

Measure fiche

**Basic services and village renewal in rural areas**

Measure 7

Article 20 of Regulation (EU) 1305/2013 of the European Parliament and of the Council

*This fiche is based on the text of Regulation (EU) No 1305/2013 [EAFRD] and, when relevant, on Regulation (EU) No 1303/2013 [CPR]. The Delegated and Implementing Acts supplementing these regulations have also been considered to this guidance fiche.*

*This guidance does not represent a binding legal interpretation of Regulation (EU) No 1305/2013. It is therefore essentially non-binding in nature and complements the related legal acts.*

## **1. RATIONALE OF THE MEASURE**

Many rural areas of the Union currently suffer from negative trends towards economic and social development, often linked to problems of remoteness, ageing of population, scarcity of job opportunities and low levels of quality of life.

Accordingly, the measure supports interventions stimulating growth and promoting environmental and socio-economic sustainability of rural areas, in particular through the development of local infrastructure (including fast and ultra-fast broadband, renewable energy and social infrastructure) and local basic services (including leisure, **health**, culture and access to Information and Communication Technologies) in rural areas, as well as through the renewal of villages and activities aimed at the restoration and upgrading of the cultural and natural heritage of villages and rural landscapes.

## **2. WHAT'S NEW IN COMPARISON TO THE PERIOD 2007-2013**

The measure "Basic services and village renewal in rural areas" combines 3 measures already existing in the programming period 2007 - 2013, i.e. measure 321 "Basic services for the economy and rural population", measure 322 "Village renewal and development", and measure 323 "Conservation and upgrading of the rural heritage". It also contains the not for profit elements of the measure 313 "Encouragement of tourist activities" provided for under art. 55(a) R. 1698/2005, i.e. "small-scale infrastructure such as information centres and the sign-posting of tourist sites".

In addition, support has been extended to developing and updating plans for municipalities/villages in order to ensure that all infrastructures supported under the measure are developed in a coherent, consistent and sustainable way.

Another novelty is the possibility for a MA to derogate in its RD programme from the limits in scale for infrastructures in case of investments in renewable energy. This possibility has already been offered for broadband in the period 2007-2013.

Finally, a new type of support has been introduced for investments aimed at relocation of activities and conversion of buildings or other facilities in view of improving the quality of life or increasing the environmental performance of the settlement.

### **3. CONTRIBUTION TO FOCUS AREAS AND CROSS-CUTTING OBJECTIVES**

The support for basic services and village renewal has the potential to contribute to several Union priorities for rural areas and focus areas, for example:

- Focus area 3(a): improving competitiveness of primary producers by better integrating them into the agri-food chain through quality schemes, adding value to agricultural products, promotion in local markets and short supply circuits, producer groups and organisations and inter-branch organisations;
- Focus area 4(a): restoring, preserving and enhancing biodiversity, including in Natura 2000 areas, and in areas facing natural or other specific constraints, and high nature value farming, as well as the state of European landscapes;
- Focus area 5(c): facilitating the supply and use of renewable sources of energy, of by-products, wastes and residues and of other non-food raw material, for the purposes of the bio-economy;
- Focus areas 6(b): fostering local development in rural areas;
- Focus area 6(c): enhancing the accessibility, use and quality of information and communication technologies (ICT) in rural areas.

### **4. SCOPE, TYPE AND LEVEL OF SUPPORT**

#### **4.1. Relevant definitions**

For the purpose of that measure, the Managing Authority should provide in the RDP or make reference to a definition of small scale infrastructure financed under EAFRD.

If relevant, the scope of support should be coordinated with the one provided by other ESI funds in order to maximise complementarities and avoid double funding. The definition of complementarity could be based on e.g. output of energy, financial size of the investment, type of road, etc.

## 4.2. Types of support and supported operations

Investments carried out in rural areas should lead to or support the sustainable development of the socio-economic environment in order to reverse trends towards negative economic and social decline, and depopulation of the countryside.

Operations supported can be also aimed at preserving, maintaining and upgrading of the cultural and natural heritage, as well as environmental awareness actions which could add to the growth potential of rural areas and accompany any other public and private intervention improving quality of life in rural areas.

Investments in relocation of activities and conversion of buildings located inside or close to rural settlements should help achieve further economic and environmentally-oriented efficiency gains, which could also lead to job creation and improved investments attractiveness of rural settlements.

There are several types of support available under this measure:

(1) drawing up and updating of development and management plans relating to rural areas and their basic services, and to high nature value sites, including Natura2000 sites. .

(2) (tangible and intangible) investments in: small-scale infrastructure (specific derogation from the size limitation is possible in case of renewable energy and broad band); cultural and natural heritage; environmental awareness actions; basic services for rural population and the related infrastructure; recreational infrastructure and tourist information for public use; and investments targeting at relocation of activities and conversion of buildings and other facilities.

(3) studies associated with: cultural and natural heritage; environmental awareness actions

The types of operation that may be supported under the measure have been listed below. For each of them an indicative and not exhaustive list of possible interventions is given.

### *4.2.1. Drawing up and updating of plans for the development of municipalities and villages in rural areas and their basic services and of protection and management plans relating to NATURA 2000 sites and other areas of high nature value, e.g.*

- development or updating of local planning documentation for municipalities
- elaboration of management plans for Natura 2000 and other high nature value areas
- consulting activities aiming at elaboration of the plans provided under the measure
- awareness raising activities and public consultations in view of establishing the protection and management plans provided under the measure

4.2.2. *Investments in the creation, improvement or expansion of all types of small scale infrastructure, including investments in renewable energy and energy saving, e.g.*

- construction, reconstruction and rehabilitation of municipal roads and bridges
- construction, reconstruction and rehabilitation of water supply/sewage system, water management infrastructure
- construction of additional facilities to produce and use regenerative energy in rural municipalities (e.g. creating district heating networks to use the process heat of bio-energy plants)
- setting up of distribution networks for heat/electric/gas power from biomass or other renewable sources
- construction or reconstruction of centres for social services
- construction or reconstruction of care and educational facilities

4.2.3. *Broadband infrastructure, including its creation, improvement and expansion, passive broadband infrastructure and provision of access to broadband and public e-government solutions, e.g.*

- creation of new broadband infrastructure and upgrade of existing one
- creation of e-governance solutions, IT applications

4.2.4. *Investments in the setting up, improvement or expansion of local basic services for the rural population, including leisure and culture, and the related infrastructure, e.g.*

- investments in premises supporting leisure activities
- investments in the establishment, extension and modernisation of basic services provision facilities (e.g. local markets, community centres for social activities, etc.)
- investments in innovative service delivery projects e.g. linked with alternative means of public transport systems or active ageing

4.2.5. *Investments for public use in recreational infrastructure, tourist information and small scale tourism infrastructure, e.g.*

- signposting of touristic sites
- construction and modernisation of tourism information centres, visitor information and guidance
- construction of shelters and safety facilities linked to soft-tourism
- establishing of e-booking systems for tourist services

- development of soft tourism with its basic strong features (small scale, locally specific product, local ownership and labour, local business linkages, strong social-cultural affinities, limited negative environmental impact).

4.2.6. *Studies and investments associated with the maintenance, restoration and upgrading of the cultural and natural heritage of villages, rural landscapes and high nature value sites, including related socio-economic aspects, as well as environmental awareness actions, e.g.*

- restoration of natural ecosystems including high nature value areas
- restoration or creation of wilderness areas
- creation of regional networks Natura 2000
- territorial studies for the design of local agri-environmental measures and information actions on agri-environmental measures
- information and awareness raising activities, e.g. visitors centres in protected areas, publicity actions, interpretation and thematic trails
- conservation of small scale built heritage (chapels, bridges, public amenities, etc.)
- inventory actions to list cultural/natural heritage sites
- preservation of immaterial heritage like music, folklore, ethnology

4.2.7. *Investments targeting the relocation of activities and conversion of buildings or other facilities located within or close to rural settlements, with a view to improving the quality of life or increasing the environmental performance of the settlement.*

- moving production facilities (as part of general costs linked to investment)
- construction of new production premises or conversion of existing facilities for the purpose of relocation of activities

### **4.3. Beneficiaries**

It should be borne in mind that the measure is to be used in situations where the market does not provide desired effects, thus creating a need for public intervention. Consequently, public bodies need to be in most cases involved in implementing the operations directly (as e.g. public authorities in the case of designing development plans or public bodies in case of investments in basic services) or indirectly (e.g. through identifying specific gaps and priorities in the development plans).

Even in the case of investments targeting the relocation of activities and conversion of buildings and facilities, where beneficiaries are predominantly private companies/enterprises, the need for such support in a municipality/village should be identified in its development plan.

Nevertheless, as there are no legally based restrictions concerning beneficiaries, their targeting is fully placed under the responsibility of the MS.

Typically, the measure could be open to local authorities and administrations, public bodies, public-private partnerships, NGOs, individuals setting enterprises, private companies, organizations in charge of tourist and recreational development, etc.

#### **4.4. Eligible expenditure and remarks on administrative/financial management**

##### *4.4.1. Eligible expenditure*

In case of investments, the eligible expenditure is defined in art. 45 RDR. Ways of calculating indirect costs are set out in Article 68 CPR.

The forms of grants are defined in Article 67 CPR, while the specific eligibility rules for grants are defined by Article 69 CPR.

The attention is drawn to some specific eligibility conditions for chosen types of operation:

*a) Drawing up and updating of plans for the development of municipalities and villages in rural areas and their basic services and of protection and management plans relating to NATURA 2000 sites and other areas of high nature value*

National/regional definitions of high nature value sites apply.

*b) Investments in the creation, improvement or expansion of all types of small scale infrastructure, including investments in renewable energy and energy saving*

Specific derogations from the size limitation for investments in renewable energy are possible (MS needs to make a relating provision for that in the RDP).

*c) Broadband infrastructure, including its creation, improvement and expansion, passive broadband infrastructure and provision of access to broadband and public e-government solutions*

Eligible costs of investment in broadband infrastructure are the ones defined in the Guide to broadband investment<sup>1</sup> and do not deviate from the ones defined for the programming period 2007-2013.

The types of activities that could be funded are set out in Annex I of this measure fiche.

Specific derogations from the size limitation are also possible for broadband infrastructure (MS needs to make a relating provision for that in the RDP).

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<sup>1</sup> Guide to broadband investment. Final report. September 2011.

*g) Investments targeting the relocation of activities and conversion of buildings or other facilities located within or close to rural settlements, with a view to improving the quality of life or increasing the environmental performance of the settlement.*

MA should establish definitions and procedures allowing the evaluation of reasonableness of costs linked to relocation.

Potentially, activities relocated from urban areas to rural areas could also be supported.

Cases when relocation concerns businesses that have previously received support for setting up in a low performing urban region should be carefully examined. This is necessary to avoid 'premium hunting' and ensure durability of operations if this enterprise is supported by different funds.

The max. percentages for general costs (architects, engineers, etc.) or other consultancy fees should be fixed in the RDP. They should be reasonable and based on cost - benefits considerations.

Maintenance and/or any other type of operational costs are not eligible under this measure. The purchase of equipment or animals necessary for the companies carrying out the works such as specialised machinery, etc. is not eligible.

Leasing or other costs connected with the leasing contract are not an eligible expenditure. The purchase of second-hand equipment may be regarded as eligible expenditure under the condition that Member States set out in the RDP the conditions of such eligibility. Compliance with the minimum standards for energy efficiency for supported investments in renewable energy infrastructure that consume or produce energy, should be also specified in the RDP. Investments in installations, the primary purpose of which is electricity production from biomass, are not eligible for support unless a minimum percentage of heat energy is utilised, to be determined by the Member States. Support to bioenergy projects shall be limited to bioenergy meeting the applicable sustainability criteria laid down in Union legislation, including in Article 17(2) to (6) of Directive 2009/28/EC. VAT is not eligible unless no recoverable.

As the measure falls under the State Aid rules, the procedural and the substantive rules needs finally to be complied with.

*4.4.2. Other eligibility issues (see fiche on eligibility of expenditure for general eligibility rules applicable to the EAFRD and other ESI Funds)*

Only investments in rural areas as defined by MS are eligible.

In order to achieve the maximum effectiveness of support, operations supported have to be implemented in accordance with plans for the development of municipalities/villages in rural areas and their basic services, where such plans exist, and shall be consistent with any local development strategy.

If appropriate, MS should provide in their RD programmes for derogation from a small scale character of infrastructure in case of support for investments in broadband and renewable energy. The derogation should be justified by the SWOT and coordinated with the relating scope of support under the ERDF.

#### *4.4.3. Remarks on administrative/financial management*

MS must set the rules and mechanisms for ensuring that there is no contradiction between local development strategies and municipality/regional development plans and that the infrastructure is developed in a synchronised and non-contradictory way. It is requested that investments comply with such plans (if existing) but are not restricted to what is listed in such plans.

### **4.5. Targeting and principles with regard to the setting of selection criteria**

In this section a reference should be made to the European Commission document "Guidelines on eligibility and selection criteria".

Moreover, it should be noted that the Managing Authorities may apply a targeted approach where specific areas are prioritised. This can be particularly relevant in case of investments in infrastructure and basic services, where a MA might choose to concentrate some funds on particular types of investments of strategic importance in the areas where a development gap has been identified.

In such a case, the SWOT analysis carried out in the process of programming could be used to evaluate the chosen specific needs in the programme area. The analysis should be informed by appropriate quantified indicators, which, together with objective criteria to be set out in the RDP, would make up the basis for identifying areas (at regional or sub-regional level) towards which support should be targeted. The calls for proposals would be limited to applicants located in the targeted areas and the projects selected on the basis of the selection criteria and eligibility conditions of the measure.

### **4.6. Links to other legislation**

Delegated act on definition of the types of renewable energy infrastructure eligible for support based on art. 45(6) RDR.

### **4.7. Aid intensity/amount of support**

Annex II does not define any support levels under this measure. General state-aid rules apply.

### **4.8. Co-financing rate(s)**

The contribution rates applicable are those laid down in Article 59 of Regulation 1305/2013.

### **4.9. Focus on specific issues**

In programming process Member States should consider links and complementarities of operations under art. 20, especially as regards support:

- under art. 17: for non-productive investments linked to biodiversity conservation, Natura 2000 and other high nature value systems; and to small-scale infrastructure
- under art. 19: for renewable energy, service providers, tourism and private investments



- under art. 35: for non-agricultural activities and collective investments in infrastructure and services
- under LEADER
- under other Union instruments: for infrastructure investments in rural areas, in particular in relation to broadband and renewable energy.

When paying advances MS should take into account the principles of sound financial management and should avoid situations where the majority of the declared to the Commission expenditure under a measure relates to advances paid out for projects that have not even started. Over-contracting and payment of advances based on it should be avoided.

## **5. OUTPUT INDICATORS**

See the working paper "Monitor tables".

## **6. VERIFIABILITY AND CONTROLLABILITY**

Reference to be made to the *"Guidelines on verifiability and prevention of errors"*.

## **7. TRANSITIONAL ARRANGEMENTS**

Until funds allocated to the relevant measure for the period 2007-2013 are used up, grant decisions may continue to be made during 2014-15, applying old rules. Payments from the current financial envelope can continue until 31.12.2015. When the current budget is exhausted in terms of grant decisions or after 31.12.2015, whichever date comes first, MS need to grant support under the new programme and under the new rules of the measure.

## **8. BEST PRACTISES**

Examples can be found on the ENRD website [http://enrd.ec.europa.eu/policy-in-action/rdp\\_view/en/view\\_projects\\_en.cfm](http://enrd.ec.europa.eu/policy-in-action/rdp_view/en/view_projects_en.cfm)

In scarcely populated areas and marginalized 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.

Village development should be conditioned by the pre-existence of a regional spatial planning instrument controlling urban pressure and respecting environment.

Sustainable use of rural heritage should be encouraged:

- a) cultural heritage: promoting the use of materials, techniques and skills based on tradition and exploring their potential for contemporary applications; restoration of important built cultural heritage should be accompanied by a maintenance programme to make it sustainable,
- b) natural and cultural heritage: raise awareness about its value, the need to maintain and preserve it and the benefits which may be derived from it, by improving the access to the heritage (e.g. interpretation and presentation actions) especially among young people.

Relocation of activities should not lead to land sealing in environmentally valuable areas outside the built-up areas.

In case of support for village development plans which contain land use elements, these plans should include the environmental aspect of land use planning and demarcate the local bio-corridors and bio-centres that would then represent the limits for investments in the area.

In case of transposition of the directives into national legislation not completely or not correctly, the investments that would lead to breaching EU legislative, should not be supported and Member States should not benefit from their own non-compliance.

The installations of small hydropower plants should not lead to worsening of ecological status of the water course as understood by WFD and to lowering the connectivity of the water course.

In the context of renewable energy installations based on biomass, Member States should pay particular attention to ensure that related projects do not lead to unsustainable or excessive exploitation of forest resources and soil organic matter depletion. They should also ensure maintaining enough amount of dead wood in the forest.

## **ANNEX I:**

### **TYPES OF ACTIVITIES THAT COULD BE FUNDED UNDER OPERATIONS RELATED TO BROADBAND**

- **Creation of and enabling access to broadband infrastructure including backhaul facilities and ground equipment (e.g. fixed, terrestrial wireless, satellite-based or combination of technologies).**
  - This type of operation refers to financial support for creation of an open access broadband infrastructure (Local Access Network) in areas with no access to broadband (green field). Based on a technologically neutral specification of a future proof a broadband infrastructure capable to support the required services this measure may include the financing of technical equipment, all necessary civil work (including buildings, ground stations, ducts and masts); installation of network elements and associated facilities (e.g. local digital switches and routers, points of presence); establishment of a back-haul infrastructure to secure an adequate connection to the backbone network; software systems and technical equipment; and, where necessary to achieve 100% coverage, subsidies for the installation of in-building facilities (e.g. termination buses, routers, modems, and/or satellite dishes and terminals). The resulting infrastructure should be open to all operators on a non-discriminatory basis.
- **Upgrade of existing broadband infrastructure (e.g. increased reliability, speed, capacity, reach, better quality of service, etc.);**
  - This type of operation is for areas with telecom infrastructures that are wholly or in part inadequate or insufficient (i.e. of low quality, low capacity, low reliability or insufficient reach) or incapable (eg: local switches not digitised) of providing a minimum quality of broadband services to the population<sup>2</sup>. The measure should provide the means for targeted upgrades of those network elements and associated facilities that enable a future proof infrastructure to deliver broadband services for medium to long term. This may include the financing of all necessary civil work (including buildings, ground stations, ducts and masts); installation of network elements and associated facilities (e.g. local digital switches and routers, points of presence); establishment of a back-haul infrastructure to secure an adequate connection to the backbone network; software systems and technical equipment (e.g. termination buses, routers, modems, and satellite dishes and terminals). The resulting infrastructure should be open to all operators on a non-discriminatory basis.
- **Laying down passive broadband infrastructure (e.g: civil engineering works such as ducts, and other network elements such as dark fibre etc), also in synergy with other infrastructures (energy, transport, water, sewerage networks, etc).**

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2. For the moment such details would be reviewed under general state aid case examination.

- Civil works represent on average between 70% and 80% of the costs of building broadband infrastructures. In rural, remote and sparsely populated areas these costs can be even higher, making private investments economically unviable for a private investor. The result is that the economic welfare gains of a fully connected local economy are delayed or foregone. Public authorities can stimulate competition and overcome this lack of effective demand by financing the build-out of open, passive telecommunication infrastructures: the cost of which is the most significant barrier to private investment. This measure involves financial support for civil engineering work (such as ducts, sub-ducts, manholes) and other passive network elements (such as antenna towers, masts, ground stations, dark fibre, distribution frames, etc). Where possible such construction should be undertaken in synergy with other civil works. The resulting infrastructure should be open to all operators and based on open access architecture.

**Clarification:**

- These three types of operations are not mutually exclusive. In certain instances projects are likely to involve a degree of all three types of operations. A combination of these three types of investment should be used to achieve 100% coverage at adequate service quality and in a way that opens networks up to competition.