than one urban municipality

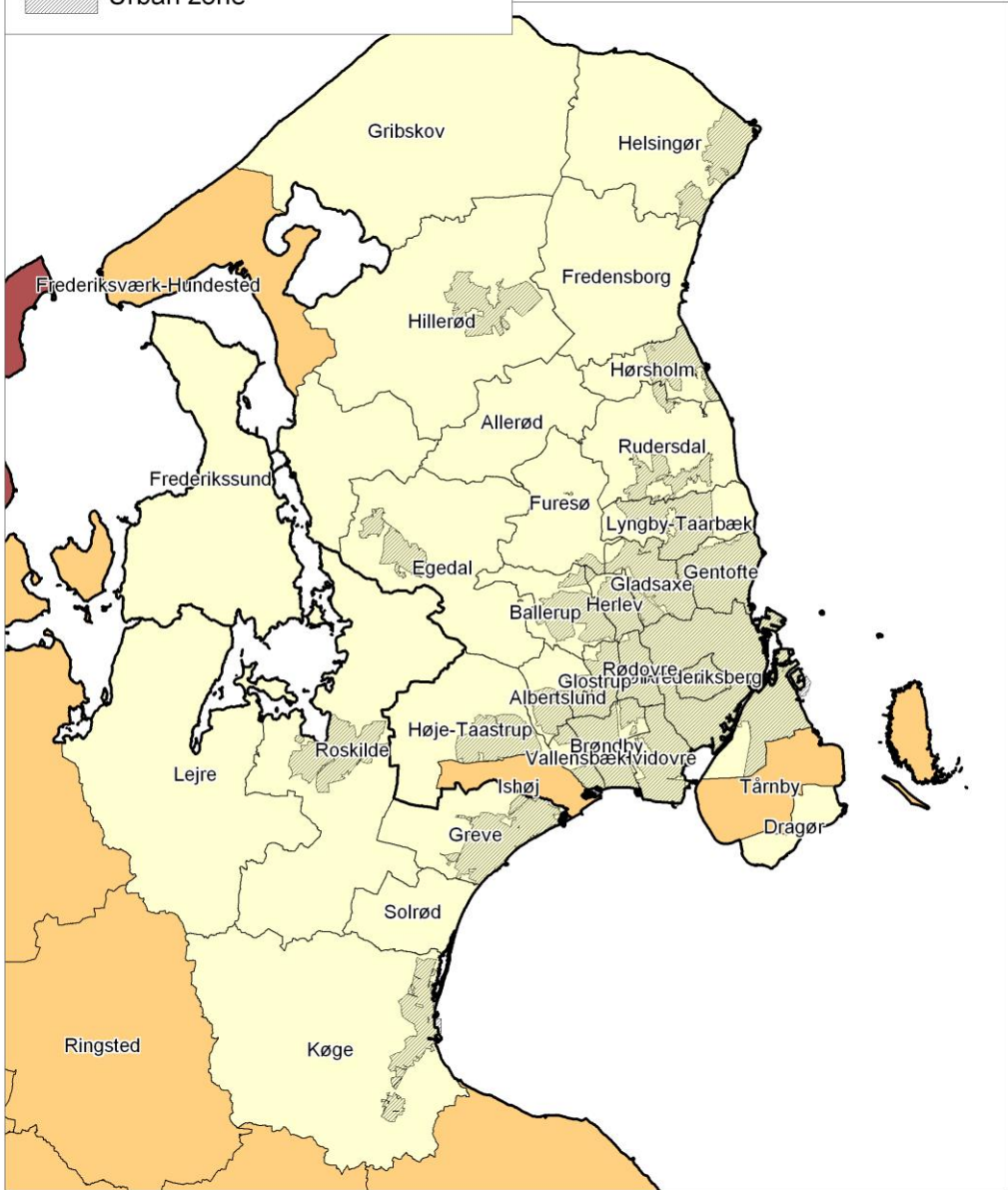
16 of these towns are part of the metropolitan area of Copenhagen. The geographical area of the 28 towns, and accordingly the areas of the urban municipalities included in the supplementary designation, appears from figure 2.

**Classification of municipalities**  
(Number of municipalities)

- 1. Remote municipalities (16)
- 2. Rural municipalities (30)
- 3. Intermediate municipalities (17)
- 4. Urban municipalities (35)

**City > 20.000 inhabitants**

- Urban zone



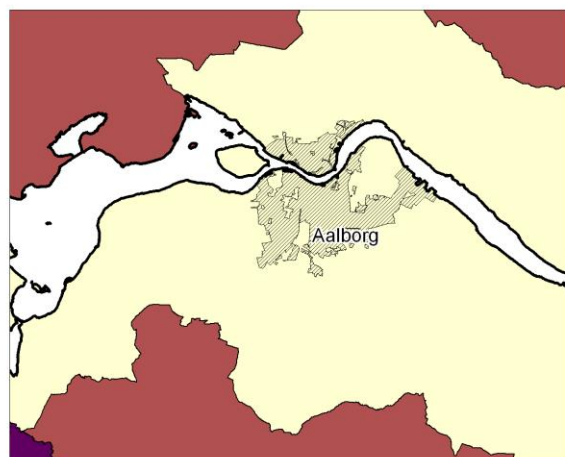
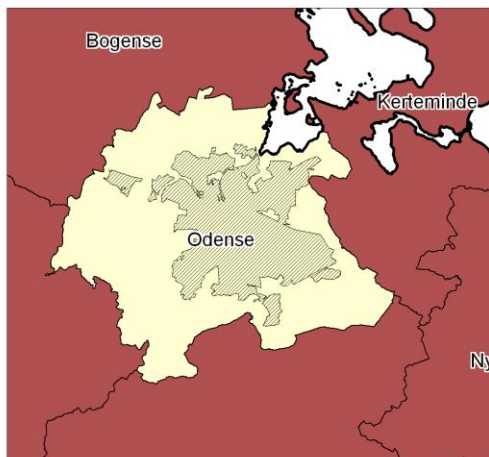
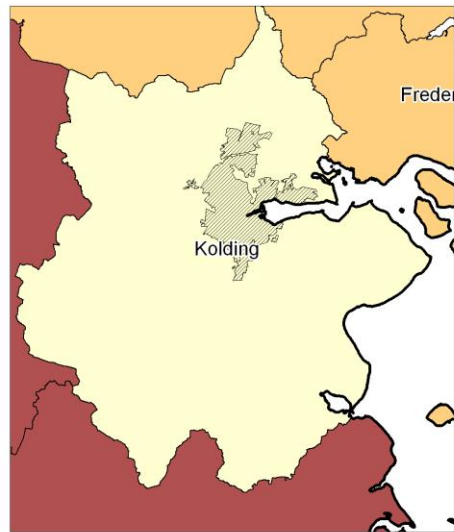
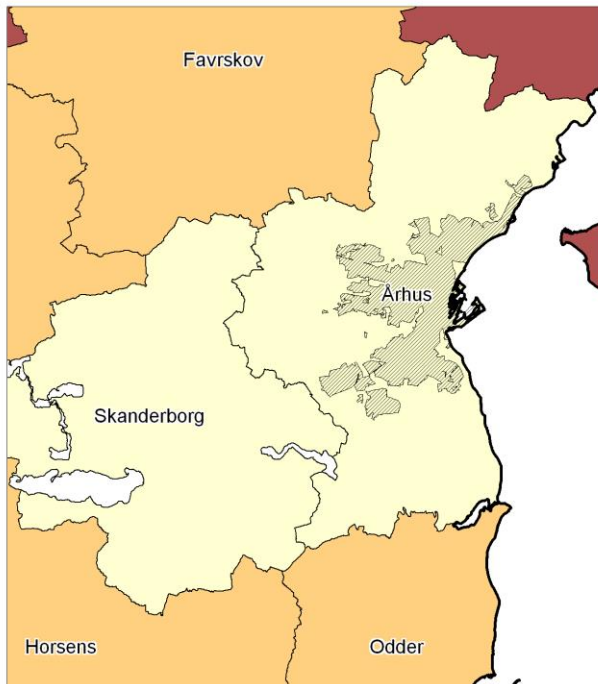
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**City > 20.000 inhabitants**

Urban zone



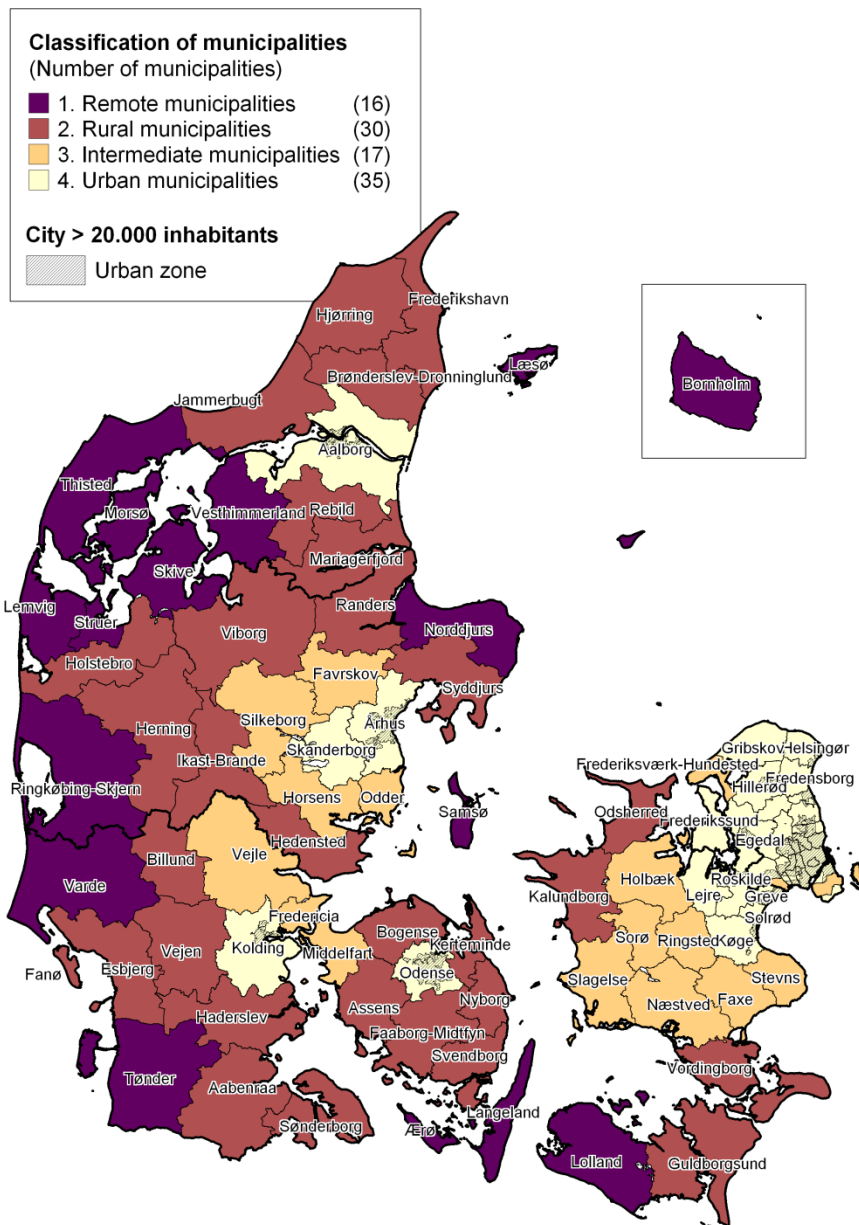


Figure 2: Supplementary designation of rural areas in urban municipalities

For the Leader activity, projects will still only be eligible within the existing designation for this activity as described above.

## 2.2 Convergence regions, where applicable

Not applicable to Denmark.



### **3. SWOT analysis, the national strategy and the ex ante evaluation**

#### **3.1. The rural areas' strengths, weaknesses, opportunities and threats**

This chapter includes an assessment is carried out of the first sections of the actual situation and development. This includes political goals, both national and international. Each of the first five sections (analyses) is summarised in an overview of the most important challenges in the area. Section 1.6 includes a SWOT analysis based on the previous sections.

##### **3.1.1 The general socio-economic situation**

As of 1 January 2007, the population of Denmark was 5,446,989(5,511,451 on 1 January 2009). During the past decade the total growth in the population was 3.4 %. Almost 26% was 20 years old or less, while a good 21% was 60 years old or older. The total area of Denmark is 43,098 square kilometres. The population density is 126 inhabitants per square kilometre.

The gross domestic product was EUR 207 billion in 2005. The gross domestic product per capita (made up by EU25=100 and in EUR in purchasing power parity) was 121.9 in 2005. The value added outside the primary sector was EUR164 billion in 2004.

The number of unoccupied in per cent of the work force was 3.5% at the end of 2006 and 2.2% at the end of 2008, however this is rising due to the current financial situation. The number of employed in relation to the population in the age group 15-64 years was 75.9 % in 2005 and 76.8% in 2007, but is expected to decline in the next few years. Of the total number of employed, 223,000 were self-employed. 2.6 million people, equivalent to 94.8%, were employed outside of agriculture and fishery.

#### **Reform of the municipality structure**

With effect from 1 January 2007, Denmark has implemented a reform of the municipality structure resulting in a reduction of the number of municipalities from 271 to 98. The new municipalities shall handle most of the existing public duties towards the citizens and they will have great significance to rural development because of strengthened competences on planning and on industrial and public sector policy. The average municipality size rised from just under 20,000 inhabitants before the reform to about 55,000 inhabitants.

Furthermore 5 regions have been established instead of the now abolished 14 counties of the country. The primary duties of these regions shall be health services, regional development and practical operation of a number of social institutions.

The regions are responsible for regional business development and thereby to promote regional competitiveness and employment. The council for each region are responsible for producing a regional development plan, describing the strategy for development of urban, rural and remote

areas as well as for nature and environment, business including tourism, employment, recreation, education and culture.

To help carry this responsibility, each region has appointed advisory boards concerning regional and business development, called Regional Growth forums (Regionale vækstfora). In the regions of Nordjylland, Midtjylland, Syddanmark and Sjælland one Forum for Growth is established in each region. In the region of the Capital (Hovedstaden) two Growth forums are established, one for Bornholm and one for the rest of the region.

In these Growth forums new initiatives shall be developed to improve the local conditions for growth including the remote areas. The Fora shall recommend to the regional councils concerning the application of national regional funding for business development and to the central administration concerning EU funding from the EU Structural Funds. The Growth forums shall consist of regional politicians and representatives from the industrial sector, institutions for education and research and the institutions for the labour market according to the principle of partnership in rural development. The Fora shall develop regional strategies for growth that shall be the basis for the regional development plan. The Fora thus constitute the regional part in the implementation of Structural Funds programmes.

In relation to the rural development programme, the regions and the regional Growth forums shall take part in the local action groups that are established as part of the Leader effort. This will ensure coordination between the regional development plans and the local development strategies that are developed by the local action groups. The Ministry of Food, Agriculture and Fisheries, together with the regions, has established a regional forum which meets twice a year. A representative of each of the five regions has a seat in the regional forum, with Danish Regions and the Ministry of Food, Agriculture and Fisheries also taking part. The purpose is to exchange experiences and to ensure coordination and discuss matters which are significant for development in the rural areas and the implementation of the rural and fisheries development programmes.

### **3.1.2 Definition of rural areas**

It is a Government objective that the Danish population is ensured good and equal conditions of life no matter where in the country people are settled. Therefore it is a political wish that certain parts of the rural development programme are targeted on the geographic areas, where a total evaluation shows the largest need for support in order to ensure a positive development. The Danish Rural Development Programme will apply horizontally with regard to the main part of the actions under Axes 1 and 2. The food and forestry sector is not exclusively located in rural municipalities, but the effects of the initiatives will have an impact there to a great extent. In the case of the nature and environment initiatives, there may also be a need for nature conservation and environmental improvements throughout the country.



According to OECD, a rural area is defined as a geographical area with a population density of less than 150 inhabitants per square kilometre. In cooperation with the Danish Institute of Agricultural Sciences, The Ministry of Food, Agriculture, and Fisheries has prepared a classification system showing the “rural degree” for each municipality following the reform of the municipal division per 1 January 2007. The classification system is thus a collective indicator to show in which municipalities the need for improving the quality of life in the rural areas according to a number of indicators is the largest. According to the OECD, a rural district is defined as a geographical area with a population density less than 150 inhabitants per square kilometre. The classification system prepared will be used in stead of the OECD definition of rural areas, as it gives a considerably more subtle indication of where the need for strengthening the development in the rural areas is the largest.

The classification system is based on the following 14 indicators that consider socio-economic, demographic and urbanisation factors:

- Population per square kilometre
- Population in rural areas and cities with less than 1,000 inhabitants
- Part of area of the municipality in a rural zone
- Number of employees in agricultural trades
- Part of population in the age group 17-64 years
- Part of the population in the age group 25-44 years
- Development in the employment 1994-2004
- Development in population 1994-2004
- Average distance to motorway
- Jobs in relation to number of employed (commuting dependence)
- Part of the workforce with basic school education 2005
- Part of the workforce with medium-term or higher education 2005
- Average distance to areas with large surplus of jobs 2004
- Taxation base per inhabitant 2007

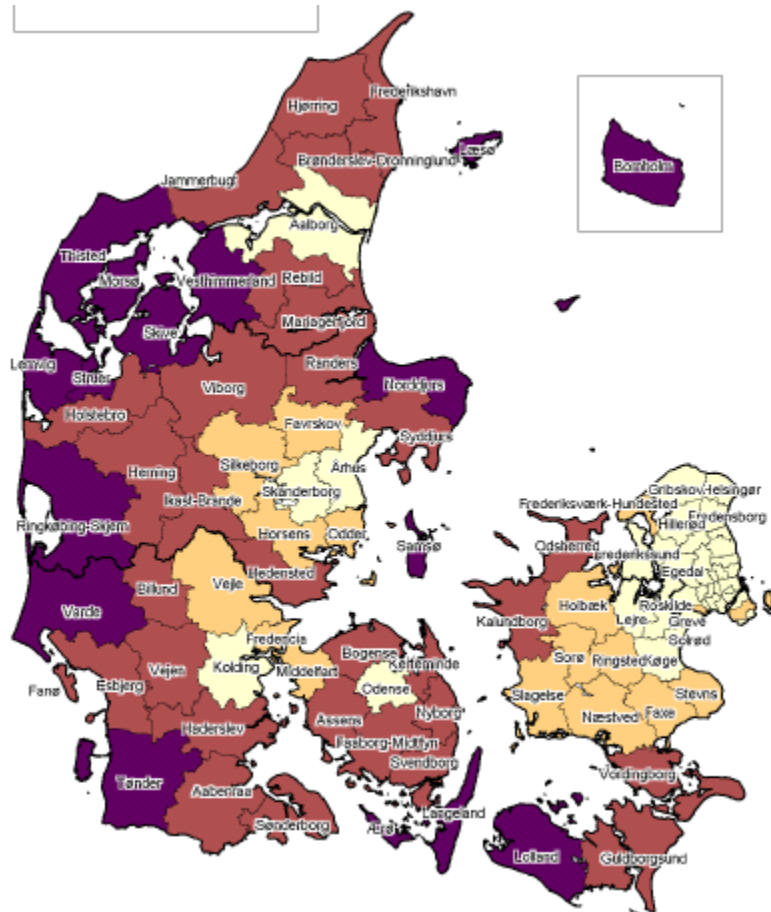
By use of the classification system, the municipalities have been divided into four different classes defining the “rural degree” for each municipality: 1) remote municipalities, 2) rural municipalities, 3) intermediate municipalities, and 4). urban municipalities. The four classes of municipalities are shown in the map below. The 14 indicators are weighted equally in the calculation.

In the following, the term “rural district municipalities” is used for the total quantity of municipalities in classes 1) remote municipalities 2) rural municipalities and class 3) intermediate municipalities – all in all 63 municipalities. Remote municipalities are defined as the 16 municipalities with an index value below 27 (the darkest colour in the map).

The classification system is used in relation to the implementation of the LEADER-method (Axis 4) carried out via the local action groups.

A geographical indication of the four types of municipalities appears from figure 1. **Classes of municipalities**

- Remote municipalities - dark purple colour
- Rural municipalities - red colour
- Intermediate municipalities - orange colour
- Urban municipalities - light yellow colour



*Figure 1: Rural degree of Danish municipalities*

## **Leader initiative in the rural areas**

The Leader initiative is carried out by local action groups. Most of the measures under Axis 3 are reserved for projects which are approved and recommended by local action groups (Axis 4)<sup>1</sup>. Local action groups can be established throughout the country, while support may be given under the Rural Development Programme for local action groups established in the 63 rural development municipalities mentioned above, cf. section 3.4. Priority may be given to peripheral municipalities, e.g. through the distribution of funds between the action groups.

### **3.1.3 The food sector**

The food sector, which includes both primary agricultural industries and production and processing industries etc. is an important business sector in Denmark and plays an important role in the Danish national economy and in employment. The food sector, with its large share of the export market and good level of competitiveness, is internationally oriented and an experienced actor on the global food markets. The sector is characterised by a close and well organised interaction between the different parts of the value chain, including advice, training and research environments both nationally and internationally. The sector is also important for the living conditions in rural and peripheral areas.

#### **The economic situation in the food industries**

Agriculture, food processing, and the sectors linked hereto are very important to the Danish economy and employment. The significance of the food sector is especially important in the rural areas and remote areas. The sector as a whole is of crucial importance for the Government's efforts to maintain a balanced regional development in Denmark.

The globalisation gives a possibility for selling products to a much larger market throughout the world. The globalisation also means division of labour, where each work process in the long term moves to places where it is made best and cheapest. The Danish food sector has a good starting point for handling the challenges which are a consequence of increased globalisation, not least because the sector has a high level of knowledge and coherent competences. But further innovation and development of new ideas is needed if the sector shall continue to successfully meet the challenges of globalisation and ensure a strong competitiveness and sustainable development.

During recent years the increase in gross value in the primary agricultural and forestry sector has constituted about 2% of the total increase in gross value in Denmark. The primary agriculture

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<sup>1</sup> A smaller part of Axis 3 measures are reserved for activities for children and young people in the rural areas. These funds will be administered centrally with the assistance of an advisory committee.

and forestry sectors are suppliers to a large Danish manufacturing sector. The total increase in gross value in the food sector therefore constitutes about 4% of the total increase in gross value added in Denmark.

The total production in the primary agriculture and forestry sector (increase in gross value in fixed prices) rose in the latter half of the 1990s but has been stagnant during recent years. Production in the combined food industry has followed a largely corresponding pattern, cf. Figure 3.1. The fluctuations relate to both crop and livestock production.

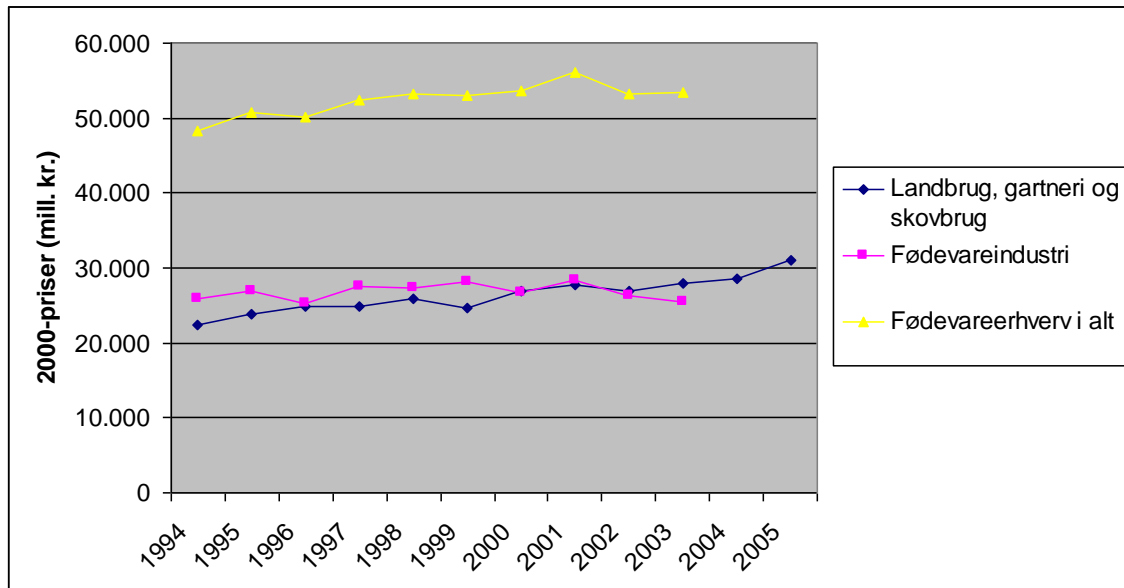


Figure 2: Value added for the agricultural and food industries in fixed prices.

Footnote/ translation	
2000 priser (mill. kr.)	2000 prices (DKK million)
Landbrug, gartneri og skovbrug	Agriculture, horticulture and forestry
Fødevarerindustri	Food industry
Fødevarerhverv i alt	Food industry in total

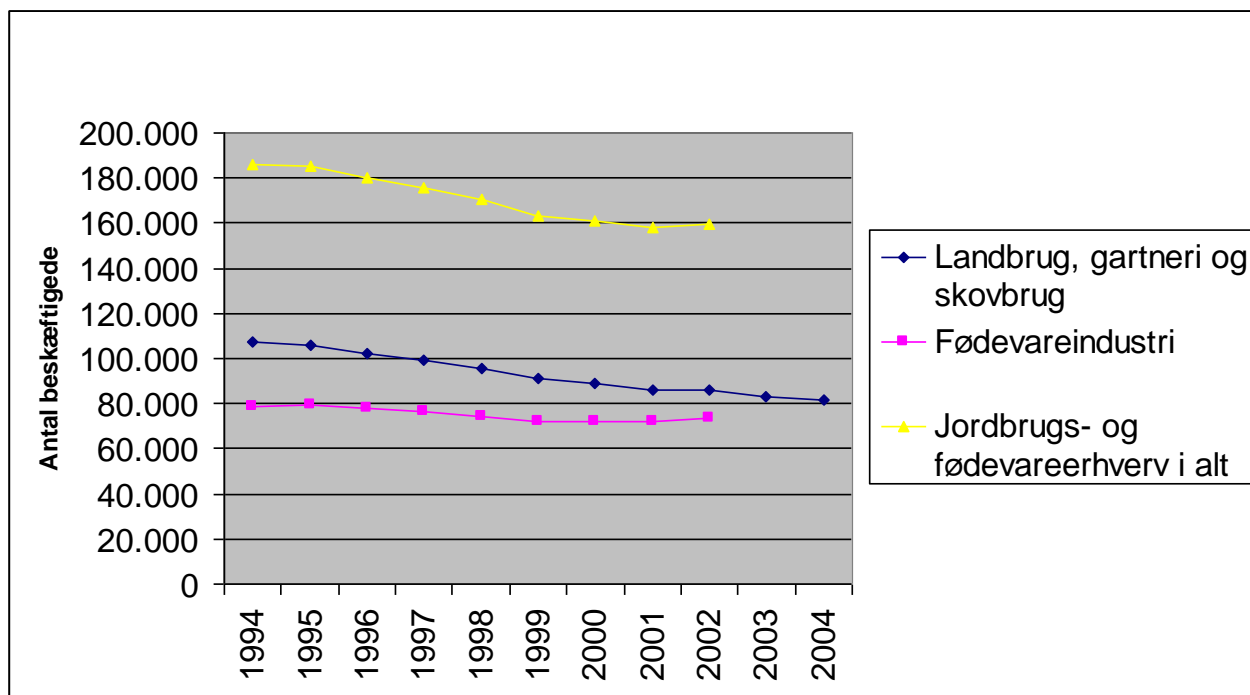


Figure 3: Employment in the agriculture and food industries

Footnote/ translation	
Antal beskæftigede	Number of people in employment
Landbrug, gartneri og skovbrug	Agriculture, horticulture and forestry
Fødevareindustri	Food industry
Jordbrug og fødevareerhverv i alt	Agriculture and food industry in total

The number of people employed in the primary agricultural sector was around 80,000 in 2005 and around 70,000 were employed in the production and processing industry. Aggregate employment in the industry was thus around 150,000 (over 5%) in 2005, which represents a decline of about 35,000 or 19% in the last ten years. The decline in employment, which affects the primary industries in particular, was greatest at the start of the period, cf. Figure 3.2. If account is also taken of indirect jobs in the support and service industries, employment in the sector amounts to around 11% of total employment. In the rural areas (outside the urban areas), employment in the primary industries accounts for just over a quarter of total employment (2003).

Exports of agricultural products have grown more slowly than exports of other goods, but agricultural exports in 2005 accounted for around 17% of total Danish goods exports (excluding energy). Danish exports also include exports of machinery for the food industry. Exports from the combined food-industry complex accounted for up to 20% of Danish exports (including exports of agro-industrial products equivalent to 8-9% of total exports). A major part of agricultural exports are related to the production of pigs.

Agricultural and forestry incomes have been largely constant over a number of years, but with distinct fluctuations in individual years<sup>2</sup>. However, there are wide variations in earning capacity between farms. Full-time farms have generally shown negative regular saving, but the real value of equity has grown in the last few years up to 2008 as a result of rising land and property prices. Due to increased income from other occupations, part-time farmers have experienced growth in income and a small positive regular saving.

In order to acquire agricultural holdings of 30 hectares or more, a basic agricultural education is demanded. The number of farmers with a basic and further education was about 29% in 2000 (EUROSTAT). The proportion of farm owners who have secondary occupations outside agriculture was 48% in 2005 (Danish Institute of Food and Resource Economics: Agricultural Economics 2006).

Productivity in the primary agricultural industries has risen by up to 3.5% per annum over the last 10 years, but with a decreasing trend in recent years. Part of this rise is due to an increased input of capital through investment in labour-saving equipment and new technology etc. If account is taken of the increased capital input, the rise in what is known as total factor productivity has amounted to just over 1.5% per annum. The productivity trend in production and processing enterprises has shown the same time profile, but at a lower level.

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<sup>2</sup> Institute of Food and Resource Economics: Economy in the agriculture, autumn 2005.

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>INCREASE IN GROSS VALUE</b>											
<b>Continuous prices (million DKK)</b>											
<b>Agriculture, horticulture, forestry</b>	28,42 5	29,0 62	28,2 81	23,6 93	21,9 95	26,8 20	30,0 13	23,2 92	22,0 34	22,4 84	18,2 45
<b>Food industry</b>	24,95 8	24,4 08	26,2 68	25,1 76	26,1 10	26,8 11	28,1 98	30,1 79	29,8 10		
<b>Food sector in total</b>	53,38 3	53,4 70	54,5 49	48,8 69	48,1 05	53,6 31	58,2 11	53,4 71	51,8 53		
<b>2000 prices (million DKK)</b>											
<b>Agriculture, horticulture, forestry</b>	23,81 2	24,8 23	24,9 45	25,8 75	24,7 31	26,8 20	27,7 32	26,9 17	27,9 68	28,6 56	30,9 93
<b>Food industry</b>	26,93 4	25,3 22	27,4 54	27,2 73	28,2 45	26,8 11	28,3 04	26,3 58	25,5 22		
<b>Food sector in total</b>	50,74 6	50,1 45	52,3 99	53,1 48	52,9 76	53,6 31	56,0 36	53,2 75	53,4 90		
<b>EMPLOYED</b>											
<b>Agriculture, horticulture, forestry</b>	105,7 34	102, 311	99,3 35	95,8 23	91,5 31	89,2 26	86,1 08	86,1 84	83,7 63	80,8 98	80,3 75
<b>Food industry</b>	79,68 2	77,8 84	76,3 08	74,4 29	71,8 43	71,9 24	72,0 61	73,3 89	70,5 80		
<b>Food sector in total</b>	185,4 16	180, 195	175, 643	170, 252	163, 374	161, 150	158, 169	159, 573	154, 343		
<b>PRODUCTIVITY</b>											
<b>(Annual growth in %)</b>											
<b>Labour productivity</b>											
<b>Agriculture, horticulture, forestry</b>	5.6	6.0	6.8	2.2	-0.6	5.3	0.9	-0.3	4.1		
<b>Food industry</b>	0.4	0.7	4.7	-0.7	3.4	-2.1	0.5	2.5	4.7		
<b>Total factor productivity</b>											
<b>Agriculture, horticulture, forestry</b>	4.4	3.7	3.4	1.7	-1.3	4.2	-0.7	-0.9	3.6		
<b>Food industry</b>	0.6	-1.6	2.1	-0.5	1.5	-2.0	-0.7	1.5	2.5		
<b>HOLDINGS</b>											
<b>Total</b>	68,77 1	64,4 26	63,1 51	59,7 61	57,8 31	54,5 41	53,4 89	50,5 31	48,6 13	45,6 24	48,2 75
<b>Of this with pigs</b>	21,41 8	19,8 21	18,8 29	17,6 88	15,4 83	13,2 31	12,9 36	11,7 47	11,1 10	9,99 4	8,88 6
<b>Of this with cattle</b>	27,31 7	26,5 95	24,7 57	23,6 70	21,8 14	20,8 80	20,4 43	19,0 65	17,6 55	16,0 73	14,7 47

Table 1: Key figures for production in agriculture, horticulture, forestry and the food industry.

Source: Statistics Denmark.

Note: The data for increase in Gross Value for agriculture and number of agricultural holdings in 2005 is influenced by the CAP-reform of 2003 with conversion from the hectare payments to decoupled single farms payments pursuant to Regulation (EC) 73/2009.

### *The current financial situation and the provisional assessment of the agricultural economy*

With the expected development in sales and factor prices, the operating profit for arable farmers will be under pressure in 2009 and 2010. The earnings are marked by a lower gross yield than in 2008 due to a decline in the price of corncereals. Based on a normal harvest years, the price of corncereals is expected to be somewhere between DKK 90 and 100 per hkg in 2009 and 2010. The cost level is not expected to fall at the same rate as sales prices, and the operating profit seems to be below or close to zero.

The operating profit on livestock farms for 2008 to 2009 suggests a significant drop of DKK 500,000. The main reason for this is a decline in the average price of milk of DKK 0.66 per kg. There is no prospect of an positive operating profit above zero in 2010. Whereas in 2008, it was the financing costs which limited the earnings from livestock farming, in 2009 and 2010 it will be due to less income from primary farming operations.

Due to the economic recession, the transfer price of pork is not expected to increase until the first few months of 2009, but all things considered, earnings are actually expected to take an upward turn as early as in 2009. With an expected increase in the average transfer price of DKK 10.83 per kg of pork, in 2010 really positive operating profits are expected in the pig sector in 2010. Piglet producers in particular can look forward to an improved operating profit.

#### *Operating profits for the main farming branches in 2009 and 2010*

2009 looks to be yet another year with tight reins on the finances when it comes to cattle and crops, while pig farming seems to be going in the right direction with positive operating profits of DKK 200-300,000.<sup>3</sup> In 2010 the improved price ratios will really break through in the pig sector, and on the basis of the estimated pricing conditions the operating profits will reach DKK 0.7 million and DKK 1.4 for pigs for slaughter and piglet farming respectively. It is a question of relatively big farms, where the operating profits at this level are used for investments and servicing loans as well as payment for the owners' efforts.

For crops and cattle, the prospect for 2010 is better than what seems to be the situation in 2009, yet there is still no prospect of operating profits which would ease the economic burden. It should be emphasised that the projections for 2009 and 2010 depend on the price estimations and are therefore subject to uncertainty<sup>4</sup>.

#### *Agricultural holdings*

The number of agricultural holdings was 45,624 in 2004, which corresponds to a decrease in number by a third during the past decade. Just below half of the holdings are fulltime holdings. The decline in the number of farms has taken place in the 5-75 ha size groups, and the number of holdings in the 75-100 ha group has remained largely unchanged, while the number of farms with a land area of more than 100 ha has risen sharply. From 2004 to 2005 the number of registered farms increased by 2,500. This is expected to be only a temporary increase resulting from the implementation of the Single Farm Payment scheme. The increase is due to some landowners having chosen (temporarily) to farm their land otherwise leased to other farmers. For the average

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<sup>4</sup> Footnote 5: The 2008 estimates are based on accounts from just over 10% of the farms,



farm, the standard gross margin (SGM) is around EUR 101,000. Basic agricultural training is required to acquire agricultural properties of 30 ha or more. The proportion of farmers with basic and further training was around 29% in 2000<sup>5</sup>. The amount of owners of agricultural properties, with an extra non-agricultural source of income, was 48% in 2005<sup>6</sup>.

The total agricultural area has been vaguely decreasing in the past decade while the average size of the holdings in the same period has increased by 50% to approximately 58 hectares in 2004. Approximately 20,000 farms were less than 30 hectares.

The total cultivated area for agricultural purposes (including set-aside areas) was about 2.6 million hectares in 2005. Agricultural land makes up around 60% of the total land area of the country. The area of woodland is around 0.6 million ha. The total area of agricultural land and woodland thus accounts for around 72% of the total area of the country<sup>7</sup>. Of the total cultivated area, permanent pasture (excluding set-aside land with grass) accounts for around 7%, and perennial crops for around 0.5%, while the remaining area is in crop rotation. The breakdown of farms by size in 1994 and 2004 can be seen in Figure 4.

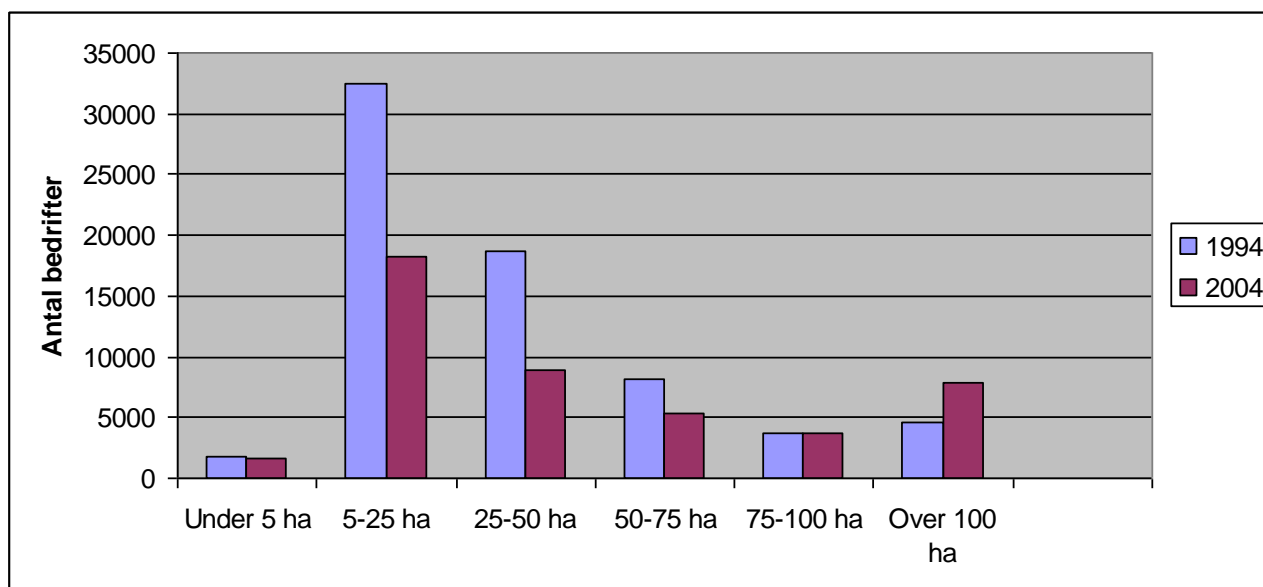


Figure 4: Farms broken down by area in hectares

Foodnote/translation	
Antal bedrifter	Number of farms

<sup>5</sup> Reference EUROSTAT.

<sup>6</sup> Food-economical Institute: "Landbrugets Økonomi 2006".

<sup>7</sup> In the latest monitoring of the area coverage for the period covering the late 1980s to the mid-1990s, the agricultural area covers 66%, forest and dry nature types 16%, and wetlands 5% of the total area of the country.

The most common agricultural crops are winter wheat and spring barley. There is also a substantial production of beets and potatoes, as well as a production of crops like rape, winter barley, sugar beets and others.

### *Organic farming*

Organic farming involves less strain on nature and environment than traditional agriculture. In 2005, approximately 2,900 farms and 6% of the agricultural land area were managed according to organic principles corresponding to 151,000 hectares, including areas under conversion. Between 1993 and 2002 there was strong growth in organic production, to a great extent concentrated on dairy production and horticulture. Other product groups have been added subsequently. Following a period of stagnating demand and production, there is now a trend towards rising demand for organic products. The red organic label is well known and widely used in the Danish market, and covers a wide range of products. Supported by the Rural Development Programme amongst others, organic areas have increased remarkably in the last two years and in 2009 have grown to 172,000 ha in 2009. The increase is expected to continue throughout 2009.

A study carried out by the Ministry of Food, Agriculture and Fisheries<sup>8</sup> shows that 49% of consumers buy 88% of organic products. However, this 49% of consumers only spend between 7% and 14% of their food budget on organic products, so there seem to be a huge significant potential for sales of organic products to grow. The demand for organic products has grown in the last few years, and the huge significant potential identified in the study therefore requires an increase in the production of organic products if supply is to be able to match demand.

### *Livestock*

Production of pig meat is generally rising, while production of beef, veal and poultry meat has declined. Livestock husbandry has also undergone rapid structural development and specialisation, and concentration of livestock production has been in progress for many years. A total of 14,747 farms had cows in 2005 (of which 6,605 had dairy cows). The number of farms with pigs was 8,886. In North, West and South Jutland there are cows on 35-40% of farms, while there are only cows on around 15-20% of farms in the other parts of the country. The number of farms with pigs is more evenly distributed geographically than the number of farms with cows. There are large variations in the earning power among the holdings.

### *Structural development livestock farming*

The food sector has been characterised by a rapid reorganisation and adjustment to the development in the market situation. The agricultural holdings have grown in size, livestock farming is concentrated on still fewer holdings, investments have been made in labour-saving equipment and

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<sup>8</sup> International Centre for Research in Organic Food Systems: "Udvikling, vækst og integritet i den danske økologisektor". Knowledge synthesis on the opportunities for and barriers to continued growth and market based growth in production, processing and sale of organic products", June 2008.

new technology and new processes and products have been developed to adjust the production to the shifts in the demand for food products.

The agricultural production has been at a constant level coincident with a drastic reduction in the labour input. Alongside these trends a knowledge-based consequential industry has been developed with a high level of technology (in particular ingredients and machines for the food industry, environmental technology, etc.). Production levels remain unchanged, while labour input has decreased sharply.

This change-over and structural adaptation have created the income basis for the food industries, but at the same time have had a significant impact on employment and living conditions in the rural areas. The following figure and table depicts this development.

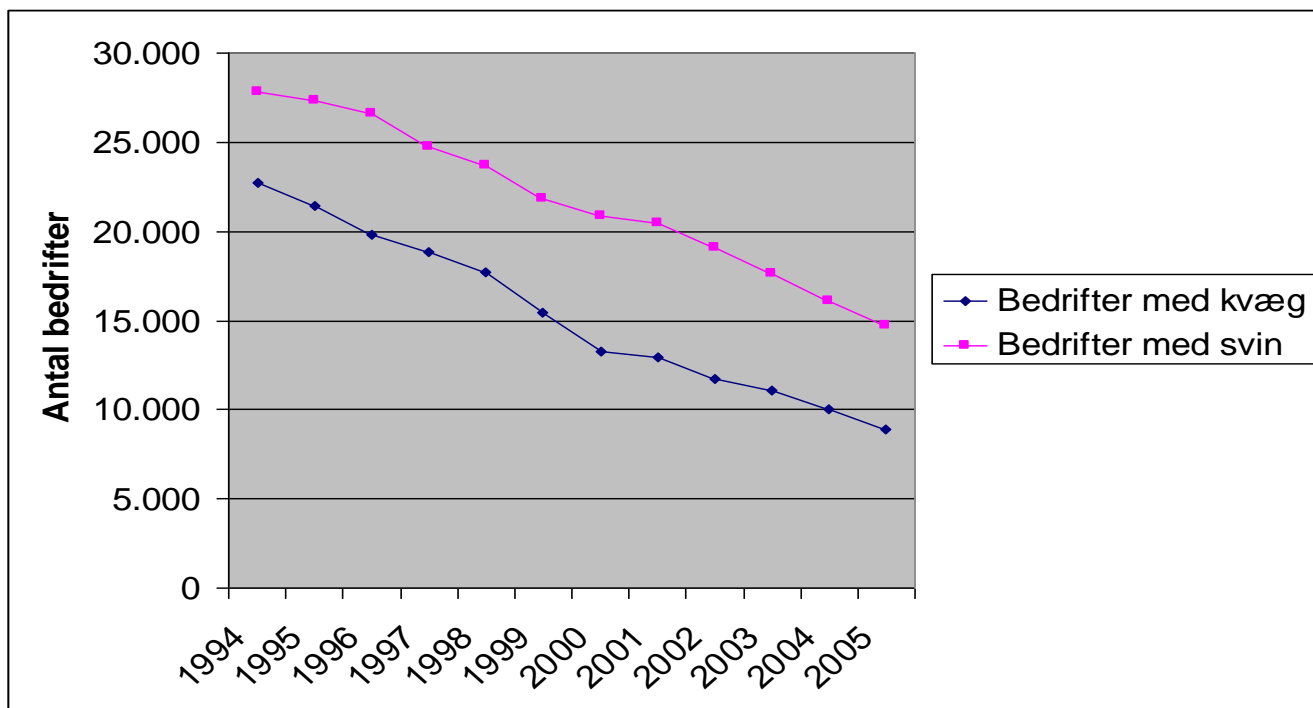


Figure 5: Number of farms with cattle and pigs.

Foodnote/translation	
Antal bedrifter	Number of farms
Bedrifter med kvæg	Farms with cows
Bedrifter med svin	Farms with pigs

<b>Table: Danish livestock production – number and type of animals</b>					
<b>Year</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Bulls and steer	69,235	59,496	47,553	43,355	36,634
Heifers	431,630	410,861	379,914	335,533	340,107
Milk cows	609,602	596,034	563,454	564,265	550,279
Suckle cows	120,344	112,107	107,697	101,343	100,072
Sows	1,128,055	1,148,589	1,155,485	1,151,482	1,127,345
Pigs (stock)	12,732,035	12,948,944	13,233,235	13,534,436	13,361,099
Slaughter and export of pigs (1000 animals.)	24,203	24,434	25,197	25,758	25,763
Milk ab farmer (mio. kg)	4,590	4,675	4,569	4,584	4,627
Slaughter and export of cattle (1000 animals.)	668	625	632	549	509

Table 2: Danish livestock production – number and type of animal.

Source: Statistics Denmark 2007.

### *Forestry*

Timber production is around 2 million m<sup>3</sup> of timber per year, broken down into 25% hardwood and 75% softwood. In 2005, however, felling accounted for almost 3 million m<sup>3</sup> as a result of storm damage. Timber consumption is around 8 million m<sup>3</sup>. 75% of the area of woodland is privately owned, while the remainder is state-owned forest. The area of the woodland is dispersed throughout the country. Altogether there are more than 26,000 forests and woods over 5 ha in Denmark. 96%, of the forests representing 30% of the total area of forest, are smaller than 50 ha.

The primary forestry sector contributes around 1% of national gross value added. The sector employs around 4,000 people and supplies the industrial timber sector. Timber prices have fallen in recent years, and the economy in the private woodland sector is therefore faltering. Production of Christmas trees and ornamental greenery as well as the leasing of woodland for hunting has gradually assumed the same economic significance as timber production.

### *Horticulture*

For a number of years there has been substantial structural adaptation in horticulture towards fewer and larger enterprises. The average greenhouse area per pot plant horticultural enterprise

rose from 6,194 m<sup>2</sup> in 2000 to 8,632 m<sup>2</sup> in 2005, while the average outdoor growing area for all horticultural enterprises over the same period rose from 14.7 ha to 21.1 ha.

The number of people employed in horticulture has declined. At present around 8,000 people are employed in the horticultural industry, whereas in 1997 around 10,000 people were employed in the industry. Horticultural production in recent years has had a value of around EUR 560 million per year, broken down into around 75% from greenhouse production and around 25% from outdoor production. Pot plant production accounts for nearly 60% of the total turnover of the horticultural industry, and most of this goes for export. The average turnover of a pot plant horticultural enterprise in 2005 was around EUR 845,000.

The earnings from horticulture depend greatly on the balance between the trend in sales prices and the trend in energy prices and wage costs. Some horticultural enterprises, particularly larger ones, achieve reasonable earnings, while smaller horticultural enterprises (both greenhouse and outdoor) producing vegetables, fruit and berries are under severe economic pressure due to a strong international competition. Globalisation and a larger internal market in the EU will put pressure on Danish horticulture and may be expected to lead to significant structural changes in the industry over the next few years.

#### *Future challenges*

The continued trend of globalisation compels Danish trade and industry to compete on the base of new knowledge and ability to create innovation. Danish food industries and authorities are strongly committed to continue the efforts for innovation, research and development, which have already contributed to the rapid conversion and adaptation of the industries. This is illustrated by the sharp rise in the number of patents in the agriculture and food sector. In 2004, 51 out of a total of 825 Danish patents went to the food sector.

The trend towards rapid change-over and adaptation to market conditions is expected to continue over the next few years. According to the OECD's medium-term projection for the period 2006-2015, increased competition may be anticipated on the world market. The countries outside the OECD will increasingly come into play as exporters of agricultural products in the globalised economy by virtue of their cost advantages. The increased competition and improvements in productivity will exert downward pressure on prices. The growth in demand for foods comes in particular from countries outside the OECD, where population growth and changed dietary habits as a result of rising income will change food consumption in the direction of more animal products. Demand for foods in the OECD countries is expected only to grow slowly, but products produced with consideration to food safety, quality, the environment and animal welfare will become more popular and competitive.

In recent years, even greater focus is given to sustainable agricultural production, quality foods and creation of local and regional added value in primary production. Consumer demand for quality foods and interest from producers and consumers in greater use of quality marks is increasing.

The opportunities for Danish food production exists particularly in the animal sector, and the development of products is dominated by the factors of food safety, quality, the environment and animal welfare, which may be expected to play an increasingly significant role in consumers' preferences.

However, the effort shall be focused on innovation in the primary production and processing sectors, in food safety, quality, environmental and climate sustainability, animal welfare and development of best practises to achieve these objectives. No targeting of specific sectors of agricultural production shall be established, and no production sector shall be disqualified or prioritised in advance.

**To sum up**, the main challenges for the agriculture and forestry sectors in the years to come are:

- Further innovation and development in the agriculture, forestry and food sectors is needed if the sectors shall overcome the challenges of globalisation.
- Reduction in labour input in the agricultural production together with other structural adaptations in the last decades has saved the income basis for the food sector, but at the same time it has had significant consequences for the employment and conditions of life in the rural areas.
- Increased global competition and improvement in competitiveness may exert a long term downward pressure on prices.
- However, demand for products made with special consideration for food safety, quality, environment, climate, and animal welfare is expected to accelerate. The food agriculture and forestry sectors must make use of this growth in demand through continued innovation and development.

### **3.1.4. Nature and environment**

In Denmark, approximately 60% of the total area is agricultural land corresponding to approximately 2.6 million hectares. Urban areas cover about 250.000 hectares. Thus the land use and development in agriculture play a very important role in the overall conditions of nature and environment. A competitive agricultural production does not necessarily conflict with considerations for the environment, nature and neighbours. An environmentally friendly agricultural production is a Danish position of strength..

The Danish Government has over a number of years, in collaboration with the agricultural sector, worked on integrating the considerations for the environment and nature into the general regulations for agricultural production. This has been done partly trough implementation of national action plans, and through implementation of the common agricultural policy, including the rural development policy.

*Agriculture as a nature manager*

Agriculture plays an important role in the conservation of natural, environmental and cultural assets and recreational assets in the Danish countryside. In general the last half century of mechanisation and specialisation in the agricultural production, has contributed to the pressure on a number of natural habitats. The numbers of rare plant species have become fewer while the number of common species has increased, and the boundaries between farmed areas and the “wild” unfarmed areas have become clearer. At the same time these unfarmed areas are predominantly placed in the margins of the farmed areas. Permanent grasslands, meadows, pastures and heathers are types of extensive farmlands, where grazing can contribute to the maintenance of specific natural values.

Therefore these areas are dependant on the agricultural farming. No farming means that the areas overgrow, while intensive farming can lead to diminishing the values associated with the specific areas. Also the establishment of natural windbreak on agricultural lands can increase natural values. They are important biotopes, and they create ecological links between larger natural areas.

#### *National actions taken under the Rural Development Programme*

The efforts made so far to counteract a negative environmental influence from agriculture have shown positive results. Voluntary measures financed under the rural development programmes have contributed to these results. By the end of 2006 around 98,000 ha of agricultural land were covered by agreements on environmentally friendly agriculture with requirements for land set-aside or conversion to extensive pasture without the use of pesticides and fertilisers. The area was maintained in 2008. In 2006, another 153,000 ha were covered by agreements on organic farming or extensive production on agricultural land with no use of pesticides and limits on the use of nitrogen. There has been a positive development in this regard, bringing the area to 179,000 ha at the end of 2008.

#### *National objectives and action plans*

Even though Denmark has achieved a lot in many areas, there is still an ongoing need to improve the aquatic environment and reduce the use of pesticides. This is why Green Growth replaces and supplements the Government’s Aquatic Environment Plan III from 2004 and is also the Government’s follow-up to the Pesticide Plan 2004-2009.

Emissions of nitrogen from agriculture were halved through the national Aquatic Environment Plans I and II over the period 1987-2003. AEPIII encompasses a broad-based initiative to further reduce the impact of agriculture on the aquatic environment, nature and neighbours over the period 2005-2015.

The objectives of the national Aquatic Environment Plan III were;

- 50 per cent reduction of excess phosphorus
- Establishment of 50,000 hectares of buffer zones along lakes and water courses
- Further 13 per cent reduction in nitrogen leaching.
- Protection of particularly vulnerable nature
- Research aimed at limiting odour nuisances, reducing excess phosphorus and phosphorus discharges and improving methods for manure management
- Strengthening organic farming
- New distance requirements for manure management

Reduction of excess phosphorus shall be achieved through a tax on mineral phosphorus in feed, through general improvement of the phosphorus balance on basis of new knowledge and through support measures under the RDP. Reduction of nitrogen leaching shall be achieved by regulation on N norms, farming of late crops and N-utilisation in livestock manure and through establishment of wetlands and forest on agricultural land and strengthening organic farming through support measures under the RDP.

The mid-term evaluation of the AEPIII shows that the excess phosphorus has been reduced by approximately 6,500 tonnes of P in the period 2001-2002, corresponding to a reduction of approximately 23% while no certain reduction in nitrogen leaching can be detected for the period 2003-2007.<sup>9</sup>

In 2002, the Government introduced an Action Plan for Reducing Ammonia Emissions from Agriculture. Through the action plan, a ban was introduced on certain methods for spreading of manure. When the plan has been fully implemented in 2007, a total reduction of about 9,500 tonnes of nitrogen emissions per year is expected. The activities of the AEPIII shall assist to follow up on the plan.

Ammonia evaporation from agriculture has been reduced by an average of 2,600 tonnes of N in the period from 1985 to 2007<sup>10</sup>.

The national Pesticide Plan 2004-2009 was also aimed at the objectives in the Natura 2000 and Water Framework directives. The objectives were to

- reduce the plant protection treatment frequency to 1.7 per year,
- promote re-adjustment of agriculture to non-pesticide cultivation and to
- facilitate that 25,000 hectares of pesticide-free marginal areas are established along streams and lakes before the end of 2009.

The Government will maintain and survey approved pesticides to ensure they are not washed out into the ground water above limit values.

The Pesticide Plan 2004–2009 was assessed in 2008 and it was concluded that the objectives described above will not be achieved. However, in some areas there have been fewer improvements. At the same time, for many of the initiatives it will only be possible to see an effect in the long term<sup>11</sup>.

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<sup>9</sup> The Faculty of Agricultural Sciences, Aarhus University, and the National Environmental Research Institute, Aarhus University. "Mid-term evaluation of the Aquatic Environment Plan III", December 2008.

<sup>10</sup> Danish Agriculture: "Dansk landbrug i tal 2008" (Danish agriculture in numbers), October 2008.

<sup>11</sup> The Ministry of the Environment: "Evaluering af målopfyldelse og virkemidler i Pesticidplan 2004-09" (Assessment of goal achievement and means in the Pesticide Plan 2004-9), Environment project No 1247, 2008.



According to the With Green Growth plan the Government is laying the groundwork for a significant restructuring and tightening of the initiative for limiting the use of pesticides. The aim is to reduce the harm to humans, animals and nature caused by pesticides. The following initiatives will be carried out:

- Green conversion of pesticide fee
- Support for establishment of Statutory requirements for the laying of spray, fertiliser and cultivation-free border strips which ensure that by the end of 2012 a total of 50,000 border strips will have been laid out
- Establishment of a point system for pesticides enabling the farmer to choose the pesticides with the least impact on the environment and health
- Restrictive approval scheme
- Promotion of pesticide-free cultivation
- Consolidation of advice for the use of pesticides, focusing on integrated plant protection.
- Reports on the farmers' spraying records
- Increased research effort in, amongst other things, integrated plant protection, decision-making support systems and the damage caused by pesticides

#### *Other national environmental initiatives*

Extension or establishment of livestock production in Denmark is regulated in the national Planning Act and the Environmental Protection Act. This ensures that extension or establishment of livestock farms is assessed in relation to the impact on the environment and nature in accordance with applicable Community policies. Approvals under the Environmental Protection Act must be reconsidered at least for every ten years. If new information arises about environmentally harmful effects or best available techniques, authorisations may be reconsidered before expiry of the ten years.

In addition to the national action plans, developments of new technologies and improved feed utilisation have contributed to more environmentally friendly production. Within livestock production and horticulture, the trend towards larger production units has created a need for investment in technologies that can reduce the impact on the environment, nature and neighbours. Such investments are not only necessary for optimisation of production processes and competitiveness, but also for enabling agriculture to meet society's goals for nature, climatic effects, the environment and animal welfare.

With the multi-annual plan for sustainable and environmentally friendly livestock production from 2006, the Government has proposed a number of recommendations for innovation, demonstration, documentation, and introduction of environmentally friendly technologies in agriculture, which can ensure a continued sustainable development of the livestock production. To reach this objective, adjustment of national regulations on livestock production may prove necessary to enable sustainable solutions and to provide greater incentives for investment and operational measures.

#### *Water*

The drinking water in Denmark is of high quality, and generally it is possible to drink groundwater from most drinking water drilled wells without filtering/cleaning. Local problems with drinking water quality can be concentrations of pesticides, nitrate, inorganic and organic matter. Today, abundant quantities of pure drinking water are ensured by protecting the ground water resource against discharge and by the existing regulations concerning pesticides. Furthermore, areas sensitive to pesticides and non-spraying zones around drillings are designated.

Denmark has implemented the nitrate directive objectives through regulations. The use of subsidies – including the establishment of wetlands and forest supported through the Rural Development Programme has also contributed to the national objectives. The national aquatic environment action plans I and II, have in the period 1987-2003 contributed to a reduction of discharge of nitrogen from agriculture by around 50%. The positive trend for the environment will continue with the national Aquatic Environment Plan III (AEP III).

In order to achieve a good ecological status in all Danish lakes, watercourses and coastal waters, the Government aims to reduce nitrogen-leaching into the aquatic environment by approximately 19,000 tonnes and phosphorus leaching by approximately 210 tonnes compared to the current level by 2015. This will make it possible to us achieve the objectives as we set ourselves in the Aquatic Environment Plan III, and complying with the obligations of the EU's Water Framework Directive. Prior to the Directive's second plan period (2016-2021) the need for additional initiatives will be assessed in order to comply with the Water Framework Directive's goals for good conditions in Danish lakes, watercourses and coastal waters. This assessment will be carried out on the basis of new knowledge acquired, including on climate change in relation to the aquatic environment.

In order to achieve a good quality aquatic environment, the Government will implement an ambitious initiative which will include:

- A green conversion of nitrogen regulation
- Additional general regulation for reducing nitrogen and phosphorus, e.g. a ban on soil preparation in the autumn
- Targeted measures, including spray, fertiliser and cultivation-free border strips, wetland areas, extensification of river valleys and late crops
- Improved physical conditions on certain stretches of 7,300 km of watercourse
- Improved cleansing of rain and waste water
- Reinforced protection of groundwater resources

#### *EU Nitrates Directive derogation*

In general according to the Nitrates Directive a quantity of manure not exceeding the equivalent of 170 kg of nitrogen per hectare may be spread per plan period. The Commission has decided to allow derogation (2005/294/EC) to Denmark in relation to the Nitrates Directive, in that it is possible – under certain conditions – to have more livestock units per hectare than the directive in general prescribes. The derogation allows under certain additional conditions an amount of livestock manure applied to the land on cattle farms each year, including by the animals themselves, equivalent to up to 230 kg of nitrogen per hectare. The derogation was extended in 2008 until 2012. The derogation shall have no direct effect on the calculation of support rates in the measures under Axis 2 of the programme. This is because the

calculations shall cover additional costs and income foregone due to other obligations than reduced input of nitrogen in the agricultural production. Compensations are given for obligations to not use plant protection products, to conserve natural habitats by grazing, cutting or trimming of grass, or to produce organically. Therefore no adjustments of support conditions or rates are needed, if the derogation is not extended. The possibility for farmers applying the derogation, to apply for support under Axis 2 measures shall be specified in the Rural Development Programme for the relevant measures.

The total agricultural area of Denmark has been appointed as Nitrate Vulnerable Zone pursuant to the Nitrates Directive. Therefore no Codes of Good Practice have been introduced for farms outside these zones in Denmark.

### *Nitrogen and phosphorus*

The surplus of phosphorus and ammonia emissions from manure from agriculture has been decreasing during the past 15-20 years. The surplus of phosphorus has been reduced by about 50% since the mid 1980s, and the loss of ammonia from manure has decreased by approximately a quarter.

With AEP III, the surplus of phosphorus is expected to be reduced by 50% in relation to the level in 2001/2002 which was approximately 32,700 tonnes of phosphorus. According to the national agreement on AEP III 50,000 hectares of marginal zones around streams and lakes must be established, and the discharge of nitrogen must be reduced by 13% before 2015. To reach these objectives, it is among other things necessary to invest in more environmental technology on larger livestock holdings. Investments in new technology are also expected to reduce odour inconveniences from the livestock holdings. A significant lowering of the airborne strain with nutrients should however imply that other sectors – transport, industry, energy production – contribute as well. In addition a significant part of the nutrients strain in Denmark is due to contribution from our neighbouring countries.

The rural development programmes contribute to the reduction of negative environmental effects from the agricultural activities. The efforts under the rural development programmes have resulted in that approximately 98,000 hectares are included in agreements concerning environmentally friendly farming with fallow or extensive grazing areas without the use of fertilisers. A further 153,000 hectares (approximately 179,000 hectares in 2009) are included by arrangements concerning organic or environmental friendly farming without the use of pesticides and with limited use of nitrogen.

Apart from the environmental action plans, investments in new technology have contributed to a more environmentally friendly production. Technological development and improved feeding technology have made it possible to increase the livestock production without a larger total environmental strain.

Trends in nitrogen and phosphorus balances can be found in the following two figures.

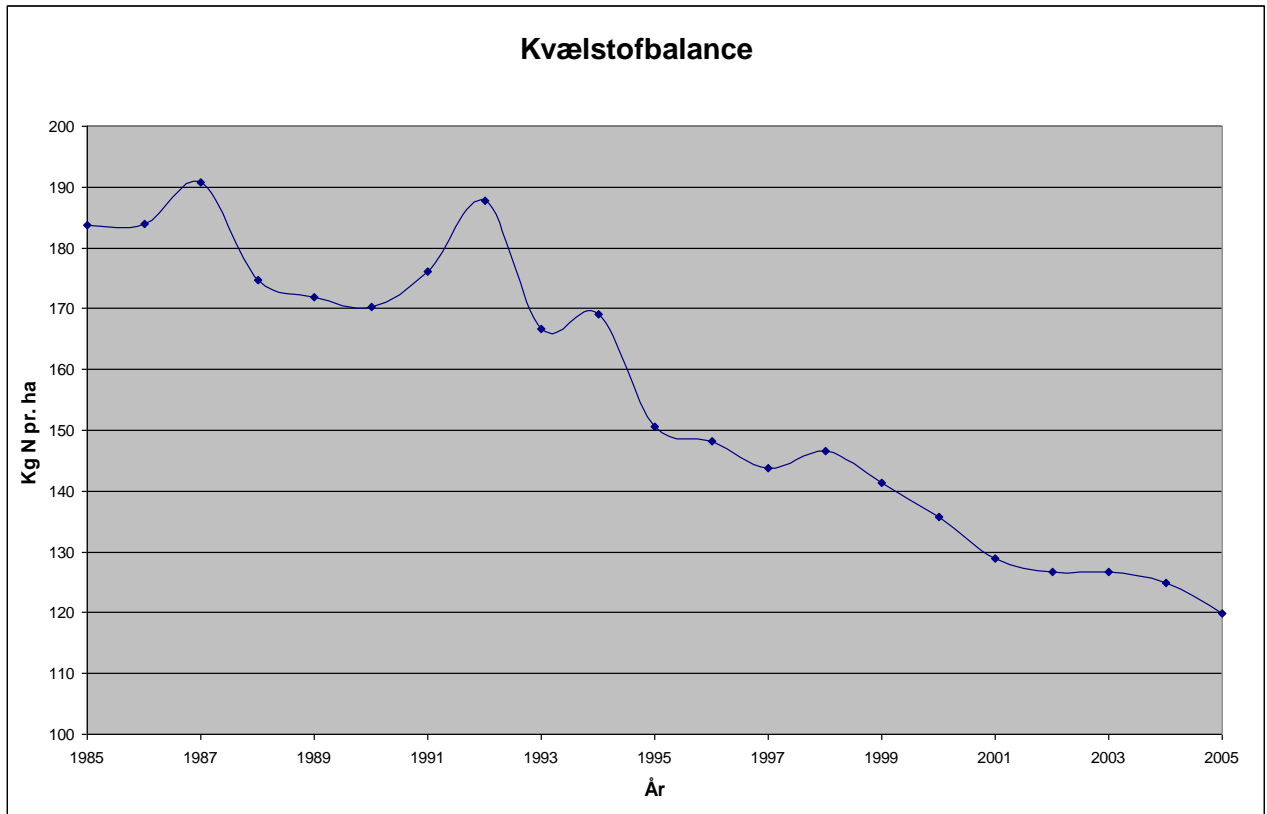


Figure 6: Trend in the Danish nitrogen balance from 1985-2005

Foodnote/translation	
Kvælstofbalance	Nitrogen balance
Kg. N pr. ha	Kg of N per ha
År	Year

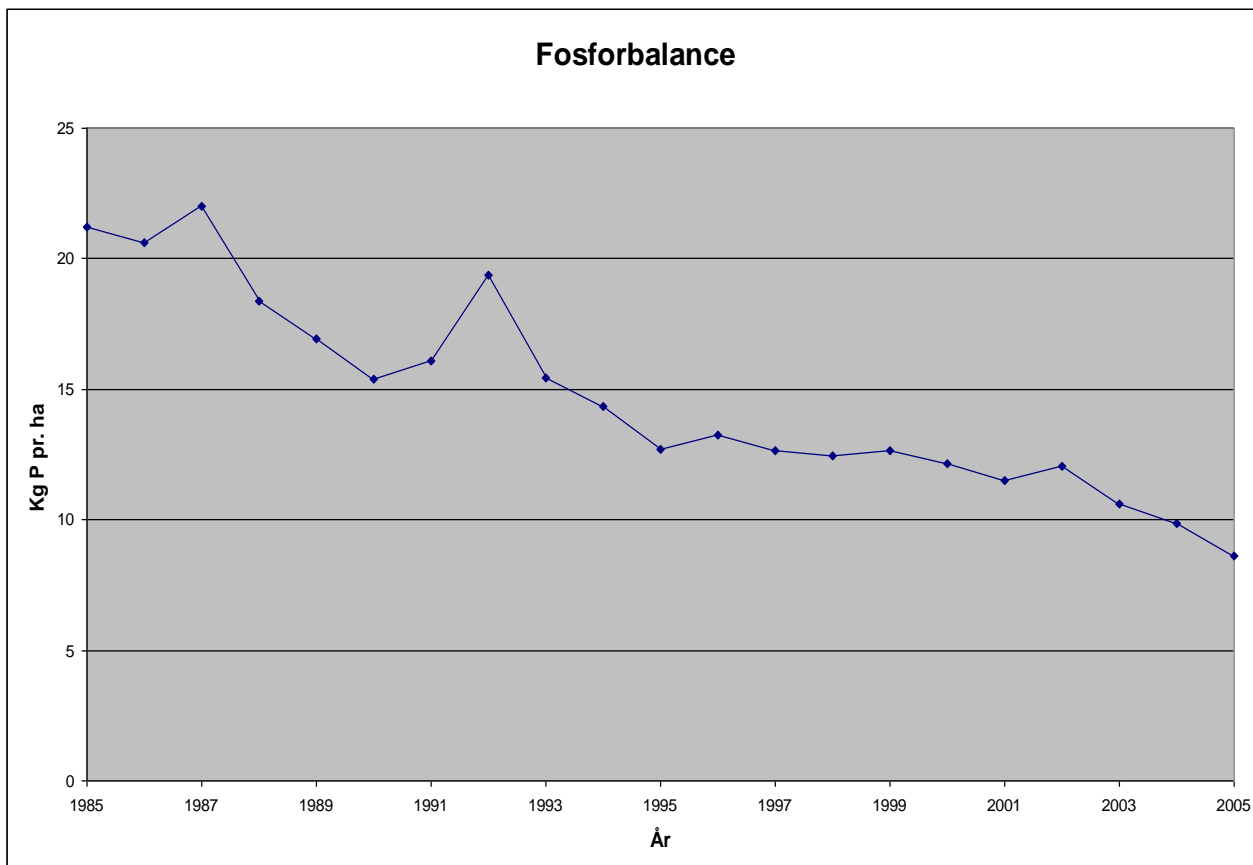


Figure 7: Trend in the Danish phosphorus balance from 1985-2005

Foodnote/translation	
Fosforbalance	Phosphorus balance
Kg. P pr. ha	Kg. P per ha
År	Year

### Pesticides

As an element of the Pesticide Plan 2004-2009, the target was to reduce the frequency of treatment in agriculture to 1.7 and to promote the change-over to pesticide-free cultivation. The Government's goal was to ensure that approved pesticides were not leached to the groundwater in excess of the limit value. It was also a Governmental objective to convert 25,000 hectares of no-spray border strips along targeted watercourses and lakes before the end of 2009. Pesticide-free cultivation is promoted today by the payment of support for conversion to organic agriculture and through the area payment system for extensive production on agricultural land.

The Government wishes to maintain the level of ambition from the Pesticide Plan 2004-2009. Only the amount of spraying that nature and the environment can handle should take place. The Government is replacing the previous processing indicator for spraying frequency indicatoris

expected to be replaced by an improved with a new indicator which take account of the for load scale actual effect on the environment. The Government's objective is for that the load scale indicator to shall be reduced by to 1.4 by the end of 2013. In addition to this, the Government is increasing the level of ambition for the target relating to the conversion of no-spray border strips to 50,000 hectares by the end of 2012.

The development in the sales of pesticides in Denmark over the period 1981 to 2006 is shown in the tables below. The figures also contain pesticides use outside the agricultural sector.

**Table 3a Sale of pesticides after type and year – kilo active substance per hectare**

	1981	1986	1991	1996	2001	2006
Total	2,33	2,36	1,83	1,58	1,42	1,46
Herbicide	1,78	1,48	1,13	1,26	1,00	1,12
Fungicide	0,42	0,65	0,56	0,27	0,26	0,24
Insecticide	0,10	0,09	0,06	0,02	0,02	0,03
Growth regulation	0,04	0,14	0,07	0,03	0,14	0,06

Source: Statistics Denmark 2007.

**Table 3b Sale of pesticides after type and year – tonnes active substance**

	1981	1986	1991	1996	2001	2006
Total	6115	6085	4628	3669	3083	3212
Herbicide	4671	3810	2867	2915	2164	2479
Fungicide	1094	1682	1426	631	561	536
Insecticide	253	233	146	36	49	57
Growth regulation	97	360	189	87	309	140

Source: Statistics Denmark 2007.

### *Natura 2000 and Water Framework directives*

Denmark has substantial obligations in the fields of nature and environment in relation to a number of EU directives, including the Natura 2000 directives (the habitat directive and the bird protection directive) and the Water Framework Directive. These obligations play a central role in the future nature and environmental effort in Denmark. There is a close correlation between the implementation of Green Growth and the implementation of the EU's Water Framework Directive and Habitats Directive.

The obligations of the Natura 2000 directives and the Water Framework Directive will play an important role in future nature and environmental conservation efforts in Denmark. In order to reach the objectives it is expected that further reduction of discharge of nutrients and increased quality of the water bodies and natural areas must be obtained. Specific nature and environmental targets must be set for the areas designated, and a more differentiated implementation of the objectives in each of the areas must be carried out.

Under the Natura 2000 directives which oblige the Member States to maintain or establish a favourable status of preservation for a number of types and species of nature, 254 habitat areas and 113 bird protection areas are appointed which corresponds to 359,100 hectares or approximately 8.3% of the total area in Denmark. The designated areas include agricultural land, forest, common land, salt marshes, fresh meadows, bogs, dunes, moors etc.

According to the Natura 2000 directives, objectives and scopes are to be fixed for water bodies and Natura 2000 areas in 2009 at the latest, but already today Denmark is obliged to active management to protect Natura 2000 areas, as well as the country is obliged by the EU objective to stop the recession of biodiversity in 2010 at the latest. The Natura 2000 designated areas are shown in the following map.

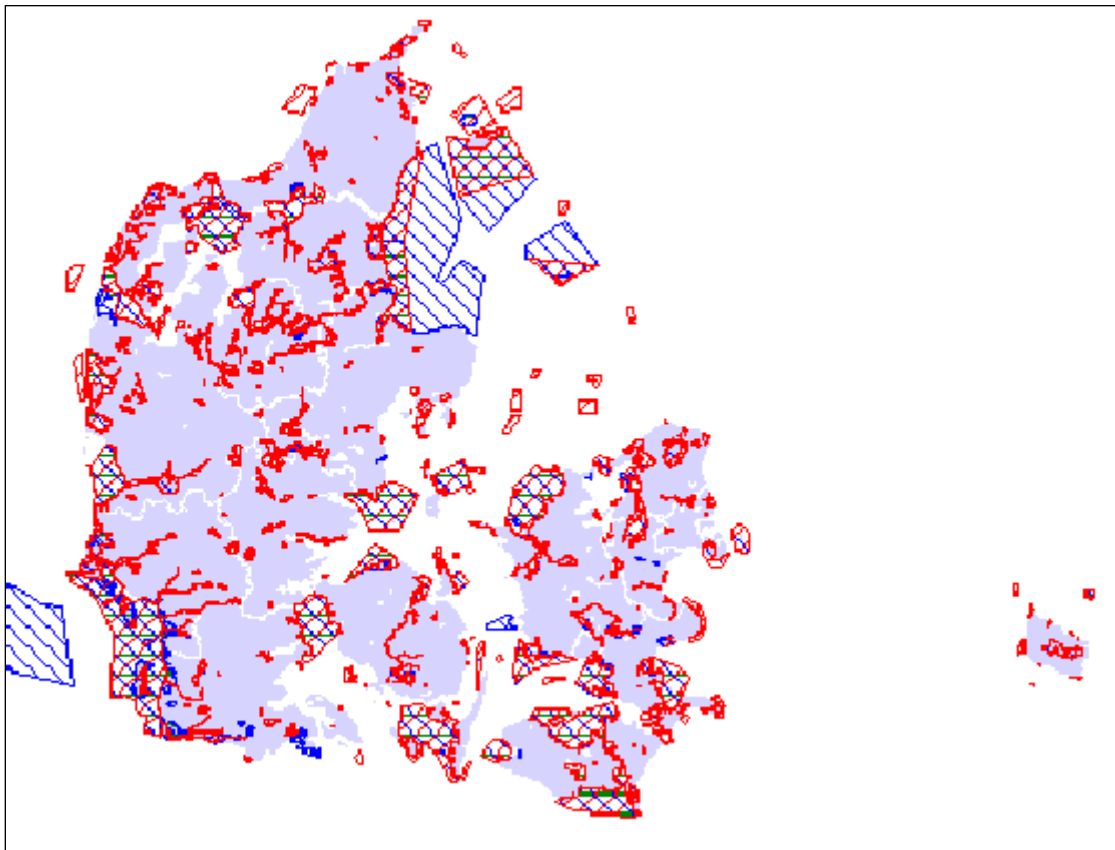


Figure 8: Map showing Natura 2000 sites.

Not later than 6 years after the approval of the national designation of Natura 2000 areas the national authorities shall have a proactive administration in order to secure or re-establish a favourable conservation status. In Denmark this will happen in 2010. The main timetable for making Natura 2000 plans is:

End of 2006	A survey in order to locate the sites of 18 nature types in open area and all the forest nature types within the Natura 2000 areas completed
2008	The Ministry of Environment will make drafts of Natura 2000 Plans for all Natura 2000 areas. Public debate
2009	The Natura 2000 Plans will be approved
2010	Action plans will be drafted and approved. A proactive administration will begin.

The plans will show objectives for the long term development and for the administration to be followed in the first plan period. The action plans will give the guidelines for the pro active administration. For the forests it is foreseen that the proactive administration in most cases will be made by voluntary agreements with the forest owner, and only use imposed restrictions when it is impossible to obtain a voluntary agreement.

#### *Water Framework Directive*

The concrete targets of the Water Framework Directive and the corresponding effort required will be specified in future water plans in accordance with the directive.

The demands of the Water Framework Directive are in principle to be met for the individual water bodies by 2015 at the latest. If the scale of improvements required can only be achieved in phases exceeding the timescale for reasons of technical or economical feasibility the deadlines for achievement of the objectives can be extended to 2027.

The inter calibration process according to the Water framework Directive is still ongoing. It will set the precise obligations shall then to be specified and in the water plans are expected to be established nationally by 2010.

#### *Implementation of the Water Framework Directive and Natura 2000 directives*

Until the national planning for the implementation of the directives has been established and the specific provisions for support have been decided upon, other measures in the Rural Development Programme will contribute to the achievement of the same objectives. Farmers and forest holders will be able to apply for support on a voluntary basis.

The Government's water and environmental plans are being prepared and are expected to be approved before the end of 2009. The plans include individual mandatory initiatives, which for some initiatives are foreseen to be compensated under the Rural Development Programme.

Other national environmental action plans already contribute to the achievement of the aims of the directives. The implementation of the national multi-annual plan for sustainable and environmentally sound livestock production is expected to contribute in various ways. The Danish Government put forward a number of recommendations in 2006 for a further commitment to innovation, demonstration, documentation and introduction of environmentally friendly technologies in agriculture, which are capable of ensuring the continued sustainable development of livestock production.



The majority of the measures under Axis 2 of the Rural Development Programme shall contribute to meeting the objectives of the Natura 2000 and the Water Framework directives. These measures may concern:

- Conservation by grazing or cutting on pasture and natural areas
- Conversion to organic agricultural production
- Extensive production on agricultural land
- Establishment of border strips along watercourses and lakes
- Nature and environment projects (support for planning of projects and for non-productive investments in connection with protection of environment, nature and animal welfare)
- Establishment of wetland areas
- Extensification of river valleys
- Establishment of natural hydrological conditions
- Establishment of landscape and biotope-improving vegetation

Also measures under Axis 1 shall contribute combining both the aim of ensuring a competitive sector and the protection and improvement of the climate and the environment. The measures under Axis 3 and 4 shall also contribute, however on a more limited scope.

The scope of the additional financing and regulation needed to achieve the aims is in the process of being assessed nationally in accordance with the Community policies.

Denmark intends to modify the Rural Development Programme in order to include the specific measures for Natura 2000 in both the agricultural and forestry sector. This is expected to be established in 2010 with full implementation in 2011. Special provisions for implementation of the Water Framework Directive may also be included when the necessary basis is available. Establishment of such provisions is not anticipated until after 2010 and after establishment of the Natura 2000-plans.

The instruments are implemented as voluntary for farmers and foresters as an outset. When the necessary planning has been laid down selected instruments are expected to be set up as mandatory, and the instruments is accordingly expected to be included in the Rural Development Program under the relevant provisions.

#### *High Nature Value Farming*

An impact indicator measuring the area of High Nature Value farmland shall be used to measure the impact of the Rural Development Programme on biodiversity, landscape features and habitats. The concept of High Nature Value farming and forestry does not only cover defined areas but also high nature value features (e.g. buffer strips etc.) introduced into areas that as such would not fall under the definition of high nature value. In addition it refers to agricultural and forestry management systems being a driver for high nature value. The indicator developed by the European Environment Agency and the Joint Research Centre distinguishes the following types of HNV farmland:

1. Farmland with a high proportion of semi-natural vegetation

2. Farmland dominated by low intensity agriculture or a mosaic of semi-natural and cultivated land and small-scale features
3. Farmland supporting rare species or a high proportion of European or World population

In Denmark it is estimated that approximately 78,000 hectares of agricultural area is operated in accordance with the concept<sup>12</sup>. The programme should contribute to at least maintain extensive management of these areas. The FIA shall develop further the method for monitoring the indicator.

### *Climate change and bio energy*

There is a general need for an initiative to cut greenhouse gas emissions and to make use of alternative energy forms and adapt our society to new times.

Agricultural caused emissions of greenhouse gases can be influenced by a number of different measures, which to varying extents will affect the emissions of the individual greenhouse gases (methane, nitrous oxide and carbon in the ground). It is also important to increase the utilisation of nitrogen during production, in the same way that there are cultivation and environmental reasons for maintaining and possibly increasing the amount of carbon in agricultural land. There is also a need to increase the utilisation of biomass to create energy. In the latter case it is especially interesting to identify resources which neither compete with the food production nor have a negative impact on the environment. The possibilities for doing so are mainly through greater utilisation of waste and residual products as well as cultivating perennial energy crops on marginal areas.

In Denmark agricultural emissions account for approximately 16% of national greenhouse gas emissions. Methane and nitrous oxide emissions from Danish agriculture decreased by 26% in the period 1990 to 2006. This decrease is particularly due to less cattle farming and a better utilisation of nitrogen in cultivation of agricultural products as a result of implementing the aquatic environment plans<sup>13</sup>.

Through the Kyoto protocol, Denmark is obliged to reduce its discharge of greenhouse gasses by an average of 21% for the period 2008-2012 in relation to 1990. The target is an annual discharge of 55 million tons CO<sub>2</sub>. In connection with the preparation of the Danish Climate Strategy in 2003 it was calculated, that the need for reduction was 20-25 million tons a year. It is now estimated, that Denmark needs a reduction of 12 million tons a year. The agricultural sector has reduced the discharge of greenhouse gasses by 23-24% - a reduction that has taken place at the same time as a rise in production and implementation of the environmental action plans. The discharge of greenhouse gasses from agriculture consists mainly of methane and laughing gas, and not so much of CO<sub>2</sub>.

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<sup>12</sup> DG AGRI-G2 and European Environment Agency, 2000.

<sup>13</sup> Ministry of Food, Agriculture and Fisheries: "Agriculture and climate". An analysis of agriculture's means for reducing greenhouse gases and the financial consequences), December 2008.

In accordance with the Gothenburg Protocol and the EU's National Emissions Ceilings Directive, in 2010 Denmark must comply with emissions ceilings for a range of substances, including NH<sub>3</sub>. It is anticipated that Denmark will be able to comply with the ceiling for NH<sub>3</sub> as a result of the reductions in emissions that have taken place over a number of years<sup>14</sup>. However, further reductions in the airborne nutrient burden shall also depend on the contribution from other sectors – transport, industry and energy production – and contributions from neighbouring countries.

Approximately half of the agricultural discharges of greenhouse gasses come from spreading and decomposition of manure on the fields. But digestion from cattle, storage of manure and discharge from agricultural machines also contribute to the discharges. The production of renewable energy in forestry and agriculture constitutes in total about 4% of the total energy production.

The production of renewable energy in the agricultural and forestry sector has generally been increasing during the last many years. This increase is in good accordance with the objectives of the EU biomass action plan from 2005 and the EU strategy for bio fuels adopted in 2006. In addition, a significant national research effort has been started with the objective to examine the connection between agriculture and the environmental situation. This is done as part of the national Aquatic Environment Plan III and other national plans.

Currently, the use of biomass to produce electricity is a socio-economically relatively expensive solution but, with higher CO<sub>2</sub> and fossil-fuel prices, biomass-based production may well become an economically sensible choice. Today, a substantial amount of biomass is used at power plants as a result of the biomass agreement and the associated subsidy. This contributes to the scientific basis for future increased use of biomass. The European Commission is working on the presentation of an overall biomass-trading plan and, generally, it is to be expected that biomass will be used more and more within the European Union in the years to come.

The Danish Government has presented a plan to meet the energy policy challenges based on the vision, that Denmark in the long term shall be entirely independent of fossil fuels. The proposal includes the following targets prior to 2025:

- A minimum 15% reduction in the use of fossil fuels compared with today
- Preventing an overall increase in energy consumption, while sustaining economic growth
- An increase in the share of renewable energy to at least 30% of energy consumption
- A doubling of publicly funded research, development and demonstration of energy technology

The Government wishes to promote the use of biogas that may contribute to reducing consumption of fossil fuels and emissions of the greenhouse gas methane and also solve a waste disposal problem for the farming industry. According to the policy proposal the proportion of bio fuels used in transport shall increase to 10% by 2020. The Government is ready to set up

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<sup>14</sup> Danish Environmental Protection Agency, Environment project 1104, 2006.

partial targets earlier than 2020 provided that adequate socio-economically competitive and environmentally sustainable technologies have been developed.

### *Forests*

The forests in Denmark have a large significance for nature, environment and landscape. They are subject to a significant protection, partly through Natura 2000 protection and partly through a special effort regarding forests with high natural values. Furthermore there is a special effort concerning natural forestation, and conversion of areas from softwood to hardwood. In addition, the forests are important for outdoor life, and it is estimated that around 75 million visits the forests annually. Finally, the forests contribute to production of renewable energy. The forested areas are increasing. Approximately 14% of the Danish area is covered by forests, which corresponds to approximately 534,500 hectares.

The Danish forest policy is laid down in the national forest programme from 2002 and the objectives are in accordance with the EU Community Forestry Strategy. The national programme is based on the concept of sustainability, which takes account of economic, social and environmental concerns.

The Forestry Programme has six overall objectives:

<i>Nature and environment</i>	Conversion to more environmentally friendly forestry and conservation of the forests' natural assets, for instance, by ensuring that nature and biological diversity become the main management objective for 10% of the total area of forest by 2040.
<i>Economics</i>	Safeguarding forestry as a sector through the establishment of sustainable basic economic conditions.
<i>Social considerations</i>	Defining and developing forests as a benefit to the population's welfare, where they offer guaranteed opportunities to enjoy the outdoor life and nature.
<i>More forests and natural areas</i>	The area of forest must be increased so that 20-25% of Denmark's area is covered by forest landscapes in the course of one tree generation (80-100 years). This objective is being developed with the aim of improving the nature content and encouraging local participation in the initiative.
<i>Knowledge</i>	Effective accumulation of expertise and the exchange of knowledge in the forestry sector. Access to up-to-date, relevant knowledge as a basis for forest policy through research, education, promotion and information.
<i>International</i>	Promotion of sustainable forestry globally, regionally (Europe, the

*objectives* EU), as well as in Scandinavia and the Baltic region.

The national forest programme has no date of expiring and there are no funds directly attached to the programme. The objectives are to double the forest area within a wood generation (i.e. approximately 100 years), so about 20-25% of the total area of the country should be covered by forest landscapes in 2100, and to convert forestry into a more nature-friendly operation. These objectives shall be supported through the rural development programme. The effort in the forestry area has been concentrated on deforestation on agricultural land in the period 2000-2006 according to the objectives in AEP II and AEP III. In this period, 9,500 hectares of new forests have been planted on agricultural land with subsidies from the rural development programme. Furthermore, the rural development programme has contributed to changing the composition of tree species in the Danish forests in the direction of more hardwood, and it has also contributed to supporting biological and outdoor considerations in the forests. Approximately 14% of Denmark is covered by forests, and therefore in good progress of meeting the targets in the national forestry plans.

#### *Islands with specific handicaps*

In certain parts of the country, agricultural production is less favoured due to structural and geographic conditions. In Denmark these less favoured areas are pointed out to be 27 small islands and the islands Fanø, Læsø, Samsø and Ærø. The business economy of these islands is in a very high degree linked to a viable agricultural sector, and it is considered vital, that agriculture is sustained on these islands to counteract depopulation. The islands are today covered by the so-called island support scheme under the RDP and constitute 1.1% of the total agricultural areas.

#### *Main challenges in nature and the environment*

**To sum up**, the main challenges concerning nature and environment in the years to come are:

- Sustainable energy production and technology within agriculture and forestry play a part in the Danish compliance with the Kyoto protocol, but also in national energy schemes. In the years to come sustainable energy will play an increasing role in the Danish energy supply.
- Within the aquatic environmental action plans and other national plans an effort is planned to research and promote environmentally friendly technologies in agriculture. These efforts should be continued in order to maintain the Danish stronghold within this industry, and to contribute to the compliance to the Kyoto protocol.
- An ongoing effort to maintain extensively farmed areas is needed. In that context a focus on grassing and the maintenance of grassland areas is essential.
- The protection of drinking water supplies must continue to ensure drinking water for the generations to come. It is a national objective, that groundwater should be drinkable without cleansing.
- Denmark has implemented the Nitrate Directive. The efforts to maintain these objectives are set in the national aquatic environmental action plans. Thus the actions under these plans should be maintained.

- To reach the objectives in the Natura 2000 and Water Framework Directives, a more differentiated implementation of the objectives in each of the geographical areas must be carried out. Efforts under the RDP shall contribute to ensure the protection of the Natura 2000 areas. New efforts shall be introduced when local Natura 2000 plans have been established.

### **3.1.5. The socio-economic situation in the rural areas**

As described in Chapter 1.2, an index for the rural degree has been calculated for each municipality based on 14 chosen indicators with a starting point in the new municipal structure from 1 January 2007. The calculated index shows a rather significant difference between the municipalities which have been divided into four classes

- Remote municipalities (16 municipalities)
- Rural municipalities(30 municipalities)
- Medium municipalities(17 municipalities)
- Urban municipalities (35 municipalities)

The calculated index and the underlying indicators will in the following be used to describe the demographic and socio-economic starting point in the rural district municipalities that are defined as the sum of the categories called rural municipalities and remote municipalities<sup>15</sup>.

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<sup>15</sup> Moreover, the Chapter is based on The Government's Statement concerning rural areas 2004.

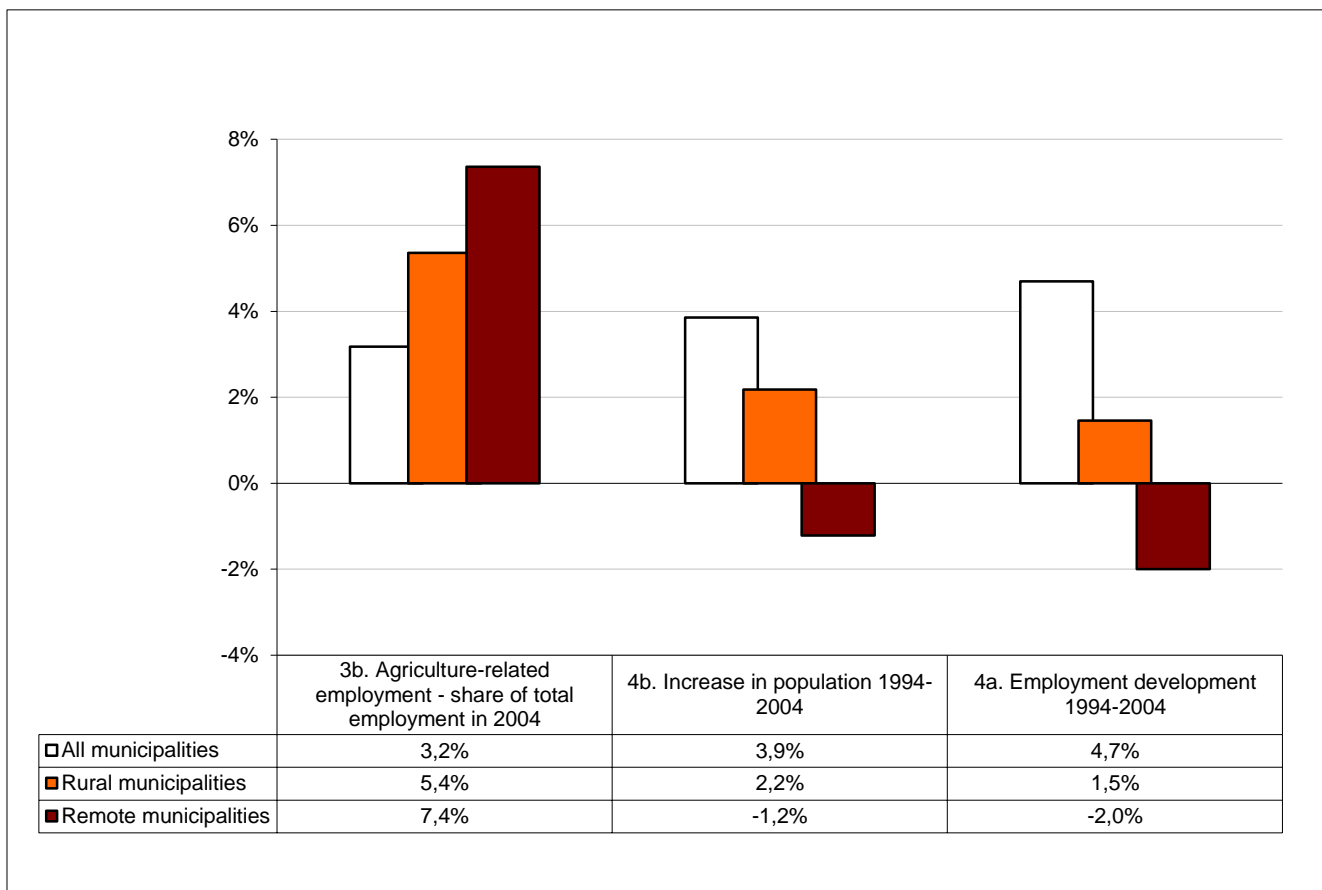


Figure 9: Development in population and employment

From 1994 to 2004, the population in Denmark grew by 3.9%. The increase in population has been largest in the cities. The increase in population in the rural municipalities was distinctively lower, i.e. 2.2%, while in the remote municipalities in total there was a decrease in population of 1.2 % in the period 1994-2004 (see figure 2).

On a national basis, 64.1% of the population is in the working age (17-64 years). In the rural municipalities the corresponding number is 62.3%, while in the remote municipalities it is 60.9%. In the rural district municipalities and especially in the remote municipalities there is thus a majority of children and older people in the population. In the same way, on a national basis 28.7% of the population is in the age group 25-44 years, where it is normal to have finished one's education and start a family. In the remote municipalities the corresponding number is 24.0 % while it is 25.9% in the rural municipalities.

The population density for the entire country was 124 inhabitants per square kilometre in 2004. The corresponding number for remote municipalities was 47 and for rural municipalities it was 76 inhabitants per square kilometre (see figure 3).

The educational level of the population has been in progress during the period 1994-2003, but the population in the rural areas, including the remote areas, still has a somewhat lower level of

education than the population in the cities. The educational profile in the rural areas and smaller cities is dominated by unskilled and persons with an occupational education, while in the cities there is a larger part with a further education. In the entire country, 28.7% of the population only has a basic general education. In the rural municipalities the corresponding number is 33.1% and in the remote municipalities it is 36.4%. Corresponding to this, the part of the population with at least a medium-term education is 21.1%, while in the remote municipalities and the rural municipalities it is 13.6% and 15.7% respectively. Thus there seems to be a general need for an enhancement of competences among the population in the rural district municipalities.

The level of innovation is high in many places in the country. Overall, the level of innovation is highest in Region Greater Copenhagen with Region South Denmark just behind, while Region Central Jutland and Region North Jutland lag some way behind. Region Zealand has the lowest level of innovation.

The change-over to more knowledge-based production represents a major challenge for many Danish enterprises. Most private research and development activities takes place in the larger towns and cities, because that is where knowledge-based enterprises are located. Outside the large towns and cities, renewal is substantially less research-based and is based more on cooperation between customers and suppliers.

In the decade, the employment has developed differently in rural areas and in cities. The employment has generally seen been increasing but with movements following the state of the market. As it appears from figure 2, the employment in the entire country in the period 1994-2004 has increased by 4.7%. In the rural municipalities the increase in the same period has only been 1.5%, while in the remote municipalities there has been a decrease in employment of 2.0%.

The employment assessed according to residence will be influenced by many people commuting from residence to job typically from rural areas to more urban areas. If you look at the employment assessed according to job location (i.e. local jobs), the employment in rural district municipalities as well as in urban municipalities has generally been growing. Though, the growth in the number of jobs in the rural areas has been a bit slower than the employment assessed according to residence, which could signify an increased extent of shuttling. In an analysis of the foundations of life in 36 Danish regions, Oxford Research shows that the regions surrounding the big cities have a daily commuting rate of 20% of the work force<sup>16</sup>. It means that time spent on transportation is rather large for people in the rural areas and the remote areas, and at the same time the areas are depopulated during the day.

The largest changes in the occupational structure during recent years have taken place in the rural areas. The decade 1994-2004 has been characterised by a significant decline in the employment in the agricultural sector and other primary sectors. The agricultural trade still has a relatively large significance in remote municipalities and in rural municipalities. It appears from figure 2 that the number of people employed in the agricultural trade in 2004 was more than

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<sup>16</sup> Reference ”Funktionelle sammenhænge på regionalt niveau, Oxford Research, May 2005.



twice as high in remote municipalities as the average for the entire country (7.4% compared with 3.2%). For the rural municipalities, the corresponding number is 5.4%.

Another indicator for the development potential in the municipalities is the average distance to a motorway. On a national basis, the average distance to a motorway is 19.6 kilometres, while in the remote municipalities it is 41.1 kilometres and 15.2 kilometres in the rural municipalities (see figure 3).

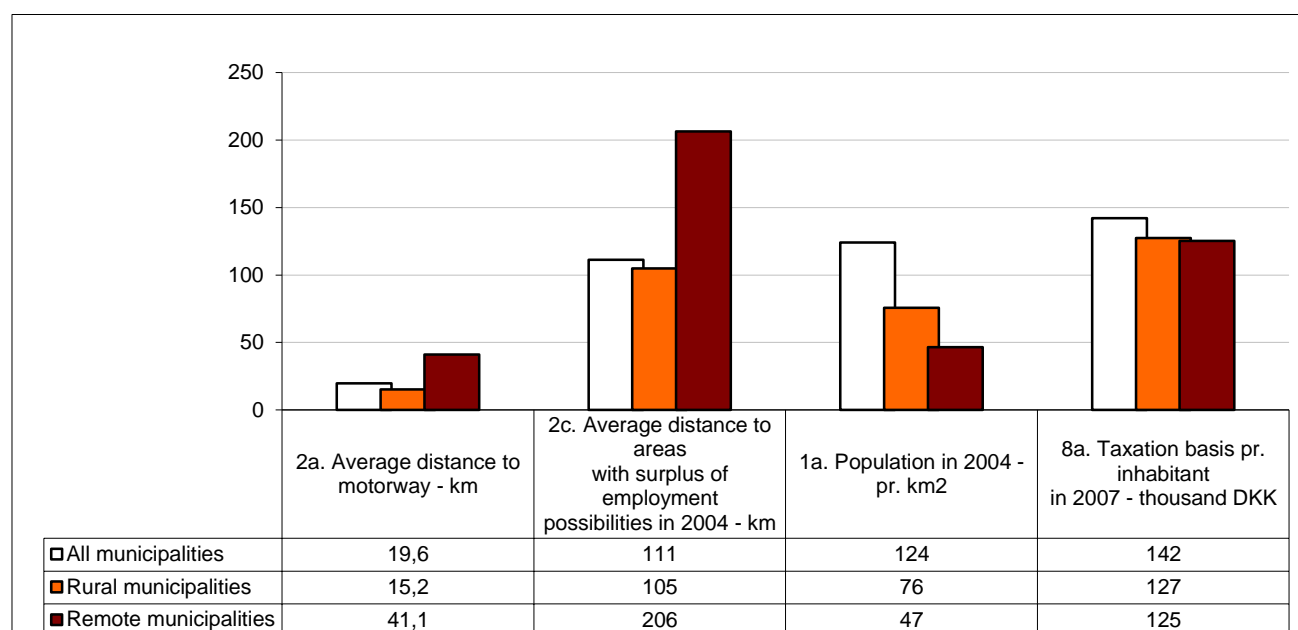


Figure 10: Chosen indicators for rural degree.

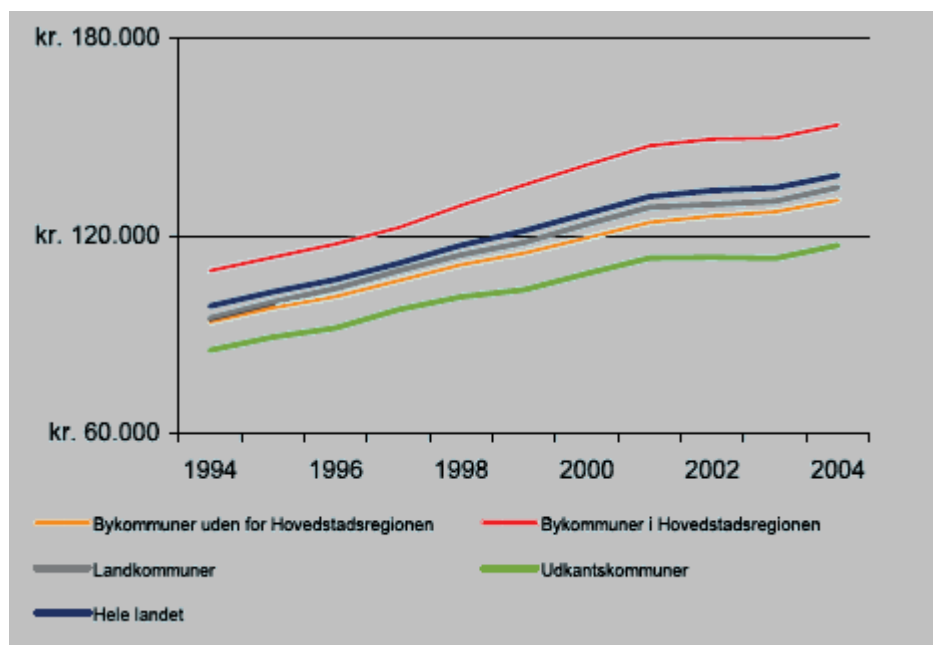


Figure 11. Trends in primary income (DKK.) per inhabitant 1994-2004, divided into municipality classes. Source: Statistics Denmark.

Foodnote/translation	
Bykommuner uden for hovedstadsregionen	Urban municipalities outside the capital area
Bykommuner i hovedstadsregionen	Urban municipalities in the capital area
Landkommuner	Rural municipalities
Udkantskommuner	Remote municipalities
Hele landet	All the country

There is a large difference between the income and taxation basis of the Danish municipalities, as well as the municipalities often have a very different age composition and social structure. On a national basis the average taxation basis per inhabitant in 2007 is expected to be EUR 19,000 while in the remote municipalities and the rural municipalities will be only EUR 16,800 and EUR 17,000 respectively (see figure).

If you look at trends in income (see figure), it is apparent that the average primary income per inhabitant has risen in the period from 1994-2004. It can also be seen that the level of income in the peripheral municipalities is scientifically lower. At the same time it is clear that you find the highest level of primary income in the urban municipalities in the Capital.

The calculated rural areas index for each of the new municipalities is as mentioned an expression of *the degree of rural district* and thus an expression of the need for development support. The calculated index for the average of all Danish municipalities is 42.4, while it for the remote municipalities is 15.1 and for the rural municipalities 33.3.

### Gender mainstreaming

In Denmark, an inter-Ministerial gender mainstreaming project was launched in 2001 and a national action plan 2002-2006 for gender equality was adopted. The three primary goals for the action plan were:

1. To ensure that gender equality is incorporated into the principal parts of the individual ministries' core activity areas and in relevant large inter-ministerial tasks.
2. To ensure that the ministries formulate gender equality policies and specific gender policy objectives within their own core areas and thereby identify gender equality policy challenges and gender-based problem areas.
3. To ensure that the resources and competencies for identifying and working professionally with gender related issues and gender equality related challenges are in place within the ministries.

With gender mainstreaming, all public authorities must work to promote equality between women and men. Gender perspectives need to be analysed and possible consequences of initiatives in terms of gender equality must be considered. This implies a pro-active approach to gender equality. The results of this effort shall be evaluated and new initiatives proposed.

#### *Entrepreneurship and gender*

The Government's opportunities for achieving the Globalisation Strategy goal of Denmark being among the countries with the highest numbers of entrepreneurs by 2015 have been improved by the Ministry of Education undertaking a gender equality assessment of their work. By far the largest number of entrepreneurs in Denmark are men. If the number of entrepreneurs is to be increased, it is necessary to get women involved. Therefore, the Ministry of Education has integrated a gender perspective in their future work with education in entrepreneurship and enter prise. In this way, the gender equality assessment has improved the opportunities for achieving the goals of the Globalisation Strategy.

The Minister for Gender Equality has published a leaflet and set up a database with facts on equality. More key figures are available at [www.lige.dk](http://www.lige.dk).

Gender difference in wages for the period 1997-2001 were as follows:

Gross wage difference between men's and women's earnings	12 – 19%
Wage difference that cannot be accounted for statistically	2 – 6%

*Source: The Danish National Institute of Social Research: Men's and Women's Earnings 10 April 2004*

#### *Internet access*

The internet has had a significant importance for both private and occupational communication. As it appears from figure 4, there is a significant distribution of broadband connections in Denmark, but the distribution is generally speaking higher in areas with a large concentration of population and lower in the rural areas.

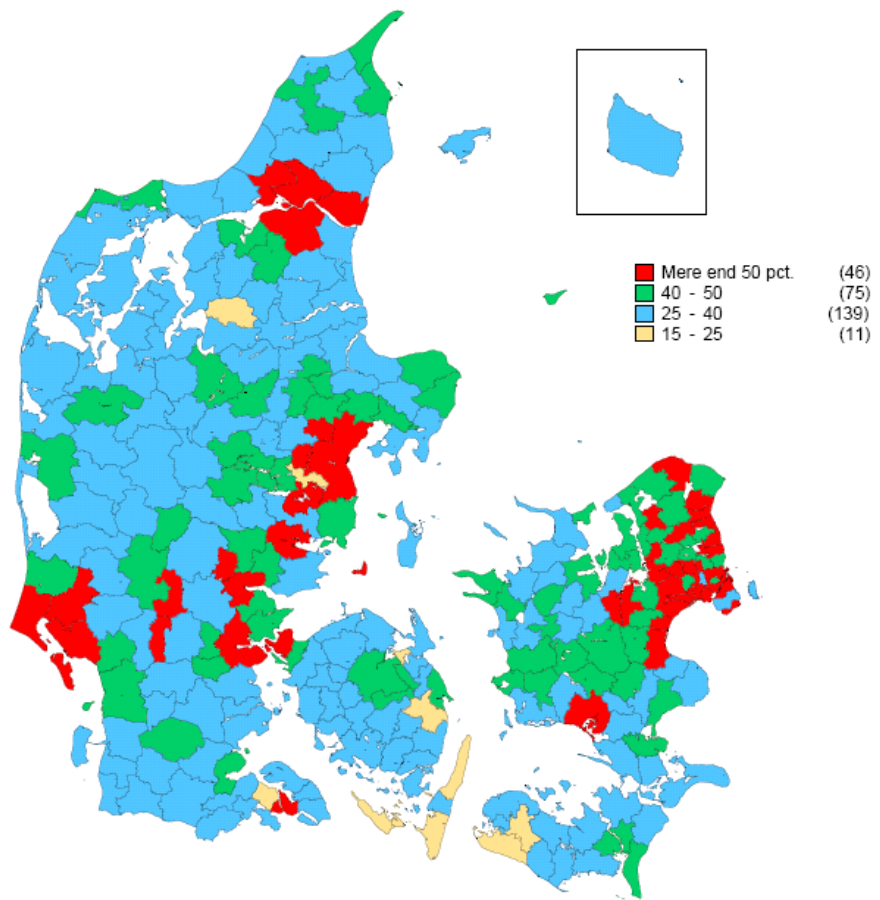
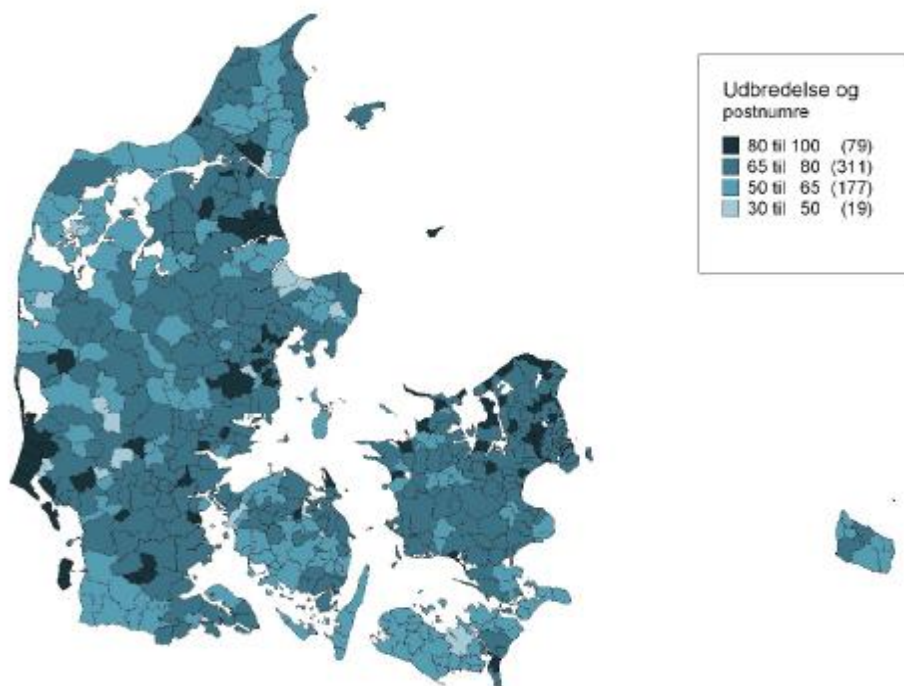


Figure 12: Distribution of broadband at municipality level, percentage of enterprises and households with ADSL in 2005. Source: National IT and Telecom Agency.



*Figure 13: Distribution of broadband in households and businesses at municipality level 2008.*

The distribution of broadband has grown throughout the country. On 30 June 2008 there were 2,024,849 broadband subscriptions in Denmark. This is equivalent to 36.9 broadband connections per 100 inhabitants, or broadband in 71% of all households and businesses. As seen in figure 13, almost all postcodes have a broadband distribution of more than 50% (567 of the total 587 postcodes). This also proves that two thirds of all postcodes have a distribution of over 65%. Broadband distribution is not to the same as broadband availability.

The Danish National IT and Telecom Agency estimates that at national level approximately 21,000 households and businesses, equivalent to less than 1%, do not have access to broadband through fixed broadband technology<sup>17</sup>. With the increasing expansion of the mobile broadband network, it is also likely that there are several places in the country where mobile broadband covers households and business which are not covered by the traditional fixed broadband connections. However it is not possible to estimate the precise extent of this.

The Danish Government is aiming for all households and businesses to have access to broadband before the end of 2010.

## Summary

**To sum up** the rural district municipalities and especially the remote municipalities have not experienced the same positive development as the rest of the country, as they have been characterised by a stagnant and in some areas negative development. The main challenges in the rural district municipalities are:

<sup>17</sup> By fixed broadband technology we are referring to broadband connections to a fixed point. This includes both wired and wireless broadband technologies, but does not include mobile broadband technology. Danish National IT and Telecom Agency: "Bredbåndskortlægning 2008" (Broadband survey for 2008).

- The increase in population has been lower than average
- The population density is lower than in urban and peri-urban areas
- Employment development has not been as positive as in the rest of the country
- The educational profile is lower than in urban and peri-urban areas
- The general income level and taxation basis is lower than average
- Lesser access to broadband technologies than rest of the country

### 3.1.6. SWOT and objectives

Based on the review of the economic situation in the food industries, the state of nature and the environment and the socio-economic situation in the rural areas, the strengths, weaknesses, opportunities and threats mentioned below have been identified. These have been adopted to take account of the challenges identified in the Health Check of The Common Agricultural Policy.

*For the agricultural, forestry and food industries (Axis 1):*

#### Strengths

- The industries are highly adaptable in relation to new requirements and changed conditions
- New research results, products, etc. are disseminated quickly.
- The industries are characterised by high production efficiency
- The industries are integrated into the global economy
- Capacity for greater exploitation of a growing market for quality products, food safety, etc.
- The industries consider nature and the environment, including via the production of environmentally friendly raw materials and protecting drinking water
- The industries are characterised by diversified production, including the involvement of recreational and natural assets
- A public-private partnership has already implemented a major initiative to counteract the impact on nature and the environment caused by the industries

#### Weaknesses/threats

- The income development of the industries seems to be stagnating as a result of globalisation and international competitive pressure
- Production is characterised by a high national cost level
- The industries are experiencing a decline in efficiency as a result of a lack of innovation and development
- The industries are facing a growing economic burden as a result of environmental regulation
- Climate changes are affecting the production basis.

#### Opportunities

- Exploitation of growing international market for animal products

- Exploitation of growing market for quality products, food safety, food produced under approved food quality schemes such as organic products etc.
- Promotion of continued innovation, product development and new technology
- Increased diversification of the industries' earning potential
- Continued development of recreational assets and nature management
- Increase the contribution of the industries and nature to the quality of life in the countryside
- Continued promotion of climate-, environmentally and naturally sustainable production through specific development projects and regulation
- Increase the energy-production from renewable sources such as biomass
- Increase the readiness for climate change by for example improving the control of water resources
- Implementation of new technologies aiming at the protection of the environment and nature.

#### *For nature and the environment (Axis 2)*

##### Strengths

- Farmers take nature and the environmental factors into consideration, including the production of environmentally friendly raw materials and protecting drinking water
- The agricultural sector is characterised by diversified production, with an increasing segment for organic production
- A public-private partnership has already implemented a major initiative to counteract the impact on nature and the environment caused by the industries
- Capacity for greater exploitation of a growing market for quality products, food safety, etc.
- Farmers have been able to counteract environmental influences by increased production through improved production efficiency

##### Weaknesses/threats

- Production is characterised by a high national cost level
- The industries and farmers are facing a growing economic burden as a result of environmental regulation
- End of eExtensification of production can lead to of overgrowth of natural habitats
- Influence on nature-, and water areas and climate due to intensive farming
- Influence on nature and environment due to climate changes e.g. loss of biodiversity, increased immigration of invasive species and increased exploitation of the waterenvironment holdingby nutrients and pesticides.

##### Opportunities

- Exploitation of growing international market for animal products.
- Exploitation of growing market for quality products, food safety, etc.
- Increasing the use of biogas.
- Promotion of the growing of energy crops.
- Promotion of continued innovation, product development and new technology
- Increased diversification of the farmers and industries' earning potential

- Continued development of recreational assets and nature management
- Improved water management and improvement of the water environment for climate adaptation, by e.g. the use of wetlands as buffers in case of periodically flooding.
- Increase the contribution of agriculture to nature (biodiversity), clean water and to the quality of life in the countryside
- Continued promotion of environmentally and naturally sustainable production through specific development projects and regulation

*For living conditions and development in the rural areas (Axis 3):*

#### Strengths

- Solidarity and cooperation
- Ability to develop new local initiatives
- Small, flexible enterprises
- Cheap housing
- Proximity to nature
- Attractive scenery

#### Weaknesses/threats

- Industry in recession
- Lack of local jobs
- Lack of innovative enterprises
- Wage-intensive industry is being lost to low-wage countries
- Low level of education
- Skewed age distribution and depopulation
- Young people abandoning rural municipalities
- Environmental pollution from agriculture in certain areas
- Lack of provision of public services

#### Opportunities

- Promote the creation of local jobs
- Promote regional and local food products, e.g. local niche products
- Promote development of local initiatives
- Promote natural, cultural and recreational assets incl. local tourism
- Reinforce local solidarity and cooperation
- Promote opportunities for young, well-educated people to move out from urban areas
- Promote distance learning, teleworking and the use of new digital technology in both the private and public sectors
- Locally adjusted initiatives focusing on climate changes and renewable energy.

#### *Main tasks for the Rural Development Programme*

On this basis and in accordance with the Community strategic guidelines for rural development the following main challenges have been established:



- To support innovation and quality development, including the efforts of the agricultural trade to make the necessary adjustments to the development in the agricultural market trends, achieve improved competitiveness, etc.
- To contribute to creation of alternative possibilities, increased quality of life, and diversification of the economic activity. The diversification of the economic activities must also be seen in connection with the efforts of promoting a cleaner aquatic environment, a more varied nature, and an increased offer of recreational possibilities.
- To continue the agricultural, nature, and environmental policy, which has been implemented through the national Aquatic Environment Plans, pesticide action plan and forest programme, and through development projects, area support and adjustment to extend the nature and environment improvements already achieved in relation to the agricultural trades, and
- To meet the challenges identified in the Health Check of the Common Agricultural Policy regarding climate changes, renewable energy, management of water resources and preservation of biodiversity.

The main objectives of the programme can subsequently be summed up as;

*For improving the competitiveness of the agricultural and forestry sectors (cf. Chapter 1.3)*

- to counteract on the recession in the number of jobs
- to promote the necessary continued structural adjustment, among other things through investments in new technology, including climate and environmental technology and optimisation of use of energy
- to promote development of competences of the workforce
- to adjust the food production to changed tendencies in the demand for quality products and organic products through innovative steps

*For improving the environment and preserving nature (cf. Chapter 1.4)*

- to implement the Water framework directive and maintain results from the earlier Aquatic Environment Plans
- to maintain the positive development concerning the influence from the agriculture on landscape, nature and environment, including contributing to meet the objectives of the
- the national Green Growth Plan
- national Pesticide Plan,
- national Aquatic Environment Plan
- national forest programme
- Natura 2000 Directives and EU's 2010 objectives on biodiversity
- Kyoto protocol

*For improving the quality of life in rural areas and diversification of the rural economy (cf. Chapter 1.5)*

- to retain and create more local jobs in the rural areas
- to counteract the tendency to migrate from rural areas to urban areas

- to increase the quality of life and create more cohesion
- to strengthen the local competences, decisions and participation

## **3.2 The national strategy**

### **3.2.1. The four main priorities**

According to the Community strategic guidelines for rural development (Council Decision 2006/144/EC of 20 February 2006 amended by Council Decision 2009/61/EC of 19 January 2009), Member States are encouraged to focus support on key actions for each of four guidelines set out by the Council in accordance with Article 9 of Regulation (EC) No1698/2005. The proposed key actions in the Community's strategies are set out in Annex IV.

The four Community strategic guidelines for the period 2007-2013:

1. improving the competitiveness of the agricultural and forestry sector
2. improving the environment and the countryside
3. improving the quality of life in rural areas
4. stimulating diversification of the rural economy .

The local capacity for employment and diversification should also be expanded.

In the light of the EU strategic guidelines, the analysis in Chapter 1 and the public dialogue preceding work on the national strategic framework, the Danish Government has decided upon the following four overall objectives for the National Strategy Plan for Rural Development 2007-2013, in no prioritised order.

### **Four overall objectives**

- Stronger competitive force in the food and forestry sector
- Varied landscapes, rich nature and clean environment, including water quality
- More entrepreneurs and local jobs in the rural areas
- Attractive living conditions in the rural areas contributing to a strong cohesive force between rural and urban areas

The four objectives are to be realised through the most cost efficient actions and operations.

The measures to pursue the objectives shall be found under all four axes of the Rural Development Programme. More entrepreneurs and local jobs in rural areas shall be achieved mainly through measures in Axes 3 and 4. The measures to target competitiveness are primarily in Axis 1, but measures in Axes 3 and 4 may contribute. The effort for nature and environment shall primarily be achieved through Axis 2 but measures in all four Axes shall contribute. The measures to improve the living conditions in rural areas are primarily placed in Axes 3 and 4, but Axis 2 measures may however contribute. The objectives and the relation to the Community strategic guidelines are described in more detail below.

### **3.2.1 Axis 1: Strong competitive force in the food and forestry sector**

In the analysis of the situation in Chapter 1 it has been pointed out that the main challenges for the food and forestry sectors are to promote the continued structural adjustment in the light of the need for continued efficiency progress, increasing regulation in consideration of environment and nature and a strong international competitive pressure as well as facing increased pressure on natural resources, including water resources and a need for renewable energy sources. The purpose of the Rural Development Programme is thus to ensure that the sector can develop and remain competitive while observing an increasing number of nature and environment requirements. This calls for new technology and a well trained work force with a high level of knowledge. At the same time new products must be promoted where the competitive parameters are quality and animal welfare.

The prospects for the development of international food markets in the years to come suggest the food sector will be facing a high increase in price and cost-based competition as the result of market opening, the financial crisis and increasing globalisation. The increased competition will be especially noticeable for traditional agricultural products.

### **New knowledge and innovation to create growth**

To an increasing extent, the food sector thus has to develop, produce and promote products with a high content of knowledge and quality which have more favourable market conditions. New high-tech methods, processes and products are crucial for the development of efficient and sustainable production systems in the entire food sector. New technology among other things includes many possibilities for solving a large number of environmental problems, just as digital solutions can reduce administrative costs.

In the EU strategic guidelines for the rural development policy, knowledge transfer, innovation and quality are also stressed as focus areas for the effort of improving the competitive force for the agriculture. Furthermore, it is recommended that investments in physical and human capital in priority sectors be promoted.

In the dialogue with the partnership and the citizens about the strategy, product development and the marketing of regional quality products were also pointed out as important activities for improving competitiveness in the food sector.

- *Denmark will pursue the target of competitiveness through innovation and development of competences, and investing in new technologies for production in all parts of the value chain. The measures for this are primarily found in Axis 1 of the rural development regulation. Focus shall be on investments with regard to environmental technology, information and communication technology (ICT), quality products and non-food products including bio energy, mainly through the establishment of biogas plants and related investments in technologies.*
- *Denmark will also pursue the target of competitiveness by focusing on quality food products, knowledge exchange and strengthening the network between a broad circle of actors in the food sector. There will be a focus on organic farming and local products, among other things.*

These actions will also contribute to meeting priorities for environment and climate and the priorities for promoting attractive living conditions and development in the rural areas.

### 3.2.2 Axis 2: Improvement of the landscape and environment; a rich nature and clean environment

The analysis of the situation in Chapter 1 showed that the main challenges in the environment and nature area in the years to come will be to maintain the results from the aquatic environment plans, contribute to implementation of the Green Growth initiatives, the Water Framework and Natura 2000 directives, the national forest objectives, the 2010 objective of stopping the decline in biodiversity and also to contribute to meeting the Kyoto protocol. These initiatives will also support the new challenges facing agriculture related to climate change, loss of biodiversity, stricter requirements for water management as well as an increase in the share of renewable energy sources.

In the EU's strategic guidelines there is a focus on also pursuing the Gothenburg conclusions on sustainable development via the programme. During the course of dialogue with residents in the rural areas and other interested parties it was emphasised that a major challenge for further development is to secure continued development of the agricultural and forestry sectors which can also improve conditions for nature and environment. Therefore, the role of the farmer and of the forester as nature manager must be strengthened.

Denmark will pursue the nature and environment targets primarily through the contribution to meeting national action plans. These action plans (Green Growth, Action Plan for Biological Diversity, the pesticide plan and the national forestry programme) have objectives which are to be pursued during the programme period. Until now, the effort in the rural development programmes has focused on meeting the objectives of the Nitrate Directive and the national aquatic environment plans. In the future, the initiative will have a stronger focus than there has been so far on fulfilling the Water Framework and Natura 2000 Directives. Part of the initiative will begin as soon as 2010, while some of it will start in 2011 as the national water plans and municipal action plans become available for implementation.

- *There will be an emphasis on the implementation of Green Growth, which includes the establishment of wetlands and border strips along watercourses and lakes.*
- *A new feature of the Rural Development Programme will be the option to establish extensive areas with periodical flooding as a result of changed watercourse maintenance. This will help improve the conditions of the aquatic environment and nature.*
- *The effort relating to entering into new agreements on conversion to organic farming will be continued.*
- *The effort relating to extensive management of pasture and natural areas will be continued within Natura 2000 areas and will be extended to include protected habitats outside Natura 2000 areas.*
- *A new measure for the planning and implementation of projects aiming at promoting nature and environment will be introduced.*

*It is the intention to continue to support the establishment of forests on agricultural land.*

The effort will be focused on nationally designated afforestation areas. In the period 2000-2006 a significant part of the EU funding was used to re-establish forests that were destroyed during the storm in 1999. *This support will continue and will also be extended to cover natural disasters on agricultural land.*

- Furthermore, initiatives to maintain agricultural production on certain islands with special disadvantages for agriculture will be continued in order to maintain the conservation of habitats and landscapes. In Denmark, a number of small and medium-sized islands *have been* designated as less-favoured areas.

In accordance with the EU strategic guidelines on rural development and the Gothenburg conclusions about sustainable development, the objectives of varied landscapes, rich nature and clean environment shall be pursued through Axes 1 and 2 of the Rural Development Programme.

Axis 2 efforts shall aim to contribute to the widest possible extent to national implementation of the Natura 2000 and Water Framework Directives, including a significantly reinforced effort for the establishment of wetland areas. This was also the case in the previous programming period, where priority was given to drafting agri-environment agreements in designated Natura 2000 areas and to improving the aquatic environment.

### **3.2.3 Axis 3: Quality of life in the rural areas and diversification of the economy;**

#### **3.2.3.1 Entrepreneurship and new jobs in the rural areas**

In Denmark there is a need to strengthen the cohesive force and to avoid escalating differences between regions and between remote and urban areas. Economic development is an essential prerequisite for retaining or creating new jobs in the rural areas. In the analysis of the situation in Chapter 1, it is pointed out that the main challenge is to create or retain local jobs and to prevent the decline in employment in the food industry. This is a particular problem in the peripheral areas.

##### **Jobs within a reasonable distance**

If the rural areas are still to be a place where people take up residence, work has to be found within a reasonable distance of commuting or there must be good framework conditions for people to create income and employment for themselves and get a reasonable everyday life to function in the local area. Access to broadband is an important factor for creation of new local jobs and economic development in the rural areas, and must be considered a necessary facility – not only in the cities and in the rural areas but also in the peripheral areas. Table 2 in Chapter 1 shows a weaker development in employment in rural and remote municipalities than in the country as a whole. Many inhabitants of remote areas commute from the local area to work elsewhere. Peripheral areas with a large commuting distance to the nearest town and areas with few large businesses which dominate the employment in the area are most vulnerable to major economic changes.

- Local employment is a priority for the Danish Rural Development Programme.

The EU's strategic guidelines for the rural development policy point out that the EU's Lisbon agreement is to be pursued with the help of the rural development policy. In the EU strategy there is a strong focus under Axis 3 on employment and growth conditions being the key goals. At the same time, in its globalisation strategy, the Danish Government emphasises ensuring Denmark's competitiveness, so that it continues to be one of the countries in the world with the highest rates of growth and prosperity. The dialogue with the Partnership and citizens in rural areas on the national strategy pointed out that entrepreneurship is very important when it comes to achieving sustainable development of rural areas and helps to balance development between urban and rural areas. Entrepreneurship will thus be an instrument for creating growth and local jobs in the rural areas.

*Denmark will strengthen entrepreneurship and creation of jobs with activities pursuant to Axis 1 and Axis 3.*

### **3.2.3.2 Attractive living conditions**

From the analysis of the situation in Chapter 1 it appears that during the past decade the rural areas have experienced a lower increase in population growth than the average for the country. There are many reasons for that, and there is no doubt that the lack of public service and cultural offers are important factors.

#### **Attractive rural areas contributing to strong cohesion**

In accordance with the EU strategic guidelines on rural development it must be ensured that the rural areas continue to be attractive places to take up residence for future generations.

- *Denmark will pursue the objective of attractive living conditions in the rural areas by investing in local cooperation, which establishes better framework conditions for good quality of life in the individual rural areas.*

It is a Government target to ensure good and attractive living conditions for the Danish population, no matter where in the country you live. Likewise, the dialogue with the partnership and the citizens in the rural areas has shown a need for intervention to prevent depopulation, to ensure service of high quality and to strengthen social networks. It is important for a good quality of life in the rural areas that the citizens together have a possibility of creating their own frames and affecting their own local area, so they get the largest possible influence on their life situation. The effort will thus be implemented especially through local action groups.

- *Attractive living conditions are thus a significant area of action for the local action groups and for the local and regional authorities.*

To ensure attractive living conditions and settling possibilities in the rural areas, there are a number of specific basic facilities which the citizens need to have access to. These include schools, shopping facilities, internet access, leisure activities and cultural facilities to a reasonable extent. Furthermore it is necessary to ensure good framework conditions for the establishment of private services. Not all these requirements can be fulfilled via the Rural Development Programme, but the local action groups can become partners in the dialogue with the local and regional authorities.

The amenity values connected to the cultural inheritance in the rural areas also have significance for the quality of life.

- *Attractive areas with a well preserved and accessible cultural heritage must be ensured.*

### **3.2.4 Axis 4: The Leader method**

The measures to meet these aims are primarily placed under Axes 3 and 4. Axis 2 measures may however also to some extent contribute to meet these aims. The intention is to implement most Leader activities within the framework of the Axis 3 provisions of Regulation (EC) No 1698/2005.

## **3.3 The strategy per Axis**

The four overall objectives described in Chapter 2 are to be pursued by measures under each Axis of the rural development regulation but also to some degree through an integrated approach combining measures from one or more of the axes. The key actions proposed in the Community strategic guidelines shall form the basis for the design of the measures in the Rural Development Programme, cf. Annex IV.

According to the mid-term evaluation in 2003 of the Danish Rural Development Programme 2000-2006 the correlation, complementarities and synergy between the schemes in that programme were low in the case of most schemes. The schemes acted as isolated support schemes but did not exploit potential opportunities for synergies between the individual schemes particularly well.

The design of the national application schemes in the Danish Rural Development Programme 2007-2013 shall aim to create a larger degree of cohesiveness in order to increase added value. Where suitable, an integrated approach shall be used, combining possibilities for support from more than one measure (legal provision) from Council Regulation (EC) No 1698/2005 in one national application scheme.

### **3.3.1. Integrated approach in the national application schemes**

National application schemes combining support opportunities from more than one measure (i.e. more than one legal provision in Regulation (EC) No 1698/2005)) shall ensure maximum



synergy between the activities in each measure and shall minimise potential dead weight losses in the schemes.

*Integrated approach in national application schemes in Axis 1*

The synergies shall be sought horizontally for fulfilment of such themes as innovation, food quality, food safety, animal welfare, skills acquisition and development of competences, settlement in rural areas, employment, environmental protection and nature conservation.

The possibilities for making use of more than one legal provision in the same project may at the time of application encourage and inspire the applicant to pursue new professional networking and sharing of knowledge and to pursue multiple tasks with the same finances.

The programme shall contain integrated activities for innovation in the primary sector and the processing sector, making use of the provisions in Regulation (EC) No 1698/2005 for modernisation of agricultural holdings, adding value to agricultural and forestry products, cooperation for development of new products and vocational training and information activities. Promotion of innovative integrated projects may lead to a reduced economic risk for the project holder but also to improved skills acquisition, dissemination of knowledge, environmental sustainability or improvement of animal welfare in the same project.

*Integrated approach in national application schemes in Axis 2*

Integrated approaches shall be pursued, e.g. for projects in the Axis 2 measures Nature and environment projects and Establishment and management of wetlands, sustainable forestry and extensification of agriculture in river valleys. Applicants may, for instance within the same project, apply for area-based agri-environment support but also support for non-productive investments or support for drawing-up of plans for protection and development of high nature value areas.

*Integrated approach in national application schemes in Axis 3*

It will also be a key task for local action groups to secure cohesiveness and seek multiple purposes in the Leader actions of the programme. The programme shall contain measures for realisation of locally integrated rural development operations with multiple purposes such as tourism, basic services for the economy and rural population, improved recreational values, nature and environment considerations, improved competitiveness, etc. The local action groups shall be encouraged to apply the integrated approach and to recommend integrated projects with use of more than one legal provision from the Regulation.

*Separate legal provisions at the level of measure code*

The FIA shall make support commitments with beneficiaries separately for each activity in integrated projects pursuant to each Article in use.

Beneficiaries under the integrated schemes will be obliged to meet the provisions of each Article of Regulation (EC) No 1698/2006 in use. Each scheme will contain a full list of the legal provisions in use and applicants and beneficiaries will provide information separately per Article in use. For integrated projects, applicants shall fill-in separate chapters in the application form for each Article in use. The same applies for the later procedures for requesting payment of

support and reporting. This approach shall ensure satisfactory monitoring of commitments made, payments, results and effects pursuant to each Article of the Regulation.

### **Axis 1: Improvement of the competitiveness of the agriculture and forestry**

This paragraph describes the balance between investments in physical capital and human capital under Axis 1. Prioritised sectors for investments are pointed out, and quantified targets are drawn up on the basis of the common effect indicators from the Commission and chosen national indicators.

To fulfil the overall priority of promoting competitiveness in the food and forestry sector and the objectives set out in Chapter 1.6, the following type of actions may form part of the Danish programme:

- Innovation with a view to developing new technologies, processes and products
- Innovation, testing, collaboration on, demonstration of and investments in environmental technology, non-food production including bio energy and information and communication technologies
- Diversification of the food stuff production to include products of high quality, for example through labelling schemes and influencing patterns of consumption in the direction of quality products
- Promotion of management methods for livestock production which increase animal welfare.
- Enhancing competences and counselling aiming at promoting competitiveness mainly through investment in environmental technology, information and communication technologies, quality products and non -food production including bio energy
- Restoring agricultural production potential damaged by natural disasters
- Vocational training and information actions

Under Axis 1, the main priority of the Danish strategy is to improve the competitiveness in the food and forestry sector through development of and investment in innovative solutions, including cooperation projects, which turn new thinking into value. This means the application of knowledge is combined with investments in physical capital.

As a result of the challenges identified in the Health Check of The Common Agricultural Policy and the national plan for Green Growth changes have been made to the Rural Development Programme 2007-2013 for the remaining 2010-2013 period.

Accordingly, in the 2010-2013 period a significant proportion of the support will be used for investment projects in the primary industry in order to achieve greater progress in technological development, especially within environmental technology and the creation of competitive farms and companies.

- *In financial terms, emphasis under the Axis will be on the physical investments and implementation of new knowledge.*

Innovative activities should focus on creating new and better high quality food products, including organic products. Focus shall be given to the development and use of new environmentally and climate friendly technologies. This also includes non-food production, which is primarily aimed at increasing the supply of renewable energy sources.

In order to focus on key actions, support for projects concerning investments in new processes and new technologies will only be provided for the following kinds of investments:

- New environmentally efficient technologies, e.g. aimed at reducing ammonia evaporation from stables and storage of manure, odour nuisances etc.
- Establishment of biogas plants and related investments in technologies
- Improving quality food products and food safety products
- Tracing of products
- Improving animal welfare and health
- Organic production
- Improving environmental conditions for the working force
- Other investments in new processes and technologies

Projects may be prioritised on the basis of the following parameters, in no prioritised order

- Creating new jobs
- Retaining jobs
- Strengthening competitiveness
- Reducing the environmental effect on surroundings
- Reducing energy consumption as well as reducing the emission of other greenhouse gases and increasing the proportion of green energy
- Reducing consumption of other resources including water as well as having cleaner wastewater with less discharge
- Contributing to development of the geographical area

For projects concerning new environmental technologies the Danish environmental authorities shall approve the use at farm level after appropriate procedures.

In order to receive support for physical investments, investment projects may be subject to conditions stipulating that they are carried out in combination with other activities involving either dissemination or demonstration of knowledge or cooperation on development projects. The purpose of the demonstration shall be to make the technology and its proper use known to other farmers. The demonstration or cooperation elements of such projects can also be supported.

No specific agricultural production sector shall be given priority for support under Axis 1. Instead, the targeting parameters described above shall be applied with a view to ensure added value and sustainability in the agricultural, forestry and food production. Furthermore, emphasis shall be placed on enhancing competences, not least for people involved in agricultural and food production.

The funds under the Axis shall be used for development projects, i.e. investments which should at least be based on the most recently developed/tested technology.

*Indicative budgetary balance for the total public costs between measures in Axis 1:*

	RDP 2007-2013 originally	RDP 2007-2013 after HC
%		
Measures aimed at promoting knowledge and improving human potential	2	28
Measures aimed at promoting innovation, restructuring and developing physical potential	78	64
Measures aimed at promoting food quality and the creation of networks etc.	20	8

Quantified objectives Axis 1

<b>Common impact indicators</b>	<b>Baseline</b>	<b>Programme effect in 2013</b>
Economic growth Net additional value added	EUR 172.3 billion (2004)	EUR 210 million
Labour productivity Change in Gross Value Added per full-time equivalent (Euro/FTE)	39,000 (agriculture, 2005) 61,000 (food industry, 2005)	4,266 (agriculture) 6,251 (food industry)

## **Axis 2: Improvement of the environment and landscape**

As a result of the challenges identified in the Health Check of The Common Agricultural Policy and the national plan for Green Growth changes have been made to the Rural Development Programme 2007-2013 for the remaining 2010-2013 period.

Improvement of the environment and landscape will primarily be pursued through a significant effort to establish wetlands, extensive river valleys, and border strips along lakes and streams and promotion of organic agriculture. Secondly, objectives will be pursued in respect of environmentally friendly agriculture and forestry. Both efforts will, together with the effort to implement agreements already concluded for environmentally friendly farming in previous programmes, contribute to meeting the obligations in the Natura 2000 and Water Framework directives.

The planning process for the implementation of all three directives in Denmark is still in progress. Changes to the strategy have been made partly in order to include the specific measures for Natura 2000 in both the agricultural and forestry sector. The special provisions for support for the implementation of the Water Framework Directive have also been included. The municipal water plans for implementation of the Water Framework directive have not been prepared yet. It is a prerequisite that the supported/compensated initiatives comply with the State water plans and the municipal action plans.

Until the plans have been prepared and the specific provision for support for the implementation of the directives can be established the other measures under Axis 2 will contribute to the achievement of the same objectives, and farmers and forest holders situated in designated areas will be able to apply for support on a voluntary basis.

An effort will be made to maintain agricultural production activities on certain islands in Denmark that have special disadvantages for agricultural production. These small and medium-sized islands have been classified and approved by the Commission as less-favoured areas. The designation of areas under the island support scheme will be maintained unchanged until 2010. This means that until 2010, aid will be granted to owners and tenants operating and living on an agricultural holding on the following islands: Agersø, Anholt, Askø, Avernakø, Barsø, Birkholm, Bjørnø, Båge, Drejø, Egholm, Endelave, Fanø, Fejø, Femø, Fur, Hjarnø, Hjortø, Lyø, Læsø, Mandø, Nekselø, Omø, Orø, Samsø, Sejerø, Skarø, Strynø, Tunø, Venø, Ærø and Aarø. It is a support scheme under the Rural Development Programme for 31 small and medium-sized islands. The islands eligible for support at the moment have been approved by the Council according to EU Directive 98/9/EC of 20 January 1998. This approval shall remain in force until 2010 according to the new Rural Development Regulation (EC) No 1698/05 of 20 September 2005. The islands were included on the basis of agricultural income lower than the average. Ærø was included in the scheme on preparation of the Danish programme in 2000.

As new element, an effort is expected to start with development operations to promote nature and environment purposes. The possibilities for development operations and operations concerning nature and environment planning can become an important tool to reach a continued reduced environmental strain and improvement of the state of nature. Nature and environment planning can be promoted through actions under Axis 2 as well as under Axis 3.

Moreover, emphasis will be put on the implementation of Green Growth, including establishing border strips, extensive river valleys and wetlands.

Two schemes to promote afforestation of agricultural land and sustainable forestry shall be continued from the previous Rural Development Programme.

In the light of the challenges concerning nature and environment which are the consequences of a.o. the implementation of the water framework directive and Natura 2000 directives, emphasis will be put on a more targeted and project oriented approach.

The effort to reduce air pollution and avert climatic changes will mainly be implemented through Axis 1 actions for development of environmental technology, new technologies and processes and counselling and education in this regard.

To promote the overall priority for varied landscapes, rich nature, and clean environment, and the objectives set out in Chapter 1.6 the following actions may form part of the Danish Rural Development Programme, either directly or indirectly via other actions:

- Continued promotion of organic and environmentally friendly farming
- Improved conservation by grazing or cutting on pasture areas and natural lands
- Establishment and management of wetlands and other kinds of nature projects
- Establishment of border strips along streams and lakes
- Establishment of extensive farming in river valleys as a result of periodical flooding
- Establishment of natural hydrological conditions on agricultural land in Natura 2000 areas
- Continued agricultural production on smaller islands with a view to maintaining farm land, environment and landscapes
- Afforestation of agricultural land in afforestation areas
- Sustainable forestry and non-productive investments in forestry
- Re-establishment of forests after losses due to storms
- Nature and environment projects for high nature value areas, including planning of nature projects and non-productive investments in connection with protection of environment, nature and animal welfare
- Improvement of amenity values and outdoor life in public and private forests

Indicative budgetary balance between measures in Axis 2:

	RDP 2007-2013 originally	RDP 2007-2013 after HC
%		
Agri-environment payments	73	58
Support for non-productive investments in connection with protection of the environment, nature and animal welfare	6	23
First afforestation of agricultural land	13	11
Natura 2000 payments in connection with Directive 2000/60/EC	0	0
Forest-environment payments	1	2
Restoring forestry potential	1	1
Non-productive investments in forestry	4	3
Payments to farmers on islands that are	2	2

less-favoured areas		
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Quantified impact objectives Axis 2

<b>Common impact indicators</b>	<b>Baseline</b>	<b>Target in 2013</b>	<b>Of which programme effect</b>
Improvement in water quality Reduction in nitrogen surplus in agriculture (Change in gross nutrient balance)	128 kg/ha in 2004	122 kg/ha	3%
Maintenance of high nature value farming and forestry areas Hectare of agricultural land of high natural value	78,000 in 2000	Maintain area	25%
Reversing Biodiversity decline Change in trend in biodiversity decline as measured by population index for 18 farmland bird species	Index 106.1 in 2001	Maintain index	Maintain index
Contribution to combating climate change Increase in production of renewable energy from forestry or farming	Annual production of 1,125 ktons in 2003	Increase of 5%	20%
Reduction in phosphorus emissions	Non-cultivated border strips along watercourses and lakes; 8,000 ha in 2003	Along all streams and lakes over 100m <sup>2</sup> equivalent to 53.400 ha	53.400 ha
Reduction in the use of pesticides.	Agricultural land converted to organic farming or production without the use of pesticides; 153,000 ha in 2006	255.000 ha	100%
Environmentally and ecosystem-friendly management of	Maintain grass area and ensure necessary	177.000 ha	50 %

grassland	conservation; 177,000 ha in 2005		
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### **Axis 3: Quality of life in the rural areas and diversification of the economy**

This section describes the balance between the effort concerning creation of possibilities of employment and the effort for improvement of quality of life in the rural areas. The effort will focus on the situation in the remote areas, where the need is greatest, cf. the analysis in Chapter 1. Moreover, quantified targets are drawn up on the basis of the common effect indicators from the Commission and chosen national indicators.

As a result of the challenges identified in the Health Check of The Common Agricultural Policy and the national plan for Green Growth changes have been made to the Rural Development Programme 2007-2013 for the remaining 2010-2013 period.

The targets for the activities under Axis 3 are primarily related to maintaining or creating more employment for the population in the rural areas and attractive living conditions. The effort is split equally between the targeted effort to create jobs and more general measures improving the living conditions in the rural areas. These activities are to be seen in the light of the challenges which the Ministry of the Interior and Social Affairs and the Ministry of Food, Agriculture and Fisheries, through their cooperation on the clarification of the Government's 2004 Statement on Rural Areas, identified as essential in order to develop the basic conditions in the rural areas. It is especially in relation to the occupational structure – including employment – and the situation of settling that an improvement of the situation is estimated to be necessary, and especially on the islands and the other remote areas.

The effort regarding more jobs focuses on supporting entrepreneurs in the rural areas. It could be farmers diversifying their activities and partly readjusting to non agricultural activities, including production of biogas. It could be new entrepreneurs established on the background of new ideas, micro-enterprises under development or tourism activities using the special qualities of the area. Action groups can take part in supporting investments in small and medium-sized food enterprises, which can prove beneficial for the competitiveness of these local processing companies.

The effort for quality of life focuses, for example, on creating more cultural facilities, making access to information and communication technologies easier and providing better opportunities for using nature in the rural areas and the establishment of common facilities for biogas production.. The effort should make the areas more attractive for settling. The implementation will take place partly through local action groups, and is expected to help improve the quality of life in rural areas as it will launch a joint effort for improving framework conditions.

The effort under Axis 3 is expected to be implemented through the Leader method in 63 rural area municipalities including a number of smaller and medium-sized islands. However, a part of the funds can be reserved for a centrally administered pool for children and young people, cultural activities in rural areas and for the establishment of common facilities for the production of biogas.



Concerning the indicator for creation of jobs, there is a connection to Axis 1 with respect to improved competitiveness in the food and forestry sector. Despite this, the employment effort is described here under Axis 3, where it mainly belongs in the Community's strategic guidelines. To fulfil the overall priority to promote entrepreneurship and new jobs, and the objectives set out in Chapter 1.6 of this strategy, the following type of actions may form part of the Danish programme:

- Establishment of micro-enterprises
- New jobs in manufacturing enterprises and the service sector in the rural areas
- Enhancing competences in the rural areas
- Alternative possibilities for employment at the agricultural holdings
- Development of the tourism trade in the rural areas
- Establishment of biogas plants

To fulfil the overall priority to create attractive living conditions in the rural areas and the objectives set out in Chapter 1.6, the following actions may form part of the Danish programme:

- Access to information and communication technology – especially in the remote areas
- Raising competences
- Establishment of services and cultural offers
- Planning of and investment in special cultural heritage areas
- Renewals and redeveloping of the buildings in the villages
- Nature and environment projects.

Indicative budgetary balance between measures Axis 3:

%	RDP 2007-2013 originally	RDP 2007-2013 after health check
Measures to diversify the rural economy*	20	15
Measures to improve the quality of life in the rural areas**	78	80
Training and information measure for economic actors operating in the fields covered by Axis 3	2	5

Note:

\* Include measure 311, 312 and 313

\*\* Include measure 321, 322 and 323

Quantified objectives Axis 3

Common impact indicators	Baseline	Programme effect in 2013
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Economic growth Net additional value added	EUR 172.3 billion (2004)	Euro 30 million
Labour productivity Change in Gross Value Added per full-time equivalent (Euro/FTE)	DKK 39.000 (agricultural holdings 2005) DKK 61.000 (food industry 2005)	DKK 1.201 (LEADER)
Employment creation Employment	2.6 million people (2004)	In progress
Establishment of centralised biogas plants	<ul style="list-style-type: none"> <li>• Agricultural emissions (2008 level)</li> <li>• Usage in 2008 was 5%</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction of agricultural CO2 emissions by 180,000 tonnes per year</li> <li>• 50% of livestock manure in Denmark utilised</li> </ul>
Networking activities	<ul style="list-style-type: none"> <li>• Number of participants</li> <li>• Number of new marketing opportunities achieved through supported network</li> </ul>	<ul style="list-style-type: none"> <li>• 900</li> <li>• 22</li> </ul>

#### **Axis 4: The Leader method**

Under the method axis (Axis 4), first of all the objectives concerning increased employment and attractive living conditions are pursued and to a lesser extent, nature and environmental projects. The effort under Axis 4 will focus on implementation of local development strategies in respect of the above-mentioned overall priorities.

#### **The Leader method in the programme implementation**

The overall principle with the Leader method is to ensure a high degree of local influence. The Leader method is an important part of implementation of the rural development programme. The principles are outlined below.

Local action groups (LAGs) shall be established to carry out the Leader approach in the programme. The Leader method shall be used to carry out activities under Axis 3 of the programme. Only areas with an approved local action group are supported under the Rural Development Programme's LEADER axis. The local action groups that are nominated to the programme shall draw up development strategies. They must contribute to activate and realise the local development potential in close coordination with other regional and local strategies and plans for the area. The close coordination of policies and strategies is ensured by including municipal councils, regional councils and regional Growth forums in the preparation of the development strategies of the local action groups as well as the authorities' representatives in the councils. There is a need for establishing close cooperation relations between the local action groups and the relevant municipalities for the implementation of development projects concerning nature and environment.

Each action group gets the possibility of attaching a rural development coordinator, who is to be the link between the local action group and other development initiatives in the local areas including occupational development council, regional council, municipal council(s), Forum for Growth etc. The coordinator must moreover handle the contact to project applicants and assure the daily access of the citizens to the local action groups. The coordinator will be eligible for support under the Rural Development Programme.

- As a principal rule, the action groups are geographically attached to the municipalities so that a local action group typically covers one or more municipalities depending on their size. This ensures a sufficient critical mass and also makes it possible to involve the public and let them have a say.
- The Ministry of Food, Agriculture and Fisheries, which is the managing authority, sets out the framework for establishment of the groups, for the work of the groups, elaboration of the strategies, the tasks of the coordinator as well as sanctions and access to file complaints. Representativeness and sound management of the public funds invested in the programme is ensured.

In Denmark, the councils of the five Danish regions and their advisory boards concerning regional and business development, called Regional Growth forums (Vækstfora), will also have new responsibilities in the field of rural development. The Fora shall set up strategies for regional business development in rural and remote areas and strategies for co-funding from the EU Structural Funds.

- The LAGs are to be established with the aim of an equal number of men and women and with consideration given to the representation of young people. The Regional Growth forums and the municipal council(s) are ensured the possibility of representation in the group. At the same time, there shall be an aimed representation of:
  - local authorities
  - citizens, associations and organisations
  - local industry and trade organisations

### Acquiring new skills

Acquiring new skills and development of the human potential in the rural areas is a highly prioritised area of effort in the Danish programme for rural development. This effort is a targeted under all four axes. Courses of development of qualifications will be available for people employed in the agriculture and forestry both concerning development of competitive force and concerning sustainable environment and landscape administration. Acquiring new skills will also be available for people in the rural areas working with creation of jobs, developing attractive living conditions and realisation of the local development potential.

*Indicative budgetary balance between measures in Axis 4:*

%	RDP 2007-2013 originally	RDP 2007-2013 after health check
411 Competitiveness	8	9
413 Quality of life/ diversification	74	71
431 Operating expenses for local action groups	18	20

### Quantified objectives Axis 4

Common impact indicators	Baseline	Programme effect in 2013
Labour productivity Change in Gross Value Added per full time equivalent (EUR/FTE)	39,000 (agriculture, 2005) 61,000 (food industry, 2005)	1,201 (Leader)
Employment creation Employment	2.6 million people (2004)	360 in new employment

### **3.3.2. All axes: Initiative as a result of the Health Check and Recovery Package**

As a result of the challenges identified in the Health Check of The Common Agricultural Policy and the national plan for Green Growth changes have been made to the Rural Development Programme 2007-2013 for the remaining 2010-2013 period.

With the EU's Common Agricultural Policy Health Check, it is possible to use an additional EUR 900 million for the Danish Rural Development programme in the period 2010-2013. At the same time, with the EU's Recovery Package it is possible to use an additional DKK 22 million in 2009 and 2010. In total this amounts to EUR 123.76 million.

With the additional funds made available as a result of the Health Check and the Recovery Package, Denmark intends to increase the effort in the areas which the Community prioritises highly, i.e. climate change, renewable energy, water management and biodiversity.

With the changed strategy, Denmark intends to make agriculture play an important role as a biomass supplier for bio energy production. As consumers of water and water reserves, agriculture and forestry also play an important role in the efforts to achieve sustainable water management. In this area Denmark sets clear goals for the protection of the aquatic environment and the implementation of the Water Framework Directive. The initiative for protecting biodiversity should also be set high on the agenda in order to comply with the Natura 2000 directives. And also on the basis of the expected damage caused by climate change and the growing demand for water.

In order to achieve the required objectives, Denmark is targeting the investment support under Axis 1 towards the production of renewable energy (biogas) and investments in environmental technology. Under Axis 2, agri-environment measures, among others, will be used to enhance biodiversity by conserving species-rich vegetation and protecting and maintaining grassland and extensive forms of agricultural production. Specific actions under Axis 2 can also help to improve the ability to better manage and protect the water resources in terms of quantity and quality.

Under Axes 3 and 4, support is given for projects and cooperation which focuses on renewable energy. The measure for conserving natural heritage can help in protecting high nature-value habitats and valuable wetland areas.

Denmark will implement and continue the actions in the Rural Development Programme described below in order to meet the new challenges regarding climate change, renewable energy, water management and biodiversity. The actions will be implemented in the period 2010 to 2012.

**Table 5. Summary of the schemes and measures in the current and revised Rural Development Programme.**

<b>Axis/scheme</b>	<b>Current programme</b>	<b>Revised programme</b>
1. Innovation and development in primary agriculture.	More support for demonstration and dissemination of new knowledge, investments and cooperation within development projects.	Will be continued, although with an increased focus on investments rather than development projects.
1. Biogas		New scheme (see also biogas under axis 3)
1. Innovation and development in the processing sector.	Dissemination of knowledge, new technology, etc., as well as cooperation projects.	More focus on investment rather than development and innovation will be continued.
1. Quality food products	Quality labelling schemes, inspection charges, marketing, cooperation projects, training teams.	Will be continued, now also includes conventional products. New sub-schemes for ERFA groups and conversion (organic produce).
1. Networking activities		New to the programme
1. Skills acquisition	Training in connection with supported projects under innovation.	Withdrawn
2. Island support scheme	Small islands defined as areas with natural handicaps in the current programme. Agricultural support.	The scheme will remain unchanged.
2. Eco-conditional grants and organic farming.	Grants for conversion to organic farming or reduced use of pesticides and fertilisers.	Remains unchanged.
2. Agri-environment schemes (Conservation through grazing or cutting of pasture and natural areas).		Will be continued, although with a focus on Natura 2000.
2. Conservation through grazing or cutting of pasture and natural areas.	Grazing, conservation and cutting.	Conservation of areas from section 3 will be transferred from the above scheme to a separate scheme.
2. Establishment and	Establishment, area	Will be continued with

management of wetlands.	payments and state acquisition.	extra support opportunities.
2. Restoration of natural hydrology and conversion of rotation areas to natural areas in Natura 2000 sites.	-	New (Nature Management)
2. Reduced watercourse maintenance in designated river valleys leading to periodical flooding.	-	New. The scheme includes the possibility of support for the extensification of lowland soils in river valleys.
2. P-river valley projects – grants for extensification/flooding of lowland soils in river valleys and surrounding areas of lakes.	-	New scheme
2. Border strips.	-	Increased financial allocation.
2. Establishment of set-aside border strips.	Set-aside border strips along lakes and streams.	In 2010 decision may be taken to discontinue voluntary support in 2011, if support for mandatory cultivation-free border strips is accepted by the Commission pursuant to Art. 38 in REG 1698/2005.
2. Environmental and nature projects.	Planning, conservation, establishment of grazing cooperatives, investments in environmental and nature protection.	Conservation will be transferred to an agri-environment. Will be expanded to also include open air facilities and ancient monuments.
2. Landscape and biotope-improving vegetation.	Establishment and first maintenance of vegetation.	Unchanged
2. Plant genetic resources	Demonstration and dissemination of knowledge.	Unchanged
2. Afforestation of agricultural land.	Private afforestation.	Unchanged
2. Environmentally friendly and sustainable forestry.	Various schemes for diverse forestry.	The scheme will be discontinued.
2. Restoration of forests after storm damage	Storm damage support	Unchanged
		New scheme.

2. Protection of forests		Environmentally friendly management, etc.
3. Children and young people	Projects for young people	Unchanged
3. New jobs	Diversification, establishment and development of companies, tourism, analyses and development projects.	Unchanged
3. Biogas		New scheme (se also biogas under axis 1)
3. Attractive living conditions	Establishment of micro-enterprises, tourism, service facilities, preservation of nature and cultural heritage.	Unchanged
4. Local action groups etc.	Management of local action groups, analyses, dissemination of information and skills acquisition.	Unchanged

The following initiatives are provisionally expected to be financed under the Rural Development Programme with EU funds from the Health Check and Recovery Package totalling EUR 123.8 million (DKK 922 million) for 2010-2013, and are thus especially aimed at the new challenges.

- Environmental technology – investment grants for the primary sector
- 10 m set-aside border strips
- Establishment and management of wetlands
- P-river valley projects – extensification/periodical flooding of farmland in river valleys adjacent to streams and lakes.
- Re-establishment of natural hydrologic conditions and conversion of farmland in rotation to permanent pasture in Natura 2000 areas
- Support for conversion to organic farming

### 3.3.3 Allocations following the new Health Check challenges

Provisionally indicative relative weight given to the new Health Check challenges allocated on measure codes in table 6.3 in the RDP

Priority theme	Percentage	Million €
Climate change	18	21.9
Renewable energies	6	7.3
Water management	49	60.7
Biodiversity	27	33.8



Dairy restructuring	0	0
Broadband infrastructure	0	0
<b>Total</b>	<b>100</b>	<b>123.7</b>

### **3.4 Ex ante evaluation and environmental assessment**

#### **3.4.1 Ex ante evaluation and strategic environmental assessment 2007**

##### *Ex ante evaluation*

In accordance with Council Regulation (EC) No 1698/2005 and Commission Regulation (EC) No 1974/2006, an ex ante evaluation and strategic environmental assessment are to be carried out as part of the preparation of the rural development programme. The purpose of the evaluation and its strategic environmental report is to assess whether the draft for the programme complies with the provisions and guidelines drawn up by the European Commission. The purpose of the evaluation is set out in Council Regulation (EC) No 1698/2005 and it is stated that there must be an ex ante evaluation in order to ensure both optimal utilisation of the allocated resources and a contribution to the quality of the programme.

In addition, a further purpose of the evaluation is to assess the medium and long-term problems and needs, the internal and external contexts of the plan, the quantified objectives and anticipated effects, experiences and principles from previous programme periods and implementation procedures, including the monitoring and evaluation system.

The evaluation and its strategic environmental report were carried out for FIA by the consultancy company Orbicon. The evaluation and environmental report are attached as annexes 7 and 8.

The ex ante evaluation has resulted in a number of changes and additions to the text, adjustments to objective indicators and the correction of errors in the proposals for the strategy plan and the programme. Furthermore, more emphasis has been given to the programme initiative regarding sustainable forestry. However, the evaluation has not resulted in significant changes to the general prioritisation of the initiative in the strategy plan and the programme. The ex ante evaluation is described in more detail in Section 4.2.

##### *Strategic environmental assessment*

In accordance with Council Regulation (EC) No 1698/2005, the draft programme and ex ante evaluation are to be accompanied by a strategic environmental assessment of the draft programme (SEA). The SEA shall take the form of an environmental report which concentrates on the anticipated and probable environmental impact of the rural development programme.

The environmental assessment of this draft programme has been prepared by the consultancy company Orbicon for FIA in accordance with the guidelines in Directive 2001/42/EC of the European Parliament and of the Council on the assessment of the effects of certain plans and

programmes on the environment and in Danish Act No 316 of 5 May 2004 on the environmental assessment of plans and programmes.

#### *Information and consultation on SEA*

In accordance with Article 6 of Directive 2001/42/EC the draft programme and the environmental report was made available to relevant authorities and interest groups and the general public through two public consultations via e-mail consultation, the homepage [www.ferv.fvm.dk](http://www.ferv.fvm.dk) and daily newspapers. FIA designated the Ministry of the Environment (MIM) as the primary public authority to be consulted by reason of the environmental responsibilities of this institution.

In accordance with Article 9 of Directive 2001/42/EC all relevant information on the draft programme, the public consultation on the programme and SEA, the documents for which the consultation took place, the targeted authorities/organisations (including environmental authorities and NGOs), the comments received and how they have been taken into account and a statement summarising this process and the results is available on the homepage [www.ferv.fvm.dk](http://www.ferv.fvm.dk).

FIA sent the first draft of the SEA in public consultation on 7 February 2007 with a deadline of 21 February. FIA and the Ministry of Food, Agriculture and Fisheries had discussions in advance with the Ministry of Environment on the scope and content of the SEA in accordance with the provisions of Directive 2001/42/EC. The written feedback from Ministry of Environment on the process and content of the SEA is found in annex 9. FIA received a number of replies following the first round of public consultation. These contained positive comments on the environmental assessment but also critical comments. Several respondents expressed a wish for the programme to also focus on effects and objectives other than those relating to the environment.

Following the first round of consultation and at the request of FIA and Ministry of Environment, Orbicon adapted the structure of the SEA report, expanded the analysis of the programme's environmental effects and extended the description of the current state of the environment to include alternative scenarios and measures to reduce the possible negative effects of the programme. However, the conclusions drawn by the report remained unchanged, specifically that the programme implementation was deemed to mainly bring positive impacts on the environment.

On 13 March 2007 FIA sent out the second draft of the SEA for public consultation with a deadline of 9 May 2007. Again the SEA was sent to the same wide group of stakeholders, including the partnership for the rural development programme. The consultation also was publicised in daily newspapers and on relevant websites. A full outline of the feedback from the consultation and other required information according to the SEA Directive is available on the homepage [www.ferv.fvm.dk](http://www.ferv.fvm.dk).

By 15 May 2007 FIA sent a statement to the Commission summarising how environmental considerations were integrated into the programme proposal, how the environmental report and the opinions expressed during consultation were taken into account and the reasons for choosing the design of the proposed programme in the light of the alternatives dealt with. The statement is available on [www.ferv.fvm.dk](http://www.ferv.fvm.dk).

### *Conclusions from the SEA and the consultation process*

In accordance with Article 8 of Directive 2001/42/EC FIA has taken the SEA and the results of the public consultation into account when preparing the programme.

The SEA written by Orbicon describes the state of the environment in Denmark assessed on parameters for biodiversity, soil, water, air, climate, human health, cultural heritage and landscape. The report finds a strong correlation between the programme activities proposed and the acknowledged environmental problems. The measures and their effects on the environment are assessed assuming first the scenario that the programme will not be implemented and secondly that various weights are given to the axes of the programme. The report indicates that the programme will bring mainly positive effects on the environment and in certain cases very positive effects. In some areas negative effects may be possible. However no instances of significant adverse effects are expected. The standards on cross-compliance pursuant to Regulation (EC) 73/2009, the possibility of introducing mitigating measures in the program and procedures for environmental assessment of plans and projects are expected to help reduce negative effects to a minimum.

The public consultations resulted in a number of responses from authorities, interest groups, non-governmental organisations and the general public. Many responses expressed approval of the SEA and consultation process. Some expressed the wish for a different financial weighting of activities between the Axes of the programme - some for more emphasis on Axis 2 others for Axis 1 or 4. Some found that objectives other than those related to the environment should be reflected to a further extent in the programme. One organisation expressed the importance of further national regulation to complement the measures of the RDP in the efforts to achieve national objectives. The Ministry of Environment expressed that the final SEA report seemed to be in uniform with the provisions of Directive 2001/42/EC.

FIA made no significant changes to the formulation of objectives of the programme or the weighting of activities as a result of the SEA nor of the consultation process. However, some programme indicators and some quantified objectives were adjusted, and some descriptions of the environmental state were amended in the programme. FIA intends to avoid potential negative environmental effects by giving priority within measures to activities that shall only influence the environment in positive ways. Measures related to environment protection shall be implemented in co-operation with the Ministry of Environment. For the measures for innovation and development in agriculture, forestry and the processing sector, emphasis shall be given to technologies and processes that reduce environmental and climate effects. For the measure for skills acquisition emphasis shall be given on dissemination of knowledge on methods for environmentally sustainable production.

### *Monitoring effects on environment*

In accordance with Article 10 of Directive 2001/42/EC, FIA shall monitor the significant environmental effects of the implementation of the programme in order to identify at an early stage positive or unforeseen adverse effects and to be able to undertake appropriate remedial action. FIA shall apply the Common Monitoring and Evaluation Framework for the programme for the monitoring of environmental effects. Impact indicators related to the environment are found in the measure sheets for the individual Axis 2 measures in chapter 5.2.

For all axes of the programme a registration is expected of projects, that have a positive effect on the environment, working environment, organic production, nature, utilisation of resources, animal welfare or non food production. A comprehensive set of indicators for such projects may be used to reflect some of the general effects of the programme on the environment. Additional indicators may be introduced if needed. Such additional indicators may also be suggested by the Monitoring Committee that shall be established pursuant to Regulation (EC) No 1698/2005.

A non-technical summary of the SEA is found in section 10 of the SEA. The summary is provided in Annex 8.

### **3.4.2 Strategic environmental assessment 2009**

The revised rural development programme is accompanied by a strategic environmental assessment of the draft programme (SEA). The SEA shall take the form of an environmental report which concentrates on the anticipated and probable environmental impact of the rural development programme. The SEA is in public hearing until September 2009. Hereafter a concluding summary of the report and the result of the public hearing will be drawn up and made public. The SEA and hearing material is made public on [www.borger.dk](http://www.borger.dk).

## ***3.5 Results from previous programme periods and programmes supplementing the rural development programme***

The preparation of the rural development programme 2007-2013 builds on experience from the previous programme periods, principally 2000-2006. Previous experience with the Leader+ programme is also included.

### *Experience from the Rural Development Programme 2000-2006*

Experience from the rural development programme 2000-06 was systematically evaluated in 2003 in connection with the mid-term evaluation of the programme<sup>18</sup>. The overall conclusion drawn in the evaluation is that the programme is extremely relevant, and that the objectives for the programme as a whole and for the individual schemes reflect the needs and problems broadly encountered in Danish rural areas. The evaluator also judges that the schemes and the supported projects are in accordance with the overall aims and priorities of the programme.

On the other hand, the evaluator considers that the correlation and additionality between the schemes is low in the case of most schemes. The schemes act as isolated support schemes and do not exploit potential opportunities for synergies between the schemes particularly well.

This has been taken into consideration while setting up the new program in the period 2007-2013 by a partially integrated approach in setting up the national application schemes (see chapter 5.3).

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<sup>18</sup> *Mid-term evaluation of the Danish rural development programme*, carried out for the Directorate for Food, Fisheries and Agri Business by Kvistgaard Consult, complete report, December 2003.

The evaluation points out that an assessment of the extent to which the schemes fulfil their goals is dependent on satisfactory and detailed hierarchies of objectives being established for the individual schemes. Only if goals are clearly defined and, where appropriate, quantified can the evaluator judge whether the supported projects and schemes fulfil the goals. The evaluator therefore criticises the lack of operational goals for all the schemes. For those schemes for which operational goals do exist, it would have been useful for them to have been formulated far more clearly, for instance in the form of quantified objectives. In the case of some of the schemes there is also inconsistency between the goals set in the hierarchy of objectives.

The mid-term evaluation concludes that the programme has had an effect in relation to the protection of environmental and natural resources and in relation to improving human resources in rural areas, and that the overall programme contributes to stabilising the rural population. Factors in the world at large, such as structural development and fluctuations in economic climate, are judged to be of greater significance to the socio-economic situation in rural areas than the rural development programme.

It is judged in the evaluation that the results and effects achieved are generally viable, in part because of the high relevance of the schemes in relation to the needs of rural areas. Frequent changes to the programme and the orientation of the schemes are not, however, judged to be favourable from the point of view of viability.

The general conclusion reached in the evaluation is that the rural development programme 2000-2006 and the individual schemes are administered in accordance with the EU's administrative requirements and Danish rules on good administrative practice. Problems have, however, been identified in relation to monitoring, IT support and high administrative expenses for individual schemes.

#### *Experience from the Leader+ programme 2000-2006*

Experience from the Leader+ programme in 2000-06 was also systematically evaluated in 2003 in connection with the mid-term evaluation<sup>19</sup>. A follow-up of the mid-term evaluation was prepared in March 2006<sup>20</sup>. The programme implementation was delayed by nearly two years in part because of the late launch of the programme at European level. The evaluator was therefore unable to carry out a reliable and valid evaluation of effect in 2003. The overall conclusion of the evaluation is that the programme continues to be highly relevant. The Leader approach, with the formation of a local partnership and application of a *bottom-up* approach, is judged to be an effective instrument for the necessary local mobilisation in peripheral areas. The Leader+ programme in general shows broad regional and successful partnership and good utilisation of the resources of the local area.

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<sup>19</sup> *Mid-term evaluation of the LEADER+ programme in Denmark 2000-2006*, carried out for the Directorate for Food, Fisheries and Agri Business by the Danish Technological Institute, 2003.

<sup>20</sup> *Follow-up to the mid-term evaluation of the LEADER+ programme in Denmark 2000-2006*, carried out for the Directorate for Food, Fisheries and Agri Business by the Danish Technological Institute, 2006.

The appointment of members of the local action groups based on partnership and network organisation is described as a positive change in comparison with the previous Leader II programme. However, the evaluator points out that the selection of members of the local action groups is non-transparent and lacks democratic legitimacy. The evaluation notes that there are very wide differences in the organisation and style of work of the 12 local action groups, wider than appears reasonable. Some action groups are unable to ensure to a sufficient extent the innovative and integrated approaches at local level which is one of the most important aims of the programme.

With regard to the effects of the programme, the evaluation considers there to be a lack of focus in the development strategy in some action groups. The effort is dispersed over too many areas in view of the limited financial funds available. Innovative projects are in short supply. The evaluator recommends that the local action groups, supported by the network secretariat and the Food Industry Agency (FIA), should work on a more focused adjustment of the local development strategies and in so doing attain better integration and synergy between the projects, resulting in greater overall effects.

The evaluator notes that business-promoting projects have not accounted for as large a share as expected, which is due to lack of government co-financing in this area. This is judged not to be optimal on the basis of an assessment of need and is not in accordance with the underlying requirements of the programme. On the other hand, environmentally oriented projects are playing a greater role in the programme than expected.

It is judged in the follow-up of the mid-term evaluation that the programme's actors have pursued the recommendations of the mid-term evaluation in a thorough and satisfactory manner.

#### *Application of previous experience from Rural Development Programme 2007-13*

The experience gathered from the previous programme periods, in particular the rural development programme 2000-2006 and the Leader+ programme, will be an important element in the rural development programme 2007-2013. The specific recommendations of the evaluation will, as far as possible, be taken into account in the organisation of the individual measures.

Efforts will be made to ensure significantly better coherence and additionality in the programme, and opportunities to attain synergistic effects will be exploited far better than has been the case in previous programme periods. Application of the Leader approach will be a key instrument in this connection. It will be a key task for the local action groups to ensure coherence and totality in their local areas. Fewer but better schemes will therefore be established, with more instruments drawn up from the regulation. The focus will also be put on how the various schemes can interact, so that the programme gives more of an appearance of a collective programme and less that of a collection of individual schemes.

The aim for the whole programme and the individual measures will be to establish adequate and detailed goal hierarchies based on the programme's four overall objectives, cf. Section 3.1. A monitoring system is to ensure regular follow-up of goal fulfilment at all levels.

The Leader approach will be applied in the administration of a substantial part of the rural development programme 2007-2013. To ensure that the local action groups are representative and have democratic legitimacy, the way in which they are set up and function will be governed by an executive order. To make the local action groups capable of ensuring locally integrated and innovative approaches, financial support will be granted for the employment of a rural area coordinator in each action group in peripheral and rural municipalities.

# 4. Review of the programme’s priorities in the light of national and EU strategy

## 4.1 Account of the priorities and their correlation with the national strategy and EU strategic guidelines

The Danish rural development programme is an implementation of the EU regulation on support for the development of rural areas. The overall aim of the regulation is to promote sustainable development in rural areas as a supplement to market policy. This overall aim is expressed through four overall goals for the programme:

- More entrepreneurs and local jobs in rural areas
- Greater competitiveness in the agricultural, food and forestry sectors
- Varied landscapes, rich nature and a clean environment
- Attractive living conditions in rural areas, which contribute to strong cohesiveness between countryside and town

These four goals were chosen on basis of the analysis in chapter 3. The four goals and the hierarchy of objectives are illustrated in figure 4.1 and Annex 2.

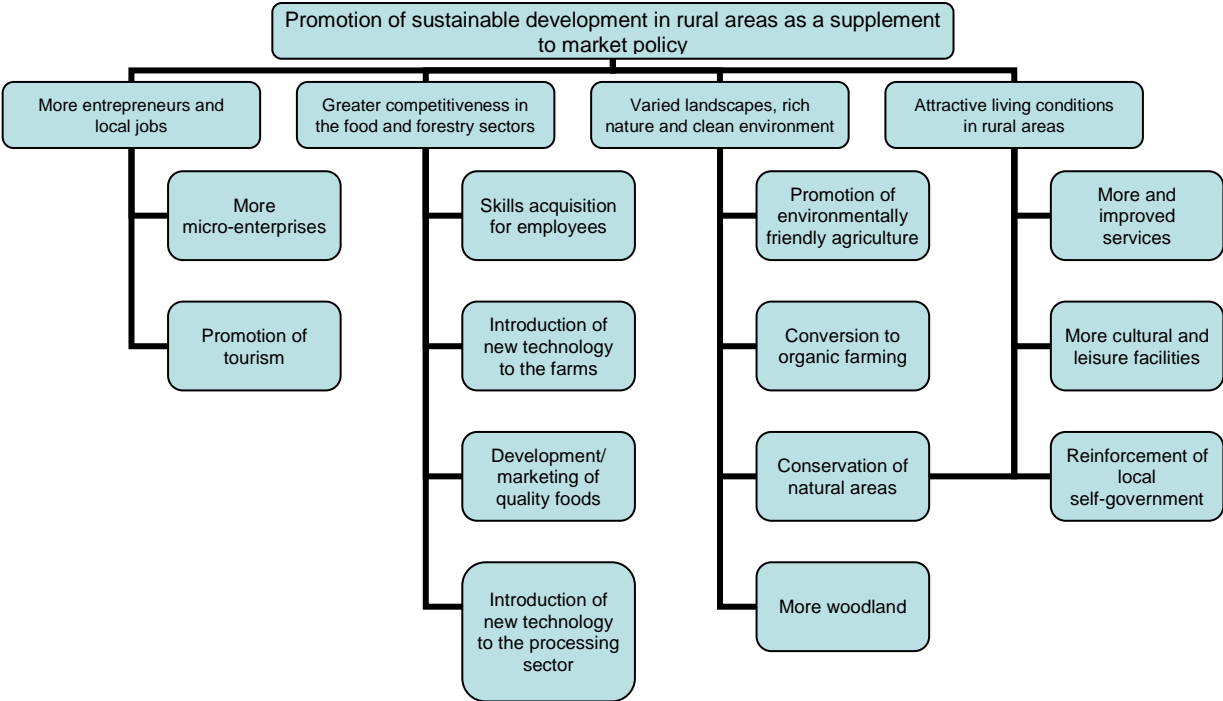


Figure 4.1: Overall goals for the initiative

The four goals are to be attained through support measures, divided into three groups (axes). The regulation comprises a modernisation and expansion of the opportunities there have been so far for support in EU structural and rural development policy.



One of the main initiative areas for the programme is to strengthen business development in the agricultural, forestry and food sectors in order to boost innovation and competitiveness. Emphasis is put on creating better coherence between research, application-oriented development, testing, demonstration and final investments.

The food sector, which comprises both the primary agricultural industry and manufacturing and processing industries etc., has great potential as a driver of growth in Danish society, and the industry is of particularly great significance in rural areas. At the same time, the primary producers play a great role in managing a valuable natural and cultivated landscape.

There is already increased demand for organic foods today. The development of quality foods is to be strengthened, including the advancement of local or regional foods, which have particular potential to boost earnings and create jobs in rural areas.

The environment and nature in Denmark are to be safeguarded. The objective is to promote environmentally sustainable production and the attainment of a satisfactory state of nature in designated areas laid down in the national action programmes and international agreements. These goals will be pursued both through area-based agreements, including agreements relating to nature conservation, and through the promotion of knowledge-sharing, innovation and the application of new technology in the food sector. Emphasis will be put on the implementation of specific projects and further geographical targeting of the initiative.

Attractive living conditions in rural areas depend on a large number of factors such as job opportunities, supply of services and quality of nature. Circumstances differ from one place to another, and the challenges are not identical. A commitment is therefore made to local forms of cooperation, which in the individual rural areas establish better conditions for good quality of life. If good quality of life is to be attained in rural areas, it is important that people have an opportunity to create their own frameworks and influence their own local area, so that they have the greatest possible influence on their own situation in life. The initiative will therefore be implemented via local action groups according to the Leader approach.

### **Axis 1**

The main emphasis in Danish strategy under Axis 1 is to boost competitiveness in the agricultural, forestry and food sectors by developing and investing in innovative solutions, which convert new ideas into value. Utilisation of knowledge is therefore combined with investments in physical capital. The emphasis in this axis in financial terms is on physical investments and application of the new knowledge.

Innovation activities are to focus on creating new and better foods of high quality, including organic food production. There is a focus on investments in better animal welfare, as well as on the development and application of new environmentally friendly technologies. This includes non-food production, primarily aimed at increasing the supply of sustainable energy sources.

The initiative under Axis 1 in the rural development programme is thus in line with the globalisation strategy of the Danish government, which puts particular emphasis on ensuring that Denmark is competitive, so that it continues to be one of the countries in the world with the highest rates of growth and prosperity.

The EU's strategic guidelines for rural development policy indicate that the EU's Lisbon employment target is to be pursued with the help of the rural development policy. These objectives are pursued with the special long-term commitment to ensuring the competitiveness of the food industries: a commitment that also reflects the EU's strategic guidelines and emphasises knowledge-transfer, innovation and quality as focal areas for efforts to improve the competitiveness of agriculture and forestry.

With its special focus on the dissemination of environmentally friendly technologies, the programme also supports Denmark's efforts in relation to the Kyoto Protocol and the Gothenburg sustainability goals.

Of the total programme public costs (excluding technical assistance, but including payments for commitments agreed in previous programme periods), 25 % is used for measures under Axis 1.

### **Axis 2**

The environment and landscape will be improved via implementation of the Aquatic Environment Plan III initiative for the establishment of wetland areas and set-aside land in border strips next to lakes and watercourses. At a secondary level, objectives relating to multifunctional agriculture and forestry will be pursued, including the promotion of organic farming. The two initiatives, together with action to implement agreements already entered into on environmentally friendly agriculture from previous programmes, will contribute to compliance with the commitments under the Natura 2000 Directive and Water Framework Directive.

In the light of the nature- and environment-related challenges expected to result from implementation of the Water Framework Directive and the Natura 2000 directives, a more project-oriented approach will be adopted to fulfil the nature and environment goals in geographically defined areas.

Through preservation and development of nature-friendly methods of agriculture and forestry the initiatives under Axis 2 will also contribute to meeting Denmark's commitments in relation to the preservation of biological diversity and the aims of the Kyoto Protocol to limit climate change.

In addition, an initiative to maintain agricultural production on selected islands with specific handicaps for agricultural production will be continued. A number of small and medium-sized islands have been designated as less favoured areas in Denmark.

Of the total programme public costs (excluding technical assistance, but including payments for commitments agreed in previous programme periods), 55 % is used for measures under Axis 2.

### **Axis 3**

The objectives for the activities under Axis 3 are primarily related to maintaining or creating increased employment and attractive living conditions for the population in rural areas. The initiative is equally divided between the targeted initiative to create jobs and more general measures that improve living conditions in rural areas. These activities are to be viewed in the light of the challenges which the Ministry of the Interior and Health and the Ministry of Food, Agriculture and Fisheries have identified through their cooperation on the 2004 rural

development report (*Landdistriktsredøgørelse*) “Classification of Rural Areas” as being essential to developing the status of rural areas. It is principally in relation to the structure of business – including the employment and housing situation – that there is considered to be a need to improve the situation, particularly on the islands and in the other peripheral municipalities.

The initiative to increase the number of jobs focuses on lending support to entrepreneurs in rural areas. It may be farmers who diversify their activities and partly convert to non-agricultural activities. It may be entirely new entrepreneurs who set up on the basis of new ideas, or it may be tourist activities which use the special qualities of the areas.

The quality-of-life initiative focuses for example on creating more cultural facilities, easing access to information and communication technology, contributing to creating the necessary service facilities and providing better opportunities to utilise nature in rural areas. The purpose is to make the areas more attractive places to live.

The initiative under Axis 3 will principally be implemented using the Leader approach. This necessitates there being broad limits for what can be supported in the programme.

Of the total programme public costs (excluding technical assistance, but including payments for commitments agreed in previous programme periods), 8 % is used for centrally administrated measures under Axis 3 and another 8 % shall be used for measures under Axis 3 based on the Leader approach. In total 16 % shall be used in accordance with Axis 3 provisions.

#### **Axis 4**

Under Axis 4 the objectives aimed at increased employment, providing attractive living conditions and improving the countryside and environment will be pursued. The initiative under Axis 4 is focused on implementing local development strategies aimed at the overall objectives mentioned above.

The broad principle of the Leader approach is to ensure a high level of local influence. The Leader approach is an important element in the implementation of the rural development programme. The principles are outlined below.

Local action groups are set up to implement the Leader approach. Local action groups can in principle be established throughout the country. However, only approved action groups can obtain support under the rural development programme. Only projects proposed by the relevant local action group will be able to receive support.

The selected local action groups will devise development strategies and help to activate and utilise the local development potential, in close cooperation with other regional and local strategies and plans.

The close coordination of policies and strategies will be ensured by involving municipal councils and growth forums in connection with the preparation of the development strategies of the local action groups. There will be a need to establish close cooperation relationships between the local action groups and the relevant municipalities in connection with the implementation of development projects in the areas of the countryside and the environment.

Of the total programme public costs (excluding technical assistance, but including payments for commitments agreed in previous programme periods), 11,6 % is used for the Leader initiative. Of these, 8 % is expected to be implemented through Axis 3 provisions and 1 % is expected to be implemented through Axis 1 provisions.

#### **4.2 Expected effects based on the ex ante evaluation**

In accordance with the European Commission's evaluation policy generally and Council Regulation (EC) No 1698/2005 specifically, an ex ante evaluation of the rural development programme must be carried out as part of the preparation of the programme.

The ex ante evaluation and its environmental report were carried out for DFFE (now the Danish Food Industry Agency (FIA)) by the consultancy company Orbicon. The evaluation was prepared on the basis of a draft of the rural development programme, which was submitted for public consultation between 7 December 2006 and 26 January 2007. The important conclusions and recommendations of the evaluation are set out below.

##### *Conclusions*

One of the general conclusions of the evaluation is that the draft strategy and programme contain many exciting new elements. The evaluator recognises that it is a good idea to consider and link the individual measures within the frameworks of new support schemes in a way that can potentially promote synergies.

It was also concluded that the programme's objectives under the three axes and their weighting agree with important societal needs and problems, and that there is agreement between the plan's objectives and the EU priorities that apply to the extension of both the Gothenburg Declaration on sustainability and the Lisbon Declaration on economic growth and employment. This is expressed through the fact that the plan's objectives are aimed at innovation and promoting new earning potential at the same time as there is focus on preserving natural assets and improving the state of the environment.

Another general conclusion is that the programme will lead to significant effects in the form of increased value added, new jobs, innovation and skills acquisition in addition to improving both nature and the environment. The programme is considered to be innovative. This assessment is supported by the Leader approach being given a crucial role to play. A combination of geographic focus, the linking of measures in need-targeted schemes and the mobilisation of local involvement is considered to give the programme significantly more impact than previous programmes in Denmark within the area of rural development. A further conclusion is that the selection of measures is well founded, but the omission of others, including those relating to Natura 2000 and woodland schemes besides afforestation and storm damage, would be easier to justify.

The main complaint is that a political decision has not been made on the financing of the plan for its total duration. It is appropriate to create conditions for the Danish support for rural areas that are reliable and transparent enough for the social and economic partners to have a solid basis on which to make the necessary decisions regarding investment which benefits rural areas. A seven-year financing agreement will be of help here.

Together with the national strategy, the programme represents a description and analysis of the initial situation in Denmark, which according to the evaluator is adequate in many ways in relation to formal scheme-specific requirements on the one hand and needs, problems and opportunities in the rural areas on the other. However, it can also be said that several issues of importance to the subsequent strategy are not dealt with in the description. This concerns areas such as innovation, entrepreneurship and tourism, and as a result the strategy lacks a certain amount of justification. The evaluator also believes that the programme does not contain a sufficiently detailed SWOT analysis.

A general conclusion is that an effort can be made to improve the description of the objectives for the individual support schemes and a clear and transparent hierarchy of objectives can be drawn up for the selected support schemes and sub-support schemes. It is the opinion of the evaluator that this will improve the transparency of individual support schemes or groups of support schemes for potential applicants. In connection with the formulation of a hierarchy of objectives for each support scheme, it is recommended that a chart be drawn up of the programme's hierarchy of objectives and the indicators that already exist for the measures.

It is considered that the indicators identified in the programme and the value of the baseline for each of them are appropriate. The quantification of objectives at output, result and impact level is very satisfactory and appears to rest on a significant and solid base of data, supported by bodies such as the Institute of Food and Resource Economics at the University of Copenhagen and material drawing on experience from other schemes and programmes.

The evaluator recommends that more principles from the previous programme, including information at support scheme level on the average prices of projects, allocation of projects, their results and effects should be involved. The programme also lacks sufficient experiences of goal fulfilment and cost effectiveness. The evaluator appreciates the efforts put into the programme in order to achieve synergies, a principle which has been taken from the previous programme period.

It is also a recommendation that administrative experiences from previous programmes should be involved and specified and it should also be stated whether there is a need in connection with this for adjustments in the form of other selection procedures, the collection of monitoring data, bottlenecks, etc. It is the opinion of the evaluator that it is possible to gather more specific useful experiences from national policies, including for the promotion of innovation.

On the basis of the quantified objectives in the draft programme, the evaluator has drawn up a list of the estimated, anticipated impact of the programme. Overall it is considered that the programme can generate significant and positive societal effects within all three axes, provided that the implementation takes place according to the plan for the first two years of the programme period. Again, this presupposes that the local commitment can be mobilised in the up to 50 local action groups that are expected, and that the support schemes formulated will prove to be sufficiently attractive to trigger the new activities, especially outside the primary industry and the food industry. There may, however, be a certain amount of doubt whether there are enough incentives (grants) in some of the schemes to trigger the extra activity on which the effects are based. Nevertheless, the assessment is that the efforts can make a strong contribution to attaining the expected results and effects.

The complete administrative system is described satisfactorily. The implementation procedures for applications, which must be sent centrally to DFEE and implemented using the Leader approach, are described satisfactorily in the programme.

It is the evaluator's assessment that the partnership model implemented, which involves social and economic partners and other stakeholders holding dialogue meetings at axis level via a web-based panel and both regional and national conferences, has been very useful and lived up to the requirements on consultation with the stakeholders.

It has been assessed that the programme and the strategy plan are complementary, partly in relation to other EU programmes, and partly in relation to other national programmes. Yet it is also the evaluator's opinion that there are not currently sufficiently clear boundaries between the programme and other programmes under the European Regional Development Fund and the European Social Fund respectively. The programme shares goals with both of these funds in several areas. Nevertheless, administrative procedures for handling these overlaps have been drawn up, so it is the evaluator's opinion that clear and unambiguous boundaries should be established. It is also recommended that it be clarified exactly how coordination with the national and regional growth forums is to take place, including consultation procedures.

#### *Recommendations*

The main recommendations from the evaluation are summarised below in table form. They are structured according to programme level and scheme level. The table incorporates a description of how FIA has taken the evaluation into account.

No	Issue	Recommendation	Comments from the Directorate for Food, Fisheries and Agri Business (DFEE)
<b>Programme level</b>			
1.	<b>Analysis of the current situation</b>	The general recommendation is to ensure that the issues (problems, needs, etc.) that the plan and the strategy contained within it are targeting are described and analysed in the chapter on the current situation. The specific recommendations given below indicate a number of specific examples.	<i>Text will be inserted where possible.</i>
		If data is available it is recommended that the description of the current situation be extended to cover the common indicators not already included.	<i>The obligatory indicators represent the starting point. These are supplemented with further relevant indicators for the Danish programme effort.</i>
		It is recommended that a description of “entrepreneurship and/or entrepreneurs” be inserted into the analysis of the current situation.	<i>See the description of the strategy.</i>
		It is recommended that a description of the innovation and information/advisory system be inserted, as innovation is a core area of the plan.	<i>A description will be inserted.</i>
		It is recommended that the description of issues related to support opportunities be elaborated upon in accordance with Article 20(b)(v) – Infrastructure related to the development and adaptation of agriculture and forestry – Axis 1 and Article 52(b)(iii) Conservation and upgrading of the rural heritage – Axis 3	<i>The significance of this is dealt with in more detail in Sections 3.1.3 and 5.2.6 of the programme.</i>
		<i>It is recommended that it be stated explicitly in the plan that the aim of the woodland scheme is to contribute to the financing of national strategies, and that the scheme’s objectives thus link up with the objectives defined in the national strategies.</i>	<i>This is defined in Section 5.2.9.</i>

		In order to support the correlation between Chapter 3 and the Leader approach, it is recommended that the description of experiences with Leader be added to Chapter 3.	<i>Experiences from the previous Leader programme are described in Section 3.4.</i>
2.	<b>SWOT</b>	It is recommended that a cross-check be carried out of what is stated in the SWOT analysis under each item and what is described in Chapter 1 of the national strategy and in Chapter 3 of the plan so that they correspond. This will help to strengthen the structure of both chapters and provide a better overview than they do at present. It is also recommended that a table listing the identified needs/problems be inserted to act as a summary.	<i>The text has been clarified in places.</i>
		It is recommended that Chapter 3 of the plan be concluded either with a reference to the SWOT analysis in the national strategy or with the analysis being added to Chapter 3.	<i>The SWOT analysis has been added to Chapter 3 of the programme.</i>
		Another recommendation is that an attempt be made to benchmark the SWOT analysis up to EU-15 or EU-25 for example, where relevant, as this provides a perspective of the Danish situation in comparison to that of the Community as a whole.	<i>This recommendation has not been followed. We feel that any benefit derived will not match the effort involved. It is not considered necessary to the organisation of the programme.</i>
		It is recommended that some text be inserted after the SWOT analysis to ensure that the link from the SWOT analysis to the strategic element in the plan is clear and unambiguous. This text would describe how we expect to utilise internal strengths and remove/reduce internal weaknesses with a view to utilising external opportunities and eliminating threats.	<i>Section 3.2 of the programme gives a general description of the correlation between the situation analysis and the programme's operational efforts. This is considered to be sufficient.</i>
3.	<b>Hierarchy of objectives</b>	It is recommended that the plan's hierarchy of objectives be illustrated in a diagram so that the objectives are set out in a clear and sensible way. Furthermore, inserting a number of specific	<i>An illustrated hierarchy of objectives has been added to Chapter 4 and is annexed.</i>



		objectives in which reference is made to Chapter 12 on the plan's monitoring and evaluation procedures can also be considered.	
4.	<b>Experiences and principles</b>	It is recommended that the administrative experiences be investigated in connection with the implementation of previous programmes, and that it be assessed in connection with this whether there is a need for adjustments in the form of other selection procedures, the collection of monitoring data, bottlenecks, etc.	<i>Descriptions have been inserted under the specific schemes and in Section 3.4 of the programme.</i>
		It is recommended that experiences from previous programmes and policies be further integrated into the plan. The Danish Innovation Act and the Leader+ programme in particular come to mind.	<i>Descriptions have been inserted under the relevant schemes.</i>
		It is recommended that the selected programme design with measures (legal provisions) linked within the frameworks of the individual support schemes be maintained with a view to ensuring maximum synergy between the activities. However, it is also recommended that the argument for this model be tightened up.	<i>It is our view that the integrated approach to the design of measures is permitted according to Council Regulation (EC) No 1698/2005 and is adequately described.</i>
5.	<b>Compliance between the plan and other funds</b>	It is recommended that the aim be to establish boundaries between the different programmes in order to avoid overlapping.	<i>It has been agreed with the authorities administering the other funds that administrative procedures will be established. There is a description of these in Chapter 10 of the programme.</i>
		It is recommended that consideration be given to how to create a clear and efficient procedure for cooperation between FIA, Local Action Groups and the Regional Growth Forums to enable fast and efficient processing of applications.	<i>Established in the procedures.</i>

6.	<b>Financing</b>	We recommend that a political agreement be reached as soon as possible on the overall programme effort for the entire period and not just the first two years. This would provide security for the social and economic partners to implement the plan and thus give them a solid enough basis on which to make decisions, including on investments.	<i>A political decision concerning this will be made in 2008. Until then, the starting point for the programme must be the political decision on the use of programme funds for 2007 and 2008.</i>
		Information on commitments given from previous programme periods and the allocation of these commitments between the individual axes and measures is not included in the plan. We recommend that this be included in the revised version, so that the full picture of the financing plan becomes clear and the economic and social partners can use such an overview to quickly determine the amount of funds available for each scheme and sub-scheme over the period.	<i>Added to the programme.</i>
		We have noted that the financing table includes measures that are not part of the plan and which therefore do not receive funds. We recommend that these measures be removed from the table unless they are likely to be introduced later in the programme period. If that is the case, it is recommended that a tentative sum be specified for these measures, if possible.	<i>The programme follows the Commission's template as far as possible, as does the financing table. That is why measures without funds are included. The Danish implementation makes it clear that these have been omitted.</i>
		It is recommended that support rates be reconsidered for the schemes in which the plan currently has them at 7.5% and 15%, possibly in the light of experiences from other grant schemes in previous or other programmes. The reasoning for this is that there is a risk of the schemes being omitted and/or being seen as a deadweight, which would result in the expected effects of the effort not being achieved.	<i>The rates stated are determined by carefully interpreting the legal framework on state aid.</i>

7.	<b>Implementation procedures</b>	The administrative system follows existing and well known procedures, while the new elements associated with Leader applications are similarly described in the overall plan. It is recommended that the application procedures be clarified since applicants under Axes 1 and 2 respectively must apply via the local action group and/or directly to FIA.	<i>The opportunity for part of Axis 2 funds to be implemented using the Leader approach has been removed from the programme since the completion of the evaluation. Now only measures under Axis 3 can be implemented via local action groups and the Leader approach. All measures under Axes 1 and 2 are implemented by FIA using a traditional, central application and commitment model.</i>
8.	<b>Monitoring and evaluation system</b>	The prerequisite for the electronic data collection to succeed is the compliance between the programme indicators and the questions entered into the application forms and report templates. It is recommended that this be maintained.	<i>This will be maintained, although this has nothing to do with the programme itself.</i>
9.	<b>Information plan</b>	Consideration can be given to developing success or result objectives and indicators for the various measures introduced in the information plan, and also to evaluating effects on site – in oral or written form – in connection with larger measures, conferences, etc.	<i>Not complied with because focus is instead on monitoring the effects of the programme using the output, result and impact indicators.</i>
10.	<b>Technical assistance and the national rural network</b>	It is recommended that the relationship between the planned Policy Forum and the Monitoring Committee be clarified.	<i>See Chapter 16.</i>
		The minimum requirements for the content of the plan are described in Annex A of the Implementing Regulation to Council Regulation (EC) No 1698/2005. Re. the rural network, it must be stated which organisations and administration units are to make up the national rural network. In addition to this, procedures and a schedule for establishing the network must be provided. It is recommended that consideration be given to adding the two issues mentioned to Chapter 16.	<i>Text has been added to Chapter 16.</i>

11.	<b>Consultation with stakeholders</b>	It is recommended that it be mentioned that the consultation process has been based in an internal working group with members from FIA and SNS (Forest and Nature Agency), and that this group has been coordinating both dialogue meetings and regional and national meetings.	<i>Text has been inserted in the relevant section.</i>
		It is also recommended that the process on which the partnership model is based be described in more detail.	<i>Included in Chapter 14.</i>
		It is recommended that the results of the consultations be expanded upon.	<i>Collections are attached as an annex to the programme.</i>
<b>Support schemes</b>			
12.	<b>Innovation and development in primary agriculture and Innovation and development in the processing sector</b>	The defined result indicators include “growth in gross value added”. Gross value added as a result of a given investment can be difficult to determine, and it is thus recommended that DFEE attempt to formulate guidelines that are as precise as possible in order to work out the gross value added at project level and then at scheme level. In terms of impact indicators, it seems relevant to add indicators that cover the impacts relating to environment, nature and animal welfare. Improvements to the environment, nature and animal welfare are a central part of the objective for the schemes.	
13.	<b>Food quality</b>	Consideration can be given to defining selection criteria, which can be used if the number of applications exceeds the budget for the scheme.	<i>This is clarified in orders and guidelines.</i>

		It is stated in Council Regulation (EC) No 1698/2005 that the projects may run for a period of up to five years and that the aid is determined in accordance with the fixed costs associated with participating in the project (Article 32(i)(c)). This should be added to the text covering the support scheme.	<i>Set out in the order.</i>
		According to Council Regulation (EC) No 1698/2005, the total support that can be granted for participation is EUR 3,000 – i.e. EUR 3,000 for the entire period (not per year). According to the evaluator’s interpretation of the regulation, the maximum payment is thus EUR 3,000 for full participation in quality labelling schemes. FIA should take this into account and bring the support scheme into line with the text of the Regulation. Finally, it must be noted that no support rates for cooperation projects are listed.	<i>Set out in the order.</i>
14.	<b>Island support</b>	It is recommended that separate indicators be formulated for the impact of island support.	<i>Not complied with, but may be brought in at a later date.</i>
15.	<b>Agri-environment</b>	It is recommended that hierarchies of objectives be defined for each sub-scheme under agri-environment.	<i>Specified in annex to the programme.</i>
		It is recommended that the table for support rates be filled out.	<i>It has been completed.</i>
16.	<b>Environmental and nature projects</b>	It is recommended that a hierarchy of objectives be drawn up for each of the five sub-schemes under environmental and nature projects.	<i>A hierarchy of objectives for the entire scheme has been specified in an annex and broken down according to five underlying legal provisions from Council Regulation (EC) No 1698/2005. The sub-schemes do not have separate goals, but are relevant as contributions to achieving the overall goals for the scheme covering environmental and nature projects.</i>

		It is recommended that an integrated sub-scheme be formulated concerning grazing or cutting of contiguous grassland and natural areas with a purpose and quantified objectives, support conditions, beneficiaries, scope and support rates.	<i>This sub-scheme is no longer part of the programme.</i>
		It is recommended that the fact the final decision on the administration of environmental and nature projects must be taken centrally be written into the support scheme, as this is currently not made clear.	<i>The description has been corrected.</i>
		The selection criteria which must be followed during case processing have still not been decided, but broad general selection criteria have been formulated for each sub-scheme in the form of project types. The wording of these does not provide clear support to potential applicants when preparing an application. It is recommended that criteria be established which must be followed when allocating support.	<i>Assessed as being material for Orders and guidelines.</i>
17.	<b>Windbreak scheme</b>	The rural development programme for the period 2000-2006 has come to an end and the coming programme for 2007-2013 is not expected to receive final approval until sometime in the summer of 2007. It is therefore recommended that measures be taken to ensure that the planting of windbreaks in the March-May 2007 planting season still goes ahead.	<i>Assessed as being material for Orders and guidelines. The sequence for Orders is set out in a parallel process.</i>
		It is recommended that the fact that the final decision on the administration of the windbreaks scheme must be taken centrally be written into the support scheme, as this is currently not made clear.	<i>Has been written in.</i>

18.	<b>Plant genetic resources</b>	It is recommended that there should be an explanation of why only plant genetic resources and not animal genetic resources are included. Similarly, it has not been made clear how the species, sub-species and breeds supported are defined and classified.	<i>This is a political decision. A support scheme concerning research and preservation of traditional livestock breeds that have been used in Danish farming and whose genetic resources are to be retained for the farming of the future is being implemented nationally in advance.</i>
		It is recommended that consideration be given to whether improved result and impact indicators can be developed. It would be more relevant if these were developed in close conjunction with the plant genetic resources for which support is being given.	<i>Not compulsory. It is being considered; they may be brought in at a later date.</i>
19.	<b>Afforestation scheme</b>	It is recommended that it be clarified whether the afforestation scheme covers both privately and State owned forest and woodland.	<i>Privately owned forest only.</i>
		It is recommended that the support rates be defined and specified, and the allocated budget be compared with the annually quantified area goals for afforestation.	<i>Support rates have been added. The programme is not expected to 100% finance the area goals for afforestation in the national forest programme.</i>
		It is recommended that either the information on Natura 2000 sites be removed or their role in the woodland schemes described be clarified.	<i>Sustainable forestry in Natura 2000 is not part of a scheme in 2007-2008, but may come into play in later years.</i>
		It is recommended that measures be taken to ensure that afforestation in the 2007 planting season (March-May) still goes ahead.	<i>Not possible time-wise.</i>
20.	<b>New jobs, attractive living conditions and skills acquisition in rural areas</b>	The defined result indicators include “growth in gross value added” and, as mentioned previously, it is recommended that an attempt be made to formulate precise guidelines for how the gross value added should be determined at project level and then at scheme level. The same applies to the impact indicator “growth in net value added”.	<i>This is material for Orders and guidelines.</i>

		It is recommended that it be clarified which definition is used in connection with micro-enterprises (1-10 employees and annual turnover under EUR 2 million).	<i>Defined in accordance with Community framework conditions for State aid for small and medium-sized enterprises.</i>
21.	<b>Leader</b>	In this draft, the purpose of the Leader support scheme has been described as an overall objective for each of the three sub-schemes. It is therefore recommended that hierarchies of objectives be drawn up for each of the three sub-schemes.	<i>This is to some extent the result of a misunderstanding of how Leader is used. There are not three separate Leader sub-schemes. Leader is an approach used to implement the Axis 3 schemes in the programme.</i>
		It is recommended that the use of Axis 1 and Axis 2 schemes via the Leader approach be clarified in the description of the Leader approach, including the application procedures.	<i>Axis 1 and Axis 2 schemes in the programme are only implemented using a central administrative procedure and not using the Leader approach.</i>
		It is recommended that there be a description, firstly, of how FIA will relate to the opportunity for local action groups to bring in measures which are contained in the Regulation but which are not included in the plan and, secondly, of other measures outside the Regulation. All these are recognised by the European Commission and it can therefore be expected that they will be brought up.	<i>Leader is only used in the Danish programme to implement Axis 3 measures. The measures are considered to be so broad that there is no need for measures outside the regulation.</i>



## 5. Description of measures and axes

### 5.1 The action areas of the programme

The rural development programme is to contribute to accomplishing the four overall objectives expressed in the national strategy for rural areas.

- More entrepreneurs and local jobs in rural areas
- Greater competitiveness in the agricultural, food and forestry sectors
- Varied landscapes, rich nature and a clean environment
- Attractive living conditions in rural areas, which contribute to strong cohesiveness between countryside and town

A number of support schemes will be established, targeted at one or more of these objectives. The impact indicators for the programme are illustrated below.

Common impact indicators	Baseline	Program effect 2007-9	Program effect 2010-13	Program effect 2007-13
<b>Economic growth</b> Net additional value added	172.3 billion euro (2004)	-	388 million euro	388 million euro
<b>Labour productivity</b> Change in Gross Value Added per full time equivalent (Euro/FTE)	39,000 (agriculture, 2005) 61,000 (food industry, 2005)	-	4,266 (agriculture) 6,251 (food industry) 1,201 (Leader)	4,266 (agriculture) 6,251 (food industry) 1,201 (Leader)
<b>Employment creation</b> Employment	2,754,646 of 5,427,459 inhabitants employed (2006)	-	360 more in employment	360 more in employment
<b>Improvement in water quality</b> Reduction in nitrogen surplus from agriculture (Change in gross nutrient balance per ha UAA)	116 kg N/ha (2006/2007, national source)	Reduction of nitrogen leaching to water environment with 167 tonnes N	Reduction of nitrogen leaching to water environment with 3,400 tonnes N	Reduction of nitrogen leaching to water environment with 3,600 tonnes N
<b>Maintenance of high nature value farming and forestry areas</b> 1000 ha of agricultural land of high natural	78 (2000)	-	25 % of area protected through multiannual	25 % of area protected through multiannual

value.			area support	area support
<b>Reversing Biodiversity decline</b> Change in trend measured by population index for 18 farmland bird species	Index 106.1 (2001)	-	Maintain index	Maintain index
<b>Contribution to combating climate change</b> Increase in production of renewable energy from forestry or farming	Annual production of 1,125 k tons oil equivalent (2003)	-	Increase of 1 %	Increase of 1 %
Reduction in phosphorus surplus in agriculture (gross phosphorus balance per ha UAA)	11 kg P/ha (2005, national source)	0	Retention of phosphorus from water environment with 175 tonnes P	Retention of phosphorus from water environment with 175 tonnes P
Reduction in the use of pesticides (Farmland converted to organic farming or to farming with only pesticides allowed in organic farming)	153,000 ha in 2006	183,000 ha	255,000 ha	255,000 ha
Environmentally and ecosystem-friendly management of grassland (Maintain grass area and ensure conservation)	177,000 ha grass area in 2005, national source	100,000 ha under AE agreement	100,000 ha under AE agreement	100,000 ha under AE agreement

Note:

The program effects concerning economic growth, labour productivity, employment creation, HNV, reversing biodiversity decline and production of renewable energy cannot be quantified as yet for payments executed in 2007-2009. These effects will be quantified as part of the mid-term evaluation of the programme in 2010.

Of the total program effects in 2010-13 on reduction of nitrogen and phosphorus leaching to the water environment of 3,400 tonnes N and 175 tonnes P, 2,500 tonnes N and 160 tonnes P will be achieved from requirements for establishment of cultivation-free border strips along streams and lakes. This requirement will be introduced for 10 metre buffer strips along all open water courses and lakes above 100 m<sup>2</sup> in Denmark, resulting in payments of support to expected 53,400 ha of buffer strips on farmland in 2011 and onwards. These effects however will depend on Commission approval of a coming support measure for the buffer strips pursuant to art 38 in REG 1698/2005, which will be submitted to the Commission in 2010 when the Danish river basin management plans pursuant to the EU Water Framework Directive have been proposed and nationally approved.

The link between the programme's four overall objectives and the impact indicators is illustrated in Annex 2. The individual schemes and their specific objectives are described in detail in Section 5.2.

### **5.1.1 Cross-compliance and nationally set minimum requirements**

Compensation cannot be paid under the programme for fulfilment of the rules on cross-compliance pursuant to Council Regulation (EC) No 73/2009, for fulfilment of other nationally set minimum requirements concerning the use of fertilizers and plant protection products or for fulfilment of other relevant mandatory requirements laid down in national legislation. Payments of support under the programme will only be made for commitments that go beyond these requirements.

The rules on cross-compliance follow in part from Council Regulation (EC) No 73/2009 establishing common rules for direct support schemes under the Common Agricultural Policy and establishing certain support schemes for farmers, and in part from Commission Regulation (EC) No 796/2004 amended by Regulation (EC) No 380/2009 laying down detailed rules for the implementation of cross-compliance, modulation and the integrated administration and control system.

The applicable national legislation in force on cross-compliance is the Governmental Order No. 57 of 26 January 2012 on cross-compliance, with changes pursuant to Order No. 244 of 15 March 2012 and Order No 56 of 26 January 2012 on GAEC standards.

The legislation is comprehensive and includes the protection of (in brief):

1. Environment
2. Nature
3. Health
4. Animal welfare
5. Hygiene
6. Good agricultural and environmental measures

All in all the legislation includes 122 specified requirements – which are all repeated in full in annex 10 to the programme.

The national cross-compliance provisions as mentioned above contain all the key requirements laid down in national legislation concerning the use of fertilizers and plant protection products. The cross-compliance check with regard to agri-environment payments will therefore not include supplementary national requirements for the use of fertilizers and plant protection products cf. the provisions in Article 39(3) and Article 51(1) of Council Regulation (EC) No. 1698/2005.

The Ministry of Food, Agriculture and Fisheries is responsible for checking the use of fertilizers and plant protection products in agricultural production. All agricultural land in Denmark is classified as a nitrate-sensitive area in accordance with the EU Nitrates Directive. The problems of the impact of agriculture on the environment are in general the same throughout the country. The environmental requirements for agricultural production are therefore in the main identical for the whole country.

In the following chapters the provisions relevant for the establishment of the baseline for the programmed measures are repeated.

#### **5.1.1.1 Baseline - pesticides**

The baseline includes the following provisions concerning the use of plant protection products:

- Order No 533 of 18 June 2003 on pesticides (§ 4, 1) and consolidated Act No 1755 of 22 December 2006 on chemical substances and products (§ 10, 2 and § 33, 1)

It is required to use only approved products for plant protection. Producers and importers of plant protection products have to apply for government approval of substances and products that are classified by “Giftnævnet” (the Poisonous Substances Board) under Act No 118 of 3 May 1961 as products for the control of plant diseases, weeds and certain pests or products for the regulation of plant growth. The Danish State approves plant protection products according to principles laid down by the Council of Ministers of the European Communities. Plant protection products are approved for a maximum period of 10 years.

Only approved plant protection products must be used and according to specified conditions in terms of crops, dose, distance from any watercourse, spraying time limits, etc. This must be stated on the labelling or directions for use of the product or from label approval. The plant protection products have to be kept in a way that is reasonable from the point of view of the environment or health, out of the reach of children and not together with or in the vicinity of foods, animal feed, medicines or similar items. In particular, toxic or highly toxic protection products must be kept under lock and key.

The farmer must keep a record over the use of all plant protection products on the holding.

- Consolidated Act No 927 of 24 september 2009 on watercourses (§ 69, stk. 1)

Agricultural cultivation, soil treatment and planting must not be carried out in a rural zone within a 2-metre border along natural watercourses and lakes or along watercourses and lakes which have had targets set in the water plan under Act No 1150 of 17 December 2003 concerning environmental objectives, with the aim of achieving an environmentally sound state or good organic potential. The provision does not apply to isolated lakes less than 100 m<sup>2</sup>.

With Order No. 244 of 15 March 2012 on cross-compliance, 5 additional cross compliance requirements on plant protection products have been introduced, cf. annex 10 (requirements 2A1, 2B1, 2C1, 2D1 and 2.D2). The requirements establish standards and rules regarding safe storage, used equipment and location of filling and cleaning of spraying equipment as well as the requirement for personal handling pesticides to be in possession of issued certificate.

#### **5.1.1.2 Baseline – fertilizer**

The baseline includes the following provisions concerning the use of fertilizer:

- Consolidated Act No 757 of 29 June 2006 on the use of fertilizer by agriculture and on plant cover, Order No 975 of 25 September 2006 on the use by agriculture of fertilizer and on plant cover during the plan period 2006-2007, Order No 906 of 16 of July 2007 on the use by agriculture of fertilizer and on plant cover during the plan period 2007-2008 and Order No 786 of 22 of July 2008 on the use by agriculture of fertilizer and on plant cover during the plan period 2008-2009.

The purpose of the provisions is to regulate the use of fertilizer by agriculture with a view to limiting leaching of fertilizers to the aquatic environment.

Registry for fertilizer accounts:

Agricultural enterprises that are involved in plant breeding, livestock breeding, forestry or combinations of these may register with the Danish Plant Directorate's Registry for Fertilizer Accounts and then purchase commercial fertilizer without paying the nitrogen fee. For some enterprises registration is mandatory, while for others it is voluntary. To be entered in the registry, the enterprise must be registered for VAT and have an annual turnover of at least DKK 20,000. An enterprise has to be registered if it is a livestock holding with more than 10 livestock units or has a stocking density of more than 1.0 livestock unit per ha, or the enterprise receives more than 25 tonnes of manure or other organic fertilizer in the plan period. A plan period is counted from 1 August to 31 July in the following year.

Drawing up of fertilizer plans:

Once the enterprise has been entered in the registry, it is covered by the rules regarding fertilizer use. This means that the enterprise annually has to draw up fertilizer plans and fertilizer status accounts containing key figures on the use of nitrogen (commercial fertilizer and livestock manure). The enterprise's consumption of nitrogen for fertilizer purposes must not exceed the fixed nitrogen quota for the enterprise. The fertilizer status account must be submitted yearly to the Danish Plant Directorate. The Plant Directorate receives the status accounts and records the data for registration and inspection.

Establishment of quotas for use of nitrogen and guiding norms for phosphorus:

Each year the Danish Plant Directorate establishes nitrogen standards for the various crops on the basis of standard yield for climate areas, soil texture and special irrigation needs as well as the nitrogen forecast for the year. A total nitrogen quota is calculated for the enterprises listed in the registry on the basis of the enterprise's field sizes, crops, previous cropping and the nitrogen standard of the crop in the climate area concerned and soil texture. The consumption of nitrogen for fertilizer purposes by enterprises that have a duty to register or have been registered must not exceed the enterprise's annual nitrogen quota. In addition, guiding norms for use of phosphorus and potassium are given to each enterprise.

#### **5.1.1.3 Baseline – livestock manure**

The baseline includes the following provisions concerning the use of livestock manure:

- Order no. 1695 of 19 December 2006 on commercial livestock keeping, manure, silage, etc. as amended by Order No. 1209 of 11 October 2007 and Order No. 736 of 30 June 2008, §§ 25, 27, 28, 29, paragraph 1 and 2, and 30.

Pursuant to Consolidation Act No 1757 of 22 December 2006 on environmental protection as amended (the Danish Environmental Protection Act) the Ministry of the Environment establishes rules on the use of manure and other organic fertilizer in agriculture with a view to protecting watercourses, lakes, the sea and groundwater against pollution.

As a general rule no manure must be spread in the fields in the period from harvest and until 1 February. Manure must not be spread in a way or on such areas that shall risk direct contamination of lakes, watercourses, including artificial drainage facilities or in the case of heavy rains.

In addition, the spreading of manure is governed by the 'harmony rules', which are based on the EU Nitrates Directive (91/676/EEC). The directive lays down the maximum quantities of manure that may be spread on fields depending on types of livestock and other operating conditions.

As a general rule, a quantity of manure not exceeding the equivalent of 1.4 livestock units (1.7 livestock units in case of cattle, sheep and goats) per hectare per plan period (1 August – 31 July) may be spread on a farm.

In general according to the Nitrates directive a quantity of manure not exceeding the equivalent of 170 kg of nitrogen per hectare may be spread per plan period.

#### *Derogation to the Nitrates Directive*

The Commission has decided to allow derogation to Denmark in relation to the Nitrates Directive (2005/294/EC). The derogation allows under certain additional conditions an amount of livestock manure being applied to the land on cattle farms each year, including by the animals themselves, equivalent to up to 230 kg of nitrogen per ha per year. Accordingly on a farm on which at least 2/3 of the livestock are cattle, a quantity of manure equivalent to 2.3 livestock units per ha may be spread under certain conditions. The farmer has to be able to document that the harmony rule is met. Farmers have to indicate in the yearly fertilizer status accounts (see above) to the Plant Directorate, whether the derogation is used.

The derogation was prolonged in 2008 and expires in 2012. The exception of 230 kg N/ha/year was prolonged under the same conditions. Dairy farmers who make use of this derogation will have to comply with stricter requirements, including crop rotations with an especially high uptake of nitrogen and a long growing season on more than 70% of the land belonging to the farm.

The Danish derogation has had no effect on the calculation of support rates, as the calculation has not included costs for reduction of application of nitrogen fertilizer to the land for any of the measures. Farmers who use the derogation are allowed to apply for support under all measures.

The agri-environmental measures of the programme provide a substantial contribution to meeting the Community objectives in the fields of nature and environment - e.g. from the Water Framework Directive and Natura 2000 directives.

For the measure 214a Conservation by grazing or cutting on pasture and natural areas, the beneficiary must commit to not add fertilisers to the land during the commitment period other than the manure that is left by grazing animals. The beneficiary must commit to not use pesticides on the area and to graze or cut the area yearly during the commitment period. These requirements establish the basis for calculation of the support. As a consequence of the commitment, the authorities will allocate a yearly 0-quota of N to the area under commitment in the process of the yearly allocation of N-quota to the farm based on the farm crop and fertilizer plans (see Chapter 5.1.1.2) thus reducing the total N-quota allowed for the farm for each year of the commitment period. In addition the area under commitment may not be included in the Harmony area of the farm for which the derogation may be exercised and the N quota allotted to the farmland not under commitment is not weakened for any farmland if the farmer decides to apply the derogation. This ensures that the requirements concerning Nitrogen are not weakened for any farmland.

For the measure 214b Conversion to organic farming, organic farmers in any case cannot use the derogation as the limit of 170 kg of nitrogen per hectare needs to be respected.

For the measure 214c Extensive production on agricultural land, an average maximum total of 140 kg of nitrogen may be applied per hectare of all acreage on the farm with a fertiliser requirement, or the supply of nitrogen to fields under support must not exceed 75% of the nitrogen quota for fields under commitment and this must be the basis for the calculation of the total quota on the given agricultural enterprise. The compensation calculated covers only extra costs related to the condition to not use plant protection products.

For the measure 214d Establishment of set-aside border strips, no fertilizers may be added to the land in order to prevent the loss of nutrients to streams and lakes. The area under support is not included in the Harmony area for which the derogation may be exercised. The calculation of support is based on costs related to placing the set-aside in the border strips and for cutting the grass with light machinery in order to prevent erosion.

For the measure 214e Management of wetlands, the beneficiary must commit to not add fertilisers to the land during the commitment period other than the manure that is left by grazing animals. The beneficiary must commit to not use pesticides on the area, to graze, cut or trim the area yearly and to accept flooding of some of the area during the commitment period. These requirements establish the basis for calculation of the support. As a consequence of the commitment, the authorities will allocate a yearly 0-quota of N to the area under commitment in the process of the yearly allocation of N-quota to the farm based on the farm crop and fertilizer plans (see Chapter 5.1.1.2) thus reducing the total N-quota allowed for the farm for each year of the commitment period. In addition the area under commitment may not be included in the Harmony area of the farm for which the derogation may be exercised and the N quota allotted to the farmland not under commitment is not weakened for any farmland if the farmer decides to apply the derogation. This ensures that the requirements concerning Nitrogen are not weakened for any farmland.

In accordance with the Nitrates directive a decision on the application of the derogation includes preventive measures in the form of conditions to protect the environment.

If the need for further preventive measures or other kind of measures (not known at the moment) should arise, such measures shall accordingly be laid down in a decision on the Danish application for derogation – and depending on its character in the national environmental legislation. Such measures will be taken into account in the implementation of the measures in the Rural Development Programme.

The total agricultural area of Denmark has been appointed as Nitrate Vulnerable Zone pursuant to the Nitrates Directive. Therefore no Codes of Good Practice have been introduced for farms outside these zones in Denmark.

#### **5.1.1.4 Baseline – establishment of plant cover**

The baseline includes the following provisions concerning the establishment of plant cover and involvement of environmental and nature concerns in farming:

The agricultural enterprise must each year establish a spring or autumn crop in the agricultural fields in order to enhance normal nitrate uptake. The area with autumn crops must cover at least 6 % of the dedicated autumn crop area for the farm. In special cases this obligation applies for 10 % of the dedicated area. The crop must not be ploughed down or otherwise destructed before the 20 October.

- Order No 906 of 16 of July 2007 on the use by agriculture of fertilizer and on plant cover during the plan period 2007-2008 and Order No 786 of 22 of July 2008 on the use by agriculture of fertilizer and on plant cover during the plan period 2008-2009.
- Governmental Order No. 1362 of 19. December 2008 on cross-compliance, with changes no. 239 of 27. marts 2009 and Order No 253 of 31 March 2009 on direct support for farmers according to the single farm payments scheme

#### **5.1.1.5 Baseline –Good Agricultural and Environmental Standards**

GAEC rules under Council Regulation (EC) No 73/2009 are applied nationally in such a way that GAEC will also be met when areas change from being areas which comply with the definition of eligible for support under the single farm payment scheme to areas with more nature content in accordance with support conditions under the Rural Development Programme, including areas which are periodically or permanently covered by water in connection with changed watercourse maintenance, restoration of natural hydrology and establishment of wetlands.

Areas which comply with the definition of eligible for support under the single farm payment scheme include permanent pasture and agricultural land which is not cultivated and is maintained in a good agricultural and environmental condition. The GAEC requirements for these area types include a mowing at least once every two years in July or August. In the case of permanent pasture, mowing may be replaced by grazing. For agricultural land which is not cultivated, the GAEC requirements include additional requirements for the plant cover. The GAEC requirements referred to are included in the baseline for *setting grants* for several of the measures, including conservation of pasture and natural areas. When area types that are not cultivated are covered by grants awarded under an agri-environment measure, e.g.



conservation of grass and natural areas, the areas can change character and become agricultural land with greater nature content in accordance with the conditions for support and the special nature- and environment-related purposes of the RDP measure. In the commitment period for the agri-environmental measure, the areas are therefore allowed to have plant cover with more nature content than the plant cover on permanent pasture and agricultural areas not being cultivated. In the implementation of the GAEC rules there is thus drawn a distinction between, on the one hand, the status of the areas prior to the agri-environmental commitment that will constitute the baseline for the grant payment, and, on the other hand, the status of the areas in the commitment period for the agri-environmental measure.

Areas which no longer comply with the definition of eligible for support under the single farm payment scheme will be entitled to the single payment when the areas were entitled to payments pursuant to the single farm payment scheme for 2008 and no longer comply with the definition of eligible for support as a result of the implementation of the Natura 2000 directives or the Water Framework Directive, cf. Article 34 (2)(b)(i) of Council Regulation (EC) No 73/2009. The aim of some of the measures which are financed under the Rural Development Programme is to contribute to the implementation of the abovementioned directives, including conservation of pasture and natural areas, changed watercourse maintenance, restoration of natural hydrology and establishment of wetlands. Areas which were entitled to payments under the single farm payment scheme in 2008 and which are now periodically or permanently covered by water in connection with changed watercourse maintenance, restoration of natural hydrology or establishment of wetlands are thus still entitled to the single payment.

The following GAEC standards are applied:

- Plant cover on uncultivated agricultural land: Uncultivated agricultural land must have plant cover. Conditions concerns periods for establishment, the use of seeds and re-sowing.
- Maintenance of uncultivated agricultural land and permanent pasture: Permanent pasture and un-cultivated agricultural land must be cut at least once every two years. In the case of permanent pasture, mowing can be replaced by grazing. The plant cover on uncultivated agricultural land must not be cut in the period 1 May – 30 June. The areas must not be utilized in a way that destructs or removes the plant cover. Intermediary activities are allowed if the plant cover is re-established immediately after the activity.
- No plant protection products must be used on uncultivated agricultural areas except for products used for selective prevention of certain aggressive weeds on the condition that the remaining plant cover is not damaged. It is also prohibited to use fertilizer or artificial irrigation. No straw or similar agricultural crops must be burned on fields or uncultivated areas. The purpose of this ban is to conserve the content of organic substances in the soil. If this requirement is found to have been neglected, the extent of the burning will be assessed on the basis of how much organic substance is missing from the soil as a result of the burning (section 1 of the Order No 1317 of 20 November 2006 on the ban on field burning of straw etc., as amended by Order No 1207 of 11 October 2006).

- Soil preparation, fertiliser application or planting must not be carried out on protected ancient monuments or within a distance of 2 metres from them. The purpose is to preserve cultural and historical assets, primarily in the form of archaeological interests on and around preserved ancient monuments as well as to protect each monument against deterioration caused by the use of agricultural machinery. (Order No 1505 of 14 December 2006 pursuant to section 29 e and f of the Danish Museums Act)
- Control of wild oat grass. The owner or user must clear all cultivated and uncultivated land from wild oat grass. The purpose is to avoid unwanted vegetation on agricultural land. Wild oat grass can be controlled either manually by weeding or by using an approved chemical agent (section 1 of Order No 891 of 26 August 2004 on wild oat grass).
- Control of giant hogweed. The owner or user of areas where giant hogweed is found is obliged to control giant hogweed according to an action plan adopted and announced by the local authority. The purpose of this requirement is to avoid unwanted vegetation on agricultural land. Giant hogweed can be controlled manually by cutting the plants back, using grazing animals or by using an approved chemical agent (sections 1 and 2 of Order No 17 of 13 January 2006 on control of giant hogweed).

#### **5.1.1.6 Baseline – involvement of nature protection in farming**

The natural conditions of designated Natura 2000 areas must not be altered. A direct ban is imposed on performance of certain damaging activities in the areas.

No changes may be made to the condition of natural lakes, with an area of over 100m<sup>2</sup>, watercourses or parts of watercourses which have been designated as protected landmarks by the environment minister after this has been recommended by the local authority. However, this does not apply for ordinary maintenance work in watercourses.

No changes may be made to the conditions of 1) moors, 2) bogs 3) salt marshes, mudflats, etc., or to 4) fresh meadows and common land when such habitats individually, together or in connection with the aforementioned lakes, are greater than 2,500 m<sup>2</sup> in contiguous areas.

Nor may the conditions of bogs and similar types of wetland smaller than 2,500 m<sup>2</sup> be altered when they are connected to a lake or watercourse which is protected.

- Consolidated Act No 1042 of 20 October 2008 on nature conservation (the Danish Nature Conservation Act), § 3 (1-3), § 8 (1) and § 15 (1)

#### **5.1.2 Measures to compensate for loss of set-aside areas**

At the time of the temporary abandonment of set-aside requirements for the single payment in 2007/08 pursuant to REG (EC) No 73/2009, the Danish Government initiated compensating measures, including requirements to lay out more catch crops and the dispatch

of targeted information to farmers on nature conservation initiatives and the use of pesticides. According to Community Legislation set-aside areas shall be kept in a condition ensuring the possibility for the inclusion of the areas as farmed land.

In 2008, the requirement of set-aside was abandoned permanently as a part of the Health Check of the Common Agricultural Policy. Set-aside has locally certain positive effects on nature and environment. There are effects caused by the abandonment of the requirement for set-aside on the following main subjects:

- Leaching of nitrogen and phosphor
- Impacts of pesticides
- Other impacts on nature

In 2007, there were almost 150 000 hectares of set-aside in Denmark. In 2008 around 70.000 of these hectares had been re-cultivated. In an assessment made by the Institute for Food Economics at Aarhus University, up to 120 000 hectares of the set-aside is expected to be re-cultivated as a result of the permanent abandonment of the requirement for set-aside under the single payment pursuant to Regulation (EC) 73/2009.

In 2009, the Governments established with the national plan for Green Growth 2010-2015 instruments that may contribute to neutralize effects from the loss in set-aside area, including by establishing permanent nature areas. Program measures that may compensate for the loss in set-aside in 2010-13 will include:

- establishment and management of wetlands (WFD implementation)
- periodically flooding of agricultural areas adjacent to streams through reduced maintenance of stream edges (WFD implementation)
- nature conservation projects (implementation of the N2000 directives)
- restoration of natural hydrological conditions and conversion of farmland to permanent grassland in Natura 2000 areas (implementation of the N2000 directives)
- Conservation of grass land through grazing or cutting (Nature 2000 directives)

## **5.2 The individual measures**

Public aid for the activities under the measures is provided by the Ministry of Food, Agriculture and Fisheries (through the Paying Agency called the Danish Food Industry Agency (FIA)), the Ministry of the Environment and the European Commission. The share of the aid being provided by the FIA and by the Ministry of the Environment can be wholly or partially replaced by funds from other public authorities, including local or regional authorities, or by other funds which are equivalent to public funds.

As described in Section 3.4, the aim in the forthcoming programme period is to create better coherence in the programme and provide a framework for integrated initiatives that take account of more concerns. This means that the national application schemes (see chapter 5.3) in the programme are assembled from several different measures in the Regulation. The schemes are structured according to topics rather than underlying provisions in the Regulation. In this chapter the measures in the programme are described.

### **5.2.1 The individual measures – Axis 1.**

The measures is modified in 2009 in order to meet the challenges identified in the EU's Common Agricultural Policy (CAP) Health Check, which enables and requires a much more extensive initiative under the Rural Development Programme financed by additional EU funds as a result of increased mandatory modulation. Additional funds will also be available for the Rural Development Programme as a result of the EU's recovery package. The changes also implements the Danish Government's Green Growth vision for nature, environment, climate and agriculture. The Rural Development Programme plays an important role in the implementation of this vision.

#### **5.2.1.1 Vocational training and information actions (Code 111)**

As a result of the challenges identified in the Health Check of The Common Agricultural Policy and the national plan for Green Growth changes have been made to the balance in the Rural Development Programme budget for 2007-2013 for the remaining 2010-2013 period.

#### **Article (and paragraph) which covers the measure**

Articles 20(a) (1) and 21 of Council Regulation (EC) No 1698/2005.  
Point 5.3.1.1 of Annex II to Commission Regulation (EC) No 1974/2006.

The measure will include 3 sub-measures:

- 1) Promoting the agricultural and food processing sectors by supporting demonstration and diffusion of knowledge of new processes and technologies*
- 2) Training and information*
- 3) Networking activities*

#### **Rationale for intervention**

- 1) Promoting the agricultural and food processing sectors by supporting demonstration and diffusion of knowledge of new processes and technologies*

Danish agriculture, and in particular livestock production, are facing ever-increasing demands relating to the environment and with regard to animal welfare, food safety and quality food products. Environmental restrictions may become the determining factor for activities within livestock production and the horticulture industry. The trend towards larger production units is increasing the focus on the impact of individual enterprises on their surroundings and creating a need for information and knowledge in the field of processes and technologies that can reduce the impact on the environment, nature and neighbours. Information and knowledge about such new processes and technologies are therefore not solely a pivotal factor for the further optimisation of production processes and thereby for the sector's competitiveness in a globalised market with consumer demand for quality food products, but also for enabling agriculture to meet society's goals for nature, the environment and animal welfare.

In order to retain the Danish horticultural sector it is necessary to implement technologies. This is due to a higher salary level in Denmark than in the main countries with which the industry competes. The aim is to reduce the industry's high energy costs and the use of pesticides and nitrogen. In addition, the low consumption of pesticides and nitrogen is a competitive parameter of increasing importance in connection with the sale of fruit and vegetables and plants, and has a positive environmental effect as a side benefit.

Overall, there is a need to provide support to ensure that information and diffusion of knowledge about how to implement and use new processes and technologies are available within the primary sectors as well as in the food processing sector. This can help to safeguard the competitiveness of Danish agriculture under production conditions which take into account to a greater extent environmental and climatic effects, as well as animal welfare.

## *2) Training, information and networking activities*

As a result of the globalisation of Denmark's economy, there is growing competitive pressure being exerted on enterprises and the workforce. The workforce's level of education varies greatly from one region to another, with the level generally being highest in and around the cities. This is because further education institutions are concentrated here and when people have completed their studies, they often live close to where they studied.

Skills acquisition among the population in rural areas is a high priority action area. The progression in the level of education among the population in rural areas during the period 1994-2003 was in line with that among those living in urban centres, although the population in rural areas still has a significantly lower level of educational attainment than those living in towns. On the other hand, many regions with relatively few inhabitants with further education employ many skilled workers. In a number of peripheral areas, however, there are many who have no educational qualifications. This is probably an important explanation for the relatively low level of productivity and incomes in these peripheral areas, where people with higher education, in particular, are under-represented.

Increased competition on the global markets and high costs of labour in Denmark means that the Danish food sector increasingly has to develop products with added value. The analysis underlying the Green Growth Programme (for further information see The National Strategy for the Rural Development Programme) has shown that there is a need to support the development of high value products in the Danish food sector.

At the same time the structural development in Danish agriculture means that farms are getting fewer and bigger. This also means that smaller farms need to develop additional means of income. Specialised high value products, direct sales from farms and tourism are possible strategies. These strategies however mean that farmers need to acquire new skills in order to cope with new demands.

To broaden the effort concerning high value food products and the diversification of farming activities, the effort is not exclusively linked to EU agricultural quality products. Only very few approved products exist in Denmark, besides organic farming.

There is a need to establish initiatives which can spread knowledge concerning high quality products and quality marks, and establish an effective market from production to consumption. The overall purpose is to increase the production of quality products and to encourage a more diverse food supply in Denmark, hereby e.g. increasing the number of organic farmers. This can take place through the establishment of:

1. mobile training teams (which travel round both producers and consumers with the aim of increasing the level of knowledge throughout the value chain)
2. group-organised exchange of experience, training, information and educational activities
3. networking activities
4. advisory visits at the farms.

Networking activities can reinforce the information effort in order to improve the cooperation between small food producers and the retail sector, thus facilitating the market access for quality food products and create coherence with the experience economy.

Advisory services to help farmers will not cover the statutory requirements and the GAEC conditions provided for in Regulation (EC) 73/2009 on direct payments to agriculture (cross compliance standards) nor cover any occupational safety standards based on Community legislation. Advice on these requirements will be provided for only under measure 114 and pursuant to article 24 in Regulation (EC) 1698/2005 on the use of advisory services

## **Objectives of the measure**

### *1) Promoting the agricultural and food processing sectors by supporting demonstration and diffusion of knowledge of new processes and technologies*

The purpose of the support scheme is to promote:

- demonstration and diffusion of knowledge on how to implement and use new processes and technologies.
- knowledge exchange and incentives for using new efficient processes and technologies to overcome environmental problems and initiate new production.

### *2) Training, information and networking activities*

The objectives of the support for training measure are to:

- improve the qualifications and skills of farmers in order to safeguard sustainable landscapes, varied nature and a healthy environment, as well as animal welfare and a good working environment.
- improve the qualifications and skills of staff as an element in the introduction of new products, processes or technologies in the food sector.
- improve the qualifications and skills of farmers, small food producers or producers under an approved food quality scheme by establishing mobile training teams, group-organised exchange of experience, training, information and educational activities and advisory visits at the farms. The measures are aimed at spreading knowledge concerning producing high quality food products e.g. organic products by visiting producers and training them to be able to increase their level of knowledge to produce under an approved quality market scheme.
- Improve networking and cooperation in order to encourage a more diverse food supply and strengthen the food sectors income possibilities by means of training, information

and educational activities and exchange of experiences with regard to production, marketing and sales and diversification of farm economies.

## **Scope and actions**

### *1) Promoting the agricultural and food processing sectors by supporting demonstration and diffusion of knowledge of new processes and technologies*

Support for dissemination and demonstration aiming at exchange of knowledge on using new efficient processes and technologies to overcome environmental problems and initiate new production, hereunder in connection with support for:

- investments and development projects concerning new technology or
- investments in the field of quality food products when the aim is to produce under an approved quality market scheme.

The purpose of the demonstration shall be to make the technology and its proper use known to other farmers.

### *2) Training, information and networking activities*

Support will be granted for participants in agricultural and food production training, information and educational activities. The FIA makes the decision on supporting activities. The activities will be held by agricultural organizations, associations or other relevant bodies. The support for the activities is granted to each participant or the organisations, providing that the farmers, small food producers or producers under an approved food quality scheme are the ultimate beneficiaries. The support is granted on the basis of the total costs of the activities.

Support is excluded for instruction of training that forms part of the normal programmes or systems of agricultural education at secondary or higher levels.

The applications will be prioritised according to their expected contribution to the overall aim of the scheme. Eligibility and concrete selection criteria will be implemented in appropriate national procedures and announced in advance for the applicants.

Under the sub-measure support for establishing mobile training teams, group-based exchange of experience, training, information and educational activities and carrying out advisory visits at farms will be given, if the training/advisory activities have been approved by FIA as being able to disseminate information and training.

Under the sub-measure for networking activities support will be given, if the activities have been approved by the FIA as being able to reinforce and promote cooperation and networking between small food producers and/or other sectors in the food value chain, or to create coherence between food production and the experience economy. Support is not granted for running cooperation costs as such.

## **Beneficiaries**

*1. Promoting the agricultural and food processing sectors by supporting demonstration and diffusion of knowledge of new processes and technologies*

Support can be applied for by farmers, horticulturalists and farmers organisations, farmer associations, enterprises and institutions.

*2) Training and information*

Beneficiaries may be farmers, producer cooperatives, enterprises, organizations, associations and institutions in cooperation with farmers, small food producers or producers under an approved food quality scheme. Beneficiaries may either organize or participate in the training, information and educational activities. Ultimate beneficiaries are farmers, small food producers or producers under an approved food quality scheme.

*3) Networking activities*

Beneficiaries are farmers and enterprises, organizations, associations and institutions in cooperation with farmers and small food producers. Beneficiaries may either establish or participate in the networking activities. Ultimate beneficiaries are farmers and small food producers.

**Details on coverage of support (Eligible costs)**

*1) Promoting the agricultural and food processing sectors by supporting demonstration and diffusion of knowledge of new processes and technologies:*

- The purchase or lease- purchase of equipment necessary for the demonstration and diffusion (no investments)
- General costs linked to expenditure for engineers and consultation fees and materials of information
- Salary for relevant staff related to demonstration and diffusion of knowledge about new processes and technologies
- Other costs, which according to the FIA may be relevant and necessary for carrying out the project.

The following types of cost are not considered eligible:

- Ongoing operation expenses
- Refundable VAT.

Support for demonstration projects does not cover investments for the private benefit of the beneficiaries directly but only additional expenditure necessary for the purpose of demonstration and diffusion of knowledge.

*2) Training and information*

Support can be provided for expenses required to carry out to improve the level of information and skill-enhancing activities. These activities can include:

- courses
- study groups
- consultancy/advisory visits
- exchange of experiences
- providing information materials



- other costs, which according to the FIA may be relevant and necessary for carrying out the project.

Costs related to establishing mobile training teams, group-based exchange of experience and advisory visits at farms:

- Costs related to moveable property regarding establishing office facilities
- Travelling costs related to the period of establishment of the activities
- Expenses for assistance of experts etc.
- Other expenditures, which may be approved by the FIA.

### *3) Networking activities*

Support can be provided for expenses required to carry out establishing and developing the networking activities and enhancing the cooperation between farmers, enterprises, organizations, associations and institutions that either work in the agricultural or food sectors or are closely associated with it. This is in order to deal with the demand of specialized production in the entire value chain, amongst others direct sales and diversification of income. Marketing and sales promotion actions are not eligible under this measure. Activities may include:

- Establishment and development of networking activities regarding information and analyses, advice and exchange of experiences.
- Expenses for assistance of experts etc.
- Providing information materials
- Activities to create awareness and disseminate know-how among farmers and small food producers of ways to enhance the value of farm products through cooperation with other actors in the rural economy
- Other costs, which according to the FIA may be relevant and necessary for carrying out the project.

The measure does not cover permanent secretarial or running costs

## **Rate of support**

*1) Promoting the agricultural and food processing sectors by supporting demonstration and diffusion of knowledge of new processes and technologies*

Support may be granted up to 100% of expenses incurred for all sizes of beneficiaries.

*2) Training and information*

Support for training, information and educational activities and establishing the activities can be granted up to 100%

*3) Networking activities*

Support for establishing and developing the activities can be granted up to 100 %.

## **Demarcation with other EU financial instruments**

The RDP shall offer support to farmers and education enterprises. Neither the ERDF nor the ESF programme finance specific enterprises or projects specifically concerning knowledge in food production and agriculture. The ERDF and ESF can support training and skills acquisition projects aimed at development of the business sector in general and cooperation projects involving actors from educational and knowledge institutions and private enterprises. Cooperation projects may involve enterprises from the food or agriculture sectors if they act as national or regional promoters of growth.

For cooperation projects the same beneficiaries may receive support under the ESF and ERDF as under the RDP but for different types of projects. In this case projects shall be divided into sub-projects that correspond to the aims of the funds. To avoid funding of the same eligible expenses by more than one fund the following procedure and exchange of information will be included in the management system.

The applicant must at the time of application inform the authority whether he has applied for grant or has received grant to the project from other public funds. Each application must include a specified budget which allows the managing authority to check how any and all EU and national funds will be involved in the financing of the project. Before payment to the beneficiary, accounting documentation and an auditor statement is required. The auditor check will include information on all public funding to the project in general to avoid multiple funding. If public funding from several public funds is recorded, the managing authority shall undertake a cross check to all relevant authorities.

Coordination between the managing authorities of all EU funded programmes will be provided by ensuring representation of the relevant managing authorities in the Monitoring Committee for each EU programme.

The FIA will make lists of projects funded under the RDP available for the administration of the other funds in order to avoid double financing and to facilitate policy coordination. Technical coordination meetings or networks shall be called for yearly between managing authorities of relevant funds in order to compare activities and the support commitments made under the different funds.

### **Demarcation with pillar 1 (the CAP)**

When a new programme or scheme is introduced within the scope of Annex 1 of Regulation (EC) No 1974/2006 or of the Rural Development Programme, the offices in charge in the FIA will clarify whether there is a potential overlap with activities in pillar 1 and under the rural development program. If this is the case the measure will be excluded from support under the rural development program. The FIA shall introduce administrative procedures or alter support criteria for the relevant measures under the RDP to avoid overlap and the risk of double financing.

### *Fruit and Vegetable CMO*

The single Common Market Organisation offers a variety of actions. As a general rule these actions are quite distinct from the rural development programme. However there are exceptions. The producer organisations in the Danish fruit and vegetable sector may receive community support for many actions similar to the RDP. The producer organisations (POs) in this field receive Community funding for their so-called operational funds. The POs may

use the operational funds for a variety of actions of their own choice. Many of these areas overlap with the rural development. This would be particularly true for the two schemes for innovation and development in the processing sector and in primary agriculture and forestry but also for the current measure for vocational training and information activities. Eligible measures under these schemes include:

- investment in agricultural enterprises,
- cooperation on development projects,
- development and application of new technologies/new processes/new products,
- promotion of sectors by supporting demonstration and diffusion of knowledge,
- training and information and
- networking

The following demarcation principle is applied to ensure that no support under the RDP shall be granted to activities eligible for support under the CMO: Each PO and its members are excluded from applying for support under RDP activities similar or identical to those contained in the OP.

FIA identifies similar activities under the RDP and the OPs, disseminates information about demarcation and similar activities to all potential applicants and rejects applications from POs and their members that contain activities similar or identical to those contained in the relevant OP. FIA performs screening of applications from POs and their members based on Central company registration number (all applicants must have such a number), the list of similar activities and the information in the OPs.

In addition FIA performs administrative checks of all applications against the database for existing commitments under the RDP and OPs. The units in FIA managing support under the CMO and the RDP compare lists of projects in order to prevent double financing supported by mutual briefings. Every time a new activity is made eligible, relevant units will be notified and decision will be made how to ensure the demarcation to these activities.

Other support schemes referred to in the annex I of Regulation (EC) 1974/2006 such as restructuring scheme for the sugar industry, tobacco, olive oil, hops, beef and veal, sheep and goats, specific measures for agriculture in the outermost regions and direct payments Article 68 are not relevant or currently applied in Denmark. No demarcation is needed.

### **Administration**

Applications are sent to the FIA, which carries out checks, administrative controls, approves payments and pays the support. Controls on the spot will be carried out by the Plant Directorate under the Ministry for Food, Agriculture and Fisheries.

### **Financing**

The contribution from the Community is calculated on the basis of public expenditure. *All the figures are based on payments.*

*1) Innovation and development in the agricultural and food processing sectors by supporting demonstration and diffusion of knowledge of new processes and technologies.*

Total costs: EUR 82,9 million  
Public costs: EUR 74,9 million

*2) Training and information*

Total costs: EUR 14,0 million  
Public costs: EUR 12,6 million

*3) Networking activities*

Total costs: EUR 5,7 million  
Public costs: EUR 5,1 million

**Total for the measure (1+2+3 above)**

Total costs: EUR 102,6 million  
Public costs: EUR 92,6 million

**Transition arrangements** (including estimated amount)

This measure is similar to activities co-financed under the Rural Development Programme 2000-2006 pursuant to Council Regulation (EC) No 1257/1999. The following payments shall be declared under the Rural Development Programme 2007-2013 for contracts made under the previous programme period.

Total outstanding public costs;        EUR 1.8 million  
Of which EAFRD;                            EUR 0.9 million

**Quantified targets for EU common indicators**

**1) Promoting the agricultural and food processing sectors by supporting demonstration and diffusion of knowledge of new processes and technologies**

<b>Type of indicator</b>	<b>Indicator</b>	<b>Target</b>
<i>Innovation and development in primary agriculture</i>		
National output indicator	Number of demonstrations	2 670
National result indicator	Number who have attended the demonstrations	196 000
Impact	Net additional value expressed in EUR	EUR 10.15 mio.
Impact	Change in gross value added per full time equivalent	EURO 2,707 per year (average full time GVA was 39,000 Euro per year in 2005)

<i>Innovation and development in the processing sector</i>		
National output indicator	Number of demonstrations	88
National result indicator	Number who have attended the demonstrations	3 970
Impact	Net additional value expressed in EUR	In Progress
Impact	Change in gross value added per full time equivalent	In Progress

## **2) Training and information**

<i>Food product quality – training teams, ERFA groups, conversion advice</i>		
National output indicator	<ol style="list-style-type: none"> <li>1. Number of travelling teams established</li> <li>2. Number of group-based exchange of experiences</li> <li>3. Number of advisory visits</li> </ol>	<ol style="list-style-type: none"> <li>1. 27</li> <li>2. 220</li> <li>3. 274</li> </ol>
National result indicator	<ol style="list-style-type: none"> <li>1. Number of enterprises that have been visited</li> <li>2. Number of attendants</li> <li>3. Number of farmers visited</li> </ol>	<ol style="list-style-type: none"> <li>1. 12.500</li> <li>2. 2.600</li> <li>3. 550</li> </ol>
Impact	Net additional value expressed in EUR	EUR 1.23 million
Impact	Change in gross value added per full time equivalent	EUR 514 per year

## **3) Networking activities**

<i>Networking activities</i>		
Output	Number of networking activities	140
Result	Number of participants	13 700
Result	Increase in agricultural GVA in supported farms	0.1 meuro
Impact	Change in gross value added per full time equivalent	EUR 149 per year

Program level quantifications		
Impact	Net additional value expressed in EUR	EUR 388 million
Impact	Change in gross value added per full time Equivalent	EUR 4,266 per year (agriculture) EUR 6,251 per year (food industry)

### **Additional national indicators**

None

#### **5.2.1.2 Use of advisory services (Code 114)**

##### **Article which covers the measure**

Articles 20(a)(iv) and 24 of Council Regulation (EC) No 1698/2005.

Article 15, Annex II, point 5.3.1.1.4 of Commission Regulation (EC) No 1974/2006.

##### **Rationale for intervention**

The use of advisory services is a tool which holdings can use to increase their overall performance. The advisory service can provide advice for staff in the agricultural and forestry sectors and thereby increase the sectors capacity to safeguard sustainable landscapes, varied nature and a healthy environment, as well as animal welfare and a good working environment.

There is a special public interest in an efficient implementation of the statutory management requirements and the good agricultural and environmental conditions and the Community standards relating to occupational safety.

##### **Objectives of the measure**

The purpose of the measure is to give support for the use of advisory services in the agricultural and forestry sector aiming at improving skills acquisition in order to consolidate the action taken with regard to sustainable environment and countryside management and occupational safety.

##### **Scope and actions**

Farmers can apply for support for using the farm advisory service in connection with observing the rules on cross-compliance and Community standards relating to occupational safety.

The advice on observing the rules on cross-compliance shall include all rules specified in the order on checks to verify cross-compliance as part of direct support and support under Axis 2 in accordance with the rural development regulation as well as on Community standards relating to occupational safety.

##### **Definition of beneficiaries**

Farmers.

## **Description of the farm/forestry advisory systems put in place by the Member State, including the procedure for the selection of the bodies responsible for the provision of those services to farmers/forest holders**

In accordance with Council Regulation (EC) No 73/2009, Denmark is obliged to set up a system for providing farm advisory services. An order on approving companies and their staff involved in providing farm advisory services has been issued with the aim of establishing and operating such a system. Farm advisory services are understood to mean advice provided to farmers about complying with standards on environmental, public, animal and plant health and animal welfare, as well as good agricultural and environmental conditions (cross-compliances).

Associations, partnerships or consultancy firms and other enterprises may apply for approval to be able to provide advice as part of the farm advisory service, and/or produce environmental plans and green accounts. Enterprises must also apply for approval for the employees who will actually provide the farm advisory service and/or produce environmental plans or green accounts. Employees who have not been approved may help in providing the farm advisory service and in producing environmental plans and green accounts, provided that they are only assisting the approved employee in preparing the report/environmental plan/accounts.

Enterprises which have been approved must be able to provide a professional, expert advisory service to farmers regarding cross-compliances, as well as environmental and nature matters. In other words, there must be employees in the enterprise with the relevant qualifications. If necessary, partnership agreements may be signed with other enterprises in order to be able to provide the whole spectrum of advisory services, as well as comply with the requirement for a professional environment.

Enterprises must also have the financial and technical facilities for providing the advisory service. When employees are being approved for providing the farm advisory service, one important factor is that the employee has a professional qualification, at least equivalent to that of an agricultural engineer, environmental engineer or similar background. Furthermore, the employee must have at least two years' consultancy experience within the agricultural sector prior to approval. Finally, the employee must have received skills acquisition training, the content of which complies with the provisions in the order governing grants for improving skills for the benefit of rural development, especially those providing farm advisory services. A deadline may be given for meeting this requirement.

Enterprises applying for approval must notify the Danish Food Industry Agency (FIA) if any changes occur which may have a significant impact on approval. This duty to provide information also applies after approval has been given because the FIA must assess whether the changes have any significant impact on retaining approval.

Approved enterprises must submit a declaration to the FIA every year confirming that the terms for approval are still met.

### **Eligible cost**

Support can be provided for expenses for the use of advisory services. The payment of support will be based on invoices.

A beneficiary can only participate in the scheme once every second year.

### **Amount and rate of support**

The maximum amount of support is 1500 euro per holding per service.

Farmers and farm workers are eligible for support for up to 50% of the expenses incurred as part of skills acquisition.

Priority will be given to farmers receiving more than 15,000 € of direct payments (article 14 of Council Regulation No. 73/2009).

### **Administration**

Applications are sent to the FIA, which carries out checks, administrative controls, approves payments and pays the support. Controls on the spot will be carried out by the Plant Directorate under the Ministry for Food, Agriculture and Fisheries.

### **Demarcation**

There are no need to describe demarcation with other EU funding as no other Fund will provide support for the actions described.

### **Financing**

The contribution from the Community is calculated on the basis of public expenditure.

At this late stage (October 2012) in the programming period it is not expected that the measure will be used, and hence no budget will be allocated.

Total costs: - million Euro

Public costs: - million Euro

### **Transition arrangements**

This measure is similar to activities co-financed under the Rural Development Programme 2000-2006 pursuant to Council Regulation (EC) No 1257/1999. However, no payments made on old contracts from the previous measure shall be declared under the Rural Development Programme 2007-13.

### **Quantified targets for the EU Common indicators**

<b>Type of indicator</b>	<b>Indicator</b>	<b>Target 2007-2013</b>
Output	Number of farmers supported	-
	Number of forest holders supported	0
Result	Increase in agricultural GVA in supported farms	- million Euro



Impact	Change in gross value added per full time equivalent	- Euro per year
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Program level quantifications		
Impact	Net additional value expressed in Euro	- million Euro
Impact	Change in gross value added per full time Equivalent	- Euro per year (agriculture) - Euro per year (food industry)

#### **Additional programme-specific indicators and quantified targets**

None

#### **5.2.1.3 Modernisation of agricultural holdings (Code 121)**

As a result of the challenges identified in the Health Check of The Common Agricultural Policy and the national plan for Green Growth changes have been made to the balance in the Rural Development Programme budget for 2007-2013 for the remaining 2010-2013 period and new sub-measures introduced.

#### **Article which covers the measure**

Articles 20(b)(i) and 26 of Council Regulation (EC) No 1698/2005.

The measure will include three sub-measures:

- 1) *Investments in new “green” processes and technologies*
- 2) *On farm investments in improved manure and slurry transport, storage and processing*
- 3) *Investments in new production in the field of quality food products*
- 4) *Investments in animal housing systems to promote production methods that improve animal welfare*

#### **Rationale for intervention**

Danish agriculture and, in particular, livestock production are facing ever-increasing demands relating to the environment and climate, and with regard to animal welfare, food safety and quality food products.

Challenges that have been duly reflected in the “Health Check” of the Common Agricultural Policy and in the Danish Governments Strategy on Green Growth from June 2009.

Environmental and climate restrictions may become the determining factor for investment within livestock production and the horticulture industry. The trend towards larger production units is increasing the focus on the impact of individual enterprises on their surroundings and creating a need for investments of technologies that can reduce the impact

on the environment, climate, nature and neighbours. In order to meet these challenges the Ministry of Food, Agriculture and Fisheries – in close cooperation with the Ministry of Environment – in 2006 set up a multi-annual husbandry plan as described in chapter 3.2.1 with the aim to promote the introduction of such new technologies.

The plan was in June 2009 followed by the Government's strategy for "Green Growth" which encompasses a growth vision for nature, environment, climate and agriculture taking into account the strategic guidelines and priorities from the "Health Check".

Investments in new green technologies are not solely a pivotal factor for the further optimisation of production processes and thereby for the sector's competitiveness in a globalised market with consumer demand for quality food products, but also for enabling agriculture to meet society's goals for nature, the environment and climate and animal welfare.

The political objective is to use 50 pct. of livestock manure in production of green energy, which means greater capacity must be established. The aim is to have tripled biogas production by 2020. Energy production in biogas plants does beside the production of green energy provide a technological platform for sustainable handling and recycling of livestock manure and waste. It has many advantages, such as reduced greenhouse gas emissions, less odour from slurry, better utilisation of nutrients in the manure and reduced nutrient loss, especially in high density livestock areas.

In order to retain the Danish horticultural nurseries, and thereby around 8,000 full-time jobs in primary production, it is necessary to implement technological initiatives which facilitate a higher salary level in Denmark than in the main countries with which the industry competes, i.e. Holland and Germany. The aim is to reduce the industry's high energy costs and the use of pesticides and nitrogen. In addition, the low consumption of pesticides and nitrogen is a competitive parameter of increasing importance in connection with the sale of fruit and vegetables and plants, and has a positive environmental effect as a side benefit.

Overall, there is a need to provide support to ensure that new processes and technological or production solutions are adopted within the primary sector, including in the area of non-food. This can help to safeguard the competitiveness of Danish agriculture under production conditions which take into account to a greater extent environmental and climatic effects, as well as animal welfare. As part of this, a focus will also be placed on organic farming, which takes into account considerations relating to the environment, climate, nature, animal welfare and quality food products, thereby contributing to meeting the "Health Check" challenges. The priorities as described under article 16a of Regulation 1698/2005 regarding climate change, renewable energies, water management and biodiversity are to be pursued under the measure.

## **Objectives of the measure**

### *1) Investments of new processes and technologies*

The purpose of the sub-measure is to promote investments in new processes and technologies, while mitigating undesirable effects on the surrounding society e.g. technologies to address environmental and climate challenges.

Investments in new “green” processes and technologies promotes innovation and adoption of technologies particular in relation to climate, renewable energy, water quality and biodiversity prioritised in Council Regulation (EC) No. 74/2009 aimed at reducing:

- odour nuisances and greenhouse gas and ammonia emissions from livestock production and manure.
- the use of pesticides.
- the loss of nutrients in connection with feeding, the circulation of animal feed, as well as the use of manure.
- the consumption of energy, water, nutrients and pesticides in the horticultural sector.

Projects are given priority on the basis of their cost efficiency and shall meet certain minimum standards regarding environmental efficiency to be eligible. As part of the measure, the MA draws on the assessments and recommendations of the Faculty of Agricultural Sciences at the Aarhus University in the selection of environmental efficient technologies for which support may be provided..

*2) On farm investments in improved manure and slurry transport, storage and processing.*

The purpose of the sub measure is specifically to promote improved water quality, reduced methane emissions and odour nuisances, especially in areas with high livestock densities, through on farm investments in improved technologies and facilities for transport, storage and processing slurry and manure for biogas production.

A price of about 4.000 EURO per installed kW is expected. This means a small-scale plant producing about 160.000 kW has an investment cost about 640.000 EURO.

See code 311 for investment in biogas production and 321 for support for establishment of common facilities for biogas production.

*3) Investments in new production in the field of quality food products*

The purpose of the sub-measure is to promote investments in new production and in development of existing production in the field of quality food, including organic food.

*4) Investments in animal housing systems to promote production methods that improve animal welfare*

The purpose of the sub-measure is to support investments in housing systems and inventory that promote production methods that improve animal welfare in livestock farms. In particular, support is provided to the development of new animal housing systems, facilities and inventory in pig farms.

Support is provided for applicants who on a voluntary basis commit to implement loose housing systems and inventory introduced in the farrowing unit of pig stables, where eligibility for support will require for applicants to meet requirements that are stricter than existing mandatory national and EU standards for the protection of pigs, incl. the conditions laid out in Council Directive 2008/120/EC. It follows that no support shall be provided for project expenditures to comply with Community or national standards or minimum requirements, including any existing loose management requirement that applies to livestock farms.

## **Scope and actions**

The measure contains four options, which may be used independently or in combination.

### A. Conditions

#### *Sectors eligible*

Only investments concerning Annex 1 products will be eligible. In sectors for which a surplus production exists and where the Community is facing a difficult situation of competition on the world market investments aimed at expanding production capacity will be excluded from support.

#### *Definition of new processes and technologies*

The support for investment is as a general rule limited to newer and cost effective processes and technologies for example aiming at reducing the impact of livestock production on neighbours, the environment, the climate and nature, reduction in the loss of nutrients and increase the efficiency in energy-, water-, pesticide and fertiliser utilisation.. This is a high priority in the Danish Rural Development Programme 2007 to 2013, the Government growth vision for nature, environment, climate and agriculture and the “Health Check” of the Common Agricultural Policy . The activities can not include research in accordance with the Council Regulation (EC) No 1698/2005. The support can include the final stages of development of new processes and technologies which are evaluated as developed in a degree which makes them close to commercialisation. The objective is to facilitate and speed up the process of adopting environmentally friendly technologies.

Investments in technologies which are already widely used on a broader scale in agriculture will in general not be supported.

However, as an exception, the sub-measures for establishment of animal housing systems and inventory, facilities for anaerobic treatment of manure and slurry for biogas production and for initiating new production in the field of quality food products, may also provide support for investment in more known technologies.

The measure must include the following types of investments only.

Support for projects concerning investments of new processes and new technologies will be provided for tangible or intangible investments for the following kind of investments:

- New environmentally efficient technologies, e.g. aimed at improving water quality, reducing greenhouse gas and ammonia emissions from livestock production and manure, including slurry, and reducing odour nuisances etc.
- Anaerobic treatment of manure and slurry to produce biogas
- Improving quality food products and food safety products.
- Tracing of products.
- Improving animal welfare and animal health.
- Investments in organic production.
- Improving environmental condition for the working force.
- New technologies aimed at reducing the use of pesticides.
- New technologies aimed at reducing the loss of nutrients in connection with feeding, the circulation of animal feed, as well as the use of manure.

- New technologies aimed at reducing the consumption of energy, water, nutrients and pesticides in the horticultural sector.
- New technologies aimed at keeping nutrients in the fields.
- Other investments in new processes and technologies.

In case of a project concerning new environmental technologies it is a condition for the implementation at farm level that the Danish Environmental Authorities can approve the use after the appropriate procedures (cf. also the Community legislation).

Specifically for the sub-measure for initiating new production in the field of quality food products primary producers can apply for support for investment when the aim is to produce under an approved quality market scheme.

Specifically for sub-measure 2 for anaerobic treatment of manure and slurry to produce biogas, primary producers can apply for support for investment in connection with the establishment of a new facility or expanding the capacity of an existing facility. Support under this sub-measure is only given to facilities with a production corresponding to the own energy requirements of the farm where the biogas facility is situated. For support to facilities with a significant sale of energy see measure 311 and measure 321.

Support under sub-measure 2 may be offered to on-farm investments (i.e. in slurry treatment, storage etc.) that are functionally related to biogas production plants. Costs that are eligible as part of biogas plants supported under measures 311 or 321 will not be supported under measure 121. Eligible investments will go beyond what is necessary in order to comply with minimum obligations for treatment, handling and storage of livestock manure according to the Nitrates Directive. Concerning treatment of livestock manure under the N Directive, primary producers will not be able to intensify their animal husbandry as a result of establishment of the biogas facility. Processed livestock manure will be considered in the same way as normal livestock manure in relation to implementation of the N Directive. The national rules for utilization of manure (harmony rules) still apply according to the Danish Law 757/2006 on utilization of fertilizer and plant cover in farming, including the limits of 1.4, 1.7 or 2.3 Livestock Units/ ha respectively.

It is a condition for receiving support under the whole measure 121 that the holding respects the EU standards in accordance with Council Regulation (EC) No 1698/2005. Projects with an environmental effect in designated Natura 2000 areas must be approved by the environmental authorities.

As a general rule the eligible costs of a project must be a minimum of DKK 300,000 (approx. EUR 40,000). The Managing Authority may choose to establish a lower general minimum level for selected types of projects.

In general all projects must have the necessary approval from the environmental authorities in order to ensure that all relevant environmental requirements and legislation are complied with.

### B. Prioritisation

If the sum of amounts applied for goes beyond the available funds for the measure the projects will be prioritised on the basis of the following parameters in no particular order:

- Creating new jobs
- Retain jobs
- Strengthening the competitiveness.
- Reducing the environmental effect of the surroundings, including reduction in the use of energy and renewing to green energy, by increased energy efficiency, saved energy or the increased use of renewables.
- Contribute to the development of the geographical area, including vouching for a sturdy production environment.
- improving animal welfare and health

The Managing Authority (MA) intends to perform one or more calls for applications per year. The MA may for any given call choose to apply one or more of the above mentioned parameters as priority criteria or other criteria. If the MA intends to apply other priority criteria for a given call than those mentioned above, the MA will beforehand propose these criteria for the Monitoring Committee for the programme in a written hearing. The evaluation of applications will be based on a comparison of the applied amount and the priority criteria chosen for the call (value for money). Before any given call the MA will in advance advertise the choice of selection and priority criteria.

### **Description of the requirements and targets with regard to the improvement of the overall performance of the agricultural holdings**

The national rural development strategy identifies a series of structural factors which create a need to support the further implementation of new processes and technology and dissemination of knowledge and innovative practice in the agricultural sector, from concept to market. Continued regulation of nature and the environment requires the continued investment in environmentally efficient processes and technologies. The support scheme is targeted at these needs.

Yet another objective is for the supported processes and technologies to reduce the overall environmental impact on holdings and the rest of the product chain and to enable the primary producers to meet requirements of producing under a quality market scheme.

At the end of the project a farmer will be able to perform better in economical as well as environmental terms through obtainment of reduced costs, better quality products and reduced pollution from production.

### **Definition of the type of beneficiaries**

Investment support can be applied for by farmers (natural or legal persons in agriculture) and groups of farmers provided that the group is not established as an independent legal entity outside agriculture.

### **Eligible cost**

- the cost of new machinery and equipment, including computer software up to the market value of the asset.

- costs related to equipment and construction of animal housing systems in stable buildings
- the cost of construction of specialised facilities for storage and handling of manure and slurry for biogas production.
- on farm biogas production facilities with a production capacity corresponding to the farm's own energy requirements.
- the transport equipment necessary for handling manure and slurry for biogas production.
- general costs such as architects, engineers and consultation fees.
- other costs, which according to the Danish Food Industry Agency may be relevant and necessary carrying out the project.

The following type of cost is not considered eligible:

- the purchase of second-hand equipment
- the purchase of agricultural production rights, animals, annual plants and their planting
- simple replacement investments
- ongoing operation expenses
- refundable VAT
- lease of new machinery and equipment etc.

### **Aid intensities**

Investment projects carried out by farmers and horticulturalists, and groups of farmers and horticulturalists (all sizes) can receive support up to 40% of the eligible expenses. On farm investments related to improved manure and slurry transport, storage, handling and processing can receive support up to 30 % of the eligible expenses.

### **Type of support**

As a general rule the payment claim will be based on expenditures already incurred by the beneficiaries. Payments may be made on the basis of an interim request based on expenditures incurred.

### **Financing** (transition payments not included)

The contribution from the Community is calculated on the basis of public expenditure. All the figures are based on payments.

*For the submeasure for investments of new processes and technologies*

2007-2013:

Total costs: EUR 283,5 million

Public costs: EUR 113,4 million

Incl. 2010-2013 HC:

Total costs: EUR 199,25 million

Public costs: EUR 79,7 million

*For the sub-measure for on farm investments in improved manure and slurry transport, storage and processing 2010-2013:*

Total costs: EUR 7,0 million

Public costs: EUR 2,1 million

*For the sub measure for initiating new production in the field of quality food products 2010-2013:*

Total costs: EUR 9,0million

Public costs: EUR 3,6 million

*For the submeasure for investments in animal housing systems*

2013:

Total costs: EUR 3,0 million

Public costs: EUR 1,3 million

*Total for all sub measures under 121:*

2007-2013

Total costs: EUR 258,3 million

Public costs: EUR 102,6 million

### **Transition arrangements**

This measure is similar to activities co-financed under the Rural Development Programme 2000-2006 pursuant to Council Regulation (EC) No 1257/1999. The following payments made after 1. January 2007 on old agreements from the previous period will be declared under the Rural Development Programme 2007-13:

Total outstanding public costs: EUR 23.7 million

Of which EAFRD: EUR 11.9 million

### **Additional national financing**

Loan guarantees in the form of "Vækstkaution" may be granted as nationally funded additional support to investments in small and medium-size enterprises. Loan guarantees may be granted to the types of activities which are covered by this measure according to the general conditions mentioned in State aid clearance No XA 181/2010.

The guarantee cannot exceed 75 % of the loan, and the maximum loan is 10 million DKK. For each project, the calculated average support element of the loan guarantee corresponding to a maximum loan guarantee of 7.5 million DKK is calculated pursuant to an approved calculation method according to State aid clearance.

The combined rate of support (measure and guarantee) cannot exceed the maximum rate of support for the measure of 40 %. If a loan guarantee is granted to a project under this measure the maximum rate of support offered under this measure will be reduced by the calculated support element of the guarantee.



In order to ensure that the maximum rate of support to a project is not exceeded the following procedure and exchange of information will be included in the management system. The applicant must at the time of application inform the authority whether he has received “Vækstkaution” to the project. The application includes further information on the amount of the guarantee if granted, which allows the FIA to check how “Vækstkaution” will be involved in the financing of the project and, consequently, how the rate of support to the project must be reduced.

Correspondingly, an applicant must at the time of application for “Vækstkaution” inform the relevant Danish authority concerning “Vækstkaution” (i.e. Vækstfonden) whether he has applied for or received support to the project under the RDP. This information allows “Vækstfonden” to check how support from the RDP will be involved in the financing of the project.

Coordination between the FIA and “Vækstfonden” will include exchange of lists of projects with a possible match between applicants under the two support schemes.

The total amount of programme support and additional national support through the guarantee cannot exceed the total maximum amount of support for eligible expenses as indicated for this measure. The calculated maximum additional national financing from the guarantee is found in chapter 8.

### **Coherence with first pillar of the CAP cf. Annex I of Regulation (EC) 1974/2006**

Beneficiaries may not receive support under any measure pursuant to one of the regulations listed in Annex I to Commission Regulation (EC) No 1974/2006 and support for similar activities under the corresponding measure pursuant to Council Regulation (EC) No 1698/2005.

If any new programme or scheme shall be introduced nationally within the scope of Annex I to Regulation 1974/2006, the offices in charge in Danish Food Industry Agency shall introduce detailed rules of demarcation and complementarity with the RDP. Administrative procedures shall be introduced to ensure that a beneficiary may receive support for a given operation only under one scheme.

#### *Fruit and Vegetable*

The single Common Market Organisation offers a variety of actions. As a general rule these actions are quite distinct from the rural development programme. However there are exceptions. The producer organisations in the Danish fruit and vegetable sector may receive community for many actions similar to the RDP. The producer organisations (POs) in this field receive Community funding for their so-called operational funds. The operational funds are financed jointly by the Community and the POs on a 50/50 basis. The POs may use the operational funds for a variety of actions of their own choice.

Many of these areas overlap with the rural development; it is therefore possible that the same action is eligible for support from both programmes. This would be particularly true for the two schemes for innovation and development in the processing sector and in primary agriculture and forestry. Eligible measures under these schemes include: Cooperation on

development projects, investment in agricultural enterprises, development and application of new technologies/new processes/new products etc.

The following demarcation principle is applied to ensure that no support under the RDP shall be granted to activities eligible for support under the CMO: Each PO and its members are excluded from applying for support under RDP activities similar or identical to those contained in the OP.

FIA identifies similar activities under the RDP and the OPs, disseminates information about demarcation and similar activities to all potential applicants and rejects applications from POs and their members that contain activities similar or identical to those contained in the relevant OP. FIA performs screening of applications from POs and their members based on Central company registration number (all applicants must have such a number), the list of similar activities and the information in the OPs.

In addition FIA performs administrative checks of all applications against the database for existing commitments under the RDP and OPs. The units in FIA managing support under the CMO and the RDP compare lists of projects in order to prevent double financing supported by mutual briefings. Every time a new activity is made eligible, relevant units will be notified and decision will be made how to ensure the demarcation to these activities.

#### *Temporary restructuring scheme for the sugar industry*

Council Regulation (EC) No 320/2006 provides for aid for restructuring measures or for diversification measures in the sugar industry. Commission Regulation (EC) 968/2006 establishes detailed rules for the implementation of the temporary restructuring scheme including measures for control.

The restructuring scheme began operation in Denmark in 2008 in connection with the quota for Danish beet sugar production was reduced.

The overall aim of the Diversification Programme for the restructuring of the Danish sugar industry is to promote a long term and sustainable development in the regions, which are most severely affected by the restructuring. The programme is focusing on agricultural enterprises through the application of new technologies, while also reducing undesirable effects on the surrounding society. The Diversification Programme is being applied in two designated regions - Sealand and Southern Denmark, which are the regions affected by the restructuring of the Danish sugar industry.

In the Diversification Programme aid is directed to modernisation of agricultural holdings underlying legal provisions in Council Regulation (EC) No 1698/2005, Axis 1 (art. 20(b)(i)/code 121). Aid has been allocated to projects, i.e. where new technologies are being implemented while aiming at reducing ammonia and odours, saving energy, and improving the working environment.

In the Rural Development Programme 2007-2009 it was a condition that the investment aid (measure 121) was combined with training or information activities

(measure 111), this was not the case within the Diversification Programme, where the scheme was focusing on investments on the agricultural holdings. Furthermore, overlap was avoided through coordination between the offices in the agency in charge of the scheme for the sugar industry and the measures of the RDP.

The support schemes referred to in Annex I to Regulation (EC) No 1974/2006 for tobacco, olive oil, hops, beef and veal, sheep and goats, specific measures for agriculture in the outermost regions and direct payments according to Article 69 of Regulation (EC) No 73/2009 are not applied in Denmark. No demarcation is needed.

### **Demarcation with regard to other Community support instruments**

The EU Regional Development Fund (ERDF), Social Fund (ESF) and Fisheries Fund (EFF) programmes differ from the RDP in terms of targeting of business sectors, scope of projects and geographical targeting.

A general defining principle is that projects involving innovation in the food and forestry sectors are financed under the RDP, whereas projects promoting conditions for innovation in general are financed under the ESF and ERDF programmes. The RDP shall offer support to farmers and horticulturalists. Neither the ERDF nor the ESF programme shall support specific enterprises nor projects specifically concerning knowledge in food production, agriculture or forestry.

The ERDF programme has no sector-based restrictions but targets framework conditions for economy and business development in general. Similarly, the ESF programme is not targeted at particular sectors but can support training activities in general. The ERDF and ESF may support cooperation projects involving actors from educational and knowledge institutions and private enterprises. Cooperation projects may involve enterprises from the food or agriculture sectors if they act as national or regional promoters of growth. In case projects may cover more than one fund, they shall be divided into sub-projects according to the aims of each fund.

The EFF programme focuses on the fisheries sector and on development of geographical areas dependent on fishing. The RDP shall not support projects concerning the fisheries sector.

To avoid funding of the same eligible projects or expenses by more than one fund the following procedure and exchange of information will be included in the management system. The applicant must at the time of application inform the authority whether he has applied for grant or has received grant to the project from other public funds. Each application must include a specified budget which allows the managing authority to check how any and all EU and national funds will be involved in the financing of the project. Before payment to the beneficiary, accounting documentation and an auditor statement is required. The auditor check will include information on all public funding to the project in general to avoid multiple funding. If public funding from several public funds is recorded, the managing authority shall undertake a cross check to all relevant authorities.

Coordination between the managing authorities of all EU funded programmes will be provided by ensuring representation of the relevant managing authorities in the Monitoring Committee for each EU programme.

Danish Food Industry Agency will make lists of projects funded under the RDP available for the administration of the other funds in order to avoid double financing and to facilitate policy coordination. Technical coordination meetings or networks shall be called for yearly between managing authorities of relevant funds in order to compare activities and the support commitments made under the different funds.

### **Administrative procedures**

Applications are sent to the Danish Food Industry Agency which carries out checks, administrative controls, approves payments and pays the support. The Danish Food Industry Agency may appoint a committee, which will assist the Danish Food Industry Agency in assessing and prioritising applications. Controls on the spot will be carried out by the Plant Directorate.

### **Quantified targets for EU indicators**

For the sub measure for investments of green new processes and technologies:

<b>Type of indicator</b>	<b>Indicator</b>	<b>Target 2007-2013</b>
Output	Number of farm holdings supported	3 275
	Total volume of investment	EUR 248 million
Result	Number of holdings introducing new products or techniques	2 160
Impact	Net additional value expressed in Euro	44.4 million Euro
	Change in gross value added per full time equivalent	EUR 1,041

For the sub measure for investments in improved on farm manure and slurry transport , storage and processing:

<b>Type of indicator</b>	<b>Indicator</b>	<b>Target 2010-2013</b>
Output	Number offarm holdings supported	7
	Total volume of investment	EUR 7 million
Result	Number of holdings introducing new products or techniques	69
Impact	Net additional value expressed in Euro	16.9 million

	Change in gross value added per full time equivalent	EUR 1,041
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For the sub measure for initiating new production in the field of quality food products:

Type of indicator	Indicator	Target 2010-2013
Output	Number of farm holdings supported	30
	Total volume of investment	EUR 9 million
Result	Number of holdings introducing new products or techniques	30
Impact	Net additional value expressed in EUR	EUR 1.35 million
	Change in gross value added per full time equivalent	EUR 35 per year

For the sub measure for investments in animal housing facilities:

Type of indicator	Indicator	Target 2013
Output	Number of farms holdings supported	10
	Total volume of investment	3,0 mio. Euro
Result	Number of holdings introducing new products or techniques	10
Impact	Net additional value expressed in EUR	0.3 million Euro
	Change in gross value added per full time equivalent	EUR 1,041

Total - Programme level quantifications		
Impact	Net additional value expressed in EUR	EUR 388 million
Impact	Change in gross value added per full time equivalent	EUR 4,266 per year (agriculture) EUR 6,251 per year (food industry)

#### 5.2.1.4 Adding value to agricultural and forestry products (Code 123)

##### **Article which covers the measure**

Articles 20(b)(iii) 28 of Regulation (EC) No 1698/1999.

Article 19 and point 5.3.1.2.3 of Annex II to Commission Regulation (EC) No 1974/2006.

The measure will include two sub-measures:

*1) Investments aimed at improving efficiency of processes and technologies promoting the processing of agricultural and forestry production*

*2) Investments aimed at creating new jobs (implemented through Axis 4)*

##### **Rationale for intervention**

The processing agricultural sector plays an important role in the Danish economy. It is characteristic of the field that there is close and well organised interaction between the various links throughout the value chain, including the research and development communities as an important basis for investments in the processing food enterprises. This close interaction is one of the field's strong competencies and has contributed to the ability of the agricultural sector to compete in the global market today.

The result is a competitive enterprise within the food processing sector, where food safety, the environment, animal welfare, a well educated/trained workforce and working environment have been governing factors in its development. It must be anticipated that trade between countries and regions will increase and that the forces that govern and influence the distribution of labour and the global distribution of resources will become less restricted. Globalisation will therefore continue to challenge the competitiveness of the Danish food sector and will result in an increasing need for ongoing continual investments in new processes and new technologies. This also applies to organic food and food quality production.

There is a need to promote investments in new processes and new technologies within the processing food and forestry sector, including non food production, and to promote new jobs in rural areas.

##### **Objectives of the measure**

*1) Investments aimed at improving efficiency of processes and technologies promoting the processing of agricultural and forestry production*

The purpose of the measure is to support investments aimed at promoting added value in the agricultural and forestry production and improving efficiency of processes and technologies promoting the processing of agricultural and forestry production for renewable energy, introducing new processes and technologies, opening new market opportunities for agricultural and forestry products, putting emphasis on food quality products, improving environmental protection, occupational safety, hygiene and animal welfare.

The analysis underlying the Green Growth programme has shown that there is a need to support the development of high value products in the Danish food sector.

*2) Investments aimed at creating new jobs (implemented through Axis 4)*

The measure will be established under Axis 4 for support with the objective of creating new jobs. This will be implemented through the Leader approach by the local action groups (see measure sheet 41).

**Scope and actions**

*A. Conditions*

*Sectors eligible*

All sectors are eligible. In sectors for which a surplus production exists and where the Community is facing a difficult situation of competition on the world market investments aimed at expanding production capacity will be excluded from support.

*Definition of new technologies and processes*

The support for investment is as a general rule limited to new technologies and processes, hereunder new technologies and processes that are new to special lines of businesses, for example aiming at promoting added value in the agricultural and forestry production and improving efficiency of processes and technologies in food production. The activities can not include research in accordance with the Council Regulation (EC) No 1698/2005. The support can include the final stages of development of new technologies which are evaluated as developed in a degree which makes them close to commercialisation. The objective is to facilitate and speed up this process.

For the sub-measure with the objective of creating new jobs (see measure code 411) support for investment will include new technologies which are commercialised.

Investments in known technologies which are already in use on a broader scale will not be supported.

The measure shall include support for projects concerning investments of new processes and new technologies. Support will be provided for tangible or intangible investments for the following kinds of investment:

- New environmentally efficient and resource reducing technologies.
- Increasing added value, including improving quality food products.
- Improving food safety.
- Tracing of products.
- Improving animal welfare and animal health.
- Investments in organic production.
- Improving environmental condition for the working force.
- Other investments promoting new processes and technologies.

Support for investments related to the use of wood as a raw material shall be limited to working operations prior to industrial processing.

The sub measure concerning creating new jobs will be implemented through the establishment of local action groups and the implementation of a locally prepared development strategy. The investments under the sub-measure is not limited to new technologies cf. point 2 above. Within the framework of this support scheme and a budget framework, the local action

groups will prioritise the initiative with the aim of improving the general quality of life and job opportunities in a defined geographic area.

It is a condition for receiving support that the applicant respects the EU standards in accordance with Council Regulation (EC) No 1698/2005.

As a general rule the eligible costs of a project must be a minimum of DKK 300,000 (approx. EUR 40,000). This rule does not apply for the sub measure concerning creating new jobs through local action groups.

In general all projects must have the necessary approval from the environmental authorities in order to ensure that all relevant environmental requirements and legislation are complied with.

### B. Prioritisation

If the sum of amounts applied for goes beyond the available funds for the measure the projects will be prioritized on the basis of one or more of the following parameters in not prioritized order:

- Creating new jobs
- Retain jobs
- Strengthening the competitiveness.
- Reducing the environmental effect of the surroundings, including reduction in the use of energy and renewing to green energy, including by increased energy efficiency, saved energy or the increased use of renewables.
- Contribute to the development in the geographical area, here under vouching for a sturdy production environment.

The Managing Authority intends to perform one or more calls for applications per year. The MA may for any given call choose to apply one or more of the above mentioned parameters as priority criteria or other criteria. If the MA intends to apply other priority criteria for a given call than those mentioned above, the MA will beforehand propose these criteria for the Monitoring Committee for the programme in a written hearing. The evaluation of applications will be based on a comparison of the applied amount and the priority criteria chosen for the call (value for money). Before any given call the MA will in advance advertise the choice of selection and priority criteria.

### **Type and size of beneficiary enterprise and aid intensities**

The provisions are the same for both sub-measures.

For investments in small and medium-sized enterprises support of up to 40 % may be granted.

For enterprises which do not come under the definition of small or medium-sized enterprises, cf. Commission Regulation (EC) No 70/2001 on the application of Articles 87 and 88 of the Treaty to State aid to small and medium-sized enterprises, 20% is the maximum amount of support which can be provided, if the enterprise has fewer than 750 employees or a turnover of less than EUR 200 million.



In case of non-Annex 1 products being the final product, de-minimis rules apply (Regulation (EC) No 1998/2006). Even so, the maximum rates indicated in the Annex to Regulation (EC) No 1698/2005 will be respected.

In the forestry sector support shall be limited to micro-enterprises with a maximum support rate of 40%.

#### **Eligible costs**

- Purchase of new machinery and equipment, including computer software up to the market value of the asset.
- General costs linked to expenditure, such as architects, engineers and consultation fees.
- Other costs, which according to the FIA may be relevant and necessary carrying out the project.

The following type of costs is not considered eligible:

- Lease of new machinery and equipment etc.
- Ongoing operation expenses.
- Refundable VAT.
- Simple replacement investments
- The purchase of second-hand equipment.

#### **Type of Support**

As a general rule the payment claim will be based on expenditures already incurred by the beneficiaries. Payment may be made on the basis of an interim request on expenditures incurred.

#### **Financing** (not including transitional payments)

The contribution from the Community is calculated on the basis of public expenditures. All the figures are based on payments.

2007-2013

Total costs:	EUR 65,0 million
Public costs:	EUR 19,5 million

#### **Transition arrangements** (including estimated support)

This measure is similar to activities co-financed under the Rural Development Programme 2000-2006 pursuant to Council Regulation (EC) No 1257/1999. The following payments on old contracts from the previous period will be declared under the Rural Development Programme 2007-13.

Total outstanding public costs;	EUR 22.2 million
Of which EAFRD;	EUR 11.1 million

#### **Additional national financing**

Loan guarantees in the form of “Vækstkaution” may be granted as nationally funded additional support to investments in small and medium-size enterprises. Loan guarantees may be granted to the types of activities which are covered by this measure according to the general conditions mentioned in State aid clearance No XA 181/2010, or where applicable, de minimis rules.

The guarantee cannot exceed 75 % of the loan, and the maximum loan is 10 million DKK. For each project, the calculated average support element of the loan guarantee corresponding to a maximum loan guarantee of 7.5 million DKK is calculated pursuant to an approved calculation method according to State aid clearance.

The combined rate of support (measure and guarantee) cannot exceed the maximum rate of support for the measure of 40 % and, where applicable, the de minimis ceiling. If a loan guarantee is granted to a project under this measure the maximum rate of support offered under this measure will be reduced by the calculated support element of the guarantee.

In order to ensure that the maximum rate of support to a project is not exceeded the following procedure and exchange of information will be included in the management system. The applicant must at the time of application inform the authority whether he has received “Vækstkaution” to the project. The application includes further information on the amount of the guarantee if granted, which allows the FIA to check how “Vækstkaution” will be involved in the financing of the project and, consequently, how the rate of support to the project must be reduced.

Correspondingly, an applicant must at the time of application for “Vækstkaution” inform the relevant Danish authority concerning “Vækstkaution” (i.e. Vækstfonden) whether he has applied for or received support to the project under the RDP. This information allows “Vækstfonden” to check how support from the RDP will be involved in the financing of the project. Coordination between the FIA and “Vækstfonden” will include exchange of lists of projects with a possible match between applicants under the two support schemes.

The total amount of programme support and additional national support through the guarantee cannot exceed the total maximum amount of support for eligible expenses as indicated for this measure. The calculated maximum additional national financing from the guarantee is found in chapter 8.

### **Coherence with first pillar of the CAP**

Beneficiaries may not receive support under any measure pursuant to one of the regulations listed in Annex I to Commission Regulation (EC) No 1974/2006 and support for similar activities under the corresponding measure pursuant to Council Regulation (EC) No 1698/2005.

When a new programme or scheme is introduced within the scope of Annex 1 of Regulation 1974/2006 or of the Rural Development Programme, the offices in charge in Danish Food Industry Agency will clarify whether there is a potential overlap with activities in pillar 1 and under the rural development programme. If this is the case the measure will be excluded from support under the rural development programme. Danish Food Industry Agency shall

introduce administrative procedures or alter support criteria for the relevant measures under the RDP to avoid overlap and the risk of double financing.

### *Fruit and Vegetable*

The single Common Market Organisation (CMO) offers a variety of actions. As a general rule these actions are quite distinct from the rural development programme. However there are exceptions. The producer organisations in the Danish fruit and vegetable sector may receive community for many actions similar to the RDP. The producer organisations (POs) in this field receive Community funding for their so-called operational funds. The operational funds are financed jointly by the Community and the POs on a 50/50 basis. The POs may use the operational funds for a variety of actions of their own choice.

Many of these areas overlap with the rural development; it is therefore possible that the same action is eligible for support from both programmes. This would be particularly true for the two schemes for innovation and development in the processing sector and in primary agriculture and forestry. Eligible measures under these schemes include: Cooperation on development projects, investment in agricultural enterprises, development and application of new technologies/new processes/new products etc.

The following demarcation principle is applied to ensure that no support under the RDP shall be granted to activities eligible for support under the CMO: Each PO and its members are excluded from applying for support under RDP activities similar or identical to those contained in the OP.

FIA identifies similar activities under the RDP and the OPs, disseminates information about demarcation and similar activities to all potential applicants and rejects applications from POs and their members that contain activities similar or identical to those contained in the relevant OP. FIA performs screening of applications from POs and their members based on Central company registration number (all applicants must have such a number), the list of similar activities and the information in the OPs.

In addition FIA performs administrative checks of all applications against the database for existing commitments under the RDP and OPs. The units in FIA managing support under the CMO and the RDP compare lists of projects in order to prevent double financing supported by mutual briefings. Every time a new activity is made eligible, relevant units will be notified and decision will be made how to ensure the demarcation to these activities.

### *Temporary restructuring scheme for the sugar industry*

Council Regulation (EC) No 320/2006 provides for aid for restructuring measures or for diversification measures in the sugar industry. Commission Regulation (EC) 968/2006 establishes detailed rules for the implementation of the temporary restructuring scheme including measures for control.

Adding value to agricultural and forestry products was not eligible for support under the Danish programme.

The support schemes referred to in Annex I to Regulation (EC) 1974/2006 for tobacco, olive oil, hops, beef and veal, sheep and goats, specific measures for agriculture in the outermost regions and direct payments in Article 69 are not relevant or applied in Denmark. No demarcation is needed.

### **Demarcation with regard to other Community support instruments**

The EU Regional Development Fund (ERDF), Social Fund (ESF) and Fisheries Fund (EFF) programmes differ from the RDP in terms of targeting of sectors, scope of projects and geographical targeting.

A general defining principle is that projects aimed specifically at the food, agriculture and forestry sectors are financed under the RDP, whereas projects promoting general framework conditions for business and creating jobs are financed under the ESF and ERDF programmes.

The RDP may support specific food, agriculture or forestry enterprises, whereas the ERDF and ESF programmes shall not support specific enterprises nor projects specifically concerning food production, agriculture or forestry. The ERDF programme has no sector-based restrictions but targets framework conditions for economy and business development in general. Similarly, the ESF programme is not targeted at particular sectors but can support training activities and promotion of the use of technology in general.

The ERDF and ESF may support cooperation projects involving actors from educational and knowledge institutions and private enterprises. Cooperation projects may involve enterprises from the food or agriculture sectors if they act as national or regional promoters of growth. In case projects may cover more than one fund, they shall be divided into sub-projects according to the aims of each fund.

The EFF programme focuses on the fisheries sector and on development of geographical areas dependent on fishing. The RDP shall not support projects concerning the fisheries sector.

To avoid funding of the same eligible projects or expenses by more than one fund the following procedure and exchange of information will be included in the management system. The applicant must at the time of application inform the authority whether he has applied for grant or has received grant to the project from other public funds. Each application must include a specified budget which allows the managing authority to check how any and all EU and national funds will be involved in the financing of the project. Before payment to the beneficiary, accounting documentation and an auditor statement is required. The auditor check will include information on all public funding to the project in general to avoid multiple funding. If public funding from several public funds is recorded, the managing authority shall undertake a cross check to all relevant authorities.

Coordination between the managing authorities of all EU funded programmes will be provided by ensuring representation of the relevant managing authorities in the Monitoring Committee for each EU programme.

The FIA will make lists of projects funded under the RDP available for the administration of the other funds in order to avoid double financing and to facilitate policy coordination. Technical coordination meetings or networks shall be called for yearly between managing authorities of relevant funds in order to compare activities and the support commitments made under the different funds.

### **Administrative procedures**

Applications are sent to Danish Food Industry Agency, which carries out checks, administrative controls, approves payments and pays the support. The Danish Food Industry Agency may appoint a committee, which will assist the Danish Food Industry Agency in assessing and prioritising applications. Controls on the spot will be carried out by the Plant Directorate.

The sub measure concerning creating new jobs will be implemented through the Leader approach and by local action groups and within the framework of locally prepared development strategies. Financing and targets for this sub-measure can be found in measure sheet 41.

### **Quantified targets for EU common indicators**

The targets in the table are for the part of the measure that is implemented by Danish Food Industry Agency by normal administrative procedures. Targets for the measure concerning creating new jobs to be implemented through the Leader approach and by local action groups and within the framework of locally prepared development strategies can be found in measure sheet 41.

#### *Investments of processing sector*

<b>Type of indicator</b>	<b>Indicator</b>	<b>Target 2010-2013</b>
Output	Number of holdings supported	125
	Total volume of investment	EUR 65,0 million
Result	Number of holdings introducing new products or techniques	125
Impact	Net additional value expressed in PPS	EUR 37.0 million
	Change in gross value added per full time equivalent	EUR 1,201 per year

<b>Total - Programme level quantifications 2007-2013</b>		
Impact	Net additional value expressed in Euro	EUR 388 million
Impact	Change in gross value added per full time equivalent	EUR 4,266 per year (agriculture) EUR 6,251 per year (food industry)

### **Programme specific indicators and quantified targets**

None

### **5.2.1.5 Cooperation for development of new products, processes and technologies in the agriculture and food sector and the forestry sector (Code 124)**

#### **Article which covers the measure**

Articles 20 (b) (iv) and 29 of the Council Regulation (EC) No 1698/2005

Articles 20 and point 5.3.1.2.4 of Annex II to Commission Regulation No 1974/2006

#### **Rationale for intervention**

Establishment of cooperation projects of development for innovation within the primary agriculture, food processing and forestry sector can help the Danish agricultural, food processing sector and forestry sectors to remain competitive by developing new efficient processes and technologies to overcome environmental problems and to initiate new production meeting the modern consumers' demand for safety products and quality food products and the demands of the growing markets of non-food products.

#### **Objectives of the measure**

The purpose of the scheme is to support establishment of cooperation projects of development within the agriculture, food processing sector and forestry sector with the aim of developing new products, processes and technologies, while reducing undesirable effects on the surrounding society.

#### **Scope actions**

##### A. Conditions

##### *Definition of sectors covered*

- Primary agricultural sector.
- Primary horticultural sector.
- Food processing sector.
- Forestry processing sector.

##### *Definition of new technologies.*

The support is limited to the development of new technologies for example aiming at improving efficiency of processes and technologies in food production. The activities can not include research in accordance with Council Regulation (EC) No 1698/2005. The support will include the development of new kinds of technologies.

Support for development of new products, new processes and new technologies will be provided based on the following areas of effort:

- Actions related to new environmentally efficient technologies.
- Improving quality food products, food safety and food safety products, here under organic products.
- Tracing of products.
- Improving animal welfare and animal health.
- Improving environmental condition for the working force.

- Other areas of effort promoting new processes and technologies.

In the framework of a cooperation project the cooperation shall involve at least two actors of which at least one is either a primary producer or belong to the processing industry.

In this framework the primary sector can intervene or benefit from the cooperation scheme at a later moment than other partners.

The roles may be differentiated or the project might be completed at different steps. The primary sector does not need to be the initiator, and can intervene or benefit from the results at a later stage.

The cost of the project can be borne by other partners than the primary sector.

As a general rule the eligible cost of a project must be a minimum of DKK 300,000 (approx. EUR 40,000).

### B. Prioritisation.

If the sum of amounts applied for goes beyond the available funds for the measure the projects will be prioritised on the basis of the following parameters in no particular order:

- Creating new jobs
- Retain jobs
- Strengthening the competitiveness.
- Reducing the environmental effect of the surroundings.
- Reduction in the use of energy and renewing to green energy, including by increased energy efficiency, saved energy or the increased use of renewables.
- Contribute to the development in the geographical area, here under vouching for a sturdy production environment.

The evaluation will be based on a comparison of the applied amount and the parameters above (value for money). For projects related to improved food quality products, the comparison will take into account and be done within enterprise size categories (small, medium size enterprises etc.), with indicative budgets for support allocated to each category

### **Types of beneficiaries involved**

- Primary agricultural holders (all sizes).
- Primary horticulturalists (all sizes).
- Food processing enterprises (all sizes).
- Forestry processing enterprises (all sizes).
- Others (all sizes).

### **Types of eligible costs**

Preparatory operations such as design, product, process or technology development and tests and other tangible and/or intangible costs related to the development of new technologies.

Eligible expenses shall be limited to:

- (a) Salary for the staff relevant and related to the project.

- (b) The purchase or lease-purchase of new machinery and equipment, including computer software up to the market value of the asset necessary for the project for development of the new technologies (no investments).
- (c) General costs linked to expenditures referred to in points (a) and (b), such as architects, engineers and consultation fees, feasibility studies, the acquisition of patent rights and licences.
- (d) Other costs, which according to the Danish Food Industry Agency may be relevant and necessary carrying out the project.

The following costs are not considered eligible:

- Ongoing operation expenses
- Refundable VAT
- Investments in construction of buildings etc., unless the costs are necessary to carry out the project.
- Expenditures related to commercial use of the developed product

#### **Rate of support (according to state aid rules on research, development and innovation)**

- Small size enterprises can receive up to 60% of the eligible costs of the projects
- Medium size enterprises can receive up to 50% of the eligible cost of the project
- Other sizes of enterprises can receive up to 40% of the eligible costs of the project

According to point nine in the state aid rules on research, development and innovation, the rate of support can go up to 100% if the project concerns product covered by Annex I to the Treaty and if all the other conditions laid down in point nine are fulfilled.

#### **Type of support**

As a general rule payment claim will be based on expenditures already incurred by the beneficiaries. Payment may be made on the basis of an interim request based on expenditures incurred.

#### **Coherence with first pillar of the CAP**

Beneficiaries may not receive support under any measure pursuant to one of the regulations listed in Annex I to Commission Regulation (EC) No 1974/2006 and support for similar activities under this measure. When a new programme or scheme is introduced within the scope of Annex 1 to Regulation 1974/2006 or of the Rural Development Programme, the offices in charge in the Danish Food Industry Agency will clarify whether there is a potential overlap with activities in pillar 1 and under the rural development programme. If this is the case the measure will be excluded from support under the rural development programme. Danish Food Industry Agency shall introduce administrative procedures or alter support criteria for the relevant measures under the RDP to avoid overlap and the risk of double financing.

#### *Fruit and vegetables*

The single Common Market Organisation (CMO) offers a variety of actions. As a general rule these actions are quite distinct from the rural development programme. However there are exceptions. The producer organisations in the Danish fruit and vegetable sector may receive community for many actions similar to the RDP. The producer organisations (POs) in



this field receive Community funding for their so-called operational funds. The operational funds are financed jointly by the Community and the POs on a 50/50 basis. The POs may use the operational funds for a variety of actions of their own choice.

Many of these areas overlap with the rural development; it is therefore possible that the same action is eligible for support from both programmes. This would be particularly true for the two schemes for innovation and development in the processing sector and in primary agriculture and forestry. Eligible measures under these schemes include: Cooperation on development projects, investment in agricultural enterprises, development and application of new technologies/new processes/new products etc.

The following demarcation principle is applied to ensure that no support under the RDP shall be granted to activities eligible for support under the CMO: Each PO and its members are excluded from applying for support under RDP activities similar or identical to those contained in the OP.

FIA identifies similar activities under the RDP and the OPs, disseminates information about demarcation and similar activities to all potential applicants and rejects applications from POs and their members that contain activities similar or identical to those contained in the relevant OP. FIA performs screening of applications from POs and their members based on Central company registration number (all applicants must have such a number), the list of similar activities and the information in the OPs.

In addition FIA performs administrative checks of all applications against the database for existing commitments under the RDP and OPs. The units in FIA managing support under the CMO and the RDP compare lists of projects in order to prevent double financing supported by mutual briefings. Every time a new activity is made eligible, relevant units will be notified and decision will be made how to ensure the demarcation to these activities.

#### *Temporary restructuring scheme for the sugar industry*

Council Regulation (EC) No 320/2006 provides for aid for restructuring measures or for diversification measures in the sugar industry. Commission Regulation (EC) 968/2006 establishes detailed rules for the implementation of the temporary restructuring scheme including measures for control.

Cooperation for development of new products, processes and technologies in the agriculture and food sector and the forestry sector was not eligible for support in the Danish programme.

The support schemes referred to in Annex I to Regulation (EC) 1974/2006 for tobacco, olive oil, hops, beef and veal, sheep and goats, specific measures for agriculture in the outermost regions and direct payments in Article 69 are not relevant or applied in Denmark. No demarcation is needed.

#### **Demarcation with regard to other Community support instruments**

The EU Regional Development Fund (ERDF), Social Fund (ESF) and Fisheries Fund (EFF) programmes differ from the RDP in terms of targeting of sectors, scope of projects and geographical targeting.

The ERDF programme has no sector-based restrictions but targets framework conditions for economy and business development in general. Similarly, the ESF programme is not targeted at particular sectors but can support training activities in general. Projects involving cooperation for development of new agriculture, food and forestry products are financed under the RDP, whereas projects that may provide improved framework conditions in general, are financed under the ERDF programme. The RDP may support specific food, agriculture or forestry enterprises. The ERDF and ESF programmes shall not support specific enterprises or projects specifically concerning food production, agriculture or forestry. The RDP shall not support projects concerning the fisheries sector as such projects shall be supported under the EFF.

**Administrative procedures**

Applications are sent to the Danish Food Industry Agency that carry out checks, administrative controls, approves payments and pays the support. The Ministry for Food, Agriculture and Fisheries may appoint a committee, which will assist the Danish Food Industry Agency in assessing and prioritising applications. Controls on the spot will be carried out by the Plant Directorate under the Ministry for Food, Agriculture and Fisheries.

Strategic management of larger projects involving innovation and development in the processing sector will be strengthened. The regional growth forums can be granted a right to make recommendations concerning larger projects involving innovation and development in the processing sector if the projects are of special importance for regional economic development. The aim is therefore to strengthen coordination between regional economic activities and the government’s innovation effort as part of the rural development programme.

**Transition arrangements**

No transitional arrangements are necessary as this is a new measure compared to the previous programme period 2000-2006.

**Financing**

The contribution from the Community is calculated on the basis of public expenditures. All the figures are based on payments.

2007-2013  
 Total costs: EUR 49,4 million  
 Public costs: EUR 14,8 million

**Quantified targets for indicators**

All the figures are based on commitments.

Type of indicator	Indicator	Target 2007-2009
Output	Number of cooperation initiatives	200

	supported	
Result	Number of holdings introducing new products or techniques	172
Impact	Net additional value expressed in EUR	EUR 121,0 mio.
	Change in gross value added per full time equivalent	EUR 1.078 per year

<b>Programme level quantifications 2007-2013</b>		
Impact	Net additional value expressed in EUR	EUR 388 million
Impact	Change in gross value added per full time equivalent	EUR 4,266 per year (agriculture)
		EUR 6,251 per year (food industry)

#### **5.2.1.6 Improving and developing infrastructure related to the development and adaptation of agriculture and forestry (Code 125)**

##### **Name of the measure**

Improving and developing infrastructure related to the development and adaptation of agriculture and forestry. (Land consolidation by re-parcelling, part of the national application scheme Nature and environment projects)

##### **Article which covers the measure**

Articles 20 (b) (v) and 30 of Regulation (EC) No 1698/1999  
Point 5.3.1.2.5 of Annex II of Commission Regulation (EC) No 1974/2006

##### **Rationale for intervention**

The establishment of environmental and nature projects often involves areas belonging to more than one agricultural holding. An important means of helping to achieve the desired effects from an environmental and nature project is land distribution which can be used to establish coherent areas.

##### **Objectives of the measure**

The purpose of the measure is through land distribution to contribute to the competitiveness of agriculture in the project areas.

##### **Scope and actions**

Support for land distribution will only be given if the land distribution forms part of a larger nature and environment project proposed under the measure Nature and environment projects with more than two participating landowners and with a purpose and content which extend beyond structural adaptation with a view to economic optimisation of the farm. The additional purpose and content must relate to the promotion of the environment, nature, culture or recreational purposes.

In the national application scheme a project combining more than one activity may occur, if the commitments complement and supplement each other. It shall be ensured that no double compensation occurs. FIA shall make legal support commitments with beneficiaries separately for each activity in a project pursuant to each Article of Regulation 1698/2006 in use.

#### *Administration*

The support scheme will be offered by FIA. On-the spot control of support commitments shall be implemented by FIA or after delegation by the Plant Directorate under the Ministry for Food, Agriculture and Fisheries.

FIA will set up an advisory committee that shall examine project applications submitted under the measure. The FIA will select projects for support on the basis of advice from this committee.

#### **Description of the type of operations**

Support is given for the planning and implementation of the redistribution of land between farms.

#### **Type of support**

The person planning the land distribution can apply for support. The possible eligible expenses include:

- expenses for holding meetings about land distribution, including travel expenses
- expenses for the official announcement of land distribution
- planners' fee and expenses for the land inspector, consultancy, auditor's certificate and preparation of documents
- charges for entering land distribution transactions in the land registry and expenses for registration in the land register, land register certificates and declarations, etc.

Support may be given for up to 100% of eligible expenses in the project. The payment claim shall be based on invoices for expenditures incurred by the beneficiaries. No advance payments shall be applied.

#### **Demarcation with regard to other Community support instruments**

Support for these activities shall not be offered under The EU Regional Development Fund (ERDF), Social Fund (ESF) and Fisheries Fund (EFF) programmes.

#### **Financing**

The contribution from the Community is calculated on the basis of public expenditures.

Total cost: 0,3 million Euro

Public expenditure: 0,3 million Euro

#### **Transition arrangements**

This measure is similar to activities co-financed under the Rural Development Programme 2000-2006 pursuant to Council Regulation (EC) No 1257/1999. Expenditures made after 1 January 2007 will be declared under the Rural Development Programme 2007-13.

Total outstanding public costs; 3,4 million Euro  
Of which EAFRD; 1,7 million Euro

#### Quantified targets for EU common indicators

The estimated cost per hectare is app. 400 euro and the estimated area involved in the measure is 1,250 hectares or app. 90 hectares per operation.

Type of indicator	Indicator	Target 2007-2013
Output	Number of operations supported	7
	Total volume of investment	300 000 Euro
Result	Increase in gross value added in supported holdings	Maintain GVA
Impact	Change in gross value added per full time equivalent (GVA/FTE)	Maintain GVA/FTE

Program-level quantifications		
Impact	Net additional value expressed in Euro	388 million Euro
Impact	Change in gross value added per full time Equivalent	4,266 Euro per year (agriculture) 6,251 Euro per year (food industry)

#### Additional programme specific indicators and quantified targets

Impact (In common with Axis 2 measures)	Reversal in biodiversity decline (farmland bird species population)	Maintain index level for breeding bird population (IRENA population index for 18 breeds of birds on agricultural land: 106.1 in 2001.)
	Change in high nature value areas	Maintain area (78,000 ha in 2000, common objective)

#### 5.2.1.7 Restoring agricultural production potential damaged by natural disasters and introducing appropriate prevention actions (Code 126)

Article which covers the measure

Article 20 (b) (vi) of Regulation (EC) No 1698/1999.

Point 5.3.1.2.6 of Annex II of Commission Regulation (EC) No 1974/2006.

### **Rationale for intervention**

Major storm damage and damage because of flooding at high tide occurs in Denmark at intervals of many years.

Emphasis will be placed on ensuring that agricultural land shall be more robust, so that in future the farmers will be able to better withstand flooding caused by storms and high wind speeds and regenerate themselves after damage through natural processes.

Support to activities to repair damage caused to agriculture as a result of a natural disaster may be important in order to ensure sustainable agriculture in the western parts of Jutland that are historically the areas most at risk to be flooded.

The scheme will only become effective after storms with extensive storm damage to agricultural land.

### **Objectives of the measure**

The objective of the measure is to ensure continued agricultural competitiveness by introducing restorative and preventive measures against natural disasters, should they occur.

### **Scope and actions**

Support for the restoration of agricultural land damaged after a storm or flooding is given as a fixed support rate for eligible expenses. Eligible expenses concern restoration of agricultural potential on the agricultural land and introducing preventive actions against such damage occurring.

A grant of up to 100% of eligible expenses is given for restoring agricultural potential after damage resulting from natural disasters, on occurrence of such events.

Eligible expenses can be investments for:

- restoration of agricultural land and soil quality
- re-establishment or restoration of dikes
- rent of or investment in materials

Only investment expenditures are covered.

In general all projects must have the necessary approval from the environmental authorities in order to ensure that all relevant environmental requirements and legislation are complied with. Especially in the case of re-establishment or restoration of dikes this includes respect of the provisions of the EU Water Framework Directive.

### **Beneficiaries**

Beneficiaries shall be farmers and may be owners or tenants of agricultural land damaged because of flooding, storms or other natural disasters.

### Administration

Applications are sent to the FIA, which carries out checks, administrative controls, approves payments and pays the support. Controls on the spot will be carried out by the Plant Directorate under the Ministry for Food, Agriculture and Fisheries.

### Transition Arrangements.

No transitional arrangements are necessary as this is a new measure compared to the previous program period 2000-2006.

### Financing

The contribution from the Community is calculated on the basis of public expenditures. Only few funds are allocated a priori for restoring agricultural land after damage from flooding, storms or other natural disasters. The scheme does not become active until a heavy storm occurs, and FIA decides to open the scheme for new applicants.

At this late stage (October 2012) in the programming period it is not expected that the measure will be used, and hence no budget will be allocated.

Total cost: - EURO

Public expenditure: - EURO

### Quantified targets for EU common indicators

Type of indicator	Indicator	Target 2007-2013
Output	Number of beneficiaries	-
	Total volume of investment	-
Result	Gross value added by supported farmers	-
Impact	Change in gross value added per full time equivalent (GVA/FTE)	-

Program-level quantifications		
Impact	Net additional value expressed in Euro	388 million Euro
Impact	Change in gross value added per full time Equivalent	4,266 Euro per year (agriculture)
		6,251 Euro per year (food industry)

### Additional programme specific indicators and quantified targets

None

### **5.2.1.8 Participation of farmers in food quality schemes (Code 132)**

As a result of the challenges identified in the Health Check of The Common Agricultural Policy and the national plan for Green Growth changes have been made to the balance in the Rural Development Programme budget for 2007-2013 for the remaining 2010-2013 period.

#### **Article which covers the measure**

Articles 20(c) (ii) and 32 of Council Regulation (EC) No 1698/2005.

Article 22 and point 5.3.1.3.2 of Annex II of Regulation (EC) No1974/2006.

#### **Rationale for intervention**

The Danish food sector is characterised by strong and increasing concentration in the primary sector, the processing sector and the retail channel. There are several reasons for this – economic, socio-demographic and technological factors play a decisive role.

The retail channel today has a vital influence on the range of products available in food shops, which represents a marked change in relation to the previous situation, where the primary producers and the processing industry were virtually alone in defining the range of food products. The high concentration in the EU's retail sector also means intense competition between food product suppliers and a constant search for new ways of reducing costs and improving efficiency. First and foremost through the standardisation of manufacturing processes and by forcing the producers to follow these standards in return for space on the shelves in the supermarkets.

It is not just economic factors that have contributed to the standardisation of the food products market. Demand for convenience foods, time-saving buying facilities and access to fast food outside the home have pushed the development of food products in this direction. Finally, technological development has enabled the rapid adaptation of the food sector.

The analysis underlying the Green Growth Programme (for further information see The National Strategy for the Rural Development Programme) has shown that there is a need to support the development of high value products in the Danish food sector.

The result of this economic, socio-demographic and technological development in the food sector has been the lack of variation in the range of food products available and the exclusion of small food product producers from the retail channel. The foundations have also been built for a new market, which the innovative and creative food product producer can exploit by introducing special high quality products, which are distinct from the standard products and which can also be sold at higher prices. This also applies to organic production, which contains positive signals in respect of animal welfare, environmental considerations and quality.

Through quality labelling schemes, consumers are guaranteed that, in addition to appearance, taste, etc., invisible quality requirements such as considerations relating to animal welfare, the environment, nature and origin have also been met throughout the entire production chain. Strict certification requirements which are checked by independent bodies are the consumers' guarantee.



### **Objectives of the measure**

The purpose of the aid scheme is to support farmers' participation in quality product schemes and thereby promote the production of quality food products in order to meet consumer demand.

### **Scope and actions**

Support for the cost of farmers' participation in a quality market scheme.

### **Definition of beneficiaries**

Farmers producing under an approved quality market scheme.

### **Quality market schemes eligible for support**

Products approved as quality products according to the Community legislation:

- Geographical indications and designations of origin for agricultural products and foodstuffs (Council Regulation (EC) No 510/2006). Lammefjord carrots, Esrom cheese and Danablu cheese are the Danish marks that are currently approved and registered under this labelling scheme.
- Organic production of agricultural products (Council Regulation (EC) No 2092/91, in process of recasting)

### **National food quality schemes**

Other national schemes will be eligible for support only after the approval of the schemes by a modification of the Danish Rural Development Program after appropriate procedures.

The schemes will when approved be established according to the requirements of the Community legislation:

Food quality schemes recognised by the Member States shall comply with the following criteria:

- The specificity of the final product under such schemes shall be derived from detailed obligations on farming methods that guarantee: Specific characteristics including the production process, or a quality of the final product that goes significantly beyond the commercial commodity standards as regards public, animal or plant health, animal welfare or environmental protection.
- The schemes involve binding product specifications and compliance with those specifications shall be verified by an independent inspection body
- The scheme shall be open to all producers
- The scheme shall be transparent and assure complete traceability of the products
- The scheme shall respond to current and foreseeable market opportunities

### **Administration**

Applications are sent to the Danish Food Industry Agency (FIA), which carries out checks, administrative controls, approves payments and pays the support. The FIA may appoint a committee, which will assist the Danish Food Industry Agency in assessing and prioritising applications. Controls on the spot will be carried out by the Plant Directorate.

The support scheme will be offered by the FIA. On-the spot control of support commitments shall be implemented by the Plant Directorate under the Ministry for Food, Agriculture and Fisheries.

**Indication of the official authorities responsible for the supervision of the functioning of the quality scheme and description of the organisational arrangements for the supervision**

The FIA is responsible for this measure. The measure includes already approved products only.

National schemes will as mentioned above be eligible for support only after the approval of the schemes by a modification of the Danish Rural Development Program after appropriate procedures. Such modifications of the Program shall among others include the indication of the official authorities responsible for the supervision of the functioning of the quality scheme and description of the organisational arrangements for the supervision.

The Danish authority responsible for the overall supervision of quality schemes is the Danish Veterinary and Food Administration. The Plant Directorate is in general responsible for the supervision at farm level while the Danish Veterinary and Food Administration is responsible at the following levels.

**Amount of support per type of eligible scheme**

For each type of eligible scheme under the measure (schemes for geographical indications and designations of origin and organic production of agricultural products and other national quality schemes approved in accordance with appropriate procedures) the support is granted up to 3000 € maximum per holding per year. The support can be granted for a maximum of 5 years for a holding.

The fixed cost includes costs for entering in a supported scheme, annual contribution for the participation and checks to verify compliance with the specification of the scheme. The level of support is 50 percent.

**Justification of the fixed costs**

The payment is based on fixed costs based on costs for entering in a supported scheme, annual contribution for the participation and checks to verify compliance with the specification of the scheme. The level of support is set to 50 percent thereof and with a maximum of 3000 € per holding per year.

**Financing**

The contribution from the Community is calculated on the basis of public expenditure. All the figures are based on payments.

2007-2013

Total costs: 0,8 million Euro

Public costs: 0,8 million Euro

**Transition arrangements**

No transitional arrangements are necessary as this is a new measure compared to the previous program period 2000-2006.

### Quantified targets for EU common indicators.

All the figures are based on commitments.

Type of indicator	Indicator	Target 2007-2013
Output	Number of supported farm holdings participating in a quality scheme	35
Result	Increased value of agricultural production under recognised quality scheme	In Progress
Impact	Net additional value expressed in Euro	0,3 million Euro
Impact	Change in gross value added per full time equivalent	42 Euro per year

Program-level quantifications		
Impact	Net additional value expressed in Euro	388 million Euro
Impact	Change in gross value added per full time Equivalent	4,266 Euro per year (agriculture) 6,251 Euro per year (food industry)

### Additional programme-specific indicators and quantified targets

None.

### Coherence with first pillar

Beneficiaries may not receive support under any measure pursuant to one of the regulations listed in Annex I to Commission Regulation (EC) No 1974/2006 and support for similar activities under the corresponding measure pursuant to Council Regulation (EC) No 1698/2005.

When a new programme or scheme is introduced within the scope of Annex 1 of Commission Regulation No 1974/2006 or of the Rural Development Programme, the offices in charge in the FIA will clarify whether there is a potential overlap with activities in pillar 1 and under the rural development programme. If this is the case the measure will be excluded from support under the rural development program. The FIA shall introduce administrative procedures or alter support criteria for the relevant measures under the RDP to avoid overlap and the risk of double financing.

The following demarcation principle is applied to ensure that no support under the RDP shall be granted to activities eligible for support under the Common Market Organisation to producer organisations in the fruit and vegetable sector: Each PO and its members are excluded from applying for support under RDP activities similar or identical to those contained in the OP.

FIA identifies similar activities under the RDP and the operational programmes of the producer organisations under the CMO, disseminates information about demarcation and similar activities to all potential applicants and rejects applications from POs and their members that contain activities similar or identical to those contained in the relevant OP. FIA performs screening of applications from POs and their members based on Central company registration number (all applicants must have such a number), the list of similar activities and the information in the OPs.

In addition FIA performs administrative checks of all applications against the database for existing commitments under the RDP and OPs. The units in FIA managing support under the CMO and the RDP compare lists of projects in order to prevent double financing supported by mutual briefings. Every time a new activity is made eligible, relevant units will be notified and decision will be made how to ensure the demarcation to these activities.

#### **5.2.1.9 Supporting producer groups for information and promotion activities for products under food quality schemes (Code 133)**

As a result of the challenges identified in the Health Check of The Common Agricultural Policy and the national plan for Green Growth changes have been made to the balance in the Rural Development Programme budget for 2007-2013 for the remaining 2010-2013 period.

##### **Legal basis**

Articles 20(c)(iii) and 33 of Council Regulation (EC) No 1698/2005.

Article 23 and point 5.3.1.3.3 of Annex II of Commission Regulation (EC) No 1974/2006.

##### **Objectives of the measure**

The purpose of the aid scheme is to support producer groups for information and promotion activities for products under food quality schemes and thereby promote the production of quality food products in order to meet consumer demand.

##### **Rationale for the measure**

The Danish food sector is characterised by strong and increasing concentration in the primary sector, the processing sector and the retail channel. There are several reasons for this – economic, socio-demographic and technological factors play a decisive role.

The retail channel today has a vital influence on the range of products available in food shops, which represents a marked change in relation to the previous situation, where the primary producers and the processing industry were virtually alone in defining the range of food products. The high concentration in the EU's retail sector also means intense competition between food product suppliers and a constant search for new ways of reducing costs and improving efficiency. First and foremost through the standardisation of manufacturing processes and by forcing the producers to follow these standards in return for space on the shelves in the supermarkets.

It is not just economic factors that have contributed to the standardisation of the food products market. Demand for convenience foods, time-saving buying facilities and access to

fast food outside the home have pushed the development of food products in this direction. Finally, technological development has enabled the rapid adaptation of the food sector.

The result of this economic, socio-demographic and technological development in the food sector has been the lack of variation in the range of food products available and the exclusion of small food product producers from the retail channel. The foundations have also been built for a new market, which the innovative and creative food product producer can exploit by introducing special high quality products, which are distinct from the standard products and which can also be sold at higher prices. This also applies to organic production, which contains positive signals in respect of animal welfare, environmental considerations and quality.

Through quality labelling schemes, consumers are guaranteed that, in addition to appearance, taste, etc., invisible quality requirements such as considerations relating to animal welfare, the environment, nature and origin have also been met throughout the entire production chain. Strict certification requirements which are checked by independent bodies are the consumers' guarantee.

### **Scope and actions**

Support to activities nationally and in the Community which promotes the knowledge and sale of the quality products specified, e.g. participation in promotion activities including exhibitions and fairs, advertising in media and on point of sale.

The activities shall draw attention to the specific features or advantages of the products concerned, notably the quality, specific production methods, high animal welfare standards and respect for the environment linked to the quality scheme concerned, and may include the dissemination of scientific and technical knowledge about these products.

The activities shall concern the products covered by the support for food quality schemes referred to in Article 32 of Council Regulation (EC) No 1698/2005.

### **Type of aid**

Support based on the eligible costs for the producer groups activities as defined under scope and actions.

### **Definition of beneficiaries**

Beneficiaries are producer groups meaning all types of organisations existing of at least two producers, which produce under an approved quality market scheme.

Professional and/or interprofessional organisations representing one or more sectors are not eligible for support.

### **Quality market schemes eligible for support**

Products approved as quality products according to the Community legislation:

- Geographical indications and designations of origin for agricultural products and foodstuffs (Council Regulation (EC) No 510/2006). Lammefjord carrots, Esrom cheese and Danablu cheese are the Danish marks that are currently approved and registered under this labelling scheme.

- Organic production of agricultural products (Council Regulation (EC) No 2092/91, in process of recasting)

Other national schemes will be eligible for support only after the approval of the schemes by a modification of the Danish Rural Development Programme after appropriate procedures (cif measure 132).

**Coherence with first pillar Criteria and administrative rules for ensuring that operations benefiting exceptionally from rural development support in the support schemes listed in Annex I to the implementing Regulation and in the support established under Regulation (EC) N° 2826/2000**

Beneficiaries may not receive support under any measure pursuant to one of the regulations listed in Annex I to Commission Regulation (EC) No 1974/2006 and support for similar activities under the corresponding measure pursuant to Council Regulation (EC) No 1698/2005. When a new programme or scheme is introduced within the scope of Annex 1 of Regulation 1974/2006 or of the Rural Development Programme, the offices in charge in the FIA will clarify whether there is a potential overlap with activities in pillar 1 and under the rural development programme. If this is the case the measure will be excluded from support under the rural development program. The FIA shall introduce administrative procedures or alter support criteria for the relevant measures under the RDP to avoid overlap and the risk of double financing.

*Fruit and Vegetable*

The single Common Market Organisation offers a variety of actions. As a general rule these actions are quite distinct from the rural development programme. However there are exceptions. The producer organisations in the Danish fruit and vegetable sector may receive community for many actions similar to the RDP. The producer organisations (POs) in this field receive Community funding for their so-called operational funds. The operational funds are financed jointly by the Community and the POs on a 50/50 basis. The POs may use the operational funds for a variety of actions of their own choice.

Many of these areas overlap with the rural development; it is therefore possible that the same action is eligible for support from both programmes. This would be particularly true for the two schemes for innovation and development in the processing sector and in primary agriculture and forestry. Eligible measures under these schemes include: Cooperation on development projects, investment in agricultural enterprises, development and application of new technologies/new processes/new products etc.

The following demarcation principle is applied to ensure that no support under the RDP shall be granted to activities eligible for support under the CMO: Each PO and its members are excluded from applying for support under RDP activities similar or identical to those contained in the OP.

FIA identifies similar activities under the RDP and the OPs, disseminates information about demarcation and similar activities to all potential applicants and rejects applications from POs and their members that contain activities similar or identical to those contained in the relevant OP. FIA performs screening of applications from POs and their members based on

Central company registration number (all applicants must have such a number), the list of similar activities and the information in the OPs.

In addition FIA performs administrative checks of all applications against the database for existing commitments under the RDP and OPs. The units in FIA managing support under the CMO and the RDP compare lists of projects in order to prevent double financing supported by mutual briefings. Every time a new activity is made eligible, relevant units will be notified and decision will be made how to ensure the demarcation to these activities.

Information and promotion activities supported under Regulation (EC) No 3/2008 cannot receive support under this measure. Under the common market organisations (CMO) for promotion, the EU can fund measures to provide information on or promote agricultural and food products on the internal market or in third countries. No such similar support shall be offered through the RDP.

### **Demarcation with regard to other Community support instruments**

The support offered under this measure shall not be offered under the EU Regional Development Fund (ERDF), Social Fund (ESF) and Fisheries Fund (EFF) programmes. Support under the other Funds differ from the RDP in terms of targeting of sectors, scope of projects and geographical targeting.

### **Procedure for ex-ante checks on information, promotion, and advertising materials**

All draft information, promotion and advertising materials drawn up in the context of a supported activity must comply with Community legislation. Beneficiaries shall transmit all such draft materials to the competent authority. The FIA will ex-ante check the compliance with the legislation.

Activities related to the promotion of commercial brands shall not be eligible for support.

When activities financed under this measure concern a product covered by a EU geographical indication, a designation of origin or a certificate of specific character, the community logo provided for under these schemes shall appear on information, promotion and/or advertising material.

### **Summary description of the type of eligible costs**

Costs related to specified activities which promotes the knowledge and sale of the quality products specified, e.g. participation in promotion activities including exhibitions and fares, advertising in media and on point of sale. A summary of the eligible cost is provided below.

Eligible expenses include:

- (a) Salary for the staff relevant and related to the project.
- (b) Production of promotion and information materiel.
- (c) Costs for advertising in media and on the point of sale
- (c) Fees for participation in exhibitions and fares.
- (d) Other costs, which according to the FIA may be relevant and necessary carrying out the project.

The following costs are not considered eligible:

- Ongoing operation expenses for a producer group
- Refundable VAT

### **Rates of support**

For each type of eligible scheme under the measure (schemes for geographical indications and designations of origin and organic production of agricultural products and other national quality schemes approved in accordance with appropriate procedures the FIA) support is offered up to a maximum of 70% of the eligible costs of the action.

### **Administration**

Applications are sent to the FIA, which carries out checks, administrative controls, approves payments and pays the support.. Controls on the spot will be carried out by the Plant Directorate.

### **Financing**

The contribution from the Community is calculated on the basis of public expenditure. All the figures are based on payments.

2007-2013

Total costs: 19,1 million Euro

Public costs: 13,4 million Euro

### **Transitional arrangements**

The measure was also implemented in the previous program period 2000-2006 – but no transitional arrangements are necessary.

### **Quantified targets for EU common indicators.**

All the figures are based on commitments.

#### *Information and promotion*

<b>Type of indicator</b>	<b>Indicator</b>	<b>Target 2007-2013</b>
Output	Number of supported actions	22
Result	Value of agricultural production under recognized quality label	Not known
Impact	Net additional value expressed in Euro	7,3 Mio. Euro
	Change in gross value added per full time equivalent	227 Euro per year

<b>Program-level quantifications</b>		
Impact	Net additional value expressed in Euro	388 million Euro
Impact	Change in gross value added per full time	4,266 Euro per



	Equivalent	year (agriculture) 6,251 Euro per year (food industry)
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### 5.2.2 The individual measures – Axis 2.

*The Rural Development Programme and the Natura 2000 and Water Framework directives*  
Denmark confronts obligations concerning nature and environment in connection with the implementation of the Habitats Directive, the Birds Directive and the Water Framework Directive. These obligations will play an important role in the future environmental and nature initiatives as regards agriculture and forestry.

The means to implement the obligations in the directives in a specific area will follow from the planning for this area. These means will include measures in the rural development programme.

The Danish Government in 2009 launched a new Green Growth vision for Danish agriculture, nature and the environment. The overall vision is to unify a high level of environment and nature protection in agriculture with a modern and competitive agricultural production.

One of the objectives of the vision is to establish the necessary tools to implement the Natura 2000 and Water Framework directives. In order to obtain the specific goals for the first planning period for these directives (2010-2015), the vision comprises plans for additional actions for

- establishment of wetlands,
- periodically flooding of agricultural areas adjacent to streams in river valleys
- requirements for permanently cultivation-free agricultural area in 10 meter border zones along streams and lakes
- mandatory catch crops – compulsory higher percentage of utilised agricultural area with catch crops
- improved restoration and conservation of forest and farmland in designated Natura 2000 areas and in other areas designated as particular high nature value areas according to the Danish Nature Conservation Act
- restoration of hydrological conditions in Natura 2000 areas

The first four of the above mentioned activities will be instruments for implementing the EU Water Framework Directive in designated areas within a first planning period of 2010-2015. Three of these measures are introduced in the Rural Development Programme (measures 214e Management of wetlands, 216b Non-productive investments for establishment of wetlands, periodical flooding of farmland and restoration of natural hydrological conditions, non-productive investments and 216c State acquisition of land for protection of environment.

The following table depicts the new targets set for the new activities that are introduced in the programme in accordance with the Green Growth plan.

New output and effect indicators Axis 2	Green Growth vision (Grøn Vækst) - target 2010-2015				Rural Development Program - target 2010-13			
	Ha	Tonnes N	Tonnes P	Art. 12 species	Ha	Tonnes N	Tonnes P	Art. 12 species
Mandatory cultivation-free border strips along all streams and lakes, art 38	Along all	2.500	160		53.400	2.500	160	
N2000 payments art 38				yes	10.000			yes
Conservation by grazing or cutting on farmland in N2000, art 39	130.000			yes	120.000			yes
Conservation by grazing or cutting outside N2000	40.000			yes	40.000			yes
Conversion to organic farming	Add. 108.000			yes	Add. 72.000			yes
Establishment and management of wetlands and periodical flooding upstream	13.000	1.130	30		8.000	678	10	
Periodically flooding of farmland through reduced maintenance of stream edges	30.000	350	11		12.000	154	5	
Reestablishment of natural hydrologic conditions and conversion of farmland to permanent grass in N2000 areas	17.800	50			12.000	30		
Afforestation of agricultural land	6.900				4.600			

Natura 2000 projects forests	8.000		yes	4.000		yes
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For the activities for establishment of wetlands, conservation by grazing or cutting, conversion to organic farming and for afforestation of agricultural land these targets replace the originally set targets for the programme.

The following national planning processes for the implementation of the Water framework Directive and the N2000 directives in Denmark is foreseen. ∴

#### *Natura 2000 directives*

For the Natura 2000 directives draft action plans will be available in the beginning of 2010. The Natura 2000 plans include the future objectives for each Natura 2000 area and a programme of initiatives for the first plan period (2010-2015) which will contain guidelines for any follow-up action planning and management under both local and state auspices. The guidelines give a detailed description of the problems which must be solved in the individual areas and are therefore subject to official approval from municipal and state authorities and management from now on. With this in mind, the municipalities and the state landowners and authorities must choose their own methods and carry out specific management within the framework of the initiative programme.

#### *Water Framework directive*

In order to implement the Water Framework directive successfully there will be a need to apply more effective means of support than the existing measures in the RD programme. For the above mentioned new measures and for the measure for conservation by grazing or cutting on farmland in Nature 2000 areas, the need may arise to compensate for costs incurred for farmers resulting from implementing the WFD pursuant to art 38 in REG 1698/2005. Such mandatory requirements must be formally laid down and approved in the Danish river basin management plans and corresponding programmes of measures for the purpose of achieving the environmental objectives of the Water Framework Directive.

By the end of 2009 regional river basin management plans for 23 appointed river valley areas in Denmark will have been proposed and in public hearing. It is expected that the water plans will be formally adopted by the beginning of 2011. On this basis the municipalities will in the course of 2010 propose specific local action plans to implement the plans.

By that time further specification of the concrete actions will be depicted in the Rural Development Programme and specific measures for payments pursuant to Article 38 will be proposed. Especially, it is expected that support for Mandatory cultivation-free border strips along all streams and lakes will be offered pursuant to Article 38 already by the year 2011. The specific conditions for this support will be proposed to the Commission by late 2010 through notification in a separate measure sheet 213. Until then, the existing voluntary agri-environment measures in the programme will contribute to achieving the same objectives.

#### *Baseline*

Support is only given for obligations which extend beyond the baseline.

Area based payments under Axis 2 cover only commitments going beyond the relevant mandatory standards established pursuant to Articles 4 and 5 and Annexes III and IV to Regulation (EC) No 73/2009. These standards also called standards for cross-compliance and Good Agricultural and Environmental Condition (GAEC) have been adopted nationally, latest through the provisions of Order No157 of 15 January 2010 on direct support for farmers according to the single farm payments scheme.

These standards are the same standards that form the baseline for the Axis 2 measures as defined in Articles 39(3) and 51(1) of Council Regulation (EC) No 1698/2005. The cross-compliance provisions cover all the fundamental requirements stipulated in Danish legislation concerning the use of fertilisers and plant protection products. The baseline does therefore not include any supplementary national requirements for the use of fertilisers and plant protection products.

Revision clauses shall be inserted in agri-environment agreements made under Axis 2 in order to ensure their adjustment in case of amendment of baseline requirements that are relevant for the obligations supported. If such an adjustment is not accepted by the beneficiary, the commitment shall expire and reimbursement shall not be required in respect of the period in which the commitment was effective.

In reserved forests (approx. 90% of the forest area) the baseline requirements arrives from the Forest Act which obligates the forest owners within a reasonable period of time after felling of timber to cover the area with new trees that must form a closed formation of high trunk trees. This constitutes a mandatory requirement to regenerate the forest but not an obligation to plant with any special species of trees. Natural regeneration will also fulfil the baseline obligation. There is no baseline for forests not registered as reserved forest.

#### *GAEC and single payment*

GAEC rules under Council Regulation (EC) No 73/2009 are applied nationally in such a way that GAEC will also be met when areas change from being areas which comply with the definition of eligible for support under the single farm payment scheme to areas with more nature content in accordance with support conditions under the Rural Development Programme, including areas which are periodically or permanently covered by water in connection with changed watercourse maintenance, restoration of natural hydrology and establishment of wetlands.

Areas which comply with the definition of eligible for support under the single farm payment scheme include permanent pasture and agricultural land which is not cultivated and is maintained in a good agricultural and environmental condition. The GAEC requirements for these area types include a mowing at least once every two years in July or August. In the case of permanent pasture, mowing may be replaced by grazing. For agricultural land which is not cultivated, the GAEC requirements include additional requirements for the plant cover. The GAEC requirements referred to are included in the baseline for *setting grants* for several of the measures, including conservation of pasture and natural areas. When area types that are not cultivated, such as permanent pasture and agricultural land, are covered by grants awarded under an agri-environment measure, e.g. conservation of grass and natural areas, the areas can change character and become agricultural land with greater nature content in accordance with the conditions for support and the special nature- and environment-related

purposes of the RDP measure. In the commitment period for the agri-environmental measure, the areas are therefore allowed to have plant cover with more nature content than the plant cover on permanent pasture and agricultural areas not being cultivated. In the implementation of the GAEC rules there is thus drawn a distinction between, on the one hand, the status of the areas prior to the agri-environmental commitment that will constitute the baseline for the grant payment, and, on the other hand, the status of the areas in the commitment period for the agri-environmental measure.

Areas which no longer comply with the definition of eligible for support under the single farm payment scheme will be entitled to the single payment when the areas were entitled to payments pursuant to the single farm payment scheme for 2008 and no longer comply with the definition of eligible for support as a result of the implementation of the Natura 2000 directives or the Water Framework Directive, cf. Article 34 (2)(b)(i) of Council Regulation (EC) No 73/2009. The aim of some of the measures which are financed under the Rural Development Programme is to contribute to the implementation of the abovementioned directives, including conservation of pasture and natural areas, changed watercourse maintenance, restoration of natural hydrology and establishment of wetlands. Areas which were entitled to payments under the single farm payment scheme in 2008 and which are now periodically or permanently covered by water in connection with changed watercourse maintenance, restoration of natural hydrology or establishment of wetlands are thus still entitled to the single payment.

#### *Verifiability according to Article 27(3) of Regulation (EC) 1974/2006*

For all the area based measures, commitments to limit the use of fertilisers and plant protection products have been established in such a way that compliance with the commitments is verifiable through the combined use of administrative and on-the-spot control.

#### *Methodology, agronomic assumptions and parameters*

For all area based measures, the level of support has been established on the basis of calculated income losses accrued from the obligations. The Institute of Food and Resource Economics at the University of Copenhagen has provided the data and calculations used as the basis for setting support rates.

The calculations for determining the added costs and reduced income used to set the support rates for agri-environmental schemes are based on budget estimates for agriculture's production sectors. The budget estimates show the gross margins achieved in 2006. The budget estimates are compiled by the National Centre of the Danish Agricultural Advisory Service. The Danish Agricultural Advisory Service is a national advisory centre for Danish agriculture, which gathers and distributes knowledge and statistics about Danish agriculture. This basis also includes optimisation models for agriculture and statistics about agricultural income, produced by the Institute of Food and Resource Economics.

The definition 'Gross margin II' is used to calculate the gross margin in alternative production scenarios. Gross margin II is calculated as gross yield minus unit costs minus labour and machinery costs based on machine station pay rates. The variable costs relate to seed, fertiliser and sprays/plant protection agents. Gross yield minus variable costs is defined as Gross margin I. Fixed costs are deducted from this, equivalent to machine station pay rates

for the individual operations. Both materials and wages are included in these costs. This approach ensures a uniform basis for the calculations. It is assumed that the machinery costs specified correspond to the costs incurred by the farmers for their own machinery, but some will have higher/lower costs than those specified. An hourly wage is not directly included, but it forms part of the total cost used for the task in question. The implicit hourly wage reflects that the task is carried out by professionally qualified workers. The machine station pay rates used represent average rates, even though they may vary between regions. Yields are converted to standard quality for water percentage, protein content, etc. It is assumed that the crops are dried down by 3% with the amount dried being 5% higher than what is sold. The income is specified for two types of soil, namely sandy and clay, since there is a difference in the yield level.

In the case of all the schemes, the agricultural earnings before making the commitment must be reduced or no longer apply. The income factors that are affected by the resulting extensification of farming are earnings from the production of both grain and straw. At the same time, however, variable costs and expenses for tasks such as sowing, spraying and combine-harvesting cease to apply. The prices applying in the fourth quarter of 2006 are used in the calculations.

The single farm payments and mandatory observance of cross-compliance provisions pursuant to Council Regulation (EC) No 73/2009 have been taken into account in the calculations.

A list of calculation requirements is presented in the table below.

<b>Cost factors:</b> Cost components taken into account	Variable costs (incl. labour)
Their quality specifications and value/unit	Qualified labour
To which extent are they considered?	All included
Factors to differentiate these figures	Difference in soil type (clay or sandy soil)
Reference period	One year, 2006
Source of the figures	Official estimate made by the Danish agricultural advisory service based on statistics
<b>Income factors:</b> Income elements taken into account	Crop and straw yield
Their quality specifications and value/unit	Price adjusted to required quality
To which extent are they considered?	In full
Factors to differentiate these figures	Arable, pig or dairy farm; sandy and clay soil, no use of pesticides, large and small area, high or low machinery cost, reduced yield

Reference period	One year, 2006
Source of the figures	Different official estimates made by the Danish agricultural advisory service based on generated prices and costs

The following table illustrates the application of measures pursuant to regulation (EC) 1698/2005 in the national measures that are introduced in 2010 pursuant to the national Green Growth plan for Danish agriculture, nature and the environment.

Code and measure Axis 2 new fact sheets 2010	Mandatory cultivation free borders	Conservation by grazing or cutting	Conversion to organic	Voluntary establishment of set-aside	Establishment and management of wetlands	Establishment and management of wetlands (P river valley)	Periodically flooding of farmland in river valleys	Periodically flooding of farmland through	Periodically flooding of farmland	Reestablishment of natural hydrologic conditions,
214a Conservation by grazing or cutting		X								X
214b Conversion to organic farming			X							
214c Extensive production on agricultural land			X							
214d Establishment of set-aside border strips				X						
214e Management of wetlands					X	X				
216b Non-productive investments - establishment of wetlands etc.					X	X	X	X	X	X
216c State acquisition of land for protection of environment					X	X	X	X	X	X

“X” marks the application of articles under Axis 2 in regulation 1698/2005 for application of support in each nationally implemented measure.

The following table lists the area based measures under Axis 2 and the relationship between support conditions and the relevant baseline conditions subject to the cross-compliance and GAEC requirements pursuant to Regulation (EC) No 73/2009. In general and as an entry condition for support under all area based Axis 2 measures, the full set of cross-compliance and GAEC conditions must be met by all farmers.

*Individual area based measures, support and baseline commitments*

Measure	Support commitments	Baseline commitments
<b>Payments to farmers in areas with handicaps, other than mountain areas (212)</b>	Area must be under agricultural use. The applicant must live on the agricultural holding on one of the designated islands	None (Cross-compliance and GAEC in general)
<b>Mandatory establishment of cultivation-free buffer zones - (213)</b>	An up to 10 meter buffer zone along lakes and open water courses in non-urban zones must be established and maintained as cultivation free and without any use of fertilisation or plant protection products.	The buffer zone areas will where relevant complement an already existing un-cultivated strip of 2 metres along lakes and open water courses pursuant to the baseline under Regulation (EC) 73/2009.  Obligations concerning the plant cover on border strip pursuant to Regulation 73/2009  Border strips must be cut at least once every two years (Order No 1362 of 19 December 2008 on cross-compliance, with changes pursuant to Order No 239 of 27 March 2009 and Order No 253 of 31 March 2009 on direct support for farmers according to the single farm payments scheme)
<b>Conservation by grazing or cutting on pasture and natural areas (214a)</b>	Yearly grazing or cutting	Permanent pasture must be cut at least once every year (Cross-compliance and GAEC in general)
	No fertilisers may be added to the land other than the manure that is left by grazing animals - except when the plant cover is being established	None
	No use of plant protection products	Only use of approved products for plant protection
	Possibility for additional area specific obligations; - restrictions on the plant cover - grazing - cutting back - no artificial irrigation of pasture or grassland	Permanent pasture must be cut at least once every year. Obligations concerning the plant cover pursuant to Regulation (EC) No 1783/2003.
<b>Conversion to organic agricultural production (214b)</b>	The commitments correspond to the complete set of requirements concerning organic agricultural production pursuant to Council Regulation (EC) No 2092/91 (the commitments include among others conditions for farming in the 2 years conversion period, the use of organic seed, propagating material, organic manure and green fertilizers), except the requirements concerning limited use of nitrogen input and only use of	All domestic animals must be treated with care, including housing, forage, watering and physiological conditions of the animals.  (And cross-compliance and GAEC in general)



	plant protection products permitted for organic agriculture. The commitment concerning no use of plant protection products besides those permitted for organic agricultural production in Denmark is compensated in the measure Extensive production on agricultural land	
<b>Extensive production on agricultural land (214c)</b>	Only plant protection products permitted for organic agricultural production in Denmark may be used	Only use of approved products for plant protection
<b>Establishment of set-aside border strips (214d)</b>	Obligations concerning the plant cover. The plant cover must be continuous and closed and may not be established solely by use of germinating waste seeds.	Obligations concerning the plant cover pursuant to Regulation (EC) No 1783/2003.
	The area must be trimmed or pruned at least once a year with light machinery.	Permanent pasture must be mowed at least once every year. Uncultivated agricultural land must be mowed at least once every two years.
	Any activity on the land initiated or accepted by the beneficiary in the period of commitment must be done in a way that does not lead to erosion of the border to the lake or water course.	Uncultivated agricultural land must not be used in ways that lead to damage or removal of the plant cover. Temporary activities are however allowed if the plant cover is re established immediately after the activity
<b>Management of wetlands (214e)</b>	No fertilisers may be added to the land other than the manure that is left by grazing animals	None
	No use of plant protection products	Only use of approved products for plant protection
	Acceptance of registration in the land registry of a wetland area declaration and of the flooding and conversion into pasture/grassland of the area	None (Cross-compliance and GAEC in general)
	Yearly grazing and/or cutting	Permanent pasture and grass in rotation must be mowed at least once every year. Mowing can be replaced by grazing
	Set-aside with conditions concerning yearly trimming or pruning	Uncultivated agricultural land must be mowed at least once every two years.
	Maintain blocked drainage of agricultural land	None (Cross-compliance and GAEC in general)
<b>Plant genetic resources (214f)</b>	Breeding, cultivation, harvesting, processing, demonstration and information activities on plant genetic resources	None (Cross-compliance and GAEC in general)

<b>State acquisition of land to ensure permanent changes in management of farmland (216c)</b>	State purchase of land with the intent to resell with legal commitments to ensure permanent changes in farming conditions due to establishment of wetlands, periodical flooding or restoration of natural hydrological conditions on farm land	None (Cross-compliance and GAEC in general)
<b>First afforestation of agricultural land (221)</b>	<ul style="list-style-type: none"> <li>- Establishment of forest</li> <li>- Establishment without use of pesticides or deep ploughing</li> <li>- Fencing</li> <li>- Locality mapping</li> </ul>	None (Cross-compliance and GAEC in general)
<b>Forest-environment payments (225)</b>	<ul style="list-style-type: none"> <li>- Pollarding</li> <li>- Clearing of growth and unwanted tree species</li> <li>- Mowing</li> <li>- Fencing</li> <li>- Preserving of indigenous trees</li> <li>- Safeguarding oak coppice</li> </ul>	Forest owners must after felling of timber cover the forest area with new trees that must form a closed formation of high trunk trees within a reasonable period of time. (And cross-compliance and GAEC in general)

Denmark has derogation from the Nitrates Directive (Order No 1695 of 19 December 2006 on commercial livestock keeping, manure, silage, etc. Act No 753 of 25 August 2001 on environmental protection). The derogation from the 170 kg of nitrogen per hectare from the livestock production is excluded from the calculation of the level of support under all measures. See also chapter 5.1.1.

The Managing Authority may allow the multi-annual agri-environment commitments financed under measures 214 to be adjusted during the period for which they apply provided that the adjustment is duly justified having regard to the objectives of the commitment. Such adjustments may also take the form of an extension of the duration of the commitment.

Mandatory buffer zones are to be taken into account and be included in the baseline of the other area-based measures where relevant. The payments under other measures can not compensate for any elements which are part of this mandatory requirement. This is the case regardless of whether the compensation for buffer zones (213) is applied for or not by the particular farmer. Issued area-based contracts overlapping with the buffer zones are to be revised in all cases where there is an overlap with the mandatory requirements in the buffer zones (except where the areas are explicitly exempt from such requirements).

#### *Combinations of support*

The table below depicts the possible combinations of support for the area based measures under Axis 2. Support commitments of the measures and allowed combinations of support from measures on the same area have been established in such a way that no overlap of compensation occurs. If no combined level of support is indicated, no combination of support is permitted.

#### *Check against double compensation*

Before any grants of area based support, the Danish Food Industry Agency ( FIA) shall on a case-by-case administrative control ensure that double compensation is avoided. The FIA has an IT-based administrative system where all agri-environmental commitments are registered. This facility includes the information on field level according to the single farm payment registrations (numbering, size and where the field is situated). Each application will be assessed by using the system prior to making a commitment. When the actual payments are made, it will be secured that total payments will not exceed the maximum amounts of support mentioned in the annex of Regulation 1698/2005. If a farmer applies for support under more than one agri-environmental measure (code 214) combinable according to the table above the support actually paid (both national part and the community contribution) will be reduced to the level of the maximum amount of annual support payment listed in the annex of the Regulation 1698/2005.

Checks shall be made through the search facilities of the integrated Geographical Identification System (GIS) used by all public institutions in Denmark. GIS is a publicly available web based database, that can depict on land maps information on the public support commitments already made on the land concerned. GIS contains information on many of the most common area based public support schemes in Denmark and information on the placement of different kinds of designated areas, including the Natura 2000 areas.

In addition, the FIA shall make administrative checks on all support commitments under the Rural Development Programme, that may be relevant to the land or land owner in question. This is done by machine searches in BTAS, the IT database in the FIA covering information on support commitments made under RDP 2007-2013 and RDP 2000-2006 as well as the single farm payments pursuant to Regulation (EC) No 73/2009.

Code and measure		Mandatory cultivation free buffer zones	Extensive production on agricultural land	Conversion to organic farming	Conservation by grazing or cutting	Management of wetlands (acceptance)	Management of wetlands (conservation)	Management of wetlands (blockage of drainage)	Establishment of set-aside border strips	Non-productive investments, agriculture	State purchase of land	Afforestation of agric. land	Sustainable forestry	Restoration of forests after storm damage
Payment of support in euro per ha per year for measure codes 212 and 214														
Payment of support in euro per ha for measure codes 216c, 221, 225 and 226		-	101	64	134-450	40-470	27-450	188	161	-	-	40-25	2700-6700	3350-4700
213 Mandatory cultivation free buffer zones	161-282	-			295-732						Yes			
214c Extensive production on agricultural land	101		-	165						101				
214b Conversion to organic farming	64			-	171-514	104-534	91-514	252		64	64			
214a Conservation by grazing or cutting	134-450				-	147-920				107-450	107-450			
214e Management of wetlands (acceptance)	40-470					-	67-920			40-470				
214e Management of wetlands (conservation)	27-450						-			27-450	27-450			

214e Management of wetlands (blockage of drainage)	188																
214d Establishment of set-aside border strips	161								-		161						
216 Non-productive investments, agriculture	-									-	Yes						
216c State purchase of land	-										-						
221 First afforestation of agricultural land (per ha)	4025												-				
225 Forest-environment payments (Sustainable forestry pr. application)	2700-6700															-	
226 Restoring forestry potential and introducing prevention actions	3350-4700																-

**Note:**

Payments to farmers in areas with handicaps, other than mountain areas (Code 212, Island support) may be combined with any of the above area support schemes

Total payment per ha shall not exceed the maximum level regarding co-financing mentioned in the annex to Regulation 1698/2005.

Combination of support for conversion to organic farming with support for acceptance or conservation of wetland is only possible for area that is not covered by commitment to set-aside.

Combination of support for conservation by grazing or cutting with support for acceptance of wetland is only possible for areas that are not covered with support for conservation of wetland.

Contracts for the conservation of wetlands only cover the first 5 years of the 20 year commitment period for the acceptance of the wetland.

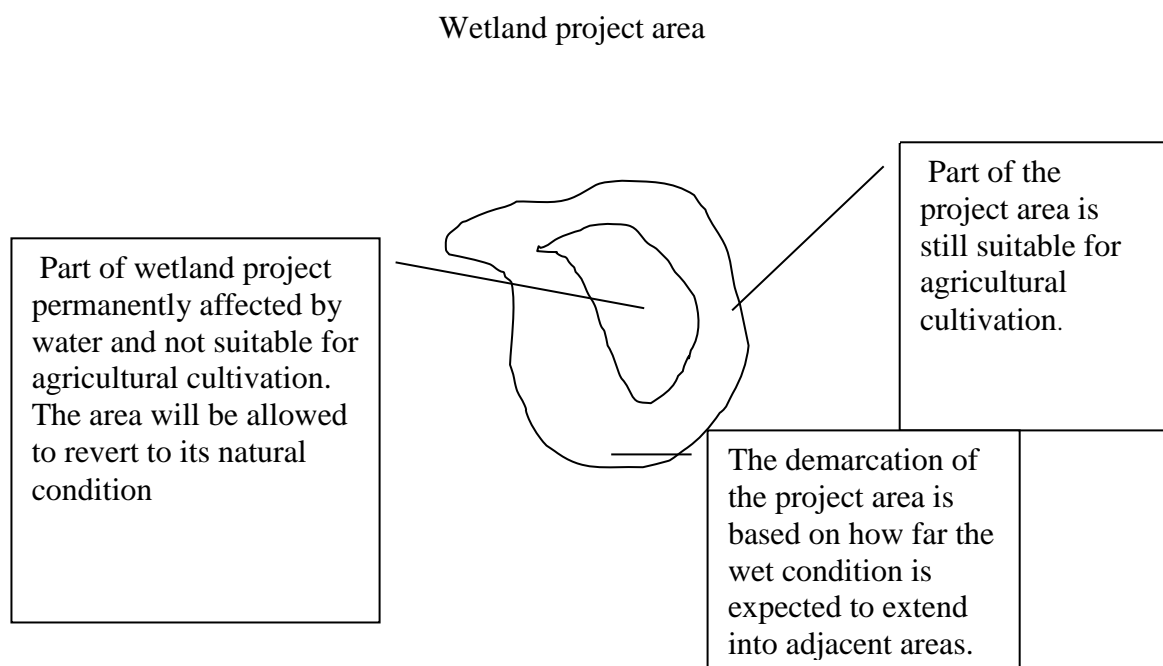
*Area demarcation*

The Green Growth plan for 2010-2015 sets objectives via the support schemes under the programme for establishing:

- 50,000 ha of mandatory spray, fertilisation and cultivation-free border strips
- 10,000 ha of wetland areas
- Changed watercourse maintenance along 7,300 km of watercourse taking into account the temporary flooding of up to 30,000 ha of agricultural land as a result
- 3,000 ha of P-river valleys with periodic flooding
- Natural hydrology in 16,000 ha of agricultural land in Natura 2000 areas.

As part of the administration of these support schemes, clear rules will be established for grant overlaps in the same area. Detailed rules are described in the codes for each individual measure.

An illustration of the area demarcation of a wetland area is given below. The parts of the areas which are permanently affected by water and are not fit for agricultural purposes will be classed as “natural”. The rest of the project area in which only a certain type of farming can be maintained, such as cutting or grazing, will be classed as “agricultural land”. Future owners of wetland areas will be able to maintain single payment on the areas according to Council Regulation (EC) 73/2009, regardless of the resulting condition. However, this does imply that the areas were entitled to receive single payments in 2008. Farmers are entitled to seek 5-year operating grants for grazing or cutting according to Article 39 for the parts of the project area which are preserved as “agricultural land”.



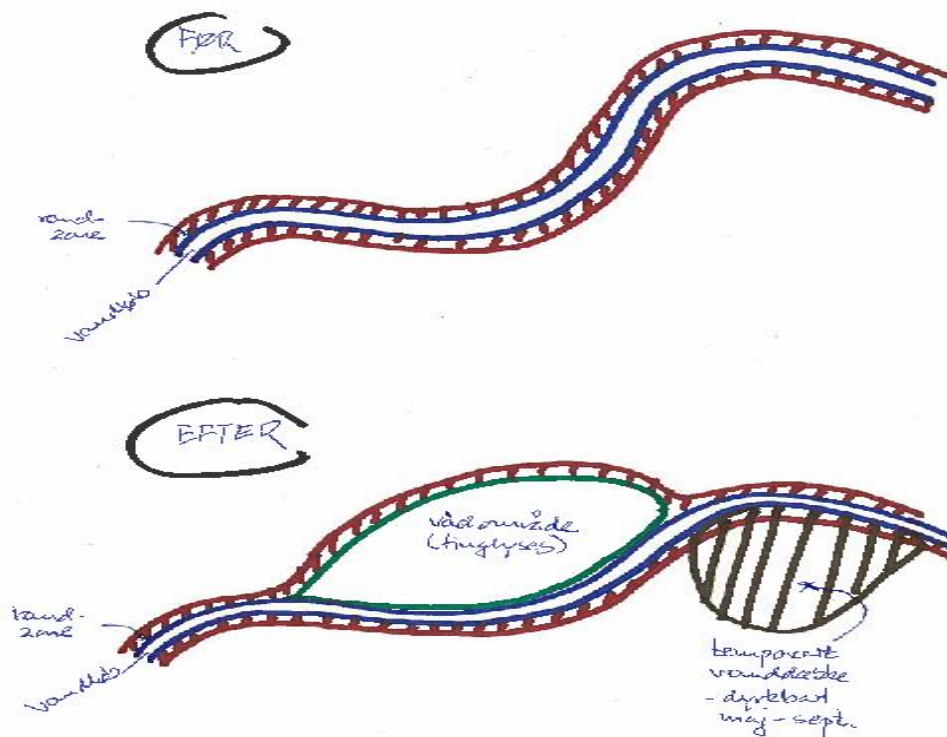
The following general rules for overlapping will be observed:

When establishing a wetland on areas which are also subject to requirements to create 10 metre cultivation-free border strips along watercourses or lakes, it is presumed that the mandatory border strip will “move along” and will be established on the outside of the wetland. As part of the project, the geographical location of the wetland will be registered and the mandatory border strip will then be maintained as the 10 metre border strip located “outside” the wetland project area’s demarcation. P

In the event of temporary flooding in river valleys which are also subject to the requirement of mandatory border strips, no compensation will be paid for the temporary flooding in the mandatory border strip.

For projects concerning the restoration of natural hydrology in Natura 2000 sites, areas that receive compensation for mandatory cultivation-free border strips are not also eligible for the compensation for the permanently higher water table.

These rules ensure clear area delimitation, prevent project areas from receiving double grants and enable an effective physical control of the project areas.



Above is illustrated the relationship between wetland areas, areas with occasional flooding and mandatory cultivation-free border strips along watercourses.

The red lines along the stream (blue) illustrate the cultivation-free border strips. The green line illustrates a wetland established along the stream with support under the programme. The vertically hatched area represents an area with occasional, temporary flooding which also receiving support under the programme. No double compensation is offered.

### 5.2.2.1 Payments to farmers in areas with handicaps, other than mountain areas (Code 212)

#### Article (and paragraph) which covers the measure

Article 36 (a) (ii) and 37 of Council Regulation (EC) No 1698/2005.

Point 5.3.2.1.2 of Annex II of Commission Regulation (EC) No 1974/2006.

#### Rationale for intervention

On many Danish islands agriculture is practised under relatively unfavourable conditions. Under Council Directive (EC) No 98/9 of 20<sup>th</sup> January 1998, a number of these islands were therefore identified as areas with handicaps. In connection with the programme period 2000 – 2006, a scheme was established pursuant to Articles 13 - 19 of Regulation (EC) No 1257/1999 which gives support to the agricultural farms on these islands. The support compensates for the special handicaps in connection with agriculture on the islands and helps to ensure that land use management continues to conserve the landscape. The scheme is continued in the new programme period.

During the mid-term evaluation of the 2000 – 2006 rural development programme in 2003, the scheme was judged to be of considerable relevance in the light of the national objectives for continuing farming and maintaining rural development on the islands covered by the scheme.

The farmers on these islands face a number of disadvantages in the form of difficulties in maintaining population settlements, higher production costs, less intense competition and fewer opportunities for planning. It was the experience that the scheme to a certain extent helps to compensate for these disadvantages, thereby influencing the farmers' decision to continue farming on the islands. In this respect the scheme met, to some extent, its own objectives and the overall objectives during the 2000 – 2006 programme period.

These conditions have not changed since the introduction of the scheme in 2000. The scheme is therefore continued under Council Regulation (EC) No 1698/2005.

#### Objectives of the measure

The objective of the measure is to ensure continued agricultural activity on certain identified small islands and thus to maintain sustainable rural areas in less favoured areas.

#### Scope and actions

##### *Beneficiaries*

Support is granted to farmers who as landowners or tenant holders live and farm on agricultural holdings on certain identified islands.

The identified islands are as follows:

1. Agersø incl. Egholm	2. Anholt	3. Askø incl. Lilleø	4. Avernakø
5. Barsø	6. Birkholm	7. Bjørnø	8. Bågø

9. Drejø	10. Egholm, Limfjorden	11. Endelave	12. Fanø
13. Fejø incl. Skalø	14. Femø	15. Fur	16. Hjarnø
17. Hjortø	18. Lyø	19. Læsø	20. Mandø
21. Nekselø	22. Omø	23. Orø	24. Samsø
25. Sejerø	26. Skarø	27. Strynø	28. Tunø
29. Venø	30. Aarø	31. Ærø	

#### *Support criteria*

It is a condition for applying for support that at least 5 hectares of the farm are under agricultural use on one of the identified islands. The applicant must engage in farming on the agricultural holding on one of the islands covered by the scheme for at least five years from the date on which the support is paid for the first time. The applicant must live on the agricultural holding during the year which the support is related to.

#### *Support rates*

The rate of support is 64 euro per year per hectare farmed land. The support is granted to farmers in less favoured areas (the identified small islands) as a compensatory allowance for additional expenditure, higher production costs and general inconvenience in connection with farming on the small islands.

#### *Administration*

The Directorate for Food, Fisheries and Agro Business administrates the scheme. The Danish Plant Directorate carries out all on-the-spot control.

Applications for support must be submitted together with an application for support under the single payment scheme pursuant to Regulation (EC) No 73/2009.

#### **Confirmation that the cross-compliance requirements are identical to those provided for by Regulation (EC) No 73/2009**

The agricultural holdings on the 31 small islands are, like all other agricultural holdings in Denmark, subject to the cross-compliance requirements pursuant to Regulation (EC) No 73/2009.

#### **Financing**

The contribution from the Community is calculated on the basis of public expenditures.

Total cost: 11,4 million euro

Public expenditure: 11,4 million euro

#### **Transition arrangements**

This measure is similar to activities co-financed under the Rural Development Programme 2000-2006 pursuant to Council Regulation (EC) No 1257/1999. No transitional arrangements are necessary as no payments made pursuant to Regulation (EC) No 1257/1999 will be declared under the Rural Development Programme 2007-13.

#### **Quantified targets for EU common indicators**



<b>Type of indicator</b>	<b>Indicator</b>	<b>Target 2007-2013</b>
Output	Number of farm holdings receiving support	700
	Total area under support	27000 hectares
Result	Area under successful land management	27000 hectares
Impact	Area under successful land management	27000 hectares

#### **Additional programme-specific indicators and quantified targets**

None.

#### **5.2.2.1. Mandatory establishment of cultivation-free buffer zones (Code 213)**

##### **Article (and paragraph) which covers the measure**

Articles 36(a)(iii) and 38 of Regulation (EC) No 1698/2005

Point 5.3.2.1.5 of Annex II to Regulation (EC) No 1974/2006

Article 16a of Regulation (EC) 1698/2005 (cf. new challenges/Health Check measure)

##### **Code of the measure**

213

##### **Implementation of the Water Framework Directive**

As part of the Danish implementation of the Water framework directive, Denmark will implement, with binding effect from 1st of September 2012, an up to 10 m mandatory cultivation-, spraying- and fertilizerfree buffer zones along all open streams and ponds more than 100 m<sup>2</sup> in rural areas. The measure implements article 11.4 of Directive 2000/60/EC.

##### **Rationale for intervention**

In order to implement the WFD successfully it has been decided also to apply mandatory obligations for management of farmland and to offer support to compensate for costs incurred and income foregone for farmers resulting from implementing the Water Framework Directive (2000/60/EC) pursuant to art 38 in REG 1698/2005.

As part of the Danish implementation of the Water framework directive and pursuant to Act no. 591 of 14<sup>th</sup> June 2011 (Law of Bufferzones) Denmark will implement, with binding effect from 1st of September 2012, an up to 10 m mandatory cultivation-free buffer zones along all open streams and ponds more than 100 m<sup>2</sup> in non-urban zones. It is foreseen to compensate the extra cost incurred and income foregone by a farmer caused by this measure. The measure is foreseen to have a positive impact on the aquatic environment by reducing the phosphorous and pesticides emissions and leaching of nitrate caused by agriculture.

##### **Objectives of the measure**

The purpose of the support scheme is to compensate the establishment of non-cultivated buffer zones along lakes and open watercourses in non-urban zones in order to reduce the leaching of Phosphorus, Nitrate and pesticides into surface water. The buffer zones will also

contribute to safeguard biodiversity and improve ecological connectivity of the rural landscape.

It has been estimated that the mandatory buffer zone measure comprises approximately 50,000 hectares divided between approximately 30,000 beneficiaries. It has been assessed by the University of Aarhus that the gross impact with regard to a reduced P-discharge could contribute to a reduction up to 160 tonnes per year

The requirement of no cultivation within the buffer zone will not apply if managed as permanent pasture without the use of fertilisers and pesticides.

The University of Aarhus has assessed the impact with regard to reduced N-discharge at 2,500 tonnes of N. The reduced N leaching is expected to be 5 kg N per hectare less if permanent pasture is grown.

### **Scope and actions**

Area payment is offered as compensation for the mandatory establishment of cultivation-free buffer zones. The cultivation-free buffer zones must be established on farmable land along all open watercourses and lakes in excess of 100 m<sup>2</sup> in non-urban zones. Support is given as an annual area subsidy with a fixed support rate.

The existing voluntary measure regarding bufferzones (code 214d) will end in 2011, The requirements of no use of pesticides, fertiliser and cultivation-free buffer zones will be mandatory and statutory as part of the Danish implementation of the Water framework directive. Farmers are expected to be compensated with support in accordance to Article 38 of Council Regulation (EC) No 1698/2005. As an exception to the general requirements farmers can establish fertiliser and spraying -free farming of permanent pasture in the buffer zone.

The obligations are well beyond the national minimum rules concerning the management and conservation of pasture and natural areas. For land covered by support under the single payment scheme, the obligations will extend beyond the conditions concerning good agricultural and environmental condition, cf. Commission Regulation (EC) No 73/2009.

The cultivation-free buffer zones will in some areas complement an already existing un-cultivated strip of 2 metres along lakes and open water courses pursuant to the baseline under Regulation (EC) 73/2009. For the existing 2 metre border strips the additional requirement will only be for 8 additional metres and the compensation will only be given for the 8 metres up to the 10 metre requirement.

In accordance with section 69 of the Danish Watercourse Act, the provision on 2 metre non-cultivated strips along all natural or high priority watercourses as well as lakes larger than 100 m<sup>2</sup> applies. No soil preparation or cultivation is allowed in these areas.

It is expected that the compensation to farmers can be applied for in 2013 for the establishment of mandatory buffer zones going back to September 1<sup>st</sup> 2012. In 2013 it is foreseen that the payment to farmers will cover the period 1<sup>st</sup> september 2012 to 31<sup>st</sup> december 2013.

### *Priority criteria*

All applicants shall be offered the support. No priority criteria are needed. Adequate funding will be allocated for at least 50,000 ha.

### *Beneficiaries*

Support may only be granted to farmers and not to other land managers. Only utilised agricultural areas (UAA) are eligible for compensation.

### *Administration*

The support scheme will be paid out by the AgriFish Agency (a new body replacing 3 previous Danish public bodies under the Ministry of Food, Agriculture and Fisheries; FødevareErhverv, Plantedirektoratet and Fiskeridirektoratet). The on-the spot control will also be carried-out by the AgriFish Agency.

### **Confirmation that the cross-compliance requirements are identical to those provided for by Regulation (EC) No 73/2009**

The cross-compliance requirements, which set out the basic conditions for receiving single farm payment support under Council Regulation (EC) No 73/2009, form the basis for the establishment of further obligations for which compensation is paid.

Support is only given for obligations which extend beyond these mandatory obligations.

### **Description and justification of the different types of commitments, based on their expected environmental impact in relation to environmental needs and priorities**

Beneficiaries can combine payments of support under this measure and single farm payment support in accordance with Council Regulation (EC) No 73/2009. The payments of support cover only those commitments going beyond the baseline standards established pursuant to that regulation.

The beneficiary must commit to not add plant protection products, fertilisers or soil improvement agents to the land during the commitment period. The area must be established as grass or set-aside area

If the bufferzone is used for grazing, the maximum grazing pressure is indirectly regulated through the measure as the grazing pressure must be adjusted according to the conditions and in order to prevent overgrazing of the area and loss or damage of plant cover.

If there is an existing perennial crops as for example christmas trees, perennial energy crops, orchards etc in the buffer zone, it is possible to maintain this crop, but not to reestablish it. Compensation will not be provided if areas are planted with perennial crops subsequent to the date fixed, where the Law on Mandatory Buffer Zones goes into application (expected to take effect on September 1, 2012).

The beneficiary must commit to use no plant protection products, fertilisers or soil improvement agents to the land. In some special cases it is foreseen, that the minister can

make an exemption from the general rule. If this is the case, there will be no support for the area in question.

The measure is expected to lead to improvement of the aquatic environment and natural conditions by reducing Phosphorus and Nitrogen leaching and erosion from the buffer zones to the aquatic environment and by banning the use of plant protection products in the bufferzones. The buffer zones will also help to safeguard biodiversity and improve ecological state of the rural landscape.

### **The areas designated to implement Directive 2000/60/EEC and the obligations for farmers resulting from the corresponding national/regional management provisions**

In order to implement the Water Framework directive, river basin management plans for 23 appointed river valley areas in Denmark have been adopted nationally in 2011. Eligible areas for support under the measures are designated pursuant to these plans.

### **Description of the methodology and the agronomic assumptions used as reference point for the calculations justifying additional costs and income foregone resulting from the disadvantages in the area concerned related to the implementation of Directives 79/409/EEC and 92/43/EEC**

The level of support has been established on the basis of calculated income losses accrued from the obligations.

The reference level for calculating income foregone and additional costs resulting from the commitments are the relevant standards and requirements referred to in Article 39(3) of Council Regulation (EC) No 1698/2005. The payments cover only those commitments going beyond the baseline standards established pursuant to Regulation (EC) No 73/2009.

The proposed support rates apply to all farms and are based on the average data for historic yields which can be differentiated by soil type (clay or sandy soil) and production type (grass, extensive pasture, crops, pigs, cattle). The support does not contain compensation for transaction costs. Further explanation of the calculation requirements is given in annex 5i.

#### *Baseline*

The mandatory buffer zones implement art. 11.4 of Directive 2000/60/EC. The 10 meter mandatory cultivation-free buffer zones will in some areas complement an already existing un-cultivated strip of 2 meters along lakes and open water courses pursuant to the baseline under Regulation (EC) 73/2009. Considering the EU legislation for the protection of water, the 2 meters strips constitutes the only relevant baseline to take into consideration for the present measure. For the existing 2 meters border strips the additional requirement will only be for 8 additional meters and the compensation will only be given for the 8 meters up to the 10 meter requirement.

According to Executive Order No 1362 of 19 December 2008 on cross-compliance, with changes pursuant to Order No 239 of 27 March 2009 and Order No 253 of 31 March 2009 on direct support for farmers according to the single farm payments scheme, the following mandatory obligations exist:

Plant cover on non-cultivated agricultural land: Uncultivated areas must be covered with plant cover. Conditions are made concerning timing for establishment, the use of seeds and after-sowing.

Maintenance of uncultivated areas: Uncultivated agricultural land must be cut at least once every two years in July or August, while permanent pasture must be cut at least once a year in July or August. In the case of permanent pasture, mowing can be replaced by grazing. The plant cover on uncultivated agricultural areas must not be cut in the period 1 May to 30 June. The areas must not be utilised in a way that destroys or removes the plant cover. No plant protection products must be used on the area except for products used for selective prevention of certain aggressive weeds on the condition that the remaining plant cover is not damaged and is not given fertiliser or artificial irrigation.

The calculation of support is based on income-foregone related to establishing the cultivation-free buffer zones or for establishing the buffer zones with permanent grass or perennial energy crops with no use of fertilisers and plant protection products.

*Support commitments and baseline*

<b>Support commitments</b>	<b>Baseline commitments</b>
An up to 10 meter buffer zone along lakes and open water courses in non-urban zones must be established and maintained as cultivation free and without any use of fertilisation or plant protection products.	The buffer zone areas will where relevant compliment an already existing un-cultivated strip of 2 metres along lakes and open water courses pursuant to the baseline under Regulation (EC) 73/2009.
Same	Obligations concerning the plant cover on border strip pursuant to Regulation 73/2009
Same	Border strips must be cut at least once every two years (Order No 1362 of 19 December 2008 on cross-compliance, with changes pursuant to Order No 239 of 27 March 2009 and Order No 253 of 31 March 2009 on direct support for farmers according to the single farm payments scheme)

*Control*

The respect of the support conditions shall be controlled through on-the-spot control and through administrative control by the AgriFish Agency.

**Amounts of support**

As compensation for the mandatory requirements of establishing cultivation-, spraying- and fertiliser-free buffer zones, the following two annual support rates per ha are provided:

- 161 € to agricultural areas previously farmed as permanent pasture
- 282 € to agricultural areas previously farmed with arable and perennial crops

Support is only offered for areas eligible to the single payment aid granted under Regulation (EC) No 73/2009. Support may also be provided for areas with established perennial crops consisting of Christmas trees. While the measure is considered to be very significant and comparable with a permanent conservation, one of the two support rates exceeds the normal maximum rate of euro 200 per ha per year. The annual support is expected to be paid out together with the single payment premium for the calenderyear. The requirements regarding the bufferzones are applying from 1st September 2012, it is foreseen that the farmers apply for the the support in 2013 including the period from 1<sup>st</sup> September 2012 to 31th December 2013. With regard to administrative and on-spot controls, these will be carried out in accordance to the Regulation in force, and so that they cover the entire period of the payment period (in the case of the first payment period , from 1<sup>st</sup> September 2012 to 31th December 2013).

#### *Combinations of support*

Support under this measure can be combined with the following measures in the program.

- Non-productive investments in connection with protection of environment, nature and animal welfare
- Island support
- The Article 68 measure: “Support for extensive maintenance of pasture areas”
- Conservation by grazing or cutting on pasture and natural areas (Code 214a)

It cannot be combined with other types of area support in the programme, and there will be controls to prevent double support regarding these schemes via the coordinated administrative control of common application forms for area payments under LDP and the single payment scheme.

Compensation under 213 may not be combined with measure 214d for the same agricultural area. When relevant, existing contracts issued under 213 as well as under any other RDC measure during the present RDP programming period will – in accordance with Article 46 of Regulation (EC) 1974/ 2006 - be revised to reflect the new baseline for areas covered by the mandatory buffer zones, and the beneficiaries will be offered to terminate their contracts. When relevant, baseline conditions of RDP measures covering areas included under 213 will be adjusted to the baseline conditions of measure 213.

#### *Compatibility with CAP first pillar measures*

The commitment may be combined with the article 68 measure “Support for extensive maintenance of pasture areas”. The commitment may not be combined with commitments made for the same agricultural production pursuant to the measures implemented under common market organisations and the direct support schemes listed in Annex I to Regulation No 1974/2006. The payment can be combined with the single payment aid granted under Regulation (EC) No 73/2009.

**Evidence as referred to in Article 48(2) of the implementing rules allowing the Commission to check consistency and plausibility of the calculations**

The Institute of Food and Resource Economics at the University of Copenhagen has provided the data and calculations used as the basis for setting support rates. The research institution is functionally independent from the AgriFish Agency which is responsible for the calculations. The institution represents the necessary expertise to assist in this task.

**Financing**

Total cost: 24.8 million euro.

Public expenditure: 24.8 million euro.

**Transition arrangements**

This measure is not similar to activity co-financed under the Rural Development Programme 2000-2006. No transition arrangements are necessary.

**Quantified targets for EU common indicators**

Type of indicator	Indicator	Target 2007-2013
Output	Number of farm holdings and holdings of other land managers receiving support	30,000
	Total area under agri-environmental support	50,000 ha
	Total number of contracts	30,000
	Physical area under agri-environmental support	50,000 ha
	Number of actions related to genetic resources	None
Result	Areas under successful land management	50,000 ha
Impact	Reversal in biodiversity decline (farmland bird species population)	Maintain index level for breeding bird population (IRENA population index for 18 breeds of birds on agricultural land: 106.1 in 2001. Common objective)
	Changes in gross nutrient balance	Reduction of up to 160 t P and 2,500 t N per year
	Increase in production of renewable energy	Negligible

**Additional programme-specific indicators and quantified targets**

None.

**5.2.2.2 Conservation by grazing or cutting on pasture and natural areas (Code 214a)**

A separate article 68-programme has been submitted to the Commission with partially the same objective as this measure. The demarcation between measures of the two programmes is described in chapter 10.3.

#### **Article (and paragraph) which covers the measure**

Articles 36 (a) (iv) and 39 of Council Regulation (EC) No 1698/2005.

Article 27 and point 5.3.2.1.4 of Annex II of Commission Regulation (EC) No 1974/2006.

#### **Rationale for intervention**

Agriculture and forestry play an important role in the conservation of natural, environmental and cultural assets and recreational assets in the Danish countryside. The Government has as a high priority objective the aim of reducing the loss of biodiversity in the Danish landscape. The Danish Government in 2009 launched a new Green Growth vision for Danish agriculture, nature and the environment that among others comprises plans for new and improved actions that also contribute to safeguard biodiversity and improve ecological connectivity of the rural landscape. These activities include conservation of existing natural areas such as open grasslands, common land, meadows, small biotopes and other semi-cultivated areas. In many of these areas, targeted support to maintain special conservation status will contribute to positive development.

Many high nature value areas are dependent on extensive farming. No farming means overgrowth, while intensive farming can reduce the assets associated with the land. Yearly grazing or cutting of permanent pasture on open land, meadows, common land and moor land may help to preserve these assets. The measure shall contribute to these aims.

#### **Objectives of the measure**

The purpose of the support scheme is to ensure yearly grazing or cutting of pasture and natural areas and thereby to protect and improve landscape and biotope conditions, the conditions for flora and fauna and the biodiversity. The areas are existing high nature value agricultural and semi-natural areas and habitats designated by Danish environmental authorities.

#### **Scope and actions**

Support is given for the conservation of pasture and semi-natural areas in connection with yearly grazing or cutting. Yearly grazing or cutting of permanent pasture on open land, meadows, common land and moor land may help to preserve such areas of high natural value as light-open areas.

It is expected that observance of the support commitments shall assist in conserving by 2013 at least 120.000 ha of agricultural and natural areas of high natural value that needs yearly grazing or cutting.

Support is given as an annual area subsidy in accordance with 5-year agreements and fixed support rates. The support shall be targeted at specially designated geographic areas or projects that cover large, geographically contiguous grasslands or natural areas.

The obligations extend beyond the national minimum rules concerning the management and conservation of pasture and natural areas. For land that is covered by support under the single



farm payments scheme, the obligations will extend beyond the conditions concerning good agricultural and environmental condition; cf. Commission Regulation (EC) No 73/2009. Support is only given for obligations which extend beyond these mandatory obligations.

#### *Priority criteria*

Within the allocated funding, applicants will be prioritised mainly on the basis of different geographical designations of high nature value areas or environmentally sensitive areas.

Maps of the designated areas for the yearly application period will be publicly available on the Internet.

Priority will be given to the designated Natura 2000 areas as well as other areas registered by the environmental authorities as particularly valuable and inaccessible grassland or as high nature value areas according to the Danish Nature Conservation Act. Priority may be given to areas designated for protection of animal species according to Article 12 in the Habitats Directive.

National plans for implementation of the Natura 2000 directives will be adopted in 2009. The intention is to introduce Natura 2000 payments in the programme when these plans are adopted.

#### *Beneficiaries*

All farmers within the designated areas may be beneficiaries.

Land managers are defined as farmers, if they perform an agricultural activity as defined in Article 2 in Council Regulation No 73/2009 establishing common rules for direct support schemes for farmers under the common agricultural policy. By this definition agricultural activity means the production, rearing or growing of agricultural products including harvesting, milking, breeding animals and keeping animals for farming purposes, or maintaining the land in good agricultural and environmental condition (GAEC) as established pursuant to article 6 of REG (EC) No 73/2009.

No specific professional requirements are imposed concerning beneficiaries.

#### *Administration*

The support scheme will be offered by the Danish Food Industry Agency (FIA). On-the spot control of support commitments shall be implemented by the Plant Directorate under the Ministry for Food, Agriculture and Fisheries.

#### **Confirmation that the cross-compliance requirements are identical to those provided for by Regulation (EC) No 73/2009**

The cross-compliance requirements, which set out the basic conditions for receiving single farm payment support under Council Regulation (EC) No 73/2009, form the basis for the establishment of further obligations for which compensation can be paid.

#### **Description and justification of the different types of commitments, based on their expected environmental impact in relation to environmental needs and priorities**

### *Commitments*

The area must be established as grass or natural area with the yearly obligation to grass or cut back. One of the following commitments must be observed yearly during the 5-year commitment period:

- grazing
- cutting
- grazing of particularly valuable and relatively inaccessible areas

The difference between cutting and mowing is that when the grass is cut, it is removed, whereas when the grass is mown, the grass is left on the field.

The area under contract must be grazed or cut back in such a manner that the vegetation is visually dense and low by the 31<sup>st</sup> August each year or the grazing pressure on the area under contract must be at least 1.5 livestock units (LU) per hectare continuously from 1<sup>st</sup> of June to the 31<sup>st</sup> of August. The stocking rate unit applied (LU) refers to the definition in Annex V of Regulation (EC) No 1974/ 2006.

If the beneficiary chooses this option, if necessary, the Managing Authority may impose a grazing pressure lower than 1.5 LU depending on the biotope in question. No supplementary fodder on the area for grazing animals is allowed.

The beneficiary must also commit to not add plant protection products or fertilizers to the land during the commitment period, other than the manure that is left by grazing animals.

On top of the commitments for which compensation is paid under the measure, the FIA may introduce additional commitments in the individual contract without additional compensatory payments. Additional obligations may be imposed concerning the plant cover, grazing pressure and animal species. These supplementary requirements may be imposed to achieve the necessary conservation or environmental effects on different types of land, including extensive agricultural area and semi-natural habitats.

From 2010, an additional obligation for late or reduced grazing and cutting in comparison to the baseline for grazing and cutting may be added to the above mentioned obligations concerning grazing or cutting in order to protect habitat for certain wild animal species in designated Natura 2000 areas. In this case farmers must additionally admit to:

- Special conditions for grazing animals concerning the period for grazing and if necessary grazing pressure
- Cutting of hay may not be performed before 15<sup>th</sup> July

These additional obligations must be met for the same commitment period as the basic commitment but are compensated with a supplemental support rate. The protected species in question is the barnacle goose (*Branta leucopsis*) that needs protection from the stress from grazing or cutting of hay in the Natura 2000 area on the island of Mandø. However, the same supplemental rate and conditions may be used to protect the habitat of other flora or fauna in Natura 2000 designated areas.

The commitment under this measure concerns existing pasture and natural areas and the measure will not lead to an increase in the general level of manure applied per hectare on the

other agricultural area of the farm. The measure gives no incentive to apply for derogation under the nitrates directive.

The obligations go beyond the baseline obligations pursuant to Regulation (EC) No 73/2009, especially beyond the baseline obligation that permanent pasture and un-cultivated agricultural land must be mowed at least once every two years.

#### *Environmental impacts*

In general, the measure ensures specific agricultural practices on the farms under commitment. The measure helps to maintain areas such as semi-natural biotopes, permanent pastures and meadows in a light-open condition. The areas are protected through continued grazing or cutting and through banning of use of pesticides and fertilizers.

The obligations to graze or cut are expected to improve the living conditions for wildlife flora and fauna and to maintain high nature value areas. Cutting of the grass implies that the cut grass must be removed from the field thus removing the nutrient contents from the field.

#### *Grazing pressure*

The minimum and maximum grazing pressures on the area are indirectly regulated by support commitments under this measure. The minimum grazing pressure is indirectly regulated under the measure by the commitment to graze or cut back to such an extent that the vegetation must be visually dense and low by the 31<sup>st</sup> August each year. The grazing pressure may alternatively be regulated directly for the field under support, if the beneficiary chooses this. In this case the MA shall set the grazing pressure of at least 1.5 livestock unit per hectare continuously from 1<sup>st</sup> of June to the 31<sup>st</sup> of August. If necessary, the Managing Authority may impose a grazing pressure lower than 1.5 LU depending on the biotope in question. The beneficiary may choose between the two obligations each year. The maximum grazing pressure is also indirectly regulated through the measure as the grazing pressure must be adjusted according to the conditions and in order to prevent over grazing of the area and loss or damage of plant cover. The meeting of these requirements shall be inspected through the yearly random on-the-spot controls of the areas under support. This control shall be carried out by experienced controllers from the Plant Directorate, who shall be able to verify visually if the support commitments are met.

#### **Description of methodology, agronomic assumptions and parameters**

The levels of support have been established on the basis of calculated income losses accrued from the commitments to graze or cut the area annually. The support does not fully compensate the calculated losses and does not contain compensation for transaction costs. Further explanation of the calculation requirements is given in annex 5a and 5e.

The reference level for calculating income foregone and additional costs resulting from the commitments are the relevant standards and requirements referred to in Article 39(3) of Council Regulation (EC) No 1698/2005. The payments cover only those commitments going beyond the baseline standards established pursuant to Regulation (EC) No 73/2009.

#### *Baseline*

The baseline includes the following provisions concerning the use of fertilizers and plant protection products. *Requirements concerning use of pesticides*

- Order No 533 of 18 June 2003 on pesticides (§ 4, 1) pursuant to consolidated Act No 1755 of 22 December 2006 on chemical substances and products (§ 10, 2 and § 33, 1)

It is required to only use of approved products for plant protection. Producers and importers of plant protection products have to apply for government approval of substances and products that are classified by “Giftnævnet” (the Poisonous Substances Board) under Act No 118 of 3 May 1961 as products for the control of plant diseases, weeds and certain pests or products for the regulation of plant growth. The Danish State approves plant protection products according to principles laid down by the Council of Ministers of the European Communities. Plant protection products are approved for a maximum period of 10 years.

Approved plant protection products must only be used according to specified conditions in terms of crops, dose, distance from any watercourse, spraying time limits, etc. This must be stated on the labelling or directions for use of the product or from label approval. The plant protection products have to be kept in a way that is reasonable from the point of view of the environment or health, out of the reach of children and not together with or in the vicinity of foods, animal feed, medicines or similar items. In particular, toxic or highly toxic protection products must be kept under lock and key.

#### *Requirements concerning use of nitrate and phosphorus*

- Consolidated Act No 757 of 29 June 2006 on the use of fertilizer by agriculture and on plant cover and Order No 975 of 25 September 2006 on the use by agriculture of fertilizer and on plant cover during the plan period 2006-2007.

Each year the Danish Plant Directorate establishes nitrogen standards for the various crops on the basis of standard yield for climate areas, soil texture and special irrigation needs as well as the nitrogen forecast for the year. A total nitrogen quota is calculated for the enterprises listed in the registry on the basis of the enterprise’s field sizes, crops, previous cropping and the nitrogen standard of the crop in the climate area concerned and soil texture. The consumption of nitrogen for fertilizer purposes by enterprises that have a duty to register or have been registered must not exceed the enterprise’s annual nitrogen quota. In addition, guiding norms for use of phosphorus and potassium are given to each enterprise.

As a consequence of the commitment, the authorities will allocate a yearly 0-quota of N to the area under commitment in the process of the yearly allocation of N-quota to the farm based on the farm crop and fertilizer plans thus reducing the total N-quota allowed for the farm for each year of the commitment period. In addition the area under commitment may not be included in the Harmony area of the farm for which the derogation may be exercised and the N quota allotted to the farmland not under commitment is not weakened for any farmland if the farmer decides to apply the derogation. This ensures that the requirements concerning Nitrogen are not weakened for any farmland.

#### *Requirements concerning plant cover and involvement of environmental and nature concerns in farming*

- Order No. 157 of 15 January 2010 on direct support for farmers according to the single farm payments scheme.

The GAEC conditions include the requirement to avoid the encroachment of unwanted vegetation on agricultural land. According to order No. 157, §23 (1), permanent pasture and grass in rotation must be mowed at least once every year in the period 1 July to 15 September. Un-cultivated agricultural land must be mowed at least once every two years in the same period. A predominant presence of plants, bushes or trees will indicate that the maintenance requirements have not been respected.

In the case of permanent pasture and grass in rotation, mowing can be replaced by grazing. However, if grazing alone does not ensure satisfactory maintenance, grazing must be supplemented with mowing.

*Support commitments and baseline*

<b>Support commitments</b>	<b>Baseline commitments</b>
Yearly grazing or cutting	Permanent pasture and grass in rotation must be mowed at least once every year. Mowing can be replaced by grazing (Order No. 157 of 15 January 2010 on direct support for farmers according to the single farm payments scheme.)
No fertilizers may be added to the land other than the manure that is left by grazing animals - except during the establishment of the plant cover	None
No use of plant protection products	Requirements to only use approved products for plant protection according to specified conditions in terms of crops, dose, distance from any watercourse, spraying time limits, etc. (Consolidated Act No 1755 of 22 December 2006 on chemical substances and products and Order No 533 of 18 June 2003 on pesticides)
Additional obligations (no additional compensation); - restrictions on the plant cover - grazing - cutting back - no artificial irrigation of pasture or grassland	Obligations concerning the plant cover pursuant to Regulation (EC) No 73/2009. (Order No. 157 of 15 January 2010 on direct support for farmers according to the single farm payments scheme)

*Control*

The respect of the support conditions shall be controlled through on-the-spot control by the Plant Directorate and through administrative control by the FIA.

### Amounts of support

The levels of support have been established on the basis of calculation of additional costs and income foregone accrued from the commitments to graze or cut yearly. The support level is established as an average between estimated high and low income losses calculated on the basis of different sizes and cost structures of the area. No calculation element is added from the obligations not to use fertilizers or pesticides. Annex 5e depicts the general calculation principles for all agri-environment schemes in the program. Annex 5a depicts the estimation of the weighted average costs per ha due to the commitments to graze or cut. Annex 5f depicts estimation of additional income loss from late grazing or cutting compared to the baseline harvesting period.

The following levels of support shall be offered for 5 year commitment periods.

<b>Commitment</b>	<b>Euro per ha per year</b>
Grazing	269
Cutting	134
Grazing of particularly valuable and relatively inaccessible areas	450
Additional commitment to grazing or cutting – late grazing or cutting in designated N2000 areas	81

The last level of support for the additional commitment to grazing or cutting will only be offered to new commitments as from 2010.

### *Combinations of support*

Support under this measure can be combined with the following agri environmental measures in Axis 2 of the program.

- Establishment of wetlands
- Management of wetlands (when any 5 year-payment for meeting conservation obligations in the wetland has expired)
- State acquisition of land in the project area
- Non-productive investments in connection with protection of environment, nature and animal welfare
- Establishment of landscape and biotope-improving vegetation, including shelter plants
- Island support

### Conversion to organic agricultural production

When the actual payments are made, it will be secured that total payments will not exceed the maximum amounts of support mentioned in the annex of Regulation 1698/2005. If a farmer applies for support under more than one agri-environmental measure (code 214), the support actually paid (both national part and the community contribution) will be reduced to the level of the maximum amount of annual support payment listed in the annex of the Regulation 1698/2005.

### *Compatibility with CAP first pillar measures*

The commitment may not be combined with commitments made for the same agricultural production pursuant to the measures implemented under common market organisations and the direct support schemes listed in Annex I to Regulation No 1974/2006.

The payment under 214a may not be combined with the single payment aid granted under Regulation (EC) No 73/2009 - with the exception of areas that can achieve the single payment regardless they no longer comply with the definition of “eligible” as a result of the implementation of the nature and water directives pursuant to article 34 (2)(b)(i) of Regulation (EC) No 73/2009. These areas are excluded from payment under the article 68 pillar I-programme.

A 100% administrative control against double support is performed on basis of the electronic application form that is shared for application for area support under Pillar 1 and Pillar 2. A check against double support is performed before commitment and also before payment. Each farm field is uniquely identified and the IT database system automatically checks that no double support is applied for the same field

### **Evidence as referred to in article 48(2) of the implementing rules allowing the Commission to check consistency and plausibility of the calculations**

The Institute of Food and Resource Economics at the University of Copenhagen has provided the data and calculations used as the basis for setting support rates. The research institution is functionally independent from the FIA which is responsible for the calculations. The institution represents the necessary expertise to assist in this task.

### **Financing**

The contribution from the Community is calculated on the basis of public expenditures.

2007-2013:

Total cost: 50,7 million Euro

Public expenditure: 50,7 million Euro

In 2009, approximately 50,000 hectares of Natura 2000 designated farmland are under the scheme. It is highly likely that in the next few years tenants of these areas will be prepared to voluntarily renew agreements. Additionally, it is assumed that many of the remaining hectares of Natura 2000-designated farmland will also be covered by voluntary agreements. It is estimated that 88,000 hectares of Natura 2000 site is covered by an agreement on eco-friendly management in 2013 with a further target of 107,000 ha in 2015. Therefore a further 38,000 hectares should be included in agri-environment agreements by 2013. Of these, 10,000 hectares are expected to be compensated under Article 38 as a consequence of imposed mandatory requirements that are not accepted voluntarily by the farmer.

Such mandatory requirements must be formally laid down and approved in the Danish river basin management plans and corresponding programmes of measures for the purpose of achieving the environmental objectives of the Water Framework Directive, and new RDP

measures under art. 38 have must be proposed and approved by the Commission. Until then, support will be offered to these farmers under the voluntary measure for grazing or cutting.

**Transition arrangements** (including estimated amount)

This measure is similar to activity co-financed under the Rural Development Programme 2000-2006 pursuant to Council Regulation (EC) No 1257/1999. Expenditures made after 1 January 2007 will be declared under the Rural Development Programme 2007-13.

Total outstanding public costs;           114.1 million Euro  
Of which EAFRD;                               62.8 million Euro

**Quantified targets for EU common indicators**

<b>Type of indicator</b>	<b>Indicator</b>	<b>Target 2007-13</b>
Output	Number of farm holdings and holdings of other land managers receiving support	10,000
	Total area under agri-environmental support	84.000 ha covered by contracts of five-years' duration
	Total number of contracts	13,000
	Physical area under agri- environmental support	84,000 ha
	Number of actions related to genetic resources	None
Result/impact	Areas under successful land management.	Contribute to 147.000 (of which 107.000 ha in Natura 2000) ha under successful management
Impact	Reversal in biodiversity decline (IRENA farmland bird species population index: 106.1 in 2001. Common objective)	Maintain index level
	High nature value areas (78,000 ha in 2000, common objective)	Maintain area
	Changes in gross nutrient balance	None



	Increase in production of renewable energy	None
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### **Additional programme-specific indicators and quantified targets**

None

### **5.2.2.3 Conversion to organic agricultural production (Code 214b)**

#### **Article (and paragraph) which covers the measure**

Articles 36 (a) (iv) and 39 of Council Regulation (EC) No 1698/2005.

Article 27 and point 5.3.2.1.4 of Annex II of Commission Regulation (EC) No 1974/2006.

#### **Rationale for intervention**

The Government has as a high priority objective the aim of reducing further the impact of agriculture on the aquatic environment through a reduction in nitrogen and phosphorus emissions, improvements in environmental protection and restrictions on pollution caused by agriculture. Also, the Government wants to further limit the use of plant protection products and thereby their impact on the environment. The national Aquatic Environment Plan III 2005-2015 contains a set of broad initiatives to reach this aim.

In the national Green Growth plan 2010-15 a new target is set for the increase of the area under organic agricultural production to 15 % of the UAA in 2020 from 6 % in 2007. Support appropriations under the rural development programme will therefore be increased for the years 2010-13 to enable conversion to organic farming of 18,000 ha agricultural area per year with support under the program.

Conversion to organic farming contributes to the achievement of these targets as well as to the overall objective of promoting organic production – at both national and Community level.

#### **Objectives of the measure**

The specific aim of the measure is to promote organic agricultural production by encouraging farmers to convert to organic agricultural production.

Organic agriculture also contributes to

- reduced use of plant protection products in agriculture
- protection and improvement of the ecosystem and biotope conditions on agricultural land
- protection of the aquatic environment by reducing leaching of nutrients from agriculture into the aquatic environment

#### **Scope and actions**

Support will be granted for conversion to organic farming for cultivated agricultural areas during a 5-year commitment period. This measure concerns conversion to organic farming only, while the up-keep of organic farming is supported under the measure Extensive production on agricultural land.

The contract period is 5 years and commences on 1 September in any given year.

The commitments supported under this measure are:

- the beneficiary must be authorized by the Plant Directorate for organic agricultural production for the whole of the commitment period
- that the beneficiary must cultivate the area in accordance with the organic agricultural production method cf. Council Regulation (EC) No 834/2007 on organic agricultural production and national Act No 463 of 17 June 2008 as amended and Governmental Order No 244 of 2 April 2004 on organic agricultural production etc.

Support shall be made available for organic farmed areas.

*Combination with support under Extensive production on agricultural land*

The commitments supported correspond to the remaining set of requirements concerning organic agricultural production besides those commitments concerning the limited use of nitrogen and no use of plant protection products.

The same commitments are not supported under the measure Extensive production on agricultural land. Therefore two measures are mutually consistent and complementary.

Farmers converting to organic agricultural production may apply for support from both measures on the same area.

However, it is not possible to re-draft contracts after the first 5 years period under the measure Conversion to organic agricultural production, as the compensation is expected to cover fully the extra costs for conversion to organic farming.

But, farmers may apply for redrafting of contracts under the measure 214c Extensive production on agricultural land. This possibility to combine the two types of support allows organic farmers some flexibility to sell or purchase land which are not organic farmed.

If the organic farmer decides to sell land covered by a contract for conversion to organic agricultural production to a non-organic farmer, the contract for support under the measure Extensive production on agricultural land may be maintained by the non-organic farmer.

*Priority criteria*

Within the allocated funding, applicants will be prioritised mainly on the basis of the following conditions:

- 1) Privately farmed fields
- 2) Publicly farmed fields

*Beneficiaries*

Beneficiaries shall be farmers. The scheme will only be open for authorized organic farmers. Organic farmers may apply for support from both this measure and the measure Extensive production on agricultural land.

*Administration*

The support scheme will be offered by the Danish Food Industry Agency (FIA). On-the spot control of support commitments shall be implemented by the Plant Directorate under the Ministry for Food, Agriculture and Fisheries and the administrative control shall be performed by FIA.

**Confirmation that the cross-compliance requirements are identical to those provided for by Regulation (EC) No 73/2009**

The cross-compliance requirements, which set out the basic conditions for receiving single farm payment support under Council Regulation (EC) No 73/2009, form the basis for the establishment of further obligations for which compensation can be paid.

Support is only given for obligations which extend beyond these mandatory obligations.

**Description and justification of the different types of commitments, based on their expected environmental impact in relation to environmental needs and priorities**

The expected environmental impacts of the measure are reductions in leaching of nitrogen, phosphorus and plant protection products from agriculture into the aquatic environment.

Further secondary positive impacts are expected on biotope conditions on agricultural land and adjacent natural areas that are sensitive to over-exposure from leaching of nitrogen, phosphorus and plant protection products.

**The description of methodology, agronomic assumptions and parameters**

The level of compensation is calculated on the basis of extra costs and income foregone from meeting the remaining set of requirements concerning organic agricultural production besides those commitments concerning the limited use of nitrogen and no use of plant protection products that are supported under the measure Extensive production on agricultural land.

The support does not fully compensate the calculated losses and does not contain compensation for transaction costs. Further explanation of the calculation requirements is given in annex 5c and 5e.

*Baseline*

The reference level for calculating income foregone and additional costs resulting from the commitments are the relevant standards and requirements referred to in Article 39(3) of Council Regulation (EC) No 1698/2005. The payments cover only those commitments going beyond the baseline standards established pursuant to Regulation (EC) No 73/2009.

If the baseline should be modified as a result of an addition to the GAEC on a national standard concerning crop rotation, then the calculation of the premium will be reassessed accordingly. A possibility for revision of commitments should be foreseen in national legislation.

*Support commitments*

The support commitments correspond to the remaining set of requirements concerning organic agricultural production besides the commitments concerning limited use of nitrogen

and no use of plant protection products pursuant to Council Regulation (EC) No 2092/91 on organic agricultural production and national Act No 118 of 3 March 1999 as amended and Governmental Order No 244 of 2 April 2004 on organic agricultural production etc. The commitment to not use plant protection products is supported in the corresponding measure 214 c Extensive production on agricultural land.

The level of support has been established on the basis of calculated additional costs and income foregone accrued from the obligations to farm organically except for the commitments concerning reduced use of nitrogen and only uses of plant protection products which are permitted for organic agricultural production in Denmark. The support level is established as an average between estimated high and low income losses calculated on the basis of sandy or loam soil and arable or milk farmers. No calculation element is added from the obligations to not use pesticides or traditional fertilizers. Annex 5b depicts the estimation of the weighted average costs per ha due to the commitments.

The support commitments correspond to the following baseline commitments.

<b>Support commitments</b>	<b>Baseline commitments</b>
The conversion period for organic farming - before agricultural products may be sold as organic - is 2 years. Conversion into organic animal husbandry may first happen when the agricultural fields are fully converted as there shall otherwise not be enough organic forage for the animals. A domestic animal shall not be deemed organic unless it has been borne and lived all its life under organic husbandry conditions on a farm authorised for organic agricultural production.	CC including GAEC
Parallel agricultural production on the farm is not allowed. It is not allowed to farm the same crop on fields that are under conversion to organic farming and on fields that are not yet under conversion.	CC including GAEC
On fields under conversion only seeds, propagating material and plants of organic origin may be used. The farmer must use organic certified seed unless he uses seeds from his own organic fields.	CC including GAEC
In general, only organic manure, green fertilizers and remains from organic harvests may be used for fertilisation. The fertility and biological activity of the soil must be maintained by <ul style="list-style-type: none"> <li>– farming of leguminous plants, green manure or other plants with deep roots</li> <li>– mouldering of organic manure</li> <li>– mouldering of other organic mouldering material</li> </ul>	CC including GAEC
Organic domestic animals must be fed with organic forage. However, forage from fields under conversion may contribute with a certain percentage.  All organic domestic animals must around the year have access to coarse fodder, for instance fresh greens, hay, silage or root crops.	All domestic animals must be treated with care, including housing, forage,

<p>For ruminant domestic animals at least 60 pct. of the daily forage must be coarse fodder. The dry solids of the coarse fodder must be registered in a forage plan.</p>	<p>watering and physiological conditions of the animals (National Order No 344 of 13 May 2005 on the protection of animals and National Order No 707 of 18 July 2000 on minimum requirements for the protection of domestic animals for animal husbandry)</p>
<p>In general, organic domestic animals must only graze on organic areas. From 15 April until 1 November all domestic animals must have access to grass if the weather and the physical condition of the animals permit. The animals must be on grass at least 6 light hours daily in this period, except for the first living weeks of the animals where they may be kept in house, and pigs for slaughter after weaning and bulls more than 1 year old. Animals that are outside in the Summer half year must have access to shelter. Pigs must have access to cooling devises and shade in the Summer period.</p>	<p>Same as above</p>

*Control*

The respect of the support conditions shall be controlled through on-the-spot control by the Plant Directorate and through administrative control by the FIA. The Plant Directorate is also responsible for authorizing farmers to produce organically and the national control in general with meeting standards for certified organic agricultural production.

**Amounts of support**

The level of support is on average 64 euro per ha per year for five years. For the first 2 years a fixed yearly support of 141 euro per ha per year is paid to the farmer. For the next 3 years a fixed yearly support of 13 euro per ha per year is paid.

The support is paid in unequal instalments over the 5-year contract period in order to reflect the actual timing of the extra costs and income forgone endured by the farmer.

The compensation payment for this measure can be combined with the following agri-environmental measures in the rural development program.

- Extensive production on agricultural land
- Plant genetic resources
- Non-productive investments in connection with protection of environment, nature and animal welfare
- Establishment of landscape and biotope-improving vegetation, including shelter plants (no support for conversion to organic agricultural production is paid in the years of commitment where the area is taken out of agricultural production)
- Management of wetlands
- Conservation by cutting or grazing
- State purchase of land/ Area payment to compensate for permanent changes
- Island support

When the actual payments are made, it will be secured that total payments will not exceed the maximum amounts of support mentioned in the annex of Regulation 1698/2005. If a farmer applies for support under more than one agri-environmental measure (code 214), the support actually paid (both national part and the community contribution) will be reduced to the level of the maximum amount of annual support payment listed in the annex of the Regulation 1698/2005.

#### *Compatibility with CAP first pillar measures*

The commitment may not be combined with commitments made for the same agricultural production pursuant to the measures implemented under common market organisations and the direct support schemes listed in Annex I to Regulation No 1974/2006. The payment may be combined with the single payment aid granted under Regulation (EC) No 73/2009 with the following exception. The payment may not be combined with single payment on areas that are notified as set-aside under Regulation (EC) No 73/2009 unless the area is used for non-food cultivation on set-aside area. This is because the compensation is only granted for cultivated areas.

#### **Evidence as referred to in article 48(2) of the implementing rules allowing the Commission to check consistency and plausibility of the calculations**

The Institute of Food and Resource Economics at the University of Copenhagen has provided the data and calculations used as the basis for setting support rates. The research institution is functionally independent from the FIA which is responsible for the calculations. The institution represents the necessary expertise to assist in this task.

#### **Financing**

The contribution from the Community is calculated on the basis of public expenditures.

2007-2013:

Total cost:	15,2 million Euro
Public expenditure:	15,2 million Euro

#### **Transition arrangements**

This measure is similar to activity co-financed under the Rural Development Programme 2000-2006 pursuant to Council Regulation (EC) No 1257/1999. Expenditures made after 1 January 2007 will be declared under the Rural Development Programme 2007-13.

Total outstanding public costs; 3.7 million Euro  
 Of which EAFRD; 2.1 million Euro

**Quantified targets for EU common indicators**

Type of indicator	Indicator	Target 2007-13
Output	Number of farm holdings and holdings of other land managers receiving support	1,250
	Total area under agri-environmental support	83.000ha
	Total number of contracts	1,250
	Physical area under agri-environmental support	83.000 ha
	Number of actions related to genetic resources	None
Result	Areas under successful land management	210.000 ha organically farmed
Impact	Reversal in biodiversity decline (IRENA population index for 18 breeds of birds on agricultural land: 106.1 in 2001. Common objective)	Maintain index level
	Change in high nature value areas	Maintain area (78,000 ha in 2000, common objective)
	Changes in gross nutrient balance	None
	Increase in production of renewable energy	None

**Additional programme-specific indicators and quantified targets**

None

**5.2.2.4 Extensive production on agricultural land (Code 214c)**

A separate article 68-programme has been submitted to the Commission with partially the same objective as this measure. The measures (or parts thereof) both included in the article 68 programme and the Rural Development Programme will cease to exist in the Rural Development Programme when the article 68 programme including the concerned activities have been approved.

The final demarcation between the two programmes will be laid down at that moment.

**Article (and paragraph) which covers the measure**

Articles 36 (a) (iv) and 39 of Council Regulation (EC) No 1698/2005.

Article 27 and point 5.3.2.1.4 of Annex II of Commission Regulation (EC) No 1974/2006.

**Rationale for intervention**

The Government has as a high priority objective the aim of reducing further the impact of agriculture on the aquatic environment through a reduction in pesticide emissions, improvements in environmental protection and restrictions on pollution caused by agriculture.

In the national Green Growth plan 2010-15 a new target is set for the increase of the area under organic agricultural production to 15 % of the UAA in 2020 from 6 % in 2007.

Support appropriations under the rural development programme will therefore be increased for the years 2010-13 to enable conversion to organic farming of 18,000 ha agricultural area per year with support under the program.

**Objectives of the measure**

The primary objective of the measure is to promote pesticide free farming. This measure supplements the obligations in the measure conversion to organic farming.

The scheme will be open for both organic and conventional farmers.

**Scope and actions**

Support will be granted for pesticide free farming during a 5-year commitment period.

Support is paid for cultivated agricultural areas only. There will be a possibility of continuation of the commitment after ending the first commitment period. The contract period is 5 years and commences on 1 September in any given year.

The support commitments of the measure correspond to some of the environmental demands that organic farmers already have to meet pursuant to Council Regulation (EC) No 834/2007 on organic agricultural production and national Act No 463 of 17 June 2008 as amended and Governmental Order No 244 of 2 April 2004 on organic agricultural production etc.

The commitments are not supported under the measure Conversion to organic agricultural production.

The obligations under the measure Conversion to organic agricultural production consist of the remaining set of obligations for organic farmers to farm organically (see separate measure fiche). Therefore the two measures are mutually consistent and complementary.

The possibility to combine support from the two measures is time limited as contracts under the measure Conversion to organic agricultural production can only cover areas that are under conversion to organic farming at the beginning of the period of commitment. Support shall be made available for agricultural areas throughout the territories of Denmark.

*Beneficiaries*



Beneficiaries shall be farmers. No specific professional requirements are imposed concerning beneficiaries.

#### *Administration*

The support scheme will be offered by the Danish Food Industry Agency (FIA). On-the spot control of support commitments shall be implemented by the Plant Directorate under the Ministry for Food, Agriculture and Fisheries and the administrative control shall be performed by the FIA.

#### **Confirmation that the cross-compliance requirements are identical to those provided for by Regulation (EC) No 73/2009**

The cross-compliance requirements, which set out the basic conditions for receiving single farm payment support under Council Regulation (EC) No 73/2009, form the basis for the establishment of further obligations for which compensation can be paid.

Support is only given for obligations which extend beyond these mandatory obligations.

#### **Description and justification of the different types of commitments, based on their expected environmental impact in relation to environmental needs and priorities**

Support is given for extensive farming as an annual area subsidy at a fixed support rate per hectare for five years.

Applicants must meet the following requirements whether authorized for organic farming or not.

- only plant protection products which are permitted for organic agricultural production in Denmark may be used on areas for which grants have been awarded.
- in an agricultural enterprise an average maximum total of 140 kg of nitrogen may be applied per hectare of acreage with a fertilizer requirement during each plan period. Farmers may choose instead to reduce the use of nitrogen to a level not exceeding 75% of the nitrogen quota for fields under commitment and this must be the basis for the calculation of the total quota on the given agricultural enterprise.
- Yearly fertilizer plans and accounts must be prepared for the farm according to the legal regulations governing the use of fertilizer and plant cover in agriculture. The plans and accounts for each year of the commitment period must be retained on the farm holding for 5 years in order to facilitate on-the-spot control.

The limitation on the use of nitrogen to 75% as mentioned above refers to the annually established nitrogen quota for the particular field under commitment. The Danish Plant Directorate establishes a yearly nitrogen quota for each field of the agricultural enterprise based on standards for the planned crop for the field next year, the nitrogen standard of the crop, previous cropping, soil texture and climatic conditions.

The expected environmental impacts of the measure are reductions in leaching of nutrients and plant protection products from agriculture into the aquatic environment. Further secondary positive impacts are expected on biotope conditions on agricultural land and adjacent natural areas that are sensitive to over-exposure from leaching of nitrogen,

phosphorus and plant protection products. The contract period is five years and commences on 1 September in any given year.

Within the allocated funding, applicants will be prioritised mainly on the basis of the following conditions:

1. Privately farmed fields on farms newly converted to organic agricultural production
2. Privately farmed fields on established organic farms
3. Privately farmed fields on conventional farms
4. Publicly farmed fields

### **The description of methodology, agronomic assumptions and parameters**

The level of support has been fixed on the basis of calculated income losses accrued from the support obligations. The support does not fully compensate the calculated losses and does not contain compensation for transaction costs.

The reference level for calculating income foregone and additional costs resulting from the commitments are the relevant standards and requirements referred to in Article 39(3) of Council Regulation (EC) No 1698/2005. The payments cover only those commitments going beyond the baseline standards established pursuant to Regulation (EC) No 73/2009.

Further explanation of the calculation requirements is given in annex 5c and 5e.

#### *Baseline*

The baseline includes the following provisions concerning the use of fertilizers and plant protection products relevant for this measure:

#### *Requirements concerning use of pesticides*

- Order No 533 of 18 June 2003 on pesticides (§ 4, 1) pursuant to consolidated Act No 1755 of 22 December 2006 on chemical substances and products (§ 10, 2 and § 33, 1)

It is required to only use of approved products for plant protection. Producers and importers of plant protection products have to apply for government approval of substances and products that are classified by “Giftnævnet” (the Poisonous Substances Board) under Act No 118 of 3 May 1961 as products for the control of plant diseases, weeds and certain pests or products for the regulation of plant growth. The Danish State approves plant protection products according to principles laid down by the Council of Ministers of the European Communities. Plant protection products are approved for a maximum period of 10 years.

Approved plant protection products must only be used according to specified conditions in terms of crops, dose, distance from any watercourse, spraying time limits, etc. This must be stated on the labelling or directions for use of the product or from label approval. The plant protection products have to be kept in a way that is reasonable from the point of view of the environment or health, out of the reach of children and not together with or in the vicinity of foods, animal feed, medicines or similar items. In particular, toxic or highly toxic protection products must be kept under lock and key.

*Requirements concerning use of nitrate and phosphorus*

- Consolidated Act No 757 of 29 June 2006 on the use of fertilizer by agriculture and on plant cover and Order No 975 of 25 September 2006 on the use by agriculture of fertilizer and on plant cover during the plan period 2006-2007.

The purpose of the provisions is to regulate the use of fertilizer by agriculture with a view to limiting leaching of fertilizers to the aquatic environment.

A total nitrogen quota is calculated for the enterprises listed in the registry on the basis of the enterprise's field sizes, crops, previous cropping and the nitrogen standard of the crop in the climate area concerned and soil texture. The consumption of nitrogen for fertilizer purposes by enterprises that have a duty to register or have been registered must not exceed the enterprise's annual nitrogen quota. In addition, guiding norms for use of phosphorus and potassium are given to each enterprise.

- Order no. 1695 of 19 December 2006 on commercial livestock keeping, manure, silage, etc. (§§ 25, 26, 27, 28 and 30)

As a general rule no manure must be spread in the fields in the period from harvest and until 1 February. Manure must not be spread in a way or on such areas that shall risk direct contamination of lakes, watercourses, including artificial drainage facilities or in the case of heavy rains.

In addition, the spreading of manure is governed by the 'harmony rules', which are based on the EU Nitrates Directive (91/676/EEC). The directive lays down the maximum quantities of manure that may be spread on fields depending on types of livestock and other operating conditions.

*Harmony rules*

As general a rule, a quantity of manure not exceeding the equivalent of 1.4 livestock units (1.7 livestock units in case of cattle, sheep and goats) per hectare per plan period (1 August – 31 July) may be spread on a farm.

*Support commitment and baseline*

<b>Commitment supported</b>	<b>Baseline commitment</b>
Only plant protection products permitted for organic agricultural production in Denmark may be used	Requirements to only use approved products for plant protection according to specified conditions in terms of crops, dose, distance from any watercourse, spraying time limits, etc. (Consolidated Act No 1755 of 22 December 2006 on chemical substances and products and Order No 533 of 18 June 2003 on pesticides)

The level of support has been established solely on the basis of calculated income losses accrued from the obligation to only use plant protection products which are permitted for organic agricultural production in Denmark. The obligation to limit the use of nitrogen is not considered in the calculation and subsequently not subject to compensation under the measure.

See annex 5c for estimation of the weighted average costs per ha due to the limitation in the use of plant protection products.

#### *Control*

The respect of the support conditions shall be controlled through on-the-spot control by the Plant Directorate and through administrative control by the FIA.

#### **Amounts of support**

The level of support is 101 euro per ha per year for five years.

The compensation payment for this measure can be combined with the following agri environmental measures in the rural development program.

- Conversion to organic agricultural production
- Plant genetic resources
- Non-productive investments in connection with protection of environment, nature and animal welfare
- Establishment of landscape and biotope-improving vegetation, including shelter plants
- Island support

When the actual payments are made, it will be secured that total payments will not exceed the maximum amounts of support mentioned in the annex of Regulation 1698/2005. If a farmer applies for support under more than one agri-environmental measure (code 214), the support actually paid (both national part and the community contribution) will be reduced to the level of the maximum amount of annual support payment listed in the annex of the Regulation 1698/2005.

#### *Compatibility with CAP first pillar measures*

The commitment may not be combined with commitments made for the same agricultural production pursuant to the measures implemented under common market organisations and the direct support schemes listed in Annex I to Regulation No 1974/2006.

The payment may be combined with the single payment aid granted under Regulation (EC) No 73/2009 with the following exception.

A separate article 68-programme has been approved by the Commission in 2010. The Article 68 measure “Support for extensive farming on agricultural land” contains similar support requirements as measure 214c. The demarcation is maintained by the fact that support under Article 68 is only offered for areas eligible for single payment aid while only areas not eligible for single payment may receive support under measure 214c.

**Evidence as referred to in article 48(2) of the implementing rules allowing the Commission to check consistency and plausibility of the calculations**

The Institute of Food and Resource Economics at the University of Copenhagen has provided the data and calculations used as the basis for setting support rates. The research institution is functionally independent from the FIA which is responsible for the calculations. The institution represents the necessary expertise to assist in this task.

**Financing**

The contribution from the Community is calculated on the basis of public expenditures.

2007-2013:

Total cost: 52,3 million euro

Public expenditure: 52,3 million euro

**Transition arrangements**

This measure is similar to activity co-financed under the Rural Development Programme 2000-2006 pursuant to Council Regulation (EC) No 1257/1999. Expenditures made after 1 January 2007 will be declared under the Rural Development Programme 2007-13.

Total outstanding public costs; 67.2 million Euro

Of which EAFRD; 36.9 million Euro

**Quantified targets for EU common indicators**

Type of indicator	Indicator	Target 2007-2009	Target 2010-13
Output	Number of farm holdings and holdings of other land managers receiving support	2,000	None
	Total area under agri-environmental support	86,000 ha	None
	Total number of contracts	2,000	None
	Physical area under agri-environmental support	86,000 ha	None
	Number of actions related to genetic resources	None	None
Result	Areas under successful land management	Contribute to the up-keep of organic farming on 183,000 ha	None
Impact	Reversal in biodiversity decline (IRENA population index for 18 breeds of birds on agricultural land: 106.1 in 2001. Common objective)	Not known	Maintain index level
	Change in high nature value areas (78,000 ha in 2000,	Not known	Maintain area

common objective)		
Changes in gross nutrient balance	None	None
Increase in production of renewable energy	None	None

#### **Additional programme-specific indicators and quantified targets**

None

#### **5.2.2.5 Establishment and management of set-aside border strips (Code 214d)**

##### **Article (and paragraph) which covers the measure**

Articles 36 (a) (iv) and 39 of Council Regulation (EC) No 1698/2005.

Article 27 and point 5.3.2.1.4 of Annex II of Commission Regulation (EC) No 1974/2006.

##### **Rationale for intervention**

The Government has as a high priority objective the aim of reducing further the impact of agriculture on the aquatic environment through a reduction in phosphorus emissions, improvements in environmental protection and restrictions on pollution caused by agriculture. The national Aquatic Environment Plan III 2005-2015 contains a set of broad initiatives to reach this aim. Establishment of set-aside border strips is one of the voluntary measures dedicated to reach these aims. The specific objective was to establish by voluntary means 50,000 ha 10-metre cultivation-free zones along watercourses and lakes in 2015 in order to achieving the phosphorus target. In the national Pesticide Plan 2004-2009 a similar aim was set to achieve by voluntary measures 50,000 kilometres of no-spray border strips along targeted watercourses and lakes more than 100 m<sup>2</sup> by 2015.

However, during the period 2005-2009 the voluntary measure only resulted in low uptake of voluntary agreements on border zones from farmers. Therefore, the voluntary measure and the targets were revised by the Danish government in 2009 by means of the new national Green Growth vision for Danish agriculture, nature and the environment 2010-15. A new target was set to establish obligatory cultivation-free buffer strips along all open streams and ponds in Denmark, where agricultural cultivation and the use of nutrients and pesticides is not allowed.

From 2011, Denmark intends through national regulation to prescribe 10 m mandatory cultivation-free buffer zones along all open streams and ponds more than 100 m<sup>2</sup> in Denmark as part of the Danish implementation of the Water Frame Directive, resulting in an estimated need for payments of support for 53,400 ha of buffer strips on farmland. Farmers will not be allowed to use any fertilizers and pesticides on all utilized agricultural area in the buffer zones.

The Danish government intends from 2011 to compensate the extra cost caused by prohibiting cultivation and application of fertilizer and pesticides on utilized agricultural areas in the 10-m buffer zones pursuant to REG (EC) No 1698/2006, art. 38, with a fixed yearly support rate per hectare.

In 2011, the mandatory requirements for border strips will replace the existing voluntary area support scheme. The requirements for pesticide, fertiliser and cultivation-free border strips will be mandatory and statutory as part of the implementation of the Water Framework Directive. Until then, Denmark intends to keep the current voluntary measure regarding set-aside border strips.

The payment of support pursuant to article 38 Council Regulation (EC) No 1698/2005 will however depend on Commission approval of a coming support measure for the buffer strips, proposal of which will be submitted to the Commission in 2010 as soon as the Danish river basin management plans pursuant to the EU Water Framework Directive have been proposed and nationally approved. Until then, the public funding of this expected activity and the consequential result and impact indicators will be presented in the current measure sheet 214d for set-aside buffer strips.

### **Objectives of the measure**

The purpose of the support scheme is to promote the establishment of non-cultivated border strips along lakes and open watercourses in order to reduce the leaching of Phosphorus and pesticides into surface water.

In order to achieve the above aim, support is given for placement of set-aside areas (including set-aside areas from other farms) on to border strips along watercourses and next to lakes.

The set-aside areas replaced to the border strips will enlarge an already existing un-cultivated strip along lakes and open water courses pursuant to the baseline under Regulation (EC) 73/2009 from a width of 2 metres to at least 10 metres (and up to 20 meters).

### **Scope and actions**

Area payments are paid annually for five years as compensation for the replacement and special conservation of set-aside areas. The set-aside must be placed on border strips of a width of between 10 or 20 metres and immediately adjacent to lakes and watercourses. The border strips can be established along all open watercourses and lakes in excess of 100 m<sup>2</sup>. The border strips must be trimmed/cut back at least once a year with special equipment to avoid erosion.

Support is given as an annual area subsidy in accordance with 5-year agreements and fixed support rates.

The obligations extend beyond the national minimum rules concerning the management and conservation of pasture and natural areas. For land that is covered by support under the single farm payments scheme, the obligations will extend beyond the conditions concerning good agricultural and environmental condition cf. Commission Regulation (EC) No 73/2009.

### *Priority criteria*

Within the allocated funding, all applicants shall be offered the support. It is not expected, that the allocated funding for this measure shall be used up.

### *Beneficiaries*

Support may be granted to farmers.

### *Administration*

The support scheme will be offered by the Danish Food Industry Agency (FIA). On-the spot control of support commitments shall be implemented by the Plant Directorate under the Ministry for Food, Agriculture and Fisheries.

### **Confirmation that the cross-compliance requirements are identical to those provided for by Regulation (EC) No 73/2009**

The cross-compliance requirements, which set out the basic conditions for receiving single farm payment support under Council Regulation (EC) No 73/2009, form the basis for the establishment of further obligations for which compensation can be paid.

Support is only given for obligations which extend beyond these mandatory obligations.

### **Description and justification of the different types of commitments, based on their expected environmental impact in relation to environmental needs and priorities**

The border strip must be established and maintained as set-aside area for 5 years. Farmers or land managers that have established set-aside area in the border strip prior to application may also apply for support.

Beneficiaries can combine payments of support under this measure and single farm payment support in accordance with Council Regulation (EC) No 73/2009. The payments of support cover only those commitments going beyond the baseline standards established pursuant to that regulation.

The beneficiary must commit to not add plant protection products or soil improvement agents to the land during the commitment period.

The area must be established as grass or natural area with a yearly trimming or pruning of the vegetation. The trimming of the area must be done with light machinery that does not erode the border to the lake or watercourse.

The area must not be irrigated or used for any form of agricultural production. Obligations additional to those imposed pursuant to Regulation (EC) No 73/2009 are imposed concerning the plant cover. The plant cover may not be established solely by use of germinating waste seeds.

In special cases, dispensation from the established support provisions may be given.

### *Environmental impacts*

The measure is expected to shift the location of set-aside areas to border strips adjacent to lakes and watercourses. No fertilisers or pesticides may be used on these areas since they are subject to set-aside.



The measure is expected to lead to improvement of the aquatic environment and natural conditions by reducing Phosphorus leaching and erosion from the border strips to the aquatic environment and by banning the use of plant protection products in the border strips.

The measure is an efficient tool for the protection of the nature and aquatic environment.

**Description of methodology, agronomic assumptions and parameters**

The level of support has been established on the basis of calculated income losses accrued from the obligations.

The reference level for calculating income foregone and additional costs resulting from the commitments are the relevant standards and requirements referred to in Article 39(3) of Council Regulation (EC) No 1698/2005. The payments cover only those commitments going beyond the baseline standards established pursuant to Regulation (EC) No 73/2009.

The calculation of the additional costs for meeting the commitments has been based on the costs estimated for using lighter machines for the trimming or pruning, increased conservation, reduction in the acreage with a fertilizer requirement at disposal and administrative costs. The support does not fully compensate the calculated losses. The support does not contain compensation for transaction costs. Further explanation of the calculation requirements is given in annex 5a and 5e. Calculation of transactions costs is explained in chapter 3.3 of annex 5a.

*Baseline*

According to Order No. 157 of 15 January 2010 on direct support for farmers according to the single farm payments scheme the following mandatory obligations exist:

Plant cover on non-cultivated agricultural land: Un-cultivated agricultural areas must be covered with plant cover. Conditions are made concerning timing for establishment, the use of seeds and after-sowing.

Maintenance of un-cultivated areas: Permanent pasture and un-cultivated agricultural land must be cut at least once every two years. In the case of permanent pasture, mowing can be replaced by grazing. The plant cover on uncultivated agricultural areas must not be cut in the period 1 May – 30 June. The areas must not be utilized in a way that destructs or removes the plant cover. Intermediary activities are allowed if the plant cover is re-established immediately after the activity. No plant protection products must be used on the area except for products used for selective prevention of certain aggressive weeds on the condition that the remaining plant cover is not damaged and is not given fertilizer or artificial irrigation.

The calculation of support is based on costs related to establishing the set-aside in the border strips and for cutting the grass with light machinery in order to prevent erosion.

*Support commitments and baseline*

Support commitments	Baseline commitments
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The border strip must be established and maintained as set-aside area for 5 years	None
The plant cover should be continuous and closed and may not be established solely by use of germinating waste seeds	Obligations concerning the plant cover pursuant to Regulation (EC) No 73/2009 (Order No. 157 of 15 January 2010 on direct support for farmers according to the single farm payments scheme)
The area must be trimmed or pruned at least once a year with light machinery	Permanent pasture must be cut at least once every two years (Order No. 157 of 15 January 2010 on direct support for farmers according to the single farm payments scheme.)
Any activity on the land initiated or accepted by the beneficiary in the period of commitment must be done in a way that does not lead to erosion of the border to the lake or water course.	Regulation (EC) No 73/2009 includes the obligation that un-cultivated agricultural land must not be used in a way that lead to damage or removal of the plant cover (Order No. 157 of 15 January 2010 on direct support for farmers according to the single farm payments scheme)

### *Control*

The respect of the support conditions shall be controlled through on-the-spot control by the Plant Directorate and through administrative control by the FIA.

### **Amounts of support**

The level of support has been established on the basis of calculated income loss due to establishment of the set-aside border strip, increased conservation costs and accrued administrative (or transactions) costs associated with application for support under the scheme. No support is offered for and no calculations element has been added for the obligation to not use fertilizers on the set-aside area. Annex 5a depicts the estimation of the weighted average costs per ha due to the commitments.

Support shall be offered as a fixed support rate of 161 euro per ha per year for 5 year commitment periods.

### *Combinations of support*

Support under this measure can be combined with the following agri environmental measures in the rural development program.

- Non-productive investments in connection with protection of environment, nature and animal welfare
- Island support
- Establishment of landscape and biotope-improving vegetation (only if dispensation is granted by the FIA from conditions concerning plant cover on the border strips)

When the actual payments are made, it will be secured that total payments will not exceed the maximum amounts of support mentioned in the annex of Regulation 1698/2005. If a farmer applies for support under more than one agri-environmental measure (code 214), the support actually paid (both national part and the community contribution) will be reduced to the level of the maximum amount of annual support payment listed in the annex of the Regulation 1698/2005.

*Compatibility with CAP first pillar measures*

The commitment may not be combined with commitments made for the same agricultural production pursuant to the measures implemented under common market organisations and the direct support schemes listed in Annex I to Regulation No 1974/2006. The payment can be combined with the single payment aid granted under Regulation (EC) No 73/2009.

**Evidence as referred to in article 48(2) of the implementing rules allowing the Commission to check consistency and plausibility of the calculations**

The Institute of Food and Resource Economics at the University of Copenhagen has provided the data and calculations used as the basis for setting support rates. The research institution is functionally independent from the FIA which is responsible for the calculations. The institution represents the necessary expertise to assist in this task.

**Financing**

The contribution from the Community is calculated on the basis of public expenditures.

2007-2013:

Total cost: 0,4 million euro

Public expenditure: 0,4 million euro

**Transition arrangements** (including estimated amount)

This measure is similar to activity co-financed under the Rural Development Programme 2000-2006, cif Council Regulation (EC) No 1257/1999. Expenditures made after 1 January 2007 will be declared under the Rural Development Programme 2007-13. The transitional amounts is counted under the amounts mentioned under Conservation by grazing or cutting on pasture and natural areas (214a), cif chapter 5.2.2.2.

**Quantified targets for EU common indicators**

Type of indicator	Indicator	Target 2007-2013
Output	Number of farm holdings and holdings of other land managers receiving support	400
	Total area under agri-environmental support	800 ha covered by contracts of five-years' duration
	Total number of contracts	400
	Physical area under agrienvironmental support	800 ha

	Number of actions related to genetic resources	None
Result	Areas under successful land management	800 ha
Impact	Reversal in biodiversity decline (farmland bird species population)	Not known
	Changes in gross nutrient balance	Minimal
	Increase in production of renewable energy	None

**Additional programme-specific indicators and quantified targets**

None.

**5.2.2.6 Management of wetlands and restoration of natural hydrological conditions (Code 214e)**

(Part of the combined measure for establishment and management of wetlands consisting of this measure and the measure Establishment of wetlands - separate measure sheet provided in chapter 5.2.2.9)

**Article (and paragraph) which covers the measure**

Articles 36 (a) (iv) and 39 of Council Regulation (EC) No 1698/2005.

Article 27 and point 5.3.2.1.4 of Annex II of Commission Regulation (EC) No 1974/2006.

**Rationale for intervention - wetlands**

The Government gives high priority to reducing further the impact of agriculture on the aquatic environment through a reduction in nutrients emissions, improvements in environmental protection and restrictions on pollution caused by agriculture. The national Aquatic Environment Plan III 2005-2015 contains a set of broad initiatives to reach this aim. Establishment and re-establishment of wetlands is one of these initiatives.

The technical evaluation of the Aquatic Environment Plan II showed that the overall effect of this plan and development within agriculture in general was a reduction in nitrogen leaching of approx. 48% in 2003 compared with the mid-1980s. However, less than half of all watercourses and lakes in Denmark meet the national objectives on nitrogen concentration adopted in the regional plans for environmental condition.

The evaluation concluded that the establishing of wetlands is a very effective instrument to retain nitrogen and phosphorus from the aquatic environment through naturally occurring

physical and chemical processes. In addition this should lead to an increase in the total area of valuable wetland habitats.

In the previous programme period, a total of 227 hectares were converted to wetland with area support under the measure for Establishment and management of wetlands pursuant to Article 22-24 of Regulation (EC) 1257/1999.

The Danish Parliament in 2009 launched a Green Growth plan for Danish agriculture, nature and the environment that comprises a target for establishment of additional 10,000 ha of wetlands in the period 2010-15. Of these approximately 6,000 are expected to be established with support under the programme period 2010-13. This action will be instrumental for implementing the EU Water Framework Directive in designated areas within the first planning period of 2010-2015.

The target is to reduce leaching of Nitrate from agriculture with a total of 1,130 tonnes N in 2015 with an expected result of 678 tonnes N in 2013. The wetlands will also contribute to reduction in leaching of Phosphorus and in the use of pesticides, increase the total area of valuable wetland habitats and prove beneficial through decreased outlet of climate gasses from agriculture.

#### **Rationale for intervention - restoration of natural hydrological conditions**

The Green Growth plan comprises an objective for restoration of natural hydrological conditions on 16.000 hectare of farmland in designated Natura 2000 areas in 2015. This measure may contribute to meeting this objective. The target is to comply with the Habitats directive and implement the national Natura 2000 plan.

#### **Objectives of the measure**

The objective of the measure is to promote the establishment and sustainable management of wetlands, and to secure natural habitats in order to protect eg. living conditions for birds.

The measure will contribute to the protection and improvement of the aquatic environment and natural conditions by reducing the use of plant protection products and nutrients leaching into the aquatic environment.

The measure will also work as an instrument to implement the Natura 2000 plans.

Until the planning according to the Water Framework and Natura 2000 directives have been completed the existing measures in the program will contribute to the protection of the aquatic environment.

#### **Scope and actions**

Support is offered for sustainable management of wetlands and restoration of natural hydrological conditions geographically situated within special sensitive agricultural areas. These areas have been designated by the regional authorities in accordance with guidelines given by the Ministry of Environment.

Support is offered as yearly payments for:

- *Acceptance* of the wetland, restoration of natural hydrological conditions and flooding of the area.

The commitment period is 20 years with yearly payments

- additional support for *conservation*: environmentally and ecosystem-friendly management of the project areas through grazing, cutting, trimming or pruning. The commitment period is 5 years with yearly payments. When commitments for *conservation* expire they may be re-drafted or other contracts for the special management of the area may be drafted
- support for maintaining *changed drainage* on agricultural land. The commitment period is 5 years with yearly payments

Support is offered with pre-fixed support rates per hectare per year. The payments for acceptance and for conservation of wetland or restoration of natural hydrological conditions may be combined as they cover different but complementary commitments. The payment for maintaining changed drainage may not be combined with the other payments.

Projects eligible for subsidy must contain the establishment of wetlands, including lakes, natural meadows, sedimentation ponds, or other landscape elements by drainage alterations, flooding, or construction of ponds, lakes, and watercourses.

Support for acceptance and conservation of wetland or restoration of natural hydrological conditions is only offered for management of new wetlands or restoration of natural hydrological conditions. These types of support may be combined with the following support to the same project

- Support to investments associated with establishment of the wetland or restoration of natural hydrological conditions pursuant to Article 36 (a)(vi) of Regulation (EC) 1698/2005 (see measure sheet 216b)
- Support for State acquisition of land in the project area pursuant to Article 52 (b)(iii) of Regulation (EC) 1698/2005 (see measure sheet 323a)

The beneficiary must commit to not add plant protection products or fertilizers to the land during the commitment period other than the manure that is left by grazing animals.

The possible use of the individual areas will depend on the change in drainage and groundwater levels. Some areas will be placed under water and will therefore no longer be agricultural land. Other areas may still be grazed or used extensively.

#### *Justification of the 20 year commitment period*

The measure to establish wetlands or restoration of natural hydrological conditions has a compulsory 20-year obligation period. Concerning wetlands the projects aim to create an environment where a natural de-nitrification process can take place. The environmental effects of the de-nitrification process require a long-term change of the conditions. The process is also sensitive to short term climatic conditions. Projects so sensitive to environmental conditions need to be seen in a long-term perspective where obligations and payments are secured. Concerning restoration of natural hydrological conditions the projects aim to enable favourable conservation status of natural habitats and species in the Natura 2000 designated areas.

The long term perspective is also in the interest of the land owners that are effected by the projects. It is therefore necessary to enter long term legal commitments for 20 years and the

measure is only really relevant if it is offered with this long obligation period. The optimal effect of the projects can not be assured if the obligation period is less than 20 years. Those conditions are important and justify the long obligation period as requested in Article 39 (3) of Council Regulation (EC) no. 1698/2005.

The long commitment period does not presuppose continued Community co-financing of the yearly payments on such contracts after the end of the programme period 2007- 2013.

The long term condition of the project area shall be registered in the land registry on the participating property. The long-term continuation of the management changes must be ensured through the registration in the land registry of declarations concerning the future potential uses of the project areas, restrictions and checks on the land.

#### *Support criteria*

Support is granted for projects for which the FIA has already engaged in a commitment to support the establishment of a wetland or a project concerning restoration of natural hydrological conditions. (Measure 216b).

Support is only granted for wetland projects geographically situated within special designated areas. These areas have been appointed by the relevant competent environmental authorities on the basis of environmental considerations such as wetlands suitability, Nitrates sensitivity and potential for a denitrification effect of the project. Projects concerning restoration of natural hydrological conditions will be situated within special designated Natura 2000 areas appointed in close cooperation with the Danish environmental authorities.

Projects must be in compliance with the requirements of the Natura 2000 and Water Framework directives. The environmental authorities will ensure that all area designations are chosen based on optimal environment, fauna and habitat effects and are in compliance with the mentioned directives. Attention has been given to any potential project effects on Natura 2000 areas.

The contract period is 20 years and commences on 1 September in any given year.

The land must be established and maintained as pasture or natural areas and must not be converted. Existing woodland in the project area can be maintained as woodland but will then be excluded from support under this measure.

Establishment of the wetland or restoration of natural hydrological conditions may not lead to an increase in the level of nitrogen from manure applied per hectare on the remaining parts of the land on a farm subject to derogation.

As a consequence of the project the yearly allocation of N-quota to the farm (see Chapter 5.1.1.2) will be reduced accordingly.

The support rate is set at three levels on the basis of the calculated loss in income as a result of the conversion of the agricultural use of the area. The rates are calculated based on the area's previous use as land supporting normal arable crops or as high-value crops or as permanent pasture or as land without any previous agricultural use over a 5-year period.

As the basis for the compensation is different from the basis for receiving single farm payments in accordance with Council Regulation (EC) No 73/2009 (conditions concerning withdrawal, cross-compliance and good agricultural and environmental condition), the support may be combined with single farm payments for the same land.

#### Area payment for acceptance of wetland

In order to support and guarantee complete and adequate implementation of the commitment, a yearly area payment for 20 years is offered for acceptance of registration in the land registry of a wetland area declaration and the flooding of the area. The declaration shall contain commitments on:

- the plant cover
- no use of plant protection products or fertilizers other than manure left by grazing animals
- no supplement feeding on the areas
- no soil improvement agents
- drainage conditions

#### Area payment for conservation measures

In order to ensure environmentally and eco-system friendly management of the areas concerned, support may also be offered for meeting the following supplementary conservation obligations in the project area:

- Yearly grazing
- Yearly grazing and/or cutting
- Yearly grazing of particularly valuable and relatively inaccessible areas
- set-aside with conditions concerning yearly trimming/pruning.

The support is offered as a yearly area payment for 5 years. The area under contract must be grazed or cut back in such a manner that the vegetation is visually dense and low by the 31<sup>st</sup> August each year.

When the commitment period expires the beneficiary may apply for a new 5-year contract or may apply for a similar contract under the measure 214a Conservation by grazing or cutting on pasture and natural areas. There will be no double compensation - the one commitment excludes the other commitment. The support for management of wetlands is offered for 5-years while support for acceptance of the establishment of the wetland is offered for 20-years. This makes it possible to take account of changes in the baseline conditions for the conservation obligations and needs for additional conservation in the area.

Additional requirements may imposed for the grazing pressure, the grazing animal species and the timing of the conservation activities depending on the type of grass land area and occurrence of any special habitat conditions. These additional requirements shall not be compensated. Dispensation may be given in special cases and if justified.

#### Area payment for maintaining changed drainage



In order to support and guarantee the maintenance of changed drainage on certain agricultural areas, a yearly area payment shall be paid for 5 years. This commitment is different from the above mentioned commitments as it shall include an additional provision to maintain blockage of land-drains in specially appointed areas. The blockage has the effect of creating a higher water level below soil level on the areas concerned resulting in lower potential agricultural yields.

Most of the changed drainage in question has already been established as a result of 5-year agri-environment support contracts that were granted under the Rural Development Programme 2000-2006 pursuant to articles 22-24 of Regulation (EC) 1257/1999. The contracts were established under the two specific measures Changed drainage of agricultural land and Protection of the aquatic environment and of nature on agricultural land, sub-measure Extensive grassland.

The areas in question are predominantly Natura 2000-designated areas. Maintaining the changed drainage conditions and water level on these agricultural areas will be in compliance with the requirements of the Water Framework Directive and the Natura 2000 directives and is considered to be necessary in order to ensure the habitat conditions for certain endangered breeding bird species.

The payment may not be combined with the other payments under this measure or with support for establishment of wetland pursuant to Article 36 (a) (vi) or with support for State acquisition of land pursuant to Article 36 (a)(vi) or Article 52 (b) (iii) of Regulation (EC) 1698/2005.

#### *Grazing pressure*

The minimum and maximum grazing pressures on the area are indirectly regulated by support commitments under this measure. The minimum grazing pressure is indirectly regulated under the measure by the commitment to graze or cut back to such an extent that the vegetation must be visually dense and low by the 31<sup>st</sup> August each year. To meet the requirement an estimated minimum grazing density of 0.2 livestock units per hectare will be required. The maximum grazing pressure is also indirectly regulated through the measure as the grazing pressure must be adjusted according to the conditions and in order to prevent over grazing of the area and loss or damage of plant cover. The meeting of these requirements shall be inspected through the yearly random on-the-spot controls of the areas under support. This control shall be carried out by experienced controllers from the Plant Directorate, who shall be able to verify visually if the support commitments are met.

As a general rule, a quantity of manure not exceeding the equivalent of 1.4 livestock units (1.7 livestock units in case of cattle, sheep and goats) per hectare per plan period may be spread on a farm. These rules regulate the maximum quantities of manure that may be spread on the farm depending on types of livestock and other operating conditions and therefore also the maximum grazing density. However in practise the maximum grazing density will be considerably lower due to the commitments (no fertilisation except from the grazing animals, no use of pesticides and no supplementary feeding) and the consequently lower productivity.

#### *Beneficiaries*

Farmers within the designated areas may be beneficiaries. In order to achieve the environmental and conservational objectives of the measure within the designated areas, payments may be granted to other land managers than farmers.

#### *Administration*

The support scheme will be offered by the FIA. On-the spot control of support commitments shall be implemented by the Plant Directorate under the Ministry for Food, Agriculture and Fisheries.

#### **Confirmation that the cross-compliance requirements are identical to those provided for by Regulation (EC) No 73/2009**

The cross-compliance requirements, which set out the basic conditions for receiving single farm payment support under Council Regulation (EC) No 73/2009, form the basis for the establishment of further obligations for which compensation can be paid.

Support is only given for obligations which extend beyond these mandatory obligations.

#### **Description and justification of the different types of commitments, based on their expected environmental impact in relation to environmental needs and priorities**

In order to support and guarantee complete and adequate implementation of the project, a grant may be given in the form of a yearly basic area payment pursuant to Articles 36 (a) (iv) and 39 of Council Regulation (EC) No 1698/2005 to compensate farmers and land owners for additional costs and income foregone as a consequence of the establishment of the wetland or restoration of natural hydrological conditions and for acceptance of registration in the land registry of a declaration on the permanent change in use of the area.

#### *Environmental and biotope impacts*

Until the planning according to the water-framework directive and natura 2000 has been set up the existing measures in the program will contribute to the protection of the aquatic environment.

In general, the measure is expected to lead to more extensive agricultural practices on the farms under commitment. The measure is expected to lead to improvement of the aquatic environment and natural conditions by reducing nutrients leaching into the aquatic environment and to reduce the use of plant protection products. Establishment of wetlands is an efficient tool for de-nitrification of nutrients stemming from other agricultural production/land.

The fact that the commitment to graze must not lead to higher livestock densities on the farms under commitment safeguards this effect. The commitment associated with establishment of the wetland is undertaken for a period of 20 years in order to ensure the desired effect of de-nitrification.

The measure is expected to help maintain semi-natural biotopes or extensively driven agricultural land such as permanent pastures and meadows in a light-open condition. The areas are protected through continued grazing or cutting and through banning of use of

pesticides and fertilizers. The obligations to graze or cut are expected to improve the living conditions for wildlife flora and fauna and to maintain high nature value areas. Cutting of the grass implies that the cut grass must be removed from the field thus removing the nutrient contents from the field.

### **Description of methodology, agronomic assumptions and parameters**

The level of support has been established on the basis of calculated income losses accrued from the obligations. The reference level for calculating income foregone and additional costs resulting from the commitments are the relevant standards and requirements referred to in Article 39(3) of Council Regulation (EC) No 1698/2005. The payments cover only those commitments going beyond the baseline standards established pursuant to Regulation (EC) No 73/2009.

The support does not fully compensate the calculated losses and does not contain compensation for transaction costs.

Further explanation of the calculation requirements is given in annex 5a, 5d and 5e.

#### *Baseline*

The baseline includes the following provisions concerning the use of fertilizers and plant protection products relevant for this measure:

#### *Requirements concerning use of pesticides*

- Order No 533 of 18 June 2003 on pesticides (§ 4, 1) pursuant to consolidated Act No 1755 of 22 December 2006 on chemical substances and products (§ 10, 2 and § 33, 1)

It is required to only use of approved products for plant protection.

Approved plant protection products must only be used according to specified conditions in terms of crops, dose, distance from any watercourse, spraying time limits, etc.

#### *Requirements concerning use of nitrate and phosphorus*

- Consolidated Act No 757 of 29 June 2006 on the use of fertilizer by agriculture and on plant cover and Order No 975 of 25 September 2006 on the use by agriculture of fertilizer and on plant cover during the plan period 2006-2007.

A total nitrogen quota is calculated for the enterprises listed in the registry on the basis of the enterprise's field sizes, crops, previous cropping and the nitrogen standard of the crop in the climate area concerned and soil texture. The consumption of nitrogen for fertilizer purposes by enterprises that have a duty to register or have been registered must not exceed the enterprise's annual nitrogen quota. In addition, guiding norms for use of phosphorus and potassium are given to each enterprise.

- Order no. 1695 of 19 December 2006 on commercial livestock keeping, manure, silage, etc. (§§ 25, 26, 27, 28 and 30)

As a general rule no manure must be spread in the fields in the period from harvest and until 1 February. Manure must not be spread in a way or on such areas that shall risk direct contamination of lakes, watercourses, including artificial drainage facilities or in the case of heavy rains.

The Danish derogation in relation to the Nitrates Directive has no effect on the calculation of support. The beneficiary must commit to not use pesticides on the area, to graze, cut or trim the area yearly and to accept flooding of some of the area during the commitment period. These requirements establish the basis for calculation of the support. The requirement to not add fertilizers has not been part of the calculation.

Establishment of the wetland or restoration of natural hydrological conditions shall not lead to an increase in the level of nitrogen from manure applied per hectare on the remaining parts of the land on a farm subject to derogation. As a consequence of the project the yearly allocation of N-quota to the farm (see Chapter 5.1.1.2) will be reduced accordingly.

In addition the area under commitment shall not be included in the Harmony area of the farm for which the derogation may be exercised and the N quota allotted to the farmland not under commitment is not changed if the farmer decides to apply the derogation. This ensures that the requirements concerning Nitrogen are not diminished for farmland not under commitment.

The total agricultural area of Denmark has been appointed as Nitrate Vulnerable Zone pursuant to the Nitrates Directive. Therefore no Codes of Good Practice have been introduced for farms outside these zones in Denmark.

*Requirements concerning plant cover and involvement of environmental and nature concerns in farming*

Order No. 157 of 15 January 2010 on direct support for farmers according to the single farm payments scheme

Plant cover on non-cultivated agricultural land: Uncultivated areas must be covered with plant cover. Conditions are made concerning timing for establishment, the use of seeds and after-sowing.

Maintenance of un-cultivated areas: Un-cultivated agricultural land must be mowed at least once every two years. The plant cover on uncultivated agricultural areas must not be mowed in the period 1 May – 30 June. The areas must not be utilized in a way that destructs or removes the plant cover. Intermediary activities are allowed if the plant cover is re-established immediately after the activity. No plant protection products must be used on the area except for products used for selective prevention of certain aggressive weeds on the condition that the remaining plant cover is not damaged and is not given fertilizer or artificial irrigation.

*Support commitments and baseline*

<b>Support commitments</b>	<b>Baseline commitments</b>
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No fertilizers may be added to the land under the commitment other than the manure left by grazing animals	None
No use of plant protection products	Requirements to only use approved products for plant protection according to specified conditions in terms of crops, dose, distance from any watercourse, spraying time limits, etc. (Consolidated Act No 1755 of 22 December 2006 on chemical substances and products and Order No 533 of 18 June 2003 on pesticides)
Acceptance of flooding of the area and conversion into pasture or grassland and registration of the area as wetland	None
Yearly grazing and/or cutting	Permanent pasture must be mowed at least once every year. In the case of permanent pasture, mowing can be replaced by grazing (Order No. 157 of 15 January 2010 on direct support for farmers according to the single farm payments scheme).
Set-aside with conditions concerning yearly trimming or pruning	Uncultivated land must be mowed at least once every two years. (Order No. 157 of 15 January 2010 on direct support for farmers according to the single farm payments scheme).
Maintain blocked land-drain	None

### *Control*

The respect of the support conditions shall be controlled through on-the-spot control by the Plant Directorate and through administrative control by the FIA. Respect of the additional support conditions for the beneficiary is controllable. This may be verified by visual on-the-spot control combined with administrative control. For farmers participating in the project this will include the registration and control of the livestock density for farmers benefiting from derogation.

### **Amounts of support**

The levels of support for acceptance of wetland or restoration of natural hydrological conditions have been established on the basis of calculated income losses for agricultural rotation area or pasture with different yield levels. The levels of support for conservation obligations have been calculated on basis of calculated income losses accrued from obligations to graze, cut or trim. Annex 5a and 5e depict the calculation methods and estimation of the weighted average costs per ha due to the commitments.

The level of support for maintaining blocked land-drain is calculated on basis of the estimated loss of agricultural income due to the commitment to maintain the changed

drainage. A transactions costs element is added covering costs for the application for support. This element amounts to less than 20 pct. of the calculated agricultural income losses and extra costs. The support rate has been revised due to an increased estimate of income foregone. Also, a cost-element has been added for the additional obligation to cut the grass each year. A revised Annex 5d depicts the calculation of support to compensate for changed drainage of farmland. The revised level of support for maintaining blocked land-drain will only be offered to new commitments as from 2010.

The following levels of support shall be offered.

<b>Commitments</b>	<b>Euro per ha per year</b>	<b>Commitment period</b>
Acceptance of wetland or restoration of natural hydrological conditions	242	20 years
• Previously permanent pasture	470	
• Previously arable land	40	
• Previously not under agricultural use for 5 years		
Conservation supplements for		5 years
– Grazing	188	
– grazing or cutting	107	
– grazing of particularly valuable and relatively inaccessible areas	450	
– set-aside with conditions concerning trimming/pruning	27	
Maintaining changed drainage of agricultural land	188	5 years

Note: The payments for acceptance of the wetland or restoration of natural hydrological conditions and for additional conservation obligations may be combined as they cover different and complementary commitments. The payment for maintaining changed drainage may not be combined with any of the two other types of payments offered under this measure, as this payment is made to compensate for maintaining or creating changed drainage or water level on farmland that cannot be combined with support for creating a wetland.

The payment of support for this measure may be combined with the following agri environmental measures in the rural development program if the commitments are compatible.

- Establishment of wetlands or restoration of natural hydrological conditions (non-remunerative investments associated with the establishment )
- Conversion to organic agricultural production
- Conservation by grazing or cutting on pasture and natural areas (when the 5 year-payment for meeting conservation obligations in the wetland has expired)

- Non-productive investments in connection with protection of environment, nature and animal welfare
- Establishment of landscape and biotope-improving vegetation, including shelter plants (non-remunerative investments and services associated with projects)
- Island support

The combined payments shall be limited to the maximum amounts per hectare laid down in the Annex to Regulation (EC) No 1698/2005. FIA shall before the yearly payment make checks on these combinations of payments by means of automatic checks in the joint database for management of support payments pursuant to Regulation (EC) No 1698/2005 and Regulation 73/2009. If a farmer applies for support under more than one agri-environmental measure (code 214), the support actually paid (both national part and the community contribution) will be reduced to the level of the maximum amount of annual support payment listed in the annex of the Regulation 1698/2005.

#### *Compatibility with CAP first pillar measures*

The commitment may not be combined with commitments made for the same agricultural production pursuant to the measures implemented under common market organisations and the direct support schemes listed in Annex I to Regulation No 1974/2006.

The payment can be combined with the single payment aid granted under Regulation (EC) No 73/2009 under the following conditions.

The 20-year payments for acceptance of the conversion to wetland or restoration of natural hydrological conditions may be combined with single payment under the single farm payments scheme, cf. Council Regulation (EC) 73/2009.

#### **Evidence as referred to in article 48(2) of the implementing rules allowing the Commission to check consistency and plausibility of the calculations**

The Institute of Food and Resource Economics at the University of Copenhagen has provided the data and calculations used as the basis for setting support rates. The research institution is functionally independent from the FIA which is responsible for the calculations. The institution represents the necessary expertise to assist in this task.

#### **Financing**

The contribution from the Community is calculated on the basis of public expenditures.

2007-2009:

Total cost: 0 euro

Public expenditure: 0 euro

2010-2013:

Total cost: 3,5 million Euro

Public expenditure: 3,5 million Euro

#### **Transition arrangements (including estimated amount)**

This measure is partly similar to activity co-financed under the Rural Development Programme 2000-2006, cf Council Regulation (EC) No 1257/1999. Expenditures made after 1 January 2007 will be declared under the Rural Development Programme 2007-13.

Total outstanding public costs; 3.7 million Euro  
Of which EAFRD; 2.0 million Euro

### Quantified targets for EU common indicators

Type of indicator	Indicator	Target 2007-13
Output	Number of farm holdings and holdings of other land managers receiving support	40
	Total area under agri-environmental support	400 ha
	Total number of contracts	200
	Physical area under agri-environmental support	Contribute to the establishment of overall 2,000 ha of wetland or restored natural hydrological conditions.
	Number of actions related to genetic resources	None
Result	Areas under successful land management	400 ha
Impact	Reversal in biodiversity decline (farmland bird species population)	Maintain index level for breeding bird population (IRENA population index for 18 breeds of birds on agricultural land: 106.1 in 2001. Common objective)
	Change in high nature value areas	Maintain area (78,000 ha in 2000, common objective)
	Changes in gross nutrient balance	Reduce leaching of nitrogen to the water environment with 862 tonnes N (cf. 216b/216c)
	Increase in production of renewable energy	None

### Additional programme-specific indicators and quantified targets

None



### 5.2.2.7 Plant genetic resources for food and agriculture (Code 214f)

#### **Article (and paragraph) which covers the measure**

Articles 36 (a) (iv) and 39 (5) of Council Regulation (EC) No 1698/2005.

Article 28 (3) (a, b, c) and point 5.3.2.1.4 of Annex II of Commission Regulation (EC) No 1974/2006.

#### **Rationale for intervention**

The measure is intended to help to maintain the diversity and genetic variation in plant species that are used in agriculture and food industry. Retention of the genetic variation is an important prerequisite for maintaining a level of biological diversity which can ensure that plants can be adapted to the needs of the future.

The purpose is to encourage on farm conservation of Danish plant genetic resources, to increase knowledge about the suitability of these plants for environmentally friendly cultivation, to increase the use of the most suitable varieties and to increase public awareness of plant genetic resources. The measure concerns cereals and certain species of fruits, berries and vegetables and other species based on a concrete evaluation.

The measure will assist to fulfil Community obligations to conserve plant genetic resources in accordance with the UN's Biodiversity Convention and the FAO treaty on plant genetic resources for food products and agriculture.

Use of the measure implies environmentally friendly cultivation of the included areas. Moreover, the scheme may contribute to clarifying the potential of plant genetic resources in more environmentally friendly agriculture and may lead to increased use of this type of plant material in environmentally sensitive areas.

#### **Objectives of the measure**

The measure includes the following types of actions in accordance with Article 39 (5) of Regulation (EC) No 1698/2005 and Article 28 (3) (a) to (c) of Regulation (EC) 1974/2006;

- targeted actions
- concerted actions
- accompanying actions

The purpose of the measure is to encourage on farm conservation of plant genetic resources naturally adapted to the local and regional conditions and under threat of genetic erosion. Support is offered for projects regarding sustainable use of older Danish plant varieties worthy of conservation. In Denmark, this type of varieties is currently almost only conserved in gene banks. The measure will supplement the static ex situ conservation in gene banks with a more dynamic conservation on farm.

The specific aims are:

- to increase the range of genetic variation available to farmers,
- to extend the conservation of Danish plant genetic resources to more areas in order to reduce the risk of having the material destroyed by disease,

- to gain knowledge about the suitability of cultivars for environmentally friendly cultivation and use for consumption
- to create the opportunity to increase the range of plant material used especially in areas which imply environmentally friendly cultivation on account of natural and environmental considerations including organic production,
- to increase public awareness and interest in conservation of plant genetic resources.

### **Scope and actions**

Support is offered for activities concerning the cultivation, demonstration and dissemination of information on the use of the eligible plant species worthy of conservation.

The operations for the conservation of genetic resources in agriculture eligible for support shall include the following:

- Demonstration of cultivation capacities, which can help to evaluate and demonstrate the utilisation of genetic resources in ecological and other environmental friendly agriculture,
- conservation in situ of vegetatively propagated plants,
- demonstration of the potential for utilising plant genetic resources for consumption,
- information and presentation of results to increase the awareness and interest in conservation of plant genetic resources.

### *Evidence of genetic erosion of plant species based upon scientific results*

Support will only be granted to activities involving older Danish plant varieties, which are currently stored in the Nordgen- (Nordic Genetic Resource Center) or in Danish, national collections. These varieties have all been evaluated by the genebanks and have been found worthy of long term conservation. The varieties are today not grown to any extent outside gene banks, so plant material will consequently originate in gene banks. In very few species, local varieties may still be found outside gene banks. Such material will be evaluated by genetic resources specialist. If they find the material worthy of conservation in gene banks, it can also be included in the scheme.

### *Support criteria*

No use of mineral fertilizers is allowed for cultivation as in organic farming. Only plant protection products approved for organic farming may be used. Conditions may be imposed on the beneficiary to disseminate information to the public concerning the genetic plant resources, e.g. by making the farm available for presentations at museums, farm visits, etc.

The scheme shall only include varieties of plants which are:

- locally adapted and may have characteristics beneficial to environmental cultivation,
- on the list of plants conserved because of their genetic value and scarceness at the
  - Nordgen – Nordic Genetic Resource Center
  - Faculty of Agricultural Sciences, Aarhus University
  - Faculty of Life Sciences, University of Copenhagen
- not in commercial cultivation at the moment and
- of Danish origin and in principle cultivated in Danish agriculture before 1960.

The scheme is for the moment limited to varieties and landraces of cereals and to varieties of certain species of fruits, berries and vegetables: Apple (*Malus domestica*), pear (*Pyrus communis*), plum (*Prunus domestica*), sour cherries (*Prunus cerasus*), sweet cherries (*Prunus avium*) strawberry (*Fragaria*), goose berry (*Ribes uvacrispa*) black currant (*Ribes nigrum*) currants (*Ribes rubrum*), raspberry (*Rubus idaeus*), rhubarb (*Rheum rhabarbarum*) horseradish (*Amoraicia rusticana*), Jerusalem artichoke (*Helianthus tuberosus*), walnut (*Juglans regia*), hazelnut (*Corylus avellana*), blackberry (*Rubus plicatus*; *Rubus fruticosus*), Cabbage (*Brassica oleracea*), seed propagated root crops and other relevant species based on a concrete evaluation.

Support is given at the rate of up to 100% of eligible expenses. Eligible expenses can include expenses for

- multiplication,
- cultivation,
- harvesting,
- processing
- propagating of seed etc.
- equipment
- education
- reporting
- consultative service
- payroll costs
- demonstration and information activities
- attestation of expenses paid

Any agreement of payment according to this scheme will not be influenced if the variety in question is put into commercial cultivation after the agreement has been made.

No support shall be granted for activities eligible under the framework programme of the European Community for research, technological development and demonstration activities.

#### *Priority criteria*

Priority will be given to applicants whose project will contribute to the objectives and specific aims of this scheme for plant genetic resources.

#### *Beneficiaries*

Any private or public legal person, including owners or tenants of agricultural land.

Support can be combined with support from the following other agri-environment measures under Council Regulation (EC) No 1698/2005, provided that the obligations can be combined and that double compensation is not paid for complying with the obligations:

- Island support
- Conversion to organic farming (costs only eligible if not already compensated through the other measure)

- Extensive production on agricultural land (costs only eligible if not already compensated through the other measure)

The payment may be combined with the single farm payment granted under Regulation (EC) No 73/2009. The beneficiary shall respect the baseline standards established pursuant to Regulation (EC) No 73/2009.

#### *Administration*

The support scheme will be offered by the Danish Food Industry Agency (FIA). On-the spot control of support commitments shall be implemented by the FIA or by order the Plant Directorate under the Ministry for Food, Agriculture and Fisheries.

<b>Support commitments</b>	<b>Baseline commitments</b>
Multiplication, cultivation, harvesting, processing, demonstration and information activities	None

#### *Control*

The respect of the support conditions shall be controlled through on-the-spot control by the FIA or by order the Plant Directorate and through administrative control by the FIA.

#### *Controls to prevent double financing*

In accordance with Article 5(6) of Council Regulation (EC) No 1698/2005, the FIA will ensure that a beneficiary does not receive double compensation for obligations under the direct support schemes and the support schemes in Annex I to the Commission Regulation (EC) 1974/2006 and support under the rural development programme. See chapter on demarcation with other EU Funds activities.

#### **Financing**

The contribution from the Community is calculated on the basis of public expenditures.

2007-2009:

Total cost: 0 euro

Public expenditure: 0 euro

2010-2013:

Total cost: 2,5 million Euro

Public expenditure: 2,5 million Euro

#### **Transition arrangements** (including estimated amount)

This measure is similar to activity co-financed under the Rural Development Programme 2000-2006, cif Council Regulation (EC) No 1257/1999. Expenditures made after 1 January 2007 will be declared under the Rural Development Programme 2007-13.

Total outstanding public costs;      1,1 million Euro

Of which EAFRD;

0,6 million Euro

### Quantified targets for EU common indicators

Type of indicator	Indicator	Target 2007-2013
Output	Number of farm holdings and holdings of other land managers receiving support	50
	Total number of contracts	50
	Number of actions related to genetic resources	50
Result	Reversal in biodiversity decline	All contracts are expected to contribute to a reversal in biodiversity decline
Impact	Reversal in biodiversity decline	All contracts are expected to contribute to a reversal in biodiversity decline

### Additional programme-specific indicators and quantified targets

None

### 5.2.2.8 Non-productive investments in connection with protection of environment, nature and animal welfare (216a)

#### Article (and paragraph) which covers the measure

Articles 36 (a) (vi) and 41 of Council Regulation (EC) No 1698/2005.

Article 29 and point 5.3.2.1.6 of Annex II of Commission Regulation (EC) No 1974/2006.

#### Rationale for intervention

The Government gives high priority to reduce the loss of biodiversity in the Danish landscape. This is the objective of the Government's action plan for biological diversity and environmental protection in Denmark 2004-2009, which prioritises conservation initiatives for existing natural areas, including open grasslands, common land, meadows, small biotopes and other semi-cultivated areas. In many of these areas, targeted support to maintain special care obligations can contribute to positive development. Also the national Pesticide Plan 2004-2009 has as one of its aims to reduce the loss of biodiversity.

The Government aims to further reduce the impact of agriculture on the aquatic environment through a reduction in nitrogen and phosphorus emissions, improvements in environmental protection and restrictions on pollution caused by agriculture. The national Aquatic Environment Plan III 2005-2015 contains a set of broad initiatives to reach this aim.

The Danish Government in 2009 launched a new Green Growth vision for Danish agriculture, nature and the environment that among others comprises plans for new and improved actions that also contribute to safeguard biodiversity and improve ecological connectivity of the rural landscape.

Efforts are made nationally to achieve the EU goals for reduction of emission of carbon dioxide and greenhouse gases to be met in the year 2020. Efforts are been made within a broad span of economic sectors to achieve emission reduction targets. Initiatives in the agricultural sector, in particular conservation initiatives in low lying extensified agricultural fields is believed to have important effects in terms of reducing emissions of CO<sub>2</sub> and other green house gasses.

The rationale behind the measure is that non-productive investments shall contribute to meeting these aims, and in particular to

- counteract the loss of biodiversity
- promote environmentally and climate-friendly agriculture and use of low intensity grazing systems in areas of high natural value
- develop recreational assets in rural areas with high nature value
- protect or re-establish cultural or landscape elements

### **Objectives of the measure**

The purpose of the scheme is to

- conserve and promote biological diversity by creating good living conditions for wild animals and plants
- conserve and promote environmental, natural, cultural and landscape assets
- promote recreational values and public access to high nature value areas
- establish connecting lines between natural biotopes and increase the number of small biotopes
- promote the welfare of grazing livestock, as part of nature conservation
- protect agricultural land against the destructive effect of the wind

### **Scope and actions**

Support may be offered for non-productive investments that do not lead to any increase in the value or profitability of the agricultural holding.

Support shall be granted for non-remunerative:

- investments linked to the achievement of commitments undertaken pursuant to the measures provided for in article 36 (a) (iv) or other agri-environmental objectives

- on-farm investments which enhance the public amenity value of a Natura 2000 area or other high nature value areas.

The projects may for example cover

- maintenance or restoration of valuable landscape and cultural elements
- establishment of landscape and biotope-improving vegetation which increases the natural value of the area concerned, including plantation of shelter plants
- establishment and maintenance of water and shelter for domestic animals grazing on pasture or natural areas given extra transportation costs and need to ensure animal welfare in connection with establishment of grazing cooperatives
- re-establishment or restoration of dikes
- operations that encourage sustainable use of and public access to rural natural heritage or raise awareness about the value of the heritage
- alteration/reestablishment of natural hydrological on the farm land (filling up of drainpipes, ditches etc.)
- 

### **Definition of operations to be supported**

#### *Support criteria*

Maintenance or restoration of landscape or cultural elements may cover reconstruction of landscape elements of value to nature or to the rural heritage, such as ancient stone dikes, earth banks or mounds that are not protected through Danish legislation.

Landscape and biotope-improving vegetation may have the form of hedges in the form of continuous plantations of trees or bushes with between 1 and 7 plant rows, or shrubberies smaller than 0.5 hectares in area. Support is granted in respect of new plant installations and the replacement of exhausted plantations in natural areas and on land used for agricultural production. Support is also granted for the care of the plantations and cleaning these for weeds for first three growing seasons. The beneficiary is required to retain and maintain the plantations in the subsequent five years after the conclusion of the project.

Any vegetation established must be placed under due consideration of national regulations concerning physical planning, conservation of national rural and natural heritage, environment and landscape considerations. Before establishing new plantation or improving biotope conditions, a number of issues concerning planning have to be taken into consideration. It is a condition for support, that the applicant has considered and received necessary approvals from authorities. The plantations must generally be geographically separated from other woodland. Plantations must not obstruct the free sight distance at roads and crossroads. Plantations that may contribute to protection of species according to Article 12 in the Habitats Directive may be given priority when evaluating project applications.

Grazing cooperatives must ensure that grazing takes place on larger contiguous and particularly conservation-intensive pasture or natural areas, covering several farm holdings. The cooperatives must contribute to the protection and improvement of natural and biotope conditions on agricultural land and natural areas by promoting effective grazing on pasture or natural areas.

Restoration of dikes may cover non-productive investments to prevent or repair breaches of dikes that prevent flooding. Protection of the Danish coastal line is in general a private responsibility that with certain exceptions must be met by the private land owners. During the winter of 2006/2007 a storm caused flooding of areas in a number of peripheral and rural municipalities of Denmark. In such cases, the Government may decide to extraordinarily support reparation of dikes. The restoration activities must have the primary aim to protect or improve environment or natural amenities in the area.

Projects concerning re-establishment or restoration of dikes shall respect the provisions of the EU Water Framework Directive.

Support may also be offered for non-productive investments to promote the welfare of grazing livestock that are part of conservation of nature or landscape elements. Such investments may cover water or shelter facilities for domestic animals in areas where such facilities are not part of any remunerative agricultural activity.

#### *Climate conservation projects (protection of peatland habitats)*

Support may also be offered for non-productive investments, where alteration in hydrological conditions in combination with extensification of farm land use is necessary for achieving environmental and climate objectives related to green house gas emissions (protection of peatland habitats). The desired environmental effects require a long-term change of the conditions. Therefore it is necessary to enter long-term or permanent legal acceptance on the part of farmers and land owners on the management conditions in the project area.

Support is subject to the following main conditions:

- The land must be converted to and maintained as pasture or natural areas (areas may be grazed, cut or used as set-aside).
- Alteration or reestablishment of natural hydrological conditions on the farmland
- Commitment not to add plant protection products or fertilizers to the land other than the manure left by grazing animals.
- No supplement feeding in the area
- No tilling in the area
- Acceptance of the restoration of natural hydrological and extensification conditions: the long-term continuation of the management changes shall be ensured through registration in the land registry of declarations concerning the future potential uses of the project areas, restrictions and checks on the land.

The project area must be situated within designated areas located in low-lying agricultural areas where conservation of peat soils can contribute to reduce green house gases emissions and nutrient leaching into the aquatic environment

Support will not be provided to projects receiving support under the sub-measure on nature conservation (216b) in Natura 2000-areas.

#### *Eligible expenses*



Eligible expenses cover construction costs and services in connection with the eligible operations mentioned. The following non-productive expenses are eligible

- Preliminary examination necessary to carry out the project
- rent of or investment in materials and equipment necessary to carry out the project
- establishment of vegetation and maintenance of the vegetation during the first three growing seasons
- attestation of expenses paid and reporting of project results
- establishment of public access and information, including public facilities such as benches and tables
- establishment and maintenance of fences, pens, water and feeding facilities and shelter for domestic animals grazing on pasture or natural areas given extra transportation costs and need to ensure animal welfare
- establishment of altered drainage conditions (filling up of drainpipes, ditches etc.)
- consultancy assistance and wages to personnel necessary to carry out the project, if these expenses would not normally be covered by public institutions
- indirect costs for use of own machinery

Indirect costs must be calculated based on known machine station pay rates. The calculation must be approved by the Danish Food Industry Agency (FIA).

Support may not be given for initiatives that are eligible under the Community Framework Programme for Research and Technological Development.

#### *Support rates*

Support may be given for up to 100% of eligible expenses in the project. The payment claim shall be based on invoices for expenditures incurred by the beneficiaries. No advance payments of support shall be allowed.

For establishment of landscape and biotope-improving vegetation, including shelter plants, support is however given at the rate of 40% of approved, eligible expenses with the following exception. Support is given at the rate of up to 60% of eligible expenses if the project is carried out in compliance with a series of additional environment- and nature-related requirements. The requirements may also concern ploughing in connection with establishing vegetation, not using plant protection products except for those approved for organic farming in Denmark and establishment of strips of non-cultivated land, insect mounds or foot trails for public access alongside the vegetation.

#### *Beneficiaries*

Any private or public legal persons, including owners or tenants of agricultural land, may be a beneficiary.

#### *Priority criteria*

The FIA will set up an advisory committee that may examine project applications submitted under this measure. The FIA may choose to select projects for support on the basis of advice from this committee.

Selection of projects for support will be based on assessment of whether applications can contribute to one of the aims of the measure combined with assessment of total costs of the projects. Further criteria for prioritization may be established nationally.

#### *Administration*

The support scheme will be offered by the FIA. On-the spot and administrative control of support commitments shall be implemented by the FIA. The FIA may delegate tasks related to the on-the spot control to the Plant Directorate under the Ministry for Food, Agriculture and Fisheries.

#### **Description of the link to commitments provided for in article 36(a) (iv) and (vi) of Regulation 1698/2005 or other agri-environmental objectives**

The payment of investment support may be combined with the following types of area or investment based support pursuant to Article 36 (a) (iv) and (vi) of Council Regulation (EC) No 1698/2005:

- Conservation by grazing or cutting on pasture and natural areas (if dispensation is given concerning plant cover pursuant to this measure)
- Establishment and management of wetlands (if dispensation is given concerning plant cover pursuant to this measure)
- Conversion to organic agricultural production (in general, area compensation for conversion is not paid on the area with plantations)
- Extensive production on agricultural land (in general, area compensation for is not paid on the area with plantations)
- Establishment of set-aside border strips (if dispensation is given concerning plant cover pursuant to this measure)
- Plant genetic resources
- State purchase of land/ Area payment to compensate for permanent changes
- Island support

Support under the present measure may also be combined with support regarding improving and developing infrastructure related to the development and adaptation of agriculture and forestry (measure code 125).

As part of the administrative control it is ensured that there is no overlap between the commitments supported under the above mentioned measures. The FIA shall ensure that combinations of commitments do not lead to double compensation through checks in the common management database for payments pursuant to Regulation (EC) No 1698/2005. All payments under Axis 2 besides the forest related payments as well as all payments under Axis 1, 3 and 4 shall be managed in this database called BTAS.

#### **Description of the public amenity values of a Natura 2000 area or other high nature value area to be enhanced**

The measure is expected to enhance sustainable public use of and access to high nature value areas and enhance the public benefits which may be derived from them. Establishment of

landscape and biotope-improving vegetation shall help to increase the proportion of small biotopes and improve landscape values on farms. Such vegetation may both give favourable living conditions for the natural flora and fauna and also increase public amenity assets in rural areas.

The measure may contribute to meeting the aims of the specific action plans for the protection of areas designated according to the Natura 2000 directives. These plans shall be set up by the municipal authorities in cooperation with the Ministry of Environment by 2010.

The measure contributes to environmental conservation and preservation of low lying soils, including peat rich soils, which may have important effects in terms of emissions of CO<sub>2</sub> and green house gasses, water quality by reducing nitrogen leaching, and improved biodiversity.

**Financing**

The contribution from the Community is calculated on the basis of public expenditures.

2007-2013:

Total cost: 29,0million Euro

Public expenditure: 18,9 million Euro

**Transition arrangements** (including estimated amount)

Operations concerning establishment of landscape and biotope-improving vegetations under this measure are similar to activities co-financed under the Rural Development Programme 2000-2006 pursuant to Council Regulation (EC) No 1257/1999. Expenditures made on contracts from the previous programme period after 1 January 2007 will be declared under the Rural Development Programme 2007-13.

Total outstanding public costs;           8.7 million euro  
Of which EAFRD;                               4.8 million euro

**Quantified targets for EU common indicators**

Type of indicator	Indicator	Target 2007-13
Output	Number of farm holdings and holdings of other land managers receiving support	1900
	Total volume of investment	29,0 Meuro
Result	Areas of successful land management	825 ha
Impact	Reversal in biodiversity decline (IRENA population index for 18 breeds of birds on agricultural land: 106.1 in 2001. Common objective)	Contribute to maintain index level
	Change in high nature value areas (78,000 ha in 2000,	Contribute to maintain area

	common objective)	
	Increase in production of renewable energy	None

### **Additional programme-specific indicators and quantified targets**

None

### **5.2.2.9 Non-productive investments - establishment of wetlands, periodical flooding of farmland, nature conservation projects and restoration of natural hydrological conditions (Code 216b)**

(Part of the national measures for establishment and management of wetlands, periodically flooding of agricultural areas adjacent to streams and restoration of natural hydrological conditions in Natura 2000 areas (see separate measure sheets).

#### **Article (and paragraph) which covers the measure**

Articles 36 (a) (vi) and 41 of Council Regulation (EC) No 1698/2005.

Article 29 and point 5.3.2.1.6 of Annex II of Commission Regulation (EC) No 1974/2006.

#### **Rationale for intervention**

The Government has as a high priority objective on the aim of further reducing the impact of agriculture on the aquatic environment through a reduction in nitrogen and phosphorus emissions, reductions in the use of pesticides, improvements in environmental protection and restrictions on pollution caused by agriculture. Less than half of all watercourses and lakes in Denmark meet the objectives on nitrogen concentration adopted in the regional plans for environmental condition.

The national Aquatic Environment Plan III 2005-2015 contains a set of broad initiatives to reach this aim. Establishment of wetlands is one of these initiatives.

In addition, the Danish Parliament in 2009 agreed on a Green Growth plan for Danish agriculture, nature and the environment 2010-2020 that comprises plans for new additional actions for establishment of wetlands, periodically flooding of agricultural areas adjacent to streams in river valleys, nature conservation projects and restoration of hydrological conditions in Natura 2000 areas. The two first mentioned activities will be instruments for implementing the EU Water Framework Directive in designated areas within a first planning period of 2010-2015. Restoration of hydrological conditions in designated Natura 2000 areas and conversion from agricultural land in rotation to permanent grass are seen as necessary activities to implement the Natura 2000 directives.

To obtain the desired water quality effects, permanent changes of the management conditions on agricultural land are required, and the beneficiary must meet conditions permanently.

#### **Objectives of the measure**

Establishment of wetlands, temporary flooding of farmland and restoration of hydrological conditions on farmland in Natura 2000 areas will reduce nitrogen contents in the soil through set-aside or conversion into extensive forms of agriculture and reduce leaching of nitrogen and phosphorus into the open aquatic environment through de-nitrification and deposition of phosphorus in the wetlands and flooded areas.. Natural habitats which are threatened in the intensively cultivated agricultural landscape are also promoted.

The specific aims of the measure concerning nutrients are to contribute to reducing leaching from agriculture by 860 tons N and 15 tons P by 2013. The specific aims for restoration of hydrological conditions and conversion of farmland into permanent grass are to improve natural conditions in different habitats and to enhance the protection of species in Natura 2000 areas.

### **Scope and actions**

Support may be given to non-productive investments associated with implementing projects with up to 100 % of eligible expenses as per invoice.

Projects eligible for subsidy may concern altering the physical conditions on farmland through

- establishment or reestablishment of permanent wetlands,
- periodical and reoccurring flooding of farmland by alteration of conditions for drainage or alteration of stream edges and watercourses
- clearing of scrubs and fencing before grazing in Natura 2000 areas
- restoration of hydrological conditions in Natura 2000 areas through filling up drainpipes, ditches etc.
- conversion of farmland in rotation to permanent grassland in Natura 2000 areas

### **Procedure to ensure cost efficiency**

Some projects may be implemented with relatively low-cost methods. In other projects, high amounts of support per ha may be justified because of a high cost efficiency of the projects measured by the measure of retention of nitrate or phosphorus from the water environment. Such projects may include expenses for preliminary surveys, earth work/ digging to re-establish natural hydrological conditions including natural windings of streams, alteration of drains or ditches, alteration of farm infrastructure or implementation of land consolidation agreements. The Managing Authority will on a project-to-project basis make certain that all expenditures supported are justified for the success of the project and that projects are given priority on the basis of cost efficiency and environmental efficiency.

An expert group in the Ministry of Environment (EG) will establish uniform methods for assessment of environmental effects to and standard cost estimates for eligible activities (project management, technical studies, hiring of machinery, construction works, fencing works) to be used by all municipalities, the Nature Agency as well as private project applicants and used when assessing the level of expenditures in project budgets. Project applications from municipalities, the Nature Agency and private applicants will be assessed by the same assessment methods, but the procedure for management of applications is different, as described below.

### *Municipal projects*

The relevant municipality will act as project leader and applicant for support in the larger and more expensive projects concerning establishment of wetlands or restoration of natural hydrological conditions. For 16 Danish river basin areas a steering group (SG) has been established with the task to plan the optimal location and distribute the project leader responsibility for all wetlands projects to be implemented in the basin area. The municipalities involved constitute the SGs. For the remaining 7 river basin areas the municipalities will establish SGs later for implementation of both nitrate and phosphorus projects. Each SG identifies a consolidated set of municipal projects to be implemented for the whole river basin area until 2015. Each of the projects has to be cost effective, as does the total programme within the basin area. In order to ensure this takes place, the National authority has issued maximum support frameworks for each of the basin areas. In combination with specific reduction goals for the basin areas this ensures cost effectiveness. The SG forwards a prioritized list of potential projects to the EG. The EG then receives applications for support from municipalities on each project identified on the list. Projects that are not on the approved list are not eligible for support. The EG assesses the calculated P- and N effects and the cost levels proposed on basis of the common evaluation methods. Also the EG will assess budget elements against standard cost levels on different budget elements. The EG gives a recommendation for support or rejection to the Managing Authority. The Managing Authority considers the recommendation, performs a legality check and enters the support commitments with municipalities.

### *Private projects*

Project applications from private applicants are forwarded directly to the Managing Authority. The Managing Authority submits these applications to the relevant SG that will assess each application as regards the geographical location and potential interaction and synergy with the municipal projects that are planned for the same river basin area. The SG gives recommendations concerning private projects to the Managing Authority. The Managing Authority assesses the applications on basis of the same environmental assessment methods and standard cost estimates as used by the EG for municipal projects. Private projects with budget expenses for more than 2,533 euro pr ha will also be assessed by the EG. The MA enters the support commitments with the private applicants.

### *Mini wetlands*

Certain projects concerning establishment of mini wetlands on farmland will be implemented by the Managing Authority through a more simple procedure with no hearing of the EG or the SG. Instead an expert panel will be established with the purpose to give advice on the selection of projects, how to establish the project in an efficient way and regarding monitoring and impact assessment. These projects will not necessarily imply permanent conversion of farmland into wetland, they will have the form of pilot projects to illustrate the technique and impact of mini wetlands and be limited in scope and size, will normally only relate to the farmland of one farm, and will not entail land redistribution among farmers nor registration in the land registry of declarations concerning the permanent conversion of farmland into wetland.

Mini wetlands are designed specifically with the purpose to treat agricultural tile drainage water, without obstructing drainage of the surrounding fields. Mini wetlands offer a potentially cost-effective and targeted solution for intercepting tile drainage flow to reduce nutrient losses before they reach receiving water bodies, without obstructing drainage of surrounding fields.

### *State Projects*

In addition to the above projects, the Nature Agency may also act as project leader. To this aim, the Nature Agency will identify a prioritized list of cost efficient projects to supplement the municipal projects in accordance with the national plan for implementation of the Water Framework Directive. The EG then receives applications for support from the local branches of the Nature Agency on each project identified on the list. Projects that are not on the approved list are not eligible for support. The EG assesses the projects calculated P- and N effects and the cost levels proposed on basis of the common evaluation methods and prioritizes the projects accordingly in line with the support criteria given below. Also the EG will assess budget elements against the standard cost levels on different budget elements. The EG gives a recommendation for support or rejection to the Managing Authority. The Managing Authority considers the recommendation, performs a legality check and enters the support commitments with the Nature Agency.

### **Description of the areas and public amenity or other high nature values to be enhanced**

Support is granted to investments in projects concerning farmland converted to wetland area within designated agricultural areas, farmland adjacent to streams in designated river valleys or in designated Natura 2000 areas. All areas eligible for support have been designated according to national WFD- or Natura 2000 plans and on top of the national plans more detailed municipality action plans established pursuant to the Water Framework Directive or the Natura 2000 directives.

By establishing wetlands or changing the hydrological conditions on agricultural land Nitrogen and Phosphorus will be retained from the aquatic environment through naturally occurring physical and chemical processes. Also the natural conditions will be improved to the benefit of habitats and species to which Denmark according to the Habitats Directive in short term is obliged to avoid further deterioration and in long term to secure favourable conservation status. This will also happen as a result of an increase in the area of valuable wetland habitats and in the enhancement of biological quality of designated Natura 2000 sites.

### **Definition of operations to be supported**

Support is given for non-productive investments, which are necessary to implement the projects.

### *Eligible expenditures*

Eligible expenditures must be directly related to projecting or execution of projects and include:

- Goods and services supplied by third parties, including lease of equipment;

- Consultants' fees;
- Preliminary surveys and analyses necessary for implementation of the project, including analysis of hydrological, chemical, and biological effects of the projects; inquiries in connection to suddenly arising problems, for example archaeological investigations.
- Necessary building materials for fencing, etc.
- Indirect expenses related to the project, for example use of the beneficiary's own machinery. Such expenses must be calculated on the basis of local machine station pay rates and calculations must be approved by the Danish Food Industry Agency (FIA).
- Salaries of personnel involved in the projection or execution of the project, including wages for relevant project labour by the beneficiary, in so far as public authorities do not normally finance these expenditures;
- Fees for implementation and registrations of approved land consolidation agreements, expenses for land register certificates and official announcement of land distribution;
- Attestation of realization of expenses, report on project results
- Other similar expenses of importance to the implementation of the project

#### *Support criteria*

##### *Establishment of wetlands*

For establishment of a wetlands support is subject to the following conditions:

- The project area must be situated within designated areas according to the national plans for implementing the Water Framework Directive and Natura 2000 directives and the ensuing municipality action plans
- Minimum reduction of 100 kg N/ha through the de-nitrification process and the ban on use of fertilizers (as a general rule)
- Reduction of phosphorus (as a general rule)
- Positive effect on the wild fauna and flora (as a general rule)
- Implemented through the establishment of natural hydrological processes (as a general rule)
- The project must not result in net ochre leaching.

For establishment of a mini wetlands support is subject to the following conditions:

- Recommendations given by experts regarding the optimal place for the wetlands should be followed when establishing the wetlands.
- Access should be given to the area in question, so that it would be possible to monitor the project for a periode starting in the year of establishment and the 2 following years.
- Reduction of leaching of phosphorus or nitrate.
- Investments in mini-wetlands are only eligible for support if the investments go beyond mandatory investments required by law and do not replace any other mandatory requirements.



- The area used to establish a mini-wetland, will not be subject to support under measure 214. The option of state purchase of the area supported under measure 216 will not apply to the mini-wetlands.

Projects will be prioritized on the extent of fulfilment of these requirements compared with project expenses. If a project has special qualities, it may be allowed not to meet all of the conditions, but it must not lead to negative effects related to these conditions. It is however a mandatory condition that the project should lead to a reduction in leaching of nitrate from agriculture into the aquatic environment.

A long-term change in land use will be involved. The desired environmental effects of the de-nitrification process require a long-term change of the conditions. Therefore it is necessary to enter long-term or permanent legal commitments with the farmers and land owners on management conditions in the project area (see measure sheet 214e Management of wetlands).

The land must be established and maintained as pasture or natural areas and must not be converted. Existing Woodland in the project area can be maintained as woodland, but such areas may not be included in the area eligible for payment of area support. The long-term continuation of the management changes in the wet land area shall be ensured through the registration in the land registry of declarations concerning the future potential uses of the project areas, restrictions and checks on the land.

*Projects concerning periodical (temporary and reoccurring) flooding of farmland (including wetlands for Phosphorus retention)*

Support is subject to the following conditions:

- The project area must be situated within designated areas according to national and local water plans for implementing the Water Framework Directive
- The periodical flooding must result in reduced leaching of Phosphorus per ha farmland
- Support is cost efficient compared to P effect
- The area designation must not conflict with other EU-objectives, especially the N2000 directives.

Projects will be prioritized on the extent of fulfilment of these requirements compared with project expenses.

*Nature conservation projects, conversion of farmland into permanent grass and restoration of natural hydrological conditions in N2000 areas*

Support is subject to the following conditions:

- The land must be converted to and maintained as pasture or natural areas
- The project area is situated in in areas designated pursuant to the national Natura 2000 plans.

Projects will be prioritized on the extent of fulfilment of these requirements compared with project expenses.

### *Beneficiaries*

Any private or public legal person, landowner or tenant can be a beneficiary of support.

### *Administration*

The support scheme will be offered by the AgriFish Agency. On-the spot control of support commitments shall be implemented by the AgriFish Agency.

The municipalities have authority to the administration of the Danish watercourses. Therefore the municipalities will appoint the river stretches to be covered by actions on modified watercourse maintenance and periodic flooding. The municipalities will also be project managers and perform administrative project.

### **Description of the link to commitments provided for in article 36(a) (iv) of Regulation 1698/2005 or other agri-environmental objectives**

The payment of support may be combined with the following types of support (see separate measure sheets):

- Area payments for management of wetlands
- Conservation by grazing or cutting on pasture and natural areas (only if the area is not covered with a similar obligation under the measure Management of wetlands)
- Establishment of mandatory cultivation free border strips (only if the area is not covered with a similar obligation under the measure Management of wetlands)
- Extensive production on agricultural land (only if the area is not covered with a similar obligation under the measure Management of wetlands)
- Conversion to organic agricultural production
- Non-productive investments in connection with protection of environment, nature and animal welfare
- Establishment of landscape and biotope-improving vegetation, including shelter plants
- Island support
- State acquisition of land in the project area

When the actual payments are made to the beneficiary it will be secured that total payments will not exceed the maximum level regarding co-financing mentioned in annex I of Council Regulation 1698/2006. It is case-by-case ensured that double compensation is avoided.

As part of the administrative control it is ensured that there is no overlap between activities of other agri-environment measures and the activities in the projects with support under this measure. An illustration of the geographical area demarcation of the areas in projects eligible for investment support under this measure is given in chapter 5.2.2.

### **Financing**

The contribution from the Community is calculated on the basis of public expenditures.

2007-2013:

Total cost: 34,2 million Euro

Public expenditure: 30,5 million Euro

The total amount of public expenditure for 2010-13 is expected to be co-financed by the modulated means after the Health Check with a co-financing rate of 75 pct from the EAFRD.

**Transition arrangements**

None

**Quantified targets for EU common indicators**

Under the Green Growth Agreement 10,000 ha of wetland areas will be established by 2015. The aim is to reduce N-leaching from agricultural land by a total of 1,130 tonnes N. The wetland areas will also result in a small reduction in P-leaching as well as pesticides being used less.

For periodical flooding of areas near water courses in river valleys, areas will often be more waterlogged and periodically flooded, particularly in the winter months. A yearly flooding period of approximately two months is expected during winter high tides. It is estimated that the effect of the higher ground water level and the temporary flooding will affect approximately 30,000 hectares of farmland. It is also estimated that periodical flooding will lead to the removal of a total of 11 tonnes of phosphorus in land areas located adjacent to and upstream lakes. P-removal downstream lakes will be less significant. As regards removal of nitrogen, periodical flooding has a low but positive impact. Further description of this activity may be found in chapter 5.3.5.5. Wetlands for reduced N leaching and P retention.

Periodically flooding of a further 3,000 ha of river valleys is expected to be established in the upper part of the watercourse system by 2015, which could lead to reduction of another 30 tonnes P. The river valley projects will also have an impact in connection with N as well as reduced use of pesticides. Further description of this activity may be found in chapter 5.3.5.3. Periodically flooding.

Furthermore, the Green Growth agreement encompasses restoration of hydrological conditions on 16,000 hectares farmland in Natura 2000 areas and conversion of another 1,500 hectares in rotation to permanent grassland with an additional N effect.

The above activities will all have additional beneficial impacts on biodiversity, climate in the form of CO2-binding and outdoor and leisure life.

<b>Type of indicator</b>	<b>Indicator</b>	<b>Target 2007-2013</b>
Output	Number of farm holdings and holdings of other land managers receiving support	1,100
	Total volume of investment	34,2 million euro
Result	Areas of successful land management	<ul style="list-style-type: none"> <li>- 2,000 ha wetland,</li> <li>- flooding of 12,000 ha farmland adjacent to streams</li> </ul>

		and additional 2,000 ha adjacent to streams in upper parts of river systems – restoration of natural hydrological conditions and conversion of 11,000 ha farmland into grassland in N2000
Impact	Changes in gross nutrient balance	Reduction of leaching of nitrogen to the water environment with 862 tonnes N
	Reduction in phosphorus surplus in agriculture	Reduction of leaching of phosphorus to the water environment with 15 tonnes P
	Reversal in biodiversity decline (farmland bird species population)	Maintain index level for breeding bird population (IRENA population index for 18 breeds of birds on agricultural land: 106.1 in 2001. Common objective)
	Change in high nature value areas	Maintain area (78,000 ha in 2000, common objective)
	Increase in production of renewable energy	None

#### **Additional programme-specific indicators and quantified targets**

None.

#### **5.2.2.9b Non-productive investments in connection with protection of environment, nature and animal welfare (code 216c)**

State acquisition of land, part of the national measures for

- establishment and management of wetlands (WFD implementation)
- periodically flooding of agricultural areas adjacent to streams through reduced maintenance of stream edges (WFD implementation)
- nature conservation projects (implementation of the N2000 directives)
- environmental conservation (protection of peatland habitats)
- restoration of natural hydrological conditions and conversion of farmland to permanent grassland in Natura 2000 areas (implementation of the N2000 directives)

Further information on these integrated measures is found in chapter 5.3.

#### **Article (and paragraph) which covers the measure**

Articles 36 (a) (vi), 41 and 71 of Council Regulation (EC) No 1698/2005 amended by Regulations (EC) No 74/2009 and 473/2009.

Article 29 and point 5.3.2.1.6 of Annex II of Commission Regulation (EC) No 1974/2006 as amended by Commission Regulation (EC) No 482/2009

### **Rationale for intervention**

The Danish Parliament in 2009 launched a new Green Growth plan for Danish agriculture, nature and the environment that comprises plans for new additional actions for establishment of wetlands, periodically flooding of agricultural areas adjacent to streams in river valleys and restoration of hydrological conditions and conversion of farmland in rotation to permanent grassland in Natura 2000 areas with the target year of 2015. The two first mentioned activities may contribute to implementing the EU Water Framework Directive. The last activity will contribute to implementing the Natura 2000 directives.

In order to establish, restore or enhance wetlands, rural landscapes and nature areas, it may in some cases prove necessary for the State to acquire part of the land which shall be used for such purposes.

The situation occurs when a farmer who owns land necessary for the success of a project does not want to keep this land after implementation of the project and expropriation of the land by the public authorities isn't a feasible solution. The State may purchase and resell land to compensate landowners for the loss in farmland value.

By establishing wetlands and other landscape elements on agricultural land Nitrogen and Phosphorous will be retained from the aquatic environment through extensification of agriculture and through naturally occurring physical and chemical and bio-chemical processes. In addition this will lead to reduced use of pesticides, increase the total area of valuable wetland habitats and prove beneficial through decreased outlet of climate gasses from agriculture.

### **Objectives of the measure**

State acquisition of land will be used in connection with projects with the objective to protect and improve the aquatic environment in the area concerned and to reduce the use of plant protection products. Other relevant projects could be the promotion of wildlife and fauna living conditions, preservation of natural habitats that are threatened in the intensively cultivated agricultural landscape and conservation of organic soils vulnerable to tillage farm practices, which can result in reduced carbon sequestration with negative effects on green house gas emissions. The intention is to differentiate the compensation for the establishment of multifunctional wetlands and traditional biotopes depending on the size and type of farmland that is being converted to extensive farming.

### **Scope and actions**

The acquisition of land by the state can be a necessary prerequisite to implement a given project concerning establishment or reestablishment of wetlands, and conservation or restoration of nature areas and to secure the permanent changes in farming conditions. When new conditions are established, the farmer permanently loses an opportunity for the agricultural earnings from intensive farming on the area.

State acquisition of land may prove necessary in such projects but will only be used as a last resort and if essential to carry out projects to promote environmental or nature conservation considerations.

The permanent changes will consist of;

- Acceptance of the wetland, conversion to grassland and/or reestablishment of natural hydrological conditions on the farmland
- Restrictions in use of areas depending on the change in drainage and water levels. Areas reoccurringly but temporarily covered by water or where natural hydrological conditions area restored may still be grazed, cut or used as set-aside.
- Commitment to not add plant protection products or fertilizers to the land other than the manure left by grazing animals.

The new management conditions must be registered in the land registry in the form of declarations concerning the future potential uses of the project areas, restrictions and checks on the land. The declaration will contain commitments on:

- drainage conditions
- future use of the land, maximum grazing pressure, animal species and timing,
- timing of other conservation activities depending on the type of grass land area and occurrence of any special habitat conditions.
- no use of plant protection products or fertilizers other than manure left by grazing animals
- no supplement feeding on the areas
- no soil improvement agents

The land is bought by the State with the unambiguous intention to sell the land as soon as possible to a private individual, fund or other private legal person at the market prices (which will be lower after the project has been implemented). However in some cases the land may not be readily sold for a reasonable price and with the necessary conditions for nature conservation, public access etc. In this case, the land may be transferred to a State owned land fund for nature protection for an undefined period of time. In this case the State will keep accounts of the support received for the purchase of the land for 5 years after the expiry of the programme period. The land will be sold by State with legal commitments to ensure the permanent change in land use. The land is not acquired by State under compulsory powers but is sold voluntarily.

Payment of support under this measure may be combined with support for non-productive investments associated with the establishment of wetland under the measure Establishment of wetland and the submeasure on protection of peatlands (see measure sheet 216a) pursuant to Articles 36 (a) (vi) and 41 of Council Regulation (EC) No 1698/2005.

However the area payment for the management of wetland pursuant to Articles 36 (a) (iv) and 39 of Council Regulation (EC) No 1698/2005 may not be combined with state purchase of the area.

### **Description of the type of operations covered**

The State acquisition of land area requires a specific project to establish a wetland area or to promote environmental considerations or nature conservation on a specific project area. The need for the State acquisition of land may arise for the land in a wetland project which becomes so wet that sufficient compensation cannot be given under other schemes.

After completion of the project, the State may sell the purchased land to other public sector authorities, private individuals, funds, etc. In this case, the operation of purchase-resell will respect the following conditions:

- the environmental purpose and benefit of the investment will remain the same after the resell;
- the price of purchasing and selling will be established by assessment by skilled evaluators from State institutions.
- the co-financing will only relate to the difference between the costs of the purchase and the lower price paid by the land managers if the State envisages to sell;
- the procedure related to the selling operation shall be opened to all interested parties and
- the conditions attached to the land resold will not be supported by another scheme. The purchase of the area may be supported either under article 41 or under article 57 of Regulation (EC) n° 1698/2005 depending on the possibility to maintain an agricultural activity on the land after the conversion into wetland. According to Article 71 (c) of Regulation (EC) n° 1698/2005, the cost for the purchase of land may represent a percentage higher than 10 % of all the eligible expenditure on the operation concerned in exceptional and duly justified cases for operations concerning environmental conservation. If duly justified, this percentage could go up to 100 %. Before starting such an operation, the competent Authority should assess that the participation rate of land owners is high enough to ensure the achievement of the environmental objective in the area concerned.
- The procedure related to the selling operation shall be opened to all interested parties.
- The original land owner may be provided with a repurchase clause to reacquire the land at the resell operation. The conditions laid down by the Commission Communication 97/C 209/03 on State aid elements in sales of land and buildings by public authorities shall be observed in connection with the reselling operation.
- Where the original owner enjoys the advantage of a repurchase clause, no bid shall be accepted which is below the price established by an independent asset valuer.

In the event of such a sale, the continuation of wetland status for the wetland area or project area will be ensured through registration in the land registry of a declaration concerning the area, which among other things covers the management conditions imposed.

#### *Support criteria*

The purchase by State of land takes exclusively place to create or enhance wetlands, water quality, nature conservation and restore biodiversity in rural landscapes or establish possibilities for recreational use of nature and landscape, which are supported under the existing measures for establishment of wetlands and conservation or establishment of nature. The Danish state purchases the agricultural land from private landowners, private companies or private organisations.

The two State institutions that will purchase are the Ministry of Agriculture, Food and Fisheries (Danish Food Industry Agency (FIA)) and the Ministry of Environment (Danish Forest and Nature Agency).

The land may not be purchased above market prices. The land is not acquired by State under compulsory powers but is sold voluntarily.

Land owners must prior to State purchase be given the alternative opportunity to receive area based compensation under the agri-environment measures pursuant to Articles 36 (a) (iv) and 39 of Council Regulation (EC) No 1698/2005. As an exemption, this does not apply to environmental conservation projects on protection of peatland habitats (216a), where State purchase may be offered as the standard support instrument.

In general the permanent changes will still render possible extensive farming under certain conditions. In these cases the land will be sold to farmers. For some of the land the changes will result in the land being converted to nature or to a large degree covered with water. Interest for purchase of these areas may be found among farmers but also among landowners or private organisations that will upkeep the new natural state of the area.

Farmers will be able to receive CAP single payment pursuant to Regulation (EC) No 73/2009, even after the conversion of agricultural land to wetland or to semi-natural area.

The land is bought by the State with the intention to sell the land as soon as possible to a private individual, fund or other private legal person at the market prices (which will be lower after the project has been implemented).

The correct market price is assessed by skilled evaluators from the mentioned State institutions. The Danish Forest and Nature Agency adheres to an evaluation of the land price made by the Danish State tax administration (SKAT) or by the Danish Food Industry Agency on the basis of market evaluations and statistics. The market value is assessed on basis of a number of factors including level and trend in local recent sale prices, soil content and quality, historical yields, alternative costs for substitute land to the farmer and current land lease costs. Similarly, the land will be re-sold at market prices.

The procedure for the selling of the land shall be open to all interested parties. The Danish State tax administration may be consulted in order to assess and establish a minimum price for the land before it is re-sold.

The long-term continuation of the management changes must be ensured through registration in the land registry of declarations concerning the future potential uses of the project areas, restrictions and checks on the land.

In order to ensure successful implementation the state purchase may include whole real estate, i.e. buildings already constructed and the agricultural land on which they are built. In the period of state ownership, buildings shall be used in conformity with the objectives of the operation. Before purchase of buildings it is checked that buildings have not received within the previous five years a national or Community grant which would give rise to a duplication of aid from the EAFRD.



The co-financing rate from EAFRD is 55 percent (for projects financed with modulated EAFRD from the Health Check the percent is 75) of the expenditures for the acquisition of land.

#### *Beneficiaries*

The Danish State is the beneficiary of EAFRD support for the acquisition of agricultural land at market prices from private landowners..

#### *Administration*

The support scheme will be offered by the FIA.

### **Link to commitments provided for in article 36(a) (iv) of Regulation 1698/2005 or other agri-environmental objectives**

The payment of support may be combined with the following agri-environmental measures in the program to the extent these commitments are not part of the permanent requirements imposed on the land and the commitments are otherwise compatible;

- Non-productive investments associated with implementing the projects and in connection with protection of environment, nature and animal welfare
- Conservation by grazing or cutting on pasture and natural areas
- Conversion to organic agricultural production
- Island support

As part of the administrative control it is case-by-case ensured that double compensation is avoided. The check is performed on the basis of unambiguous area identification that does not allow for overlap between the various measures. Especially, a case-by-case assessment will be made of the combined support under this measure and measure 214c for conversion to organic agricultural production in order to ensure overall coherence and consistency and avoid double compensation.

In particular rules are established to prevent overlap between support for establishment of wetlands, periodically flooding of farmland in river valleys through reduced maintenance of streams, mandatory cultivation free border zones to streams and lakes and reestablishment of natural hydrologic conditions and conversion of farmland to permanent grass in Natura 2000 areas.

The payment can be combined with the single payment aid granted under Regulation (EC) No 73/2009 if it qualifies for this.

The purchase of the project area may be supported either under article 41 or under article 57 of Regulation (EC) n°1698/2005 depending on the possibility to maintain an agricultural activity on the land after the conversion of the land. If the project area may be used for extensive agriculture after completion of the project, as will be most often the case, support for the purchase may be supported under article 41 and the current measure 216c. If conversion of the project area leads to a loss of the possibility to maintain agricultural activity, the purchase of the land may be supported under article 57 (see measure sheet 323a).

Before implementing projects under this measure, skilled planners will assess the expected degree of cover with water or biotopes not farmable on the project area as a result of the

project. The end-state of the project area may not be estimated with 100 pct certainty beforehand. The precautionary principle will be used for assessing, which part of the project area will be qualified for continued agricultural activity after project completion. If the project planner or the Managing Authority assess that the project area may not be used for agricultural activity after project completion, the State will apply for co-financing pursuant to article 57.

### **Demarcation with other EU financial instruments**

No need for demarcation lines, as this kind of support is offered by the RDP only.

### **Financing**

The contribution from the Community is calculated on the basis of public expenditures.

2007-2013:

Total cost: 28,0 MEURO

Public expenditure: 28,0 MEURO

### **Transition arrangements**

This measure is similar to activity co-financed under the Rural Development Programme 2000-2006 pursuant to Council Regulation (EC) No 1257/1999. However, no payments made on old contracts from the previous measure shall be declared under the Rural Development Programme 2007-13.

### **Quantified targets for EU common indicators**

State acquisition will only offered for the specific types of operations mentioned in this sheet and will only cover up to app. 2 % of the Danish UAA. The operations are all implemented in order to pursue the priorities set out in article 16a of Regulation (EC) No 1698/2005, especially the priorities on water management and biodiversity.

According to the Green Growth agreement a total of 10.000 ha wetlands should be established through voluntary measures by the year 2015. The target is a total reduction in leaching of Nitrate from farm land of 1.130 tonnes N. The wetlands will also contribute to a reduction in leaching of Phosphor to the aquatic environment and reduced use of pesticides.

For the periodical flooding of farmland adjacent to streams and lakes in river valleys, the physical result will be that the areas will be more water logged and periodically covered with water, especially in the winter months. A yearly period of flooding of ca. 2 months is expected in the winter season. It is estimated that the effect of the higher ground water level and temporary flooding will influence approximately 30.000 hectares of farmland and that the flooding will result in reduced leaching of 11 tons of Phosphor from areas that are placed up stream lakes. It is estimated that the reduction down stream lakes will be less significant. The effect on reduced Nitrate leaching will be positive but less significant and no target is set for this.

An additional target is set for establishment periodical flooding of 3.000 ha of farm land in river valleys in the upper parts of the river streams by the year 2015. These areas should result in an additional reduction in leaching of 30 tonnes of P. These projects will also have a

positive effect on leaching of N and lead to reduced use of pesticides. For the activities for restoration of natural hydrological conditions on farmland and conversion of farmland into grassland in Natura 2000 areas a target is set of 17.800 ha in 2015.

Total area that may qualify for the buy-sell operation may amount to:

- 6.000 ha wetland,
- Periodical flooding of 12.000 ha farmland adjacent to streams and additional 2.000 ha adjacent to streams in upper parts of river systems
- Restoration of natural hydrological conditions and conversion of 12.000 ha farmland into grassland in N2000

Additional positive effects are expected for outdoor and leisure activities and reduced climatic emissions (CO2 binding due to conversion of farmland to permanent grass or pasture). These effects are not quantified.

<b>Type of indicator</b>	<b>Indicator</b>	<b>Target 2010-2013</b>
Output	Number of rural heritage actions supported	150
	Total volume of investments	28,0 MEURO
Result	Population in rural areas benefiting from improved services	Public amenity value in the areas shall be enhanced to the benefit of entire population
Impact	Net additional value expressed in PPS	None
	Net additional full time equivalent jobs created	None
	Reduction in nitrogen surplus in agriculture (Change in gross nutrient balance per ha UAA)	Reduction of leaching of nitrogen to the water environment with 862 tonnes N
	Reduction in phosphorus surplus in agriculture (gross phosphorus balance per ha UAA)	Reduction of leaching of phosphor to the water environment with 15 tonnes P
	Reversing Biodiversity decline Change in trend measured by population index for 18 farmland bird species	Maintain index

No indicators exist for 2007-2009 as the measure is introduced in 2010.

#### **Additional programme-specific indicators and quantified targets**

None

### 5.2.2.10 First afforestation of agricultural land (Code 221a)

#### Legal basis

Art. 36 (b)(i) and 43 of Council Regulation (EC) No 1698/2005, art. 30 and 31 and point 5.3.2.2.1 of Annex II of Regulation (EC) 1974/2006

State aid approval N 295/2009 and state aid approval SA. 35189 (2012/N).

State aid SA. 6994 (2012/N)

#### Rationale for the measure:

Forests have many environment-protecting functions. Forests help to protect groundwater and water quality in lakes and watercourses. This is because the use of pesticides and fertilizers and the intensity of working the land are low in forestry. Forests also counteract climate change through the uptake of CO<sup>2</sup> and are already contributing through the production of renewables in the form of wood as a sustainable energy source to replace 200,000 tonnes of oil. The afforestation of agricultural land can reduce losses of N and P to the aquatic environment and contribute to the accumulation of CO<sup>2</sup>.

Fundamentally, it is important to conserve and support the development of the forests' natural ecological structures and functions, including locality-adapted/adaptable, especially indigenous, species, habitats for flora and fauna and the ecological and genetic processes that take place in the forest. Rich biological diversity will help to improve the ability of forests to withstand natural and anthropogenic stresses (e.g. climate stresses).

In terms of afforestation, Denmark's 2002 National Forest Programme includes the aim of doubling the forested area over a period of 80-100 years. The Aquatic Environment Plan III assumes that afforestation will occur over an area of 22,800 ha during the period 2005-2015, equivalent to 2,100 ha of new forest per year.

#### Objectives of the measure

The afforestation scheme under the Rural Development Programme is foreseen to support the establishment of 1400 ha forest annually.

As part of regional planning, a nationwide plan has been prepared and areas for afforestation have been designated. This work involved the designation of areas, where afforestation is desirable, areas where afforestation is possible and areas where afforestation is undesirable. The designation is based on an assessment of the different interests that are linked to the various areas, including, for example, interests concerning the protection of drinking water, raw material resources, agricultural interests, ecological corridors in the landscape or other environmental interests. Maps showing the designated areas are found in annexes to the municipalities' planning documents. They can be found at

<http://www.naturstyrelsen.dk/Udgivelser/Aarstal/1999/Planlaegning.htm>

The planning for afforestation started in 1993 and has since been revised every 4 years, according to the planning procedure. Before the revision in 2001 a guideline for planning afforestation areas was issued. The full text may be found at

<http://www.skovognatur.dk/Udgivelser/Tidligere/1999/Planlaegning.htm>.

The planning process is legally based on § 11a of the Planning Act LBK nr 937 dated 24/09/2009.. The Act may be found at <https://www.retsinformation.dk/forms/r0710.aspx?id=127131> .

The measure will add to the extension of the forest area giving carbon accumulation and the guideline for designating afforestation areas emphasises in particular the protection of the drinking water by afforestation.

### **Scope and actions**

Grants for afforestation of agricultural land are being co-financed under the EARFD programme in accordance with Council Regulation (EC) No 1698/2005.

New forest may not be established in areas which are protected under the Danish Nature Conservation Act, areas which are designated for other purposes in the regional planning or areas where afforestation is incompatible with the Natura 2000 designation.

The forestry measures are offered by the Danish Forest and Nature Agency in annual application rounds. The daily administration is handled by six regional centres. Incoming applications will be prioritized according to fixed prioritization parameters if the funding that is applied for exceeds the funding that is available. The prioritising system is build as a scoring system giving points for instance for the size, indigenous tree species, care for the groundwater, care for hidden ancient monuments and care for the recreational value to the public. The prioritisation parameters are determined in the guidelines and, as regards afforestation, could include requirements concerning the protection of special drinking water interests.

Specific nature and environment quality targets must be set by no later than 2009 in Denmark for protecting designated wetland and Natura 2000 sites under the EU Water Framework Directive and Natura 2000 directives. Objectives and frameworks must be established, and the objectives must be implemented in a differentiated manner for the individual sites. Efforts under this support scheme must be organised so that they can contribute to the implementation of the targets where they have been set.

Private owners of agricultural land may apply for grants to establish forests. Grants are given for establishing privately owned forests on agricultural land. on basis of standard costs per hectare. Supplements are given for fencing in order to keep wild animals out from the new forest, as they may damage the new forest badly by eating the small plants. Other supplements is offered for locality (soil) mapping and for the preparation of site maps. Private owners may also apply for grants for maintenance. The maintenance shall comply with special environmental conditions of not using pesticides and / or environmental soil preparation.

Grants for establishment are paid out in two instalments. The first one is paid when the forest has been established and the second one when the required number of trees have reached a height of 1 m. Grants for maintenance are paid in yearly payments in year 1, 2 and 3.

Areas on which forests are established with a grant will be subject to an obligation to replace any felled trees, thus ensuring that the forest is permanent. This is a basic requirement for reserved forest according to the Danish Forest Act.

Requirements are imposed for the new forest with regard to size, approved tree species, forest edges and numbers of plants. Grants are not given for Christmas trees or ornamental greenery or monocultures.

The size of the new forest shall normally be more than 5 ha. In special situations, for instance when a new forest is established adjoining an old forest, the new forest shall be at least 2 ha and the total of the new and the old forest shall be at least 5 ha.

Big projects, which comply with one of the following conditions a to d, may be offered the same support as those lying in designated afforestation areas.

- a) Afforestation projects in areas designated as Nitrate-sensitive area or as special drinking water areas. The project shall be at least 10 ha.
- b) Afforestation projects in national parks, provided afforestation are compatible with the objective of the national park. The project shall be at least 10 ha.
- c) Afforestation projects with a size of at least 15 ha

Afforestation projects with a size of at least 10 ha. There shall be public access to the forest like in public forests.

In general trees and bushes that are suitable for the site concerned must be used in connection with all plantations. Lists have been prepared in the guidelines of plant species and origins, which have been approved for the purpose. The list is prepared in dialog with the experts in the plant production centre for the Danish State Forestry at The Danish Nature Agency, Nordsjælland. A guide for choosing the right species can be found at [www.plantevalg.dk](http://www.plantevalg.dk)

Priority is given to projects established with indigenous species, because these species gives a higher biological value, gives a better resistance against wind and are able to regenerate themselves. The main species in the projects are the indigenous species. The main indigenous species are: Oak, beech, ash, great maple, lime, birch, alder and Scotch pine. These species cover more than 90% of the new forest area established in the period 2000-2006 and the new forests in 2007-13 are expected to be alike. Non-indigenous species are Norway spruce, sitka spruce, Oregon pine and larch. Monoculture is not allowed.

Forest edges shall be established as a part of the new forest along its borders. They shall consist of broadleaved trees and bushes and they shall have a width of 20 m towards West and South and 10 m towards North and East.

The min. number of living plants when they are 1 m high shall be:

Broadleaved	Conifer	Extensive afforestation
3500 / ha	2800 / ha	2000 /ha

Extensive afforestation means afforestation with a low number of trees just enough to create a forest with its environmental benefits, but not enough to create a forest with an optimal economic potential.

Grants are not given for Christmas trees, ornamental greenery or for monocultures of spruce. Areas on which forests are established with a grant will be “reserved forest area”, which is a legal obligation to regenerate the forest after harvest, thus ensuring permanent forest.

No compensation for loss of income (Article 43, 1 c) will be paid under this measure. Applicants may if possible utilise set-aside rights for the area in accordance with the single farm payments scheme pursuant to Council Regulation (EC) No 73/2009. Under the rural development programme 2000-2006 income compensation were given for sites in afforestation areas.

The Ministry of Environment will administrate the measure and will ascertain that no adverse effects on habitat or biodiversity will occur as a consequence of the project.

For afforestation the Danish authorities will follow the cross compliance requirements in art. 51,1 of Regulation 1698/2005. Furthermore the afforestation scheme will be controlled as an investment aid.

### **Definition of agricultural land**

Afforestation must be carried out on agricultural areas which have previously been farmed. Agricultural land is defined as land which has been in regular use for commercial farming, including during the most recent cultivation season prior to the date of application. Areas with permanent pasture and areas which have been set aside or taken out of production under one of the EU's support schemes can be included.

### **Definition of farmer**

A person who owns or lease agricultural land as defined above. A farmer is a person who owns or lease agricultural land as defined above, who farmed the land prior to planting and who earned more than 25 % of his gross income from farming. The definition was used for commitments under the Rural Development Programme 2000-2006 concerning income compensation, the payment of which shall also be funded under the current programme. For new commitments there is no need for the definition as income compensation to farmers will not be granted.

### **Beneficiaries**

Private owners of agricultural land designated for afforestation or land designated as possible for afforestation.. No public institutions may be beneficiaries.

### **Calculation of establishment and maintenance cost.**

The maximum amount of fixed payments has been calculated in relation to standard costs for establishment and maintenance. These standard costs have been determined on the basis of real material and work costs. Furthermore, the Danish authorities will control that there is no overcompensation in individual cases.

The rates for flat-rate grants are determined on the basis of the “Forest Economic Tables” and after consultation with the Danish Forest Council, which has been established in accordance with the Danish Forest Act. The Danish Centre for Forest, Landscape and Planning at the University of Copenhagen has carried out an analysis of the support rates for afforestation, and has compiled an expert report on the subject (see Annex 6a and 6b).

The analysis is based on available statistical material. The value of forestry products is taken from the price statistics continually issued by the Danish Forest Association, while the costs associated with investing in forestry are based on the set of “Forest Economic Tables” from 2000, which contains standard models for afforestation and other forestry measures in Denmark. There are also references to current research reports on pricing for leasing land for hunting or to studies investigating the need for compensation in connection with protecting natural assets. The report concludes that the rates used for afforestation lie within 60% of the variable costs. A new supplementary report has been launched by January 2011 concerning the Østerild replacement afforestation.

As mentioned before, there will be no compensation for income foregone.

#### **Evidence as referred to in art. 48(2)**

The expert analysis of the support rates was carried out by Bo Jellesmark Thorsen, who is professor of Applied Economics at Danish Centre for Forest, Landscape and Planning, University of Copenhagen. This organization is independent of the Forest- and Nature Agency running the support scheme.

#### **Aid intensity for establishment support and maintenance costs.**

The level of support rates is equivalent to the level of support rates for the same type of obligations under the 2000-2006 rural development programme. Income compensation is no longer offered to farmers for loss of income from agricultural production on land planted for forest purposes.

The target for support intensity is a maximum of 70% for establishment of forest and 100% for maintenance.

#### *Support rates*

The support rate for investment is higher for projects in designated afforestation areas and for the big projects. Although these grants are higher they still not exceed the 70 % limit for covering the actual establishment cost. The following support rates are used for grants in the different categories.

	Designated afforestation area and big projects . €/ha			Area, where afforestation is possible, (neutral area), €/ha		
	1. payment	2, payment	Sum	1. payment	2, payment	Sum
Plantation art 43,1 a						
Planting of deciduous forest/forest edges	2146	1207	3353	1744	939	2683
Planting of coniferous forest	1341	805	2146	1073	671	1744
Extensive planting (indigenous species)	1341	805	2146	1073	671	1744
Sowing	1341	805	2146	1073	671	1744
<b>Preparatory studies €</b>						



Locality mapping	134 + 27/ha		
Map/area determination	67 + 7/ha		
<b>Maintenance €/ha</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Pesticide-free maintenance	134	134	134
Environmentally friendly soil preparation	134	134	134
*Combined pesticide free maintenance and environmentally friendly soil preparation	402	402	402
<b>Fencing €/m</b>	2 €/m. To be paid with the first payment		
Additional premium for combination of model a or b with model c or d. for the big projects. €/ha	1. payment	2. payment	Sum
	268	402	670

\* The rate for the combined pesticide free maintenance and environmentally friendly soil preparation is higher than accumulating the two separate maintenance measures. This reflects the extra expenses due to much more mechanical cleaning work in this situation.

The investment aid will be paid after the establishment in 2 instalments. The first instalment will be paid, when the planting has been done. The second instalment will be paid, when the required number of trees are 1 m high. The additional premium for combination of criteria for the big projects will be paid together with the first and second instalment. The maintenance premium will be paid in 3 yearly payments in year 1,2 and 3. The first payments will be in the year following the payment for the 1st instalment of the establishment. The payment will be initiated through the single payment application.

### **Link to National Forest program.**

Denmark's forestry policy is set out in the 2002 National Forest Programme. The official English title of the program is "The Danish national forest programme in an international perspective", indicating that the content of the programme is more like a strategy than like a traditional programme. The Programme has six overall objectives:

<i>Nature and environment</i>	Conversion to more environmentally friendly forestry and conservation of the forests' natural assets, for instance, by ensuring that nature and biological diversity become the main management objective for 10% of the total area of forest by 2040.
<i>Economics</i>	Safeguarding forestry as a sector through the establishment of sustainable basic economic conditions.
<i>Social considerations</i>	Defining and developing forests as a benefit to the population's welfare, where they offer guaranteed opportunities to enjoy the outdoor life and nature.

<i>More forests and natural areas</i>	The area of forest must be increased so that 20-25% of Denmark's area is covered by forest landscapes in the course of one tree generation (80-100 years). This objective is being developed with the aim of improving the nature content and encouraging local participation in the initiative.
<i>Knowledge</i>	Effective accumulation of expertise and the exchange of knowledge in the forestry sector. Access to up-to-date, relevant knowledge as a basis for forest policy through research, education, promotion and information.
<i>International objectives</i>	Promotion of sustainable forestry globally, regionally (Europe, the EU), as well as in Scandinavia and the Baltic region.

The national forest programme has no date of expiring and there is no funds directly attached to the programme. The full program text can be found on <http://www.naturstyrelsen.dk/Naturbeskyttelse/Skov/Miljoet/Politik/Skovprogram/>

The afforestation scheme is in accordance with the Community Forestry Strategy and most objectives of the National Forest program.

In terms of afforestation, Denmark's 2002 National Forest Programme includes the aim of doubling the forested area over a period of 80-100 years, equivalent to 4000 ha a year. The Aquatic Environment Plan III assumes that afforestation will occur over an area of 22,800 ha during the period 2005-2015, equivalent to 2,100 ha of new forest a year. The green growth program from 2009 has the target to support the establishment of 6.900 ha private forest for afforestation in the period 2010 to 2015.

### **Protection plans for forest fires.**

Denmark is situated in an area where there is only a small risk for forest fires.

### **Financing** (not including transition payments)

The contribution from the Community is calculated on the basis of public expenditures.

2007-2009:

Total costs;	2.2 million Euro
Public expenditure	1.5 million Euro
- of which EAFRD;	0.8 million Euro

2010-2011:

Total costs;	7.1 million Euro
Public expenditure	5.3 million Euro
- of which EAFRD;	2.9 million Euro

2012-2013

Total costs; 30,6 million Euro  
 Public expenditure 19,3 million Euro  
 - of which EAFRD; 10,62 million Euro

**Transition arrangements**

This measure is similar to a previous activity co-financed under the Rural Development Programme 2000-2006 pursuant to Council Regulation (EC) No 1257/1999. The following payments on old commitments for private afforestation from the previous measure will be declared under the Rural Development Programme 2007-13.

Total outstanding public costs; 45.3 million Euro  
 Of which EAFRD; 24.9 million Euro

In the program period 2000- 2006 commitments were given to 11,736 ha of new forest. 7,604 ha of these were in designated afforestation areas where commitments also covered compensation for income loss.

**Quantified targets for EU common indicators**

Type of indicator	Indicator	Target 2007-2013
Output	Number of beneficiaries receiving afforestation aid	1,300
	Number of hectares of afforested land	8,100
Result	Areas under successful land management	8,100
Impact	Reversal in biodiversity decline (farmland bird species population)	None
	Change in high nature value areas	At least maintain area (78,000 ha in 2000, common objective).The high nature value area increases by 8,100 ha.
	Changes in gross nutrient balance	This scheme should contribute to reduce leaching of nitrate from farmland with 318 tonnes of N
	Increase in production of renewable energy	Production from agriculture and forest in 2003 was equivalent to 1,125 k tons oil equivalent. The scheme should contribute with an increase of at least 1 %

**Additional programme-specific indicators and quantified targets**

None.

### **5.2.2.10b First afforestation of agricultural land to establish new public forests. (Code 221b)**

#### **Legal basis**

Art. 36 (b)(i) and 43 of Council Regulation (EC) No 1698/2005, art. 30 and 31 and point 5.3.2.2.1 of Annex II of Regulation (EC) 1974/2006

#### **Rationale for the measure:**

Establishment of new forests has many environment-protecting functions.

The afforestation of agricultural land significantly reduces the losses of pesticides to the groundwater and of pesticides and fertilizer-nutrients to streams, lakes and fiords thus improving water quality. This is because the use of pesticides and fertilizers and the intensity of soil preparation are very low or not existing in forestry. Ground water protection has become a major reason to establish new forests in Denmark the last 10-20 years. All drinking water in Denmark is ground water, and until recently it has been clean and ready to use without any purification processes. The use of pesticides in public forests in Denmark was abolished in 1995.

Replacement of intensively used agricultural land with forest will increase the general biodiversity in that area. Also new forest will contribute to the “green network” in the countryside, and new forest will contribute to cleaner water in nearby streams and lakes and thereby increasing biodiversity. It takes long time for a new forest to build up a true forest biodiversity - trees grow slow in Denmark – but forest is the major natural landscape in Denmark if there had been no humans. Thus new forests are a necessity to enhance and protect biodiversity in Denmark.

Furthermore the establishment of new forests counteracts climate change through the uptake of CO<sup>2</sup> and through the production of a renewable energy sources in the form of wood.

New public forests can also have important social effects. In a densely populated country like Denmark the forests, and especially public forests, are very important for recreational use. Access to green areas, eg. urban forests, are important for the health and wellbeing of the people living in the vicinity of the forest.

Denmark’s 2002 National Forest Programme includes the aim of doubling the forested area over a period of 80-100 years. This was first proclaimed by the Danish Parliament in 1989. The National Forest Programme can be read on [http://www.naturstyrelsen.dk/NR/rdonlyres/6BA78078-1188-494B-841E-EF89ECF0C064/13461/dnf\\_eng.pdf](http://www.naturstyrelsen.dk/NR/rdonlyres/6BA78078-1188-494B-841E-EF89ECF0C064/13461/dnf_eng.pdf).

The Aquatic Environment Plan III assumes that afforestation will occur on an area of 22,800 ha during the period 2005-2015, equivalent to 2,100 ha of new forest per year as both private and public afforestation.

More recently the Danish Government in its environmental/agricultural plan “Green Growth” (Grøn Vækst) states a target of 800 ha new public forest established in the period from 2010-2015.

## **Objectives of the measure**

The main objective of the measure is protection of important ground water reserves used for drinking water, general biodiversity improvements and social benefits from new forests.

This programme is related to the existing scheme for afforestation of private agricultural land in Denmark (number 221a and 221b), and uses the same economic key figures.

Afforestation has been part of Danish land use planning for almost 20 years (since 1993). On the basis of Government guidelines from the Ministry of Environment a regional planning is made, where desirable areas for afforestation are designated as well as non-desirable areas for afforestation. Areas not designated to one of these two groups are called neutral-areas, where afforestation is possible. The designation is based on an assessment of the different interests that are linked to the various areas, including, for example, interests concerning the protection of drinking water, the availability of urban forests, agricultural interests, ecological corridors in the landscape or other environmental interests. Maps showing the designated areas of the different kind are found in annexes to the municipalities' planning documents. They can be found at [www.miljoeportal.dk](http://www.miljoeportal.dk)

Before the land use planning revision in 2013 a guideline for planning afforestation areas has recently been issued from the Government to the municipalities. The full text can be found at [http://www.naturstyrelsen.dk/Udgivelser/Aarstal/2011/Oversigt over statslige interesser 2013.htm](http://www.naturstyrelsen.dk/Udgivelser/Aarstal/2011/Oversigt%20over%20statslige%20interesser%2013.htm). The government guideline emphasises especially the use of afforestation to protect ground water and the need for more urban forests.

The planning process is legally based on § 11a of the Planning Act No 813 of 21 June 2007. The Act may be found at <https://www.retsinformation.dk/Forms/R0710.aspx?id=13152>.

## **Scope and actions**

Public expenditures on public afforestation of agricultural land can be co-financed under the EARFD programme in accordance with Council Regulation (EC) No 1698/2005 .

New public forests must not be established in areas which are protected under the Danish Nature Conservation Act, areas which are designated for other purposes in the regional planning or areas where afforestation is incompatible with the Natura 2000 designation.

Public afforestation in Denmark is primarily done by the Danish Nature Agency under the Ministry of Environment, but also other ministries (e.g. The Ministry of Defence) and municipalities do afforestation. The projects are most often implemented by the public body buying privately owned farmland and establishing new forest. The new public forests are often located close to cities and in groundwater catchment areas. During the last ten years public afforestation in Denmark have been approx 250 hectares yearly.

The daily administration and contact for EU will be by the Central Economy Office in the Danish Nature Agency.

The 19 area-units under the Danish Nature Agency (former state forest districts) covering all of Denmark as well as other ministries, municipalities and water works wanting to do public afforestation will do the actual afforestation and apply for grants. The Central Economy Office in the Danish Nature Agency will receive the applications, respond, accept and control the documented cost and disburse the grants.

Incoming applications from other ministries, municipalities and water works will be handled by the Central Economy Office in the same manner as with the area-units. A political approved priority listing will be used in case more applications are received than there are funds.

The Nature Planning and Biodiversity Office in the Danish Nature Agency will check the actual afforestation in the field. The Nature Planning and Biodiversity Office already controls the recipients of the private afforestation schemes in Denmark.

Only water works that fulfil the requirements for being a “public law body“ in accordance with Art 1 (9) of Directive 2004/18/EC can benefit from this measure.

In Denmark all forests owned by the state or municipalities are automatically designated as “reserved forests” according to the Danish Forest Act. This means, there is an obligation to replace any logged public forest, thus ensuring that the newly established public forests will remain forest permanently. Water works receiving grants to establish new forests from this scheme will be obliged to designate these areas as “reserved forests”.

To obtain support from this scheme requirements are imposed for the new forest with regards to size, approved tree species, forest edges and numbers of plants.

In general the size of the new public forest shall be at least 5 ha, to obtain co financing of the public expenditures. In special situations, for instance when a new forest is established adjoining an old forest, the new forest shall be at least 2 ha and the total of the new and the old forest shall be at least 5 ha.

New state forests are most often planned to become 50 to 1.000 ha. Such relatively large forest – by Danish standard – demands buying land from several farmers and successive afforestation on these areas. Sometimes small areas less than 5 ha are bought and stocked as part of the long term plan. Afforestation of these small areas will also be able to obtain grants, if they are part of a long term plan for a new larger public forest which is accepted by the local municipality.

In general suitable tree and bush species must be used in all plantations. National lists have been prepared in the guidelines of plant species and origins, which have been approved for the purpose. The list is prepared by the experts in the Seed Centre for the Danish State Forestry.

All projects must primarily be established with indigenous species, because these species give a higher biological value, give a better resistance against climate variations and are able to regenerate themselves. The main indigenous species are: Oak, beech, ash, great maple, lime, birch, alder, cherry and Scotch pine. Non-indigenous species are most often Norway

spruce, Sitka spruce, Oregon pine and Larch. These can be used on a modest scale in the new forests. Monocultures are not allowed.

Deciduous forest edges shall be established as a part of the new forest along its borders. They shall consist of approved broadleaved tree and bush species, and they shall have a width of at least 20 m towards West and South and 10 m towards North and East.

The min. number of living plants when the plantation has an average height of 1 m high shall be:

Broadleaved	Conifer
3500 / ha	2800 / ha

The goal must be achieved no later than 4 years after receiving the grant. For sowing the goal must be achieved no later than 6 years after receiving the grant. If this goal is not achieved the grant must be paid back partially or totally in accordance with Commission Regulation (EC) No 65/2011.

Support of the public expenditures is not given for establishment of plantations with christmas trees, ornamental greenery, monocultures of conifers or other short term cultivation management systems. To achieve support from this scheme the goal has to be the establishment of forests consisting mainly of indigenous tree species (like beech, oak and ash) managed in a close-to-nature silvicultural system with an intention of natural regeneration of the forest in accordance with the Danish Forest Act.

It's mandatory for public bodies wanting this grant, that they do not use high impact soil preparation methods. Afforestation can be problematic if there is archaeological interests in the soil. High impact soil preparation methods means ploughing to 80-100 cm depth. Hereby important cultural heritage have unintentionally been destroyed in recent decades. This risk is avoided by only using low impact preparation methods like normal agricultural ploughing. The advantage by using high impact preparation is much less weeds in the newly planted forest in the first years, where the small trees are most vulnerable to competition from weeds and browsing from mice and hares, that are more abundantly in weeds than bare land.

The Ministry of Environment e.g. the Danish Nature Agency will administrate the measure and will ascertain that no adverse effects on habitat or biodiversity will occur as a consequence of the project.

The afforestation scheme will be controlled as an investment aid.

### **Definition of agricultural land**

To obtain support of the public expenditures by this scheme the afforestation must be carried out on agricultural areas. The area must not be protected under the Danish Nature Conservation Act, and the area must not be designated for other purposes in the regional planning e.g. "non-afforestation areas". Also afforestation on the area must be compatible with the Natura 2000 designation, if the area is a Natura 2000 site.

Afforestation must be carried out on agricultural areas which have previously been farmed. Agricultural land is defined as land which has been in regular use for commercial farming, including during the most recent cultivation season prior to the date of application.

Areas with permanent pasture and areas which have been set aside or taken out of production under one of the EU's support schemes can also be included. Thus areas that have received EU-grants within an agri-environment friendly scheme, can be afforested if the conversion is of significant benefit to the environment or to animal welfare or both according to Commission Regulation (EC) 1974/2006 article 27 (11). The EU-grant for agri-environment friendly practices is then replaced by the afforestation grant.

### **Beneficiaries**

Government Agencies, municipalities and publicly owned companies (e.g. some water works).

### **Calculation of establishment and maintenance cost.**

The rates for flat-rate grants are determined on the basis of the "Forest Economic Tables" and after consultation with the Danish Forest Council, which has been established in accordance with the Danish Forest Act. The Danish Centre for Forest, Landscape and Planning at the University of Copenhagen has carried out an analysis of the support rates for afforestation, and has compiled an expert report on the subject. The report concludes, that the suggested level of support for afforestation are well within the scale of likely silvicultural costs incurred by the landowner.

The analysis is based on relevant statistical material. The value of forestry products is taken from the price statistics continually issued by the Danish Forest Association, while the costs associated with investing in forestry are based on the set of "Forest Economic Tables" from 2000, which contains standard models for afforestation and other forestry measures in Denmark. The tables are used in connection with official assessments of value of forests in Denmark.

### **Evidence as referred to in art. 48(2)**

The expert analysis was carried out by Bo Jellesmark Thorsen, who is professor of Applied Economics at Copenhagen University. This organization is independent of the Danish Nature Agency running the scheme.

The Analysis is also the basis for the level of support rates for the scheme regarding grants for private afforestation in Denmark (221a and 221b)

### **Aid intensity for establishment support and maintenance costs.**

The target for support intensity is a maximum of 100% for establishment costs of public forest according to Regulation 1698/2005 art 43, litra 2 and 4.

Although many regulations are similar with the scheme for private afforestation (221a and 221b), this scheme for establishment of new public forests is different on a few points. The private scheme has a support intensity of up to 70 %. In this scheme a flat rate is used which enables 100 % support intensity. However in the private scheme grants can also be given for



initial maintenance of the plantation for 1-5 years after establishment. This is not possible under the scheme for public afforestation due to EU regulations.

Also the scheme for public afforestation does not distinguish between designated afforestation areas and neutral areas, almost all public afforestation is done in designated afforestation areas, and it is always done in full agreement with the municipality in order to optimize the society's public benefits and interests of the new public forests.

*Support rates*

The average total cost for the establishment of new forest on agricultural land in Denmark is shown in tabel 1 below. The values are updated and have been assessed by national experts the assessment is enclosed as annex 6b to the program. The figures are used for determining the level of co-financing from EAFRD. The same level of cost is used as reference in the schemes for private afforestation.

Tabel 1. The actual cost of establishing new forest on agricultural land in Denmark (Euro/ha)

<b>Plantation</b> (art 43,1 a)	Planting (incl. fencing)	Low impact soil preparation in the establishment fase	Initial soil survey and map drawing	Total	55 %
Deciduous forest and forest edges	6874	400	70	7344	4039
Coniferous forest	3747	400	70	4217	2319
Sowing	3470	400	70	3940	2167

The government agencies, municipalities and water works wishing to receive this support, must send an application to the Danish Nature Agency (The Central Economy Office), and must not start the afforestation before the Danish Nature Agency has responded and accepted the application and the amount of grant applied for. The application must include a rough description of the project and rough maps showing the area that will be afforested with what tree species. The application must include a calculation of the grant obtainable to the applicant including the size of the area. Water works must also forward documents proving they are a “public law body“ in accordance with Art 1 (9) of Directive 2004/18/EC.

After receiving the accept from the Danish Nature Agency the applicant can start the project. No expenses before that date can be co-financed by this scheme. Soil survey, map drawing and low impact soil preparation can be initiated by the applicant before the accept has been received, but it's on the applicants own risk, and co-financing will not be available from this scheme, if the applicant have to pay for soil survey, map drawing and soil preparation before the project is accepted by the Danish Nature Agency.

The afforestation project must be established no later than 18 months after the date of the accept from the Danish Nature Agency. And no later than a year after the plantation has been established an application for payment of the grant must be send to the Danish Nature Agency.

The application for payment must include an updated and detailed description of the project, date(s) the planting or sowing took place, photos of the plantation and detailed maps showing the plantation as it was actually realized. All expenses regarding the establishment of the plantation must be documented by the applicant by e.g. copies of invoices, pay slips etc.

The detailed maps must show the different stands that have been established - e.g. the dominant tree species - like in typical Danish forest inventory maps. Furthermore a corresponding list showing the size of the stands and approx. how many trees of the different species that have been planted in the stands, must be forwarded.

Any significant diversion from the initial application must be specified. If the payment application is in accordance with the initial application and the rules above The Danish Nature Agency will disburse the grant.

The applicant can not receive a larger grant than initial applied for and accepted by the Danish Nature Agency, e.g. if the area with deciduous trees are increased and the area with conifers reduced, the grant can not be increased. But it is possible to receive a lower grant than initially applied for.

The applicant will receive 55 % of the documented expenses up to a maximum of 7344 Euro/ha for deciduous stands, 4217 Euro/ha for conifers and 3940 Euro/ha for sowing (see Tabel 1). E.g. if the documented expenses are more then 7344 Euro/ha in a project with deciduous stands the grant will still only be 55 % of 7344 Euro/ha.

The Nature Planning and Biodiversity Office in the Danish Nature Agency will do the necessary controls of the projects receiving grants in accordance with Commission Regulation (EU) No 65/2011. The Nature Planning and Biodiversity Office also control the schemes regarding private afforestation.

Stands of more than 0.5 ha and with more than 25 % conifers are catogorized as coniferous plantations in regards to table 1. Less than 25 % conifers, categorises the area as a deciduous plantation.

If approved, the applicants will receive a grant from the Danish Nature Agency equivalent to the financial support from EU. The lacking 45 % of the establishment cost is to be financed by the ministry, municipality or publicly owned company that receives the grant.

### **Protection plans for forest fires.**

Denmark is situated in an area where there is only a small risk for forest fires.

### **Financing**

The contribution from the Community is calculated on the basis of the expected public expenditures in the 2 year period 2012-13.

Total costs (500 ha*6500 euro);	3.3 million Euro
Public expenditure;	3.3 million Euro
Of which EAFRD pays	1,8 million Euro

and Danish public bodies

1,5 million Euro

### Transition arrangements

None

### Quantified targets for EU common indicators

Type of indicator	Indicator	Target 2012-2013
Output	Number of beneficiaries receiving afforestation aid	Primarily the Danish Nature Agency (State Agency)
	Number of hectares of afforested land	500 ha
Result	Areas under successful land management	500 ha
Impact	Reversal in biodiversity decline (farmland bird species population)	None
	Change in high nature value areas	500 ha
	Changes in gross nutrient balance	The loss of N from agriculture will be reduced by approx. 50 kg N pr. ha. Thus the measure will result in approx. 2500 kg N less to the environment.
	CO <sub>2</sub> -absorbtion/ Increase in production of renewable energy	Afforestation in Denmark absorbs approx. 10 tons/ha of CO <sub>2</sub> yearly. Thus approx. 5000 tons CO <sub>2</sub> will be absorbed yearly by this measure. In the future a lot of this absorbed CO <sub>2</sub> (wood) can be used for energy-purposes while still maintaining a forest cover on the area.

### Additional programme-specific indicators and quantified targets

None.

#### 5.2.2.11 Forest-environment payments (sustainable forestry payments) (Code 225)

##### Article (and paragraph) which covers the measure

Articles 36 (b) (v) and 47 of Council Regulation (EC) No 1698/2005

Point 5.3.2.2.5 of Annex II of Commission Regulation (EC) No 1974/2006

State aid notification SA.33320 (2011/N), Commission Decision C(2012) 6504 of 17/09/2012.

### **Rationale for intervention**

Sustainable forestry can help to protect and promote forests of high nature-value, including contributing to implement EU's Habitats- and Birds Directives for forests.

Grants for sustainable management provide support for aspects of forestry which are not financially beneficial to the forest owner and also extend beyond any mandatory requirements. They are provided to protect or increase the forests' natural assets.

It will be a priority to protect forest habitat types listed in Annex 1 in the Habitats Directive, which are located in Natura 2000-sites. There is a mapping of these forest habitat types. Moreover, it will be a priority to protect other forest habitats of high nature-value covered by Forestry Act §25. There is carried out an analysis that contributes to identify those § 25-forests.

### **Objectives of the measure**

The purpose of the scheme is to protect and promote forests of high nature-value in Denmark. The scheme will contribute especially to implement the Habitats- and Birds Directives for forest and protect other forests with high nature-value covered by Forest Act § 25.

The scheme is foreseen to support sustainable forestry of 2500 ha of forest.

The locations eligible for support are in forest with a high proportion of biodiversity and nature value, which need protection. Normally the locations will be found in old forest, more than 50 years old. It is also more likely to find the high biodiversity in stands of indigenous trees rather than in stands of conifers. Most areas lay within Natura 2000 sites and § 25 appointed forests and as mentioned before, priority will be given to those areas.

### **Scope and actions**

Forest environment payments shall be granted annually per hectare of forest to beneficiaries who make forest-environmental commitments on a voluntary basis.

Baseline: these payments shall cover only those commitments going beyond the relevant mandatory requirements. § 8 of the Forestry Act (Act No 945 of 24<sup>th</sup> September 2004) obligates the forest owners within a reasonable period of time after felling of timber to cover the area with new trees that must form a closed formation of high trunk trees. This constitutes a mandatory requirement to regenerate the forest, but not an obligation to plant with any special species of trees. Natural regeneration will fulfil the baseline obligation.

Duration of contracts: Please refer to the table in the section "Amount of support". It should be noted that in a number of cases are used subsidy periods of 20 years. This is considered to be necessary to ensure sufficient protection of the forests with high nature-value.

Support is offered for special management and conservation of areas in forests. The aim is to protect and promote the forests' natural assets, thereby supporting the ecological aspect of sustainability.

Some examples of agreements on special management are as follows:

- Untouched forest, where all forest management ends in the area.
- Forest habitat-preserving forestry (Basic protection), which include the following requirements: a continuous forest cover, promotion of the characteristic tree species, nature-friendly rejuvenation, no use of fertilizing, liming or pesticides, reduced soil tillage, no increased drainage, preservation of existing dead wood and hollow trees and possibly coppice management or forest grazing.
- Preservation of up to 10 indigenous trees per ha, allowing them to die and decay naturally
- Conserving small open natural areas in forests by clearing of growth and unwanted tree species and/or mowing. These areas will normally be rather small, with an estimated average size below 1 ha.

Especially for untouched forest applies that there are the following 3 criteria for eligible forest:

- It must be old stands that are mature for felling or within a shorter period (approximately 10-20 years) become mature for felling.
- Stands must be a forest habitat type listed in Annex 1 of the Habitats Directive, or other type of forest dominated by indigenous tree species.
- Stands must have a high – or potential for a high – nature content that will be favoured by designation as untouched forest.

#### *Beneficiaries of support for sustainable forestry*

Support shall be granted for forests and wooded areas owned by private owners or by their associations, and to municipalities which enter voluntary agreements on the protection of forest habitat types or specially selected species and their habitat types, consistent with chapter 4 in the Forestry Act.

The following forests are eligible

- Privately owned forests (reserved areas for protection)
- Privately owned areas planted with forests, where there is no obligation to replace felled trees. The forest must have an area of at least 0.5 hectares and a minimum width of 40 metres (on average).
- Municipal forests, which have entered agreements on the protection of forest habitat types or specially selected species and their habitat types, consistent with chapter 4 in the Forestry Act.

The following forests and wooded areas shall be excluded from the scope of support:

1. forest or other wooded land owned by the state or by state-owned corporations;
2. forest and other wooded land owned by the Crown;
3. forests owned by legal persons at least 50% of whose capital is held by one of the institutions referred to in points (1) and (2)

Furthermore, there will not be given grants to firms in difficulty, as defined in the Community guidelines on State aid for rescuing and restructuring firms in difficulty.

The payments shall cover additional costs and income foregone resulting from the commitment made.

Support shall in principle be fixed between the minimum and maximum amount laid down in the Annex of Regulation 1698/2005. This is specified later.

Beneficiaries must respect the statutory management requirements and the requirements for good agricultural and environmental conditions on their entire holding. These requirements are laid down in Articles 5 and 6 and in Annex II and III to Regulation (EC) 73/2009. Violation of these requirements may result in repayment of aid received.

### **Justification for the commitments, based on their expected environmental impact in relation to environmental needs and priorities**

These commitments will help to protect and increase biodiversity in Danish forests, including contributing to ensure forest habitats in Natura 2000-areas in response to the EU Habitats- and Birds Directives.

### **Description of the methodology and of the assumptions and parameters used as reference point for the calculations justifying additional costs and income foregone resulting from the commitment given**

The level of support is fixed on the basis of standard costs and standard assumptions of income foregone per hectare. The rates are determined on the basis of the “Forest Economic Tables” and after consultation with the Danish Forest Council, which has been established in accordance with the Danish Forest Act. The Danish Centre for Forest, Landscape and Planning at the University of Copenhagen has carried out analyses of the support rates for sustainable forestry, and has compiled two expert reports on the subject (see Annexes 6a and 6c).

The rates are determined on the basis of best available data and forest economic models for the analyses. The value of forestry products is taken from the price statistics continually issued by the Danish Forest Association, while the costs associated with investing in forestry are based on the set of “Forest Economic Tables”, which contains standard models for forestry measures in Denmark. Silvicultural and growth models are standard models developed for Danish conditions. Markets prices of outputs are found from current market statistics, e.g. the market statistics provided on-line by the Danish Forest Association ([www.skovforeningen.dk](http://www.skovforeningen.dk)), and phone interviews etc when needed. All cost models include only variable costs directly related to the activities and effects caused by the special forestry activity, i.e. no fixed costs or other irrelevant cost elements are present.

As regards the subsidies for forest habitat-preserving forestry (basic protection) and preservation of trees to dead and natural decay, the two reports from the University of Copenhagen can be consulted:

”Tabsberegninger ved driftsrestriktioner for bøgeskovnaturtyper i Natura 2000” and  
”Tabsberegninger ved driftsrestriktioner for skovnaturtyper med eg og ask i Natura 2000”.

The standardised support rates are within the scale of likely silvicultural costs incurred by the forest owner.

**Evidence as referred to in article 48(2) of the implementing rules allowing the Commission to check consistency and plausibility of the calculations**

The expert analyses of the support rates were carried out by Bo Jellesmark Thorsen, who is professor of Applied Economics at Danish Centre for Forest, Landscape and Planning, University of Copenhagen. This organization is independent of the Danish Nature Agency running the support scheme.

**Amount of support**

The support rates and subsidy periods for each measure are as follows:

Measure	Support rate (€)	Supplement for adherence to the green management plan* (€)	Subsidy period Year
Forest habitat-preserving forestry, Basic protection**: - Standard basic rate I - Standard basic rate II - Standard basic rate III	40/ha/year 54/ha/year 94/ha/year		20 20 20
Special basic rate: - Coppice management - Forest grazing	54/ha/year 188/ha/year	13/ha/year	20 5
Mowing - Without removing the cut material - Including removing the cut material	67/ha/year 134/ha/year	17/ha/year 33/ha/year	5
Clearing of growth and unwanted tree species *** - Low rate - Medium rate - High rate	54/ha/year 107/ha/year 161/ha/year	13/ha/year 27/ha/year 40/ha/year	5
Preservation of up to 10 indigenous trees per ha A. Diameter 25-50 cm B. Diameter 50-75 cm C. Diameter > 75 cm: • oak • other tree species	2,7/tree/year 5,4/tree/year 10,8/tree/year 8,1/tree/year	0,7/tree/year 1,4/tree/year 2,7/tree/year 2,0/tree/year	20
Restoration of natural hydrology: Compensation of loss of income	40/ha/year	-	20
Untouched forest****	To be evaluated by the Danish Nature Agency		20

\* Subsidy supplements are also granted for adherence to the Nature 2000 plan.

\*\* The 3 *standard basic rates* reflect differences in forest habitat type/age of the individual forest areas. Rate 1 applies generally to forest habitat types 2180, 9190, 91D0 and 91E0 (dominated by alder). Rate II applies generally to forest habitat types 9110, 9120, 9130, 9150, 9160, 9170 and 91E0 (dominated by ash) younger than 100 years. Rate III applies generally to forest habitat types 9110, 9120, 9130, 9150, 9160, 9170 and 91E0 (dominated by ash) which are at least 100 years old. The 2 *special basic rates* include requirement for coppice management or forest grazing and can not be combined with *standard basic rates*.

\*\*\* It depends on a number of factors whether the rate is low, medium or high. e.g.: the amount of material to cut, material to be removed, the method to use, the sensibility of the area and accessibility of the area. This measure can only be used outside of the mapped areas of forest habitat types in Natura 2000-sites.

\*\*\*\* The subsidy is determined by calculating the economic value of the existing stand minus the costs by felling the stand.

### Evidence, that the ceilings in the regulations will be respected.

The level of support will be between 40 and 200 €/ha/year. If a combination of grants gives a higher total amount pr ha/year, the premium will be reduced to 200 €.

The ceiling of 200 €/ha/year may be exceeded only in the following 2 cases:

#### 1) Untouched forest

Untouched forest will stop all logging in the area, which can cause a significant loss of income to the forest owners. Untouched forest is considered to be at very important step to protect and increase biodiversity in forests.

While implementing the scheme the Nature Agency will ensure that the compensation will not exceed the forest owner's actual loss.

#### 2) Preservation of up to 10 indigenous trees per ha

Preservation of up to 10 indigenous trees per ha to death and decay can in combination with basic protection and compensation for loss of income due to the restoration of natural hydrology cause a loss of income to the forest owners, which can exceed the ceiling of 200 €/ha/year. Preservation of indigenous trees to death and decay is considered to be a very important step to protect and increase biodiversity in forests.

The total amount of subsidy to preservation up to 10 indigenous trees per ha to death and decay, basic protection and compensation for loss of income due to the restoration of natural hydrology will not exceed 300 €/ha/year.

### Possible combinations of aid

The only possible combinations within sustainable forestry are shown in the table.

Forest habitat-preserving forestry, Basic	Mowing	Clearing of growth and unwanted	Preservation of up to 10 indigenous	Restoration of natural hydrology:
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	protection (including coppice management and forest grazing)	tree species	trees per ha	Compensation for loss of income
Forest habitat-preserving forestry, Basic protection (including coppice management and forest grazing)			X	X
Mowing		X		
Clearing of growth and unwanted tree species				
Preservation of up to 10 indigenous trees per ha				<u>X</u>
Restoration of natural hydrology: Compensation for loss of income				

Duration of contracts.

Please refer to the table above in the section “Amount of support”.

After the period of support, the owner may still be obligated to maintain the preservation condition. This will be the case for the preservation of indigenous trees, untouched forest and restoration of natural hydrology.

In case of untouched forest or restoration of natural hydrology the obligation will be registered in the property file of the deeds- and declarations register.

The member state bears the risk of the possibility of a discontinued EARDF co-financing of the yearly payments on such contracts after the end of the programme period 2007- 2013.

A revision clause for obligations under this scheme will be introduced to ensure that the obligations can be adjusted in case of changes of mandatory standards or requirements and in order to make it possible, if necessary, to adjust the obligations to rules for the next programming period. If such an adjustment is not accepted by the beneficiary, the commitment expires. The beneficiary will not be required to repay aid from the preceding period.

**State aid**

Aid under this scheme is in compliance with State aid notification SA.33320 (2011/N), adopted by Commission Decision C(2012) 6504 of 17/09/2012.

**Linkage of proposed measures with national/sub-national forest programmes or equivalent instruments and with the Community Forestry Strategy**

The scheme is in accordance with the Community Forestry Strategy and objectives of the National Forest program.

**Reference to the forest protection plans for areas classified as high or medium risk for forest fires and the elements ensuring conformity of proposed measures with these protection plans.**

No such plans exist. Denmark is situated in an area where there is only a small risk for forest fires.

**Financing**

2007-2013:

Total cost: 1,3 million Euro

Public expenditure: 1,3 million Euro

The contribution from the Community is calculated on the basis of public expenditures.

**Transition arrangements** (including estimated amount)

The measure was also implemented in the previous program period 2000-2006 – but no transitional arrangements are necessary.

In the previous programme 4.770 ha were covered by similar measures.

**Quantified targets for EU common indicators**

Type of indicator	Indicator	Target 2007-2013
Output	Number of forest holdings receiving support	1000
	Forest area under support	2500 ha
	Number of contracts	1000
	Physical forest area under support	2500 ha
Result	Areas under successful area management	2500 ha

Impact	Change in high nature value areas	Maintain area (78,000 ha in 2000, common objective)
	Changes in gross nutrient balance	None
	Increase in production of renewable energy	None

#### **Additional programme-specific indicators and quantified targets**

None

### **5.2.2.12 Restoring forestry potential and introducing prevention actions (Code 226)**

#### **Legal basis**

Articles 36 (b)(vi) and 48 of Council Regulation (EC) No 1698/2005

Articles 30 and 33 and point 5.3.2.2.6 of Annex II of Regulation (EC) 1974/2006

#### **Rationale for intervention:**

Major storm damage occurs in Denmark at intervals of every few years. Support was previously offered after storms in December 1999 and January 2005. In connection with support for the restoration of forests, emphasis will be placed on ensuring that the new forests are more robust, so that in future forests will be able to withstand better high wind speeds and regenerate themselves after damage through natural processes.

Fundamentally, it is important to support the development of the forests' natural ecological structures and functions, including locality-adapted/adaptable, especially indigenous, species, habitats for flora and fauna and the ecological and genetic processes that take place in the forest. Rich biological diversity will help to improve the ability of forests to withstand natural and anthropogenic stresses (e.g. climate stresses).

#### **Objectives of the measure**

The objective is to support forest owners to rebuild their forests in a quality which corresponds to the future demand for ability to resist high wind speeds and climate stresses.

#### **Scope and actions**

The Storm Council (under the Ministry of Economic and Business Affairs) determines the storms after which the storm damage scheme will become effective. The scheme will only become effective after storms with extensive storm damage.

The loss caused by the windfall will be covered by insurances.

#### **Nature of the measures to be implemented**

Support for the restoration of forests after a storm is given as standard costs per hectare. They consist of planning, clearing of the area, preparation of soil, purchase of plants and planting. The grant is given in two rates and it is possible to achieve an addition for some specific extra efforts. Where applicable, supplements will also be given for fencing in order to keep wild animals out from the new forest, as they may damage the new forest badly by eating the

small plants and for planting without the use of pesticides and for extra costs caused by considerations relating to ancient monuments. This does not cover maintenance of the monuments themselves.

There will be no support for the first 1/60 of the owners total forest area which is assumed to be equivalent to a normal yearly harvest.

The tree species used shall be in accordance with an approved list which is in the guidelines. Forest edges shall consist of broadleaved trees and bushes and they shall be 20 m wide towards West and South and 10 m towards North and East.

The number of trees shall be:

	Types of plantations			Extensive cultivation and preculture	Groups of seed trees
	Category 1	Category 2	Category 3		
<b>Soil type</b>	<b>Robust deciduous species</b>	<b>Robust hardwood, Douglas fir or normal silver fir</b>	<b>Optional robust species</b>		
Good soil	4000 /ha	3000 / ha	3000 / ha	2000 /ha	500 / ha
Poor soil	3000 /ha				

The new forest must be more robust than the old one, meaning that the forest shall be build up according to an approved plan and comprising the same proportion or more of broadleaved trees.

It is a condition for receiving an commitment that the entire forest – not only the damaged part - is insured and remains so for an unbroken period of 15 years. It is also a condition that the forest is or becomes a reserved forest area, which is subject to an obligation of being regenerated after harvest.

**Baseline requirements for reserved forest.**

Forests reserves shall be kept covered with trees, which form, or which come to form, a closed high forest within a reasonable period of time.

There is a free choice of tree species and establishing methods.

The required insurance, ”the basis-insurance”, is a backward facing action, partly covering the loss incurred on the fallen trees (damage and premature harvest). The support to the replanting is facing ahead, covering planting activities that exceeds the legal obligation.

**Level of support.**

The following support rates are used for grants for the restoration of forests after storm damage:

<b>1. RATE: GRANT FOR CLEARING**)</b>	
Storm damage, excl. self-regeneration	Euro 1341/ha
Storm damage areas for self-regeneration	Euro 671/ha (in case of scattered windfall)

<b>2. RATE: GRANT FOR REPLANTING</b> Paid when replanting has been completed, in stages where appropriate. Only the first rate is paid for self-generation and open areas. The elements in the 7 columns below can not be combined							
Euro/ha		Types of plantations			Extensive cultivation and preculture	Groups of seed trees	Sowing
		Category 1	Category 2	Category 3			
Soil type	Proportion of robust species	Robust deciduous species	Robust hardwood, Douglas fir or normal silver fir	Optional robust Species	805	268	671
Good soil	Min. 80 %	3085 *)	2012 *)	939			
	Min. 50 %	2548*)	1475	805			
Poor soil	Min. 80 %	2414 *)	2012 *)	939			
	Min. 50 %	1878 *)	1475	805			
	Min. 25 %	1341	939	671			
<b>SPECIAL SUPPLEMENTS</b> Paid with the 2nd instalment							
Planting plan – grant given for all plant types				Euro 134/unit +E 7/ha			
Locality mapping – grant given for all plant types				Euro 134/unit + E 27/ha			
Fencing – this grant is not given for open areas				Euro 2/per running metre			
Pesticide-free planting, deep ploughing not allowed this grant is not given for open areas and areas for natural overgrowth				Euro 805/ha***			
Consideration for ancient monuments – grant given for all plant types				Up to Euro 939/ha after specific assessment			

\*) Birch, alder and aspen cannot be included when calculating the percentage

\*\*) The clearing grant is given for the extra costs of dangerous cutting of the falling trees, collecting the wood and clearing of the area of branches etc.

\*\*\*)The rate is higher after storm damage than the similar rate in afforestation, because cleaning mechanically is very difficult due to hubs and roots in the ground.

\*\*\*\*)Ancient monuments like burial mounds or barrows are not allowed to be replanted, the supplement is given to the actual area for the more cost full clearing normally 0,1 ha. Other types of ancient monuments like e.g. marks from ancient cultivation methods, can be replanted, but are given supplement to the whole area for gentle treatment. These can be traces through the area or cover the whole area. Grants for ancient monuments is expected not to exceed 1 % of the supported area on average.

### Standard cost.

The rates for flat-rate grants are determined on the basis of the “Forest Economic Tables” and after consultation with the Danish Forest Council, which has been established in accordance with the Danish Forest Act. The Danish Centre for Forest, Landscape and Planning at the University of Copenhagen has carried out an analysis of the support rates for regeneration after storm damage, and has compiled an expert report on the subject (see Annex 6).

The analysis is based on available statistical material. The value of forestry products is taken from the price statistics continually issued by the Danish Forest Association, while the costs associated with investing in forestry are based on the set of “Forest Economic Tables” from 2000, which contains standard models for afforestation and other forestry measures in Denmark. There are also references to current research reports on pricing for leasing land for hunting or to studies investigating the need for compensation in connection with protecting natural assets. The report concludes that there is no overcompensation with the support payments for restoring forests.

### **Prevention Plans**

The plan for the new forest must take into consideration the risk of potential storms in the future, knowing that no damage is likely to occur the next 15 years. There is a need to regenerate the forest to be more robust. This is incorporated as a general condition to make stands of mixed tree species, to use indigenous tree species and to establish forest edges where appropriate.

### **Linkage of proposed actions with national/sub-national forest programmes or equivalent instruments and with the Community Forestry Strategy.**

Denmark's forestry policy is set out in the 2002 National Forest Programme (See measure sheet 221a – afforestation of agricultural land in afforestation areas). The scheme is in accordance with the Community Forestry Strategy and the main objectives in the National Forest program.

### **Reference to the forest protection plans for areas classified as high or medium risk for forest fires and the elements ensuring conformity of proposed measures with these protection plans.**

There is no direct prevention action against forest fires. Denmark is situated in an area where there is only a small risk for forest fires.

### **Financing**

The contribution from the Community is calculated on the basis of public expenditures.

No significant funds are being allocated a priori for restoring forests after storm damage. The scheme does not become active until a heavy storm occurs, and The Storm Council decides to open the scheme for new applicants.

Total costs: 0,4 MEURO

Public expenditure:0,4MEURO

### **Transition arrangements**

This measure is similar to activity co-financed under the Rural Development Programme 2000-2006 pursuant to Council Regulation (EC) No 1257/1999. Payments on old commitments that have been made under RDP 2000-06 and are made after 1 January 2007 will be declared under RDP 2007-13.

Total outstanding public costs; 6,7 million Euro

Of which EAFRD; 3,7 million Euro

### **Quantified targets for EU common indicators**

<b>Type of indicator</b>	<b>Indicator</b>	<b>Target 2007-2013</b>
Output	Number of prevention/restoration actions	Not known
	Supported area of damaged forests Total volume of investment	Not known

Result	Areas under successful land management	Not known
Impact	Change in high nature value areas	Not known
	Changes in gross nutrient balance	Not known
	Increase in production of renewable energy	Not known

### **Additional programme-specific indicators and quantified targets**

None

### **5.2.2.13 Non-productive investments, forestry (Code 227)**

#### **Article (and paragraph) which covers the measure**

Articles 36 (b) (vii) and 49 of Council Regulation (EC) No 1698/2005

Point 5.3.2.2.7 of Annex II of Commission Regulation (EC) No 1974/2006

State aid notification SA.33320 (2011/N), Commission Decision C(2012) 6504 of 17/09/2012.

#### **Rationale for intervention**

Reduction of the loss of biodiversity in the Danish landscape, which this measure contributes to, is a high priority objective for the Danish Government. It is also a purpose to enhance sustainable forestry by contributing to the establishment and management of a more stable and ecologically enriched forest and ensure better public access and possibility of experiencing the forest.

#### **Objectives of the measure**

The objective of the measure is to support forest holders for non-remunerative investments (i.e. investments which go beyond mandatory requirements and do not lead to any significant increase in the value or profitability of the forest holding) in order to promote sustainable forestry and other environmental objectives, or to enhance the public amenity value of the forests. By supporting non-productive investments in forests, the aim is to:

- counteract the loss of biodiversity in the Danish landscape
- promote environmentally and ecologically sustainable forestry in areas of high natural value
- develop recreational assets in rural areas with high nature value
- implement the Natura 2000-plans for forests

#### **Scope and actions**

Support shall be granted for investments in forests which enhance the public amenity value of the forest or raises awareness about value of the rural natural heritage, the need to maintain and preserve it and the benefits which may be derived from it.

Support may be offered for non-productive investments that do not lead to any significant increase in the value or profitability of the forest holding.

There will be seven types of investments:

- Green Management Plans
- Conversion of coniferous stands to stands with indigenous species
- Investments to enhance the value of the forest to the public
- Combating invasive species in forests
- Compensation for expenses related to projects aimed at re-establishing natural hydrological conditions
- Preparation for grazing in forests
- Special actions for species living in forests

It is possible to combine investments.

### **Definition of operations to be supported**

#### *Green management plan*

The aim of the green management plan is to promote conversion to sustainable forestry. Support may be offered for devising plans for sustainable forestry management (green management plan) and for facility or information projects promoting the outdoor life in forests. A green management plan can include plans for conversion to environment and nature friendly forest management, including the protection of a forest's natural assets, along with consideration for ancient monuments, landscape assets and outdoor life in forests. The green management plan is the first step in the development towards a more sustainable forestry, especially by raising the owners' awareness of the values and possibilities in the forest. The next step will be that the owner follows the ideas in the plan and applies for support for investments to convert the tree species into indigenous species, for investments for public amenity and/or for making environmental agreements under measure 225. There may be a time span between establishment of the management plan and the specific investments. A connection between the management plan and the specific investments/agreements is made through the offer of an additional grant for having a green management plan prior to the investment or agreement.

#### *Conversion to indigenous species*

The purpose of making the investments is to enhance the ecological value of the forests. The investments shall be made to promote opportunities for environmentally friendly forest management, which also includes increasing the forests' robustness, biological diversity and recreational assets. Support may be offered for investments concerning regenerating coniferous areas using indigenous tree species. There will be no support in case of planting Scottish pine (considered as indigenous specie) after Scottish pine. It is a condition for receiving support for plantation of indigenous tree species in existing forests that no conversion to non-indigenous tree species takes place in other parts of the forest for a period of five years.

#### *Public amenity*

Support is offered to enhance the public amenity value of the forest. The measure is expected to enhance public access to the cultural heritage and high nature value forest areas and raise public awareness about the value of the heritage, the need to maintain and preserve it and the benefits which may be derived from it.



Support may be given to minor investments like

- Paths for walking, riding, bicycling, paths to give access to the forests,
- Grill and fireplaces
- Shelters, tables, bird watching towers, parking-areas, forest playing grounds
- Information on site

#### *Combating invasive species*

Support is offered to combat invasive species in forests if this contributes to implementing the Natura 2000-plans for forests. The invasive species are defined by the state authority responsible for the area (the Nature Agency) and indicated in the guidelines for the measure. In special cases support can be offered to combat other species than the invasive species indicated in these guidelines, if the Nature Agency deems that the effort is necessary to implement the Natura 2000-plans.

#### *Compensation for expenses related to projects aimed at re-establishing natural hydrological conditions in forests*

Support is offered to projects aimed at re-establishing natural hydrological conditions, either partly or completely, if this, for instance, contributes to implement the Natura 2000-plans for forests.

Re-establishing natural hydrological conditions will be particularly relevant for forest habitat types which require moist conditions, but can also be relevant in other cases. The projects can differ, but they will typically include stopping drainage and filling up ditches to establish more natural hydrological conditions. The changed hydrological conditions are permanent.

#### *Preparation for grazing in forests*

Grazing in forests is an old type of extensive farming in Denmark, which helps secure a fragmented forest with a very diverse plant- and animal-life. The objective is to promote grazing in forests in order to protect the biodiversity and help implement the Natura 2000-plans for forests. Support is granted to one or more of the following activities:

- Putting up fences
- Establishing a water supply for the grazing animals
- Putting up catching pens
- Establishing a power supply

The activities must include putting up fences or establishing a water supply.

#### *Special actions for species living in forests*

The objective of these actions is to secure suitable habitats for species living in forests. The actions must help protect and promote species covered by the Habitats- and Birds Directives, thereby helping to implementing the Natura 2000-plans for forests.

As forests of high natural value occur across Denmark, the entire forest area of Denmark is designated as area eligible for support. Support for combating invasive species, however, is restricted to mapped forest habitat types in Natura 2000-areas.

#### *Support rates*

*Green management plan*

The support rates for investments related to producing a green management plan are as follows (the payment claim shall be based on invoices for expenditures incurred by the beneficiaries):

	<b>Grant</b>	<b>Maximum grant</b>	
<b>Module A</b> Objective, status and map (Mandatory module)	75% of expenses	New registration	535 € +33 €/ha
		Management plan supplement	268 € +17 €/ha
<b>Module B</b> Plan for conversion to environmentally friendly forest management	90% of expenses	No locality -mapping	268 € + 7 €/ha
		Locality mapping included	268 € +33 €/ha
<b>Module C</b> Plan for protection of natural assets	90% of expenses		268 € +7 €/ha
<b>Module D</b> Plan for taking into consideration ancient monuments, landscape assets and outdoor life	100% of expenses		134 € +3 €/ha

It is possible to combine support from this measure with support from Forest-environment payments (sustainable forestry payments) (Code 225).

*Conversion to indigenous species*

The support rates for investments in regeneration of coniferous forest areas using indigenous trees are as follows (the payment is a flat rate payment in only 1 instalment, which will be paid after receiving a signed report form the owner saying that the work has been done according to the requirements):

<b>Method</b>	<b>Grant</b>	<b>Supplement for following green management plan</b>	<b>Supplement for pesticide-free management</b>	<b>Supplement for providing shelter</b>	<b>Grant for fencing (to protect the investment)</b>
Extensive cultivation - planting	1071 €/ha	268 €/ha	268 €/ha	535 €/ha	2 €/m

(including establishment of forest edges)					
Extensive cultivation - sowing	669 €/ha	268 €/ha	268€/ha	535 €/ha	2 €/m
Establishing groups of seed trees	268 €/ha	-	134 €/ha	-	3 €/m
Natural overgrowth	-	-	-	-	2 €/m

By this measure the forest owner changes from an economic forest type to another type of forest with indigenous species, giving a higher biological value than the conifers and higher biological value than he is obliged to.

The grants for extensive cultivation by planting or sowing - and for groups of seed trees cover only additional costs related to the replacement.

The green management plan is a tool to guide the owner's management of the forest in a direction more close to nature. An extra supplement is offered for using the green management plan as basis for making the above mentioned investments. The ordinary rate plus the supplement will still be less than the expenses of the investment.

It is not possible to combine support under this measure with support for afforestation of agricultural land. It is possible to combine support from this measure with support for preservation of up to 10 indigenous trees under the measure for Forest-environment payments (sustainable forestry payments) (Code 225)

The required number of plants for the new stand is only 2000 trees pr ha, which is just enough to secure the area as forest and change the forestry in a direction more close to nature. If some of the 2000 plants die within the first 2 years, the owner is obliged to replant. Replanting shall consist of indigenous trees from the list of approved species and origins. The owner may put in some more plants from the beginning in order to avoid replanting, but never more than 3000 plants pr. ha. The investment shall be maintained in 5 years and may not within this period be changed to another forest type of non-indigenous trees. It will not be possible to make a supplementary planting in order to create an early economic output. The normal rotation period of deciduous forest in Denmark is 100-120 years.

The levels of support per hectare have been established on the basis of estimation of standard costs per hectare.

#### *Public amenity*

For investments for the public amenity the support may be given for up to 100% of eligible expenses in the project. It is the responsibility of the applicant to ensure reasonable prices and to acquire at least two binding offers for the job. The payment claim shall be based on invoices for expenditures incurred by the beneficiaries.

#### *Combating invasive species*

For investments in combating invasive species in forests the support may be given for up to 100% of the eligible expenses in the project. It is the responsibility of the applicant to ensure reasonable prices and to acquire at least two binding offers for the job. The payment claim must be based on invoices for expenditures incurred by the beneficiaries. It is possible to combine support from this measure with support from Forest-environment payments (sustainable forestry payments) (Code 225). However, support can not be combined with support for mowing or clearing of growth and unwanted tree species. Support can only be given to secure mapped forest habitat types in Natura 2000 areas.

*Compensation for expenses related to projects aimed at re-establishing natural hydrological conditions in forests*

For investments related to projects aimed at re-establishing natural hydrological conditions in forests, the support may be given for up to 100% of the eligible expenses in the project. It is the responsibility of the applicant to ensure reasonable prices and to acquire at least two binding offers for the job. The payment claim must be based on invoices for expenditures incurred by the beneficiaries. It is possible to combine support from this measure with support from Forest-environment payments (sustainable forestry payments) (Code 225).

*Preparation for grazing in forests*

For investments in preparation for grazing in forests, the support may be given for up to 100% of the eligible expenses in the project. It is the responsibility of the applicant to ensure reasonable prices and to acquire at least two binding offers for the job. The payment claim must be based on invoices for expenditures incurred by the beneficiaries. Support will not be given to fencing, establishing water supply for the grazing animals, putting up catching pens or establishing a power supply if these facilities already exist on site. It is possible to combine support from this measure with support from Forest-environment payments (sustainable forestry payments) (Code 225).

*Special actions for species living in forests*

For investments in special actions for species living in forests, the support may be given for up to 100% of the eligible expenses in the project. It is the responsibility of the applicant to ensure reasonable prices and to acquire at least two binding offers from different contractors for the job. The payment claim must be based on invoices for expenditures incurred by the beneficiaries. It is possible to combine support from this measure with support from Forest-environment payments (sustainable forestry payments) (Code 225).

*Justification of the fixed costs*

The rates have been determined on the basis of the “Forest Economic Tables” and after consultation with the Danish Forest Council, which has been established in accordance with the Danish Forest Act. The Danish Centre for Forest, Landscape and Planning at the University of Copenhagen has carried out analyzes of the support rates, and has compiled two expert reports on the subject (see Annexes 6a and 6c).

The analyzes are based on available statistical material. The value of forestry products is taken from the price statistics continually issued by the Danish Forest Association, while the costs associated with investing in forestry are based on the set of “Forest Economic Tables” from 2000, which contains standard models for afforestation and other forestry measures in Denmark. The total amount of grant will not exceed the costs.

In cases in which flat-rate or maximum support per hectare are not given, it is the responsibility of the applicant to ensure reasonable prices and to acquire at least two binding offers for the non-productive investment. The Nature Agency will refuse support to projects if it deems that prices in the projects are not reasonable.

#### *Beneficiaries*

Private owners or associations of private owners of forests.

Furthermore, support is given to municipalities that commit to protecting forest habitats types or habitats for species in Natura 2000 areas in accordance with chapter 4 in the Danish Forestry Act.

#### *Priority criteria*

In case of insufficient funds the authorities will use priority criteria set out in national guidelines.

#### *Administration*

The scheme will be administered by the Danish Nature Agency.

### **Description of the link to commitments provided for in Article 36(b)(i) of Regulation (EC) No 1698/2005**

The payment of support for green management plan (the low rate) and investments for enhancing the public amenity value may follow support pursuant to Articles 36 (b) (i) and 43 of Council Regulation (EC) No 1698/2005 under the measure afforestation of agricultural land in afforestation areas.

### **Linkage of proposed measures with national/sub-national forest programmes or equivalent instruments and with the Community Forestry Strategy**

This measure aims to contribute to meeting the objectives of the Community Forestry Strategy and objectives of the National Forest program through non-productive investments in forests.

### **State aid**

Aid under this scheme is in compliance with State aid notification SA.33320 (2011/N), adopted by Commission Decision C(2012) 6504 of 17/09/2012.

### **Reference to the forest protection plans for areas classified as high or medium risk for forest fires and the elements ensuring conformity of proposed measures with these protection plans.**

None.

### **Financing**

The contribution from the Community is calculated on the basis of public expenditures.

2007-2013:

Total cost: 12,2 million Euro

Public expenditure: 12,2 million Euro

### Transition arrangements

This measure is similar to activities co-financed under the Rural Development Programme 2000-2006 pursuant to Council Regulation (EC) No 1257/1999. Expenditures made after 1 January 2007 will be declared under the Rural Development Programme 2007-13.

### Quantified targets for EU common indicators

Type of indicator	Indicator	Target 2007-2013
Output	Number of supported forest holders	1500
	Total volume of investment	12.2 million euro
Result	Areas under successful land management	125.000 ha
Impact	Change in high nature value areas	Maintain area (78,000 ha in 2000, common objective)
	Changes in gross nutrient balance	None
	Increase in production of renewable energy	None

### Additional programme-specific indicators and quantified targets

None.

### 5.2.3 The individual measures – Axis 3.

The Leader method will be used for the main part of the measures under Axis 3 with the exclusion of

- The sub-measure aimed at increasing biogas production under the measure for diversification into non-agricultural activities cf. Chapter 5.2.3.1
- the two sub-measures aimed at children and young people and at leisure and cultural events under the measure for Basic services for the economy and rural population (321) cf. chapter 5.2.3.4
- the sub-measure basic services (321) aimed at network activities and establishing common facilities for biogas production cf. chapter 5.2.3.4
- the two sub-measures for state acquisition of land (323a) and for planning of nature and environment projects (323b) under the measure Conservation and upgrading of the rural heritage cf. chapters 5.2.3.6 and 5.2.3.7
- the measure for training and information (331) cf. chapter 5.2.3.9

### 5.2.3.1 Diversification into non-agricultural activities (Code 311)

(Primary focus creation of jobs).

As a result of the challenges identified in the Health Check of The Common Agricultural Policy and the national plan for Green Growth changes have been made to the balance in the Rural Development Programme budget for 2007-2013 for the remaining 2010-2013 period and new sub-measures introduced.

#### **Article (and paragraph) which covers the measure**

Articles 52 (a) (i) and 53 of Council Regulation (EC) No 1698/2005.

Article 35 and point 5.3.3.1.1 of Annex II of Commission Regulation (EC) No 1974/2006.

The measure will include two sub-measures:

- 1) Diversification into non-agricultural activities (leader method)
- 2) Investment in biogas production

#### **Rationale for intervention**

This activity is exclusively implemented through the Leader approach with the exception of investment in biogas production.

The measures under axis 3 contribute to the overall priority of the creation of employment opportunities in rural areas in non-agricultural activities and services. This as an answer on the trends towards economic and social decline as well as depopulation of the countryside.

#### *Rationale behind the schemes*

Rural areas are currently undergoing rapid change. Changes are taking place in population numbers, in the composition of the population and not least in the structure of industry. For many years, rural areas have on the whole experienced a growth in population below that in urban areas. In peripheral municipalities, there has actually been a population decrease. There are many reasons for this population trend in rural areas.

There is a need to accompany changes in rural areas by helping them to diversify farming activities towards non-agricultural activities including biogas production.

In the Government strategy on Green Growth it is a goal to increase the use of manure and slurry in energy production to 50 pct. by 2020 hence increase the replacement of fossil fuels and mitigating the environmental effect of livestock production and odour nuisance.

The initial capital cost of investing in infrastructure etc. required to diversify into alternative income generation and employment providing activities outside agriculture (Annex I production) discourages farmers and farm households to explore other complementary sources of income and employment outside agriculture.

#### **Objectives of the measure**

The main objective is to facilitate the establishment of new jobs, expanding job opportunities and reduce the usage of fossil fuels in the rural areas by helping farmers to diversify farming activities toward non-agricultural activities.

The actions are expected to contribute to the creation of new jobs in the rural areas via the diversification into non-agricultural activities, including local renewable energy production, for the farmers, the farmers' household e.g. wives or through employment of new employees and thereby improving the diversification and development of the rural economy.

## **Scope and actions**

### *1) Diversification into non-agricultural activities (leader method)*

The purpose of sub-measure 1 is to give local action groups the opportunity to support projects that are considered the most suitable for the local area. This approach will exploit the local potential most effectively and also provide the opportunity to continually adapt the initiatives to the local situation in order to establish new jobs, expanding job opportunities.

### *Administration*

The measures will be implemented through the local action groups and the implementation of a locally prepared local development strategy. Within the framework of this support scheme, the local action groups will prioritise the initiative with the aim of improving the general quality of life and job opportunities in a defined geographic area.

### *Support criteria*

Support can be awarded for non-agricultural activities which contribute to the achievement of new activities (service activities, craft activities, trade activities) on farms which are not linked to actual agricultural activity. E.g. small farm shops, bed and breakfasts on the farm, consultancy, education, workshops, teaching horseback riding, open farm for school classes or kindergartens, guided tours around the farm, guided tours in the surrounding nature, theme parks etc. Processing of food will not be supported.

### *Priority criteria*

The local action groups will prioritise projects. This approach will exploit local potential and provide the opportunity for local action groups to continually adapt the initiative in order to establish new jobs for the current situation. The local action groups may give priority to the following domains of diversification into non-agricultural activities;

- service activities e.g. bed and breakfast, education and social activities on farms, etc
- craft activities e.g. pottery, production of local products,
- trade activities e.g. creation of store attached to the farm where products are sold directly to the customer

Projects should contribute to fulfilment of the local development strategy.

## **Beneficiaries**

The beneficiary must be the owner or tenant of an agricultural property or member of the farm household. A member of the farm household means a natural or legal person or a group of natural or legal persons, whatever legal status is granted to the group and its members by national law, with exception of farm workers. In case where a member of the farm household is a legal person or a group of legal persons, that member shall exercise an agricultural activity on the farm at the time of the support application.



### **Aid intensities**

Support for projects will be up to 50 pct. of eligible costs and in compliance with the de minimis rules in Commission Regulation (EC) No 1998/2006.

#### *2) Investment in biogas production.*

The sub-measure to support investment in biogas production aims at utilising the manure and slurry especially in high density livestock areas to produce sustainable energy at a local level to generate additional non-agricultural employment opportunities and income while at the same time reducing the usage of fossil fuels, improving water quality and mitigating odour nuisance. Furthermore the sub-measure will contribute to fulfilling the target for share of energy from renewable sources in gross final consumption for Denmark by 2020 as stated in directive 2009/28/EC regarding the promotion of the use of energy from renewable sources.

In relation to treatment of livestock manure pursuant to the Nitrates Directive, farmers will not be able to intensify their animal husbandry as a result of the investment in biogas production. Processed livestock manure will be considered in the same way as normal livestock manure in relation to implementation of the Nitrates Directive. The national rules for utilization of manure (harmony rules) still apply according to the Danish Law 757/2006 on utilization of fertilizer and plant cover in farming, including the limits of 1.4, 1.7 or 2.3 Livestock Units/ ha respectively.

#### *Administration*

Sub-measure 2 will be centrally administered in the Danish Food Industry Agency (FIA). Applications are sent to FIA which carries out checks, administrative controls, approves payments and pays the support according to details to be specified in national implementing rules in line with the relevant EU regulations.

#### *Beneficiaries*

Support can be applied for by farmers, farming households (natural and legal persons in agriculture) and groups of farmers and groups of farming households provided that the group is not established as an independent legal entity outside agriculture.

### **Aid intensities**

Support for investments in biogas production under this measure will be up to 30 pct. of eligible expenses with a maximum public contribution under this measure of 7,5 million EUR per project.

Support will be granted in accordance with Danish GBER measure notification No SA 33357 (11)/X as notified under Regulation (EC) no. 800/2008 of 6 August 2008. The total rate of support for any project can in accordance with the notification be up to 45 pct. of the eligible expenses for large enterprises, 55 pct. for medium enterprises and 65 pct. for small enterprises in accordance with the state aid notification mentioned above.

All public support to projects will be granted only through measures notified to the Commission after appropriate procedures, and included in the programme. The combined rate of support cannot exceed the maximum rates of support as indicated in the state aid

notification No SA 33357 (11)/X. The FIA will establish administrative procedures in cooperation with the relevant Danish authorities to ensure that these limits are not exceeded.

In case the biogas production is implemented with a manure and slurry content below 50 pct. projects will be supported with up to 30 pct. of eligible costs in compliance with the de minimis rules in Commission Regulation (EC) No 1998/2006.

### **Eligible expenses**

Support may be given for investments that are necessary to carry out projects within the above-mentioned fields.

For investments in biogas plants eligible expenses constitute the extra costs associated with the establishment of the biogas production facility compared to a conventional facility based on coal, natural gas, etc. in accordance with No SA 33357 (11)/X as notified under Regulation (EC) no. 800/2008 of 6 August 2008. Investment costs eligible for support include:

- The cost of construction, plant, new machinery and equipment, including computer software up to the market value of the asset.
- General costs such as architects, engineers and consultation fees. These costs can be up to 15 pct. of total investment cost.
- Other costs, which according to the FIA may be relevant and necessary carrying out the project.

Eligible investments will go beyond what is necessary in order to comply with minimum obligations for treatment of livestock manure according to the Nitrates Directive.

Support for investment in biogas production may be used in combination with support under code 121 sub-measure 2 for related on farm facilities i.e. slurry storage etc. on farms supplying biomass for the biogas plant. Support cannot be combined with support for investments in biogas production facilities under 121

In general, manure and slurry must be the prime source of biomass for biogas production. As a general rule support will only be granted to biogas production facilities based on a manure and slurry content of at least 50 pct. for organic facilities and at least 75 pct. for conventional facilities. However in exceptional and duly justified cases, due to the limited supply of manure and slurry for organic farmers, support may be granted to organic biogas production facilities with manure and slurry content lower than 50 pct.

The minimum requirement of 75 pct manure and slurry content for conventional facilities is equivalent to the requirement for investments in common facilities for biogas production under measure 321b.

Support will be provided for on-farm investment in connection with the establishment of a new facility or expanding the capacity of an existing facility with significant sale of energy. For support to facilities with a production corresponding to the farm's own requirement see measure 121 and for support to common off-farm facilities see measure 321.

Support may not be given for:

- ongoing operating expenses
- purchase of land
- refundable VAT

**Type of support:**

As a general rule the payment claim will be based on expenditures already incurred by the beneficiaries. Payments may be made as a single payment or on the basis of interim requests for expenditures already incurred with the maximum of 2 instalments.

**Demarcation with other EU financial instruments**

The Danish programmes under the EU Regional Development Fund (ERDF), the Social Fund (ESF) and the Fisheries Fund (EFF) differ from the Rural Development Programme (RDP) in terms of targeting of business sectors, focus and scope of projects and geographical targeting.

The RDP can finance specific new enterprises situated in designated rural development municipalities. Neither the ERDF nor the ESF programme shall support specific enterprises or projects directly concerning food production, agriculture and forestry. ERDF may support projects concerning framework conditions for development of new enterprises or cooperation projects to promote regional economic growth or employment. Food, agriculture or forestry enterprises may participate in such ERDF projects in their capacity of regional growth promoters. Such projects shall not be supported in the RDP measure. The ESF programme shall support educational initiatives to diversify economic activities but not initiatives focused on one specific enterprise. Projects concerning the fisheries sector shall only be supported under the EFF.

To avoid funding of the same eligible projects or expenses by more than one Fund the following procedure and exchange of information will be included in the management system.

The applicant must at the time of application inform the authority whether he has applied for grant or has received grant to the project from other public funds. Each application must include a specified budget which allows the managing authority to check how any and all EU and national funds will be involved in the financing of the project. Before payment to the beneficiary, accounting documentation and an auditor statement is required. The auditor check will include information on all public funding to the project in general to avoid multiple funding. If public funding from several public funds is recorded, the managing authority shall undertake a cross check to all relevant authorities.

Coordination between the managing authorities of all EU funded programmes will be provided by ensuring representation of the relevant managing authorities in the Monitoring Committee for each EU-program.

The FIA will make lists of projects under the RDP available for the administration of the other funds in order to avoid double financing at project level. Such procedures will furthermore facilitate the policy coordination across funds.

Technical coordination meetings or networks shall be called for yearly between managing authorities of relevant EU funds in order to compare activities and the support commitments made under the different funds.

**Financing**

The Leader method is used exclusively for the implementation of sub-measure 1. The financing of these activities is hence placed under Axis 4 of the programme and involves the following amounts with no amounts for transition arrangements (see measure sheet 41):  
2007-2013:

Total cost:4,0 million Euro

Public expenditure:1,1 million Euro

The contribution from the Community is calculated on the basis of public expenditure.

For the sub-measure on investments in biogas production 2010 – 2013

Total cost: EUR 10,7 million

Public expenditures: EUR 3,2 million.

**Transition arrangements**

Sub-measure 1 is similar to activities co-financed under the Rural Development Programme 2000-2006 pursuant to Council Regulation (EC) No 1257/1999, article 33. These activities were not part of the Leader initiative for 2000-2006. Payments on contracts from the previous period that are made after 1 January 2007 will be declared under the Rural Development Programme 2007-13.

Total outstanding public costs; 3.0 million Euro

Of which EAFRD; 1.7 million Euro

Sub-measure 2 is new with no transitional arrangement.

**Quantified targets for EU common indicators**

The Leader targets for this measure are listed under measure sheet 41.

*Investment in biogas production*

<b>Type of indicator</b>	<b>Indicator</b>	<b>Target 2010-2013</b>
<b>Output</b>	Number of plants supported	7
<b>Result</b>	Number of beneficiaries supported to diversify	14
	Total volume of investment	EUR 10,7 million
<b>Impact</b>	Net additional value expressed in Euro	EUR 13.0 million

	Change in gross value added per full time equivalent	EUR 1,041
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### **5.2.3.2 Support for business creation and development (Code 312)**

(Primary focus creation of jobs)

#### **Article (and paragraph) which covers the measure**

Articles 52(a)(ii) and 54 of Council Regulation (EC) No 1698/2005.

Point 5.3.3.1.2 of Annex II of Commission Regulation (EC) No 1974/2006.

#### **Rationale for intervention**

This activity is exclusively implemented through the Leader approach.

In order to reverse the negative trends of economic and social decline and depopulation, seen in many parts of the Danish countryside, support should be provided for setting up and developing micro-businesses. This can help to promote entrepreneurship and develop the economic structure in rural areas, thus contributing to the overarching Lisbon strategy of the creation of employment opportunities.

#### *Rationale behind the scheme*

Rural areas are currently undergoing rapid change. Changes are taking place in population numbers, in the composition of the population and not least in the structure of industry. For many years, rural areas have on the whole experienced a growth in population below that in urban areas.

There is a need to accompany changes in rural areas by helping them to develop non-agricultural sectors, promote employment, improve basic services, and carry out investments making rural areas more attractive in order to reverse trends towards economic and social decline and depopulation of the countryside. The support scheme aims at giving local action groups the opportunity to support projects that are considered to be most suitable for local area. This approach will exploit the local potential most effectively and also provides for the opportunity to continually adapt the initiative in order to establish new jobs for the current situation.

#### **Objectives of the measure**

The main objective is to facilitate the establishment of new jobs in the rural areas by supporting development outside the agricultural and food sectors.

#### **Scope and actions**

##### *Administration*

The measures will be implemented through the local action groups and the implementation of a locally prepared local development strategy. Within the framework of this support scheme, the local action groups will prioritise the initiative with the aim of improving the general quality of life and job opportunities in a defined geographic area.

##### *Support criteria*

The measure gives support to existing micro enterprises or to persons that will set up a new micro-enterprise in business outside the agricultural and food sectors. Support can hence be awarded to micro-enterprises in all sectors with the exception of farming within the following fields:

- establishment of new micro-enterprises
- development of existing micro-enterprises

Support will not be offered for activities with the specific purpose to encourage tourism such as area- or type-specific tourism, establishment of accommodation on a small scale, marketing of tourism or establishment of recreational tourism infrastructure.

#### *Priority criteria*

The local action groups will prioritise the projects. This approach will exploit the local potential and provide the opportunity to continually adapt the initiative in order to establish new jobs for the current situation. The local action groups may give priority to projects concerning e.g.

- the start of a small shop (bakery, café/restaurant, handcraft etc.),
- creation of a workshop (pottery etc),
- the start of a production company (electronics or other components and goods),
- the start of a service company (hairdresser, mechanics etc) or
- the development of an existing micro-enterprise of any kind regarding to new/developed products or services

Projects should contribute to fulfilment of the local development strategy.

#### **Types of beneficiary enterprises**

Micro-enterprises as defined in the Commission recommendation 2003/361/EC: enterprises which employ fewer than 10 persons and whose total does not exceed 2 million EUR.

Eligible beneficiaries are all existing micro enterprises or persons that will set up a new micro-enterprise in business outside the agricultural and food sectors.

#### **Support**

Support is provided on the basis of invoices as one-off or in instalments with the maximum of 2 instalments.

#### **Aid intensities**

Micro-enterprises can be supported with up to 50 % of the eligible expenses and in compliance with the de minimis rules in Commission Regulation (EC) No 1998/2006.

#### *Eligible expenses*

Support may be given for investments that are necessary to carry out projects within the above-mentioned fields. Support can be given for both tangible and intangible expenses.

Support may not be given for:

- ongoing operating expenses
- purchase of land

- refundable VAT

### **Demarcation line and criteria with other EU financial instruments**

The European Regional Development Fund (ERDF), the Social Fund (ESF) and Fisheries Fund (EFF) programmes differ from the Rural Development Programme (RDP) in terms of targeting of business sectors, focus and scope of projects and geographical targeting.

The RDP will finance projects concerning specific enterprises in designated rural development municipalities involving creation of local jobs. Neither the ERDF nor the ESF shall support specific enterprises. The ERDF programme can finance projects concerning framework conditions for development of new enterprises or cooperation projects for regional economic growth and employment. The ESF programme may include educational activities and activities to increase the use of new technology in order to achieve new jobs or expansion of the workforce in general. Projects concerning the fisheries sector shall be supported under the EFF only.

Under certain circumstances projects may be eligible for support from either the RDP, the ERDF or the ESF. In this case projects shall be divided into sub-projects that correspond to the aims of the funds.

Administrative procedures will be established to avoid double funding of eligible expenses by more than one fund. Applicants must at the time of application inform the authority whether he has applied for grant or has received grant to the project from other public funds. Each application must include a specified budget which allows the managing authority to check how any and all EU and national funds will be involved in the financing of the project. Before payment to the beneficiary, accounting documentation and an auditor statement is required. The auditor check will include information on all public funding to the project in general to avoid multiple funding. If public funding from several public funds is recorded, the managing authority shall undertake a cross check to all relevant authorities.

Coordination between managing authorities will be provided by ensuring representation of all relevant managing authorities in the Monitoring Committee for each EU-program. The Regional Growth Fora shall participate in the managing boards of relevant local action groups and may be consulted at project level. The FIA will make lists of projects supported under the RDP available for the managing authorities of the other funds.

Technical coordination meetings or networks shall be called for yearly between managing authorities of relevant EU funds in order to compare activities and the support commitments made under the different funds. Detailed information is found in chapter 10.

### **Financing**

The Leader method shall be used exclusively for the implementation of new initiatives pursuant to this measure and article in Regulation (EC) No 1698/2005. The financing of these activities is hence placed under Axis 4 of the programme and involves the following amounts (see measure sheet 41):

Total cost: 33,5 million Euro

Public expenditure: 11,7 million Euro

The contribution from the Community is calculated on the basis of public expenditure.

#### **Transition arrangements**

No transitional arrangements are necessary as this is a new measure compared to the previous program period 2000-2006.

#### **Quantified targets for EU common indicators**

The Leader targets for this measure are listed under measure sheet 41.

#### **Additional programme-specific indicators and quantified targets**

None additional programme-specific indicators and quantified targets.

### **5.2.3.3 Encouragement of tourism activities (Code 313)**

(Creation of jobs)

#### **Article (and paragraph) which covers the measure**

Articles 52 (a)(iii) and 55 of Council Regulation (EC) No 1698/2005.  
Point 5.3.3.1.3 of Annex II of Regulation (EC) No1974/2006.

#### **Rationale for intervention**

This activity is exclusively implemented through the Leader approach.

In order to reverse the negative trends of economic and social decline and depopulation, seen in many parts of the European countryside and also in Denmark, support should be provided for the encouragement of tourism activities. Tourism is a major growth sector in many rural areas and thereby creates new employment opportunities and increases the overall attractiveness of the rural area.

#### *Rationale behind the scheme*

Tourism is a major growth sector which can help promote e.g. entrepreneurship, diversification and economic development. Activities within tourism can help promote other enterprises as shops, restaurants etc targeting both the rural population as well as tourists. Giving support to tourism activities can thus help create or maintain jobs in the rural areas.

#### **Objectives of the measure**

To facilitate the establishment of new jobs in the rural areas by supporting investments in tourism activities outside the agricultural sector.

#### **Scope and actions**

##### *Administration*

The measures will be implemented through the local action groups and the implementation of a locally prepared local development strategy. Within the framework of this support scheme,



the local action groups will prioritise the initiative with the aim of improving the general quality of life and job opportunities in a defined geographic area.

#### *Priority criteria*

The local action groups will prioritise the projects. This approach will exploit the local potential most effectively and also provide for the opportunity to continually adapt the initiative in order to establish new jobs for the current situation.

#### *Support criteria*

Support can be awarded for tourism activities with the exception of tourism activities on the farm holdings. Support can be awarded to tourism within the following fields

- development of small tourism activities incl. establishment of area or type-specific tourism
- accommodation on a small scale (maximum 10 rooms)
- marketing of tourism for the area and marketing of area or type-specific tourism.
- recreational infrastructure on a small scale

#### **Beneficiaries**

Enterprises, individuals, public authorities, cooperatives can apply for support.

#### **Eligible expenses**

Support may be given for investments that are necessary to carry out projects within the above-mentioned fields. Support can be given for both tangible and intangible expenses.

Support may not be given for:

- ongoing operating expenses
- purchase of land
- refundable VAT

Support is provided on the basis of invoices as one-off or in instalments with the maximum of 2 instalments.

#### **Aid intensities**

Investment projects that are non-profit in nature may be 100% funded from public sector funding.

Support for other investment projects will be given up to 50 pct. and in compliance with the de minimis rules in Commission Regulation (EC) No 1998/2006.

#### **Demarcation with other EU financial instruments**

The Regional Development Fund (ERDF), the Social Fund (ESF) and Fisheries Fund (EFF) programmes differ from the Rural Development Programme (RDP) in terms of targeting of business sectors, focus and scope of projects and geographical targeting.

The RDP can finance specific tourism activities and new enterprises in designated rural development municipalities. Neither the ERDF nor the ESF programme shall support specific tourism activities or enterprises. ERDF may support cooperation projects to promote

regional tourism. The ESF programme may support educational or entrepreneurial skills initiatives to promote tourism. Such projects shall not be supported in the RDP. Projects concerning the fisheries sector shall only be supported under the EFF.

To avoid funding of the same eligible expenses by more than one EU fund the following procedure and exchange of information will be included in the management system.

The applicant must at the time of application inform the authority whether he has applied for grant or has received grant to the project from other public funds. Each application must include a specified budget which allows the managing authority to check how any and all EU and national funds will be involved in the financing of the project. Before payment to the beneficiary, accounting documentation and an auditor statement is required. The auditor check will include information on all public funding to the project in general to avoid multiple funding. If public funding from several public funds is recorded, the managing authority shall undertake a cross check to all relevant authorities.

Coordination between the managing authorities of all EU funded programmes will be provided by ensuring representation of the relevant managing authorities in the Monitoring Committee for each EU-program. The FIA will make lists of projects under the RDP available for the administration of the other funds in order to avoid double financing at project level. Such procedures will furthermore facilitate the policy coordination across funds. Technical coordination meetings or networks shall be called for yearly between managing authorities of relevant EU funds in order to compare activities and the support commitments made under the different funds.

### **Financing**

The Leader method shall be used exclusively for the implementation of new initiatives pursuant to this measure and article in Council Regulation (EC) No 1698/2005. The financing of these activities is hence placed under Axis 4 of the programme and involves the following amounts with no transition payments (see measure sheet 41):

2007-2013: Total cost: 25,7 million Euro  
Public expenditure: 11,6 million Euro

The contribution from the Community is calculated on the basis of public expenditures.

### **Transition arrangements**

This measure is similar to activities co-financed under the Rural Development Programme 2000-2006 pursuant to Council Regulation (EC) No 1257/1999, article 33. These activities were not part of the Leader initiative 2000-2006. Payments made after 1 January 2007 on these contracts from the previous period will be declared under the Rural Development Programme 2007-13.

Total outstanding public costs; 6,1 million Euro  
Of which EAFRD; 3,0 million Euro

### **Quantified targets for EU common indicators**

The Leader targets for this measure are listed under measure sheet 41.

#### **5.2.3.4 Basic services for the economy and rural population (Code 321a)**

(Primary focus on improving quality of life in rural areas).

##### **Article (and paragraph) which covers the measure:**

Articles 52(b)(i) and 56 of Council Regulation (EC) No 1698/2005.

Point 5.3.3.2.1 of Annex II of Commission Regulation (EC) No 1974/2006.

The measure will include four sub-measures:

- 1) Support for the establishment of basic services, including commercial and business services and leisure activities.
- 2) Support for projects that are aimed at children and young people resident in rural areas to create attractive leisure activities.
- 3) Support for projects that are aimed at leisure and cultural events in rural areas in general.
- 4) Support for networking projects that are aimed at giving the rural population experiences of natural and cultural values, hereunder food related experiences and other rural projects adding to the quality of life, rural identity and diversification of the economy in the rural areas.

##### **Rationale for intervention:**

The national strategy identifies a number of structural circumstances which adversely affect the quality of life in rural areas.

The large difference in the income and tax base in Danish municipalities has consequences for the range of cultural, sports and leisure activities, etc. that is available. In many places, the same considerations apply to the public sector service level.

Through a locally administered support scheme, it will be possible to strengthen the range of services that is available in precisely the areas where the need is considered locally to be the greatest. In scarcely populated areas and marginalised areas with a difficult access to services, creation of multifunctional structures delivering a large variety of services, mobile services or e-services should be encouraged.

For many years, rural areas have on the whole experienced a growth in population below that in urban areas. In peripheral municipalities, there has actually been a population decrease. There are many reasons for this population trend in rural areas. One explanation for this downturn is that the quality of life in rural areas is not as high as in urban areas. The range of services and cultural attractions available for example is smaller. The dialogue with the partnership and residents of rural areas has indicated a strong need to improve access to high quality services and cultural attractions in order to prevent further depopulation in rural areas. In order to ensure an attractive quality of life and the continued habitation of rural areas, people must have access to basic services.

Natural and cultural values have may add to the quality of life in the rural areas, and also have links to the food production in the rural areas. At the same time food production has a significant effect on the overall economic situation in the rural areas. Activities that make it possible for the population in the rural areas to experience the diversity of the natural and

cultural values, can add to the quality of life and the local identity in the rural areas. At the same time these activities can contribute to the general economic development in the rural areas by utilizing the specific natural and cultural values in the rural areas in order to generate economic activities.

### **Objectives of the measure**

The purpose of sub-measure 1 is to support establishment of basic services, including commercial and business services and leisure activities – in order to create an attractive quality of life and ensure the continued habitation of rural areas.

The purpose of sub-measure 2 is to support projects aimed at children and young people resident in rural areas to create attractive leisure activities.

The purpose of sub-measure 3 is to support projects aimed at leisure and cultural events in rural areas in general.

The purpose of sub-measure 4 is to make it possible for the population in the rural areas to experience the diversity of the natural and cultural values, hereunder food related experiences and thereby improve the quality of life and identity in the rural areas. At the same time the purpose of the sub-measure is to contribute to the general economic development in the rural areas by utilizing the specific natural and cultural values in the rural areas in order to generate economic activities..

### **Scope and actions**

*1) Support for the establishment of basic services, including commercial and business services and leisure activities*

Establishment of commercial and business services may include services for networking or counselling for small scale enterprises and other activities to improve working conditions for and marketing of such enterprises in rural areas. For leisure activities, the organisation of concerts will not be funded, however the establishment of necessary structures for such activity is eligible.

#### *Administration*

The measures will be implemented through the local action groups and the implementation of a locally prepared local development strategy. Within the framework of this support scheme, the local action groups will prioritise the initiative with the aim of promoting the upturn in new jobs and improving the general quality of life in a defined geographic area.

#### *Beneficiaries*

Enterprises, individuals, public authorities, cooperatives, associations and local actions groups can apply for support.

#### *Aid intensities*

Grants for activities which do not affect trade, including activities of a non-profit nature may be 100% funded from public sector funding.

Support for other projects will be given up to 50 pct. and in compliance with the de minimis rules in Commission Regulation (EC) No 1998/2006.

*2) Support for projects that are aimed at children and young people resident in rural areas to create attractive leisure activities and 3) Support for projects that are aimed at leisure and cultural events in rural areas in general*

#### *Administration*

The sub-measures 2 & 3 will be centrally administered in the FIA. Applications are sent to the FIA, which carries out checks, administrative controls, approves payments and pays the support. The FIA may appoint a committee for each of sub-measure 2 & 3, which will assist the FIA in assessing and prioritising applications.

#### *Beneficiaries*

Individuals, public authorities and organisations etc can apply for support.

#### *Aid intensities*

The rate of support for projects will be up to 50 pct. and in compliance with the de minimis rules in Commission Regulation (EC) No 1998/2006.

For projects aimed at leisure and cultural events in rural areas activities which do not affect trade, including activities of a non-profit nature the rate of support may be 100%.

*4) Support for networking projects that are aimed at giving the rural population experiences of natural and cultural values, hereunder food related experiences adding to the quality of life, rural identity and diversification of the economy in the rural areas.*

The purpose of sub-measure 4 is to make it possible for the population in the rural areas to experience the diversity of the natural and cultural values, hereunder food related experiences and thereby improve the quality of life and identity in the rural areas. At the same time the purpose of the sub-measure is to contribute to the general economic development in the rural areas by utilizing the specific natural and cultural values in the rural areas in order to generate economic activities..

#### *Administration*

The sub-measure 4 will be centrally administered in the FIA. Applications are sent to the FIA, which carries out checks, administrative controls, approves payments and pays the support.

#### *Beneficiaries*

Organisations, associations, enterprises and institutions working with the development of rural society.

#### *Aid intensities*

The rate of support for projects will be up to 50 pct. and in compliance with the de minimis rules in Commission Regulation (EC) No 1998/2006.

### **Type of services supported**

#### *1) Support for the establishment of basic services, including commercial and business services and leisure activities*

Support covers the setting up of basic services, including commercial and business services and leisure activities, concerning a village or group of villages, and related small scale infrastructure as well for the economy as for the rural population, e.g.

- activities aimed at improving the access to basic services for commercial and business use
- establishment of new or retention of existing services of importance to industry in rural areas
- establishment of access to the latest information and communication technology for enterprises and people in rural areas
- cultural, leisure and sport facilities in rural areas
- access to Information and Communication Technologies (ICTs)
- establishment of networks which can strengthen social and business relations in rural areas

#### *2) Support for projects that are aimed at children and young people resident in rural areas to create attractive leisure activities*

The activities supported include:

- 1) Activities aiming at creating an attractive spare time for children and young people in order to promote the interest for rural business activities, and for nature, environment, settlement, culture, outdoor activities and living conditions.
- 2) Information activities on rural life, with the overall purpose to inform, create coherence and offer activities, which attract and sustain children and young people's interest in rural business activities, and for nature, environment, settlement, culture, outdoor activities and living conditions.
- 3) Distribution of information on organizations, associations and public utility organizations activities
- 4) Education and qualifying of applicant members, hereunder education of instructors and consultants.
- 5) Strengthening of network activities in rural areas concerning young people, education and business activities.

#### *3) Support for projects that are aimed at leisure and cultural events in rural areas in general*

The activities supported include:

1. Theatre plays,
2. Workshops,
3. Exhibitions
4. Music events
5. Other forms of cultural events

#### *4) Support for networking projects that are aimed at giving the rural population experiences of natural and cultural values, hereunder food related experiences adding to the quality of life, rural identity and diversification of the economy in the rural areas.*

Investment costs and activities supported include: Establishment of natural and cultural heritage initiatives as well as presentation of novelties. This will be implemented via events, workshops, permanent or temporary fairs .In addition development of ICT platforms that may facilitate the populations access to natural, cultural and food related experiences will be supported.

Marketing and sales promotion actions are not eligible under this measure.

### **Type of cost covered**

Support may be given for investments that are necessary to carry out projects within the above-mentioned fields. Support can be given for both tangible and intangible expenses.

Support may not be given for:

- ongoing operating expenses
- the purchase of land, livestock, plants, sowing and production rights
- refundable VAT

### **Demarcation with other EU financial instruments**

The Regional Development Fund (ERDF), the Social Fund (ESF) and Fisheries Fund (EFF) programmes differ from the Rural Development Programme (RDP) in terms of targeting of business sectors, focus and scope of projects and geographical targeting.

Under the RDP, projects concerning basic services and improving the quality of life in rural areas shall be supported through local initiatives, while projects with the same objectives but performed on the regional or national level shall be supported under the ERDF and ESF.

Projects concerning use of new technology such as distribution of ICT broadband to a local area may be supported under the RDP. Similar projects concerning setting up an ICT infrastructure under the ERDF programme will have a more regional scope or national scope.

To avoid funding of the same eligible projects or expenses by more than one EU fund the following procedure and exchange of information will be included in the management system.

The applicant must at the time of application inform the authority whether he has applied for grant or has received grant to the project from other public funds. Each application must include a specified budget which allows the managing authority to check how any and all EU and national funds will be involved in the financing of the project. Before payment to the beneficiary, accounting documentation and an auditor statement is required. The auditor check will include information on all public funding to the project in general to avoid multiple funding. If public funding from several public funds is recorded, the managing authority shall undertake a cross check to all relevant authorities.

Coordination between the managing authorities of all EU funded programmes will be provided by ensuring representation of the relevant managing authorities in the Monitoring Committee for each EU-program.

The FIA will make lists of projects under the RDP available for the administration of the other funds in order to avoid double financing at project level. Such procedures will furthermore facilitate the policy coordination across funds.

Technical coordination meetings or networks shall be called for yearly between managing authorities of relevant EU funds in order to compare activities and the support commitments made under the different funds.

Detailed information is found in chapter 10.

### **Financing**

The contribution from the Community is calculated on the basis of public expenditures.

The Leader method shall be used exclusively for activities under this measure pursuant to article in Regulation (EC) No 1698/2005 - with the exception of the sub-measures mentioned above.

The financing of the Leader activities is placed under Axis 4 of the programme and involves the following amounts with no transition amounts (see measure sheet 41).

Total cost: 99,2 million Euro

Public expenditure: 49,6 million Euro

Local action groups shall select and recommend projects for support. Projects recommended by the LAGs will be forwarded to the FIA for the final approval of the project. The FIA makes the legal commitment with the beneficiaries.

The budget for measure 321a excluding the above axis 4 budget is distributed as follows:

*Projects aimed at children and young people resident in rural areas to create attractive leisure facilities*

2007-2013:

Total cost: 6,8million Euro

Public expenditure: 3,4 million Euro

*Projects aimed at leisure and cultural attractions in rural areas in general*

2007-13:

Total cost: 3,2 million Euro

Public expenditure: 1,3 million Euro

Support for networking projects that are aimed at giving the rural population experiences of natural and cultural values, hereunder food related experiences improving the quality of life, rural identity and diversification of the economy in the rural areas.

*Networking activities 2010-13:*



Total cost: 3,04 million Euro  
 Public expenditure: 2,3 million Euro

*Co-financing by regional and local authorities 2012-13*

Total cost: 6,0 million Euro Public expenditures: 4,6 million Euro

**Transition arrangements** (including estimated amount):

The activities to promote leisure facilities for children and young people and cultural attractions in rural areas are similar to activities co-financed under the Rural Development Programme 2000-2006 pursuant to Council Regulation (EC) No 1257/1999, article 33. Payments made after 1 January 2007 on commitments from the previous programming period will be declared under the Rural Development Programme 2007-13.

Total outstanding public costs; 11,1 million Euro  
 Of which EAFRD; 5,6 million Euro

**Quantified targets for EU common indicators**

The targets in the table are for the part of the measure that is implemented by NaturErhvervstyrelsen by normal administrative procedures. The targets for the Leader activities of this measure are listed under measure sheet 41.

*Children and young people*

Type of indicator	Indicator	Target 2007-2009
Output	Number of supported actions	2000
	Total volume of investment	6,8 MEURO
Result	Population in rural areas benefiting from improved services	In progress
	Increase in internet penetration in rural areas	0
Impact	Net additional value expressed in PPS	0
	Net additional full time equivalent jobs created	0

*Culture activities*

Type of indicator	Indicator	Target 2007-2009
Output	Number of supported actions	800
	Total volume of investment	3,2 MEURO
Result	Population in rural areas	In progress

	benefiting from improved services	
	Increase in internet penetration in rural areas	0
Impact	Net additional value expressed in PPS	0
	Net additional full time equivalent jobs created	0

<i>Networking activities</i>		
Output	Number of networking activities	90
	Total volume of investment	3,0 MEURO
Result	<ul style="list-style-type: none"> <li>• Number of attendant</li> <li>• Number of new market opportunities reached through the supported network</li> </ul>	<ul style="list-style-type: none"> <li>• 900</li> <li>• 22</li> </ul>
Impact	<ul style="list-style-type: none"> <li>• Added value</li> <li>• New jobs</li> </ul>	<ul style="list-style-type: none"> <li>• In progress</li> <li>• In progress</li> </ul>

<i>Cofinancing Networking activities by regional and local authorities</i>		
Output	Number of networking activities	180
	Total volume of investment	6,0 MEURO
Result	<ul style="list-style-type: none"> <li>• Number of attendant</li> <li>• Number of new market opportunities reached through the supported network</li> </ul>	<ul style="list-style-type: none"> <li>• 450</li> <li>• 44</li> </ul>
Impact	<ul style="list-style-type: none"> <li>• Added value</li> <li>• New jobs</li> </ul>	<ul style="list-style-type: none"> <li>• In progress</li> <li>• In progress</li> </ul>

Program-level quantifications 2007-2013		
Impact	Net additional value expressed in Euro	388 million
Impact	Net additional full time equivalent jobs created	360 more people in employment

#### **Additional programme-specific indicators and quantified targets**

None

#### **5.2.3.4.a. Basic services for the economy and rural population (Code 321b)**

Investments in common facilities for biogas production

##### **Article (and paragraph) which covers the measure:**

Articles 52(b)(i) and 56 of Council Regulation (EC) No 1698/2005.

Point 5.3.3.2.1 of Annex II of Commission Regulation (EC) No 1974/2006.

##### **Rationale for intervention:**

The national strategy identifies a number of structural circumstances which adversely affect the quality of life in rural areas. This includes the public sector service level regarding the provision of clean and renewable energy sources for heating, electricity etc.

In the Government Strategy on Green Growth it is envisaged that up to 50 pct. of livestock manure incl. slurry should be utilised for energy purposes by 2020 enhancing local energy supply from renewable sources and reducing the use of fossil fuels. This is in line with the Danish goal of 30 % share of energy from renewable sources by 2020 as stated in directive 2009/28/EC regarding the promotion of the use of energy from renewable sources.

In addition common facilities for biogas production serve as an effective platform for an environmentally sound utilisation of the nutrients in manure and slurry, contribute to improved water quality and reducing methane emissions as well as odour nuisance. Furthermore the production of biogas will ensure rural villages and towns a stable and self-sufficient supply of renewable energy, including heating, based on locally available manure and slurry.

Investments in common facilities for biogas production are not solely a pivotal factor for the further optimisation of production processes and thereby for the primary sector's competitiveness in a globalized market with consumer demand for quality food products, but also for enabling agriculture to meet society's goals for nature, the environment and climate and animal welfare.

In order to achieve a sustainable renewable energy source from biogas production, research conducted by the Institute of Food and Resource Economic Institute, University of Copenhagen, points to substantial economy of scale in biogas production primarily based on manure and slurry.

Concerning treatment of livestock manure under the N Directive, primary producers will not be able to intensify their animal husbandry as a result of establishment of the biogas or separation facilities. Processed livestock manure will be considered in the same way as normal livestock manure in relation to implementation of the N Directive. The national rules for utilization of manure (harmony rules) still apply according to the Danish Law 757/2006 on utilization of fertilizer and plant cover in farming, including the limits of 1.4, 1.7 or 2.3 Livestock Units/ ha respectively.

##### **Objectives of the measure**

The purpose of the measure is to support establishment of common off farm facilities for biogas production in order to create local jobs and an attractive quality of life in rural areas

through the provision of a local energy supply from renewable sources and the improvement of environmental conditions.

### **Scope and actions**

The purpose is to support establishment of common off farm facilities for biogas production based mainly on slurry and manure from several farms established as an independent legal entity outside agriculture supplying biogas primarily to a local heat and electricity plant.

#### *Administration*

The measure will be centrally administered in the FIA. Applications are sent to the FIA, which carries out checks, administrative controls, approves payments and pays the support according to details to be specified in national implementing rules in line with the relevant EU regulations.

#### *Beneficiaries*

Enterprises and cooperatives (legal persons outside agriculture) can apply for support. It is a condition for support that manure constitutes at least 75 pct. of the biomass used in the production of biogas and that delivering contracts are made with local farmers.

#### *Aid intensities*

Support under this measure will be up to 30 pct. of eligible expenses with a maximum public contribution under this measure of 7,5 million EUR per project.

Support will be granted in accordance with Danish GBER measure notification No SA 33357 (11)/X as notified under Regulation (EC) no. 800/2008 of 6 August 2008. The total rate of support for any project can in accordance with the notification be up to 45 pct. of the eligible expenses for large enterprises, 55 pct. for medium enterprises and 65 pct. for small enterprises in accordance with the state aid notification mentioned above.

All public support to projects will be granted only through measures notified to the Commission after appropriate procedures, and included in the programme. The combined rate of support cannot exceed the maximum rates of support as indicated above. The FIA will establish administrative procedures in cooperation with the relevant Danish authorities to ensure that these limits are not exceeded.

### **Type of costs supported**

Eligible expenses constitute the extra costs associated with the establishment of a biogas production facility compared to a conventional facility based on coal, natural gas, etc. in accordance with No SA 33357 (11)/X as notified under Regulation (EC) no. 800/2008 of 6 August 2008.

Investment costs eligible for support include:

1. The cost of construction, plant, new machinery and equipment, including computer software up to the market value of the asset.
2. General costs such as architects, engineers and consultation fees. These costs can be up to 15 pct. of total investment cost.
3. Other costs, which according to the FIA may be relevant and necessary carrying out the project.

Eligible investments will go beyond what is necessary in order to comply with minimum obligations for treatment of livestock manure according to the Nitrates Directive.

Support for the establishment of common facilities for biogas production may be used in combination with support under code 121 sub-measure 2 for related investments in farm facilities i.e. slurry storage etc. on farms supplying biomass for the biogas plant. Support cannot be combined with support for investments in biogas production facilities under 121 nor 311.

Support may not be given for:

- ongoing operating expenses
- the purchase of land, livestock, plants, sowing and production rights
- refundable VAT

### **Financing**

2010-13:

Total cost: 17,9 million euro

Public expenditure: 5,4 million euro

### **Transition arrangements**

No transition arrangements are necessary as this type of activity was not supported under the previous programme.

### **Quantified targets for EU common indicators**

<b>Type of indicator</b>	<b>Indicator</b>	<b>Target 2010-2013</b>
Output	Number of supported actions	8
	Total volume of investment	17,9 mio Euro.
Result	Population in rural areas benefiting from improved services	In progress
Impact	Net additional value expressed in PPS	In progress
	Net additional full time equivalent jobs created	In progress

#### **5.2.3.5 Village renewal and development (Code 322)**

(Improving quality of life in rural areas).

#### **Article (and paragraph) which covers the measure:**

Article 52(b) (ii) and 56 of Council Regulation (EC) No 1698/2005.

Point 5.3.3.2.2 of Annex II of Commission Regulation (EC) No 1974/2006.

**Rationale for intervention:**

This activity is exclusively implemented through the Leader approach.

The purpose is to carry out activities and investments making rural areas more attractive. In order to reverse the negative trends of economic and social decline and depopulation, seen in many parts of the Danish countryside, support should be provided for village renewal and development.

Rural areas are currently undergoing rapid change. Changes are taking place in population numbers and the composition of the population. For many years, rural areas have on the whole experienced a growth in population below that in urban areas. In peripheral municipalities, there has actually been a population increase. There are many reasons for this population trend in rural areas. One explanation for this downturn is that the quality of life in rural areas is not as high as in urban areas.

There is a need to accompany changes in rural areas by helping them to enhance village renewal and development making rural areas more attractive in order to reverse trends towards economic and social decline and depopulation of the countryside.

**Objectives of the measure:**

The purpose of the scheme is to support village renewal and development in order to create an attractive quality of life and ensure the continued habitation of rural areas.

**Scope and actions:***Administration*

The measures will be implemented through the local action groups and the implementation of a locally prepared local development strategy. Village development is conditioned by the pre-existence of a regional spatial planning instrument for the Region controlling urban pressure and respecting environment.

The local action groups will prioritise projects with the aim of promoting new jobs and improving the general quality of life in a defined geographic area. The selection of projects should be coherent with the aims of the local development strategy and with regional planning.

*Beneficiaries*

Enterprises, individuals, public authorities, cooperatives and local actions groups can apply for support.

**Type of actions supported**

Support for projects concerning village renewal and development, including the following activities;

- refurbishment and clean-up of buildings in villages
- small environmental projects in parks and along roads
- minor local road works

- environmental upgrading: e.g. upgrading parks, roadsides, placing hedges and flower boxes

### **Type of cost covered**

Support may be given for investments that are necessary to carry out projects within the above-mentioned fields. Support can be given for both tangible and intangible investments.

Support may not be given for:

- ongoing operating expenses
- purchase of land
- refundable VAT

### **Aid intensities**

Investment projects that are non-profit in nature may be 100% funded from public sector funding.

Support for other investment projects will be given up to 50 pct. and in compliance with the de minimis rules in Commission Regulation (EC) No 1998/2006.

### **Demarcation with other EU financial instruments**

The Regional Development Fund (ERDF), the Social Fund (ESF) and Fisheries Fund (EFF) programmes differ from the Rural Development Programme (RDP) in terms of targeting of business sectors, focus and scope of projects and geographical targeting.

Under the RDP, projects concerning village renewal and development shall be supported through local initiatives, while projects with the same objectives but performed on the regional or national level shall be supported under the ERDF and ESF. Neither the ERDF nor the ESF programme shall support specific local village renewal activities but may support cooperation projects with a regional or general framework improving aim.

For cooperation projects the same beneficiaries may receive support under the ESF and ERDF as well as under the RDP, but for different types of projects. To avoid funding of the same eligible expenses by more than one EU fund the following procedure and exchange of information will be included in the management system.

The applicant must at the time of application inform the authority whether he has applied for grant or has received grant to the project from other public funds. Each application must include a specified budget which allows the managing authority to check how any and all EU and national funds will be involved in the financing of the project. Before payment to the beneficiary, accounting documentation and an auditor statement is required. The auditor check will include information on all public funding to the project in general to avoid multiple funding. If public funding from several public funds is recorded, the managing authority shall undertake a cross check to all relevant authorities.

Coordination between the managing authorities of all EU funded programmes will be provided by ensuring representation of the relevant managing authorities in the Monitoring Committee for each EU-program. FIA will make lists of projects under the RDP available for

the administration of the other funds in order to avoid double financing at project level. Such procedures will furthermore facilitate the policy coordination across funds. Technical coordination meetings or networks shall be called for yearly between managing authorities of relevant EU funds in order to compare activities and the support commitments made under the different funds. Detailed information is found in Chapter 10.

### **Financing**

The Leader method shall be used exclusively for the implementation of new initiatives pursuant to this measure and article in Regulation (EC) No 1698/2005. The financing of these activities is hence placed under Axis 4 of the programme and involves the following amounts with no transition payments (see measure sheet 41).

2007-2013:

Total cost: 8,0 million Euro

Public expenditure: 6,6 million Euro

The local action groups select projects for support pursuant to the Axis 3 articles of Regulation 1698/2005. The recommended projects will thereafter be forwarded to the FIA for the final approval of the project (the commitment).

The contribution from the Community is calculated on the basis of public expenditure.

### **Transition arrangements** (including estimated amount)

This measure is similar to activities co-financed under the Rural Development Programme 2000-2006 pursuant to Council Regulation (EC) No 1257/1999, article 33. These activities were not part of the Leader initiative 2000-2006. The following payments that shall be made after 1st January 2007 on these contracts from the previous period will also be declared under this measure;

Total outstanding public costs;            9,1 million Euro

Of which EAFRD;                                4,6 million Euro

### **Quantified targets for EU common indicators**

The Leader targets of the measure are listed under measure sheet 41.

### **5.2.3.6 Conservation and upgrading of the rural heritage (Code 323a)**

(State acquisition of land)

#### **Article (and paragraph) which covers the measure**

Article 52 (b) (iii), 57 and 71(3) (c) of Council Regulation (EC) No 1698/2005.

Point 5.3.3.2.3 of Annex II of Commission Regulation (EC) No 1974/2006.

#### **Rationale for intervention**

State acquisition of land may in special cases prove a necessary tool to successfully implement wetlands projects. The situation occurs only when a farmer who owns land necessary for the success of a project does not want to keep this land after the



implementation of the project and expropriation of the land by the public authorities isn't a feasible solution.

An example is a landowner who as a consequence of a rising water level is deprived the opportunity to maintain land in good agricultural and environmental condition pursuant to the definition in Council Regulation (EC) No 73/2009, Art. 5. The land owner may thereby be deprived the opportunity to achieve the single payment on the land pursuant to this Regulation after completion of the wetland project.

By establishing wetlands and other landscape elements on agricultural land it is expected that nitrogen and phosphorus shall be retained from the aquatic environment through naturally occurring physical and chemical processes. In addition this should lead to an increase in the total area of valuable wetland habitats.

In order to establish, restore or enhance wetlands, rural landscapes and nature areas, it may in some special cases prove necessary for the State to acquisition part of the land which shall be used for such purposes.

### **Objectives of the measure**

State acquisition of land shall be used in connection with projects with the objective to protect and improve the aquatic environment in the area concerned and to reduce the use of plant protection products. Other relevant projects could be the promotion of wildlife and fauna living conditions, preservation of natural habitats that are threatened in the intensively cultivated agricultural landscape and conservation of organic soils vulnerable to tillage farm practices, which can result in reduced carbon sequestration with negative effects on green house gas emissions.

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### **Scope and actions**

The acquisition of land by the state can be a necessary prerequisite to implement a given project concerning establishment or reestablishment of wetlands, conservation or restoration of nature areas. State acquisition of land will only be used as a last resort and if essential to carry out projects to promote environmental or nature conservation considerations.

The land is bought by the State with the unambiguous intention to sell the land as soon as possible to a private individual, fund or other private legal person at the market prices (which will be lower after the project has been implemented). However in some cases the land may not be readily sold for a reasonable price and with the necessary conditions for nature conservation, public access etc. In this case, the land may be transferred to a State owned land fund for nature protection for an undefined period of time. In this case the State will keep accounts of the support received for the purchase of the land for 5 years after the expiry of the programme period. The land will be sold by State with long-term legal commitments only. These shall be made with the new private owner and include maintenance conditions for the area in order to ensure the long-term change in land use. The land is not acquired by State under compulsory powers but is sold voluntarily.

Payment of support under this measure may be combined with support for non-productive investments associated with the establishment of wetland under the measure Establishment of wetland and the submeasure on protection of peatlands (see measure sheet 216a) pursuant to Articles 36 (a) (vi) and 41 of Council Regulation (EC) No 1698/2005.

However the area payment for the management of wetland pursuant to Articles 36 (a) (iv) and 39 of Council Regulation (EC) No 1698/2005 may not be combined with state purchase of the area.

### **Description of the type of operations covered, referred to in Article 57 of Regulation 1698/2005**

The State acquisition of land area requires a specific project to establish a wetland area or to promote environmental considerations or nature conservation on a specific project area. The need for the State acquisition of land may arise for the land in a wetland project which becomes so wet that sufficient compensation cannot be given under the scheme. This could be the case, for example, if the beneficiary lost the opportunity to receive single farm payments on the basis of the area in accordance with Council Regulation (EC) No 73/2009.

The purchase of the project area may be supported either under article 41 or under article 57 of Regulation (EC) n°1698/2005 depending on the possibility to maintain an agricultural activity on the land after the conversion of the land. If the project area may be used for extensive agriculture after completion of the project, as will be most often the case, support for the purchase may be supported under article 41 and the current measure 216c. If conversion of the project area leads to a loss of the possibility to maintain agricultural activity, the purchase of the land may be supported under article 57 ( cf. the present measure sheet 323a).

Before implementing projects under this measure, skilled planners will assess the expected degree of cover with water or biotopes not farmable on the project area as a result of the project. The end-state of the project area may not be estimated with 100 pct certainty beforehand. The precautionary principle will be used for assessing, which part of the project area will be qualified for continued agricultural activity after project completion. If the project planner or the Managing Authority assess that the project area may not be used for agricultural activity after project completion, the State will apply for co-financing pursuant to article 57.

After completion of the project, the State may sell the purchased land to other public sector authorities, private individuals, funds, etc. In the event of such a sale, the continuation of wetland status for the wetland area or project area will be ensured through registration in the land registry of a declaration concerning the area, which among other things covers the management conditions imposed. In addition, the operation of purchase-resell will respect the following conditions:

- the environmental purpose and benefit of the investment will remain the same after the resell;
- the price of purchasing and selling will be established by assessment by skilled evaluators from State institutions.

- the co-financing will only relate to the difference between the costs of the purchase and the lower price paid by the land managers if the State envisages to sell;
- the procedure related to the selling operation shall be opened to all interested parties and
- the conditions attached to the land resold will not be supported by another scheme. The purchase of the area may be supported either under article 41 or under article 57 of Regulation (EC) n° 1698/2005 depending on the possibility to maintain an agricultural activity on the land after the conversion into wetland. According to Article 71 (c) of Regulation (EC) n° 1698/2005, the cost for the purchase of land may represent a percentage higher than 10 % of all the eligible expenditure on the operation concerned in exceptional and duly justified cases for operations concerning environmental conservation. If duly justified, this percentage could go up to 100 %. Before starting such an operation, the competent Authority should assess that the participation rate of land owners is high enough to ensure the achievement of the environmental objective in the area concerned. The procedure related to the selling operation shall be opened to all interested parties.
- The original land owner may be provided with a repurchase clause to reacquire the land at the resell operation. The conditions laid down by the Commission Communication 97/C 209/03 on State aid elements in sales of land and buildings by public authorities shall be observed in connection with the reselling operation.
- Where the original owner enjoys the advantage of a repurchase clause, no bid shall be accepted which is below the price established by an independent asset valuer.

The correct market price is assessed by skilled evaluators from the mentioned State institutions. The Danish Forest and Nature Agency adheres to an evaluation of the land price made by the Danish State tax administration (SKAT) or by the Danish Food Industry Agency on the basis of market evaluations and statistics. The market value is assessed on basis of a number of factors including level and trend in local recent sale prices, soil content and quality, historical yields, alternative costs for substitute land to the farmer and current land lease costs. Similarly, the land will be re-sold at market prices.

#### *Support criteria*

The land may not be purchased above market prices.

Land owners must prior to State purchase be given the alternative opportunity to receive area based compensation under the agri-environment measures pursuant to Articles 36 (a) (iv) and 39 of Council Regulation (EC) No 1698/2005. As an exemption, this does not apply to environmental conservation projects on protection of peatland habitats (216a), where State purchase may be offered as the standard support instrument.

The long-term continuation of the management changes must be ensured through registration in the land registry of declarations concerning the future potential uses of the project areas, restrictions and checks on the land.

The co-financing rate from EAFRD is 50 percent of the expenditures for the acquisition of land.

#### *Beneficiaries*

The Danish State is the beneficiary of support for the acquisition of agricultural land from private landowners, private tenants, private companies or private organisations.

*Administration*

The support scheme will be offered by the NaturErhvervstyrelsen.

**Link to commitments provided for in article 36(a) (iv) of Regulation 1698/2005 or other agri-environmental objectives**

The payment of support may be combined with other types of support under the agri-environment measures in the rural development programme if the special commitments in land management imposed pursuant to this measure do not coincide with obligations made under the other measure. As part of the administrative control it is case-by-case ensured that double compensation is avoided.

The payment can be combined with the single payment aid granted under Regulation (EC) No 73/2009 if it qualifies for this.

**Demarcation with other EU financial instruments**

No need for demarcation lines, as this kind of support is offered by the RDP only.

**Financing**

The contribution from the Community is calculated on the basis of public expenditures.

Total cost: 0,1 MEURO

Public expenditure: 0,1 MEURO

**Transition arrangements**

This measure is similar to activity co-financed under the Rural Development Programme 2000-2006 pursuant to Council Regulation (EC) No 1257/1999. However, no payments made on old contracts from the previous measure shall be declared under the Rural Development Programme 2007-13.

**Quantified targets for EU common indicators**

Type of indicator	Indicator	Target 2007-2013
Output	Number of rural heritage actions supported	5
	Total volume of investments	0,1 MEURO
Result	Population in rural areas benefiting from improved services	Not known. Public amenity value in the areas shall be enhanced
Impact	Net additional value expressed in PPS	None
	Net additional full time equivalent jobs created	None

Program-level quantifications		
Impact	Net additional value expressed in Euro	388 MEURO
Impact	Net additional full time equivalent jobs created	360 more people in employment

#### **Additional programme-specific indicators and quantified targets**

None

#### **5.2.3.7 Conservation and upgrading of the rural heritage (Code 323b)**

(Nature and environment projects in the open countryside)

#### **Article (and paragraph) which covers the measure**

Article 52 (b) (iii) and 57 of Council Regulation (EC) No 1698/2005

Point 5.3.3.2.3 of Annex II of Commission Regulation (EC) No 1974/2006

#### **Rationale for intervention**

The Government has as a high priority objective the aim of reducing the loss of biodiversity in the Danish landscape. This was the objective of the Government's action plan for biological diversity and environmental protection in Denmark 2004-2009, which prioritises conservation initiatives for existing natural areas, including open grasslands, common land, meadows, small biotopes and other semi-cultivated areas. In many of these areas, targeted support to maintain special care obligations can contribute to positive development. It is also one of the aims of the national Pesticide Plan 2004-2009. In 2009 a political agreement, Green Growth, was made that reaffirms these aims for the period 2010-2020. Green Growth must enable a high level of environment-, nature- and climatic protection alongside a competitive agriculture and food production.

The rationale behind the measure is that improvement of rural (natural) heritage can be achieved through planning and subsequent implementation of nature and environment projects, and in particular to contribute to

- the counteracting the loss of biodiversity in the Danish landscape
- the protection or re-establishment of unique cultural or landscape elements;
- promoting environmentally friendly or extensive agriculture and use of low intensity grazing systems in areas of high natural value;
- developing recreational assets in rural areas with high nature or cultural value.

#### **Objectives of the measure**

The measure will contribute to meeting the aims of the specific nationally adopted action plans for the protection of areas designated according to the Natura 2000 and Water Framework directives (these plans shall be adopted by 2011). However the projects under this measure will not include the establishment of the planning according to the aforementioned Community policies. The measure will furthermore contribute to conserving and promoting the high nature value of open areas outside the Natura 2000 designated areas, and

enhance public access to the natural and cultural heritage and raise public awareness concerning the value of this heritage.

### **Scope and actions**

The measure provides support for drawing-up of plans for and implementation of nature and environment projects that may contribute to the preservation, establishment of or maintaining biotopes, habitats or landscape elements on agricultural land or other places of high natural value.

Projects supported may for example contain:

- Maintaining of valuable landscape elements
- Clearing of overgrown open habitats, fencing and other facilities prior to grazing.
- Establishment of natural hydrological conditions.
- Establishment and maintenance of water and shelter facilities for livestock grazing on grasslands or semi natural areas.
- Operations that promote sustainable use of and public access to natural heritage in rural areas or increase awareness of this heritage.

Projects may concern restoration of open-habitat areas with no subsequent agricultural use such as heath, bogs, lakes, flooded meadows or other habitats.

### **Description of the type of operations covered, referred to in Article 57 of Regulation 1698/2005**

The support shall cover:

- the drawing-up of protection plans relating to the Birds and Habitats Directives and places of high natural value in general, environmental awareness actions and investments associated with planning of maintenance, restoration and upgrading of the natural heritage and with the development of high natural value sites or living sites of protected species.
- studies and investments associated with planning of maintenance, restoration and upgrading of the natural heritage such as the features of villages and the rural landscape

### **Support rates**

Support may be given for up to 100% of eligible expenditures in the project.

The payment claim shall be based on invoices for expenditures incurred by the beneficiaries. No advance payments of support shall be allowed.

### **Support criteria**

Support is given for costs in connection with preparation and implementation of projects. Support is also given for studies connected with the conservation or restoration of natural areas. Projects may, for example, cover the preparation of collective nature conservation or restoration plans involving more than one land owners or, where appropriate, other interests.

The following expenses are eligible;

- preliminary investigations, studies or examination necessary to carry out the project
- rent of or investment in materials and equipment necessary to carry out the project
- indirect costs for use of own machinery
- establishment of public access and information, including public facilities such as benches and tables
- services, including consultancy services
- wages to personnel necessary to carry out the project including wages for work carried out by the beneficiary, if these expenses would not normally be covered by public institutions
- attestation of expenses paid
- expenses for information and reporting of project results

Indirect costs must be calculated based on known machine station pay rates. The calculation must be approved by the Danish Food Industry Agency (FIA).

Support may not be given for initiatives that are eligible under the common EU Framework Programme for Research and Technological Development.

#### **Priority criteria**

FIA will set up an advisory committee that may examine project applications submitted under this measure concerning protection of environment, nature and animal welfare. The FIA may choose to select projects for support on the basis of advice from this committee or based on assessment of applications contribution to the aims of the measure combined with total costs of the projects. Further criteria for prioritization may be established nationally.

Support to projects in designated Natura 2000 areas will be prioritized by FIA in close co-operation with the Danish environmental authorities.

#### *Beneficiaries*

Any private and or public legal person, including owners or tenants of agricultural land and forests, may be a beneficiary.

#### *Administration*

The support scheme will be offered by the FIA. On-the spot control of support commitments shall be implemented by FIA or after delegation by the Plant Directorate under the Ministry for Food, Agriculture and Fisheries.

#### **Link to commitments provided for in article 36(a) (iv) of Regulation 1698/2005 or other agri-environmental objectives**

The payment of support may be combined with the following types of support in accordance with Articles 36 (a) (iv) and 39 of Council Regulation (EC) No 1698/2005 if the special commitments in land management imposed pursuant to this measure do not coincide with obligations made under the other measure:

- Conversion to organic agricultural production
- Extensive production on agricultural land
- Conservation by grazing or cutting on pasture and natural areas
- Establishment and management of wetlands and restoration of natural hydrological conditions
- Periodical flooding of farmland in river valleys
- Restoration of hydrological conditions and conversion of farmland into rotation to pasture in Natura 2000 areas
- State purchase of land
- Establishment of set-aside border strips
- Plant genetic resources
- Establishment of landscape and biotope-improving vegetation, including shelter plants
- Island support

As part of the administrative control it is case-by-case ensured that double compensation is avoided. The payment can be combined with the single payment aid granted under Regulation (EC) No 73/2009.

### **Demarcation with other EU financial instruments**

This kind of support shall be offered under the Rural Development Programme only. Therefore, demarcation lines are clear to other financial instruments. For demarcation to the LIFE+ programme see chapter 10.

### **Financing**

The contribution from the Community is calculated on the basis of public expenditures.

2007-2009

Total cost: 26,000 Euro

Public expenditure: 13,000 Euro

2010-2013

Total cost: 4,3 million Euro

Public expenditure: 3,0 million Euro

Of the public appropriations for 2010-13 million euro 0.063 is co-financed by the modulated EAFRD means after the Health Check. This amount will be used to support studies and investments associated with planning of projects for restoration of natural hydrological conditions on farmland in Natura 2000 areas, in cases where the resulting state of the project area may no longer permit an agricultural activity.

### **Transition arrangements**

No transitional arrangements are necessary as this is a new measure compared to the previous program period 2000-2006.

### **Quantified targets for EU common indicators**



Type of indicator	Indicator	Target 2007-13
Output	Number of rural heritage actions supported	900
	Total volume of investments	4,3 million euro
Result	Population in rural areas benefiting from improved services	Not known. Public amenity value in the areas shall be enhanced
Impact	Net additional value expressed in PPS	None
	Net additional full time equivalent jobs created	None

Program-level quantifications		
Impact	Net additional value expressed in Euro	388 MEURO
Impact	Net additional full time equivalent jobs created	360 more people in employment

#### **Additional programme-specific indicators and quantified targets**

Impact	Reversal in biodiversity decline (farmland bird species population)	Maintain index level for breeding bird population (IRENA population index for 18 breeds of birds on agricultural land: 106.1 in 2001. Common objective)
	Change in high nature value areas	Maintain area (78,000 ha in 2000, common objective)

#### **5.2.3.8 Conservation and upgrading of the rural heritage (Code 323c)**

(good quality of life in rural areas)

#### **Article (and paragraph) which covers the measure:**

Article 52 b (iii) and 57 of Council Regulation (EC) No 1698/2005.

Point 5.3.3.2.3 of Annex II of Commission Regulation (EC) No 1974/2006.

**Rationale for intervention:**

This activity is exclusively implemented through the Leader approach.

In order to reverse the negative trends of economic and social decline and depopulation, seen in many parts of the Danish countryside, support should be provided for conservation and upgrading of the rural (both natural and cultural) heritage in the area. In this way the quality of life increases and also the economic attractiveness.

There is a need to accompany changes in rural areas by helping them to promote conservation and upgrading of the rural heritage making rural areas more attractive in order to reverse trends towards economic and social decline and depopulation of the countryside. Through the support scheme, a range of opportunities for receiving support will be offered. The support scheme is set up as a range of action areas aimed at giving local action groups the opportunity to support projects in their local area considered to be the most suitable. This approach will exploit the local potential most effectively and offers the opportunity to continually adapt the initiative to the current situation.

**Objectives of the measure**

To support conservation and upgrading of the rural (both natural and cultural) heritage and thereby improving the general quality of life and creation of new jobs in the area.

**Scope and actions***Administration*

The measures will be implemented through the local action groups and the implementation of a locally prepared local development strategy. The local action groups will prioritise and recommend projects for support. The selection of projects should be coherent with the aims of the local development strategy and with regional planning.

The Danish Food Industry Agency (FIA) shall make the final support decisions and legal commitments with applicants.

*Beneficiaries*

Enterprises, individuals, public authorities, cooperatives and local actions groups can apply for support.

**Description of the type of operations covered, referred to in Article 57 of Regulation 1698/2005**

Support can be awarded for natural and cultural heritage projects within the following fields.

Natural heritage;

- investments associated with maintenance, restoration and upgrading of the natural heritage and with the development of high natural value sites
- awareness actions to raise awareness about its value, the need to maintain and preserve it and the benefits which may be derived from it

- improving the recreational assets and access to the heritage, e.g. presentation actions especially for young people

#### Cultural heritage;

- studies and investments associated with maintenance, restoration and upgrading of the cultural heritage such as the cultural features of villages and the rural landscape
- conservation, restoration and improvement of natural and cultural heritage
- promoting the use of materials, techniques and skills based on tradition, exploration of their potential for contemporary applications
- dissemination of the natural and cultural heritage, awareness actions and development of recreational assets

#### **Aid intensities**

Grants for activities which do not affect trade, including activities of a non-profit nature may be 100% funded from public sector funding.

Support for other projects will be given up to 50 pct. and in compliance with the de minimis rules in Commission Regulation (EC) No 1998/2006.

Support may be given for investments that are necessary to carry out projects within the above-mentioned fields. Support can be given for both tangible and intangible expenses.

Support may not be given for:

- ongoing operating expenses
- purchase of land
- refundable VAT

#### **Demarcation with other EU financial instruments**

The European Regional Development Fund (ERDF), the Social Fund (ESF) and Fisheries Fund (EFF) programmes differ from the Rural Development Programme (RDP) in terms of targeting of business sectors, focus and scope of projects and geographical targeting. Under the RDP, projects concerning conservation of rural heritage shall be supported through local initiatives. Projects with the same objectives but performed on the regional level may be supported under the ERDF. Neither the ERDF nor the ESF programme shall support specific rural heritage activities but may support cooperation projects with a regional or general heritage improving aim.

For cooperation projects the same beneficiaries may receive support under the ESF and ERDF as under the RDP but for different types of projects. To avoid funding of the same eligible expenses by more than one EU fund the following procedure and exchange of information will be included in the management system.

The applicant must at the time of application inform the authority whether he has applied for grant or has received grant to the project from other public funds. Each application must include a specified budget which allows the managing authority to check how any and all EU and national funds will be involved in the financing of the project. Before payment to the beneficiary, accounting documentation and an auditor statement is required. The auditor

check will include information on all public funding to the project in general to avoid multiple funding. If public funding from several public funds is recorded, the managing authority shall undertake a cross check to all relevant authorities.

Coordination between the managing authorities of all EU funded programmes will be provided by ensuring representation of the relevant managing authorities in the Monitoring Committee for each EU-program.

FIA will make lists of projects under the RDP available for the administration of the other funds in order to avoid double financing at project level. Such procedures will furthermore facilitate the policy coordination across funds.

Technical coordination meetings or networks shall be called for yearly between managing authorities of relevant EU funds in order to compare activities and the support commitments made under the different funds.

Detailed information is found in chapter 10.

### **Financing**

The Leader method shall be used exclusively for the implementation of new initiatives pursuant to this measure and article in Regulation (EC) No 1698/2005. The financing of these activities is hence placed under Axis 4 of the programme and involves the following amounts (see measure sheet 41).

Total cost: 20,9 MEURO

Public expenditure: 15,0 MEURO

The contribution from the Community is calculated on the basis of public expenditure.

### **Transition arrangements** (including estimated amount):

This measure is similar to activities co-financed under the Rural Development Programme 2000-2006 pursuant to Council Regulation (EC) No 1257/1999, article 33. Payments made after 1 January 2007 on old contracts from the previous period will be declared under the Rural Development Programme 2007-13.

Total outstanding public costs;           0,2 million Euro

Of which EAFRD;                               0,1 million Euro

### **5.2.3.8 a Conservation and upgrading of the rural heritage (Code 323d)**

(Natura 2000 forest plans)

#### **Article (and paragraph) which covers the measure**

Article 52 (b) (iii) and 57 a) of Council Regulation (EC) No 1698/2005

Point 5.3.3.2.3 of Annex II of Commission Regulation (EC) No 1974/2006

### **Rationale for intervention**

The implementation of the habitat and bird's directive in the Danish forests will be based on the results of surveys carried out in the different habitat forest types within the designated Natura 2000 areas. Through these surveys the nature value for the different sites are registered - This has almost been finalised - and now a planning process has started to set up objectives for every single area and create superior plans for the protection. The planning process will use the result of the surveys but also take into account the result from public hearings.

When the objectives are decided on, the next step will be to create action plans to be followed in order to maintain the areas in environmentally good conditions. These action plans will be the background for the obligations and restrictions which the authorities later on are foreseen to impose on the areas.

The introduction of the restrictions on the Natura 2000 sites is foreseen to be a sensitive task and may involve negotiations with the forest owners.

Compensation may be introduced in the RDP at a later stage to the forest owners according to art. 46 in Regulation 1698/2005 for the restrictions imposed.

### **Objectives of the measure**

The measure may contribute to meeting the aims of the specific nationally adopted action plans for the protection of areas designated according to the Natura 2000 directives. The measure may also contribute to the implementation of these plans by co financing to public costs of negotiations with the forest owners, aiming at introducing the restrictions in a friendly way wherever possible.

### **Scope and actions**

The measure provides EU contribution for drawing-up of action plans for the protection of Nature 2000 sites in forests, and the work of implementing these plans in practise. The latter will comprise negotiations with the forest owners in order to find a smooth way of introducing adequate restrictions to fulfil the aim of the relevant action plans. It is foreseen, that approximately 8000 ha of private forest need protection.

### **Description of the type of operations covered, referred to in Article 57 of Regulation 1698/2005.**

The Natura 2000 plans and action plans within the reserved forests areas are drawn up by the local offices of the National Forest and Nature Agency. Action plans for forest areas not registered as reserved forest are made by the municipalities

The co financing shall cover:

- the drawing-up of protection and action plans relating to the Birds and Habitats Directives
- implementation of the action plans through negotiations with the forest owners.

**Cofinancing**

Support may be given for up to 100% of eligible expenditures.

The payment claim shall be based on the expenses for the staff involved. This will be calculated on basis of the salary of the staff and the time used, which is to be registered.

The Danish State and municipalities are the recipients.

**Criteria**

All forest habitat areas in private forests within Natura 2000 sites will be included in the measure. The designated Natura 2000 sites are situated in non-urban areas. Planning for urban areas is not eligible for support.

**Priority criteria**

None

**Demarcation with other EU financial instruments**

This kind of EU co financing shall be offered under the Rural Development Programme only. Therefore, demarcation lines are clear to other financial instruments.

**Financing**

The contribution from the Community is calculated on the basis of public expenditures.

2009-2013:

Total cost = public expenditure: 1,6 million €

Co financing: 0.8 million €

No private spending is expected.

**Transition arrangements**

No transitional arrangements are necessary as this is a new measure compared to the previous program period 2000-2006.

**Quantified targets for EU common indicators**

It is expected that the financing may cover the drawing-up of 30 plans. There is no need for setting up additional indicators for the measure.

**5.2.3.9 Training and information (Code 331)****Article (and paragraph) which covers the measure**

Article 58 of Council Regulation (EC) No 1698/2005.

Point 5.3.3.3 of Annex II of Commission Regulation (EC) No 1974/2006

**Rationale for intervention**

Skills acquisition among the population in rural areas is a high-priority action area. The progression in the level of education among the population in rural areas during the period 1994-2003 was in line with that among those living in urban centres, although the population

in rural areas still has a significantly lower level of educational attainment than those living in towns. On the other hand, many of the regions where relatively few inhabitants have completed further education have many skilled workers. In a number of peripheral areas, however, there are many who have no educational qualifications. This is probably an important explanation for the relatively low level of productivity and incomes in these peripheral areas, where people with higher education, in particular, are under-represented.

Skills acquisition is a tool to improve the rural areas capacity to achieve the objectives of diversifying farming activities towards non-agricultural activities and develop non-agricultural sectors, promote employment, improve basic services and carry out investments making rural areas more attractive in order to reverse trends towards economic and social decline and depopulation of the countryside.

### **Objectives of the measure**

The measure supports skills acquisition among the population in rural areas with the aim of securing local employment and better living conditions in rural areas.

### **Scope and actions**

Support may be given for skills acquisition and information aimed at creating attractive rural areas within the following domains:

- Acquiring ICT skills
- Starting up micro-enterprises
- Diversifying into non-agricultural activities
- Promoting tourism

The conditions for receiving support for taking part in skill-enhancing activities include

- having the content approved by the Danish Food Industry Agency (FIA)
- ensuring participants follow the activity's complete cycle.

Support may not include courses of instruction or training which form part of normal education programmes or systems at secondary or higher levels.

### **Type of economic actor's beneficiary of actions envisaged**

The applicants for the scheme include institutions, enterprises or individuals offering skill-enhancing activities. The ultimate beneficiaries are adults taking part in the supported skill-enhancing activities.

Furthermore, consultants or people involved in activities related to rural development can apply for support under the scheme. In this instance, this may include project staff and project advisors working on projects being implemented with support from a local action group.

### **Aid intensities (covered by the block exemption regulation on training)**

Up to 50% of the expenditures incurred as part of skills acquisition.

Support can be provided for expenditures required to carry out skill-enhancing activities. These activities can include:

- courses

- study groups
- consultancy
- exchange of experiences
- providing information materials

Payment will be based on invoices.

### **Demarcation with other EU financial instruments**

The Regional Development Fund (ERDF), the Social Fund (ESF) and Fisheries Fund (EFF) programmes differ from the Rural Development Programme (RDP) in terms of targeting of business sectors, focus and scope of projects and geographical targeting.

Training and information projects targeted at the agriculture, food and forestry sectors will be financed under the RDP and not under the ERDF or ESF programmes. The RDP shall support projects with a local focus and through local initiatives only. The RDP can also support skills acquisition projects outside the agriculture, food and forestry sectors for people involved in creating local jobs or better living conditions in rural areas. The ERDF and ESF can support training and skills acquisition projects aimed at development of the business sector in general and performed on the national or regional level or as cooperation projects involving actors from educational and knowledge institutions and private enterprises. Cooperation projects may involve enterprises from the food, agriculture or forestry sectors if they act as regional promoters for growth. For cooperation projects the same beneficiaries may receive support under the ESF and ERDF as well as under the RDP, but for different types of projects.

To avoid funding of the same eligible expenses by more than one Fund the following procedure and exchange of information will be included in the management system.

The applicant must at the time of application inform the authority whether he has applied for grant or has received grant to the project from other public funds. Each application must include a specified budget which allows the managing authority to check how any and all EU and national funds will be involved in the financing of the project. Before payment to the beneficiary, accounting documentation and an auditor statement is required. The auditor check will include information on all public funding to the project in general to avoid multiple funding. If public funding from several public funds is recorded, the managing authority shall undertake a cross check to all relevant authorities.

Coordination between the managing authorities of all EU funded programmes will be provided by ensuring representation of the relevant managing authorities in the Monitoring Committee for each EU-program.

The FIA will make lists of projects under the RDP available for the administration of the other funds in order to avoid double financing at project level. Such procedures will furthermore facilitate the policy coordination across funds.

Technical coordination meetings or networks shall be called for yearly between managing authorities of relevant EU funds in order to compare activities and the support commitments made under the different funds.



Detailed information is found in chapter 10.

### Transition arrangements

This measure is similar to activity co-financed under the Rural Development Programme 2000-2006 pursuant to Council Regulation (EC) No 1257/1999. However, no payments made on old contracts from the previous measure shall be declared under the Rural Development Programme 2007-13.

### Financing

The contribution from the Community is calculated on the basis of public expenditures.

2007-2013:

Total financing: 3,2 million Euro

Public financing: 2,4 million Euro

### Quantified targets for EU common indicators

Type of indicator	Indicator	Target 2007-2013
Output	Number of participating economic actions to supported activities	1 000 participants
	Number of days of training received by participants	2 000 course days
Result	Number of participants that successfully ended a training activity	1 000

Program-level quantifications		
Impact	Net additional value expressed in Euro	388 MEURO
Impact	Change in Gross Value Added per full time equivalent (Euro/FTE)	4,266 (agriculture) 6,251 (food industry)
Impact	Net additional full time equivalent jobs created	360 more people in employment

### Additional programme-specific indicators and quantified targets

None

#### **5.2.4 The individual measures – the Leader axis.**

The financing of the Leader activities is placed under Axis 4 of the programme. See allocation of Leader funding in measure sheets 41, 421 and 431.

The local action groups established for the Leader initiative will call in applications and select projects for support for the following measures under Axis 1 and 3;

- Adding value to agricultural and forestry products (Axis 1)
- Diversification into non-agricultural activities (Axis 3)
- Business creation and development (Axis 3)
- Encouragement of tourism activities (Axis 3)
- Basic services for the economy and rural population (Axis 3)
- Village renewal and development (Axis 3)
- Conservation and upgrading of the rural heritage (Axis 3)

##### **5.2.4.1 Implementing local development strategies (41)**

###### **Measure code**

41 Implementing local development strategies/

411 Competitiveness/

413 Quality of life and diversification

###### **Article which covers the measure**

Article 63(a) of Council Regulation (EC) No 1698/2005

Article 36 (a) and point 5.3.4.1 of Annex II of Commission Regulation (EC) No 1974/2006

###### **Objectives of the measure**

The general principle behind the Leader method is to ensure a high degree of local influence when implementing parts of the rural development programme under. Experiences from using the “bottom-up” approach from three previous programme periods have been so positive that there are good reasons for adopting this approach on a larger scale. This means that it is important for the initiatives being financed under the rural development programme to be firmly established locally. The strategic focus of the Leader method is for local challenges to determine the use of the rural development funds allocated for improving the quality of life and developing industry, as well as for local solutions to be found for these challenges.

The local development strategy is an instrument to secure a focus in the local activities. Through the implementation of integrated and innovative strategies rural actors through the Leader method can help to contribute to the long term sustainable development of their local region.

The implementation of local development strategies can reinforce territorial coherence and synergies between measures intended for the broader rural economy and population. Therefore, measures relating to Axis 1 (Improving the competitiveness of the agricultural and

forestry sector) and Axis 3 (Quality of life in rural areas and diversification of the rural economy) are implemented through local development strategies.

### **The task of the LAG**

It is the task of the local action group (LAG) to implement the activities and achieve the objectives set out in the local development strategy approved by the Danish Food Industry Agency. The LAG prioritises and selects projects for support and submits proposal for support to the FIA within the financial framework for the LAG. Only projects that fall within the framework of the local development strategy approved by FIA are eligible for support.

Each local actions group will also set-up its internal rules of procedure.

### **Axis (1, 2 and/or 3) covered by the Leader Axis**

Leader projects shall mainly be implemented pursuant to the articles of Axis 3 but may also be implemented pursuant to Article 20(b)(iii) of Council Regulation (EC) No 1698/2005.

### **Procedure and timetable for selecting the local action groups, including objective selection criteria**

The principles used for the composition of action groups in the current Leader+ programme will be continued, and the action groups will also, from now on, comprise a broad cross-section representing public authorities, ordinary citizens, local organisations and associations. Ordinary citizens, local associations, social and economic partners will be democratically elected for the local action group every year. The authorities will designate there partners for the local action group. This will secure an action group with connection to the area and motivated local actors who can develop and implement projects in accordance with the objectives set out in the development plan. This will then ensure the most effective consideration of needs, opportunities and use of resources.

Approved local action groups will devise development strategies and help to activate and utilise the local development potential, in close cooperation with other regional and municipal actors and development planners.

There are a number of structural conditions in the national strategy which create a need to support the development of rural areas. A classification system has been devised for when it comes to designating rural development municipalities, which indicates the level on the “rural development scale” for each municipality following the local-government reform. The Faculty of Agricultural Sciences at Aarhus University has drawn up the report where the rural municipalities in Denmark are selected on the basis of 14 objective criteria:

- Population per square kilometre
- Population in rural areas and cities with less than 1,000 inhabitants
- Part of area of the municipality in a rural zone
- Number of employees in agricultural trades
- Part of population in the age group 17-64 years
- Part of the population in the age group 25-44 years
- Development in the employment 1994-2004
- Development in population 1994-2004
- Average distance to motorway

- Jobs in relation to number of employed (commuting dependence)
- Part of the workforce with basic school education 2005
- Part of the workforce with medium-term or higher education 2005
- Average distance to areas with large surplus of jobs 2004
- Taxation base per inhabitant 2007

The classification system shows that the need for development support is greatest in peripheral and rural development municipalities. The local actions groups can be established in these municipalities.

In intermediate municipalities local action groups can be established too. These groups are deemed to have more resources and the state will not make national public funds available for these groups. They must therefore obtain the national public contribution themselves.

In figure 1, it is shown where a local action group can be set up.

For more information see the Danish National Strategy for the Rural Development Program or the report from Aarhus University. The report can be seen on:

[http://www.dffe.dk/Files/Filer/Landdistrikter/Om\\_landdistrikter/LAGs/RapLanddistrikt2007\\_20070201.pdf](http://www.dffe.dk/Files/Filer/Landdistrikter/Om_landdistrikter/LAGs/RapLanddistrikt2007_20070201.pdf)

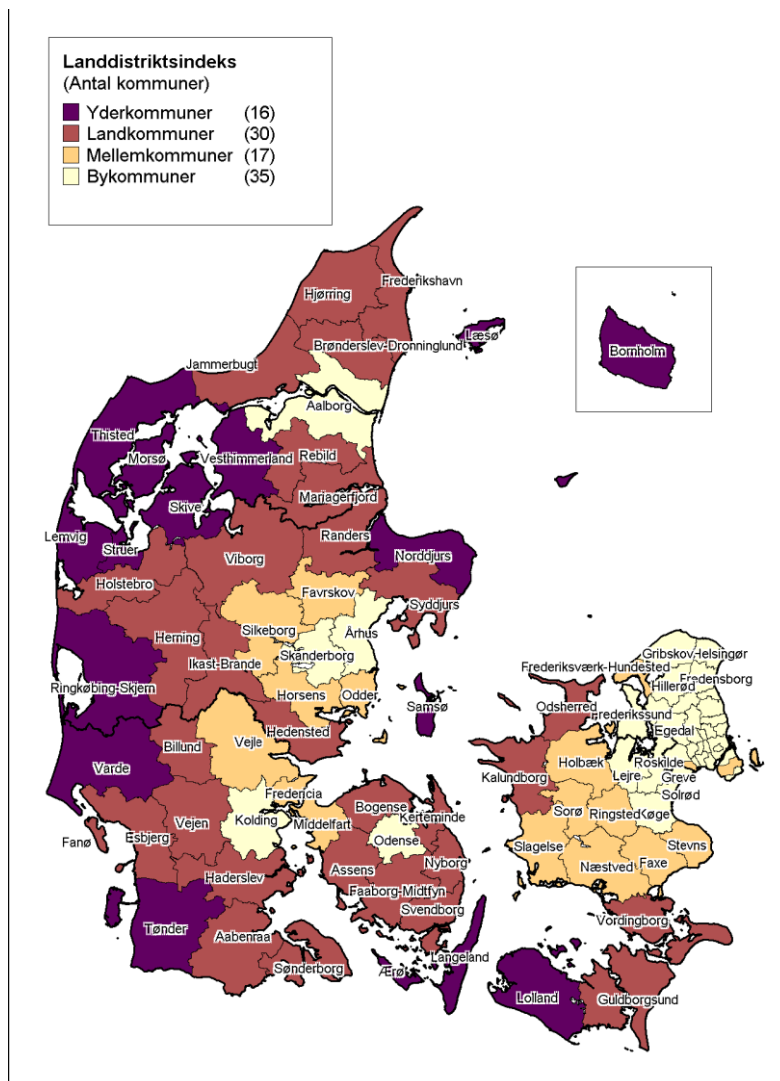


Figure 1. Rural municipalities in Denmark. Purple, red and orange areas can be supported under the Rural Development Program to set up a local action group.

The area with potential local action groups counts a population at 2.892.913 people out of the total population in Denmark (5.446.989 people).

The local action groups' geographical action areas will, to start with, follow the municipal boundaries as at 1 January 2007. A local action group must cover at least the geographical area of a municipality. The area must have a minimum of 5,000 and a maximum of 150,000 inhabitants. In specially justified cases, the FIA may grant exemptions from these criteria, including in connection with the setting up of local action groups for a number of small and medium-sized islands.

The designation of a local action group takes place on the basis of a competition principle, in which local action groups set up within the designated areas before 1<sup>st</sup> of July 2007 or 1<sup>st</sup> of April 2008 submit a justified application for advance approval. When granting advance approval, emphasis will be given to the description of the area's socio-economic situation and current structural challenges, as well as the development themes that are expected to form a part of the group's development strategy.

The local action groups which obtain advance approval from the FIA then draw up the actual development strategy for the area. The regions, regional growth forums and municipalities must confirm that the local strategies comply with the regional and municipal strategies which have been drawn up. The strategy must then be approved by the FIA. A special procedure has been agreed for approving the development strategies of island groups, for instance, because they extend across municipal and regional boundaries.

The local action groups must submit their strategy before 4<sup>th</sup> of February 2008 or 1<sup>st</sup> of September 2008.

**Planned indicative number of LAGs**

Maximum of 63 covering the 63 municipalities designated for the Leader activity. The number may however be less as one LAG may cover more than one municipality. The expected number of LAGs is around 50.

**Minimum percentage of economic and social partners and civil society organisations represented at the decision making level of the LAG (minimum of 50%)**

The authorities must not have more than 30 % representation at the decision making level of the LAG, which leaves minimum 70 % representation to the economic and social partners and civil society organisations.

**Planned percentage of rural territories covered by local development strategies**

The area covered can according to chapter 3.1.4 maximum be 37,538 km<sup>2</sup> out of 43,098 km<sup>2</sup> or 87 percent of the territory. The population covered can maximum be 2.9 million out of a total of 5.4 million inhabitants or 53 percent of the population.

**Justification for selection of areas whose population falls outside the limits set out (5,000 to 150,000)**

The population of each area must, as a general rule, be not less than 5 000 and not more than 150 000 inhabitants. However, in properly justified cases, these limits may be lowered or increased respectively (Article 37(3) of Commission Regulation (EC) No 1974/2006).

FIA will grant exemption from the population limits in one case. This is the local action group in Northwestsealand (Nordvestsjælland), which counts four municipalities and a population just under 180.000. The municipalities are Kalundborg, Sorø, Holbæk and Odsherred.

The size and population of the four municipalities can be seen below.

<b>Municipality</b>	<b>Kalundborg</b>	<b>Odsherred</b>	<b>Sorø</b>	<b>Holbæk</b>	<b>Total</b>
<b>Population (2007)</b>	49.377	32.980	28.956	68.451	179.764
<b>Size (km<sup>2</sup>) (2006)</b>	603,73	355,30	309,93	578,74	1.847,7
<b>Citizens per km<sup>2</sup></b>	82	93	93	118	
<b>Population in cities with</b>	16360 (Kalundborg)	5195 (city of	7510 (city of Sorø)	25987 (city of Holbæk)	60199

more than 5.000 citizens	city)	Nykøbing Sjælland)	5147 (city of Hornslet)		
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The total population of the five largest cities with more than 5.000 citizens is 60.199. The population in the total area of the four municipalities without these five cities is 119.565.

The four municipalities wish to cooperate in one local action group, because they see themselves as a whole. Since the Viking age the area of Odsherred, Kalundborg, Sorø and Holbæk has had a coherent identity, where the powerful family, Hvide, owned a great part of the area.

Today the area is tied together with an integrated approach to the development, where Odsherred is the centre of tourism, Kalundborg is the centre of the industry, Sorø is the centre of the region's administration and Holbæk is the centre of trade and business. The area wish to continue and develop this integrated approach, where activities in one municipality will create value for all four municipalities.

The municipalities find that it is optimal for the socio-economic development of the area to be together in one group. Especially they mention that activities on tourism, on maintaining and developing the valuable rural heritage in the area of Åmosen, on local processing of raw material and on sale of local products will be valuable for the whole area. Therefore there is a need to include all four municipalities.

They also wish to focus their local development strategy on two areas:

- a) The natural area, Åmosen
- b) The coastal area

#### a) The Åmose

The Åmose is a natural area, which is covered by three of the municipalities (Holbæk, Kalundborg and Sorø). Many people around the Åmose hope that it will be designated as a national park. This will open a wide range of possibilities for new jobs and new activities in an outside the area. They wish to make the Åmose to the green heart of the region of Øresund. Millions of people use the area every year and establishing of new activities in the area will bind the municipalities closer together. The local action group thinks that it will create new jobs and activities in all four municipalities – not only in the area of the Åmose.

#### b) The coastal area

The area has a very long littoral (the municipalities Holbæk, Kalundborg and Odsherred). The coast of the area begins in Storebælt north of Slagelse, trends to Sjællands Odde and further into the Isefjord. This is an area with great possibilities for an active use of the nature and general development in the area. Especially with tourism, but also modernization of agriculture and the production, processing and sale of local quality products.

The area had a local action group under the LEADER+ program from 2000-2006 and have therefore already a lot of experience. This experience the intend to use in the program period 2007-2013.

### **Procedure for the selection of operations by the local action groups**

It is the local action group's task to implement the activities and achieve the objectives set out in the local development strategy approved by the FIA. A local action group prioritises and submits project applications under the *New jobs in rural areas* and *Attractive living conditions in rural areas* schemes for a decision by the FIA within a financial framework defined by the FIA. Only projects that fall within the framework of the approved local development strategy are eligible for support from the rural development programme.

The local action group must select the projects so that they can ensure that they will reach the goals written in their strategy.

### **Description of the financial circuits applicable for local action groups**

As mentioned above, the groups set their priorities within the frameworks set for the *New jobs in rural areas* and *Attractive living conditions in rural areas* schemes. No more than 20% of the funds may be used for running the local action groups.

### **Type of aid**

The Leader activities under of the program will primarily cover the articles of Axis 3 of Council Regulation (EC) No 1698/2005; the quality of life in rural areas and diversification of the rural economy. Leader activities may also cover certain activities under Axis 1, article 20(b)(iii) of Council Regulation (EC) No 1698/2005. The Axis 4 aid shall be offered to the following Leader action areas.

<b>Leader activities</b>	<b>Code</b>	<b>Article</b>	<b>Measure</b>
Axis 1	123	20(b)(iii)	Adding value to agricultural and forestry products
Axis 3	311	52(a)(1)	Diversification into non-agricultural activities
	312	52(a)(ii)	Business creation and development
	313	52(a)(iii)	Encouragement of tourism activities
	321	52(b)(i)	Basic services for the economy and rural population
	322	52(b)(ii)	Village renewal and development
	323	52(b)(iii)	Conservation and upgrading of the rural heritage

Support to other activities such as pilot projects that may contribute to fulfil the objectives of Axis 3 may also be eligible.

### **Demarcation criteria with other local partnerships financed by EU funds (i.e. groups under the European Fisheries Funds)**

Business sector division will be the main principle in the demarcation with other local partnerships and projects.

It is possible though to integrate a local action group under the European Regional Development Fund and the European Fisheries Fund. It offers the groups the chance to think about development in their geographical area in its entirety. They will have a wider selection of instruments available under both programmes for implementing local development as part of an overall strategy.



The action group shall then ensure that the group:

- has partners who represent both sectors
- create a strategy for each program and one assembled strategy, which connect the activities
- keeps the account under the European Regional Development Fund and the European Fisheries Fund separated

Administrative procedures shall ensure that double financing of projects is prevented.

### **Financing**

An approved local action group is assigned a budgetary framework comprising EU funds and national public funds for implementing projects. The framework is made up of the following:

- - 55 % of the funds are given on the basis of the population in rural areas and towns under 1000 inhabitants of the municipality.
- - 30 % of the funds are given on the basis of the tax base per inhabitant (low tax base means higher allocation).
- - 15 % of the funds are given on the basis of population density (low population density means higher allocation).
- - Finally, the 16 peripheral municipalities, which are most badly off, have gotten their share raised one sixth compared to the 30 rural municipalities.

The specified budgetary framework for local action groups set up in intermediate municipalities will comprise EU funds. A special fund is set aside for the local action group for the 27 small and medium-sized islands.

Beside the yearly assigned financial framework for each LAG FIA may assign additional financial frameworks comprising ELFUL-funds for implementing projects co-financed by other public authorities than FIA.

FIA may introduce thematic activities through open calls where LAGs may tender ideas for an extra LAG-effort. The thematic activities will be in accordance with elements of priority in the existing local action plans and calls will be open for all LAGs. FIA will prioritize those applications from LAGs that best meet the objective criteria for the thematic issue. The criteria and method of allocation will be known to the LAGs well in advance of the tender. The monitoring committee will be notified of the criteria and method used. The management of the project applications for the LAG plan for the special thematic theme will follow the normal procedures for implementing the Leader initiative.

The cumulated budgetary frameworks for implementing the local development strategies shall allow for the following public costs pursuant to articles under Axis 1 and 3. The Leader budget for these activities is placed under codes 411 and 413 in the financial plan as indicated in the table (million euro).

<b>Codification</b>	<b>Activity</b>	<b>Public costs</b>	<b>Total costs</b>
<b>123</b> (411)	Adding value to agricultural and forestry products	2,2	7,4
<b>311</b> (413)	Diversification into non-agricultural activities	1,1	4,0
<b>312</b> (413)	Business creation and development	11,7	33,5
<b>313</b> (413)	Encouragement of tourism	11,6	25,7
<b>321</b> (413)	Creating basic services for the economy and rural population	49,6	99,2
<b>322</b> (413)	Village renewal and development	6,6	8,0
<b>323</b> (413)	Conservation and upgrading of rural heritage	15,0	20,9
<b>Total</b>		<b>97,9</b>	<b>198,8</b>

### Quantified targets for EU common indicators

General indicators for implementation of local development strategies:

<b>Type of indicator</b>	<b>Indicator</b>	<b>Target 2007-2013</b>
Output	Number of local action groups supported	50
	Total size of LAGs area	35,000 km <sup>2</sup>
	Number of projects financed by LAGs	3 355
	Number of cooperating LAGs	100
	Number of training and dissemination actions	175
Result	Gross number of jobs created	420
Impact	Net additional value	148,5 MEURO
	Change in Gross Value Added per full time equivalent (Euro/FTE)	1,201
	Net additional FTE jobs created	360

<b>Program-level quantifications</b>		
Impact	Net additional value	388 MEURO
Impact	Change in Gross Value Added per full time equivalent (Euro/FTE)	4,266 (agriculture) 6,251 (food industry) 1,201 (Leader)
Impact	Net additional full time equivalent jobs created	360

Contribution from activities under Axis 1, code 123 for adding value to agricultural and forestry products:

<b>Type of indicator</b>	<b>Indicator</b>	<b>Target 2007-2013</b>
Output	Number of holdings supported	125
	Total volume of investment	7,4 MEURO
Result	Number of holdings introducing new products or techniques	70
National result indicator	Number of new or retained jobs	56
Impact	Net additional value	20.0 million Euro
	Change in gross value added per full time equivalent	1,201 Euro per year

Contribution from activities under Axis 3, code 311 for diversification into non-agricultural activities:

<b>Type of indicator</b>	<b>Indicator</b>	<b>Target 2007-2013</b>
Output	Number of beneficiaries	60
	Total volume of investment	4,0 MEURO
Result	Increase in non-agricultural GVA in supported businesses	3.8 MEURO
	Gross number of jobs created	5
Impact	Net additional value expressed in PPS	1.3 MEURO
	Net additional full time equivalent jobs created	4

Contribution from activities under Axis 3, code 312 for business creation and development:

<b>Type of indicator</b>	<b>Indicator</b>	<b>Target 2007-2013</b>
Output	Number of micro-enterprises supported	500
	Total volume of investment	33,5 MEURO
Result	Gross number of jobs created	30
	Increase in non agricultural GVA in supported businesses	7.5 MEURO
Impact	Net additional value	18.9 MEURO
	Net additional full time equivalent jobs created	20

Contribution from activities under Axis 3, code 313 for encouragement of tourism:

<b>Type of indicator</b>	<b>Indicator</b>	<b>Target 2007-2013</b>
Output	Number of new tourism actions supported	350
	Total volume of investment	25,7 MEURO
Result	Additional number of tourist visits	12,000
	Gross number of jobs created	50
Impact	Net additional value	18.0 MEURO
	Net additional full time equivalent jobs created	40

Contribution from activities under Axis 3, code 321 for creating basic services for the economy and rural population:

<b>Type of indicator</b>	<b>Indicator</b>	<b>Target 2007-2013</b>
Output	Number of supported actions	1 750
	Total volume of investment	99,2 MEURO
Result	Population in rural areas benefiting from improved services	21,000
	Increase in internet penetration in rural areas	14,000
Impact	Net additional value	50 MEURO
	Net additional full time equivalent jobs created	150

Contribution from activities under Axis 3, code 322 for village renewal and development:

<b>Type of indicator</b>	<b>Indicator</b>	<b>Target 2007-2013</b>
Output	Number of villages where actions took place	70
	Total volume of investments	8,0 MEURO
Result	Population in rural areas benefiting from improved services	70,000
Impact	Net additional value	15.0 MEURO
	Net additional full time equivalent jobs created	40

Contribution from activities under Axis 3, code 323 for conservation and upgrading of rural heritage:

<b>Type of indicator</b>	<b>Indicator</b>	<b>Target 2007-2013</b>
Output	Number of rural heritage actions supported	155
	Total volume of investments	4,4 MEURO
Result	Population in rural areas benefiting from projects	49.000
Impact	Net additional value	25,3 MEURO
	Net additional full time equivalent jobs created	50

### **Additional programme-specific indicators and quantified targets**

None

#### **5.2.4.2 Implementing cooperation projects (Code 421)**

##### **Article which covers the measure**

Article 63(b) of Council Regulation (EC) No 1698/2005.

Article 39 and point 5.3.4.2 of Annex II of Commission Regulation (EC) No 1974/2006.

##### **Scope and actions**

In order to strengthen the local development strategies, it is important that rural areas facing similar challenges can learn from each other. Therefore, cooperation projects between local action groups of different territories need to be encouraged and are eligible for support. Support will be provided for inter-territorial (within a Member State) or transnational cooperation projects (between territories in several Member States and with territories in third countries) involving different Local Action Groups.

Concrete cooperation projects should result in real added-value for the area. Cooperation action can be both "soft actions" or productive actions; Cooperation can help Leader groups to boost their local activities. It can allow them to resolve certain problems or add value to local resources. For example, it can be a way of achieving the critical mass necessary for a specific project to be viable, or of encouraging complementary actions e.g. joint marketing by Leader groups in different regions whose areas share a specialization in a specific product, or developing joint tourism initiatives based on a shared cultural heritage.

The aim of territorial cooperation is being achieved in Denmark in a joint Danish-Norwegian-Swedish programme, which takes in the Øresund region and the Kattegat-Skagerak area. A Southern Baltic programme is also likely to be established, which will include Bornholm, and there will be two Danish-German programmes which will cover the Southern Denmark Region and Zealand Region respectively.

The local action groups established under the rural development programme are not obliged to set up transnational cooperation projects. If they wish to do so, it might be a good idea to implement projects arising as a consequence of inter-regional cooperation under the regional development fund. There will be good synergy. Administrative procedures must still very much ensure that double financing of projects is prevented.

#### *Eligible expenses*

According to Article 39.3 of Commission Regulation (EC) n° 1974/2006 various actions are eligible:

- preparatory technical support
- the implementation of a cooperation project : Only expenditure for the joint action and for running any common structures will be eligible. Expenditure on animation may be eligible in all the areas concerned by the cooperation.

#### *Beneficiaries*

Enterprises, individuals, public authorities, cooperatives and local actions groups can apply for support.

#### *Procedure*

The FIA may take the initiative to promote cooperation projects but the initiative can be taken by the local action groups as well. The FIA will:

- clearly inform local action groups of the possibilities for cooperation projects
- ensure that application process is as simple and flexible as possible
- organise cooperation seminars for local action groups
- gather examples of good practices
- provide technical assistance to local action groups (individual advice)

Two forms of administration will be used to select the cooperation projects:

- a) Selection by local action groups for those having included cooperation within their local development strategy
- b) Administrative selection for projects proposed by local action groups having not included cooperation in their strategies.

The coordinator Leader group in the project has the final responsibility for implementing the project and is the channel of communication with the authorities for giving the information required on the progress of applications for finance and actual achievements. Each cooperation project will be implemented under the supervision and coordination of a lead group designated by agreement among the groups involved in the project on the basis of a cooperation agreement.

#### *Timetable*

Cooperation projects may happen from 2008 onwards.

#### *Objective criteria*

The FIA will set up a set of objective criteria for successful implementation of cooperation projects.

### Axis (1, 2 and/or 3) covered by the Leader Axis

The Leader activities under of the program will primarily cover Axis 3 of Council Regulation (EC) No 1698/2005 to promote the quality of life in rural areas and diversification of the rural economy, and one Axis 1-activity (Adding value to agricultural and forestry products). It is also the intention that the LAGs may participate in certain of the national application schemes under axis 1 and 2. Under Axis 2, LAGs and municipal authorities may propose projects under the integrated measure Nature and environment projects and the measure Establishment of landscape and biotope-improving vegetation. LAGs may also propose projects under the two Axis 1-measures Innovation and development in primary agriculture and forestry and Innovation and development in the processing sector. FIA shall however make the final decision to support and enter the support commitment with the beneficiary for these measures.

### Financing

Total costs: 0,1 million Euro

Public costs: 0,1 million Euro

### Quantified targets for EU common indicators

Type of indicator	Indicator	Target 2007-2013
Output	Number of supported cooperation projects	50
	Number of cooperating LAGs	100
Result	Gross number of jobs created	Not known
Impact	Net additional FTE jobs created	Not known

### Specific programme indicators and quantified targets

None

### 5.2.4.3 Running the local action group, acquiring skills and animating the territory as referred to in Article 59 (Code 431)

#### Article which covers the measure

Article 63(c) of Council Regulation (EC) No 1698/2005.

Article 36 (c), 38 and point 5.3.4.3 of Annex II of Commission Regulation (EC) No 1974/2006.

#### Rationale of the measure

The general principle behind the Leader method is to ensure a high degree of local influence when implementing parts of the rural development programme under Axis 1, Axis 2, and Axis 3 in particular. Experiences from using the “bottom-up” approach from three previous programme periods have been so positive that there are good reasons for adopting this approach on a larger scale.

This means that it is important for the initiatives being financed under the rural development programme to be firmly established locally. The strategic focus of the Leader method is for local challenges to determine the use of the rural development funds allocated for improving the quality of life and developing industry, as well as for local solutions to be found for these challenges.

By supporting the running costs of the local action groups (LAGs) under the Leader initiative and skills acquisition among the actors involved in the LAGs, the LAGs can be given the task of prioritising, selecting and recommending to FIA development measures for funding, thereby implementing essential parts of the rural development programme. Running the local action groups is a necessary part of the leader axis.

### **Objectives of the measure**

The implementation of local development strategies and the other actions of the local action groups reinforce territorial coherence and synergies between measures intended to develop the broader rural economy and society.

The LAGs and the partners involved need accurate information, appropriate skills and other support in order to fulfil their tasks in a satisfying way.

### *Eligible expenses*

The measure supports.:

- Remuneration of rural development coordinator
- Other operating expenses
- Analyses and studies of local areas and disseminating these
- Measures to provide information about the area and the local development strategy
- The training of staff and people involved in the preparation and implementation of a local development strategy
- Promotional events
- Training of leaders

Eligible expenses are funded 100 pct.

### *Administration procedure for running funds*

The LAG submits applications for operating funds to fund eligible expenses to the FIA. The FIA processes the applications, makes funding commitments with the LAG and payments to the LAG.

### **Limit to apply on the share of the LAG budget for overhead costs (maximum of 20%)**

Local action groups can receive support every year to fund their operation. An action group can use up to 20% of the allocated budget, but no more than 40,268 euro every year per municipality involved in the LAG, for the running costs, acquisition of skills and animation of the territory that comes under the local action group.

### **Indicative estimate of the share of expenditure under article 59 (a) to (d) of Regulation 1698 which will be used for skills acquisition and animation for the Leader axis**

The main part of the budget allocated for the local action groups shall be used for running the action groups:



- Remuneration of rural development coordinator
- Other operating expenses

Besides these indicative distribution of expenditures for the LAG according to uses referred to in Article 59 of Council Regulation (EC) No 1698/2005 may be the following:

(a) studies of the area concerned;	25 %
(b) measures to provide information about the area and the local development strategy;	25 %
(c) the training of staff involved in the preparation and implementation of a local development strategy;	25 %
(d) promotional events and the training of leaders;	25 %
(e) implementation by public-private partnerships other than those defined by Article 62(1)(b) of the local development strategy encompassing one or more of the measures under Article 52(a), (b) and (c) of Council Regulation (EC) No 1698/2005.	0 %
Total	100 %

### Financing

Total costs: 20,7 MEURO

Public costs: 20,7 MEURO

### Quantified targets for EU common indicators

Type of indicator	Indicator	Target 2007-2013
Output	Number of skill acquisition and animation actions	56
	Number of participants in actions	Not relevant to this application of the legal provision
Result	Number of successful training results	Not relevant to this application of the legal provision
Impact	Number of analyses completed and used	112

### Programme specific indicators and quantified targets

None

### 5.3 The national application schemes

The individual measures in the programme can be applied for under one or more of the national application schemes. These combinations are shown in the table below.

#### *The integrated approach in the national application schemes*

According to the mid-term evaluation in 2003 of the Danish rural development programme 2000-06 the correlation, complementarities and synergy between the schemes in that programme were low in the case of most schemes. The schemes acted as isolated support schemes but did not exploit potential opportunities for synergies between the individual schemes particularly well.

The design of the national application schemes in the Danish Rural Development Programme 2007-2013 aims to create a largest possible degree of cohesiveness between the support schemes in order to increase value added. The selected design of the national application schemes with multiple measures (legal provisions) linked within the framework of the individual application scheme has been created to ensuring maximum synergy between the activities and to minimize potential dead weight losses in the schemes.

With this in mind a number of national application schemes have to be designed with the use of multiple measures (legal provisions) from Council Regulation (EC) No 1698/2005. These national application schemes have been structured on the base of generic themes rather than the legal provisions of the Regulation. The synergies are sought horizontally throughout the programme by fulfilment of such themes as innovation, food quality, food safety, animal welfare, skills acquisition/ development of competence, settlement in rural areas, employment, environmental protection and nature conservation. It is for instance envisaged that promotion of innovative, integrated projects may lead to a reduced economic risk for the project holder but also to improved skills acquisition, dissemination of knowledge, environmental sustainability or improvement of animal welfare in the same project.

In addition, it is expected that the possibilities to make use of more than one measure (legal provision) in the same project at the time of application may encourage and inspire the project leader to pursue new professional networking and sharing of knowledge and to pursue multiple tasks and targets by use of the same financial means.

The Leader-approach shall be an important tool in this regard. It will be a key task for the local action groups to secure cohesiveness and their concerted actions in the appointed rural Leader areas. The local action groups shall be encouraged to apply the integrated approach and to recommend integrated projects with the combined use of multiple measures (legal provisions) from the Regulation.

#### *Separate provisions at the level of measure code*

The national application schemes will thus contain the separate provisions for the measures as described in chapter 5.2. According to the national application schemes the beneficiaries will provide information separately per measure in the scheme. As an example a farmer applying under the national application scheme “Innovation and development in primary agriculture and forestry” for both measure “121 Modernisation of agricultural holdings” and “111 Vocational training and information actions” will have to fill in two separate chapters in

the application forms for each of the two measure codes. The same applies for the later procedures for request of payment and reporting.

<b>Programmed measures code and title according to Commission regulation 1974/2006</b>	<b>National application scheme</b>
111 Vocational training and information actions	<ul style="list-style-type: none"> <li>• Innovation and development in primary agriculture and forestry demo projects</li> <li>• Food product quality – ERFA groups/conversion advice/development/participation/marketing</li> <li>• Networking activities</li> </ul>
114 Use of advisory services	<ul style="list-style-type: none"> <li>• Skills acquisition</li> </ul>
121 Modernisation of agricultural holdings	<ul style="list-style-type: none"> <li>• Innovation and development in primary agriculture and forestry</li> <li>• Food product quality – development/participation/marketing</li> <li>• Biogas plants on organic farms and connection to joint biogas plants</li> </ul>
123 Adding value to agricultural and forestry products	<ul style="list-style-type: none"> <li>• Innovation and development in the processing sector</li> <li>• New jobs in rural areas Axis 4</li> </ul>
124 Cooperation for development of new products, processes and technologies in the agriculture and food sector and the forestry sector	<ul style="list-style-type: none"> <li>• Innovation and development in primary agriculture and forestry</li> <li>• Innovation/development in the processing sector</li> </ul>
125 Infrastructure related to the development and adaptation of agriculture and forestry	<ul style="list-style-type: none"> <li>• Distribution of land in connection with projects</li> </ul>
126 Restoring agricultural production potential damaged by natural disasters and introducing appropriate prevention actions	<ul style="list-style-type: none"> <li>• Restoration of agricultural potential after storm damage and damage to agriculture as a result of natural disasters</li> </ul>
132 Participation of farmers in food quality schemes	<ul style="list-style-type: none"> <li>• Food product quality – ERFA groups/conversion advice/development/participation/marketing</li> </ul>
133 Information and promotion activities	<ul style="list-style-type: none"> <li>• Food product quality – ERFA groups/conversion advice/participation/marketing</li> </ul>
212 Payments to farmers in areas with handicaps, other than mountain areas	<ul style="list-style-type: none"> <li>• Island support</li> </ul>
214a-f Agri-environment payments	<ul style="list-style-type: none"> <li>• Extensive production on agricultural land and conversion to organic farming</li> <li>• Conservation by grazing or cutting on pasture and natural areas</li> <li>• Management of wetlands</li> <li>• Establishment of set-aside border strips</li> <li>• Genetic plant resources</li> </ul>
216a-b Non-productive investments, agriculture	<ul style="list-style-type: none"> <li>• Establishment of wetlands</li> <li>• Periodical flooding of agricultural area adjacent to streams</li> <li>• Investments in connection with the protection of the environment, nature and animal welfare</li> <li>• Establishment of landscape and biotope-improving vegetation, including shelter plants</li> <li>• Restoration of natural hydrology in N2000</li> </ul>
216c State acquisition of land	<ul style="list-style-type: none"> <li>• Establishment of wetlands</li> <li>• Periodical flooding of agricultural area adjacent to streams</li> <li>• Restoration of natural hydrology in N2000</li> </ul>
221 First afforestation of agricultural land	<ul style="list-style-type: none"> <li>• Afforestation of agricultural land</li> </ul>
225 Forest-environment payments	<ul style="list-style-type: none"> <li>• Sustainable forestry</li> </ul>
226 Restoring forestry potential and introducing prevention actions	<ul style="list-style-type: none"> <li>• Restoration of forests after storm damage</li> </ul>
227 Non-productive investments, forestry	<ul style="list-style-type: none"> <li>• Non-productive investments in forestry</li> </ul>

311 Diversification into non-agricultural activities	<ul style="list-style-type: none"> <li>• New jobs and good quality of life in rural areas</li> <li>• Biogas plants</li> </ul>
312 Business creation and development	<ul style="list-style-type: none"> <li>• New jobs and good quality of life in rural areas</li> </ul>
313 Encouragement of tourism activities	<ul style="list-style-type: none"> <li>• New jobs and good quality of life in rural areas</li> </ul>
321 Basic services for the economy and rural population	<ul style="list-style-type: none"> <li>• New jobs and good quality of life in rural areas</li> <li>• Biogas plants</li> <li>• Networking activities</li> </ul>
322 Village renewal and development	<ul style="list-style-type: none"> <li>• New jobs and good quality of life in rural areas</li> </ul>
323 Conservation and upgrading of the rural heritage	<ul style="list-style-type: none"> <li>• Planning of nature projects in the open countryside</li> <li>• State acquisition of land</li> <li>• New jobs and good quality of life in rural areas</li> </ul>
331 Training and information	<ul style="list-style-type: none"> <li>• Skills acquisition</li> </ul>
341 Skills acquisition, animation and implementation of local development strategies	<ul style="list-style-type: none"> <li>• New jobs and good quality of life in rural areas</li> </ul>
41 Implementing local development strategies	<ul style="list-style-type: none"> <li>• Leader axis – local development strategy</li> </ul>
413 Quality of life/diversification	<ul style="list-style-type: none"> <li>• New jobs and good quality of life in rural areas</li> </ul>
421 Implementing cooperation projects	<ul style="list-style-type: none"> <li>• Leader axis – local development strategy</li> </ul>
431 Running the local action group, acquiring skills and animating the territory as referred to in Article 59	<ul style="list-style-type: none"> <li>• Leader axis – local development strategy</li> </ul>
511 Technical assistance	<ul style="list-style-type: none"> <li>• Technical assistance</li> </ul>

The link between targets and programmed national application schemes is illustrated in the tables below and in Annex 2.

**Strengths, weaknesses and opportunities in relation to the national strategy plan**

Axis 1	<u>National application schemes</u>
<p>Strengths</p> <ul style="list-style-type: none"> <li>➤ The industries are highly adaptable in relation to new requirements and changed conditions</li> <li>➤ New research results, products, etc. are disseminated quickly.</li> <li>➤ The industries are characterised by high production efficiency</li> <li>➤ The industries are integrated into the global economy</li> <li>➤ Capacity for greater exploitation of a growing market for quality products, food safety, etc.</li> <li>➤ The industries consider nature and the environment, including via the production of environmentally friendly raw materials and protecting drinking water</li> <li>➤ The industries are characterised by diversified production, including the involvement of recreational and natural assets</li> <li>➤ A public-private partnership has already implemented a major initiative to counteract the impact on nature and the environment caused by the industries</li> </ul>	<p><i>Innovation/development in primary agriculture and forestry.</i> Support can be granted for:</p> <ul style="list-style-type: none"> <li>• Demonstration and dissemination of knowledge</li> <li>• Investment in enterprises employing new technologies, new processes and new products</li> <li>• Investment in biogas plants. Cooperation on development projects</li> </ul> <p><i>Innovation/development in processing sector for agriculture and forestry.</i> Support can be granted for:</p> <ul style="list-style-type: none"> <li>• Dissemination of knowledge</li> <li>• Development and application of new technologies, new processes and new products</li> <li>• Cooperation on development projects</li> </ul> <p><i>Food quality – development/participation/marketing.</i> Support can be granted for:</p> <ul style="list-style-type: none"> <li>• Primary producers, who take part in an approved quality labelling scheme – membership fee and inspection charges</li> <li>• Primary producers who carry out investments to produce under an approved quality labelling scheme</li> <li>• Producer alliances can receive support for providing information about and marketing such quality products</li> <li>• Joint projects that develop quality products</li> <li>• Establishment of mobile teams, ERFA groups, etc.</li> <li>• Provision of advice for conversion process</li> </ul> <p><i>Skills acquisition.</i> Support can be granted for:</p> <ul style="list-style-type: none"> <li>• Advice on observing the rules on cross-compliance as specified in the order on checks to verify cross-compliance as part of direct support and support under Axis</li> </ul>
<p>Weaknesses/threats</p> <ul style="list-style-type: none"> <li>➤ The income development of the industries seems to be stagnating as a result of globalisation and international competitive pressure</li> <li>➤ Production is characterised by a high national cost level</li> <li>➤ The industries are experiencing a decline in efficiency as a result of a lack of innovation and development</li> <li>➤ The industries are facing a growing economic burden as a result of environmental regulation</li> </ul>	

<p>Opportunities</p> <ul style="list-style-type: none"> <li>➤ Exploitation of growing international market for animal products</li> <li>➤ Exploitation of growing market for quality products, food safety, etc.</li> <li>➤ Promotion of continued innovation, product development and new technology</li> <li>➤ Increased diversification of the industries' earning potential</li> <li>➤ Continued development of recreational assets and nature management</li> <li>➤ Increase the contribution of the industries and nature to the quality of life in the countryside</li> <li>➤ Continued promotion of environmentally and naturally sustainable production through specific development projects and regulation</li> </ul>	<p>2, in accordance with the rural development regulation</p> <ul style="list-style-type: none"> <li>• Training for staff as an element in the introduction of new products, processes or technologies in the agricultural, forestry and food sectors, and which have obtained support for innovation in the processing sector and cooperation projects</li> <li>• Training for staff in the agricultural, forestry and food sectors in order to safeguard sustainable landscapes, varied nature and a healthy environment, as well as animal welfare and a good working environment.</li> </ul>
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## Strengths, weaknesses and opportunities in relation to the national strategy plan

Axis 2	National application schemes
<p>Strengths</p> <ul style="list-style-type: none"> <li>➤ Farmers take nature and the environmental factors into consideration, including the production of environmentally friendly raw materials and protecting drinking water</li> <li>➤ The agricultural sector is characterised by diversified production, including the involvement of recreational and natural assets</li> <li>➤ A public-private partnership has already implemented a major initiative to counteract the impact on nature and the environment caused by the industries</li> <li>➤ Capacity for greater exploitation of a growing market for quality products, food safety, etc.</li> <li>➤ Farmers have been able to counteract environmental influences by increased production through improved production efficiency.</li> </ul>	<p><i>Island support</i> The support is granted as annual area payment. The designation of areas entitled to support covers areas with “disadvantages in terms of agricultural production”, cf. the Rural Development Regulation.</p> <p><i>Extensive farming and conversion to organic agricultural production</i> Area payments are granted in the form of five-year conversion support for organic agricultural production and for extensive agricultural production.</p> <p><i>Conservation by grazing or cutting on pasture and natural areas</i> Area payments for five years for the conservation of grassland and natural areas through grazing or cutting.</p>
<p>Weaknesses/threats</p> <ul style="list-style-type: none"> <li>➤ Production is characterised by a high national cost level</li> <li>➤ The industries and farmers are facing a growing economic burden as a result of environmental regulation</li> <li>➤ Extensification can lead to of overgrowth of natural habitats</li> </ul>	<p><i>Establishment and management of wetlands</i></p> <ul style="list-style-type: none"> <li>• Investments in installations, preliminary studies, materials, services</li> <li>• Area payments for environmentally friendly management of grassland and natural areas in wetland areas</li> <li>• Possibility of government purchasing land</li> </ul>

<p>Opportunities</p> <ul style="list-style-type: none"> <li>➤ Exploitation of growing international market for animal products</li> <li>➤ Exploitation of growing market for quality products, food safety, etc.</li> <li>➤ Promotion of continued innovation, product development and new technology</li> <li>➤ Increased diversification of the farmers and industries' earning potential</li> <li>➤ Continued development of recreational assets and nature management</li> <li>➤ Increase the contribution of agriculture to nature (biodiversity) and to the quality of life in the countryside</li> <li>➤ Continued promotion of environmentally and naturally sustainable production through specific development projects and regulation</li> </ul>	<p><i>Periodical flooding of agricultural area adjacent to streams</i></p> <ul style="list-style-type: none"> <li>• Investments associated with achieving the periodical flooding</li> <li>•</li> <li>• Land consolidation for adaptation of agriculture</li> <li>• State acquisition of land</li> </ul> <p><i>Restoration of natural hydrology and conversion into extensive farming in N2000 areas</i></p> <ul style="list-style-type: none"> <li>• State acquisition of land for conversion of rotation areas to natural areas/permanent pasture</li> <li>• Investments in natural aquatic conditions by filling up drainpipes, ditches, etc. Investments in clearing and fencing</li> </ul> <p>Area payments for the establishment of set-aside areas in border strips alongside lakes and watercourses</p> <p><i>Environmental and nature projects</i> Targeted support for delimited areas.</p> <ul style="list-style-type: none"> <li>• Planning of nature projects in the open countryside</li> <li>• Establishment of grazing cooperatives</li> <li>• Investments in connection with the protection of the environment, nature and animal welfare</li> <li>• Distribution of land in connection with projects</li> </ul> <p><i>Establishment of landscape and biotope-improving vegetation, including shelter plants</i> Grants for the establishment of vegetation and planting as well as the cleaning and maintenance of these for three years.</p> <p><i>Plant genetic resources</i> Demonstration and dissemination of knowledge on plant genetic resources and their use in agriculture.</p> <p><i>Woodland schemes</i></p> <ul style="list-style-type: none"> <li>• Natura 2000 payments</li> <li>• Private afforestation in afforestation areas</li> <li>• Sustainable forestry</li> <li>• Restoration of forests after storm damage</li> </ul>
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## Strengths, weaknesses and opportunities in relation to the national strategy plan

Axis 3	National application schemes
<p>Strengths</p> <ul style="list-style-type: none"> <li>➤ Solidarity and cooperation</li> <li>➤ Ability to develop new local initiatives</li> <li>➤ Small, flexible enterprises</li> <li>➤ Cheap housing</li> <li>➤ Proximity to nature</li> <li>➤ Attractive scenery</li> </ul>	<p><i>New jobs in rural areas</i> Support can be granted for:</p> <ul style="list-style-type: none"> <li>• Diversification into non-agricultural activities</li> <li>• Establishment/development of micro-enterprises</li> <li>• Establishment of service facilities</li> <li>• Investment in food enterprises</li> </ul>
<p>Weaknesses/threats</p> <ul style="list-style-type: none"> <li>➤ Industry in recession</li> <li>➤ Lack of local jobs</li> <li>➤ Lack of innovative enterprises</li> <li>➤ Wage-intensive industry is being lost to low-wage countries</li> <li>➤ Low level of education</li> <li>➤ Skewed age distribution and depopulation</li> <li>➤ Young people abandoning rural municipalities</li> <li>➤ Environmental pollution from agriculture in certain areas</li> <li>➤ Lack of provision of public services</li> </ul>	<p><i>Attractive living conditions in rural areas</i> Support can be granted for:</p> <ul style="list-style-type: none"> <li>• Diversification into non-agricultural activities</li> <li>• Establishment/development of micro-enterprises</li> <li>• Tourism</li> <li>• Renewal in villages</li> <li>• Preservation of the natural and cultural heritage</li> <li>• Conducting/passing on analyses</li> </ul>
<p>Opportunities</p> <ul style="list-style-type: none"> <li>➤ Promote the creation of local jobs</li> <li>➤ Promote local niche products</li> <li>➤ Promote development of local initiatives</li> <li>➤ Promote natural, cultural and recreational assets</li> <li>➤ Reinforce local solidarity and cooperation</li> <li>➤ Promote opportunities for young, well-educated people to move out from urban areas</li> <li>➤ Promote distance learning, teleworking and the use of new digital technology in both the private and public sectors</li> <li>➤</li> </ul>	<p><i>Skills acquisition</i> Support can be granted for:</p> <ul style="list-style-type: none"> <li>• Skills acquisition in connection with carrying out projects proposed by a local action group</li> </ul> <p><i>Biogas plants</i> Grants given for:</p> <ul style="list-style-type: none"> <li>• The establishment of joint biogas plants</li> </ul> <p><i>Networking activities</i> Grants given for: Basic services for businesses as part of the marketing of quality products, including the establishment of different markets and digital marketing platforms</p>

The national application schemes are described below in short. The detailed contents and support conditions can be found in the measure sheets in chapter 5.2.

### **5.3.1 Innovation and development in primary agriculture and forestry**

The demonstration and investments in environmental technology may contribute to an additional decoupling of production and of the impact on nature and the environment, thus helping to fulfil the objectives for the environment and nature. Any investments in new technology might also provide a basis for growth in the primary business' consequential industries (preparation, processing and marketing) and contributes to ongoing improvements in productivity and competitive production as a result of these improvements.

See measure sheets;

111 Promoting the agricultural, forestry and food processing sectors by supporting demonstration and diffusion of knowledge of new processes and technologies

121 Promoting the primary agricultural sector by supporting investments in new processes and technologies

124 Promoting cooperation of development for innovation within the primary agriculture sector, food processing sector and forestry sector,

#### *Experiences from previous programme period*

In 2006 a special pool was introduced for demonstration and pilot projects in the agricultural and horticultural sectors during the 2000-2006 rural development programme. Projects offering commitments of support covered a broad range within the action areas: reducing ammonia and odours, improving the use of input, saving energy, reducing the use of pesticides, improving the working environment, animal welfare and animal health.

Experience shows that criteria need to be laid down for selecting, evaluating and prioritising applications. This will be taken into account when implementing the scheme in an Order.

#### **5.3.1.a. Investments in biogas plants**

The purpose is to promote biogas production. Agriculture serving as an energy provider has a positive impact on green accounts. The Government will ensure the best conditions for the further development of agriculture's role as an energy provider. With the initiatives presented in Green Growth concerning biogas and combustion of manure by 2020, the Government expects energy usage to have increased from 5% of farmyard manure in 2008 to 50% in 2020.

The scheme should help to accomplish the energy agreement from 2008 on tripling biogas production from 4 PJ to 12 PJ. Investing in new centralised biogas plants grants could lead to grants being awarded. Farm-related investments such as separation plants also might be able to receive support, provided they will be connected to centralised biogas plants.

Organic farms will also receive equipment grants for adjusting the layout of the farm. This, among other reasons, is due to the fact that organic farmyard manure cannot be mixed with non-organic manure from conventional farms. Organic farms are also often so far apart geographically that it is impossible to establish a centralised plant.

See measure sheets;

121 Promoting the primary agricultural sector by supporting investments in new processes and technologies

- 311 Diversification into non-agricultural activities
- 321 Basic services for the rural economy and population

*Experiences from previous programme period*

There have been no previous experiences under the rural development programme.

### **5.3.2 Innovation and development in the processing sector**

The purpose is to promote a more productive food industry through greater technological development and efficiency as well as guaranteeing competitive businesses within the food industry. This initiative focuses on investments on new technologies and processes which can help this sector meet the challenges of the global food market.

See measure sheets:

- 111 Promoting the agricultural, forestry and food processing sectors by supporting demonstration and diffusion of knowledge of new processes and technologies
- 123 Promoting the food and forestry processing enterprises by supporting investments in the enterprises
- 124 Promoting cooperation of development for innovation within the primary agriculture sector, food processing sector and forestry sector

*Experiences from the previous programme period*

The instruments in this support scheme are known from the rural development programme for the 2000-2006 period.

An evaluation shows that the measures are of crucial importance to the implementation of innovation activities in the food sector. It generally involves funds being invested where there is untapped potential and where innovation activities would not otherwise be implemented, or only at a later juncture. In fact, just 3% of all participants in the project indicate that they would have implemented the project without any grant.

The evaluation concludes that it has successfully developed a proper innovation capability among farmers, and especially in SMEs. For instance, 80% of enterprises indicate that they have had greater focus on development and innovation. A strategic innovation effort includes everything from skills acquisition by employees and greater knowledge about utilising research results to better management. The measure has helped to strengthen cooperation relations and create a network. SMEs in particular and agricultural enterprises as a group have increased their cooperation and network relations with a wide range of other operators, such as subcontractors, customers, research institutions and consultants. There are even more companies that are looking for closer cooperation and knowledge-sharing based on, for instance, different kinds of “meeting places” or similar.

In 2006 the special *Structure projects – innovation* pool was launched as part of the rural development programme. A total of 32 food-processing enterprises applied for grants for investment in new machinery and equipment under this pool. A total of EUR 6.8 million was applied for.

More than half the projects involve new production methods, the application of completely new technologies and new fresh fruit and vegetable products, especially potatoes and root vegetables. All the projects within this category which received a grant were also implemented. The scheme has therefore contributed to a significant increase in technology within this sector, and thereby to a (long overdue) improvement in this sector's competitiveness. Many of the projects will also entail significant improvements in the working environment. The good experiences from this will be used for the future implementation of the scheme in an Order.

### **5.3.3 Food product quality – development/advice/participation/marketing**

The purpose is to promote the production, knowledge and sales of quality food products by supporting farmer participation in quality food schemes, both organic and conventional, in order to meet consumer demand. An aim is also to position Danish-produced food products in the global market as special, high value products.

A further aim is to create a broader range of quality-labelled products, so that consumers have something to choose from, and producers gain a new benchmark for competitiveness.

This means, more specifically:

- expanding the quality labelling scheme for organic and conventional food products and providing grants for this
- establishing training teams, which give advice based on their experiences of producing and selling quality food products
- providing advice on conversion in order to increase conventional producers' knowledge of ecology and to encourage them to convert to organic farming
- establishing ERFA-groups which encourage new establishment and conversion to organic farming
- farmers to invest in new technology
- information and marketing
- conventional farmers to take part in labelling schemes

See measure sheets

111 Vocational training and information actions

121 Promoting the primary agricultural sector by supporting investments in new processes and technologies

132 Participation of farmers in food quality schemes

133 Information and promotion activities on food quality schemes

#### *Experiences from previous programme period*

The instruments in this support scheme are partly known from the rural development programme for the 2000-2006 period. A similar scheme was implemented in the last year of the programme in 2006 and was aimed at established quality labelling schemes, primarily the organic mark. The scheme was intended to promote awareness about and the sale of food

products for consumption, which are produced under three special quality labelling schemes approved by the EU. The scheme was meant to promote the product's specific characteristics or benefits resulting from the quality requirements, special production methods, animal welfare, consideration for the environment, etc.

There has been a certain level of interest in this scheme from quality producers other than the producers under the EU schemes eligible for grants under the scheme (organic and geographical origin labelling). It will be important in the forthcoming scheme to satisfy this interest. Experience shows that criteria need to be laid down for selecting, evaluating and prioritising applications. This will be taken into account when implementing the scheme in an Order.

### **5.3.3.a Grants for networking activities**

In 2007 the Ministry of Food, Agriculture and Fisheries launched a grant scheme for networking activities in order to encourage a more diverse food supply in Denmark and to create new market opportunities for local and regional food producers.

The networking activity made it possible to improve cooperation and networking among producers. And also between producers and the retail sector in order to facilitate the market access for quality food products and create cooperation between food production and other actors in the rural areas to diversify and strengthen rural economics.

The aim is to develop the grant scheme from 2007 as part of the implementation of the rural development programme. This is done partly by the development of the networking activities in order to make it possible for farmers, through skills acquisition, to cope with the demands of specialized production, acting in the entire value chain, direct sales and diversification of income.

At the same time the networking activities scheme should make it possible for the population in the rural areas to experience the diversity of the natural and cultural values, hereunder food related experiences, which surround them and thereby add to the quality of life and identity in the rural areas. At the same time the networking activities should contribute to the general economic development in the rural areas by utilizing the specific natural and cultural values in the rural areas in order to generate income. This could be done for example by workshops, permanent or temporary food fairs or natural and cultural initiatives.

See measure sheets:

111 Vocational training and information actions

321 Basic services for the rural economy and population

#### *Experiences from previous programme period*

The aim is to develop an earlier grant scheme from 2007 with the objective to be a part of the implementation of the rural development programme.

### **5.3.4 Island support**

Land support for farmers on 31 small and medium-sized islands with handicaps.

The purpose of the scheme is to provide support for farmers on a large number of identified small islands to ensure continued land use management and thus conserve the landscape.

See measure sheet 212 Island support.

#### *Experience from the previous programme*

During the mid-term evaluation of the 2000-2006 rural development programme in 2003, the scheme was judged to be of considerable relevance in the light of national objectives for continuing farming and maintaining rural development communities on the islands covered by the scheme. The islands' farmers face a number of disadvantages in the form of less intense competition and fewer opportunities for planning. It was felt that the scheme helps, to a certain extent, to compensate for these disadvantages, thereby influencing the farmers' decision to continue to farm on the islands. In this respect, the scheme met, to some extent, its own objectives and the overall objectives during the 2000-2006 programme period.

### **5.3.5 Agri-environment schemes**

The purpose with the agri-environmental scheme is to promote environmentally sustainable agricultural production by encouraging farmers to use agricultural methods which are in accordance with the need to secure sustainable landscapes, varied nature and a healthy environment, protection of biodiversity and the avoidance of climate change, including a reduction of the greenhouse effect.

The scheme will therefore promote:

- the utilisation of agricultural land which is compatible with the protection and improvement of the environment, the cultural environment, the landscape and its unique nature, natural resources, the soil and biodiversity;
- the environmentally friendly extensification of agriculture and the continued use of low intensity grazing systems;
- landscape conservation and maintenance of historical and natural assets on agricultural land;
- the use of environmental planning in agricultural enterprises.

The scheme will contribute to the fulfilment of obligations in:

- the national Green Growth Plan 2010-2015
- the Water Framework Directive
- the Natura 2000 Directives
- the EU's 2010 objectives for arresting the decline in biodiversity
- the National Action Plan for biological diversity and environmental protection in Denmark 2004-2009
- the Gothenburg sustainability goals
- the Kyoto Protocol

The scheme consist of the following sub-schemes:

- Extensive production on agricultural land and conversion to organic farming
- Conservation by grazing or cutting on pasture and natural areas

- Establishment and management of wetlands for nitrate retention
- Establishment and management of wetlands for phosphorus retention (P-river valley flooding upstream lakes)
- Periodically flooding of agricultural area adjacent to streams through reduced maintenance of stream edges
- Restoration of natural hydrology and conversion of rotation areas to natural areas as well as clearing and fencing in Natura 2000 sites
- Establishment of set-aside areas in border strips

The specific support conditions for the four schemes are referred to below.

#### *Experience from the previous programme*

The four schemes are being continued from the 2000-2006 rural development programme, all under the same names. The schemes' support conditions and scope are being adjusted in relation to the previous programme to take into account new legislation, new objectives and changed economic conditions.

The mid-term evaluation of the 2000-2006 rural development programme in 2003 indicated that the agri-environment measures (geographically targeted schemes for the environmentally friendly management of pasture and natural areas, establishment of wetlands and set-aside border strips, as well as nationwide schemes involving grants for green accounts and nitrogen contracts) have only helped to a limited extent, to meet the national objectives in the Aquatic Environment Plan II for reducing nitrogen emissions from agriculture. The documented environmental impact of the schemes was considered to be slight, with the effectiveness of the administration modest. The biggest contributor to the reduction of nitrogen emissions was the scheme for establishing wetlands, even though the potential of this scheme did not live up to expectations either. The schemes' impact on nature and the landscape may, however, have been significant in the supported areas. It was however difficult to document this effect.

It was recommended that the schemes should continue, but with a more geographical focus aimed at promoting natural heritage and landscapes in selected locations. It was also recommended that the schemes' administration should be streamlined. In the previous programme, the schemes were administered using a partly regional model, where the 11 counties handled the technical administration of the grant agreements. In the current programme the Directorate is taking over the entire administration for the schemes. The municipal authorities are also being assigned a new role as intermediaries for the schemes in dealing with the public. In time, it is possible that the local knowledge of municipal authorities will be used for administering the schemes.

The mid-term evaluation also indicated that the schemes for extensive farming and conversion to organic agricultural production had a more significant effect on agriculture's environmental impact, and also benefited flora and fauna. The geographical analysis showed that many organic farms are small and dispersed across the countryside. The administrative system for this measure with a single central administrative authority handled the administration more efficiently than for agri-environmental schemes with decentral management authority. It was also recommended that, in order to achieve an even greater

beneficial impact for nature, efforts be made to get larger contiguous areas involved in organic farming through the schemes.

On this basis, the expectation is that, collectively, the four related schemes in the current programme can contribute effectively to achieving the environmental and nature-related objectives in the rural development programme. Emphasis will be placed on the scheme having a more geographical focus in terms of conservation of pasture and natural areas (agri-environment measures), as well as on the programme establishing environment- and nature-friendly management of larger contiguous areas.

#### **5.3.5.1. Extensive production on agricultural land and conversion to organic farming**

The purpose of the support scheme is to protect the aquatic environment, to protect and improve ecosystem and biotope conditions on agricultural land and to promote organic agricultural production. The scheme consists of two sub-schemes (can be combined for the same piece of land).

##### *Conversion to organic agricultural production*

Support is given for conversion to organic farming as an annual area subsidy at a fixed support rate per hectare for five years. The farmer's costs in converting to organic farming are highest during the first two years of the conversion period. The support rate per year is therefore set at a higher level for the first two years than in the last three years.

##### *Extensive production on agricultural land*

Support is given for extensive farming as an annual area subsidy at a fixed support rate per hectare for five years. Applicants must either comply with the rules for organic agricultural production or undertake not to use plant protection products and to limit the use of nitrogen. Another requirement is for fertilizer plans and fertilizer accounts to be prepared.

See measure sheets;

214 *Conversion to organic agricultural production*

214 *Extensive production on agricultural land*

#### **5.3.5.2. Conservation by grazing or cutting on pasture and natural areas**

The purpose of the support scheme is to protect the aquatic environment by reducing nitrogen and phosphorus leaching into the aquatic environment and to reduce the use of plant protection products. A further purpose is to protect and improve ecosystem and biotope conditions in agricultural and natural areas.

Support is given for the conservation of pasture and natural areas in connection with grazing or cutting in areas that are designated in accordance with specific guidelines. Support is given as an annual area subsidy in accordance with 5-year agreements and fixed support rates. The support can be targeted at special geographic areas or projects that cover large, geographically contiguous grasslands or natural areas.

See measure sheet 214 Conservation by grazing or cutting on pasture and natural areas



### **5.3.5.3. Establishment and management of wetlands for Nitrate retention and wetlands for Phosphorus retention**

The purpose of the support scheme is to protect and improve the aquatic environment and natural conditions by reducing nitrogen and phosphorus leaching into the aquatic environment and to reduce the use of plant protection products.

Support may be given for the following.

#### *Investments associated with the establishment of wetland areas*

Support may be given for investments associated with the establishment of a wetland. Support is given for non-productive investments, which are necessary to establish the wetland area. Establishing wetlands utilises the ability of the land concerned to reduce, through de-nitrification, nitrogen leaching into the open aquatic environment. Natural habitats which are threatened in the intensively cultivated agricultural landscape are also promoted.

#### *Environmentally and ecosystem-friendly management of wetlands*

Support may be given as compensation for operating losses in connection with conversion to and the environmentally friendly management of pasture and natural areas in the wetland area. The use of the individual areas will depend on the change in groundwater levels and the special need for regulation that will apply to the area concerned. Some areas will be placed under water and will therefore no longer be agricultural land. In spite of the altered drainage, other areas may still be grazed, and in some areas there may be a need for special conservation measures. Support cases can therefore concern continued extensive farming or the withdrawal of the land from production. In order to support and guarantee complete and adequate implementation, support may be given for acceptance of registration in the land registry of a wetland area declaration and the flooding of the area. The amount is paid as a 20-year area payment. In order to support the conservation of the areas concerned, a commitment may also be given concerning supplementary area payments for compliance with conservation obligations.

#### *Area payment to compensate for permanent changes in management conditions on farmland*

In order to support and guarantee complete and adequate implementation of a given project within the national measures mentioned above, area compensation will be offered as yearly payments for 5 years in order to compensate farmers and land owners for additional costs and income foregone as a consequence of the permanent changes in farming conditions.

For the so-called P-river valley projects (wetlands for Phosphorus retention) support is given to more extensive land use via either permanent or temporary flooding in river valley upstream lakes designated by the national water management. The aim is to reduce P-leaching into the aquatic environment and ensure the long-term protection and improvement of the aquatic environment and natural assets.

There are three main situations which may trigger claims for compensation for the decline in property value and/or yields:

- Temporary flooding leading to no crops being grown on rotation areas or that crop seeding must be done later than usual, during the affected year.

- Temporary flooding leading to only grazing or cutting being done in the area, during the affected year.
- More or less permanently flooded areas (wetland areas).

In the first two situations mentioned, the affected areas can be used for agricultural purposes in the May-September period as a minimum. If the area becomes wetter on a permanent basis there will be a wetland project aimed at keeping Phosphorus and Nitrate away

*Land consolidation to adapt agriculture to requirements for environment and nature*

Support may be given for eligible expenses related to land distribution activities if these form part of a larger project proposed under the measures for establishment of wetlands

*State acquisition of land*

Support may also be given for the State acquisition of land in the project area. The State acquisition of a wetland area requires a specific project to establish a wetland area and may only take place if it is essential for the implementation of the project. The land must be acquired at the market price. The need for the State acquisition of land may arise for the land in a wetland project which becomes so wet that sufficient compensation cannot be given under the scheme.

After completion of the project, the State may sell the purchased land to other public sector authorities, private individuals, funds, etc. In the event of such a sale, the continuation of wetland status for the wetland area or project area will be ensured through registration in the land registry of a declaration concerning the area, which among other things covers the management conditions imposed. The Danish State is the beneficiary for the State acquisition of project land.

See measure sheets:

214e Management of wetlands

216b Establishment of wetlands, periodical flooding of farmland and restoration of natural hydrological conditions, non-productive investments

216c State acquisition of land for protection of environment

#### **5.3.5.4. Establishment of set-aside border strips**

The purpose of the support scheme is to promote the establishment of non-cultivated border strips along lakes and open watercourses in order to reduce the supply of phosphorus into surface water, cf. the national Green Growth plan 2010-15. In order to achieve the above aim, support is given for the establishment of non-cultivated borders along watercourses and next to lakes.

As part of the Danish implementation of the Water Frame Directive, Denmark intends to compliment measure sheet 214d with a new measure from 2011 for mandatory 10 metre cultivation-free buffer zones on all agricultural area along ponds more than 100 m<sup>2</sup> and all open streams, where the farmers will not be allowed to use any fertilizers and pesticides. By 2011, the Danish government intends to compensate the income-foregone caused by prohibiting cultivation in the buffer zones pursuant to REG 1698/2006, art. 38. Until the new mandatory measure is introduced in 2001, measure 214d Establishment of set-aside border

strips is maintained as a voluntary measure in order to promote continued set-aside of the border strips for the purpose of biodiversity.

#### **5.3.5.5. Periodically flooding of agricultural area adjacent to streams through reduced maintenance of stream edges**

The aim of changed watercourse maintenances is to fulfil the environmental objective of good organic conditions for those stretches of watercourses which at present do not fulfil this objective due to poor physical conditions. This will result in more extensive use of farmland along selected watercourses and improve the aquatic environment by reducing nitrogen and phosphorus leaching into the streams.

Support is given to facilitate farmers' acceptance of raised water levels and temporary flooding of utilised agricultural area along specific streams.

The higher water levels and temporary flooding will be obtained through changed and reduced weed cutting in the streams upstream. This may be combined with some earth work in order to restore the natural flow of the stream. The new conditions will contribute to reduce leaching of phosphorus and nitrates into the streams and thereby contribute to fulfil the objectives in the Water Framework Directive. The specific streams and river valleys eligible for this change will be designated by the Danish environmental authorities pursuant to the Water Framework Directive. As a part of ensuring compliance with the objectives in the Water Framework Directive, a total of 23 river basin management plans covering the Danish national territory, were adopted and taken into effect on 22 December 2011.

Reduced maintenance of the watercourse edge will result in both reduced drainability for agricultural land close to streams, and actual periodical flooding on parts of areas close to watercourses, which together will lead to reduced nitrogen, phosphorus emissions for watercourses, and greater biodiversity in the aquatic environment. Changed watercourse maintenance includes both reduced maintenance, where the amount and level of maintenance is reduced to a yearly weed cutting, and completely stopping maintenance, where the watercourse runs freely and remains in its natural condition. The scale of this change depends on the local conditions around the watercourse and tends to vary a great deal.

Support may be given for investments associated with achieving the periodical flooding of agricultural area adjacent to streams. Support is given for non-productive investments, which are necessary to establish the flooding. Such investments may include costs and services related to technical studies, project design and construction works related to the reduced maintenance of stream edges upstream.

Stopping watercourse maintenance would, for several watercourses, not be sufficient for achieving the higher water level. In such cases, a proper restoration involving for instance the laying of large stones and gravel, planting bluffs with trees, etc. or returning the watercourse to a more natural route would be an additional solution to reduced maintenance of the watercourse edge.

It has been calculated that the effect on the environment will be that 7,300 km of streams will fulfil the objectives of good ecological status in the Water Framework Directive.

The areas will often be more waterlogged and periodically flooded, particularly in the winter months. A yearly flooding period of approximately two months is expected during winter high tides. It is estimated that the effect of the higher ground water level and the temporary flooding will influence approximately 30,000 hectares of farmland. It is also estimated that periodical flooding will lead to the removal of a total of 11 tonnes of phosphorus in areas located close to upstream lakes. P-removal in downstream lakes has a less significant impact on the aquatic environment. With regard to nitrogen removal, periodical flooding has less impact, thus no objectives have been set for this.

A permanent change in conditions for agriculture will occur. In principle compensation for losses will be given in two different situations:

1. Where a temporary flooding in a particular year makes it impossible to grow a crop, or delays the time of sowing.
2. Where reoccurring temporary flooding means that the area can only be used for grazing of livestock or slaying of hay because of a permanent change in conditions.

If the area becomes permanently wet full compensation for the loss in agricultural production potential will be given. The farmer's economic loss due to the temporary flooding will be calculated based on the value of the annual loss in crop yield.

The loss will vary according to the local conditions and will therefore have to be established in each individual case.

Support may be given for investments associated with achieving the periodical flooding and state acquisition of land adjacent to streams. See measure sheets:

216b Establishment of wetlands, periodical flooding of farmland and restoration of natural hydrological conditions, non-productive investments

216c State acquisition of land in connection with protection of environment

#### **5.3.5.6. Restoration of natural hydrology and conversion of agricultural areas to permanent pasture or semi-natural areas in Natura 2000 sites**

The aim of the scheme is to re-establish natural conditions on agricultural land in Natura 2000 sites with a view to achieving nature-related objectives, cf. Natura 2000 directives. The new management conditions on farmland will also help to reduce leaching of phosphorus and nitrates into the streams and thereby contribute to fulfilling the objectives in the Water Framework Directive.

The scheme helps to protect and improve the existing natural assets and meets the requirements of the Natura 2000 directives. The scheme also contributes to the fulfilment of the EU objective aimed at stopping the decline in biodiversity by 2010 and the objectives in the Gothenburg conclusions from 2001.

Beneficiaries can be private owners or tenants of agricultural land or natural areas. State landowners cannot receive support.

Support will only be paid when natural hydrology has been restored or when rotation areas have been converted into natural areas, cf. the Natura 2000 plan in force, and when a documented assessment of the actual losses in property value has been prepared. Support for non-productive investments will only be paid when documentation exists for the actual costs, for example costs associated with clearing and fencing. Natural hydrology will be restored to approximately 16,000 hectares of Natura 2000 sites until 2015. An additional approximately 1,800 hectares of rotation areas will be converted to natural areas until 2015.

Support may be given for the following activities in a given project area:

1. State acquisition of land by conversion of rotation areas to natural areas/permanent pasture
2. Area payment to compensate for permanent changes in management conditions on farmland
3. Investments in natural aquatic conditions by filling up drainpipes, ditches, etc.  
Investments in clearing and fencing
4. Conservation by grazing or cutting on pasture

See measure sheets:

214a Conservation by grazing or cutting on pasture and natural areas

214e Management of wetlands and restoration of natural hydrological conditions

216b Establishment of wetlands, periodical flooding of farmland and restoration of natural hydrological conditions, non-productive investments

216c State acquisition of land in connection with protection of environment, nature and animal welfare

323b Nature and environment projects in the open countryside

### **5.3.6 Nature and environment projects**

The purposes of the scheme are to:

- promote environment-, nature and climate-friendly management of agricultural land, forest and natural areas
- conserve and promote biological diversity in the Danish landscape
- promote the establishment and management of wetlands
- conserve and promote environmental, natural and cultural assets
- improve the recreational assets in rural areas
- promote animal welfare for grazing livestock in nature and landscape conservation.

- improve the opportunities for utilising environmental, natural and cultural assets in a commercial context

The support scheme can cover several types of project, including integrated projects which also facilitate more than one of the above-mentioned purposes.

Support will be given for projects which have the aim of

- reducing nitrogen and phosphorus emissions reducing emissions of green house gasses (reduced tillage farming activities)
- protecting and improving the aquatic environment and nature
- conserving and promoting biological diversity
- conserving landscapes
- developing and maintaining cultural/historical, natural and recreational assets
- promoting access to areas of high natural and landscape value
- promoting animal welfare for grazing animals in nature conservation

The scheme will contribute to fulfilment of the obligations in:

- the national Aquatic Environment Plan III
- the national Pesticide Action Plan II
- the Natura 2000 Directive
- the 2002 National Forest Programme
- the action plan for biological diversity and environmental protection in Denmark 2004-2009

Specific nature and environment quality objectives for the protection of wetland and Natura 2000 areas designated according to the Natura 2000 and Water Framework directives will be in place in 2009. This will then be followed by objectives and frameworks for implementing the targets in the individual areas. Efforts in the current scheme must help to implement these objectives. The special provisions for support for implementation of the Water Framework directive haven't been laid down at the moment. Such support are therefore not included in the current Danish Rural Development Program.

Projects under the integrated support scheme Nature and environment projects can include more than one of the following activities:

- Planning of nature projects in the open countryside and forests
- Non-productive investments in connection with the protection of the environment, nature and animal welfare
- Re-distribution of land in connection with projects

Payment of support to the three types of activities may be combined in one project according to the following Articles of Council Regulation (EC) No 1698/2005;

1. Planning of nature projects in the open countryside according to Article 52 (b) (iii) and 57

2. Non-productive investments in connection with the protection of the environment, nature and animal welfare according to Article 36 (a)(vi) and 41 (measure code 216a and 216c)
3. Land consolidation by re-parcelling according to Articles 20 (b) (v) and 30

Separate measure fiches for each type of activity and Article in use are found in Chapter 5.2.

Integrated projects combining more than one activity may only occur, if the commitments complement and supplement each other. It shall be ensured that no double compensation occurs. Support for re-distribution of land is only offered in connection with integrated projects combining more than one of the above mentioned activities.

FIA shall make support commitments with beneficiaries separately for each activity in the project pursuant to each article of Regulation 1698/2006 in use.

The FIA will set up an advisory committee that shall examine project applications submitted under the integrated support measure Nature and environment projects as well as under the measure Establishment of biotope improving vegetation (see separate measure sheets). The FIA will select projects for support on the basis of advice from this committee.

#### *Applicants*

Any private or public legal persons, including owners or tenants of agricultural land or forest, may be a beneficiary.

Nature and environment projects may be proposed and implemented by municipal authorities and the local action groups established under the Leader Axis in the programme.

The rationale behind this is to give the municipal authorities and local action groups (LAGs) the possibility to include implementation of this type of measures in their general planning exercises. The LAGs thus may take an advisory role as regards concrete project applications that have been received centrally by the FIA.

The LAGs are however not allowed to select projects under this measure for support financed from the Leader appropriations. The LAGs may only call applications and select projects for support pursuant to the Leader method under Axis 3 of Regulation 1698/2005.

The specific support conditions for the different types of activities are described in chapter 5.2. See measure sheets

125 Land consolidation by re-parcelling

216a Non-productive investments in connection with the protection of environment, nature and animal welfare

323b Planning of nature projects

#### *Experience from the previous programme*

This scheme is new in relation to the 2000-2006 rural development programme. The most closely related scheme from the previous programme was the scheme for demonstration projects, which included demonstration and pilot projects involving environmentally friendly

agricultural production, the establishment of grazing cooperatives and preparation of environmental plans. The mid-term evaluation in 2003 indicated that the scheme played a relevant role in achieving the rural development programme's objectives, and that the projects had an important informative aspect. It was recommended that the scheme should continue and that support for environmentally friendly agriculture could be combined with a requirement for preparing environmental plans for the property, with the aim of increasing farmers' understanding of the support's objectives.

The expectation is, on this basis, that the current scheme can contribute to achievement of the rural development programme's environmental and nature objectives. It is expected that the scheme can be used strategically to boost interest in environment- and nature-friendly management and make an impact on the environment and nature in larger contiguous areas.

### **5.3.7 Establishment of landscape and biotope-improving vegetation, including shelter plants**

The establishment of landscape and biotope-improving vegetation will help to increase the proportion of small biotopes and improve landscape values on farms. The vegetation may both give favourable living conditions for the natural flora and fauna and also increase public amenity assets in rural areas.

#### *Applicants*

Any private or public legal persons, including owners or tenants of agricultural land or forest, may be a beneficiary.

Projects may also be proposed and implemented by municipal authorities and the local action groups established under the Leader Axis in the programme.

The rationale behind this is to give the municipal authorities and local action groups (LAGs) the possibility to include implementation of this type of measures in their general planning exercises. The LAGs thus may take an advisory role as regards concrete project applications that have been received centrally by the FIA.

The LAGs are however not allowed to select projects under this measure for support financed from the Leader appropriations. The LAGs may only call applications and select projects for support pursuant to the Leader method under Axis 3 of Regulation 1698/2005.

See measure sheet 216 Establishment of landscape and biotope-improving vegetation, including shelter plants

#### *Experience from the previous programme*

This scheme is a continuation of the scheme for establishing windbreak and biotope-improving vegetation (shelter plants scheme) from the 2000-2006 rural development programme.



During the mid-term evaluation of the 2000-2006 rural development programme, the shelter plants scheme was described as effective and broadly relevant. It was noted that the scheme fulfils a number of functions relating to landscape conservation, environmental aspects, nature quality, which are of benefit to farmers, the rest of the population in rural areas and tourists. It was also recommended for possible economies of scope to be pursued between the scheme and other schemes in the programme, especially agri-environmental and forestry schemes.

### **5.3.8 Plant genetic resources**

The purpose of the scheme is to protect genetic plant resources by giving support for projects which are aimed at conserving and promoting the sustainable use of older Danish genetic plant resources worthy of conservation.

The scheme will help Denmark to fulfil its obligations to conserve genetic plant resources which are specific to Denmark in accordance with the UN's Biodiversity Convention and the FAO treaty on genetic plant resources for food products and agriculture.

See measure sheet 214 Plant genetic resources.

#### *Experience from the previous programme*

During the 2000-2006 rural development programme, tests were carried out in 2006 under the equivalent scheme of the same name on a series of agricultural crops and types of fruit worthy of conservation, with grants being given for demonstration projects involving genetic plant resources, with the participation of both farmers and several public institutions. The scheme has still not been evaluated technically yet as it has only been in operation for just over a year. But experiences so far have shown that the scheme is relevant and effective in terms of testing the use of existing plant species in an agri-environment and disseminating knowledge about the importance of genetic plant resources within agriculture and food production.

### **5.3.9 Forest schemes**

Covers the following schemes:

1. Afforestation of agricultural land in afforestation areas
2. Restoration of forests after storm damage and damage to agriculture as a result of natural disasters
3. Sustainable forestry

#### *Experience from the previous programme*

The following forestry schemes featured in the 2000-2006 rural development programme:

- Private afforestation of previous agricultural land
- Good, diverse forestry - regeneration
- Replanting after storm damage

During the mid-term evaluation of the rural development programme in 2003, the three schemes were judged to be relevant and effective in terms of achieving the specific objectives of the rural development programme and the National Forest Programme. It was felt that these schemes were distinct from the other schemes in the rural development programme to a certain degree, and that they could be integrated better in the rural development programme. It was also felt that, although forests were selected and established effectively under the afforestation scheme, the cost per hectare was high and the geographical areas designated for afforestation were running out, which is why the environmental gains from future afforestation projects might be expected to be less.

#### **5.3.9.1 Afforestation**

Grants are given for establishing privately and publicly owned forests on agricultural land in afforestation areas in the form of a fixed area-based grant per hectare. Supplements are also given for fencing, for establishment and conservation without the use of pesticides, along with supplements for environmentally friendly soil preparation, for locality mapping and for the preparation of maps and determination of plot areas. Grants for establishment and conservation during the first five years are paid as a single amount. Conservation is ensured through the last instalment only being paid when the trees have reached a particular height.

See measure sheets 221a, 221b and 221c. Afforestation

#### **5.3.9.2. Restoration of forests after storm damage and damage to agriculture as a result of natural disasters**

Major storm damage occurs in Denmark at intervals of every few years. In connection with support for the restoration of forests, emphasis will be placed on ensuring that the new forests are more robust, so that in future forests will be able to withstand better high wind speeds and regenerate themselves after damage through natural processes.

See measure sheet 226 Restoration of forests.

#### **5.3.9.3 Sustainable forestry**

Grants for sustainable management provide support for aspects of forestry which are not financially beneficial to the forest owner and also extend beyond the mandatory requirements of the Danish Forest Act. They are provided in particular to protect or increase the forests' natural assets, the landscape assets and their valuable contribution to outdoor life.

See measure sheets 225 and 227 for the detailed information.

#### **5.3.10 New jobs in rural areas**

The purpose of the support scheme is to strengthen the structure of industry in rural areas by establishing new jobs in the local vicinity. Economic development in rural areas is very much about establishing a sensible link between housing and jobs, so that it is attractive for families with income earners to settle in areas outside the towns and cities. Support is given for projects which facilitates the establishment of local jobs in rural areas.

The measures will be implemented through the establishment of local action groups and the implementation of a locally prepared development strategy. Within the framework of this support scheme and a budget framework, the local action groups will prioritise the initiative with the aim of improving the general quality of life in a defined geographic area. As they are subject to budget restrictions, the local action groups have an incentive to only support projects that specifically require aid.

#### *Action areas*

##### *Diversification into non-agricultural activities:*

Support can be awarded for non-agricultural activities within the following fields:

- new activities within the enterprise which are not linked to actual agricultural activity

##### *Micro-enterprises (up to 10 employees and an annual turnover of less than EUR 2 million):*

Support can be awarded within the following fields

- establishment of new micro-enterprises
- development of existing micro-enterprises

Support can be given for the establishment and development of micro-enterprises within all sectors, with the exception of the agricultural sector.

##### *Tourism:*

Support can be awarded within the following fields

- development of small tourism activities
- recreational infrastructure and accommodation on a small scale
- marketing of tourism products for the area

##### *Basic services:*

Support may be awarded within the following fields:

- establishment of new or retention of existing services of importance to industry in rural areas
- establishment of access to the latest information and communication technology for enterprises in rural areas

##### *Food enterprises:*

Support may be awarded within the following field:

- investment support for processing, marketing and development of processing enterprises for agricultural products with the aim of increasing local employment.

See measure sheets 123, 311, 312, 313, 321 and 41.

##### *Experiences from previous programme periods*

The instruments in this support scheme are to a certain extent known from the 2000-2006 programme period. A number of instruments were combined as part of the Article 33 scheme, which were targeted at developing industry and improving living conditions in rural areas. During the mid-term evaluation the scheme was considered to be extremely relevant. It was also confirmed that, in terms of funding, the scheme had insufficient weight within the whole programme and that agriculture-related projects were favoured as regards funding, at

the expense of broader industrial development and better living conditions. This is now being rectified. More funding is being allocated to Axis 3 schemes and being targeted, to a greater extent, at activities which are not directly connected with agriculture. Finally, one other experience from the previous programme period is that it is difficult to measure the impact of this type of scheme in quantitative terms. Using the common monitoring and evaluation system, efforts are now being made to rectify this.

### **5.3.11 Good quality of life in rural areas**

Support scheme which facilitates initiatives to improve the quality of life in rural areas. The purpose of the support scheme is to help to ensure that people in rural areas have access to a series of specific, basic services – leisure and cultural attractions and transport as well as information and communication technology – in order to create an attractive quality of life and ensure the continued habitation of rural areas.

The measures will be implemented solely pursuant to the LEADER method through the establishment of local action groups and the implementation of a locally prepared local development strategy.

Within the framework of this support scheme, the local action groups will prioritise the initiative with the aim of improving the general quality of life in a defined geographic area.

#### *Action areas*

##### *Diversification of enterprises into non-agricultural activities:*

Support can be awarded for non-agricultural activities within the following fields:

- provision of cultural activities within enterprises
- provision of leisure activities within enterprises
- provision of basic services

##### *Micro-enterprises (up to 10 employees and an annual turnover of less than EUR 2 million):*

Support can be awarded to micro-enterprises within the following fields:

- establishment of new and development of existing micro-enterprises which provide basic services
- establishment of new and development of existing micro-enterprises which provide cultural services
- establishment of new and development of existing micro-enterprises which provide leisure services

##### *Tourism:*

Support can be awarded to tourism within the following fields:

- establishment of area- or type-specific tourism
- recreational infrastructure on a small scale
- marketing of area- or type-specific tourism

##### *Renewal in villages:*

Support can be awarded for renewal in villages within the following fields:

- refurbishment and clean-up of buildings in villages
- small environmental projects in parks and along roads

*Basic services:*

Support can be awarded for basic services within the following fields:

- establishment of new or retention of closure-threatened services of importance to the quality of life in rural areas
- establishment of access to the latest information and communication technology
- establishment of networks which can strengthen social relations in rural areas

The national application will include two sub-schemes for projects that are aimed at children and young people resident in rural areas to create attractive leisure facilities and cultural and leisure facilities in rural areas.

*Natural and cultural heritage:*

Support can be awarded for natural and cultural heritage projects within the following fields:

- conservation, restoration and improvement of natural and cultural heritage
- dissemination of the natural and cultural heritage

See measure sheets 311, 312, 313, 321, 322, 323 and 41.

*Experiences from previous programme periods*

The instruments in this support scheme are known to a certain extent from the 2000-2006 programme period. A number of instruments were combined as part of the Article 33 scheme, which were targeted at developing industry and improving living conditions in rural areas. During the mid-term evaluation the scheme was considered to be extremely relevant. It was also confirmed that, in terms of funding, the scheme had insufficient weight within the whole programme and that agriculture-related projects were favoured as regards funding, at the expense of broader industrial development and better living conditions. This is now being rectified. More funding is being allocated to Axis 3 schemes and being targeted at activities which are not connected with agriculture. Finally, one other experience from the previous programme period is that it is difficult to measure the impact of this type of scheme in quantitative terms. Using the common monitoring and evaluation system, efforts are now being made to rectify this.

**5.3.12. Skills acquisition**

The support scheme supports skills acquisition among those employed in the food and forestry sectors, as well those involved in securing local employment and better living conditions in rural areas. The purpose of the support scheme is to improve skills acquisition in rural areas in terms of boosting competitiveness in the food industry through greater emphasis on innovation and quality, as well as to consolidate the action taken with regard to sustainable environment and countryside management, specifically with farm advisory services in mind. The opportunity for skills acquisition will also be offered to people in rural areas who are involved in creating jobs, developing attractive living conditions and utilising the local development potential.

*Action areas*

### *Training/information and farm advisory services – Axis 1*

Support can be awarded within the following fields

- Advice on observing the rules on cross-compliance as specified in the order on checks to verify cross-compliance as part of direct support and support under Axis 2, in accordance with the rural development regulation
- Training for staff as an element in the introduction of new products, processes or technologies in the food and forestry sectors and who have received support for innovation in the processing sector and cooperation projects
- Training for staff in the agricultural, forestry and food sectors in order to safeguard sustainable landscapes, varied nature and a healthy environment, as well as animal welfare and a good working environment.

### *Skills acquisition and information – Axis 3*

Support may be given for skills acquisition and information aimed at creating attractive rural areas within the following domains:

- Acquiring ICT skills
- Starting up micro-enterprises
- Diversifying into non-agricultural activities
- Promoting tourism

*See measure sheets;*

111 Vocational training and information actions

114 Use of farm advisory services

331 Training and information

### *Experiences from previous programme periods*

The instruments in this support scheme are known from the 2000-2006 programme period. Under the measure – training - support were provided for participants in agricultural and forestry courses (reorientation of production practices etc.). In 2005-2006 the measure included training in cross-compliance. The application for participation was high during the whole period and the measure provided an improvement in competences for the participating farmers.

## **5.3.13 National public funding from municipalities, regional bodies and governmental institutions other than FIA**

National funds and EU-funds from the EU Structural Funds are allocated to other Danish Managing authorities than the FIA under the Ministry of Food, Agriculture and Fisheries to support local and regional development.

In order to reach synergies between these efforts and the rural development programme (RDP), FIA will implement an integrated scheme under the RDP. The aim is to involve Danish municipalities, regional bodies and other governmental authorities in collaborative efforts for regional development. These other public institutions will be responsible for achieving the national public funding to match the EAFRD funding under the RDP to support implementation of local and regional activities.

Regions and municipalities may in cooperation prepare rural development programmes of activities in keeping with a development strategy for each of the 5 Danish regions. The aim under the rural development programme is to support the implementation of these regional strategies that will enhance the potentials for synergies across different local and thematic areas.

In the programmes of activities the regions and municipalities must present for each region a coherent strategy for development initiatives including objectives, financing plans, effect indicators etc. The scheme will among other things focus on creating new jobs, developing and improving knowledge of local foods, contributing to a cleaner environment and improved access to nature and to improve the quality of life in rural areas.

The regional programme contains an indicative budget matrix where the EAFRD budgets are distributed on prioritized themes within the framework of the support measures by the regional and local partners.

The FIA is the managing and paying authority for this activity. For support applications a central administration approach will be used, however, under the LAG-measures the LEADER-approach will be used and the applications will be recommended by the boards of the local action groups, submitted to the FIA that makes a legality control, approves the applications and makes the payments. There will be separate public calls for applications from regional programmes and applications under the LAG-measures via the LEADER-approach respectively. For both types of calls the MA makes administrative control and prioritizes the applications by using the existing legal framework of the support measures. Applications under the LAG-schemes will however be prioritized by the LAG-boards.

Projects will be supported under the RDP and within the legal framework and financial framework of the existing RDP measures listed below.

*See measure sheet*

111, 123, 124, 216, 311, 312, 313, 321, 322, 323 and 413.

*Experiences from previous programme period*

There have been no important previous experiences under the RDP with this kind of collaborative effort.

## **5.4 Transitional arrangements and payment obligations from the previous programme period**

In the chapter is provided the following information:

- A list of the outstanding obligations from the previous programme period
- A list of the measures in the previous programme period

### **5.4.1. Payment obligations from previous programme period**

The table below lists outstanding commitments made before 1 January 2007 during operations carried out in accordance with Council Regulation (EC) No 2078/92 and Council Regulation (EC) No 1257/1999 as amended, indicating the underlying legal provisions for the financing of outstanding payments in the 2007-2013 programme period according to Council Regulation (EC) No 1698/2005 and Commission Regulation (EC) No 1320/2006 on rules for the transition to the rural development support scheme provided for in Council Regulation (EC) No 1698/2005.

Measure and underlying legal provision in Regulation (EC) No 1257/1999	No. commitments/ contracts	Outstanding amount, EUR millions		Underlying legal provision in new regulation
		Total	EAFRD	
Training, Article 9 Farmers	299	1.8	0.9	Article 20(a)(i), Axis 1
Establishment of young farmers, Article 8	1,160	4.0	2.0	Article 20(a)(ii), Axis 1
Early retirement, Articles 10-12	38	0.8	0.4	Article 20(a)(iii), Axis 1
Investment in agricultural holdings, Articles 4-7	2,832	23.7	11.9	Article 20(b)(i), Axis 1
Investments in forests aimed at increasing their economic value, establishing associations of forest holders, Article 30(1), second and fifth indents				Article 20(b)(ii), Axis 1
Processing and marketing of agricultural and forestry products, promotion of new marketing opportunities for forest products, Articles 25-28 and Article 30(1), third and fourth indents.  Marketing of quality products and establishing quality schemes, Article 33, fourth indent	119  55	20.8  1.4	10.4  0.7	Article 20(b)(iii), Axis 1
Land improvement, land consolidation, water resource management, agricultural infrastructure, Article 33(1), second, eighth and ninth indents	42	3.4	1.7	Article 20(b)(v), Axis 1
Restoration and prevention, Article 33, twelfth indent				Article 20(b)(vi), Axis 1
Support for producer groups' promotion measures for quality products, Article 24(d)				Article 20(c)(iii), Axis 1
<b>TOTAL FOR AXIS 1</b>	<b>4,545</b>	<b>56.0</b>	<b>28.0</b>	
Agri-environment, Articles 22- 24: Extensive production on agricultural land	3,833	67.2	36.9	Article 36(a)(iv), Axis 2



Conversion to organic agricultural production	697	2.5	1.4	
Organic agricultural production	159	1.2	0.7	
Environmentally friendly agriculture	8,817	114.1	62.8	
Green accounts	830	2.3	1.3	
Nitrogen contracts	159	4.5	2.5	
Wetlands projects:				
- Aquatic Environment Plan III	137	2.9	1.6	
- Aquatic Environment Plan II	49	0.8	0.4	
Environmental protection as part of agriculture, Article 33, eleventh indent				Article 36(a)(vi), Axis 2
Windbreak hedges	750	5.6	3.1	
Demonstration projects	69	2.9	1.6	
Genetic plant resources	14	1.1	0.6	
Rambling trails	8	0.1	0.1	
Afforestation of agricultural land, Article 31	2,357	45.3	24.9	Article 36(b)(i), Axis 2
Afforestation of non-agricultural land, Article 30(1), first indent				Article 36(b)(iii), Axis 2
Ecological stability in forests, Article 32(1), first indent				Article 36(b)(iv), Axis 2
Ecological stability in forests, Article 32(1), first indent				Article 36(b)(v), Axis 2
Regeneration and preventive measures in the forestry sector, Article 30(1), sixth indent	1,046	6.7	3.7	Article 36(b)(vi), Axis 2
Firebreaks, Article 32(1), second indent				
Investment intended to increase the forests' ecological and social value, Article 30(1), second indent: environmental protection as part of forestry, Article 33, eleventh indent	4,774	7.6	4.2	Article 36(b)(vii), Axis 2
<b>TOTAL FOR AXIS 2</b>	<b>23,699</b>	<b>264.8</b>	<b>145.8</b>	
Diversification, Article 33, seventh indent	75	3.0	1.7	Article 52(a)(i), Axis 3
Activities relating to handicrafts and financing methods, Article 33, tenth and thirteenth indents				Article 52(a)(ii), Axis 3

Activities in the tourism sector, Article 33, tenth indent	72	6.1	3.0	Article 52(a)(iii), Axis 3
Basic service facilities, Article 33, fifth indent	100	11.0	5.5	Article 52(b)(i), Axis 3
Rural development consultants	31	0.1	0.1	
Village renewal and development, Article 33, sixth indent	119	9.1	4.6	Article 52(b)(ii), Axis 3
Protection and conservation of rural heritage, Article 33, sixth indent		0.2	0.1	Article 52(b)(iii), Axis 3
<b>TOTAL FOR AXIS 3</b>	<b>397</b>	<b>29.5</b>	<b>15.0</b>	
<b>TOTAL FOR AXES 1, 2 and 3</b>	<b>28,641</b>	<b>350.3</b>	<b>188.8</b>	

## **5.4.2. The measures in previous programme period**

### **Investment in agricultural holdings**

Support for investments in agricultural holdings aiming at improving animal welfare, energy saving and working environment improvement schemes in the horticultural sector and for reducing ammonia evaporation from agricultural holdings.

### **Setting up of young farmers**

Support for setting up of young farmers in the form of a subsidy for a part of the debt services for loans for young farmers.

The measure is not programmed in the new program period.

### **Training**

Support for participants in agricultural and forestry courses (reorientation of production practices etc.).

### **Less favoured areas**

The measure covered 31 smaller islands with a total eligible area of approximately 24 500 ha.

### **Agri-environment**

Support for the following categories of sub-measures:

- Nitrogen contracts (reduction in the use of nitrogen);
- Environment and resource management (green accounts);
- Establishment of wetlands;
- Extensive zones along watercourses, lakes and land scape elements;
- Protection of the aquatic environment and of nature (reduction in use of fertilizer, establishment of catch-crops and extensive grassland);
- Extensive production on agricultural land (no use of pesticides and reduction in use of fertilizer);
- Conversion to organic farming.

### **Improving processing and marketing of agricultural products**

Support for processing companies, which carry out investments and which are focusing on one or more of the following themes:

- Environment (including the working environment);

- Hygiene;
- Food security;
- Documentation of production processes;
- Traceability of products;
- Improvement in the processing of organic food;
- Animal welfare.

## **Forestry**

Support for the following categories of sub-measures:

- Afforestation;
- Natura 2000 areas in forests;
- Efficient and versatile forestry (regenerating forest stands, special management, public access);
- Product development scheme for forestry and wood-working industry;
- Aid to forest areas damaged by windfall.

## **Promoting the adaptation and development of rural areas (Article 33 of Council Regulation (EC) No 1257/1999)**

Support for the following categories of sub-measures:

- Reparcelling;
- Marketing of quality products from agriculture;
- Improvement of basic service facilities for the rural economy and population;
- Renewal, reorganisation and development of villages and the protection and preservation of cultural assets in rural areas;
- Diversification of activities in the agricultural sphere and closely related areas to create alternative employment and income opportunities;
- Development and improvement of infrastructures linked to the development of agriculture;
- Promotion of activities within tourism and handicrafts;
- Protection of the environment in connection with agriculture, forestry and landscape conservation (sub-measure for demonstration projects, establishment of plantings providing shelter and improving the biotope, pilot and demonstration projects concerning grazing associations and environmental management plans).

## 6. Financing plan

### 6.1 Annual Contributions from the EAFRD (payment frameworks)

Financial Year	2007	2008	2009	2010	2011	2012	2013
Non convergence regions	62.592.573	66.344.571	65.671.254	66.234.762	65.331.467	64.497.618	63.488.551
Additional funds from article 69 (5a) of Regulation (EC) No 1698/2005 - non-convergence region			1.740.000	18.818.000	25.900.000	34.300.000	43.000.000
Total EAFRD (euro)	62.592.573	66.344.571	67.411.254	85.052.762	91.231.467	98.797.618	106.488.551

Note1) Denmark is classified as non-convergence region.

Source: Commission Decision of 7. july 2009, fixing the annual breakdown per Member State of the amount referred to in article in Art. 69(2a) of CR 1698/2005 concerning support to rural development and amending Commission Decision 2006/636.

### 6.2 Financing plans for each axis for the entire period (payment frameworks)

The allocation of funds to non convergence regions is shown in table 6.2.1 and does not include the additional funds from article 69 (5a) of Regulation (EC) No 1698/2005

**Table 6.2.1.** Financial plan by axis - in € total period, excl. additional funds art.69(5a)

Axis	Public sector contribution, Euro		
	Total public	EAFRD co-financing rate (%)	EAFRD amount
Axis 1	226.216.839	50	113.108.419
Axis 2	413.599.475	55	227.479.712
Axis 3	50.267.077	50	25.133.538
Axis 4	118.798.370	55	65.339.103
Technical assistance	46.200.048	50	23.100.024

Total	<b>855.081.809</b>	<b>53</b>	<b>454.160.796</b>
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Note 2) By Commission Decision 2009/14 of 17. december 2008 amending Decision 2006/636 fixing the annual breakdown of the amount for Community support to rural development for the period from 1 January to 31 December 2013 the original budget of Community support to Denmark 2007-2013 was increased by 9.500.000 € (from 444.660.796 to 454.160.796 €). This amount has not previously been allocated to the axes.

**Table 6.2.2 Allocation additional funds from article 69 (5a) of Regulation (EC) No 1698/2005 - non-convergence region in € total period**

Axis	Public sector contribution, Euro		
	Total public	EAFRD co-financing rate (%)	EAFRD amount
Axis 1	83.293.438	75	62.470.078
Axis 2	80.501.659	75	60.376.244
Axis 3	1.215.570	75	911.678
Axis 4	-	-	-
Total	<b>165.010.667</b>		<b>123.758.000</b>

**Table 6.2.3 Total allocation non convergence regions (euro) incl. additional funds from article 69 (5a) of Regulation (EC) No 1698/2005, € -total period**

Axis	Public sector contribution, Euro		
	Total public	EAFRD co-financing rate (%)	EAFRD amount
Axis 1	309.510.276	57	175.578.498
Axis 2	494.101.135	58	287.855.956
Axis 3	51.482.646	51	26.045.216
Axis 4	118.798.369	55	65.339.103
Technical assistance	46.200.048	50	23.100.024
Total	<b>1.020.092.476</b>	<b>56,7</b>	<b>577.918.796</b>

The tables show the total payments for each axis throughout the entire programme period. For non convergence regions the table includes payments for old commitments undertaken in the period 2000-2006.

As mentioned in chapter 5, the main part of the Axis 1 activities and all Axis 2 activities shall be implemented centrally. The budget indicated for Axis 3 cover only activities implemented centrally by the Danish Food Industry Agency (FIA). Almost all Axis 4 activities shall be implemented in accordance with Axis 3 Articles of Council Regulation (EC) No 1698/2005. The remaining part of Axis 4 activities shall be implemented in accordance with the Axis 1- Article 20(b)(iii) of Council Regulation (EC) No 1698/2005 for adding value to agricultural and forestry products.

The following table reflects the relative allocation between Axes, excluding payments for technical assistance.

	Total public costs	EAFRD
Axis 1	30,4%	30,3%
Axis 2	49,8%	48,4%
Axis 3	4,5%	5,0%
Axis 4	11,3%	11,6%
Total	100,0%	100,0%

The requirements of Regulation (EC) No 1698/2005 for minimum contributions from EAFRD per Axis are met. According to Article 17(1) of Regulation (EC) No 1698/2005, Axis 4 payments may also contribute to the minimum contributions required for Axes 1, 2 and 3. It is expected that app. 70 % of EAFRD payments under Axis 4 shall be carried out according to provisions of Articles in Axis 3. These payments may be considered as contributing to Axis 3. Therefore, a total of 14 % of the EAFRD payments shall contribute to Axis 3, which is above the minimum contribution for Axis 3 of 10 %.

The Danish RDP has been adopted in 2009 to meet the challenges identified in the Health Check of the Common Agricultural Policy. The EAFRD budget is increased by 123.758.000 € (27 pct) and the budget to all four axis is increased. Denmark has also proposed an article 68 programme under the Common Agricultural Policy, pillar 1, which is complementary to the RDP implementation of the Health Check and the identified challenges.

The relative weight of the four axes has been changed compared to the original financing plan. The distribution of the total EAFRD budget (excluding Technical assistance) by axis shows relatively more weight on axes 1, 3 and 4, whereas the relative weight of axis 2 has been reduced. In addition, the allocation for technical assistance has been increased significantly. These changes reflect a number of modifications to the programme besides the addition of new funds under the Health Check.

Under axis 1 more funds are allocated to measures targeted environmental and climate challenges supplementing the area-based measures under axis 2 with the aim to decouple growth in agriculture and the environmental impact - such as investments in environmental technology and biogas production on farms. Based on positive experiences 2007-2009 the financial allocation to demonstration projects are increased.

Under axis 2 the estimated payments from outstanding commitments from previous program has decreased. There has been less uptake for some area based measures and payments under new commitments are postponed. The financial allocation is corrected accordingly. One important factor behind the reduction in the relative weight of axis 2 in the total budget stems from the fact that Denmark plans to allocate unspent funds in pillar 1 (available under Art. 68 of Regulation 73/2009) for environmental challenges that would otherwise have to be financed under the RDP – primarily axis 2.

Under Axis 3 more funds are allocated to support the construction of biogas plants and more EU-funds are allocated to activities co-financed by the regions, municipalities etc.

Funding for axis 4 is increased in order to provide EU-funding for activities to be co-financed by regions, municipalities and other public or semi-public entities.

The technical assistance budget is increased from 2 to 4 pct. of the total RDP budget in order to ensure efficient management of the multiple measures in the programme, the number and complexity of which has been increased by the modification.

Generally, the financial allocation is revised based on actual payments 2007-2009 as well as new estimate of payments 2010-2013 for all measures based on both outstanding commitments and expected uptake under each measure 2010-2013.

**Table 6.3. Indicative budget related to operations referred to in article 16a of Regulation 1698/2005, €**

<b>Axis/measure</b>	<b>EAFRD contribution for 2009-2013</b>
<b>Axis 1</b>	
111 Vocational training and information actions	-
112 Setting-up of young farmers	-
113 Early retirement	-
114 Use of advisory services	-
115 Setting up of farm management, relief and advisory services	-
121 Modernisation of agricultural holdings	62.470.078



122	Improvement of the economic value of forests	-
123	Adding value to agricultural and forestry products	-
124	Cooperation for development of new products, processes and technologies in the agriculture and food sector and in the forestry sector	-
125	Infrastructure related to the development and adaptation of agriculture and forestry	-
126	Restoring agricultural production potential damaged by natural disasters and introducing appropriate prevention actions	-
131	Meeting standards based on Community legislation	-
132	Participation of farmers in food quality schemes	-
133	Information and promotion activities	-
141	Semi-subsistence farming	-
142	Producer groups	-
Total axis 1		62.470.078
<b>Axis 2</b>		
211	Payments to farmers in areas with handicaps (Article 36 (a) (i) and (ii) of Reg. (EC) N. 1698/2005)	-
213	Natura 2000 payments and payments linked to Directive 2000/60/EC (WFD)	18.573.826
214	Agri-environment payments	6.598.306
215	Animal welfare payments	-
216	Non-productive investments	35.204.112
221	First afforestation of agricultural land	-

<b>222</b>	First establishment of agroforestry systems on agricultural land	-
<b>223</b>	First afforestation of non-agricultural land	-
<b>224</b>	Natura 2000 payments	-
<b>225</b>	Forest-environment payments	-
<b>226</b>	Restoring forestry potential and introducing prevention actions	-
<b>227</b>	Non-productive investments	-
<b>Total axis 2</b>		60.376.244
<b>Axis 3</b>		
<b>311</b>	Diversification into non-agricultural activities	-
<b>313</b>	Encouragement of tourism activities	-
<b>321</b>	Basic services for the economy and rural population	-
<b>323</b>	Bevarelse og opgradering af natur- og kulturarv	911.678
<b>Total axis 3</b>		911.678
<b>Axis 4</b>		
<b>411</b>	Implementing local development strategies - Competitiveness	-
<b>413</b>	Implementing local development strategies - Quality of life/diversification	-
<b>Total axis 4</b>		-
<b>Total programme</b>		123.758.000
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		123.758.000
Total under Axis 3 and 4 related to priorities listed in Article 16a(1), point (g) of Regulation (EC) No 1698/2005		-
<b>Total</b>		123.758.000

**Table 6.4. Indicative relative weight given to the new Health Check challenges allocated on measure codes in table 6.3**

<b>Priority theme</b>	<b>Percentage</b>	<b>Million €</b>
Climate change	29	36,4
Renewable energies	13	15,6
Water management	42	51,5
Biodiversity	16	20,2
Dairy restructuring	0	0
Broadband infrastructure	0	0
<b>Total</b>	<b>100</b>	<b>123.7</b>

Note: Includes 2.958 million € from Recovery Package (RP)

## 7. Indicative breakdown of payments for individual measures for the entire programme period

Indicative breakdown by Rural Development Measure - €, total period

Measure /Axis	Public expenditure	EU	Private expenditure	Total cost
<b>Axis 1</b>				
<b>111</b>	92.861.688	46.430.844	10.317.965	103.179.653
<b>112</b>	7.621.721	3.810.860	-	7.621.721
<b>113</b>	312.099	156.050	-	312.099
<b>114</b>	-	-	-	-
<b>115</b>	-	-	-	-
<b>121</b>	119.074.972	80.360.845	180.403.244	299.478.216
<b>122</b>	-	-	-	-
<b>123</b>	38.127.563	19.063.782	88.964.314	127.091.877
<b>124</b>	34.601.597	17.300.798	14.815.137	49.416.734
<b>125</b>	2.662.714	1.331.357	-	2.662.714
<b>126</b>	-	-	-	-
<b>131</b>	-	-	-	-
<b>132</b>	872.484	436.242	-	872.484
<b>133</b>	13.375.439	6.687.719	5.637.267	19.012.706
<b>141</b>	-	-	-	-
<b>142</b>	-	-	-	-
<b>Total axis 1</b>	<b>309.510.277</b>	<b>175.578.497</b>	<b>300.137.927</b>	<b>609.648.204</b>
<b>Axis 2</b>		-		
<b>212</b>	11.404.994	6.272.747	-	11.404.994
<b>213</b>	26.107.383	19.312.081		26.107.383
<b>214</b>	295.138.623	164.085.791	-	295.138.623

<b>215</b>	-	-	-	-
<b>216</b>	83.774.943	55.463.982	12.518.095	96.293.038
<b>221</b>	57.067.611	31.387.186	22.192.960	79.260.571
<b>222</b>	-	-	-	-
<b>223</b>	-	-	-	-
<b>224</b>	-	-	-	-
<b>225</b>	1.257.278	691.503	-	1.257.278
<b>226</b>	7.184.536	3.951.495	-	7.184.536
<b>227</b>	12.165.766	6.691.171	-	12.165.766
<b>Total axis 2</b>	<b>494.101.134</b>	<b>287.855.956</b>	<b>34.711.055</b>	<b>528.812.189</b>
<b>Axis 3</b>				
<b>311</b>	5.474.826	2.737.413	9.770.128	15.244.954
<b>312</b>	-	-	-	-
<b>313</b>	4.345.050	2.172.525	4.345.050	8.690.100
<b>321</b>	25.958.844	12.979.422	35.746.155	61.704.999
<b>322</b>	7.539.172	3.769.586	13.623.705	21.162.877
<b>323</b>	5.731.289	3.169.537	1.003.426	6.734.715
<b>331</b>	2.433.466	1.216.733	726.879	3.160.345
<b>341</b>	-	-	-	-
<b>Total axis 3</b>	<b>51.482.647</b>	<b>26.045.216</b>	<b>65.215.343</b>	<b>116.697.990</b>
<b>Axis 4</b>		-		
<b>411</b>	2.234.783	1.229.130	5.214.493	7.449.276
<b>412</b>	-	-	-	-
<b>413</b>	95.721.227	52.646.675	95.721.227	191.442.454
<b>421</b>	109.824	60.403	-	109.824
<b>431</b>	20.732.536	11.402.895	-	20.732.536
<b>Total axis</b>				

<b>4</b>	<b>118.798.370</b>	<b>65.339.103</b>	<b>100.935.720</b>	<b>219.734.090</b>
<b>511</b>	46.200.048	23.100.024	-	46.200.048
<b>Grand total</b>	<b>1.020.092.476</b>	<b>577.918.796</b>	<b>501.000.045</b>	<b>1.521.092.521</b>

The table shows an indicative estimate of the total payments – including Health Check activities - broken down into the individual measures in the programme period. It includes both payments arising from old commitments agreed during the period 2000-2006 and payments arising from new commitments made from 2007 onwards. In the case of the new commitments, the individual measure's share of the expenses for each axis has been estimated with a certain degree of uncertainty. The measures are not identical to the support schemes being proposed in Chapter 5 because these are 'integrated support schemes' designed according to a number of the Rural Development Regulation's underlying legal provisions and measures.

## 8. Financing table for any additional State aid

The EAFRD co-financed programme support may be combined with nationally funded additional support in the form of “Vækstkaution”. Vækstkaution is the name of a national guarantee scheme for SMEs (small and medium-size enterprises). The guarantee cannot exceed 75 % of the loan. The calculated average support element in the guarantee from “Vækstkaution” is calculated according to the method approved by the Commission by State aid clearance N 682/2009.

Under these assumptions the maximum allowed additional national financing from the guarantee has been calculated to be the following according to measure in the rural development programme (in euro):

Measure/Axis	Additional national financing (euro), 2010 - 2013
Measure 121	7,740,000
Measure 123	5,270,000
<b>Axis 1 in total</b>	<b>13,010,000</b>
<b>Grand total</b>	<b>13,010,000</b>

## 9. Information required to assess support measures under the competition rules

In accordance with Article 16(g) of Council Regulation (EC) No 1698/2005, the programme must contain information which is required to assess it under the competition rules. The two tables below indicate the State aid

Table 9A. Measures and operations covering Annex I products and article 36 of the Treaty

Measure code	Support scheme	Indication of underlying legal provision for state aid	Duration of scheme
121	Loan guarantee as additional national funding under "Vækstkaution"	<p>Compliance with State Aid/ Denmark reference number XA 181/2010</p> <p>Compliance with State Aid/ Denmark reference number SA.32101</p> <p>Compliance with State Aid/ Denmark reference number SA.34591 and SA.34587</p> <p>Compliance with State Aid/ Denmark reference number SA.35809</p>	<p>Programme period 2010</p> <p>Programme periode 2011</p> <p>Programme periode 2012</p> <p>Programme period 2013</p>
123	Loan guarantee as additional national funding under "Vækstkaution"	<p>Compliance with State Aid/ Denmark reference number XA 181/2010</p> <p>Compliance with State Aid/ Denmark reference number SA.32101</p> <p>Compliance with State Aid/ Denmark reference number SA.34591 and SA.34587</p> <p>Compliance with State Aid/ Denmark reference number SA.35809</p>	<p>Programme period 2010</p> <p>Programme periode 2011</p> <p>Programme periode 2012</p> <p>Programme period 2013</p>
124	Corporation for development of new products, processes and technologies in the agriculture and food sector and the forestry sector	Compliance with State Aid/ Denmark reference number SG 82001) D/ 287440, case number N 459/00	Programme period 2007-2013



Table 9B. Measures and operations not covering Annex I products and article 36 of the Treaty

Measure code	Support scheme	Indication of underlying legal provision for state aid	Duration of scheme
123	Adding value to agricultural and forestry products	Compliance with De Minimis Regulation No 1998/2006	Programme period 2010-13
124	Corporation for development of new products, processes and technologies in the agriculture and food sector and the forestry sector	Compliance with State Aid/ Denmark reference number SG 82001) D/ 287440, case number N 459/00	Programme period 2007-2013
221	First afforestation of agricultural land in designated neutral areas	Compliance with State Aid/ Denmark reference number SG-Greffe (2009) D/ 6315 of 08.10.2009, case number N 295/09  Compliance with State Aid/Denmark reference number SA 33976/2011/N of 19 <sup>th</sup> of March 2012. Compliance with State Aid/Denmark reference number SA 35189 (2012/N)	Programme period 2007-2013
225	Forest-environment payments (sustainable forestry payments)	Compliance with State aid/Denmark notification SA.33320 (2011/N), adopted by Commission Decision C(2012) 6504 of 17/09/2012.	Programme period 2007-2013
227	Non-productive investments, forestry	Compliance with State aid/Denmark notification SA.33320 (2011/N), adopted by Commission Decision C(2012) 6504 of 17/09/2012.	Programme period 2007-2013
311	Diversification into non-agricultural activities	Compliance with De Minimis Regulation No 1998/2006	Programme period 2007-2013
311	Submeasure 2, Investment in biogas production	Compliance with State Aid/ Denmark general group exemption notification number SA 33357 (11)/X notified under Regulation (EC) no. 800/2008 of 6 August 2008	Programme period 2010-2013
312	Business creation and development	Compliance with De Minimis Regulation No 1998/2006	Programme period 2007-2013
313	Encouragement of tourism activities	Compliance with De Minimis Regulation No 1998/2006	Programme period 2007-2013
321	Basic services for the economy and rural population	Compliance with De Minimis Regulation No 1998/2006	Programme period 2007-2013
321b	Support for establishing common facilities for biogas production	Compliance with State Aid/ Denmark general group exemption notification number SA 33357 (11)/X <u>as notified</u> under Regulation (EC) no. 800/2008 of 6 August 2008	Programme period 2010-2013
322	Village renewal and development	Compliance with De Minimis Regulation No 1998/2006	Programme period 2007-2013
323	Conservation and upgrading of the rural heritage	Compliance with De Minimis Regulation No 1998/2006	Programme period 2007-2013
331	Training and information	Compliance with De Minimis Regulation No 1998/2006	Programme period 2007-2013

## **10. Complementarities and demarcation with other EU support programmes**

### **10.1 Complementarities in the Common Agricultural Policy**

Rural development policy forms an integral part of the Common Agricultural Policy (CAP). The rural development programme is an important political instrument to attain the goals of the EU Lisbon Agreement on growth and employment and that promotion of employment and strong economic results must be accompanied by the sustainable use of natural resources.

The rural development programme supplements the other measures in the CAP in several ways. Rural development support complements the direct support under the CAP, partly by promoting sustainable and competitive agricultural and forestry production, promoting positive externalities from agriculture, including on the environment and nature, and diversification of the economy.

Efforts to improve the competitiveness of the agricultural sector and the environmental sustainability of the sector are integrated with the rural development programme under all four axes. The two objectives are mutually dependent. An effort to promote new environmental technology methods in agriculture under Axis 1 of the programme will thus promote competitiveness, the environment and nature, while an effort to promote the environmental sustainability of agriculture under Axis 2 will also have a positive effect on the sector's future development opportunities. An example is the effort to promote organic agricultural production under Axes 1 and 2, which improves both the economic and environmental development opportunities of the sector.

The EU's rural development policy has been introduced in recognition of the fact that development in rural areas is generally slower than in the rest of the country. At the same time there is a trend towards agriculture being of declining significance for employment in rural areas. The rural development programme aims to contribute to improving living and working conditions in rural areas to ensure that the land and nature are managed on the basis of the principle of sustainability to the benefit of future generations.

The geographical locations of marginal municipalities and municipalities with a large proportion of protected and designated nature sites in Denmark coincide to some extent. This suggests the need for coherent thinking concerning measures for the protection of the environment and nature and economic development. Analyses of the distribution of rural development support funds also indicate that the funds to some extent support differentiation between agricultural holdings, as large production-oriented farms receive grants for production, while the smaller farms receives grants for the extensification of farming and therefore the production of environmental and natural assets.

A decision was taken with the reform of the CAP in 2003 (and with the health check in 2008) to put greater emphasis on the rural development programme, for instance to strengthen the role of the farmer in rural areas, with regard to both development and nature and the environment. In this way, the CAP and the rural development programme in particular must

make a greater contribution to meeting the increasing demands of the public for food safety, food quality, a varied supply, animal welfare, environmental quality and the conservation of nature and landscapes.

The reform in 2003 also transferred most of the EU's direct agricultural support to decoupled support in the form of the single farm payment scheme, and there are only limited opportunities to continue to pay coupled support. The aim is for farmers to manage their production to a greater extent in accordance with signals from the market instead of managing production according to what offers the highest support. In addition, to receive support under the single farm payments scheme the farmer has to meet a number of conditions relating to the use of fertilizers and plant protection products, consideration of the environment, animal welfare and maintaining acreages in good agricultural and environmental condition (cross-compliance). The rural development programme must interact with the single farm payments scheme and the requirement of cross-compliance in this respect.

The single farm payments scheme has been implemented in Denmark with effect from 2005. The support is paid as a fixed area payment and with a supplement for farmers who have been producing beef or milk during a reference period. Area support is also being introduced for permanent pasture areas. A very limited proportion of the total support continues to be paid as production premiums, while support is otherwise decoupled, i.e. it is not covered by a production requirement. Farmers who do not comply with a number of environmental and similar rules may have their support reduced under the rules on cross-compliance. All rates of aid are reduced over a number of years as a result of mandatory modulation, where funds are transferred from the single farm payments scheme to rural development policy.

Decoupling of support means that agricultural production takes place entirely on market terms, which could for instance be expected to result in production on poorer soils becoming more extensive, with reduced fertilizer and pesticide use. The decoupling of support causes deterioration in the production economics of milk and beef production, while the production of pigs, poultry and animals for fur is not directly affected. The decoupling of support is expected to pull in the direction of more extensive grass production in agriculture. The introduction of support for permanent pasture and the provisions on cross-compliance may also be expected to lead to more environmentally friendly organisation of agricultural production. Decoupling also helps to reduce alternative expenses in connection with the alternative use of agricultural land, e.g. for leisure and hobby activities, provided the areas concerned can continue to serve as a basis for the payment of decoupled support.

## **10.2 Demarcations in the Common Agricultural Policy**

According to article 5(6) of Council Regulation (EC) No 1698/2005 no support under Regulation (EC) No 1698/2005 shall be granted to schemes already eligible for support under common market organisations (CMOs) cf. Annex I of Regulation (EC) 1974/2006, subject to exceptions yet to be defined. To some extent Denmark intends to make use of this exception cf. article 2(2) of Regulation (EC) 1974/2006.

Support under certain measures under the rural development programme shall fall within the scope of the support schemes listed in Annex I of regulation of Regulation (EC) 1974/2006, and some of these Annex I schemes are activated through national measures in Denmark.

In Denmark's case risks of double financing shall be avoided through careful planning and monitoring by the Danish Food Industry Agency (FIA). Below, demarcations with the CMOs are discussed.

### *Fruit and vegetables*

The Common Market Organisation (CMO) for fruit and vegetables offers a variety of actions. Generally these actions are different from the actions in the Rural Development Programme (RDP). However there are exceptions. The producer organisations (POs) in the Danish fruit and vegetable sector may receive community support for some actions similar to the actions in the RDP.

A PO is a private organisation established at the initiative of farmers, who are also members of the PO. All investments made by the PO are owned by the PO. The investments can, however be placed physically at the holdings of the PO members. Support under the operational programme of the PO (OP) should come to benefit all members in the PO.

The POs established pursuant to Council regulation (EC) 1234/2007 receive Community funding for their OPs. The OPs are financed jointly by the Community and the POs on a 50/50 basis. The financing is done via the operational funds in the POs. The POs may use a variety of actions of their own choice for their OPs. These PO actions may fall within one of the following eight areas:

1. Measures that will optimise the production planning (for instance investments in new equipment)
2. Measures that improve or maintain the quality of the products
3. Measures that will improve marketing and communication
4. Research and experimental production
5. Education and advisory services
6. Crisis management tools
7. Environmental measures
8. Other actions concerning general management

These PO actions may overlap with the national measures performed under the RDP. The primary rule as provided by article 5(6) of regulation (EC) 1698/2005 is that no support under the RDP is payable for measures eligible for support under the CMOs.

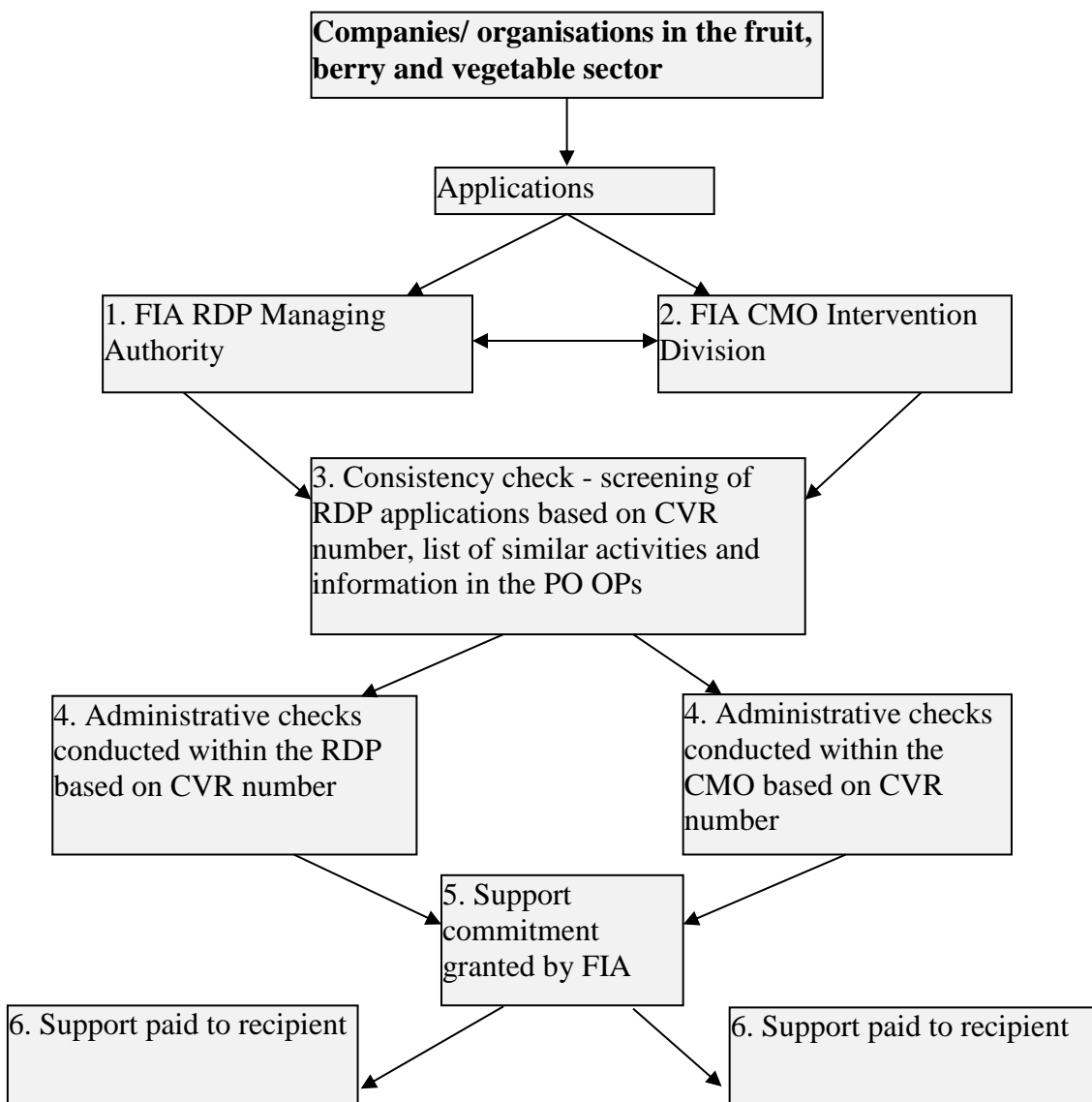
Support under the RDP should however be extended to recognise applications from members of POs in the CMO as long as demarcation can be ensured.

The following demarcation principle is applied to ensure that no support under the RDP shall be granted to activities eligible for support under the CMO: Each PO and its members are excluded from applying for support under RDP activities similar or identical to those contained in the OP.

FIA identifies similar activities under the RDP and the OPs, disseminates information about demarcation and similar activities to all potential applicants and rejects applications from POs and their members that contain activities similar or identical to those contained in the relevant OP. FIA performs screening of applications from POs and their members based on Central company registration number (all applicants must have such a number), the list of similar activities and the information in the OPs.

In addition FIA performs administrative checks of all applications against the database for existing commitments under the RDP and OPs. The units in FIA managing support under the CMO and the RDP compare lists of projects in order to prevent double financing supported by mutual briefings. Every time a new activity is made eligible, relevant units will be notified and decision will be made how to ensure the demarcation to these activities.

**Chain of verification procedures in FIA to eliminate risks of double financing**



These criteria will ensure that a beneficiary may receive support for a given operation only under one scheme cf. article 5(6) of Regulation (EC) 1698/2005.

#### *Wine*

Council Regulation (EC) 1493/1999 title II chapter III lays down a system for restructuring and conversion of vineyards with the objective of adapting wine production to demand. The system covers the normal varietal conversion, including by means of grafting-on; relocation of vineyards and improvements to vineyard management techniques. The Community contribution can include compensation of producers for the loss of revenue due to implementation of the plan and contribution to the costs of restructuring and conversion. The Community contribution shall not exceed 50% of those costs. Member States may not contribute to the cost.

Denmark does not receive any Community contribution to restructuring and conversion of vineyards; hence there is no risk of overlap in Denmark between the wine CMO title II chapter III and the RDP.

#### *Promotion*

On the basis of Council Regulation (EC) 3/2008 the EU can fund, in whole or in part, measures on the internal market or in third countries to provide information on or promote agricultural and food products. These measures can be public relations, promotional or publicity measures, in particular highlighting the advantages of Community products, especially in terms of food quality, hygiene, food safety, nutrition, labelling, animal welfare or environment-friendliness. These measures can amongst others also cover participation at trade exhibitions, events and fairs, information campaigns on the Community system of protected designations of origin (PDO), protected geographical indications (PGI) and traditional speciality guaranteed (TSG) and of organic farming cf. Council Regulation (EC) 834/2007 on organic production and labelling of organic products.

The products targeted, which varies between internal market and third countries, are amongst others: Fresh or processed fruit and vegetables; fibre flax; live plants and products of ornamental horticulture; olive oil and table olives; seed oils; milk and milk products; meat; labelling of eggs; honey; quality wines psr and table wines with a geographical indication; protected designation of origin (PDO), protected geographical indication (PGI) or traditional speciality guaranteed (TSG) and organic farming.

Measures are part-financed, typically up to 50 % by the EU, the remainder being covered by the professional/interbranch organisations proposing the measures and by the Member States concerned. The EU can finance certain specific measures 100 % (i.e. information on EU quality and labelling systems).

In Denmark a number of promotion programmes have been carried out during the last number of years. On the internal market there has been focus on the marketing of milk and dairy products, fresh fruit and vegetables and organic products.

Usually the programmes are funded 50 % by Community contribution and 50 % by the organisation/company applying for the programme and/or by production-leivies (national contribution).

At present, Denmark has two active programmes: One concerning fruit and vegetables on the internal market which is funded 50 % by the Community and 50 % by the proposing organisation through production-levies. Overlap shall be avoided through monitoring and coordination by the offices in charge in FIA.

The other programme concerns morning milk. There is no overlap to the RDP.

*Temporary restructuring scheme for the sugar industry*

Council Regulation (EC) 320/2006 establishes a temporary scheme for the restructuring of the sugar industry in the Community. The regulation provides for aid for restructuring measures in the event a sugar company wishes to cease or reduce its quota production in order to bring the Community system of sugar production in line with international requirements and ensure its competitiveness after February 2010. Commission Regulation (EC) 968/2006 establishes detailed rules for the implementation of the temporary restructuring scheme including measures for control.

The restructuring scheme were implemented in Denmark after the Council and the Commission Regulations were changed in autumn 2007 with the purpose to speed up the use of the scheme in the Member States. The main change was the introduction of an additional payment of EUR 237,5 per tonne sugar quota renounced to the growers of sugar beet for the marketing year 2008/2009 giving in Denmark a total payment of EUR 456,25 per tonne sugar to the undertaking producing sugar in Denmark, the growers and to machinery contractors due to that no full or partial dismantling of production facilities was done in Denmark according to the restructuring scheme.

Another change was a reduction on 13,5 % in the the payment made by the undertaking to which a sugar quota has been allocated for the marketing year 2007/08 if the undertaking renounced at least 13,5 % of their quota. The Danish sugar quota was as result of this reduced with 80.083 tonnes white sugar (approximately 18 % of the Danish sugar quota) for the marketing year 2008/2009 (from 1. October 2008 to 30. September 2009) and onwards.

Furthermore, Council Regulation (EC) 320/2006 provides for aid for diversification measures to encourage the development of alternatives to sugar beet and sugar production. The amount for aid for diversification is established on the basis of the quota reduction in Denmark. These measures, to be established in the context of a national restructuring programme, may take the form of measures identical to certain measures supported under Council Regulation (EC) No 1698/2005 on support for rural development.

The overall aim of the Diversification Programme for the restructuring of the danish sugar industry is to promote a long term and sustainable development in the regions, which are most severely affected by the restructuring of the Danish sugar industry. The programme is focusing on agricultural enterprises through the application of new technologies, while also reducing undesirable effects on the surrounding society. The Diversification Programme is being applied in two designated regions - Sjælland and Syddanmark, which are the regions affected by the restructuring of the Danish sugar industry. Aid for diversification measures was offered in Denmark in the two regions Syddanmark and Sjælland in 2009.

In the Diversification Programme aid is directed to modernisation of agricultural holdings underlying legal provisions in Council Regulation (EC) No 1698/2005, Axis 1 (art. 20(b)(i)/code 121). Aid has been allocated to projects, i.e. where new technologies are being implemented while aiming at reducing ammonia and odours, saving energy, and improving the working environment.

In the Rural Development Programme 2007-2009 it was a condition that the investment aid (measure 121) was combined with training or information activities (measure 111), this was not the case within the Diversification Programme, where the scheme was focusing on investments on the agricultural holdings. Furthermore overlap was avoided through coordination between the offices in the agency in charge of the scheme for the sugar industry and the measures of the RDP.

#### *Other CMOs*

The support schemes referred to in the annex I of Regulation (EC) 1974/2006 for tobacco, olive oil, hops, beef and veal, sheep and goats, specific measures for agriculture in the outermost regions and direct payments Article 69 are not relevant or applied in Denmark.

The only restructuring program established in accordance with Art. 42(5) of Regulation (EC) No 73/2009 cover allocation of payment entitlements to areas with permanent crops or used for recovery of raw material. The operations of this programme lies outside what is covered by the RD measures but coordination with provisions for the area based payments under the RDP shall be ensured.

#### *Procedure to avoid overlap*

The existing CMO support schemes that must be monitored to ensure demarcation with the RDP are those for Fruit and Vegetables, Sugar and Promotion.

Avoidance of overlap or double financing shall be supervised by FIA as a joint task between the offices in charge of the Rural Development Programme and the relevant CMO schemes. This shall be ensured through running coordination meetings and networks between the relevant offices in order to compare the activities and commitments made under the different schemes.

Every time a new programme or scheme is introduced within the scope of Annex 1 of Regulation 1974/2006 or of the Rural Development Programme, the offices in charge in FIA shall introduce administrative procedures to avoid overlap and the risk of double financing or alter support criteria for the relevant measures under the RDP.

### **10. 3 Demarcation to the Article 68 programme**

The following demarcation between the Article 68 measures under Pillar I and the RDP measures is established:

Support under Article 68 is only offered for areas that are also eligible for single payment pursuant to Regulation (EC) 73/2009.



The Article 68 measure “Support for extensive maintenance of pasture areas” contains similar support requirements as measure 214a. The payment under 214a may not be combined with the single payment aid granted under Regulation (EC) No 73/2009 - with the exception of areas that can achieve the single payment as a result of the implementation of the nature and water directives pursuant to article 34 (2)(b)(i) of Regulation (EC) No 73/2009. These areas are excluded from payment under the article 68 pillar I-programme

The Article 68 measure “Support for extensive farming” contains similar support requirements as measure 214c. The demarcation is maintained by the fact that support under Article 68 is only offered for areas eligible for single payment aid, while only areas not eligible for single payment may receive support under measure 214c.

Support under the two above measures pursuant to Article 68 cannot be combined with support under the following RDP measures:

- Maintenance of pasture and nature areas by grazing or cutting with removal (214a)
- Extensive production on agricultural land (214c)
- Establishment of buffer zones (214d)
- Management of wetlands (214e - management)
- Support for afforestation of agricultural land (221)

The Article 68 measure “Support for extensive maintenance of pasture areas” may be combined with the compensation provided under under 213b regarding mandatory buffer zones, which allows for the areas to be farmed as permanent pasture.

The Article 68 programme also includes a measure for establishment as well as production of perennial energy crops. No similar measures are included in the RDP.

The Article 68 programme also includes a measure for the establishment of organic fruit plantations. Establishments costs eligible for support under the article 68-measure include: costs of purchasing plants and costs of binding. None of these costs are eligible for support under RDP operations regarding investments in new production in the field of quality food, including organic food (measure code 121).

The Article 68 measure “Support for crop rotation” may not be combined with support for conversion to organic farming (214b) nor may it be combined with support for extensive farming (214c).

Administrative control against double support is performed on basis of a common electronic application form for area support under Pillar 1 and Pillar 2.

#### **10.4 Complementarity with other EU policies**

Denmark’s rural development programme contributes along with the other common fund instruments to achieve the EU’s Gothenburg objective on sustainability and the re-launched

Lisbon strategy for growth and employment. From a national perspective, the fund programmes need to contribute jointly to implementing the government's globalisation strategy.

The rural development programme plays several roles in this context. In terms of growth and employment on a sustainable basis, the programme specifically contributes to the food and forestry sectors. Opportunities are introduced here for innovation, product development and a change-over to more knowledge-intensive production, which makes it possible to compete in terms of the competitive parameters of the future: quality and sustainability of production. Given that specifically the food and forestry sectors exert a significant influence on nature and the environment, there is therefore a particular incentive to give support to this kind of change-over and development here. The same applies to the fisheries sector, where the European Fisheries Fund is carrying out the same task. The broader effort to create good framework conditions which foster innovation, acquisition and sharing of knowledge, new technology and entrepreneurship is supported by the European Regional Development Fund and European Social Fund.

The rural development programme additionally has a special local aim where, in contrast to the general framework-creating initiatives under the Social Fund and the Regional Development Fund, there is a deliberate and practical focus on selected geographical areas, with a need to support local development potential. A practical and focused effort is implemented via local action groups, which supplements the general instruments and helps to strengthen local democracy and even out the differences in living conditions between urban and rural municipalities and peripheral municipalities.

The obligations of the Natura 2000 directives and the Water Framework Directive will play an important role in future nature and environmental conservation efforts in Denmark.

#### *Natura 2000.*

Under the Natura 2000 directives a number of natural habitats and species and a total of 359,100 ha have been designated (around 8.3% of the land area). The designated areas include agricultural land, forest, common land, salt marshes, fresh meadows, bogs, dunes, moors etc.

Not later than 6 years after the approval of the national designation of Natura 2000 areas the national authorities shall have a proactive administration in order to secure or re-establish a favourable conservation status. In Denmark this will happen in 2010. By the end of 2009 national Natura 2000 Plans will be proposed and afterwards local action plans will be drafted.

The plans will show objectives for the long term development and for the administration to be followed in the first plan period. The action plans will give the guidelines for the proactive administration. For the forests it is foreseen that the proactive administration in most cases will be made by voluntary agreements with the forest owner, and only use imposed restrictions when it is impossible to obtain a voluntary agreement.

#### *Water Framework Directive.*

In order to implement the Water Framework directive successfully there will be a need to apply more effective means of support than the existing measures in the RD programme. The

need may arise to compensate for costs incurred for farmers resulting pursuant to art 38 in REG 1698/2005.

By the end of 2009 river basin management plans for appointed river valley areas in Denmark will have been proposed and in public hearing. The water plans will be formally by end 2010. By that time further specification of the concrete actions in the Rural Development Programme and specific measures pursuant to Article 38 will be proposed.

Especially, the need is expected to arise to offer compensation for mandatory cultivation-free border strips along all streams and lakes pursuant to Article 38 already by 2011. The specific conditions for this support will be proposed to the Commission by late 2010 through notification.

*The implementation of the directives and the Rural Development Program.*

The means to implement the obligations in a specific area will follow from the planning to be made. This will include measures in the rural development programme.

Until the planning have been set-up and adopted and the specific provision for support for the implementation of the directives have been formally included in the Rural Development Program other measures in the program will contribute to the achievement of the same objectives and farmers and forest holders will be able to apply for support on a voluntary basis.

Already implemented national environmental action plans contributes to the achievement of the aims of the national Water Framework Directive and Natura 2000 directives. Implementation of the national Aquatic Environment Plan III (2005-2015) is envisioned to contribute in a number of ways (see chapter 3.1.3). This is also the case for the national multi-annual plan for sustainable and environmentally sound livestock production, by which the Danish Government has put forward a number of recommendations in 2006 for a further commitment to innovation, demonstration, documentation and introduction of environmentally friendly technologies in agriculture, which are capable of ensuring the continued sustainable development of livestock production (see chapter 3.1.3).

The majority of the measures under Axis 2 of the Rural Development Program shall contribute to meet the objectives of the Natura 2000 and the Water Framework directives.

Also measures under Axis 1 of the Rural Development Program contribute to meet these objectives combining both the aim of ensuring a competitive sector and the protection/an improvement of the environment. The measures under Axis 3 and 4 shall also contribute, however on a more limited scope.

The scope of the additional financing and regulation needed to achieve the aims of the directives is in the process of being decided nationally. Denmark intends to modify the Rural Development Program in order to include the specific measures for Natura 2000 in both the agricultural and forestry sector. This is expected to be established in the second half of 2008. The special provisions for support for the implementation of the Water Framework Directive will also be included when the necessary basis is available. Establishment of such provisions

is not anticipated until after 2010 and after establishment of the Natura 2000-management plans and -action plans.

### **10.5 Demarcation with regard to other Community support instruments**

The rural development programme must be viewed in the context of the programmes supported by EU Structural Funds (Regional Development Fund and Social Fund) and the Fisheries Fund.

As a general rule, any action under this programme is not restricted by the opportunities offered under the programmes for the European Regional Development Fund, European Social Fund and European Fisheries Fund. Any actions taken under the various funds must complement each other in order to achieve maximum interaction between the funds. Projects involving activities which are eligible for support under several regulations will then, in some cases, be able to receive support from several funds. With regard to support for sustainable development of fishing areas, the fishing regulation stipulates however that only one fund may provide support.

Support cannot be received from more than one fund for the same *expenditure* under a project<sup>21</sup>.

Administrative procedures to safeguard against double financing in cases where a project or parts of it are eligible for support from more than one fund will be established.

Programmes generally vary in terms of how broad the sector is and what the projects focus on. The rural development programme focuses on three areas: 1) competitiveness in the food and forestry sectors, 2) improving the environment and countryside, and 3) quality of life and economic activity in rural areas through local initiatives. The fisheries fund programme focuses on the fisheries sector and areas dependent on fishing. The regional development fund programme does not have any sector-based restrictions, as it supports improved framework conditions for the economy as a whole. Similarly, the social fund programme is not targeted at particular sectors, but can provide broad support for training activities.

The following sections provide a description of how actions taken under the various funds will be defined in relation to each other and how double financing is avoided in the areas where the funds operate in adjacent spheres.

#### ***Regional development fund programme***

The regional development fund programme operates in the three fields, which come under the heading of *Innovation and knowledge*:

1. Innovation, sharing and acquiring knowledge
2. Creating and expanding new enterprises
3. Using new technology

Support is provided for:

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<sup>21</sup> Refer to Article 70(7) in Council Regulation (EC) No 1698/2005 on support for rural development.

- Consultancy, analyses and development activities
- Infrastructure, including equipment and materials

*Innovation, sharing and acquiring knowledge (Regional development fund – priority 1).*

There may be some overlap in support opportunities in the action area of Innovation, sharing and acquiring knowledge.

The general defining principle is that projects involving innovation in the food and forestry sectors are financed under the rural development programme and not in the European regional development fund or social fund programmes, whereas projects to promote framework conditions for innovation and skills acquisition in general, are only financed under the regional development fund and social fund programmes. Enterprises involved in the food and forestry sectors can take part in this broader action.

The same applies for sharing and acquiring knowledge. Projects targeted at the food and forestry sectors are financed under the rural development programme. Skills acquisition outside the sector may also be financed under the rural development programme for people involved in creating local jobs or better living conditions. In this case, administrative procedures will be applied to safeguard against double financing. For this reason, it must always be indicated in an application how the financing for the project is composed.

*Creating and expanding new enterprises (Regional development fund – priority 2).*

There may also be some overlap in support opportunities in the action area of Creating and expanding new enterprises. This is particularly true with regard to any action for creating local jobs in rural areas. But there is one defining principle which is that this action in the rural development programme is targeted specifically at designated rural development municipalities where local action groups are established. The regional development fund programme finances the broad development of framework conditions for advising and financing entrepreneurs. Via the local action groups the rural development programme can finance specific new enterprises. Under the rural development programme, support can also be provided, to a lesser extent, for advisory facilities for entrepreneurs. This will be done through the local action groups and will usually be of a more local nature than regional development fund projects.

Administrative procedures to safeguard against double financing in cases where a project or parts of it are eligible for support from more than one fund will be established. These procedures will include consultation procedures at project level for the regional Growth Foras.

This is particularly relevant for support areas expected to be given special grant opportunities by the regional government under the regional development fund programme.

*Using new technology (Regional development fund – priority 3).*

It is also true for the action area of Using new technology that there may be some overlap between the regional development fund programme and the rural development programme. This is particularly valid with regard to the distribution of ICT. In this case, the local action groups have the opportunity under the rural development programme to prioritise the distribution of broadband to their local area, as part of the strategy for creating attractive

living conditions and more jobs. Setting up an ICT infrastructure is also included in the regional development fund programme. The scale of the projects will, to a certain extent, define the funds' scope of action as the action under the rural development programme carried out by the local action groups will often have a more local scope. Administrative procedures to safeguard against double financing in cases where a project or parts of it are eligible for support from more than one fund will be established.

### ***Social fund programme***

The social fund programme focuses on two main priorities with regard to the development of human resources:

1. Training the workforce
2. Expanding the workforce

#### *Training the workforce (Social Fund – priority 1)*

Under this objective, the social fund programme can primarily support the development of regional conditions for growth within the supply in the regions of relevant skills, frameworks for management and organisational development, regional innovation capacity, interaction concerning innovation and the development of sector clusters and the abilities of enterprises to acquire and utilise new knowledge. This includes e-government and knowledge of new technology. The general defining principle with regard to the rural development programme is that skills acquisition and innovation within the food and forestry sectors are financed under the rural development programme, whereas projects involving skills acquisition and innovation across a broader platform in a geographical area are financed under the social fund programme or regional development fund programme. Skills acquisition outside the food and forestry sectors may also be financed under the rural development programme for people involved in creating local jobs or better living conditions. In this case, administrative procedures will be applied to safeguard against double financing. For this reason, it must always be indicated in an application how the financing for the project is composed.

#### *Expanding the workforce (Social Fund – priority 2)*

Under this objective, the social fund programme can primarily support the development of regional growth conditions with a view to creating a broader recruitment base for enterprises, avoiding age-related barriers, creating a broader ethnic recruitment base and avoiding barriers to the disabled. This includes offering public and private consultancy, entrepreneur skills and entrepreneurship, as well as an increased use of new technology. There may also be in this case an overlap with the support opportunities under the rural development programme. The adjoining action in the rural development programme involves creating local jobs. As part of this, support can be provided via local action groups for setting up advisory facilities for entrepreneurs.

Administrative procedures to safeguard against double financing in cases where a project or parts of it are eligible for support from more than one fund will be established.

### ***Fisheries fund programme***

The actions in the fisheries programme come under four main areas:

1. Measures for adapting fishing fleets and fishing effort
2. Aquaculture, processing and marketing
3. Measures of collective interest
4. Sustainable development of fishing areas

The general defining principle between the fisheries programme and rural development programme is that projects involving the fisheries sector are financed by the fisheries programme, whereas projects involving the rest of the food sector are financed by the rural development programme. This demarcation effectively safeguards against double financing with regard to action areas 1-3 above.

With regard to the sustainable development of fisheries areas, in Denmark where an area that is dependent on fisheries coincides with an area that is designated under the rural development programme as a Leader area, it will be possible to establish a single common local action group on the islands or by special request. It is the local action group's responsibility to ensure that projects financed under the fisheries programme and those financed under the rural development programme are kept separate. This means that the local action group, when setting up projects for co-financing from the funds, makes sure that only one fund co-finances or that the project is divided up into clearly separate sub-projects, which are each individually co-financed by just one single fund.

The demarcation is made with the measures supported under the fisheries fund being assumed to start in the fisheries sector or what can be regarded as part of the area's fishing culture. It is also assumed that the fishing element is reflected in the activity as part of the project. As far as activities for improving the natural surroundings and environment in fisheries areas are concerned, they are defined for projects related to coastal areas along the sea or a fjord.

Demarcation between the funds does not exclude, however, projects being implemented which are interdisciplinary in the sense that they include activities aimed at achieving the same overall objectives, but where the individual activities are eligible for support under both funds.

In the case of such interdisciplinary projects, which include activities eligible for support under several funds, the local action group divides them up into sub-projects in order to separate the project activities between the funds. If this is not possible, a specific assessment will need to be carried out administratively as to which fund and programme will be able to best support the project's purpose. The measures under the fisheries fund and the rural development program are administered by the same units in the FIA.

### ***LIFE+***

Projects receiving support from a LIFE+ nature or LIFE+ environment programme will not be able to receive support to the same activities under the rural development programme.

Projects can be financed by the RDP if they supplement LIFE+ projects and if it can be checked that the same investments are not supported under both. This is secured by a formalised cooperation between the Managing Authority (FIA) and the agency responsible

for LIFE+ projects in Denmark, the Danish Nature Agency, consisting of exchange of information on applications and commitments under both programs.

The LIFE+ program may support investments on a specific project area, while area support to compensate a specific farming practice is solely supported by the RDP. LIFE+ nature projects in Denmark are targeted habitats on heath, raised bog, inland dunes and bog with saw grass. Where relevant, for example in the case of some Natura 2000 projects, support is not offered to investments due to overlap with mandatory obligations established by national regulation.

For LIFE+ project areas, RDP area compensation for income foregone - in this context primarily under the RDP scheme Conservation by grazing and cutting on pasture and natural areas - is only granted where there is no chance of supporting the same activities under both programs. Administrative controls are performed to ensure that there is no chance of this. From 2011 the administrative control is strengthened by GIS digitalization of the area identification for all nature conservation projects under the LIFE+ nature and the RDP programme. As a result, the administrative control of applications will include the checking by means of an electronic map all existing project areas under both programmes to make sure that the same investments are not supported twice.

#### ***Avoidance of multiple funding***

To avoid funding of the same eligible projects or expenses by more than one EU fund the following procedure and exchange of information will be included in the management system.

The applicant must at the time of application inform the authority whether he has applied for grant or has received grant to the project from other public funds. Each application must include a specified budget which allows the managing authority to check how any and all EU and national funds will be involved in the financing of the project. Before payment to the beneficiary, accounting documentation and an auditor statement is required. The auditor check will include information on all public funding to the project in general to avoid multiple funding. If public funding from several public funds is recorded, the managing authority shall undertake a cross check to all relevant authorities.

Coordination between the managing authorities of all EU funded programmes will be provided by ensuring representation of the relevant managing authorities in the Monitoring Committee for each EU-program.

FIA will make lists of projects under the RDP available for the administration of the other funds in order to avoid double financing at project level. Such procedures will furthermore facilitate the policy coordination across funds.

Technical coordination meetings or networks shall be provided yearly between managing authorities of relevant EU funds in order to compare activities and the support commitments made under the different funds.



## **10.6 Defining local development strategies in relation to similar instruments under the fisheries fund and structural funds**

As mentioned above, it will be possible for a joint local action group to formulate both a local development strategy under the rural development programme and a local development plan under the fisheries programme. It offers the groups the chance to think about development in their geographical area in its entirety. They will have a wider selection of instruments available under both programmes for implementing local development as part of an overall strategy. As is evident from the previous sections, the groups are obliged, however, to maintain a clear distinction between the use of instruments under the rural development fund and fisheries fund respectively. The measures under the fisheries fund and the rural development program are managed by the same units in FIA.

The aim of territorial cooperation will be achieved in a joint Danish-Norwegian-Swedish programme, which takes in the Øresund region and the Kattegat-Skagerak area. A Southern Baltic programme is also likely to be established, which will include Bornholm, and there will be two Danish-German programmes which will cover the Southern Denmark Region and Zealand Region respectively.

The local action groups established under the rural development programme are not obliged to set up transnational cooperation projects. If they wish to do so, it might be a good idea to implement projects arising as a consequence of inter-regional cooperation under the regional development fund. There will be good synergy. Administrative procedures to safeguard against double financing in cases where a project or parts of it are eligible for support from more than one fund will be established.

## **11. Identifying authorities involved in the programme**

The Ministry of Food, Agriculture and Fisheries has overall responsibility for fulfilling the role of the member state in accordance with Article 74 of Regulation (EC) No. 1698/2005. The Ministry of Food, Agriculture and Fisheries has structures in place to ensure that its administrative and control systems protect the financial interests of the EU. These include appropriate numbers of trained administrative staff in the managing authority and paying authority, a technical directorate which carries out controls on the spot and an appropriately staffed and trained Internal Audit Unit.

The Ministry of Food, Agriculture and Fisheries has accredited the Danish Food industry Agency (FIA) as the sole paying agency for support from the EAFRD pursuant to article 6 of Council Regulation (EC) No 1290/2005 and Annex 1 of Commission Regulation (EC) No 885/2006.

### *New organisational structure*

On October 1, 2011, the Danish Food Industry Agency (AFA) was merged with the former Danish Plant Directorate and the Danish Fishery Agency into a single state agency under the Ministry of Food, Agriculture and Fisheries. The new agency is called the Danish Agrifish Agency (AFA). The three former agencies were all part of the Ministry of Food, Agriculture and Fisheries.

The intention with the new organisation structure is amongst other to establish stronger synergies and administrative cohesion in tasks related to the management of EU Funds (pillar 1/ Single Payment, EAFRD and EFF), which involved all three former agencies. One of the consequences of the reorganisation is that tasks related to the verification of schemes and on-spot controls, which formerly were carried out by either the Danish Plant Directorate or the Danish Fishery Agency, will now take place in the setting of the same agency, which includes the former AFA responsible for operations related to payment and support commitments activities.

### **11.1 Managing Authority and Paying Authority**

The Danish AgriFish Agency (AFA) is the sole managing authority and paying authority for the Rural Development Programme 2007-2013 and shall hold the responsibilities outlined in article 75 of Council regulations 1698/2005. The AFA has the staffing and educational powers to ensure the proper implementation of the RDP programme and to meet the responsibilities pursuant to article 75, 1 (a-h) and 75, 2.

The organisation of the AFA is shown in the diagram below. The focal organisational unit in the divisional structure are the new centres, which include a number of offices that work collaboratively in projects and horizontal work forums on closely related issues.

Chief Executive Officer			
Executive Board			
Secretariat for the Executive Board			
Internal auditing: The Accounting Unit and The Special Services			
Regulatory division – <i>Development and Innovation</i>	Subsidies division – <i>EU paying Agency</i>	Resources division – <i>Finance and Human Resources</i>	Control division – <i>Control and Inspection</i>
<ul style="list-style-type: none"> <li>- Innovation Center</li> <li>- Fisheries Center</li> <li>- Agriculture Center: <ul style="list-style-type: none"> <li>▪ Organic farming</li> <li>▪ Plants</li> <li>▪ Environmental Affairs</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Project Subsidies Center <ul style="list-style-type: none"> <li>▪ Business Projects</li> <li>▪ Wetlands</li> </ul> </li> <li>- Agricultural Subsidies Center <ul style="list-style-type: none"> <li>▪ Agriculture</li> <li>▪ Production</li> <li>▪ Sustainability</li> </ul> </li> <li>- Center for Payments <ul style="list-style-type: none"> <li>▪ Payments</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Resources Center <ul style="list-style-type: none"> <li>▪ Human Resources</li> <li>▪ Finance</li> <li>▪ Legal Affairs</li> </ul> </li> <li>- IT Center <ul style="list-style-type: none"> <li>▪ IT operations</li> <li>▪ IT Architecture</li> <li>▪ IT Development</li> </ul> </li> <li>- Customer Center</li> </ul>	<ul style="list-style-type: none"> <li>- Center for Control <ul style="list-style-type: none"> <li>▪ Mapping</li> <li>▪ Risk Assessment</li> <li>▪ Coordination</li> </ul> </li> <li>- Regional Control: <ul style="list-style-type: none"> <li>▪ Inspectorate West</li> <li>▪ Inspectorate East</li> <li>▪ Control Vessels</li> <li>▪ Inspections, Odense</li> <li>▪ Inspections, Randers</li> <li>▪ Inspections, Herning</li> <li>▪ Inspections, Ringsted</li> <li>▪ Inspections, Vejen</li> </ul> </li> </ul>

*The organisation in brief.*

In the AFA the following units are responsible for the policy-tasks and handling of applications under the Rural Development Program:

The Agricultural Subsidies Center in the AFA is responsible for the overall development-, policy-, legal- and coordination-tasks as well as the coordination of the financial management of the program.

In the AFA, the tasks are carried out in close collaboration with the Project Subsidies Center, and externally with the Ministry for Housing, Urban and Rural Affairs as well as the Danish Nature Agency (under the Ministry of Environment).

The tasks include the secretariat functions for committees under the program. The secretariat function for the Monitoring Committee is carried out by the Agricultural Subsidies Center in collaboration with the Project Subsidies Center.

The handling of applications is divided on the following centres in brief:

- The Project Subsidies Center applications under the axis 1, 3 and 4 measures. The Wetlands unit in the centre handles applications regarding some axis 2- agri-environmental measures (wetlands, state acquisition of land).
- 
- The Agricultural Subsidies Center: applications under the axis 2 measures for agri-environmental farming

The policy-tasks and handling of applications under the Rural Development Program also involves the Forestry- and Nature agency (The Ministry of Environment), which is handling the axis 2 measures for forestry. Policy-tasks related to the LAGs are handled by the Ministry for Housing, Urban and Rural Affairs,

#### *The main tasks*

The AFA has the following main tasks in relation to support schemes which come under the EAFRD

- Organising and responsibility for administration of support schemes under the rural development programme
- Organising and responsibility for the verification of support schemes under the rural development programme
- Calculation and payment of support for the schemes under the EU's rural development programme
- Monitoring the authorising bodies
- Producing user guides and other information
- Producing forms for submitting support applications
- Recording information on support payments and, if appropriate, their verification
- Reporting to the Commission information concerning tasks carried out by the Ministry of Food, Agriculture and Fisheries, including the preparation of budgets and also monthly and annual accounts.

The administration of support commitments and payments of support is based on two different procedures;

- Applications submitted centrally (AFA and the Danish Forest and Nature Agency)
- Applications submitted to local action groups (LAGs) via the Leader approach

LAGs evaluate project applications and make recommendations on selection of projects for funding to the AFA, who makes legality checks and enters into support commitments with beneficiaries.

The AFA has overall responsibility for verification of the schemes that form part of the EU rural development policy. Verification is also carried out by the Ministry of Food, Agriculture and Fisheries, the Danish Forest and Nature Agency.

Land economy consultants, chartered building surveyors and State-authorized or registered auditors shall be given inspection tasks in connection with the support schemes, including the administrative spot checks. Verification will be undertaken in accordance with the Commission regulation (EC) No 1975/2006.

With regard to the scheme for young farmers with continued commitments from previous programmes pursuant to Regulation (EC) 1257/1999, the AFA is responsible for the remaining subsidy payments and reimbursement from the EAFRD under Regulation 1698/2005. New commitments shall not be made in the period 2007 – 2013 but subsidies to payments of instalments and interest on old loans shall be partly refunded by the EAFRD for the rest of the commitment period on the loans. Under previous programming periods the Danish Agency for Governmental Management (Økonomistyrelsen - previously Hypotekbanken) on behalf of the AFA provided 100 pct. state security on loans to young farmers and in addition offered subsidies to payment of interest and instalments on the loans for the first 7 years of the loan period. The loans were thereafter granted by Dansk Landbrugs Realkredit (DLR kredit A/S) or one of the other Danish mortgage banks.

With regard to the Leader initiative the local action groups evaluate projects based on the Leader approach.

With regard to forestry measures financed under the Rural Development Programme the Danish Forest and Nature Agency handles the administration and payment of grants under these measures. The AFA is accountable to the EAFRD for payments made by the Danish Forest and Nature Agency that are subject to co-funding by the EAFRD.

*Ministry for Housing, Urban and Rural Affairs*

With the Royal Resolution of October 3, 2011 following the Danish parliamentary election of September 15, 2011, the Ministry for Housing, Urban and Rural Affairs (MHUR) was founded.

The ministry is responsible for a number of policy areas regarding housing, urban affairs and issues related to the regional and rural districts. With the royal resolution, the responsibility of devising and implementing policies and legislation regarding support to the local action groups (LAGs) established as part of the Leader effort, has been delegated from the Ministry of Food, Agriculture and Fisheries to the MHUR.

The delegation of competencies has resulted in the rural development network secretariat and its staff, which was previously a part of the former FIA, being transferred to the new ministry. A partnership agreement drawing up the division of tasks and competencies between the AFA and MHUR with regard to the local action groups has been approved by central governmental authorities and was put into effect in 2011.

*The main tasks of the MHUR (in relation to the LAGs):*

The MHUR has the following main tasks in relation to LAG-support schemes which comes under the EAFRD:

- Responsible for the national legislative framework and support strategy regarding the LAGs
- Responsible for the framework for establishment of the groups, for the work of the groups, elaboration of the strategies, the tasks of the LAG coordinators.
- Establishing and/or participating in thematic networks including holding of meetings, seminars and conferences in order to facilitate transfer of knowledge.

- Establishing and/or participating in coordination committees ; e.g. regional committee, ad hoc committees, thematic committees for each axis, committee for Local Action Groups and policy advisory committees.
- Secure and coordinate the information flow between the local, national and European level.
- Promote training programmes for key people in local action groups.
- Providing assistance for local action groups, which want to cooperate with other groups nationally and internationally (for example, holding seminars for rural development coordinators).
- Responsible for monitoring the local action groups

The AFA and the MHUR participate jointly in a number of Committees at national and EU level.

In accordance with the cooperation agreement engaged between the AFA and the MHUR, the role of permanent participant in the following committees has been transferred to the MHUR:

- EU Commission LEADER Committee
- ENRD – the European Network for Rural Development.
- FARNET – the European Fisheries Areas Network

*The main tasks performed by the AFA for the MHUR:*

Payment competencies have not been transferred from the AFA to the MHUR. As paying agency the AFA receives the LAG support applications and performs operations related to payment and support commitments by using the existing legal framework under the LAG-schemes.

The AFA assists the MHUR by:

- Performing payment operations to applicants under the LAG measures

In accordance with Annex 1 in Commission Regulation No 885/2006, the AFA as accredited payment agency, shall perform supervision tasks and legality checks with organisations that have been delegated administrative tasks in relation to the EAFRD. This includes the MHUR. Auditing provisions have been included in the cooperation agreement between the MHUR and AFA.

## **11.2 Authorising bodies**

The AFA is the sole accredited paying agency in Denmark responsible for payments that are co-financed by the EAFRD as specified in Article 6 of Council Regulation (EC) No 1290/2005.

According to annex 1 to Commission Regulation (EC) No 885/2006 the paying agency can under certain circumstances delegate wholly or partially the approval function to other bodies (authorising bodies).

The Danish Forest and Nature Agency has been approved by the AFA as an authorising body and takes care of some of the administration of the forestry schemes. The Agency is part of the Ministry of the Environment and is responsible for the administration of commitments and payments of support under the forest schemes. The AFA is ultimately responsible for the payments co-financed by the EAFRD. The details of the arrangements of collaboration made between the AFA and the Danish Forest and Nature Agency shall appear from the letter of accreditation.

The Danish Agency for Governmental Management operates as an authorising body for the financing scheme for young farmers with regard to making payments for commitments entered into during previous programme periods.

The authorising bodies have an obligation to the paying agency through partnership agreements to fulfil the requirements specified in Council Regulation (EC) No 1290/2005 and Commission Regulation (EC) No 585/2006 concerning the approval of applications, settlement of aid payments, presentation of accounts and verification, as well as to be able to continually document compliance with these requirements.

Partnership agreements have been drawn up between the authorising bodies and the AFA. These agreements feature as permanent items at the annual meetings between the AFA and the authorising bodies.

Apart from the partnership agreements, etc., a series of instructions, etc. have been drawn up on monitoring the authorising bodies, including requirements for quarterly reporting, forming coordination groups and physical monitoring.

### **11.3 Certifying body**

The role of Certifying Body as specified in Article 7 of Council Regulation (EC) No 1290/2005 is outsourced to an external, private firm of auditors, on a three-year contract.

The Certifying Body certifies the annual accounts before they are submitted to the Commission and compiles a report on the results of the audit in terms of whether the annual accounts give a true and fair view, and whether the internal audit procedures have worked satisfactorily.

The tasks of the certifying body are stipulated in Article 3 of Commission Regulation (EC) No 585/2006 and the Commission's guidelines. These guidelines also apply to the internal audit service.

### **11.4 Organising administration**

This section gives a general overview of how resources are administered under the rural development programme.

The AFA administers support schemes under the rural development programme using a new support administration system (BTAS), in which the following have been developed to assist administration:

- General, cross-sector instructions for reception of mail and registration
- Accounts instructions for preparing accounts, account coding, certifying expenses, releasing payments, voucher documentation and power of attorney
- Instructions for audits and IT security, etc.
- Instructions for reporting irregularities and the blacklist regulation with regard to what kind of responsibility sharing has been defined.
- Instructions for administrative tasks, including processing applications, making payments and processing audit reports and final reports.
- Checklists and verification of administration
- Guidelines on standard costs
- Job descriptions
- Ceilings with regard to the individual administrator's right of use concerning the authorisation of amounts of support and separating the main administrative functions
- Procedures for implementing support schemes in good time and updating instructions

### *Checking applications*

Administrative and physical checks are carried out at two levels. Area-based and livestock-based support schemes are checked according to the principles set out in IACS, while investment schemes are checked according to the special provisions set out in the implementation provisions for the rural development regulation.

One feature common to both verification systems is that *all* support applications must be checked administratively, and the check must cover *all* (and those relevant to area-based schemes) verifiable elements in the application. Furthermore, a minimum of 5% of all beneficiaries must be selected every year for a physical check on site. The selection of the cases for checking is based on a detailed risk analysis. However, between 20% and 25% of applications selected for area-based support schemes are chosen at random. In the event of errors when stating the number of hectares and number of livestock and failure to comply with the support scheme terms, etc., an assessment must be carried out as to whether a penalty should be imposed on the year's payment, or else the relevant party should be excluded from receiving support for a clearly specified period, and whether there should be any demand for the support to be paid back.

For applications under the area-based support schemes, an additional check must be carried out concerning compliance with the rules on cross-compliance, cf. 5.1.1. The requirements of cross-compliance are checked by the authorities responsible for checking the areas concerned. The control authorities report the results of the check to the AFA. The control authorities include municipal authorities, the Danish Plant Directorate, the Danish Veterinary and Food Administration, the Danish Forest and Nature Agency and the Danish Environmental Protection Agency.

Under the investment schemes a special ex post check must be carried out to ensure that projects continue to operate at least five years after the commitment has been received. The ex post check must include at least 1% of the expenditure eligible for support every year. Projects are selected on a risk analysis basis.



The processing of applications, including checking the application's relevance and detailed information, making approval decisions, checking the existence of the necessary financial resources, drafting grant letters, etc. is done by the relevant offices. All applications are guaranteed to be processed twice (or with sufficient built-in controls in place), no matter what scheme is involved. In certain cases of a considerable discretionary element (project and investment support), or where each individual application is assessed qualitatively and individually, the office manager is informed/involved, often in the form of a recommendation note.

The individual office in the AFA and Danish Forest and Nature Agency registers all the applications and carries out an administrative check on them. Local action groups are involved in applications submitted based on the Leader approach. The physical check for compliance with the support terms is carried out by the Danish Plant Directorate and Danish Agency for Governmental Management, according to the guidelines drawn up by the AFA. The check is carried out according to a verification programme and verification instructions.

A check for any double financing, as far as investment support is concerned, is carried out by sending a consultation e-mail, specifying project details and ID information to administrators for the social fund, regional development fund and the Ministry of the Interior and Health, as well as to the municipality and region where the relevant project is being carried out.

#### *Verifying the LEADER approach*

The Leader approach is a method of ensuring that there is local influence on a project. A number of projects will be administered using this approach. Local action groups can be established when local partnerships are formed. Local action groups are established in peripheral municipalities, rural municipalities and intermediate municipalities, and local development strategies are being drawn up from 2007 onward. Local action groups are designated following demands: the applications must include a proposal for a development strategy for a more closely defined geographical area. The municipalities and regional growth forums confirm that the local development strategies comply with the municipal and regional strategies that have been drawn up. The applications are then sent for the AFA approval.

The AFA is the managing authority for projects recommended for approval according to the LEADER approach. The Ministry for Housing, Urban and Rural Affairs (MHUR) sets out the framework for LEADER projects. The local action group recommends project applications to the AFA after consulting the regional growth forum when major business-oriented projects are concerned. The AFA conducts checks on legality as part of both the administrative and physical checking of applications. The checks follow the general rules for checking investment projects. The AFA makes the legal commitments with the applicants and pays the support.

#### *Procedures for approval and paying expenses*

A transaction trail is guaranteed from the individual payment order in the office to the accounts' grand total and various reports and statements. Payments financed under the rural development programme are made as account-to-account transfers via the SKB government payment system. All payments must be processed by at least two administrators. All public payments, also including the payment of amounts of support, are made via NemKonto (all public payments are made to the same account) as account-to-account transfers. Payments abroad are made as transfers via SKB's foreign department.

The payment unit usually makes withdrawal runs every day to provide payment for approved items. This results in a payment and account proposal being generated in the system. The payment unit can only carry out a payment run when these proposals have been approved by an employee in the accounts department or the payment unit.

#### *Administration of cases involving irregularities and fraud*

The finance office reports irregularities where the irregularities are to do with the EAFRD. The reports are submitted to the European Anti-Fraud Office (OLAF) every quarter.

### **11.5 Outsourcing control tasks**

The Ministry of Food, Agriculture and Fisheries has overall responsibility for the administration of EU support schemes which the Ministry handles. The Ministry of Food, Agriculture and Fisheries outsourced control tasks to the former Danish Plant Directorate (now part of the Danish AgriFish Agency), the Danish Veterinary and Food Administration, the Danish Agency for Governmental Management, chartered building surveyors, agricultural commissioners, agricultural consultants and private auditors.

The procedures for carrying out the control tasks handled by the Danish Plant Directorate, the Danish Veterinary and Food Administration and the Danish Agency for Governmental Management are set out in partnership agreements, work programmes and control instructions. In cases where the scope of the control is not specified in the regulations, the Ministry of Food, Agriculture and Fisheries stipulates the minimum level of control.

#### *Specific to the scheme for establishment of landscape- and biotope-improving vegetation*

During the previous programme period, the National Federation of Danish Plant Associations (DPA) has been responsible for administration and payments under the scheme for the establishment of landscape- and biotope-improving vegetation. This practice ceased in August 2007.

It has been decided that tenders will be invited for the implementation of hedgerow planting projects and that the authority to make commitments and undertake payments has been recalled from the National Association to the AFA.

### **11.6 Financial statements**

The FIA's finance office is responsible for making payments and recording support payments, as well as for producing monthly and annual accounts for the Commission. Payments are made using Navision XAL.

## **11.7 IT systems**

BasisTilskudsAdministrationsSystem (BTAS) is the administration system commissioned for payment schemes under the rural development programme, and is based on a standard TAS system. The Navision Stat application is used to administer its operation, while the application Navision XAL is used for making support payments.

The Datawarehouse management tool has been implemented, ensuring that the AFA can obtain a better overview of payroll and operating expenses, as well as cross-sector information, data and statistical material being available all the time in an up-to-date, easy-to-read format.

The AFA also uses office automation systems, query systems and systems used for communicating and exchanging data. It is noted in connection with this that the AFA is entering into a corporate IT cooperation with other institutions under the Ministry of Food, Agriculture and Fisheries, with administration of the Navision Stat and Mail system outsourced to the Danish Veterinary and Food Administration under the Ministry of Family and Consumer Affairs.

## **11.8 Audits**

Internal Audit is responsible for audit tasks in the AFA which also includes audits on support payments financed by the EAFRD.

Internal Audit is set up as an independent department within the AFA, reporting directly to the managing director. Internal Audit is operationally independent of the AFA<sup>457</sup>

Internal Audit has drawn up its audit strategy, in agreement with the National Audit Office of Denmark, in full compliance with internationally recognised audit standards and good public audit practice. Audit plans are drawn up in cooperation with the National Audit Office of Denmark and the Certifying Body. Internal Audit reports to the managing director about the audit carried out, with a copy being sent to the National Audit Office of Denmark and the Certifying Body.

Cooperation between Internal Audit and the National Audit Office of Denmark is arranged through regular meetings, while cooperation with the Certifying Body is arranged through quarterly meetings. This cooperation includes coordinating audit tasks by exchanging audit plans, audit reports and other essential documents.

With the aim of creating a basis for approving and managing the planned audit activities, Internal Audit is drawing up a rolling five-year audit plan, which ensures that all areas will be audited at least once within the five-year period. Audit plans are updated on an ongoing basis, if this is deemed necessary. Audit plans are adjusted and itemised every year so that there are approved audit plans available for both the current year and the following four years.

Internal Audit must make sure as part of its audit work that internal audits are adequate so that EU provisions are met, that extensive procedural and functional descriptions are available as necessary, and that procedures have been introduced to ensure that the accounts are available in due time. The key part of the audit is carried out on an ongoing basis during the financial year.

## 12. Description of monitoring and evaluation system

### 12.1 Description of the systems

#### *Monitoring Committee*

In accordance with Article 77 of Council Regulation (EC) No 1698/2005, a Monitoring Committee must be formed for every rural development programme. This means that in Denmark a single committee will be formed. The committee must be set up no later than three months after the Commission has given its decision approving the programme.

The Monitoring Committee must draw up some rules of procedure, which set out, for instance, the committee's purpose, tasks, meeting frequency and decision-making power.

The function of chairman and secretariat is performed by the Ministry of Food, Agriculture and Fisheries, which in practice means the FIA. The Commission's representative on the Monitoring Committee may attend the committee's meetings in an advisory capacity, on his or her own initiative.

Along with the Ministry of Food, Agriculture and Fisheries, the committee monitors that the rural development programme is implemented effectively. In accordance with Article 78 of Council Regulation (EC) No 1698/2005, the Monitoring Committee must:

- Be consulted within four months of the programme being approved about the criteria for selecting projects which may receive co-financing
- Give the status on how the programme's overall objectives and those of the individual support schemes are achieved
- Review and approve the annual progress report before sending it to the Commission
- Suggest adjustments to the programme aimed at achieving the objectives and improving the programme's management
- Process and approve proposals for amending the rural development programme.

According to Article 6 of Council Regulation (EC) No 1698/2005 the Danish authorities creates the partnership among:

- competent regional and local authorities and other competent public authorities
- economic and social partners
- any other appropriate body representing civil society, non-governmental organisations, including environmental organisations, and bodies responsible for promoting equality between men and women.

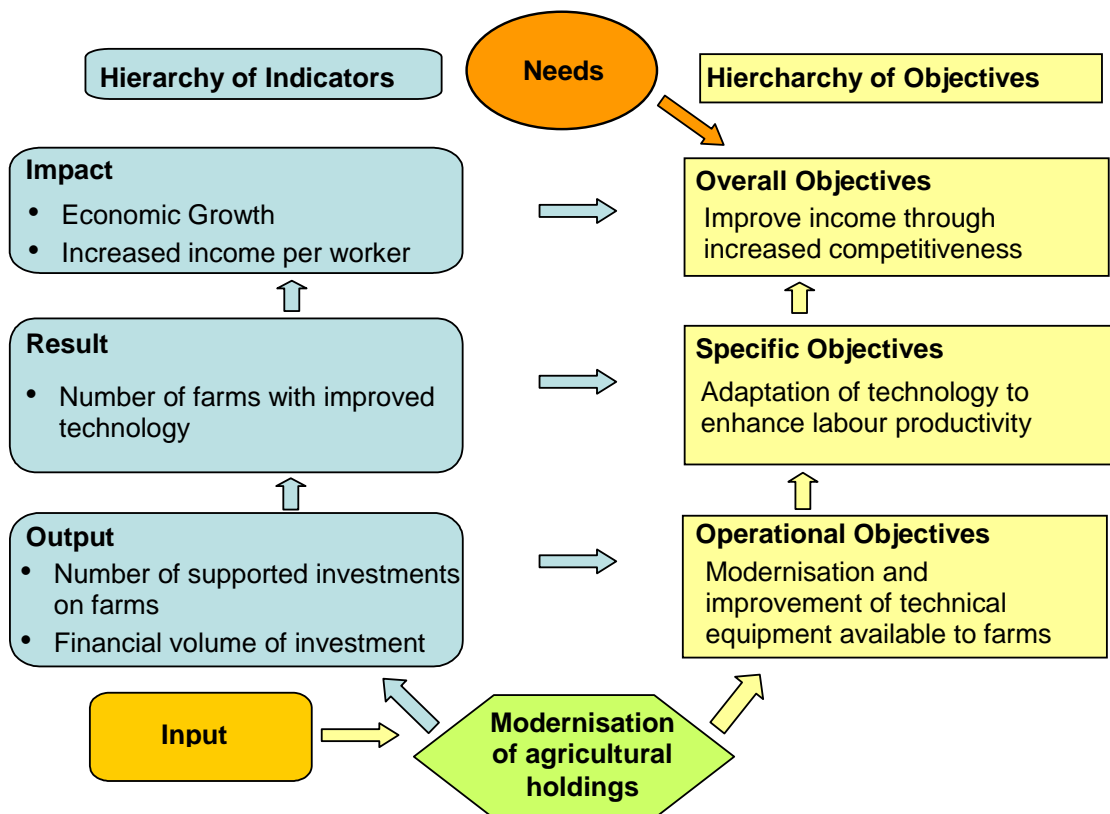
#### *Monitoring and evaluation system*

An analysis of the baseline situation has been carried out for the programme action as part of drawing up the rural development programme. Analysing the baseline situation determines which high-priority programme objectives are selected. The objectives are established at the same time taking account of the EU's strategic guidelines, the government's national priorities and, in particular, the dialogue with the general public and the partnership. The Commission has, in accordance with Article 80 of the rural development regulation, established a Common Monitoring and Evaluation Framework (CMEF). The intention is to measure the rural development programme's progress, its effectiveness and impact in relation

to the programme targets and objectives that have been set for the individual support schemes using a number of national and EU-specified indicators.

To facilitate this process, the EU has established via CMEF five types of indicators, which follow the programming logic as shown in the example below.

A description of the indicators is given below.



Baseline indicators are used to describe the starting situation for the programme, cf. Chapter 3 of the programme. There are two types of baseline indicators. *Objective-related baseline indicators* relate to the programme’s overall objectives. *Context-related baseline indicators* describe other relevant developments which may have an impact on the programme’s operation. The figure above shows the baseline indicators which feature when defining specific needs.

Output indicators measure the direct activities carried out as part of the programme. These indicators are measured in physical or monetary units, as indicated in Chapter 5.

Result indicators measure the direct impact of the programme’s action, as specified in Chapter 5.

Impact indicators relate to the effects the programme has over and above the direct effects from this action. This also includes the effects derived from the programme action, while any development which cannot be linked to the programme action is discounted.

The indicators are used to evaluate the programme. The programme must be assessed in its entirety in relation to these common impact indicators, and in those cases where it is appropriate, they must be supplemented with national indicators for the action carried out under the programme. Impact indicators must usually be expressed in total numerical quantities so that the effects can be measured and the cost efficiency estimated.

The FIA is setting up a system for collecting data from the monitoring indicators. The system is integrated with the administration system, and the principles for collecting the data are outlined below.

All the information for output indicators is collected through aid applications. Application forms are designed so that applicants supply the relevant information for the exact measure for which they are applying for support. The information is input into the system, which will be able to generate reports providing a summary of the information from all the applicants.

Information for using the result indicators is generally collected during debriefing for the projects. It is only at this point that the results of the individual project are known. Information is also entered into the administration system from which the reports will be generated.

The overall impact indicators are collected by the independent evaluator. This is done on the basis of a mid-term evaluation and ex post evaluation.

Information concerning the baseline indicators is collated once every two years in conjunction with the preparation of the strategic status report, cf. below. Reporting also takes place on the indicators in connection with mid-term and subsequent evaluations.

#### *Annual progress report*

It is required under Article 82 of the rural development regulation that an annual progress report on the programme's implementation be compiled, which must then be submitted to the Commission by no later than 30 June every year. The FIA compiles the annual progress report and presents it to the Monitoring Committee for approval. The FIA then sends the report to the Commission, for the first time by 30 June 2008.

The progress report must indicate the progress the programme is making using measurements based on financial input, output and result indicators for each support scheme. A common web-based IT reporting system is used as part of this, and the Commission will continually work in conjunction with the Member States throughout the entire programme period to improve the statistical basis for assessing the action taken.

Every year, after the annual progress report has been presented, the Commission and the FIA will assess the programme's progress and whether there is any need to make adjustments to the programme in order to achieve its objectives.

#### *Strategic progress report*

Every other year, the FIA must forward a collated report to the Commission – on the first occasion by 1 October 2010, and then again in 2012 and 2014. The report must contain a

collation of the progress reports of previous years and an assessment of progress made in implementing the national strategy with the overall goals and the EU's strategic guidelines. The report must also contain a description of the results from the ongoing evaluation activities for the rural development programme.

The report must describe the progress in terms of output, result and impact indicators and update baseline indicators, where necessary.

#### *Evaluation reports*

The FIA is responsible for establishing a system for continuously evaluating the rural development programme. The FIA and the Monitoring Committee must carry out tasks, including the following, based on this continuous evaluation:

- Analyse the programme's progress in relation to the objectives that have been set. This is done using the result indicators and, if relevant, the impact indicators
- Improve the quality of the programme and its implementation
- Assess proposals for more extensive modifications to the programme
- Prepare the mid-term and ex post evaluations

Each year, starting in 2008, the FIA must present a report on the evaluation activities to the Monitoring Committee. Debriefing will take place as part of presenting the annual progress report to the Monitoring Committee.

In 2010 the ongoing evaluation will take the form of a separate mid-term evaluation and in 2015, an ex post evaluation. The evaluations will analyse the programme's progress viewed in relation to the programme's objectives, using the result and impact indicators.

Assessing the effects of the programme's action falls under the evaluation task. This means that the evaluator must carry out the necessary qualitative assessment of the effects as part of an ex ante, mid-term and ex post evaluation. During the evaluations the following aspects must be examined:

- Level of use of resources
- Effectiveness
- Programme's socio-economic impact
- Programme's impact on the EU's top-priority objectives

The evaluations must include the programme's objectives, and the aim is to learn from the experiences gained from the rural development policy, which includes identifying the successes and failures, as well as establishing best practice.

It is the responsibility of the FIA to carry out the evaluations and provide the necessary data for these evaluations.

## **12.2 Composition of the Monitoring Committee**

The Monitoring Committee consists of representatives of:

- The Ministry of Food, Agriculture and Fisheries
- The Ministry of the Interior and Health
- The Ministry of Economic and Business Affairs



- The Ministry of the Environment
- The Ministry of Culture
- Representatives from the six regional growth forums
- Danish regions
- Local Government Denmark
- Relevant interest groups, such as the farmers organisation Danish Agriculture (Dansk Landbrug) and the Council of Rural Districts (Landdistrikternes Fællesråd)
- Economic and social partners
- Researchers
- The Commission
- Danish Food Industry Agency

## **13. Programme's information strategy**

### **Purpose and target groups**

Communication must support the implementation of the 2007-2013 rural development programme by highlighting the programme, along with its opportunities and results to both potential beneficiaries and the general public. This will allow communication to help establish rural development activities on a broad basis and gain support for them, as well as help the rural development programme achieve its objectives.

The overall objectives for the communication initiative are to:

- Increase awareness of the rural development programme and its opportunities
- Generate commitment to the task of implementing the new rural development programme through central, regional and local actors
- Strengthen development in rural areas by collecting, publicising and therefore spreading the word about good examples of specific activities promoting development in rural areas
- Establish a good framework for sharing knowledge so that the benefit of experience can be enjoyed across the whole spectrum by those involved centrally, regionally and locally
- Generate a high profile for the programme and the EU's contribution to development in rural areas, while also showing that investments in rural areas can create viable, self-sustaining rural areas
- Show the connection between the programme's overall objectives: creating new local jobs, developing the food industry and forestry, the countryside and environment, as well providing good living conditions
- Place the rural development programme at the heart of the debate on the rural areas of the future
- Guarantee the understanding, acceptance and involvement of the relevant organisations

Communication is aimed at target groups at several levels and with different interests in rural development. These groups include:

- Inhabitants of rural areas
- Farmers
- Enterprises
- Industry and sector organisations
- Interest groups, including rural area councils, environmental organisations, outdoor activity organisations and ordinary people with an interest in the environment
- Leisure, sport, youth and cultural associations, as well as the tourist sector

- Employee organisations
- Consumers, the retail sector and their organisations
- Authorities, including municipalities and regions
- The general public, including the press and politicians

### **Strategy**

Communication will focus on different areas during the course of the programme period and follow the development of the programme. Communication in general is divided into three phases which are implemented in succession. The communication effort will thus undergo development during the rural development programme period.

Phase 1 has been implemented and characterised by the fact that a great deal of information about the implementation of the programme had to be forwarded from the Directorate and Ministry to the other stakeholders in the rural areas and to the general public. There was also a focus on setting up key means of communication, such as the website, information materials, press releases, cooperation with other actors, etc.

Phases 2 and 3 focus on the opportunities in the revised rural development programme which take effect from 2010, and on expanding the visibility and knowledge of the programme among the general public. In addition, there are to a large extent more actors than just the Directorate and Ministry in place to promote communication in rural areas. The actors concerned are, for example, rural development coordinators and local action groups.

#### *Phase 1: “Launching and start of the programme and establishment of communication partnerships”*

Phase 1 ran until the end of 2007.

In the first phase, the purpose of communication was to increase awareness of the programme’s content and opportunities among relevant associations, organisations, individuals, etc., in order to initiate a number of good projects which could promote the programme’s objectives. One basic task as part of this was also to interact with the key organisations in rural areas in order to strengthen the impact of this communication. It was also important to inform and establish cooperation with local action groups and rural area coordinators with regard to the programme’s opportunities. Finally, the basic communication framework had to be put in place with branding, website, and other tools etc. .

#### *Phase 2: Communication associated with launching of revised programme and “increased awareness among target groups and the general public”*

During the second phase, communication focuses on the general public, who must be informed about the new opportunities available in the revised programme and the first results from the actions taken as part of the rural development policy. The communication effort will also build on the action from the first phase in order to inform target groups who are not already sufficiently aware of the programme. This starts off with evaluations indicating awareness about the communication effort made so far among the relevant target groups. Similarly, annual progress reports and evaluations of the programme’s progress must both be highlighted and used when organising the next phase of communication. Phase 2 runs from 2008 until the rural development programme’s mid-term evaluation.

### *Phase 3: “The rural areas of the future – preparation of the next programme”*

During the third phase, communication must be adapted to the rural development programme’s mid-term evaluation, including the assessment of effects and achieving objectives. The Danish Food Industry Agency must find out from the stakeholders how rural areas can be developed further. The third phase will also involve experiences from other countries in Denmark’s rural development activities, while Denmark must also be guaranteed a position in relation to the European rural development policy. Phase 3 runs from the rural development programme’s mid-term evaluation until the end of the programme in 2013 and must lead right into the next rural development programme.

### **Messages**

The overall message from the communication effort is that rural development must promote a wide geographical distribution of the population and economic activity. All areas must be attractive to work and live in, and Danes must have good, equal living conditions, no matter where they live in the country.

The specific messages about the rural development programme are targeted at different levels.

- Messages about the programme, its objectives, etc., which must be primarily targeted at the professional stakeholders
- Messages about the specific opportunities, structure of the programme and ongoing changes, which must be primarily aimed at local forces which must generate specific initiatives
- Messages about rural areas, both about the conditions today and the objectives for the future, with a special focus on the impact of the programme’s efforts and their objectives, which must be targeted at the general public.

Each message must be supported with good examples and best practice within the four overall programme objectives in order to clearly show the potential and opportunities in the rural development programme.

### **13.1 Initiatives for informing potential beneficiaries**

The target group of potential beneficiaries is large and ranges far and wide, from commercial and employee organisations interested in creating new jobs and developing existing occupations in rural areas, as well as environmental and nature organisations to resident and leisure organisations, which are mainly interested in creating good living conditions in the countryside.

The communication effort must draw attention to the opportunities offered by the rural development programme to these target groups. It must ensure that the most relevant projects possible are set up within the rural development programme’s four objectives.

Communication activities can include the following:

- Increased interaction with selected rural development organisations in order to reinforce the impact among the target groups, which the Danish Food Industry

Agency itself does not have any contact with, but which the relevant communications partner is in close touch with via, for instance, their news media and direct mailings.

- Analyses of the target groups' awareness of the rural development programme's specific support opportunities. The results must provide, on the one hand, a platform for press activities and on the other, important input for further communication activities aimed at potential beneficiaries.
- Providing specific examples from the programme's four overall action areas. This will allow target groups to see how others have handled projects, the efforts' impact, the opportunities for support, potential partners, etc., - and in that way to be inspired to initiate new rural development projects.
- Further development of the website [www.landdistriktsprogram.dk](http://www.landdistriktsprogram.dk), which is a central hub for communication about rural development. The website disseminates messages about the rural development programme and the rural areas of the future, present's new information, shares and stores knowledge, provides an overview and creates scope for debate and exchanging experiences both at local and national level. It is therefore important that the website is updated and dynamic.
- Newsletters with information about the new rural development programme sent to local associations, organisations, enterprises, etc.
- Proactive press activities, with special emphasis on local and regional media, which are important in terms of reaching potential beneficiaries.

### **13.2 Initiatives for informing beneficiaries about the Community's contribution**

Communication about rural areas must highlight the fact that the EU and Danish government are contributing to the financing of the rural development programme. The following have been developed:

- Logo for the rural development programme which carries forward the existing logo together with the logo of the Ministry of Food, Agriculture and Fisheries and the EU logo.
- Main texts such as headers and footers in letters, on the Internet, etc.
- Design manual with guidelines on how to use the logos in practice on letterheads, e-mails, leaflets and publications, the Internet, advertisements, posters, slides, at events, etc.
- Guidelines on how beneficiaries should use the logos at events, on signage, etc.

The correct and consistent use of these initiatives should be pursued.

### **13.3 Initiatives for informing the public about the Community's contribution and results**

The communication effort focuses on the general public throughout the whole period, particularly with regard to launching the programmes, as well as during the second phase from 2008, and in connection with the rural development programme's mid-term evaluation.

Communication activities can include the following:

- Proactive press activities for the daily press, regional and local media and trade media. Press activities may, for instance, focus on the opportunities offered in the programme, the impact and results of the programme on the basis of case studies and good examples from the rural development programme's four objectives.
- Further development of the website [www.landdistrikter.dk](http://www.landdistrikter.dk), which is a central hub for communication about rural development, as mentioned above. .

#### **Communication plan**

This communication strategy will be implemented in a communication plan which outlines the specific communication activities under the rural development programme. The communication plan is dynamic and will be continuously updated.

The Ministry of Food, Agriculture and Fisheries has overall responsibility for communication.

#### **Budget**

A budget will be drawn up in connection with the implementation of the communication plan, as there will be for each phase of the communication strategy.

#### **Organisation**

Communication about the rural development programme is carried out by the Ministry of Food, Agriculture and Fisheries' Joint Communication Unit and the Network Centre for the Rural Development and Fisheries Programme, which is a central platform for dialogue, coordination and information within the rural development area.

#### **Follow-up on communication**

Communication will be evaluated continuously throughout the programme with a view to adjusting the communication effort further. Communication will also be included as part of the mandatory mid-term evaluation of the whole rural development programme.

## 14. Selecting and using the partnership

As part of the process of drawing up the 2007-13 rural development programme, the FIA has taken the initiative to create a partnership between relevant public authorities, interest groups and social and economic partners, as well as research and educational institutions. Creating a partnership as part of preparing the programme is mandatory according to the EU regulation.<sup>22</sup> The following sections describe how the partnership is created and how the results of partnership consultations have contributed to drawing up the programme.

The work involving the national strategy and programme is being carried out in a number of phases:

- Phase 1: Development of ideas and debate, including establishing a partnership (2005)
- Phase 2: Drawing up a strategy and programme (2005 and 2006)
- Phase 3: Drafting orders, guidelines, etc. (2006 and 2007)

### 14.1 Selection procedure

According to the regulation, the most representative organisations, institutions and individuals are designated as part of the *rural development partnership*. The partnership is involved in the preparation and monitoring of the national strategy plan and in the preparation, implementation, monitoring and evaluation of the rural development programme. The consultation process has been anchored in an internal working group with members from FIA.

The partnership was created when the most relevant public authorities, interest groups, economic and social parties, and research and educational institutions were invited in May 2005 to take part in a series of dialogue meetings. The dialogue meetings were organised so that there were discussions both within each of the programme's three axes and across the axes. It has been the intention of the FIA to involve a very broad circle of stakeholders. A total of around 40 institutions, organisations and individuals have joined the established partnership, as part of preparing the programme. After the programme has been approved and come into effect, the partnership will be consulted during programme implementation. A list of the organisations and authorities included in the partnership can be found in Annex 1.

#### *Regional meetings and the national rural development conference*

Apart from dialogue with the actual partnership, a series of other partnership activities have also been carried out. The Minister of Food, Agriculture and Fisheries led a series of six regional debate meetings around the country during the period June - September 2005. The aim of these meetings during the development of ideas and debate phase was to invite regional and local stakeholders to take part in the discussions concerning the overall form of the new programme. In addition to the meetings, a discussion paper was also drafted. The numerous useful contributions from the regional meetings have provided valuable input for preparing a strategy and programme.

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<sup>22</sup> Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD), Article 6.

A national rural development conference was held in Odense in September 2005. Based on the regional meetings and the work done up until then on preparing the new programme, a discussion paper was drafted for the conference with an initial proposal for the overall objectives and framework for the new programme. The paper was generally well received by the more than 250 people who attended the conference.

The programme's four overall objectives are therefore a direct result of this process:

- More entrepreneurs and local jobs in rural areas
- Greater competitiveness in the food and forestry sectors
- Varied landscapes, rich nature and a clean environment
- Attractive living conditions in rural areas, which contribute to strong cohesiveness between countryside and town

#### **14.2 Results of the consultations**

The partnership has been consulted in three rounds in connection with the preparation of the national strategy and the rural development programme:

- Start-up phase (May 2005)
- After a draft national strategy was produced (end of 2006)
- After a draft rural development programme was produced (end of 2006)

There has additionally been a dialogue with participants in the partnership individually.

##### *Dialogue with the partnership after drafting a national strategy*

A draft rural development strategy and the first phase of the work on rural development programmes were presented and discussed with the partnership at dialogue meetings in 2005 and 2006. The dialogue meetings were publicly advertised and open to all stakeholders, including the general public.

During the dialogue, participants drew attention among other things to the importance of ensuring the greatest possible social value for money, e.g. in the prioritisation of activities that can fulfil several goals at the same time. It was also pointed out that it was essential for activities to produce positive effects in rural areas as a whole and not just in individual sectors. A summary of ideas and proposals from the dialogue meetings can be found in Annex 3.

##### *Regional meetings on the draft rural development programme*

The draft rural development programme was discussed at a number of regional debate meetings at the start of 2007, at which the Minister of Food, Agriculture and Fisheries presented and discussed the draft with regional and local stakeholders. The meetings were publicly advertised beforehand and were open to all stakeholders, including the general public.

There were discussions at the meetings concerning the overall structure and priorities of the programme, the specific support schemes, the administration of the programme and examples of projects that could fulfil the objectives of the programme. The attitude to the programme



and the budget priorities was generally positive. There was particular interest in the decentralised part of the programme, which was implemented according to the Leader approach with activities in Axis 3. There was also interest in and a wish to participate in the local action groups and ensuring local involvement in decisions concerning application of the funds. Many people were agreed on the need to promote innovation and development in agriculture, forestry and processing, while others preferred priority to be given to general business promotion in rural areas. A summary of topics and issues discussed can be found in Annex 3.

*The results of the public consultation on the draft strategy and programme*

A draft strategy and draft programme were distributed for public consultation in December 2006. The strategy and programme were distributed both to members of the partnership and to members of the general public, enterprises and associations which have shown an interest or have registered in the Internet-based consultation list for the programme. In addition, the consultation was advertised publicly on the Internet.

The FIA received a total of 45 consultation responses. Most of these responses were from stakeholder organisations which were affected by the programme or which will be able to assist in the implementation of the programme. The consultation responses generally reflect broad support for the draft strategy and programme. Most of the comments relate to the practical formulation of the support schemes.

The most important remarks from the consultation are:

- A wish for a different budget allocation, but not in any clear direction, and a wish a desire to see greater participation in establishing the allocation
- Satisfaction with the breadth of topics in the programme and the linking of action across axes. Satisfaction with the integrated access and consideration of several factors in the measures
- General satisfaction with the programme's definition of rural municipalities
- Satisfaction with the promotion of innovation in the primary and processing sectors
- A focus on improved competitiveness and increased growth in rural areas is important
- A wish for a balance between the aims and local democracy, local joint decision-making and effective organisation of the programme
- Satisfaction with the strengthened focus on organic food production, but more ambitious targets are called for
- Skills acquisition for farmers, starters and participants in local action groups is important
- Satisfaction with the Leader initiative and with the promotion of recreational assets in the programme
- Call for a stronger role for the municipal authorities in the work of the local action groups
- Proposals for improved coordination procedures and a clearer link with other business policy
- Wish for more nature-related measures in the programme
- Wish for the environmental initiative to contribute to fulfilment of the objectives of the Natura 2000 directives and the Framework Water Directive to the greatest possible extent.
- Wish for greater emphasis to be placed on forestry schemes
- Wish for influence in the formulation of the programme

- Wish to take part in the advisory bodies for formulation of the programme - Political Forum and Monitoring Committee
- Wish for high priority to be given to measuring effects and ongoing evaluation

The following topics have been revised following the consultation process

- The innovation schemes under Axis 1 have been expanded to cover forestry
- The requirement for at least two municipal authorities to join forces in setting up a local action group has been dropped. A local action group can consequently be established within the boundaries of an individual municipality.
- The designation of rural municipalities has been revised to take account of access by water. The island of Fanø was consequently defined as a rural municipality.
- The possibility of voluntary unpaid work with entitlement to support under the Leader approach has been opened up.
- Textual adaptations of the programme

The remarks will also be taken into account in the preparation by the FIA of Orders and guidelines for implementation of the support schemes in the programme. The specific wording of the Orders will also be decided following a public consultation exercise concerning the draft Orders.

#### *Rural development panel*

As part of the consultation process, the FIA has also set up a rural development panel, where everyone has been able to take part in the debate on the programme via the Internet.

Participants in the panel are asked questions about the objectives of the programme at regular intervals by e-mail. The replies show that there are generally high expectations that local members of the public and enterprises will have a prominent role in the work to develop rural areas through the programme.

The panel considers it important that the local action groups take the initiative for new activities in the rural areas. Many participants emphasise that local consensus and local ownership of the projects are important prerequisites in developing rural areas. The local action groups should be involved in painting a more positive picture of rural areas and ensure that there is a link with the initiatives in the municipalities. The panel's replies also indicate that knowledge is lacking concerning the many opportunities offered by the rural development programme.

The FIA will use the replies from the panel as input in further work aimed at establishing the local action groups and the network secretariat for the rural development programme, which will ensure information- and knowledge-sharing across the rural areas.

## **15. Measures to ensure that there is no discrimination related to the various stages in the programme's cycle**

### **Gender equality legislation**

Equality between the genders is an official objective in Denmark. The Gender Discrimination Act of 30 May 2000 states:

*The purpose of the Act is to promote equality between men and women, which includes equal integration, equal influence and equal opportunities in every aspect of society, based on the worth of women and men. The purpose of the Act is also to prevent direct and indirect discrimination based on gender and to prevent sexual harassment.*

The Act on equality between women and men from 2000 is based on the principle of mainstreaming and therefore, that public authorities must include equality in any planning and administrative activities. Under Chapter 3, Section 5 of the Gender Discrimination Act, it is also required that ministries, government institutions and companies produce a report on equality every second year. These reports must contain information about the equality policy that has been drawn up and about the gender balance, as well as other matters which have an impact on activities in the area of equality.

### **Promoting equality between men and women through the implementation of the rural development programme**

All men and women in Denmark have the right to apply for support under the rural development programme's support schemes. It will be possible to grant applications if funding is available, applications fall within the support schemes' purpose provisions and they also meet the specific support terms.

Support schemes are initially set up without any gender objectives, but it is possible for specific actions to be targeted at commercial support schemes in particular, with the aim of improving the employment, education and income situation among women in selected rural areas. The goal of the support schemes will, in the given case, depend on a specific needs assessment carried out by the local action group in cooperation with the local and regional authorities in the area.

Overall coordination and monitoring of the rural development programme are carried out by a monitoring committee, which is made up of competent regional and local authorities, economic and social partners, as well as other relevant bodies representing civil society. Procedures will be introduced for setting up the committee, including with the intention of securing an equal distribution of men and women.

Similarly, as part of the approval from local action groups, a balance of female and male representatives will be taken account of.

### **Preventing discrimination through the implementation of the rural development programme**

No applicant will be prevented from applying and receiving support under the rural development programme on the grounds of gender, race or ethnic origin, religion or belief, disability, age or sexual orientation. The personal features mentioned above, apart from age if the application is from a person under 18, will not be included as part of assessing an application. Only the factors which have an impact on carrying out the project or complying with the terms of the application will be included in the assessment.

The Danish legislation implementing the rural development programme will set out the terms for receiving support and carrying out administrative checks, including the requirement for double processing, and a physical check will always ensure compliance with the legal framework. Furthermore, an appeals procedure will be established, which guarantees that the application can be examined again by a different authority.

## **16. Technical assistance operations**

This chapter includes information on the various tasks etc to be financed through technical assistance.

The Danish administrative authorities intend to use 4 % of the funds allocated from the EAFRD as technical assistance (as also reflected in the Financing Table). The Danish authorities need to apply the full amount of funds for technical assistance to ensure efficient management of the multiple measures in the programme, the number of which has been enhanced after the implementation of Health Check and the decision in 2009 by the Danish Parliament to launch a national Green Growth plan for the period 2010-2015. The public expenditure in the programme is increased by 25 pct. and the total cost by 33 pct. An indicative breakdown of the total budget 2007-2013 is shown in the table in chapter 16.3.

### **16.1 Description of the preparation, management, monitoring, evaluation, information and control activities of the programme assistance financed by technical assistance**

#### **Legal basis**

Article 66.2 of Council Regulation (EC) No 1698/2005.

Article 40 and point 16.1 of Annex II of Commission Regulation (EC) No 1974/2006.

#### **Scope**

There are a number of closely related tasks in connection with implementation of the rural development programme 2007-2013. Some of these tasks are administrative in nature while others are network tasks which focus on improving programme implementation and developing rural development policy.

Technical assistance support are used in a number of tasks, such as:

- Programme preparation
- Programme management
- programme monitoring and evaluation
- information
- audit and control activities of programme assistance
- structures needed to run the rural development network.

#### **Eligibility rules for technical assistance**

Technical support is used to improve programme monitoring, evaluation and control, to establish and run structures needed to run the rural development network and to ensure that relevant public authorities have sufficient capacities to deliver a smooth and correct implementation of the programme.

Activities supported under technical assistance are not eligible for support under any of the other measures in the programme.

Eligible expenditures include:

### Running costs

- expenditure relating to management of the programme
- expenditure relating to administrative control
- expenditure relating to audits and on-the-spot checks of operations
- expenditure relating to the preparation of amendments of the programme,
- expenditure relating to the monitoring, on going evaluation og evaluation
- Costs of development and running of IT-system for new measures under RDP
- expenditure relating to the information activities
- expenditure relating to dialogue and consultation
- expenditure relating to the control activities
- expenditure on meetings, seminars, conferences, monitoring committees and sub-committees relating to the preparations and implementation of the programme. This expenditure may also include the costs of experts and other participants in these committees,
- expenditure relating to training and assistance activities for local actions groups and people involved in the bottom up process
- expenditure relating to information and exchange of experiences  
Costs of analyses, studies, calculations etc. carried out by external parties – e.g. in relation to preparation off amendments to the programme
- expenditures related to preparatory activities for the 2014-2020 programming period, cf. Regulation 335/2013, article 1 (8):
  - ex ante evaluation
  - preparatory costs for the development of local development strategies
  - expenditures relating to other preparatory activities directly linked to activities of the current RDP and necessary to ensure continuity to the next programming period, cf. REG 335/2013, art. 1 (8) (c)

### Salaries etc.

- civil servants or other public officials seconded by duly documented decision of the competent authority to carry out tasks mentioned above
- other staff employed to carry out tasks referred mentioned above

### **Co-financing rate**

Up to 50 %.

### **Best practices in implementation**

When implementing technical assistance, public tendering will be used for outsourced activities going beyond certain thresholds.

### **Description of the main activities**

*Management activities, e.g.*

- General management of the programme i.e. technical and financial reporting to the Commission, the monitoring committee etc., issuance of executive orders for programme related interventions
- Drafting amendment of the programme - making changes to the programme (technical implementation of new priorities resulting from a policy development)

- Technical and financial assesment of grant applications
- Management of the LAG-system i.e approving local action groups and their plans
- Development and maintenaning of IT-systems for the programme

*Preparation activities, e.g.*

- Ex. ante evaluation 2007
- Ex. ante evaluation 2014
- Local development strategies (2014-2020 programme)
- Preparation activities for the 2014-2020 programming period
- Environmental assessments  
Translation

*Monitoring activities. e.g.*

- Coordinator forum
- Monitoring committee meetings and arrangements
- Special collections of data and analyses carried out by external parties during the programme period (Research institutes, consulting companies, etc.)
- IT-systems to collect and handle data according to indicators in the programme

*Evaluation activities*

- Yearly and on-going evaluation
- Ex post evaluation 2008 by external evaluator
- Mid term evaluation 2010 by external evaluator
- Ex-post evaluation 2013 by external evaluator
- Evaluation and monitoring of specific measures

*Information activities, e.g.*

- Dialogue and communication activities related to the programme during the entire period 2007-2013 (According to Communication strategy for RDP)
- E-portal – electronically application forms etc.
- Others

*Control activities, e.g.*

- Administrative control
- On the spot control
- Others

## **16.2 National rural network**

### **Legal basis**

Article 66(3) of Council Regulation (EC) No 1698 /2005

1st indent: funding

2nd indent: specific national programmes

3rd indent: procedure for adopting implementing rules

Article 68 (1) and 68 (2) of Council Regulation (EC) No 1698 /2005.

Article 41 and Annex II, 16.2 of the Commission regulation (EC) No 1974/2006

### **Funding the national network**

The Danish national rural network is funded by the technical assistance of rural development programmes. The indicative breakdown is shown in the table in chapter 16.3. The breakdown of the total allocation for the national rural network is;

- 20 percent for running costs
- 80 percent for the action plan

### **Deadline for establishment**

Denmark will establish a national rural network, which groups the organisations and administrations involved in rural development. Denmark will prepare an action program in order to develop this national rural network. The establishment of the national rural network is in process. It will be extended step by step and will be completed by 31 December 2008 at the latest.

To facilitate the process, a national network unit was set up in the spring 2007. Since spring 2007, priority has been given to implement the LEADER method and setting up local action groups. From 2008 the national rural network will be extended to the whole program.

The rural development network will bring people together who at the moment aren't used to work together. Therefore there is a need for a flexible approach to the extension of the network and on-going adjustment of the objectives, tools and actors. It is preferable to start slowly, to have smaller groups meet around tangible issues on which people are familiar and agree (for instance on thematic issues which concern them directly). This could progressively create a habit of working together and the desire to address more sensitive issues.)

### **Objectives and duties for national rural network**

The Action Program includes the planning of the network management and the following activities:

- Create dialogue between central authorities, municipalities and regions concerning rural development planning in municipal and regional plans.
- Create dialogue between and consultation with central authorities, municipalities, regions, local action groups, economic, environmental and social partners and NGO's, partnership etc.
- Establishing and/or participating in thematic networks including holding of meetings, seminars and conferences in order to transfer of knowledge.
- Establishing and/or participating in coordination committees ; e.g. regional committee, ad hoc committees, thematic committees for each axis, committee for Local Action Groups and policy advisory committee.
- Facilitate at Member State level an exchange of expertise and support implementation and evaluation of the rural development policy.
- Secure and coordinate the information flow between the local, national and European level.
- Promote training programmes for key people in local action groups.



- Providing assistance for local action groups, which want to cooperate with other groups nationally and internationally (for example, holding seminars for rural development coordinators).
- European networking.

### **Tools to run the national rural network**

To assist and facilitate the rural networking structures the following tools are in use or will be developed by the national network unit:

- web site in more languages: link between the networks active in Denmark, other actors involved, European network and in the different member states
- project database
- publications e.c.t.
- thematic events/working groups
- assistance on transnational cooperation
- starter kits (basic information, methodology, and list of experts on the theme)
- thematic meetings dedicated to cooperation (a sufficient budget allowing also the national networks to participate in European events and meetings in other Member States will be provided for)
- training tools for new LAG's
- support for LAG on the theme of evaluation

### **Actors involved in the national rural network**

The network will include the relevant organisations and administrations involved in rural development amongst others

- ministries (E.g: Interior and Health, Environment and Economic and Business Affairs)
- representative(s) from the regions
- representative(s) from the municipalities
- organisations of employees and employers
- nature- and environmental organisations
- organisation of farmers and forest holders
- organisation of children and young people
- representatives for organic farming
- organisation of the protections of animals
- consumers organisations
- the nature- and wildlife organisation
- agricultural organisations
- organisations of rural development
- organisation of small islands.

### **Structures needed to run the network (National Network Unit)**

A national network unit is established in Danish Food Industry Agency (FIA), as an integrated part of the office for coordination in rural district matters and business development. This unit will be the secretariat for the National Rural Network to be established.

This office is responsible for coordination of rural development activities and policy formulation under the Rural Development Programme (see chapter 11 for further details on the organisation of FIA).

The unit is in possession of the necessary human, intellectual and technical resources essential for a good functioning and efficiency of the national rural network including

- Information technologies: a good system for internet site (multi-lingual) and databases;
- Contacts with wider rural development networks, research institutes, consultative services, political partners, etc. to be able to develop a broad approach to the national rural network.
- Good knowledge of European languages, cultures, contexts and history
- Technical expertise is available in the national network unit and/or in the national rural network to complement the internal skills:
- In the national network unit human qualities are important. The most important ones are that the staff of the network unit has an accessible approach and is service orientated.

A Coordinator Forum shall be set up for the rural development coordinators and selected institutions. This forum must ensure exchange of information between local actions groups and provide input to policy development. The forum shall help implement the Leader approach.

The network unit shall link activities mentioned above and act as secretariat for the Monitoring Committee established for the programme. The unit shall also be responsible for a hotline telephone intended to ensure a single access point for the Public and for the local action groups to provide information and help with implementation of the programme.

#### **Activities carried out by the national network unit in 2007**

- 8 public dialogue meetings chaired by the Minister of Food, Agriculture and Fisheries as a part of preparation of the rural development program
- Consultations of the authorities, NGO's and the public of the rural development program, the rural development strategy, laws and ministerial orders.
- Public seminar, April 2007: Information and dialogue about the possibilities under axis 3 and 4.
- Seminar for actors in local action groups, September 2007: Providing assistance for setting up local action groups.
- First meeting in the Regional Committee, October 2007: Ensure coordination and exchanging of experience between regional authorities and the national network unit.
- First meeting in the scientific Committee concerning management and out-door life, October 2007.
- Attended in the Committee of renewal of small towns invited by the Ministry of Social Affairs.
- First meeting in the Committee for coordinators in local action groups, October 2007: providing basic information, starter kit and communicational training.
- 28 local information meetings, from March to October 2007: Providing information and assistance about setting up local action groups.
- 18 local general assembly, from July to November 2007: Providing information and assistance about setting up local action groups.

- 15 local meetings about local development strategies under axis 4, autumn 2007.
- Speeches at 10 conferences about rural development.
- Participant at 3 regional meetings, June 2007: Exchanging of experience amongst actors involved in rural development.
- Established web site about the rural development program
- Communicated news to the public about the rural development program.
- Prepared free home pages for each of the local action groups.
- Published publications, e.g. handbook for setting up a local action group, folder about the LEADER method and the rural development program in general.
- A telephone hotline to provide technical support to the public about the rural development program.
- General network management.

### 16.3 Total indicative budget for technical assistance

The following table shows the indicative allocation of the budget on technical assistance.

#### Indicative budget (July 2009), million euro

	2007	2008	2009	2010	2011	2012	2013	Total
<b>National rural network</b>								
Action plan and running cost	0,8	0,8	0,8	0,8	0,8	0,8	0,8	5,6
<b>Other management tasks</b>								
Information activities	0,1	0,1	0,1	0,2	0,2	0,2	0,2	1,2
Management activities	0,0	0,0	0,4	0,8	1,1	1,3	1,6	5,2
Management - IT	0,4	0,4	0,6	1,0	0,7	0,7	0,7	4,4
Preparation activities	0,0	0,1	0,1	0,2	0,1	0,1	0,1	0,6
Monitoring activities	0,1	0,1	0,2	0,3	0,5	0,5	0,6	2,3
Evaluation activities	0,0	0,0	0,1	0,2	0,2	0,1	0,5	1,1
Control activities, incl. Administrative control	0,1	0,1	0,2	5,7	6,3	6,7	6,6	25,8
<b>Total (4 pct of EAFRD allocation)</b>	<b>1,5</b>	<b>1,6</b>	<b>2,5</b>	<b>9,3</b>	<b>9,8</b>	<b>10,4</b>	<b>11,0</b>	<b>46,2</b>

## 17. Basic indicators, context related (NUTS 1)

Indicator	Measure	Unit	Assessment year	Denmark value	EU value
<b>Horizontal</b>					
1 Designating rural areas	OECD definition				
2 Importance of rural areas	Relative importance in terms of: Total area	%	2003	PR 67.7 IR 27.7 PU 4.6	56.2 35.9 7.9
		%	2003	PR 38.8 IR 31.8 PU 29.4	18.6 37.7 43.7
	Total population	%	2002	PR 34.0 IR 27.6 PU 38.5	13.1 31.7 55.3
		%	2002	PR 36.4 IR 29.7 PU 33.9	16.3 34.9 48.9
3 Use of agricultural land	Relative distribution of total agricultural land for: Land under cultivation Permanent pasture Perennial crops	%	2003	92.8	59.8
		%	2003	6.8	33.1
		%	2003	0.4	6.9
4 Farm holding structure in agriculture	Number of farms		2003	48.610	9,870,590
	Agricultural land		2003	2.658.210	156,032,740
	Average size	Ha	2003	54.7	15.8
	Number of farms < 5 ha	%	2003	3.7	61.9
		%	2003	61.0	31.3
	Number of farms >5;<50 ha	%	2003	35.3	6.8
		ESU	2003	76.4	14.4
	Number of farms > 50 ha	%	2003	0.3	47.8
		Av. financial size	%	2003	75.2
	Number of farms <2 ESU	%	2003	24.5	2.8
AWU		2003	60,710	9,861,020	
5 Forestry structure	Production forests	1,000 ha	2000	440	116.901
	Number publicly owned (excl. state)	%	2000	5.0	9.6
	Number privately owned	%	2000	68.4	64.8
		%	2003	14.9	11.7
6 Productivity in forestry	Increase in production forests	1000 m3 overbark per ha	2000	7.3	4.9
<b>Axis 2</b>					
7 Distribution of total area of land	Total area of land broken down according to: Agricultural land Forest land Nature	%	2000	77.6	46.7
		%	2000	9.0	31.0
		%	2000	5.1	16.0
		%	2000	7.2	4.0

	Towns, roads, etc.				
8 Less-favoured areas	Less-favoured areas				
	Proportion of agricultural land outside less-favoured areas	%	2000	98.9	44.6
	Proportion of agricultural land - mountains	%	2000	0.0	16.3
	Proportion of agricultural land on islands	%	2000	1.1	35.6
	Proportion of agricultural land - special obstacles	%	2000	0.0	3.2
9 Extensively farmed areas	Proportion of agricultural land extensively farmed with:	%	2003	0.0	10.1
	Farm crops	%	2003	0.0	21.2
	Grass				
10 Natura 2000 areas	Proportion of land covered by Natura 2000	%	2005	8.1	13.2
	Proportion of agricultural land under Natura 2000	%	2004	7.4	12.1
	Proportion of forest land under Natura 2000	%	2004	14.7	11.8
	Measure	Unit	Assessment year	Denmark value	EU value
11 Protected forests	Proportion of protected forestry land:	%	2000/2002	0.0	1.7
	Biodiversity: no intervention	%	2000/2002	0.9	1.7
	Biodiversity: minimum intervention	%	2000/2002	22.3	3.7
	Biodiversity: active conservation	%	2000/2002	0.0	10.6
	Protection of countryside and special natural areas				
12 Development of forestry land	Annual increase in forestry land	1000 ha per year	Average 2000-2005	2.8	454
13 Forest health	Proportion of trees with needle/leaf drop	%	2004	11.8	24.1
	Proportion of conifers with needle drop	%	2004	5.8	22.8
	Proportion of deciduous trees with leaf drop	%	2004	19.1	25.5
14 Water quality	Proportion of land designated as nitrate sensitive	%	2005	100.0	40.9
15 Use of water	Proportion of irrigated agricultural land	%	2003	7.58	7.16
16 Specially protected forests	Proportion of forest land primarily cultivated for soil and groundwater protection	%	2000/2002	0.0	6.8
<b>Axis 3</b>					
17 Population density	Population density	Inhabitants per km <sup>2</sup>	2003	125.1	117.5
18 Age distribution	Population breakdown by age:				
	0-14 years	%	2001	18.6	16.9
	15-64 years	%	2001	66.6	67.2
	>=65 years	%	2001	14.8	16.0

19 Structure of the economy	Total value added broken down according to: Primary sector Secondary sector Tertiary sector	% % %	2002 2002 2002	2.3 25.7 72.0	2.1 26.6 71.2
20 Employment structure	Total employment broken down according to: Primary sector Secondary sector Tertiary sector	% % %	2002 2002 2002	3.7 22.4 73.9	5.0 26.2 68.8
21 Long-term unemployment	Proportion of workforce unemployed >12 months	%	2003	1.10	4.14
22 Education	Proportion of 25-64 year-olds with professional and higher education	%	2004	83.0	69.8
23 Internet infrastructure	Proportion of population with internet access facility	%	End of 2004	Nationwide 100.0 Suburbs 100.0 Towns 100.0	52

PR: Predominantly Rural Regions, IR: Intermediate Regions, PU: Predominantly Urban Regions