

**Annex 2 . Demarcation between activities supported under EARDF, ERDF, EFF, ESF, CF (demarcation criteria in the brackets)**

**Table B**

AXIS / OBJECTIVE / PRIORITIES	MEASURES UNDER THE PRIORITY	COMPATIBILITY WITH OTHER EU STRUCTURAL FUNDS AND EUROPEAN FISHERY FUND
AXIS 1. IMPROVING OF COMPETITIVENESS OF THE AGRICULTURAL AND FORESTRY SECTOR		
<p>Priority 1.</p> <p>Improving the structure of farms and forest holdings</p>	<p><i>Early retirement</i> <i>Setting up of young farmers</i> <i>Semi-subsistence farming</i></p> <p><b>Improvement of rural infrastructure</b> (water management in agriculture - melioration and polders) <i>Final beneficiaries:</i> municipalities, associations of melioration system users.</p> <p><u>Demarcation criteria - based on applicant and location of project implementation</u></p>	<p><i>III. OP for Promotion of Cohesion</i> <i>Priority 3. Environment and sustainable development</i> <b>Cohesion Fund (CF)</b> - <i>renovation and development of wastewater network;</i> - <i>renovation and development of water supply network;</i> <i>Final beneficiaries:</i> municipalities and water companies.</p>
<p>Priority 2.</p> <p>Improving the level of modernisation, technology and innovation</p>	<p><b>Modernisation of agricultural holdings</b> Activity “Investments into agricultural production and / or services to agricultural sector” (modernisation of enterprises, promotion of innovations in creation of new products, technologies and processes). <i>Final beneficiaries:</i> natural and legal persons engaged in agriculture, science and training institutions having experimental agricultural holdings). Demarcation criterion: <b><u>range of activity</u></b> (spreading of science and technologies in agriculture, including production of agricultural products).</p>	<p><i>II. OP on Economic Growth</i> <i>Priority 1: Research and Development for Competitiveness and Growth of the Economy</i> <b>European Regional Development Fund (ERDF):</b> - <i>support for:</i> - <i>activities of scientific research centres;</i> - <i>centres of sciences-business interaction;</i> - <i>The research of centres of excellence in state scientific institutions and universities in the fields of high and medium high technologies (by global grant schemes, including scientific equipment);</i> - <i>the researches of state scientific institutions and universities in the fields of high and medium high technologies;</i> - <i>centres, existing under public science and study institutions, implementing the functions of technology transfer;</i> - <i>R&amp;D activities of enterprises;</i> - <i>development of R&amp;D technical base of enterprises.</i> Only “hard” investments will be financed under this priority, while “soft” investments will be supported under priority 3 of Human Resources Development OP. Priority 2: <b>Increasing business productivity and improving environment for business.</b> - <i>investments in new production equipment and technologies, e-business solutions,</i></p>

		<p><i>quality and production process management, etc. systems, energy audits in enterprises aiming to increase their productivity, improve quality of its activities, etc.</i>  <i>Final beneficiaries: enterprises</i></p> <p><b>European Fishery Fund</b>  <i>Support for construction, extention, equipment and modernization of fish processing enterprises when seeking to produce or to market new fish products, applying new technologies or developing innovative production methods.</i>  <i>Final beneficiaries: fish processing enterprises with less than 750 employees or with a turnover of less than EUR 200 million.</i></p>
	<p><b>Modernisation of agricultural holdings</b> (support for building farm roads)</p> <p><u>Demarcation criteria:</u>  - location of project implementation (rural area)  - applicant (natural or legal person engaged in agricultural activity).</p>	<p>II. OP on Economic Growth  Priority 4: Basic economic infrastructure:  <b>European Regional Development Fund (ERDF):</b>  <i>Building and reconstruction of regional roads (including paving of gravel roads).</i>  <i>Final beneficiaries – municipalities.</i></p>
	<p><b>Modernization of agricultural holdings,</b> (water supply, water sewage system within the agricultural holding).  Demarcation criteria:  - location of Project implementation: farm area.  - applicant: natural persons (farmers) and legal entities engaged in agricultural activities.</p>	<p>III. OP for Promotion of Cohesion  Priority 3. Environment and sustainable development  <b>Cohesion Fund (CF)</b>  - renovation and development of wastewater network;  - renovation and development of water supply network;  <i>Final beneficiaries: municipalities and water companies.</i></p>
	<p><b>Processing of agricultural products and increasing of added value.</b>  Support for new equipment and machinery, including computer software.  <i>Beneficiaries: micro-enterprises operating in urban area, small and medium-sized enterprises processing and /or engaged in marketing of agricultural products and have been engaged in business for at least 2 previous years before entering the scheme; enterprises with employ 250 to 750 employees or with an annual turnover from EUR 50 million to EUR 200 million that process</i></p>	<p>II. OP on Economic Growth  Priority 1: Research and Development for Competitiveness and Growth of the Economy  <b>European Regional Development Fund (ERDF):</b>  Priority 2: <b>Increasing business productivity and improving environment for business.</b>  - investments in new production equipment and technologies, e-business solutions, quality and production process management, etc. systems, energy audits in enterprises aiming to increase their productivity, improve quality of its activities, etc.  <i>Final beneficiaries: enterprises</i></p>

	agricultural products and have been engaged in business for at least 2 previous years before entering the scheme; agricultural cooperatives.	
	<i>Improvement of the economic value of forests</i> <i>Setting up of producer groups</i> <i>Participation in food quality schemes</i>	
Priority 3.  Strengthening human capital	<p><b>Vocational training and information actions</b> (vocational training and information actions including dissemination of scientific knowledge and innovative practices for persons engaged in the agriculture or forestry sectors. <i>Final beneficiaries:</i> farmers, their partners, farm's workers and other natural or legal persons engaged in agricultural food and forestry sectors, whose agricultural holdings are registered in the Register of Agriculture and Rural Business of the Republic of Lithuania and forest holders by property right own forest area.</p> <p><u>Demarcation criteria: range of training (agriculture or forestry)</u></p>	<p>I. <i>OP for Development of Human Recourses:</i> (<i>Priority1: High quality employment and social inclusion</i>): <b>Social Fund (SF):</b> -<i>Development of human resources in enterprises</i> (training and upgrading of the qualifications of workers, executives, personnel managers of enterprises (development of general and specific skills and competencies), creation and installation in enterprises of modern systems of personnel management correlated with actual training of managers and workers. <i>Final beneficiaries:</i> enterprises); -<i>Training of people's entrepreneurship skills in connection with establishment of business.</i> (<i>Final beneficiaries:</i> Business information centres, business incubators, non-governmental organizations). -<i>Support for projects for development of general competences and abilities of workers.</i> (<i>Final beneficiary:</i> enterprises, state and municipality institutions, non-governmental institutions). (<i>Priority 3. Increase of the capacity of researchers</i>) - <i>Support for scientists and other researchers (students) in the fields of scientific activity</i> (by global grant schemes), studies, mobility: employment of researchers in public sector and in enterprises of high and medium high technologies, scientific internship of students, scholarships for PhD students, projects for development of regional and sectoral mobility (study visits), spread of R&amp;D results, innovative capacity, management of intellectual property. Only "soft" investments will be financed under this priority, while "hard" investments will be supported under priority 1 of OP on Economy Growth.</p> <p>II. <i>OP on Economic Growth</i> (<i>Priority 2: Increasing business productivity and improving environment for business</i>): <b>European Regional Development Fund (ERDF):</b> - <i>measures to improve business environment:</i> creation of databases, market assessment, information dissemination for businesses: seminars, conferences, etc., cooperation of business associations or business information centres, etc. with other relevant institutions and exchange of experience, etc.</p>

		<p><b>European Fishery Fund (EFF):</b></p> <ul style="list-style-type: none"> <li>- Support for promotion of partnership of scientists and operators in the fisheries sector, pilot projects for innovations in fisheries sector.</li> <li>Final beneficiaries: non-governmental organizations or legal persons representing interests of fishery sector.</li> <li>- Support for promotion of professional skills and adaptability of workers under strategy of local action groups for fishery areas (LAGFAs).</li> <li>Final beneficiary – LAGFAs, having approved strategy.</li> </ul> <p>Support for training of workers of <i>aquaculture</i> enterprises with less than 750 employees or with a turnover of less than EUR 200 million.</p>
	<p><b>Use of advisory services.</b></p> <p>Advisory services for natural persons or a legal entities and forest owners engaged in agriculture and/or forestry. Advisory services on the statutory management requirements and the good agricultural and environmental practice, agri-environmental, bookkeeping, forestry issues.</p> <p><u>Demarcation criterion: fields of advisory services (agriculture and forestry sectors).</u></p>	<p>II. OP on Economic Growth (Priority 2: Increasing business productivity and improving environment for business):</p> <p><b>European Regional Development Fund (ERDF):</b></p> <ul style="list-style-type: none"> <li>- <i>infrastructure for business environment: development of business incubators and information centers in places not belonging to rural areas</i>), etc.</li> <li>- <i>measures to improve business environment: creation of databases, market assesment, information dissemination for businesses: seminars, conferences, etc. cooperation of business associations or business information centers etc. with other relevant institutions and exchange of experience, etc.;</i></li> <li>- <i>projects for competitiveness growth: preparation, various sectorial and overall competitiveness studies, activities for improvement of Lithuanian business environment image, etc.</i></li> </ul>
<b>AXIS 2. IMPROVING THE ENVIRONMENT AND THE COUTRYSIDE</b>		
<p>Priority 1</p> <p>Environment-friendly farming practices</p>	<p><b>Agri-environment payments</b></p> <p><i>Programme for improving the status of water bodies at risk</i></p> <p>Under this activity the arable land will be converted into a perennial pasture (meadow). This activity will take place within the catchments area of water body at risk. Environmental commitments related to farmland ponds (and other wet areas) other than fishponds; environmental commitments on the surrounding farmland that can affect environmental quality of fish ponds; commitments where the aquaculture activity</p>	<p>III. OP for Promotion of Cohesion (1 priority: Local and urban development, conservation of cultural heritage and nature and adaptation for tourism development)</p> <ul style="list-style-type: none"> <li>- <i>Improvement of condition of lakes, rivers and etc.: cleaning, removal of unused dams and other equipments, improvement of recreational qualities)</i></li> <li>- <i>Clean-up of bottom seddiments caused by pollution, removal of rubbish, water vegetation caused by eutrophication removal from water, clean-up of banks, renaturalization of regulated river, improvement of recreational conditions.</i></li> </ul> <p>Final beneficiaries – Minicipalities and County Governors administrations.</p> <p><b>European Fishery Fund:</b></p> <p>EFF priority axis 2 – aqua-environmental measures.</p> <p>Operations where the beneficiary commits itself to environmental requirements</p>

	<p>is not carried out on a commercial basis as defined in the national legislation; and those aqua-environmental commitments carried out in the framework of agri-environmental measures on farms where aquaculture is only a minor economic activity of the mixed holding</p> <p><u>Demarcation criterion: area and beneficiaries</u></p>	that concern commercial aquaculture ponds
	<p><i>Programme Landscape Stewardship Scheme</i>  <i>Programme Rare Breeds Scheme</i>  <i>Programme Organic Farming Scheme</i></p>	
Priority 2. Mitigation of climate change	<p><i>First afforestation of agricultural land</i>  <i>First afforestation of non-agriculture land</i>  <i>Forest environment payments</i>  <i>Forest environment payments</i></p>	
	<p><b><i>Restoring forestry potential and introducing prevention actions.</i></b>  (measure is designed to contribute the restoration of private and state forests affected by natural disasters and fires and to support relevant preventive measures thus preserving the environmental and economic value of forests).  <u>Demarcation criteria: activity and geographical area of project implementation (forests).</u></p>	<p>III. <i>OP for Promotion of Cohesion</i>  (1 priority: <i>Local and urban development, conservation of cultural heritage and nature and adaptation for tourism development</i>)  - <i>Cleaning-up of the damaged landscape elements (abandoned and landscape contaminating construction objects, areas damaged due to former excavation activities and etc.).</i>  Final beneficiary – State protected areas service</p>
	<p><b><i>Non productive investments in forests</i></b>  Operations to be supported:  -Formation of the skirts of the forest, works to support protected natural habitats or habitats of protected species or typical structure in forests (provided for in nature management plans), supplement of woods with ornithochoric trees and bushes, creation of small ponds of up to 300 m<sup>2</sup>, temporary facilities to close forest roads through ecologically sensitive areas;  -Installation and improvement of recreational forest infrastructure facilities (recreational trails, bridges, stairs, observation sites, resting-places, campsites, gazebos, benches, fireplaces, dustbins, privies, fences, boards, maps, pointers,</p>	<p>III. <i>OP for Promotion of Cohesion</i>  (1 priority: <i>Local and urban development, conservation of cultural heritage and nature and adaptation for tourism development</i>)  - <i>Development of public tourism infrastructure using natural and cultural heritage and creation and modernisation of active tourism infrastructure.</i>  - <i>Development of tourism information services and promotion of tourism marketing</i>  - <i>Development of variety of tourism services/products and improvement of tourism services quality.</i>   <i>Final beneficiaries: Public and private subjects.</i>   III. <i>OP for Promotion of Cohesion</i></p>

	<p>information signs).</p> <p>-Tending and protection of the environment of recreational facilities, works of restoration of hydrological regime which was disturbed by drainage in forests of Group I (strict reserves forests) and Group IIA (ecosystem protection forests), application of special forestry measures (cuttings in order to form landscape, planting of recreational sprouts, etc.).</p> <p>-Drawing of forest management plan and other planning and design documents necessary to implement the activity, up to a ceiling of 10 per cent of total eligible expenditure.</p> <p><i>Final beneficiaries</i> are private forest owners and managers state forest. Maximum amount of support – 100.000 EUR.</p> <p><u>Demarcation criterion– projects size and beneficiary.</u></p>	<p><i>(1 priority: Local and urban development, conservation of cultural heritage and nature and adaptation for tourism development)</i></p> <p><i>- Cleaning-up of the damaged landscape elements (abandoned and landscape contaminating construction objects, areas damaged due to former excavation activities and etc.).</i></p> <p>Final beneficiary – State protected areas service</p>
<p>Priority 3.</p> <p>Preservation of biodiversity and development of high nature value and traditional agrarian areas</p>	<p><b><i>Natura 2000 payments and payments linked to directive 2000/60/ec</i></b> (support for Natura 2000 areas in agricultural land)</p> <p><b><i>Natura 2000 payments</i></b> (support for Natura 2000 areas in forests)</p> <p>Support in Natura 2000 areas for farmers and forest owners is granted by EAFRD (for utilized agricultural area and forests) to compensate lost income because off implementing environmental restrictions.</p> <p><u>Demarcation criteria – provided activities, objectives of the measures and beneficiaries.</u></p>	<p>III. <i>OP for Promotion of Cohesion</i> <i>(1 priority: Local and urban development, conservation of cultural heritage and nature and adaptation for tourism development)</i></p> <p><b>European Regional Development Fund (ERDF):</b> Keeping Natura 2000 territories, except in territories related to activities of forestry and agriculture.</p> <p>Final beneficiary – State protected areas service.</p>
	<p><b><i>Natura 2000 payments and payments linked to directive 2000/60/ec</i></b> <b><i>Natura 2000 payments</i></b> <i>Allowanses calculated for utilized agricultural area and forest land</i></p> <p><u>Demarcation criteria: applicant and the type of supported activity</u></p>	<p><b>European Fishery Fund (EFF):</b> EFF: <i>Support for sustainable aquaculture compatable with specific environmental constrains resulting from the designation of Natura 2000 areas.</i></p>

	. <i>Payments to farmers in areas with handicaps, other than mountain areas</i>	
<b>AXIS 3. THE QUALITY OF LIFE IN RURAL AREAS AND DIVERSIFICATION OF RURAL ECONOMY</b>		
Priority 1. Creation of alternative jobs and income sources	<p><b><i>Diversification into non-agricultural activities</i></b> (Support for non agricultural activities in rural areas aiming to strengthen the business skills and maintain business initiatives of rural inhabitants, transferring from traditional agricultural activities to alternative economic activities, including services and crafts or traditional crafts in the manner specified in the legal acts of the Republic of Lithuania). <i>Final beneficiaries:</i> farmers, micro-enterprises or rural residents. Applicants shall be engaged in agriculture at the time of application submission). <u>Demarcation criteria:</u> type of activity of the applicants (the applicant must be engaged into agricultural activities in rural area before the submission of the application), type of eligible activities (support is granted to non-agricultural activities in rural area, except the activities included into the list of non-eligible activities in the manner specified by legal acts of the Republic of Lithuania).</p>	<p><i>OP on Economic Growth</i> (2 priority: <i>Increasing business productivity and improving environment for business</i>) <b>European Regional Development Fund (ERDF):</b> 1. Financial engineering measures (micro credits, guarantees, risk capital funds); 2. Measures to improve business environment: creation of databases, market assessment, information dissemination for businesses: seminars, conferences, etc., cooperation of business associations or business information centres, etc. with other relevant institutions and exchange of experience, etc.; 3. Investment into new equipment and technologies, electronic business solutions, business process management, corporate energy audit in enterprises seeking to increase their productivity and improve the performance, etc; 4. Infrastructure for business environment: development of business incubators and information centres in places not belonging to rural areas; 5. Financing of competitiveness enhancement projects: preparation of the studies of the competitiveness for the different business' sectors, the actions, connected with the improvement of the image of Lithuanian business environment and etc. <i>Final beneficiaries:</i> enterprises, municipalities, business information centres, business incubators. Coordination of the demarcation lines with the Community structural funds based on the agreements between the institutions in charge of the administration of the support from the EARDF and the EC structural funds.</p> <p><b><u>European Fishery Fund (EFF):</u></b>- any investment in <i>construction, development and modernization</i> of equipment aiming at productive <i>aquaculture</i>, when applicants are legal entities and natural persons, engaged or seeking to engage in commercial aquaculture; - investment into construction, development and modernization of <i>fish processing</i> plants.</p>
	<p><b><i>Support for business creation and development</i></b> (Support to non-agricultural activities, including services and crafts or traditional crafts in the manner specified by the legal acts of the Republic of Lithuania, and establishment and development of micro-enterprises in rural areas). <i>Final beneficiaries:</i> micro-enterprise (operating / setting – up) and / or rural residents engaged in individual activities in the manner stipulated by the legal acts of the Republic of Lithuania. <u>Demarcation criteria:</u> type of eligible activities</p>	<p>II. <i>OP on Economic Growth</i> (2 priority: <i>Increasing business productivity and improving environment for business</i>) <b>European Regional Development Fund (ERDF):</b> 1. Financial engineering measures (micro credits, guarantees, risk capital funds); 2. Measures to improve business environment: creation of databases, market assessment, information dissemination for businesses: seminars, conferences, etc., cooperation of business associations or business information centres, etc. with other relevant institutions and exchange of experience, etc. 3. Infrastructure for business environment: development of business incubators and information centers in places not belonging to rural areas); 4. Investment into new equipment and technologies, electronic business solutions,</p>

	<p>(support is granted to non-agricultural activities in rural area, except the activities included into the list of non-eligible activities in the manner specified by legal acts of the Republic of Lithuania).</p>	<p>business process management, corporate energy audit in enterprises seeking to increase their productivity and improve the performance, etc.</p> <p>5. Financing of competitiveness enhancement projects: preparation of the studies of the competitiveness for the different business' sectors, the actions, connected with the improvement of the image of Lithuanian business environment and etc.</p> <p><i>Final beneficiaries:</i> enterprises, municipalities, business information centres, business incubators;</p> <p>Coordination of the demarcation lines with the Community structural funds based on the agreements between the institutions in charge of the administration of the support from the EARDF and the EC structural funds.</p> <p><b>European fishery fund (EFF):</b></p> <ul style="list-style-type: none"> <li>- any investment in <i>construction, development and modernization</i> of equipment aiming at productive <i>aquaculture</i>, when applicants are legal entities and natural persons, engaged or seeking to engage in commercial aquaculture;</li> <li>- <i>investment into construction, development and modernization of fish processing plants.</i></li> </ul>
	<p><b><i>Encouragement of rural tourism activities</i></b> (establishment of rural tourism households and equipment of tourist camps in rural areas). <i>Final beneficiary:</i> farmers, rural inhabitants and legal persons operating in rural areas and complying with the requirements to micro-enterprises. <i>The location of project implementation:</i> village, small town or town with population less than 3 000.</p> <p><u>Demarcation criteria – eligible activities</u> (eligible tourism activities (for rural tourism and tourism camps in the countryside)</p>	<p>III. <i>OP for Promotion of Cohesion</i> (<i>Priority 1: Local and urban development, conservation of cultural heritage and nature and adaptation for tourism development</i>)</p> <p><b>European Regional Development Fund (ERDF):</b></p> <ul style="list-style-type: none"> <li>- <i>Development of public tourism infrastructure using natural and cultural heritage and creation and modernisation of active tourism infrastructure.</i></li> <li>- <i>Development of tourism information services and promotion of tourism marketing</i></li> <li>- <i>Development of variety of tourism services/products and improvement of tourism services quality.</i></li> </ul> <p><i>Final beneficiaries:</i> public and private legal entities.</p> <ul style="list-style-type: none"> <li>- <i>Establishment of visiting centers and expositions, systems of environmental education</i> (recreational paths, stairs, view towers, resorts, information stands, schemes, arrows, signs) and etc. in national and regional parks, also keeping and adjustment to visiting the objects of natural heritage.</li> </ul> <p><i>Final beneficiary –</i> National Office of the protected territories.</p> <p><b>European Fishery Fund (EFF):</b></p> <ul style="list-style-type: none"> <li>- <i>promotion of tourism, support for tourism infrastructure in fishery regions, preservation of cultural heritage and other activities foreseen in the strategy of LAGFAs.</i></li> </ul> <p><i>Final beneficiaries:</i> LAGFAs, having approved strategies (physical and legal persons foreseen in this strategy).</p> <p>III. <i>OP for Promotion of Cohesion</i></p>



	<p><b><i>Encouragement of rural tourism activities</i></b> (clearing of strands in the area of rural tourism homestead). <i>Final beneficiaries:</i> farmers, rural inhabitants and legal persons operating in rural areas and complying with the requirements to micro-enterprises) <u>Demarcation criteria – eligible activities.</u></p>	<p><i>(1 priority: Local and urban development, conservation of cultural heritage and nature and adaptation for tourism development)</i> <b>European Regional Development Fund (ERDF):</b> <i>- Improvement of condition of lakes, rivers and etc.: cleaning, removal of unused dams and other equipments, improvement of recreational qualities.</i> <i>Final beneficiaries:</i> municipalities, state institutions.</p> <p>Coordination of the demarcation lines with the Community structural funds based on the agreements between the institutions in charge of the administration of the support from the EARDF and the EC structural funds.</p>
<p>Priority 2. Improvement of social and physical infrastructure, protection and enhancement of rural heritage</p>		<p>III. <i>OP for Promotion of Cohesion</i></p> <p><i>(1 priority: Local and urban development, conservation of cultural heritage and nature and adaptation for tourism development)</i> <b>European Regional Development Fund (ERDF):</b> <i>- Improvement of urban environment infrastructure (including regeneration of industrial and other damaged areas);</i> <i>Final beneficiaries:</i> municipalities and their institutions; <i>- Improvement of community urban infrastructure (renovation and development of public leisure, sport and cultural, urban transport infrastructure important for business). Complex development projects exceeding EUR 200 000.</i> <i>Final beneficiaries:</i> municipalities and their institutions; <i>- Development of public infrastructure and services, related to improvement of business conditions and increasing employment (modernisation and adjustment of existing public buildings (schools, cultural centers, etc.) in rural areas, providing accommodation for start-ups, establishment of incubators of local importance, providing consultations necessary to start business or people engaging into labour market).</i> <i>Final beneficiaries:</i> municipalities and their institutions; <i>- Support for renovation of buildings for education, training, community and social activities in rural areas.</i></p>

	<p><b><i>Village renewal and development</i></b></p> <ul style="list-style-type: none"> <li>- reconstruction (renovation) of buildings;</li> <li>- <b>management or development of public infrastructure;</b></li> <li>- renovation and conservation of rural heritage objects and landscape elements with historic, ethno-cultural, architectural value (establishment and development of traditional craft centres);</li> </ul> <p>Projects up to 200 000 EUR/project.</p> <p><i>Beneficiaries:</i></p> <ul style="list-style-type: none"> <li>- implementing the project under LEADER approach – rural communities, local action groups, non-governmental organizations and other legal persons established and operating in rural area, municipalities or their institutions;</li> <li>- implementing the project by a “top-down” approach – municipality administrations and LAGs</li> </ul> <p>It shall be required to prove that the project is not financed under ERDF by submitting a document issued by the Regional Development Council.</p> <p><u>Demarcation criteria - type of applicant and the amount of support per one projects“.</u></p>	<p>Complex development projects exceeding EUR 200 000. Support shall be granted in areas having between 1000 and 3000 inhabitants.</p> <p>Decisions on projects will be made by Regional Development Councils.</p> <p><i>Final beneficiaries:</i> municipalities and their institutions</p> <p><i>OP for Promotion of Cohesion</i></p> <p><i>2 priority. Quality and accessibility of public services: health, education and social infrastructure</i></p> <p>Promotion of universal multifunctional centers in rural areas having less than 1000 inhabitants. Centers would deliver education and training services;</p> <p><i>Final beneficiaries:</i> municipalities.</p> <ul style="list-style-type: none"> <li>- <i>Modernisation or establishment institutions delivering social services in the areas exceeding 3000 inhabitants;</i></li> </ul> <p><i>Final beneficiaries:</i> municipalities and their institutions</p> <p><i>3 Operational Programme for Promotion of Cohesion, 3 priority (Environment and sustainable development)</i></p> <ul style="list-style-type: none"> <li>- <i>Renovation of buildings of State or municipality institutions of National health system, National education system, institutions delivering social services and state or municipality cultural centers aiming to increase efficiency of energy consumption.</i></li> </ul> <p><i>Final beneficiaries:</i> municipalities and their institutions.</p> <ul style="list-style-type: none"> <li>- Building and reconstruction of regional roads (including paving of gravel roads).</li> </ul> <p><i>Final beneficiaries:</i> municipalities.</p> <ul style="list-style-type: none"> <li>- Improvement of technical parameters of the roads and railroads of national significance.</li> </ul> <p><i>Applicant:</i> The Lithuanian Road Administration.</p> <p><i>III. OP for Promotion of Cohesion</i></p> <p><i>Priority 3. Environment and sustainable development</i></p> <p><b>Cohesion fund (CF):</b></p> <ul style="list-style-type: none"> <li>- renovation and development of wastewater network;</li> <li>- renovation and development of water supply network.</li> </ul> <p><i>Final beneficiaries:</i> municipalities and water companies.</p>
--	---	--

		<p>- implementation of the infrastructure contributing to the road safety, building of city circuits roads;  <i>Final beneficiaries: the Lithuanian Road Administration, municipalities.</i></p> <p>- increase in the throughput of the transeuropean significance roads, improvement of their technical parameters.  <i>Final beneficiaries: the Lithuanian Road Administration.</i></p> <p>Organisation and development of the ecological public transportation.  <i>Final beneficiaries: municipalities</i></p> <p><i>Coordination of the demarcation lines with the Community structural funds based on the agreements between the institutions in charge of the administration of the support from the EARDF and the EC structural funds.</i></p> <p><b>European Fisheries Fund (EFF):</b>  <i>4 priority. Sustainable development of fishery regions.</i>  <i>The activities foreseen in local development strategies related with renovation of villages</i></p> <p>When at the same territory a LAG and a LAGFA are established, a LAG and a LAGFA shall be obliged to demarcate the activities they intend to support at the level of their local development strategies.  <i>Final beneficiaries: LAGFAs</i></p> <p>Coordination of the demarcation lines with the Community structural funds based on the agreements between the institutions in charge of the administration of the support from the EARDF and the EC structural funds.</p>
--	--	---

**AXIS 4. IMPLEMENTATION OF LEADER METHOD**

<p>Priority 1.  Promotion of local initiatives and cooperation, development of human capacities in order to develop and successfully implement local development strategies</p>	<p><b>Implementation of local development strategies</b>  Local development strategies shall meet the objectives, descriptions, demarcation lines of the measures of Axis 3 and shall not prejudice the objectives of the other Axes. If a local development strategy provides for other measures that are not regulated by Council Regulation (EC) No. 1698/2005 and the Rural Development Programme 2007-2013 for Lithuania, then the local development programme shall be drawn in line with the principles of the demarcation between the EAFRD and other EU funds provided in other Axes.</p>	<p><b>European Fishery Fund (EFF)</b>  <i>4 priority. Sustainable development of fishery regions.</i></p> <p>When at the same territory a LAG and a LAGFA are established, a LAG and a LAGFA shall be obliged to demarcate the activities they intend to support at the level of their local development strategies. The National Paying Agency – institution responsible for the evaluation of the strategies of LAGs and LAGFAs – shall verify if demarcation lines between the strategies of a LAG and a LAGFA are clear. If a local development strategy of a LAG is approved by the MoA before a LAGFA submits its strategy for the evaluation, a LAG shall have a right to make amendments in its local development strategy in order to assure that proper demarcation lines are set.</p>
---	--	--

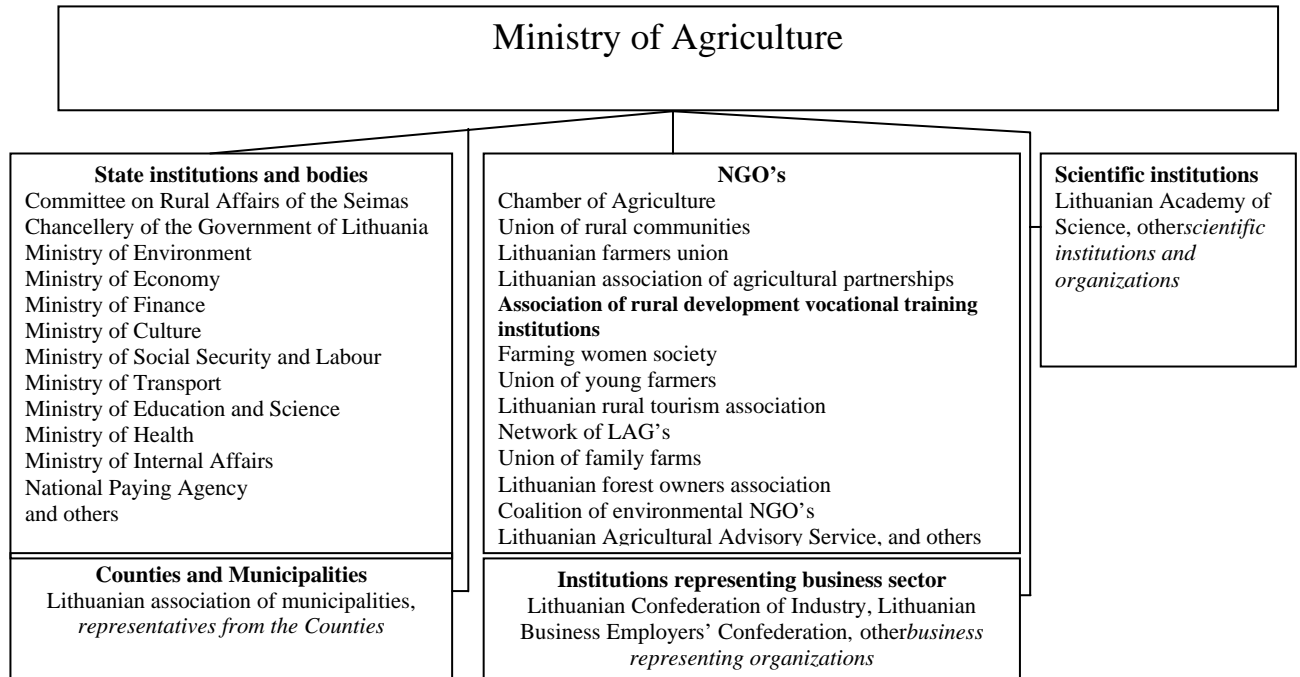
	<p><b><i>Inter-territorial and transnational cooperation</i></b> Inter-territorial and transnational cooperation projects shall be designed to achieve the Axis 3 objectives.</p> <p><b><i>Support for the running the local action groups, acquiring of skills and animating the inhabitants of LAGs' territories</i></b></p> <ul style="list-style-type: none"> <li>- technical assistance for <u>rural studies</u>, preparation and/or improvement of local development strategies, <u>training of persons involved in the preparation or improvement of local development strategies</u> (final beneficiaries: LAGs);</li> <li>- support for the training and advisory services of persons <i>involved in the implementation of local development strategies</i>(final beneficiaries: LAGs having approved local development strategies);</li> <li>- support for the animation of the potential project owners in the LAG's territory (final beneficiaries: LAGs).</li> </ul>	<p>I. OP for <i>Development of Human Resources</i> (Priority 4. <i>Administrative capacity building and increase of efficiency of public administration</i>)</p> <p><b>European Social Fund (ESF)</b></p> <ul style="list-style-type: none"> <li>- <i>Implementation of strategic planning in local municipalities and for implementation of operations management systems in ministries, other public institutions and agencies or public management areas.</i></li> <li>- <i>elaboration of territorial plans</i> (all general plans and detailed plans ordered by municipal administration) as well as preparation of regional and municipal development plans or programmes; (1 priority. <i>High quality employment and social inclusion</i>)</li> <li>- <i>training and information of participants of rural development</i> who implement or intend to implement EAFRD Axis 3 measures, except LAGs having local development strategies approved by the Ministry of Agriculture.</li> </ul>
--	---	--

The main demarcation criteria:

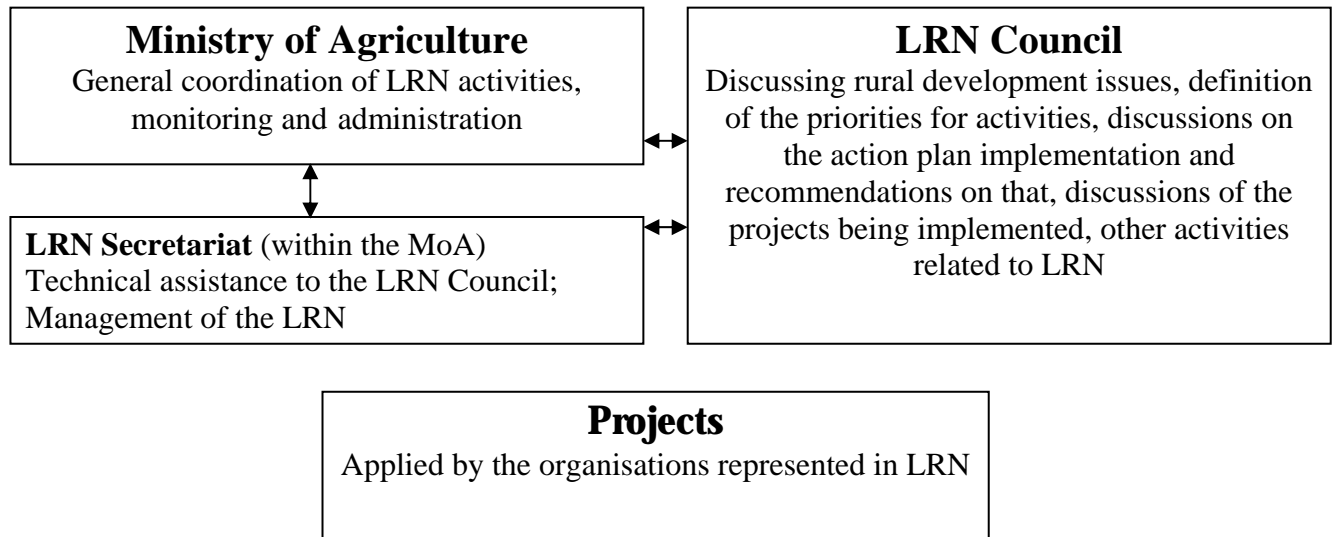
- type of beneficiary (for example farmer, natural, legal persons, municipality);
- type of activities supported (for example agricultural, non-agricultural);
- the amount of support for implementation of a project (for example up to EUR 200.000, over EUR 200.000);
- the location of project implementation (for example rural area, urban area, LFA);
- physical characteristics of the object supported (for example farms roads, public roads).

### Annex 3: Lithuanian Rural Network members, administration and management

#### LRN members (preliminary list)



#### Administration and management



## Annex 4 Preparation and coordination of the rural development programme of Lithuania for the period 2007-2013

### THE LIST OF SOCIAL AND ECONOMIC PARTNER'S CONSULTED

No.	Institution / organization
1.	Committee on Rural Affairs of Seimas'
2.	Ministry of Environment
3.	Ministry of Internal Affairs
4.	Coalition of Environmental NGO's
5.	The Council for the Protection of Ethnic Culture
6.	The Directorate General of State Forests
7.	Lithuanian grain processors association
8.	Lithuanian Young Farmers Circles' Union
9.	Lithuanian Association of Ecological Agriculture
10.	Lithuanian Institute of Horticulture
11.	The Lithuanian Institute of Agrarian Economics
12.	Lithuanian Vegetable growers association
13.	Lithuanian Fund for Nature
14.	The Lithuanian Academy Of Sciences the Division of Agriculture And Forestry
15.	Lithuanian Poultry Producers' Association
16.	Lithuanian Milk Producers' Association
17.	Lithuanian Dairy Association "Pieno centras"
18.	Chamber of Agriculture
19.	Lithuanian Association of Municipalities
20.	Lithuanian Small and Medium Farmers' Union
21.	Lithuanian Farmer's Union
22.	Lithuanian Veterinary Academy
23.	Lithuanian Agricultural Advisory Service
24.	Lithuanian University of Agriculture
25.	Lithuanian Association of Agricultural Companies'
26.	Lithuanian Association of Land and Water Management Engineers
27.	Lithuanian Institute of Agriculture
28.	Lithuanian State Food and Veterinary Service
29.	Lithuanian Association of Meat Processing Enterprises
30.	State Consumer Rights Protection Authority
31.	LFA users Association
32.	the Tatula program
33.	State Plant Protection Service
34.	Agriculture and Food Market Information System
35.	State Seed and Grain Service
36.	State service for protected areas
37.	Association of consultants for rural development and business

**Main comments of the social economic partners which have been taken into consideration and reflected in the programme:**

**1. September 14, 2005 Promotion of competitiveness of medium-size farms.**

In order to sustain the competitiveness of medium size farms and provide support for agricultural entities that have not yet received the support, priority will be given to farms which size does not exceed 150 ha.

**2. October 14, 2005 Priority for applicants, which have not received EU support.**

All investment measures propose to give priority to applicants who have not yet benefited from the EU support.

**3. November 23, 2005**

**Promotion of cooperation.**

In order to promote farmers' cooperation, many measures of the Programme give priority to applicants who are members of licensed cooperative companies (cooperatives).

Bigger number of support recipients under the measure "Vocational training and information actions, including diffusion of scientific knowledge and innovative practises, for persons engaged in the agricultural, food and forestry sectors." Seeking to strengthen skills and abilities of those working in agricultural sector as well as other residents of rural areas to adjust to the changing technological and business environment, this measure foresees support for dissemination of scientific knowledge and promotion of innovations. During the new programming period self-government organisations of farmers and forest owners, state and municipal institutions as well as non-government organisations will be granted the possibility to apply for support for training of farmers under this measure.

**Specified consulting areas. Widened and specified areas for consulting activities.** Consulting will be provided in the areas of consulting management (public, animal and plant health, environment, and animal welfare), requirements for good agrarian and environment status, organic farming, environment protection, farm accountancy and forestry issues.

**4. December 15, 2005**

**Distribution of priority sectors.** Taking into account the proposals of social-economic partners and members of working groups and following the conclusions of the Lithuanian Institute of Agrarian Economics, the compromise has been reached regarding:

Measure *Modernisation of Agricultural Holdings*, activity *Investment in Agricultural Holdings* priority sectors:

- a) Livestock farming:
  - Beef production;
  - Other branches of livestock farming;
- b) Plant production;
  - Flax growing; and seed growing;
  - Horticulture and gardening;
  - Rape growing;
  - Other branches of plant production.

Measure "Adding value to agriculture products", activity "Processing and marketing of agricultural products"

**Plant sector:**

- 1. the processing and marketing of fruit, berries, vegetables and mushrooms;
- 2. the processing and marketing of other plant growing products;
- 3. the processing of plant growing waste.

### **Meat and milk sector:**

1. meat processing and marketing;
2. milk processing and marketing;
3. the processing of the third category by-products of animal origin and milk waste.

**Implementation of Nitrate Directive Requirements.** In order to achieve that farmers implement Nitrate Directive requirements, measure “Modernisation of agriculture products” foresees separate activity for the implementation of Nitrate Directive. Maximum amount of support for one project will depend upon relative animal units. Measure *Modernisation of Agricultural Holdings* also determines that applicant’s farm cannot be newly established and must have been functioning for at least 2 years thus ensuring that competitive farms receive the support.

### **5. February 2, 2006**

**Production of organic products.** Ensuring expedient use of support according to the programme “*Organic Farming*” under the measure “*Agroenvironmental payments*”, the condition is set that applicants – organic farmers must sell their production to the market or use production for producing organic agricultural production.

*Estimation of animal units per one hectare of grassland according to the measure Less Favoured Farming Areas.* Following the proposals from social-economic partners, currently the amount of 0,35 animal units per one hectare is set in order to receive support for grassland according to the measure.

**LEADER.** LEADER method use is widened by determining four fields of acquisition of skills activities:

- Support for LAG activities;
- Technical assistance for rural areas studies, preparation (or) updating of local development strategies and training of persons preparing or updating local development strategy;
- Support for training and consulting of persons implementing local development strategy and target groups in case their activities are related to the implementation of local development strategy; also rendering active LAG territory;
- Support for training and informing of rural development participants, involved or planning to be involved in the implementation of objective 3 measures.

Preparing the Programme and seeking to clearly divide the limits of activities related to rural development and financed from several EU funds, there has been an active participation in preparing the documents governing the use of EU structural funds support foreseen for the period 2007-2013. Agreements have been reached that structural funds will finance following rural development objectives:

- Establishment of workplaces for those shifting from primary agricultural production;
- Promotion of business in rural areas;
- Improvement of life quality in rural areas;
- Development of public infrastructure in rural areas.

It is also foreseen that support from EARDF will be provided only to macro enterprises functioning in rural areas, all other companies will be financed from ERDF.

### **6. October 30, 2006.**

#### **Support size according to the measures.**

Following the discussions with social-economic partners the compromise has been reached that maximum support amount for investment measures for the period of years 2007-2013 shall be up to EUR 400,000 (with the exception of implementation of the Nitrates Directive requirements Support of Semi-Subsistence Farms”, “Support of Young Farmers”, “Vocational training and information actions”, “Use of farm advisory services by farmers and forest holders”, “Establishment and development of rural campsites”, projects of SPD 2004-2006 “Investments in to agricultural holdings”, measures implemented by LEADER method), while the amount for



“Adding value to agricultural products” shall be EUR 5.6 million. A second application for assistance may be submitted only if the previous project has been implemented in the manner established by the MoA.

**Enlargement of holdings.** Seeking to promote larger-scale farming, the requirement is set for a young farmer, establishing new farm, to own minimum 12 ha of land (the applicant shall assume the obligation to expand the holding until it reaches at least 20 ha by the end of year 2013). Horticulture, vegetable growing, herb growing, berry growing and floriculture holding should be at least 4 ha (own land).

**Main comments of the social economic partners which have not been taken into consideration and justification**

**1. Compulsory residence/work in rural areas.** The proposal has been put forward to set a requirement for investment measures that an applicant must have resided/worked in rural areas for at least 2 years.

According to the MoA, such a requirement may be set as a priority for investment measures; otherwise it can prevent Lithuanians, working abroad, from returning to the countryside and taking up agricultural activities.

**2. Maximum amount of support for 2007-2013 programming period.** It has been proposed to set a maximum amount of support for 7-year period for applicants, benefiting from investment measures without restricting the number of applications per applicant.

According to the MoA, if such proposal is sustained, it may be the case that after 3 years of programme implementation there might be no resources left in the fund.

**3. Ownership of land according to the measure Support for Young Farmers.** It has been proposed:

- a) To foresee the requirement for an applicant to own at least 20 ha of land.

Taking into account an average statistical size of Lithuanian holding –12 ha, the conclusion has been reached to set a requirement for an applicant to own 12 ha of land and to undertake an obligation to expand the holding up to 20 ha until the end of 2013.

b) Withdraw the requirement for an applicant on the day of submission an application to have vocational agricultural education or higher (university, non-university, non-agricultural) education and to have attended primary training courses on farming and to assume an obligation to further improve agricultural knowledge throughout project implementation.

Support absorption will not be efficient without such a requirement.

**4. For the measure Modernisation of Agricultural Holdings following proposals were made:**

- a) Consider wind power plants eligible for financing.

Wind power plants up to 250 KW will be eligible for support.

- b) Delete the priority “holding size up to 150 ha of agricultural land”.

One of the main objectives of the programming period is to promote competitiveness by supporting small and medium size farms; therefore it was decided to keep the priority.

## **Annex 5: Ex – ante evaluation report**

Added to the programme as a separate file due to the big volume of the report.

## **Annex 6: Summary of the SAPARD Mid term evaluation**

The main purpose of the mid-term evaluation of the SAPARD programme in Lithuania was to determine at 30 June 2003 whether the available SAPARD funds were used in the most efficient manner to:

- achieve the objectives set out in the Agriculture and Rural Development Plan (ARDP) 2000-2006; contribute to the implementation of the *acquis communautaire* concerning the common agricultural policy and related policies and solve priority and specific problems for the sustainable adaptation of the agricultural sector and rural areas. The mid-term evaluation covered the 42 month period 1 January 2000 – 30 June 2003, and related to those parts of the country that were eligible for support under SAPARD. The evaluation included analysis of the measures that were under implementation by 30 June 2003 i.e. “Investments in agricultural holdings” (I); “Improving the processing and marketing of agricultural and fishery products” (II); “Development and diversification of economic activities, providing for multiple activities and alternative income” (III); “Improvement of rural infrastructure” (IV); and “Vocational training” (VII). Measures that were not under implementation at 30 June 2003 were “Afforestation of agricultural lands and improvement of forest infrastructure” (V); “Environmentally friendly agricultural methods” (VI); and “Technical assistance, information and publicity campaigns” (VIII): (approval has been given for Government to draw down on SAPARD funds to cover the costs involved in measure VIII, although no funds have been claimed to date).

The mid-term SAPARD evaluation has examined the initial results of ARDP, their consistency with the ex-ante appraisal, the relevance of the targets, and the extent to which they have been attained. The evaluation has also assessed the use made of financial resources, as well as the quality of monitoring and implementation.

### **Conclusions of the mid-term evaluation**

Concerning the Monitoring Committee, the Managing Authority and the National Paying Agency (NPA), they have established a strong working relationship, and a system is in place that is functioning well. Subject to continuous improvements in management, training and IT developments for all stakeholders, it is anticipated that it can be transferred to the new (structural funds) programme that will apply on EU membership.

Concerning the NPA, it has been successful in committing approximately 74% of available SAPARD funds for 2000-2003 by 30 June 2003 since the first call for proposals was issued during 6-20 December 2001. Funds committed by the NPA were generally being used effectively and efficiently, as reflected in meeting key objectives e.g. the food processing industry is moving towards meeting EU standards in hygiene, food quality and safety. The NPA implementing arrangements are generally both appropriate and effective. The NPA's current management information system (MIS) used to provide data on implementation of the SAPARD programme was good, but the software (EXCEL) was considered inadequate for the longer term, and a relational data base needs to be installed based on unique applicant numbers. The NPA's monitoring procedures have been well established, although regional NPA offices could be delegated more responsibility to discuss with applicants the quality of their proposals and business plans, as well as offer advice and assistance during a project's implementation phase. The NPA evaluation of project proposals takes too long and the eventual approval of a project may not fit in with the beneficiary's business cycle. Data for monitoring progress, as well as monitoring the impact of the SAPARD programme at local level and on different target groups, need to be improved. Concerning implementation of measures, the NPA has missed valuable opportunities to gain experience in implementing measure V (“Afforestation of agricultural lands and improvement of forest infrastructure”), and measure VI (“Environmentally friendly agricultural methods”).

Concerning the SAPARD strategy, it continues to be broadly appropriate in terms of relevance and internal/external consistency, although the original indicative allocation of funds was changed in favour of increased support for agri-processing (measure II - improving the processing and marketing of agricultural and fishery products) at the expense of other measures. This did not mean that the

strategy and priorities should be re-thought, but that the balance between measures should be continuously reviewed.

Concerning the institutional impact of SAPARD, the impact has been substantial, and is allowing Lithuania to implement the *acquis communautaire*.

### **Recommendations of the mid-term evaluation**

These recommendations can be used by the institutions responsible for SAPARD Programme management and implementation now, after Lithuania has joined the EU and is implementing SPD and RDP 2004-2006, and beyond. The recommendations, which relate to areas for improvement in ARDP strategy, policies and related activities during 2004-2006, are part of the road map to get the agri/rural sector from where it is today to where it is planned to be tomorrow e.g. by the end of 2006. Whilst it is understood that preparation of the SPD/RDP for 2004-2006 is nearing completion, management flexibility should permit the recommendations below to be integrated into subsequent plan implementation. Whilst the overall process can only improve, the mid-term evaluation team's recommendations were to:

1. streamline the management responsibility of the NPA, including giving more delegated powers and decision-making responsibility to the regional offices, with a view to speeding up the application/approval process and bringing a SAPARD project commitment into line with the beneficiary's business cycle, but ensuring that any streamlining is consistent with recommendations drawn up by the last NPA Peer Review mission (15-18 July 2003) (applicable to Measures I-VIII);
2. linked to this, provide further professional training for national and regional NPA staff, including IT development and the introduction of an appropriate relational data base, (funded under the National Programme) (Measures I-VIII);
3. hold training programmes for NPA staff to simulate implementation of measure V (afforestation of agricultural lands and improvement of forest infrastructure), and measure VI (environmentally friendly agricultural methods), in order to ensure that the NPA has some experience to start processing calls for applications when these measures start under RDP 2004-6 (Measures V and VI);
4. set up a temporary public/private working party to identify all markets where Lithuania has a comparative advantage, and identify a national marketing strategy for each market that will ensure the agri-rural sector is producing what the market wants in the second half of the decade, as well as agree best international practice in key sub-sectors, and use recognised international benchmarks for individual activities (Measures I-VIII);
5. increase opportunities at local level for measure-specific vocational training, including SME development support, particularly for women, youth and rural entrepreneurs, and monitor the effect of it subsequently on trainees' performance and incomes (under Measure VII);
6. increase support for rural diversification, particularly rural tourism (under Measure III);
7. ensure action is taken on recommendations of the Utena Pilot Project, and of the mid-term evaluation team, particularly implementation of the activities based on SMART (specific, measureable, agreed, realistic, timed) method, derived from the mid-term evaluation team's SWOT analysis (Measures I-VIII);
8. circulate at farm level all available information on rural diversification and vocational training opportunities, as well as financing opportunities that are available through the Rural Credit Guarantee Fund, and advertise this via the NPA, the various consultancy services, local municipalities and local action groups, farm and rural magazines, as well as the radio/TV, other forms of media and the internet (Measures I-VIII);
9. hold a seminar at central level to explain the results of the mid-term evaluation to all stakeholders, including the media, in order to ensure transparency and get maximum feedback for the benefit of future decision-making within the MC, the MA and the NPA (Measures I-VIII).

## **Annex 7. Statutory management requirements; minimum requirements for using of fertilizers; minimum requirements for plant protection products and use of pesticides**

### **Statutory management requirements**

1. Natural meadows and pastures available at the farm of a farmer are not ploughed, resown with cultural herbage.
2. Person using plant protection products for professional use must have diploma of agriculture or certificate of plant protection training courses.
3. To use only registered products of plants' protection and to carry out accounting.
4. Maximum amount of livestock manure applied to the land cannot exceed 170 kg/N per ha.
5. Animal breeder and animal breeding place/drove registered in data base of Animal register.
6. Animals are properly and timely labeled and registered.
7. During transportation animals has passports.
8. A farm must carry out accounting of veterinary medicine and medicinal feedstuff, acquired according to receipts of veterinarians and consumed by animals for production.
9. Animals kept for farming purposes should be fed with feedstuff corresponding to their physiological needs, considering their age, weight and species.
10. Farms, having more than 10 livestock units, (excepts farms having deep stables) must have manure storage facility equipped in compliance with the requirements: farms, having more than 300 livestock units till 1 January 2008 m; farms, having from 10 to 300 livestock units till 1 January 2012.

### **Minimum requirements for plant protection products and use of pesticides**

1. Only trained persons who have acknowledged with the characteristics of preparations and requirements of work safety may work with pesticides.
2. Person using plant protection products for professional use must have diploma of agriculture or certificate of plant protection training courses.
3. Sprinklers for plant protection products must have certificates of set standard sprinklers.
4. To use only registered products of plants' protection and to carry out accounting.
5. Sprayer should be washed after work. Washing water can be sprayed on the same treated plants. It is forbidden to wash sprayer or spill used water where the cleaning water can run to drain or other water bodies.
6. It is forbidden to use pesticides in protection shore belts of water bodies.

### **Minimum requirements for using of fertilizers**

1. Maximum amount of livestock manure applied to the land cannot exceed 170 kg/N per ha.
2. Farms, having more than 150 ha of agricultural land also farms, having more than 200 livestock units must have fertilization projects, corresponding to the appropriate form and approved by the signature of economic entity.
3. Organic fertiliser is allowed to be applied in the period starting from April 1<sup>st</sup> up to December 1<sup>st</sup> and it is prohibited to use organic fertilizers near by the water sources and intakes. It is not allowed to apply fertiliser on frozen, flooded and snow-covered ground.
4. The capacity of storage vessels for livestock (cattle, horses and sheep) manure for a storage period of at least 6 months; 8 months storage capacity is required for pig and poultry manure.
5. It is forbidden to use fertilizers in protection shore belts of water bodies.

Measure/ Sub-measure	Statutory requirements			Commitments payable
	minimum standards (GAEC)	statutory management requirements (SMR)	national legislation	
1.Landscape Stewardship scheme:				
1.1 management of meadows	<p>Pastures or grasslands must be used for grazing animals or mowed not less than once a year (until 1<sup>st</sup> August). The keepers of fruit and berry gardens who grow lawn or grass between the rows of plants shall uphold the requirements for hay harvesting and grazing outlined in this paragraph.</p> <p>Hay or green mass in pastures and grasslands (including perennial pastures and grasslands) shall be collected and transported away from fields until the 1st of August (excepting the cases when green mass is pulverized and evenly spread on pastures and grasslands (including perennial pastures and grasslands). Hay and residues of straw and plants can be kept in stacks. According to legal acts it is allowed other deadlines to move grass and to remove from fields or to pulverize and to spray mowed grass in fields. The keepers of fruit and berry gardens who grow lawn or grass between the rows of plants shall uphold the requirements for hay harvesting and grazing outlined in this</p>	<p>Natural meadows and pastures available at the farm of a farmer are not ploughed, resown with cultural herbage.</p> <p>Person using plant protection products for professional use must have diploma of agriculture or certificate of plant protection training courses.</p> <p>To use only registered products of plants' protection and to carry out accounting.</p> <p>Maximum amount of livestock manure applied to the land cannot exceed 170 kg/N per ha.</p> <p>Animal breeder and animal breeding place/drove registered in data base of Animal register.</p> <p>Animals are properly and timely labeled and registered.</p> <p>During transportation animals has passports.</p> <p>A farm must carry out accounting of veterinary medicine and medicinal feedstuff, acquired according to receipts of veterinarians and consumed by animals for production.</p> <p>Animals kept for farming purposes</p>	<p>It is forbidden to cultivate land in shore protective belts of water bodies.</p> <p>It is prohibited to discharge directly sewage polluted by dangerous substances into the ground water.</p>	<p>The payments are made for the income foregone of late haymaking (from 15<sup>th</sup> of July till 30 September), grass mowing (from 15 July till 30 September), for the bad quality of hay and for not use of fertilizers and plant protection products.</p>

	<p>paragraph. Grasslands and/or pastures (including perennial grasslands and pastures) shall be free from weeds with stiff stalks, as well as weeds which are allowed to mature and scatter their seeds (artemisia, absinthium, cirsium/thistle, arctium/burdock, urtica/nettle etc.). A presence of single weeds or grass clusters is not considered as infringement of rules. Meadows and/or pastures (including perennial grasslands and pastures) shall be free from trees or shrubs, with the exception of single trees which make part of traditional landscape. It is forbidden to burn stubbly and grass in pastures and/or grasslands (including perennial pastures or grasslands).</p>	<p>should be fed with feedstuff corresponding to their physiological needs, considering their age, weight and species. Farms, having more than 10 livestock units, (excepts farms having deep stables) must have manure storage facility equipped in compliance with the requirements: farms, having more than 300 livestock units till 1 January 2008 m; farms, having from 10 to 300 livestock units till 1 January 2012.</p>		
1.2 management of wetlands	<p>Pastures or grasslands must be used for grazing animals or mowed not less than once a year (until 1<sup>st</sup> August). The keepers of fruit and berry gardens who grow lawn or grass between the rows of plants shall uphold the requirements for hay harvesting and grazing outlined in this paragraph. Hay or green mass in pastures and grasslands (including perennial pastures and grasslands) shall be collected and transported away from fields until the 1st of August (excepting the cases when green mass is pulverized and evenly spread on pastures and grasslands (including perennial pastures and grasslands). Hay and residues of straw</p>	<p>Natural meadows and pastures available at the farm of a farmer are not ploughed, resown with cultural herbage. Person using plant protection products for professional use must have diploma of agriculture or certificate of plant protection training courses. To use only registered products of plants' protection and to carry out accounting. Maximum amount of livestock manure applied to the land cannot exceed 170 kg/N per ha. Animal breeder and animal breeding place/drove registered in data base of Animal register. Animals are properly and timely labeled</p>	<p>It is forbidden to cultivate land in shore protective belts of water bodies.  It is prohibited to discharge directly sewage polluted by dangerous substances into the ground water.</p>	<p>The payments are made for income foregone of late haymaking (from 15<sup>th</sup> of July till 30 September), for the bad quality of hay and for not use of plant protection products.</p>

	<p>and plants can be kept in stacks. According to legal acts it is allowed other deadlines to move grass and to remove from fields or to pulverize and to spray mowed grass in fields. The keepers of fruit and berry gardens who grow lawn or grass between the rows of plants shall uphold the requirements for hay harvesting and grazing outlined in this paragraph.</p> <p>Meadows and/or pastures (including perennial grasslands and pastures) shall be free from trees or shrubs, with the exception of single trees which make part of traditional landscape.</p> <p>Grasslands and/or pastures (including perennial grasslands and pastures) shall be free from weeds with stiff stalks, as well as weeds which are allowed to mature and scatter their seeds (artemisia, absinthium,                      cirsium/thistle, arctium/burdock, urtica /nettle etc.). A presence of single weeds or grass clusters is not considered as infringement of rules.</p> <p>It is forbidden to burn stubbly and grass in pastures and/or grasslands (including perennial pastures or grasslands).</p>	<p>and registered.</p> <p>During transportation animals has passports.</p> <p>A farm must carry out accounting of veterinary medicine and medicinal feedstuff, acquired according to receipts of veterinarians and consumed by animals for production.</p> <p>Animals kept for farming purposes should be fed with feedstuff corresponding to their physiological needs, considering their age, weight and pesticides.</p> <p>Farms, having more than 10 livestock units, (excepts farms having deep stables) must have manure storage facility equipped in compliance with the requirements: farms, having more than 300 livestock units till 1 January 2008 m; farms, having from 10 to 300 livestock units till 1 January 2012.</p>		
<p>1.3 management of shore belts of water bodies in meadows</p>	<p>Pastures or grasslands must be used for grazing animals or mowed not less than once a year (until 1<sup>st</sup> August). The keepers of fruit and berry gardens who grow lawn or grass between the rows of plants shall uphold the requirements for hay harvesting and grazing outlined in this paragraph.</p>	<p>Natural meadows and pastures available at the farm of a farmer are not ploughed, resown with cultural herbage.</p> <p>Person using plant protection products for professional use must have diploma of agriculture or certificate of plant protection training courses.</p> <p>To use only registered products of</p>	<p>It is forbidden to cultivate land in shore protective belts of water bodies.</p> <p>It is prohibited to discharge directly sewage polluted by</p>	<p>The payments are made for income foregone of late haymaking (from 15<sup>th</sup> of July till 30 September), grass mowing (from 15 July till 30 September), for the bad quality of hay</p>



	<p>Hay or green mass in pastures and grasslands (including perennial pastures and grasslands) shall be collected and transported away from fields until the 1st of August (excepting the cases when green mass is pulverized and evenly spread on pastures and grasslands (including perennial pastures and grasslands). Hay and residues of straw and plants can be kept in stacks. According to legal acts it is allowed other deadlines to move grass and to remove from fields or to pulverize and to spray mowed grass in fields. The keepers of fruit and berry gardens who grow lawn or grass between the rows of plants shall uphold the requirements for hay harvesting and grazing outlined in this paragraph.</p> <p>Meadows and/or pastures (including perennial grasslands and pastures) shall be free from trees or shrubs, with the exception of single trees which make part of traditional landscape.</p> <p>It is forbidden to burn stubbly and grass in pastures and/or grasslands (including perennial pastures or grasslands).</p> <p>Grasslands and/or pastures (including perennial grasslands and pastures) shall be free from weeds with stiff stalks, as well as weeds which are allowed to mature and scatter their seeds (artemisia, absinthium,                      cirsium/thistle, arctium/burdock, urtica /nettle etc.). A presence of single weeds or grass clusters is not considered as infringement of</p>	<p>plants' protection and to carry out accounting.</p> <p>Maximum amount of livestock manure applied to the land cannot exceed 170 kg/N per ha.</p> <p>Animal breeder and animal breeding place/drove registered in data base of Animal register.</p> <p>Animals are properly and timely labeled and registered.</p> <p>During transportation animals has passports.</p> <p>A farm must carry out accounting of veterinary medicine and medicinal feedstuff, acquired according to receipts of veterinarians and consumed by animals for production.</p> <p>Animals kept for farming purposes should be fed with feedstuff corresponding to their physiological needs, considering their age, weight and pesticides.</p> <p>Farms, having more than 10 livestock units, (excepts farms having deep stables) must have manure storage facility equipped in compliance with the requirements: farms, having more than 300 livestock units till 1 January 2008 m; farms, having from 10 to 300 livestock units till 1 January 2012.</p>	<p>dangerous substances into the ground water.</p>	<p>and not use of pesticides and fertilizers.</p>
--	---	--	--	---

	rules.			
1.4 protection of water bodies against pollution and soil erosion on the arable land	<p>The arable land shall be covered either by agricultural crops or by sideral or black fallow. The fields under agricultural crops shall not have excessive content of weeds overwhelming crops, except single weeds or clusters of them. Black fallow shall be periodically cultivated and/or chemical substances applied in order to destroy weeds and improve the quality of soil. The fruit and berry growers which have black fallow between the rows of plants shall follow the requirements for black fallow outlined in this paragraph. The keepers of fruit and berry gardens who grow lawn or grass between the rows of plants shall uphold the requirements for hay harvesting and grazing outlined in this paragraph. Pastures or grasslands must be used for grazing animals or mowed not less than once a year (until 1<sup>st</sup> August). The keepers of fruit and berry gardens who grow lawn or grass between the rows of plants shall uphold the requirements for hay harvesting and grazing outlined in this paragraph. Hay or green mass in pastures and grasslands (including perennial pastures and grasslands) shall be collected and transported away from fields until the 1st of August (excepting the cases when green mass is pulverized and evenly spread on pastures and grasslands (including perennial pastures and</p>	<p>Natural meadows and pastures available at the farm of a farmer are not ploughed, resown with cultural herbage. Person using plant protection products for professional use must have diploma of agriculture or certificate of plant protection training courses. To use only registered products of plants' protection and to carry out accounting. Maximum amount of livestock manure applied to the land cannot exceed 170 kg/N per ha. Animal breeder and animal breeding place/drove registered in data base of Animal register. Animals are properly and timely labeled and registered. During transportation animals has passports. A farm must carry out accounting of veterinary medicine and medicinal feedstuff, acquired according to receipts of veterinarians and consumed by animals for production. Animals kept for farming purposes should be fed with feedstuff corresponding to their physiological needs, considering their age, weight and pesticides. Farms, having more than 10 livestock units, (excepts farms having deep stables) must have manure storage facility equipped in compliance with the</p>	<p>It is forbidden to cultivate land in shore protective belts of water bodies.</p> <p>It is prohibited to discharge directly sewage polluted by dangerous substances into the ground water.</p>	<p>Payments are made for the income foregone for sowing of arable land with perennial grass mixtures and for the late haymaking (from 15<sup>th</sup> of July till 30 September) for not use of pesticides and fertilizers.</p>

	<p>grasslands). Hay and residues of straw and plants can be kept in stacks. According to legal acts it is allowed other deadlines to move grass and to remove from fields or to pulverize and to spray mowed grass in fields. The keepers of fruit and berry gardens who grow lawn or grass between the rows of plants shall uphold the requirements for hay harvesting and grazing outlined in this paragraph.</p> <p>Arable land and meadows and/or pastures (including perennial grasslands and pastures) shall be free from trees or shrubs, with the exception of single trees which make part of traditional landscape.</p> <p>Arable land and grasslands and/or pastures (including perennial grasslands and pastures) shall be free from weeds with stiff stalks, as well as weeds which are allowed to mature and scatter their seeds (artemisia, absinthium, cirsium/thistle, arctium /burdock, urtica/nettle etc.). A presence of single weeds or grass clusters is not considered as infringement of rules.</p> <p>It is forbidden to burn stubbly and grass in pastures and/or grasslands (including perennial pastures or grasslands).</p>	<p>requirements: farms, having more than 300 livestock units till 1 January 2008 m; farms, having from 10 to 300 livestock units till 1 January 2012.</p>		
1.5 stubbly field in winter season	<p>The arable land shall be covered either by agricultural crops or by cidental or black fallow. The fields under agricultural crops shall not have excessive content of weeds overwhelming crops, except single weeds or clusters of them. Black fallow shall be periodically cultivated and/or</p>	<p>Person using plant protection products for professional use must have diploma of agriculture or certificate of plant protection training courses.</p> <p>To use only registered products of plants' protection and to carry out accounting.</p>	<p>It is forbidden to cultivate land in shore protective belts of water bodies.</p> <p>It is prohibited to</p>	<p>Payments are made for the income foregone for the less grain yield and additional costs for mechanized work in stubbly fields, for not use of pesticides and</p>

	<p>chemical substances applied in order to destroy weeds and improve the quality of soil. The keepers of fruit and berry gardens who grow lawn or grass between the rows of plants shall uphold the requirements for hay harvesting and grazing outlined in this paragraph.</p> <p>Arable land and meadows and/or pastures (including perennial grasslands and pastures) shall be free from trees or shrubs, with the exception of single trees which make part of traditional landscape.</p> <p>Arable land and grasslands and/or pastures (including perennial grasslands and pastures) shall be free from weeds with stiff stalks, as well as weeds which are allowed to mature and scatter their seeds (artemisia, absinthium, cirsium/thistle, arctium /burdock, urtica/nettle etc.).</p> <p>It is forbidden to burn stubble or grass in pastures and or grasslands (including perennial pastures or grasslands). A presence of single weeds or grass clusters is not considered as infringement of rules.</p>	<p>Maximum amount of livestock manure applied to the land cannot exceed 170 kg/N per ha.</p>	<p>discharge directly sewage polluted by dangerous substances into the ground water.</p>	<p>fertilizers.</p>
<p>1.6 The strips or fields of melliferous plants in arable land</p>	<p>The arable land shall be covered either by agricultural crops or by cidental or black fallow. The fields under agricultural crops shall not have excessive content of weeds overwhelming crops, except single weeds or clusters of them. Black fallow shall be periodically cultivated and/or chemical substances applied in order to destroy weeds and improve the quality of soil. The keepers of fruit and berry</p>	<p>Person using plant protection products for professional use must have diploma of agriculture or certificate of plant protection training courses.</p> <p>To use only registered products of plants' protection and to carry out accounting.</p> <p>Maximum amount of livestock manure applied to the land cannot exceed 170 kg/N per ha.</p>	<p>It is forbidden to cultivate land in shore protective belts of water bodies.</p> <p>It is prohibited to discharge directly sewage polluted by dangerous substances into the ground water.</p>	<p>Payments are made for the income foregone for areas sown with melliferous plants instead of cereals and for lost yield and for not use of fertilizers and pesticides.</p>

	<p>gardens who grow lawn or grass between the rows of plants shall uphold the requirements for hay harvesting and grazing outlined in this paragraph.</p> <p>Hay or green mass in pastures and grasslands (including perennial pastures and grasslands) shall be collected and transported away from fields until the 1st of August (excepting the cases when green mass is pulverized and evenly spread on pastures and grasslands (including perennial pastures and grasslands). Hay and residues of straw and plants can be kept in stacks. According to legal acts it is allowed other deadlines to move grass and to remove from fields or to pulverize and to spray mowed grass in fields. The keepers of fruit and berry gardens who grow lawn or grass between the rows of plants shall uphold the requirements for hay harvesting and grazing outlined in this paragraph.</p> <p>Pastures or grasslands must be used for grazing animals or mowed not less than once a year (until 1<sup>st</sup> August). The keepers of fruit and berry gardens who grow lawn or grass between the rows of plants shall uphold the requirements for hay harvesting and grazing outlined in this paragraph.</p> <p>Hay or green mass in pastures and grasslands (including perennial pastures and grasslands) shall be collected and transported away from fields until the 1st of August (excepting the cases when</p>			
--	---	--	--	--

	<p>green mass is pulverized and evenly spread on pastures and grasslands (including perennial pastures and grasslands). Hay and residues of straw and plants can be kept in stacks. According to legal acts it is allowed other deadlines to move grass and to remove from fields or to pulverize and to spray mowed grass in fields.</p> <p>Arable land and meadows and/or pastures (including perennial grasslands and pastures) shall be free from trees or shrubs, with the exception of single trees which make part of traditional landscape and whose crowns do not overwhelm the declared plants and do not create them obstacles to grow.</p> <p>Arable land and grasslands and/or pastures (including perennial grasslands and pastures) shall be free from weeds with stiff stalks, as well as weeds which are allowed to mature and scatter their seeds (artemisia, absinthium, cirsium/thistle, arctium /burdock, urtica/nettle etc.). A presence of single weeds or grass clusters is not considered as infringement of rules.</p> <p>It is forbidden to burn stubbly and grass in pastures and/or grasslands (including perennial pastures or grasslands).</p> <p>Subject, engaging in agricultural activity must follow requirements of crop rotation. It is forbidden to grow the same crops in the same field (same field of crops rotation) more than 3 years consecutively.</p>			
--	---	--	--	--

1.7 management of holding landscape elements	Single trees and bushes growing in AA, and determinate by municipality as Protected, must be retained for the objectives of preservation of landscape. These trees and bushes cannot be cut without the permission from municipality, except the cases if tree is breaked-up or pulled down by wind or snow, also dried trees, that are in danger for persons, buildings, traffic.	Person using plant protection products for professional use must have diploma of agriculture or certificate of plant protection training courses. To use only registered products of plants' protection and to carry out accounting.	It is forbidden to cultivate land in shore protective belts of water bodies.  It is prohibited to discharge directly sewage polluted by dangerous substances into the ground water.	It is paid for additional costs for trimming of hedgerows at least twice a year.
1.8. management of reclamation ditches	Pastures or grasslands must be used for grazing animals or mowed not less than once a year (until 1 <sup>st</sup> August). The keepers of fruit and berry gardens who grow lawn or grass between the rows of plants shall uphold the requirements for hay harvesting and grazing outlined in this paragraph. Hay or green mass in pastures and grasslands (including perennial pastures and grasslands) shall be collected and transported away from fields until the 1st of August (excepting the cases when green mass is pulverized and evenly spread on pastures and grasslands (including perennial pastures and grasslands). Hay and residues of straw and plants can be kept in stacks. According to legal acts it is allowed other deadlines to move grass and to remove from fields or to pulverize and to spray mowed grass in fields. The keepers of fruit and berry gardens who grow lawn or grass between the rows of plants shall uphold the requirements for hay harvesting and grazing outlined in this	Person using plant protection products for professional use must have diploma of agriculture or certificate of plant protection training courses. Sprinklers for plant protection must have certificates of set standard sprinklers. To use only registered products of plants' protection and to carry out accounting.	It is forbidden to cultivate land in shore protective belts of water bodies.  It is prohibited to discharge directly sewage polluted by dangerous substances into the ground water.	It is paid for the income foregone of haymaking on slopes of reclamation ditches.

	<p>paragraph. Grasslands and/or pastures (including perennial grasslands and pastures) shall be free from weeds with stiff stalks, as well as weeds which are allowed to mature and scatter their seeds (artemisia, absinthium,                      cirsium/thistle, arctium/burdock, urtica/nettle etc.). A presence of single weeds or grass clusters is not considered as infringement of rules.</p> <p>Meadows and/or pastures (including perennial grasslands and pastures) shall be free from trees or shrubs, with the exception of single trees which make part of traditional landscape.</p> <p>It is forbidden to burn stubbly and grass in pastures and/or grasslands (including perennial pastures or grasslands).</p>			
2. Organic farming scheme	<p>The arable land shall be covered either by agricultural crops or by cideral or black fallow. The fields under agricultural crops shall not have excessive content of weeds overwhelming crops, except single weeds or clusters of them. Black fallow shall be periodically cultivated and/or chemical substances applied in order to destroy weeds and improve the quality of soil. ). The keepers of fruit and berry gardens who grow lawn or grass between the rows of plants shall uphold the requirements for hay harvesting and grazing outlined in this paragraph.</p> <p>Hay or green mass in pastures and grasslands (including perennial pastures and grasslands) shall be collected and</p>	<p>Natural meadows and pastures available at the farm of a farmer are not ploughed, resown with cultural herbage.</p> <p>Person using plant protection products for professional use must have diploma of agriculture or certificate of plant protection training courses.</p> <p>To use only registered products of plants' protection and to carry out accounting.</p> <p>Maximum amount of livestock manure applied to the land cannot exceed 170 kg/N per ha.</p> <p>Animal breeder and animal breeding place/drove registered in data base of Animal register.</p> <p>Animals are properly and timely labeled</p>	<p>It is forbidden to cultivate land in shore protective belts of water bodies.</p> <p>It is prohibited to discharge directly sewage polluted by dangerous substances into the ground water.</p>	<p>It is paid income foregone for the less yield due to band of use of mineral fertilizers and pesticides and additional costs for certification, for organic and biological fertilizers in compare with usual practice.</p>



	<p>transported away from fields until the 1st of August (excepting the cases when green mass is pulverized and evenly spread on pastures and grasslands (including perennial pastures and grasslands). Hay and residues of straw and plants can be kept in stacks. According to legal acts it is allowed other deadlines to move grass and to remove from fields or to pulverize and to spray mowed grass in fields. ). The keepers of fruit and berry gardens who grow lawn or grass between the rows of plants shall uphold the requirements for hay harvesting and grazing outlined in this paragraph.</p> <p>Pastures or grasslands must be used for grazing animals or mowed not less than once a year (until 1<sup>st</sup> August).</p> <p>Hay or green mass in pastures and grasslands (including perennial pastures and grasslands) shall be collected and transported away from fields until the 1st of August (excepting the cases when green mass is pulverized and evenly spread on pastures and grasslands (including perennial pastures and grasslands). Hay and residues of straw and plants can be kept in stacks. According to legal acts it is allowed other deadlines to move grass and to remove from fields or to pulverize and to spray mowed grass in fields. ). The keepers of fruit and berry gardens who grow lawn or grass between the rows of plants shall uphold the requirements for hay</p>	<p>and registered.</p> <p>During transportation animals has passports.</p> <p>A farm must carry out accounting of veterinary medicine and medicinal feedstuff, acquired according to receipts of veterinarians and consumed by animals for production.</p> <p>Animals kept for farming purposes should be fed with feedstuff corresponding to their physiological needs, considering their age, weight and species.</p> <p>Farms, having more than 10 livestock units, (excepts farms having deep stables) must have manure storage facility equipped in compliance with the requirements: farms, having more than 300 livestock units till 1 January 2008 m; farms, having from 10 to 300 livestock units till 1 January 2012.</p>		
--	---	---	--	--

	<p>harvesting and grazing outlined in this paragraph.</p> <p>Arable land and meadows and/or pastures (including perennial grasslands and pastures) shall be free from trees or shrubs, with the exception of single trees which make part of traditional landscape.</p> <p>Arable land and grasslands and/or pastures (including perennial grasslands and pastures) shall be free from weeds with stiff stalks, as well as weeds which are allowed to mature and scatter their seeds (artemisia, absinthium, cirsium/thistle, arctium /burdock, urtica/nettle etc.). A presence of single weeds or grass clusters is not considered as infringement of rules.</p> <p>It is forbidden to burn stubbly and grass in pastures and/or grasslands (including perennial pastures or grasslands).</p> <p>Subject, engaging in agricultural activity must follow requirements of crop rotation. It is forbidden to grow the same crops in the same field (same field of crops rotation) more than 3 years consecutively.</p>			
3. Rare breeds scheme	It is not requirement for animal keeping in GAEC requirements.	<p>Maximum amount of livestock manure applied to the land cannot exceed 170 kg/N per ha.</p> <p>Animal breeder and animal breeding place/drove registered in data base of Animal register.</p> <p>Animals are properly and timely labeled and registered.</p> <p>During transportation animals has passports.</p>	<p>It is forbidden to cultivate land in shore protective belts of water bodies.</p> <p>It is prohibited to discharge directly sewage polluted by dangerous substances</p>	It is paid for income foregone for less quantity and quality of meat.

		<p>A farm must carry out accounting of veterinary medicine and medicinal feedstuff, acquired according to receipts of veterinarians and consumed by animals for production.</p> <p>Animals kept for farming purposes should be fed with feedstuff corresponding to their physiological needs, considering their age, weight and species.</p> <p>Farms, having more than 10 livestock units, (excepts farms having deep stables) must have manure storage facility equipped in compliance with the requirements: farms, having more than 300 livestock units till 1 January 2008 m; farms, having from 10 to 300 livestock units till 1 January 2012.</p>	into the ground water.	
4. Scheme for improving the status of water bodies at risk	<p>The arable land shall be covered either by agricultural crops or by cideral or black fallow. The fields under agricultural crops shall not have excessive content of weeds overwhelming crops, except single weeds or clusters of them. Black fallow shall be periodically cultivated and/or chemical substances applied in order to destroy weeds and improve the quality of soil. The keepers of fruit and berry gardens who grow lawn or grass between the rows of plants shall uphold the requirements for hay harvesting and grazing outlined in this paragraph.</p> <p>Hay or green mass in pastures and grasslands (including perennial pastures and grasslands) shall be collected and transported away from fields until the 1st</p>	<p>Natural meadows and pastures available at the farm of a farmer are not ploughed, resown with cultural herbage.</p> <p>Person using plant protection products for professional use must have diploma of agriculture or certificate of plant protection training courses.</p> <p>To use only registered products of plants' protection and to carry out accounting.</p> <p>Maximum amount of livestock manure applied to the land cannot exceed 170 kg/N per ha.</p> <p>Animal breeder and animal breeding place/drove registered in data base of Animal register.</p> <p>Animals are properly and timely labeled and registered.</p>	<p>It is forbidden to cultivate land in shore protective belts of water bodies.</p> <p>It is prohibited to discharge directly sewage polluted by dangerous substances into the ground water.</p>	<p>It is paid for income foregone for haymaking twice in a year (till 1<sup>st</sup> August; from 15<sup>th</sup> July till 30 September), for less income from hay and for not use of pesticides and plant protection products.</p>

	<p>of August (excepting the cases when green mass is pulverized and evenly spread on pastures and grasslands (including perennial pastures and grasslands). Hay and residues of straw and plants can be kept in stacks. According to legal acts it is allowed other deadlines to move grass and to remove from fields or to pulverize and to spray mowed grass in fields. The keepers of fruit and berry gardens who grow lawn or grass between the rows of plants shall uphold the requirements for hay harvesting and grazing outlined in this paragraph.</p> <p>Pastures or grasslands must be used for grazing animals or mowed not less than once a year (until 1<sup>st</sup> August).</p> <p>Hay or green mass in pastures and grasslands (including perennial pastures and grasslands) shall be collected and transported away from fields until the 1st of August (excepting the cases when green mass is pulverized and evenly spread on pastures and grasslands (including perennial pastures and grasslands). Hay and residues of straw and plants can be kept in stacks. According to legal acts it is allowed other deadlines to move grass and to remove from fields or to pulverize and to spray mowed grass in fields. The keepers of fruit and berry gardens who grow lawn or grass between the rows of plants shall uphold the requirements for hay harvesting and grazing outlined in this</p>	<p>During transportation animals has passports.</p> <p>A farm must carry out accounting of veterinary medicine and medicinal feedstuff, acquired according to receipts of veterinarians and consumed by animals for production.</p> <p>Animals kept for farming purposes should be fed with feedstuff corresponding to their physiological needs, considering their age, weight and pesticides.</p> <p>Farms, having more than 10 livestock units, (excepts farms having deep stables) must have manure storage facility equipped in compliance with the requirements: farms, having more than 300 livestock units till 1 January 2008 m; farms, having from 10 to 300 livestock units till 1 January 2012.</p>		
--	--	---	--	--

	<p>paragraph.  Arable land and meadows and/or pastures (including perennial grasslands and pastures) shall be free from trees or shrubs, with the exception of single trees which make part of traditional landscape. Arable land and grasslands and/or pastures (including perennial grasslands and pastures) shall be free from weeds with stiff stalks, as well as weeds which are allowed to mature and scatter their seeds (artemisia, absinthium, cirsium/thistle, arctium /burdock, urtica/nettle etc.). A presence of single weeds or grass clusters is not considered as infringement of rules.  It is forbidden to burn stubbly and grass in pastures and/or grasslands (including perennial pastures or grasslands)..</p>			
--	--	--	--	--



## ***Annex 8. Requirements for good agrarian and environment protection state***

The minimum requirements for good agrarian and environmental condition are the following:

1. The arable land shall be covered either by agricultural crops or by cideral or black fallow. The fields under agricultural crops shall not have excessive content of weeds overwhelming crops, except single weeds or clusters of them. Black fallow shall be periodically cultivated and/or chemical substances applied in order to destroy weeds and improve the quality of soil. The keepers of fruit and berry gardens who grow lawn or grass between the rows of plants shall uphold the requirements for hay harvesting and grazing outlined in this paragraph.

2. Pastures or grasslands (including the perennial pastures and grasslands) must be used for grazing animals (until the 1st August they shall be fully grazed at least once) or mowed not less than once a year (until the 1st August). The keepers of fruit and berry gardens who grow lawn or grass between the rows of plants shall uphold the requirements for hay harvesting and grazing outlined in this paragraph.

3. Hay or green mass in pastures and grasslands (including perennial pastures and grasslands) shall be collected and transported away from fields until the 1st of August (excepting the cases when green mass is pulverized and evenly spread on pastures and grasslands (including perennial pastures and grasslands)). Hay and residues of straw and plants can be kept in stacks. According to legal acts it is allowed other deadlines to move grass and to remove from fields or to pulverize and to spray mowed grass in fields. The keepers of fruit and berry gardens who grow lawn or grass between the rows of plants shall uphold the requirements for hay harvesting and grazing outlined in this paragraph.

4. Arable land and meadows and/or pastures (including perennial grasslands and pastures) shall be free from trees or shrubs, with the exception of single trees which make part of traditional landscape.

5. Arable land and grasslands and/or pastures (including perennial grasslands and pastures) shall be free from weeds with stiff stalks, as well as weeds which are allowed to mature and scatter their seeds (artemisia, absinthium, cirsium/thistle, arctium/burdock, urtica/nettle etc.). A presence of single weeds or grass clusters is not considered as infringement of rules.

6. It is forbidden to burn stubble and grass in pastures and/or grasslands (including perennial pastures or grasslands).

7. Subject, engaging in agricultural activity must follow requirements of crop rotation. It is forbidden to grow the same crops in the same field (same field of crops rotation) more than 3 years consecutively.

8. Single trees and bushes growing in AA, and determinate by municipality as Protected, must be retained for the objectives of preservation of landscape. These trees and bushes cannot be cut without the permission from municipality, except the cases if tree is breaked-up or pulled down by wind or snow, also dried trees, that are in danger for persons, buildings, traffic.



## **Annex 9. METHODOLOGY OF PAYMENT CALCULATION**

### **1. LANDSCAPE STEWARDSHIP SCHEME**

#### **Activity 1. Management of natural and semi- natural meadows”**

Calculations of payments for the schemes were made per hectare in order to cover additional cost incurred and income foregone resulting from the commitment made.

Assumption is that participants receive less income. It is caused by yield and production quality reduction of moving grass once and in later terms instead of two moving and in proper time in usual practice. Hay produced suits only for bedding and compost.

Costs make up just half of the costs of those of traditional farming because the grass should be moved (once), trimmed and took out.

Finally, the income losses are higher to compare to cost savings.

Proposed compensatory payments see in the table below.

**Table 1. Calculation of compensatory payments for management of natural and semi- natural meadows**

<b>Indicators</b>	<b>EUR/ha</b>
Total income due to restriction	17,4
Total income in usual practice	178,1
<b>Income losses</b>	<b>160,7</b>
Total cost due to restriction	58,1
Total cost in usual practice	120,5
<b>Cost savings</b>	<b>62,4</b>
<b>Income foregone</b>	<b>98,3</b>
<b>Proposed compensatory payments</b>	<b>98</b>

References:

1. Tariff of mechanized agricultural works. II part. Crop treatment and haymaking, 2006.
2. Order of minister “For biological capital and normative prices for agricultural production” (2006, No. 140-5366)
3. Budgetary institutions and organizations workers hourly rates, determinate by governmental decision No. 954, Basic salary and basic hourly rate is determinate by governmental decision No. 1604.

#### **Activity 2. Management of wetlands**

There are two cases of the activities of Management of wetlands for the payments calculations: 1) participants runs utilized agricultural area; 2) participants runs non agricultural land.

The first case doesn't generate incomes in both usual practice and participating in the agri–environment activity.

The costs of this case consist of moving the grass in wetlands and removing the grass moved.

Proposed compensatory payments see in the table below.

**Table 2. Calculation of compensatory payments for management of wetlands in non UAA**

<b>Indicators</b>	<b>EUR/ha</b>
Total cost due to restriction	229
Total cost in usual practice	0
Additional cost	229
<b>Proposed compensatory payments</b>	<b>229</b>

In usual practice (second case) participants receive some income from one moving of grass while participating in the activity he don't receive any income for the following crop. It is caused by yield and production quality reduction of moving grass once and in later term instead of two moving and in proper time in usual practice. Hay produced is took away.

Costs make up about half of the costs of those of traditional farming because the grass is moved once and in half of the area, milled and spread and in second half of the area the grass is moved and took out.

Finally, the income losses are higher to compare to cost savings.

Proposed compensatory payments see in the table below.

**Table 3. Calculation of compensatory payments for management of wetlands in UAA**

<b>Indicators</b>	<b>EUR/ha</b>
Total income due to restriction	<b>0</b>
Total income in usual practice	<b>99,2</b>
<b>Income losses</b>	<b>99,2</b>
Total cost due to restriction	133,1
Total cost in usual practice	64,0
Additional cost	69,1
Income foregone	168,3
<b>Proposed compensatory payments</b>	<b>168</b>

References:

1. Arable farming, vegetable growing and gardening works output normative (I , II parts). – Vilnius, 1988, 1989.
2. Budgetary institutions and organizations workers hourly rates, determinate by governmental decision No. 954, Basic salary and basic hourly rate is determinate by governmental decision No. 1604.

### **Activity 3. Management of shore protective belts of water bodies in meadows**

The base of calculation of the compensatory payments is the difference of the income and costs due to specific requirements of the activity.

Assumption is that participants don't receive any income for the following crop. It is caused by yield and production quality reduction of moving grass once and in later terms instead of two moving and in proper time in usual practice. Hey produced suits only for bedding.

Costs make up just one quarter of the costs of those of traditional farming because the grass should be moved once and took out.

Finally, the income losses are higher to compare to cost savings. The amount of income foregone depend whether the mineral fertilizers are used in traditional farming or not.

Proposed compensatory payments (2 variants) see in the tables below.

**Table 4. Calculation of compensatory payments for management of shore protective belts of water bodies in meadows (using mineral fertilizers in usual practise)**

Indicators	EUR/ha
Total income due to restriction	0
Total income in usual practice	265
<b>Income losses</b>	<b>265</b>
Total cost due to restriction	58,1
Total cost in usual practice	222,7
<b>Saving cost</b>	<b>164,6</b>
<b>Income foregone</b>	<b>100,4</b>
<b>Proposed compensatory payments</b>	<b>100</b>

**Table 5. Calculation of compensatory payments for management of shore protective belts of water bodies in meadows (without using mineral fertilizers in usual practice)**

Indicators	EUR/ha
Total income due to restriction	0
Total income in usual practice	171,4
<b>Income losses</b>	<b>171,4</b>
Total cost due to restriction	58,1
Total cost in usual practice	120,5
<b>Saving cost</b>	<b>62,4</b>
<b>Income foregone</b>	<b>109</b>
<b>Proposed compensatory payments</b>	<b>109</b>

References:

1. Tariff of mechanized agricultural works. I part. Main cultivation works, 2007.
2. Tariff of mechanized agricultural works. II part. Crop treatment and haymaking, 2006.
3. Order of minister "For biological capital and normative prices for agricultural production" (2006, No. 140-5366)
4. 2003-12-16 Government decree No 1604 "Basic salary and basic hourly rate". (State news, 2003 No. 119-5421).
5. Order of minister „For licentiate stocked in storage for pulse, oil-bearing crops and their seeds and normative prices“ (2006, No. 82-3284).
6. 2006-09-27 Government decree No 954 "Concerning the calculation of the average salaries for employees and public officials". (State news, 2006 No. 105-4011).

#### **Activity 4. Protection of water bodies against pollution and soil erosion on arable land**

According to this activity arable land is transformed into extensively used meadows. Assessment is made of the income forgone as a result of the changes in the amount of direct payments.

Participants transformed the activity from cereals to meadows decrease their income. According to requirement of the activity of moving grass once and in later terms they don't receive any income from the meadows, because hey produced suits only for bedding. The direct payment for meadows compare to direct payment for cereals decrease by 1.5 times. So, the total income decreased by 5 times.

Costs related to the new activity make up just one third of the previous costs of cereal production farming. It should be noted that cost amount is less according to the requirement not to use mineral fertilizers.

Finally, the income losses are higher to compare to cost savings. Proposed compensatory payments see in the table below.

**Table 6. Calculation of compensatory payments for protection of water bodies against pollution and soil erosion on the arable land**

Indicators	EUR/ha
Total income due to restriction	85,4
Total income in usual practice	444,7
<b>Income losses</b>	<b>359,3</b>
Total cost due to restriction	152,5
Total cost in usual practice	352
<b>Saving cost</b>	<b>199,5</b>
<b>Income foregone</b>	<b>159,8</b>
<b>Proposed compensatory payments</b>	<b>160</b>

References:

1. Tariff of mechanized agricultural works. II part. Crop treatment and haymaking, 2006.
2. Order of minister "For biological capital and normative prices for agricultural production" (2006, No. 140-5366)
3. Budgetary institutions and organizations workers hourly rates, determinate by governmental decision No. 954, Basic salary and basic hourly rate is determinate by governmental decision No. 1604
4. Order of minister „For licentiate stocked in storage for pulse, oil-bearing crops and their seeds and normative prices“ (2006, No. 82-3284).

#### **Activity 5. Stubble field in winter season**

Estimating the amount of compensatory payment the requirements of the activity two main aspects were considered: stubble field shall rest not ploughed until spring next year and not to use any fertilizers or pesticides on stubble field.

Estimations shows that for participant taking part in this activity the income decrease more than half due to lower yield not using any fertilizers, chemicals and lime on the stubble.

As the cost remains almost the same for this activity the compensatory payment is calculated on the bases of the losses of income.

Proposed compensatory payments see in the table below.

**Table 7. Calculation of compensatory payments for stubble field in winter season**

Indicators	EUR/ha
Total income due to restriction	167
Total income in usual practice	308,4
<b>Income losses</b>	<b>141,4</b>
Total cost due to restriction	356
Total cost in usual practice	352
<b>Cost losses</b>	<b>4</b>
<b>Income foregone</b>	<b>145,4</b>
<b>Proposed compensatory payments</b>	<b>145</b>

References:

1. Tariff of mechanized agricultural works. I part. Main cultivation works, 2007.
2. Tariff of mechanized agricultural works. II part. Crop treatment and haymaking, 2006.
3. Tariff of mechanized agricultural works. III part. Harvesting, 2006.
4. Order of minister "For biological capital and normative prices for agricultural production" (2006, No. 140-5366)
5. Arable farming, vegetable growing and gardening works output normative (I, II part). – Vilnius, 1988, 1989.

6. Budgetary institutions and organizations workers hourly rates, determinate by governmental decision No. 954, Basic salary and basic hourly rate is determinate by governmental decision No. 1604.

### **Activity 6. The strips or plots of melliferous plants on the arable land**

Calculating the amount of compensatory payment the requirements to sow and trim a mixture of melliferous plants in the arable land and not to use any fertilizers or pesticides were considered.

Estimations shows that for participant taking part in this activity the income decrease due to lower yield of grains. It is considered that the direct payments for melliferous plants are less to compare to direct payment for cereals.

As the cost remains almost the same for this activity the compensatory payment is calculated on the bases of the basis of income foregone.

Proposed compensatory payments see in the table below.

**Table 8. Calculation of compensatory payments for the strips or areas of melliferous plants on the arable land**

<b>Indicators</b>	<b>EUR/ha</b>
Total income due to restriction	386,5
Total income in usual practice	444,6
<b>Income losses</b>	<b>58,1</b>
Total cost due to restriction	355,9
Total cost in usual practice	352
<b>Cost losses</b>	<b>3,9</b>
<b>Income foregone</b>	<b>62</b>
<b>Proposed compensatory payments</b>	<b>62</b>

References:

1. Tariff of mechanized agricultural works. I part. Main cultivation works, 2007.
2. Tariff of mechanized agricultural works. II part. Crop treatment and haymaking, 2006.
3. Tariff of mechanized agricultural works. III part. Harvesting, 2006.
4. Order of minister "For biological capital and normative prices for agricultural production" (2006, No. 140-5366)
5. Arable farming, vegetable growing and gardening works output normative (I, II parts). – Vilnius, 1988, 1989.

### **Activity 7. Management of the holding landscape elements**

The base of calculation of the compensatory payments related to requirement of the activity to trim the hedgerows.

The costs of this activity consist of trimming the hedgerows.

Proposed compensatory payments see in the table below.

**Table 9. Calculation of compensatory payments for management of the holding landscape elements**  
(per 10 m<sup>2</sup> of hedgerows maintained)

<b>Indicators</b>	<b>EUR/10m2</b>
Total cost due to restriction	0,437
Total cost in usual practice	0
Additional cost	0,437
<b>Proposed compensatory payments</b>	<b>0,437</b>

References:

1. Budgetary institutions and organizations workers hourly rates, determinate by governmental decision No. 954, Basic salary and basic hourly rate is determinate by governmental decision No. 1604.
2. Normative for the planting and for the works in gardens and hothouse, 1990

### **Activity 8. Management of reclamation ditches**

The base of calculation of the compensatory payments related to requirement of the activity to trim the reclamation ditches.

The costs of this activity consist of mowing the slopes and cutting bushes from the slopes of reclamation ditches.

Proposed compensatory payments see in the table below.

**Table 10. Management of reclamation ditches**

<b>Indicators</b>	<b>EUR/ha</b>
Total cost due to restriction	99,6
Total cost in usual practice	0
Additional costs	<b>99,6</b>
<b>Proposed compensatory payments</b>	<b>100</b>

References:

1. Budgetary institutions and organizations workers hourly rates, determinate by governmental decision No. 954, Basic salary and basic hourly rate is determinate by governmental decision No. 1604.
2. Tariff of mechanized agricultural works. II part. Crop treatment and haymaking, 2006.
3. Order of minister "For biological capital and normative prices for agricultural production" (2006, No. 140-5366)

Arable farming, vegetable growing and gardening works output normative (I, II parts). – Vilnius,

## SCHEME 2. ORGANIC FARMING SCHEME

The estimation of compensatory payment has been carried out considering five categories of land use and identifying some representative crops for each of them. The introduction of organic techniques in conventional farms implies the reduction of yields as a consequence of the adoption of less intensive production techniques.

The support of organic farming scheme measures is awarded in accordance with the general EU requirements on an annual basis and is calculated on the basis of:

- Income foregone;
- Additional costs due to commitments undertaken.

The difference of income and additional cost or saving cost represents the principal item of foregone incomes. Moreover, certification costs have been calculated for each crop category. The same compensatory payments are made for organic farming and farming in transition.

Tables 15.2.1 - 15.2.5 below presents calculation of compensatory payments in organic farms for five categories of plant.

**Cereals.** Due to reduced productivity of spring cereals (because of limited use of fertilizers and chemicals) in organic farm to compare with traditional farming the income decrease by half.

Cost in organic farm increases by one third due to use of more expensive seeds, additional mechanized works against weeds, pests, imbed manure, fallow keeping and certification.

Proposed compensatory payments see in the table below.

**Table 11. Calculation of compensatory payments for cereals (barley) grown (lands of average productivity)**

Indicators	EUR/ha
Total income in organic farm	337,2
Total income in conventional farm	444,7
Income losses	107,5
Total cost in organic farm	459,9
Total cost in conventional farm	352
Additional cost	107,9
Income foregone	215,4
Proposed compensatory payments	215

References:

1. Tariff of mechanized agricultural works. I part. Main cultivation works, 2007.
2. Tariff of mechanized agricultural works. II part. Crop treatment and haymaking, 2006.
3. Order of minister "For biological capital and normative prices for agricultural production" (2006, No. 140-5366)
4. Order of minister „For licentiate stocked in storage for pulse, oil-bearing crops and their seeds and normative prices“(2006, No. 82-3284).
5. Summer barley growing technologies, Lithuanian institute agrarian economics, 2000
6. The baseline of scientific recommendations in organic farming, 2006
7. For the farmers, endangered in organic farming activity, 2006
8. The prices of pesticides and fertilizers are determinate by medium prices, that are published in the journal „Mano ukis“, No1, 2007
9. The price of certification work is determinate in Order of minister No.3D-192
10. The productivity and price of production is determinate from:

11. Lithuanian agriculture, Statistical division, 2002-2005;
12. Crops, harvest, productivity , Statistical division, 2004-2007
13. "Ekoagros" and agricultural and food market information system data.
14. Budgetary institutions and organizations workers hourly rates, determinate by governmental decision No. 954, Basic salary and basic hourly rate is determinate by governmental decision No. 1604.

**Orchards.** Productivity of vegetables (because of limited use of fertilizes and chemicals) in organic farm reduces by one third.

Income reduces just by one fifth due to higher prices on organic vegetable production.

Cost in organic farm remains almost the same (decrease by 4 percent) due to use of more labour work.

Proposed compensatory payments see in the table below.

**Table 12 Calculation of compensatory payments for orchards (berries) grown in organic farms**

Indicators	EUR/ha
Total income in organic farm	2919,4
Total income in conventional farm	3544,9
Income losses	625,5
Total cost in organic farm	3049,8
Total cost in conventional farm	3159,1
Saving cost	-109,3
Income foregone	516,2
Proposed compensatory payments	516

References:

1. Tariff of mechanized agricultural works. I part. Main cultivation works, 2007.
2. Tariff of mechanized agricultural works. II part. Crop treatment and haymaking, 2006.
3. Order of minister "For biological capital and normative prices for agricultural production" (2006, No. 140-5366)
4. Order of minister „For licentiate stocked in storage for pulse, oil-bearing crops and their seeds and normative prices“ (2006, No. 82-3284)
5. Budgetary institutions and organizations workers hourly rates, determinate by governmental decision No. 954, Basic salary and basic hourly rate is determinate by governmental decision No. 1604
6. Intensive seed technologies, Lithuanian institute agrarian economics, 2000
7. Order of minister „For licentiate stocked in storage for pulse, oil-bearing crops and their seeds and normative prices“ (2006, No. 82-3284).
8. The prices of pesticides and fertilizers are determinate by medium prices that are published in the journal „Mano ukis“ No1, 2007 m.
9. The price of certification work is determinate in Order of minister No.3D-192
10. The productivity and price of production is determinate from:
11. Lithuanian agriculture, Statistical division, 2002-2005;
12. Crops, harvest, productivity , Statistical division, 2004-2007
13. "Ekoagros" and agricultural and food market information system data.

**Vegetables.** Productivity of vegetables (because of limited use of fertilizes and chemicals) in organic farm reduces almost by half.

Income reduces just by 11 percent due to higher prices on organic vegetable production.

Cost in organic farm increases by 7 percent due to use of more expensive seeds, additional mechanized activities against weeds, pests, imbed manure, keeping the siderite fallow and certification.

Proposed compensatory payments see in the table below.



**Table 13 Calculation of compensatory payments for vegetables (potatoes) grown in organic farms**

Indicators	EUR/ha
Total income in organic farm	2424,1
Total income in conventional farm	2737
Income losses	312,9
Total cost in organic farm	1926
Total cost in conventional farm	1798,5
Additional cost	127,5
Income foregone	440,4
Proposed compensatory payments	440

References:

1. Order of minister "For biological capital and normative prices for agricultural production" (2006, No. 140-5366).
2. Order of minister „For licentiate stocked in storage for pulse, oil-bearing crops and their seeds and mormative prices“(2006, No. 82-3284).
3. Budgetary institutions and organizations workers hourly rates, determinated by gouvornmental decision No. 954, Basic salary and basic hourly rate is determinated by gouvornmental decision No. 1604.
4. Potatoes growing technologies, Lithuanian institute agrarian economics, 2000.
5. The prices of pesticides and fertilizers are determinated by medium prices, that are published in the journal „Mano ukis“, No1, 2007.
6. The price of certification work is determinate in Order of minister No.3D-192
7. The productivity and price of production is determinated for Lithuanian agriculture; Statistical division, 2002-2005;
8. Crops, harvest, productivity , Statistical division, 2004-2007.
9. "Ekoagros" and agricultural and food market information system data.
10. Arable farming, vegetable growing and gardening works output normative (I, II parts). – Vilnius, 1988, 1989.

**Medical herbs.** Due to reduced productivity of medical herbs (because of limited use of fertilizes and chemicals) in organic farm to compare with traditional farming the income decrease by one fourth.

Cost in organic farm remains almost the same (increase by 4 percent) due to use of more expensive seeds and certification.

Proposed compensatory payments see in the table below.

**Table 14. Calculation of compensatory payments for medical herbs grown in organic farms**

Indicators	EUR/ha
Total income in organic farm	1668,2
Total income in conventional farm	2085,3
Income losses	417,1
Total cost in organic farm	1805,3
Total cost in conventional farm	1733,3
Additional cost	72,0
Income foregone	489,1
Proposed compensatory payments	489

References:

1. Tariff of mechanized agricultural works. I part. Main cultivation works, 2007.
2. Tariff of mechanized agricultural works. II part. Crop treatment and haymaking, 2006.
3. Order of minister "For biological capital and normative prices for agricultural production" (2006, No. 140-5366)

4. Order of minister „For licentiate stocked in storage for pulse, oil-bearing crops and their seeds and normative prices“ (2006, No. 82-3284)
5. Budgetary institutions and organizations workers hourly rates, determined by governmental decision No. 954, Basic salary and basic hourly rate is determined by governmental decision No. 1604
6. Medical marguerite growing in farming, Lithuanian institute agrarian economics, 2000
7. Arable farming, vegetable growing and gardening works output normative (I, II parts). – Vilnius, 1988, 1989.
8. The prices of pesticides and fertilizers are determined by medium prices, that are published in the journal „Mano ukis“, No1,2007
9. The price of certification work is determined in Order of minister No.3D-192
10. “Ekoagros” and agricultural and food market information system data.

**Perennial grass.** The assumption for calculating of income foregone is incurred in milk production as the grass and are used for milk production.

Productivity of perennial grass (because of limited use of fertilizers and chemicals) in organic farm to compare to traditional farming reduces and therefore the income reduces by twice.

Cost in organic farm decreases by 3.5 times due to limited use of fertilizers and chemicals and reduced costs for hay making.

Proposed compensatory payments see in the table below.

**Table 15. Calculation of compensatory payments for perennial grass grown in organic farms**

Indicators	EUR/ha
Total income in organic farm	354,2
Total income in conventional farm	708,8
Income losses	354,6
Total cost in organic farm	88,5
Total cost in conventional farm	315,6
Saving cost	227,1
Income foregone	127,5
Proposed compensatory payments	127

References:

1. Tariff of mechanized agricultural works. I part. Main cultivation works, 2007.
2. Tariff of mechanized agricultural works. II part. Crop treatment and haymaking, 2006.
3. Order of minister “For biological capital and normative prices for agricultural production” (2006, No. 140-5366)
4. Order of minister „For licentiate stocked in storage for pulse, oil-bearing crops and their seeds and normative prices“ (2006, No. 82-3284)
5. Budgetary institutions and organizations workers hourly rates, determined by governmental decision No. 954, Basic salary and basic hourly rate is determined by governmental decision No. 1604
6. Cultural meadows and pastures growing technologies, Lithuanian institute agrarian economics, 2000
7. Arable farming, vegetable growing and gardening works output normative (I, II parts). – Vilnius, 1988, 1989.
8. The prices of pesticides and fertilizers are determined by medium prices, that are published in the journal „Mano ukis“, No1,2007
9. The price of certification work is determined in Order of minister No.3D-192
10. “Ekoagros” and agricultural and food market information system data.

### SCHEME 3. RARE BREEDS SCHEME

The compensatory payments for rare breeds farming scheme were calculated in accordance with the general EU requirements on the basis only of income foregone.

The cost both in usual practice and in the rare breed farms is equal.

Income forgone as a result of preservation of the old Lithuanian species is the losses due to lower productivity and production quality.

Proposals for compensatory payments for rare Lithuanian breeds are as follow:

- for Žemaitukai horses – EUR 198 per horse;
- for Big Žemaitukai horses)– EUR 198 per horse;
- for Lithuanian Weighted horses– EUR 191 per horse;
- for Lithuanian Ash-Grey cattle) — EUR 180 per cattle unit;
- for Lithuanian White-Backed cattle– EUR 180 per cattle unit;
- for Lithuanian Rufous and Black and White cattle (local genotype)— EUR 180 per cattle unit;
- for Lithuanian White pigs (old genotype) EUR 65 per pig;
- for Lithuanian Native (Wattle) pigs– EUR 65 for per pig;
- for Lithuanian Coarse-wooled sheep– EUR 28 per sheep;
- for Lithuanian Blackhead sheep (old genotype) – EUR 28 per sheep;
- for *Chicken* geese – EUR 3 per Chicken goose.

Proposed compensatory payments see in the table below.

**Table 16. Calculation of compensatory payments for keeping one specimen of rare endangered breeds of Žemaitukai , Heavy type Žemaitukai horses per year**

Indicators	EUR/animal
Total income due to restriction	0
Total income in usual practice	0
<b>Income foregone</b>	<b>0</b>
<b>Proposed compensatory payments</b>	<b>198</b>

**Table. 17. Calculation of compensatory payments for keeping one specimen of rare endangered breeds of Lithuanian Heavy Draught horses per year**

Indicators	EUR/animal
Total income due to restriction	0
Total income in usual practice	0
<b>Income foregone</b>	<b>0</b>
<b>Proposed compensatory payments</b>	<b>191</b>

**Table. 18. Calculation of compensatory payments for keeping one specimen of rare endangered breeds of Lithuanian Ash-Grey, White-Backed, Rufous and Black and White cattle per year**

Indicators	EUR/animal
------------	------------

<b>Indicators</b>	<b>EUR/animal</b>
Total income due to restriction	<b>133</b>
Total income in usual practice	<b>313</b>
<b>Income foregone</b>	<b>180</b>
<b>Proposed compensatory payments</b>	<b>180</b>

**Table. 19. Calculation of compensatory payments for keeping one specimen of rare endangered breeds of Lithuanian White and Native (Wattle) pigs per year**

<b>Indicators</b>	<b>EUR/animal</b>
Total income due to restriction	<b>234</b>
Total income in usual practice	<b>299</b>
<b>Income foregone</b>	<b>65</b>
<b>Proposed compensatory payments</b>	<b>65</b>

**Table. 20. Calculation of compensatory payments for keeping one specimen of rare endangered breeds of Lithuanian Coarse-woolen, Blackhead sheep per year**

<b>Indicators</b>	<b>EUR/animal</b>
Total income due to restriction	<b>174</b>
Total income in usual practice	<b>202</b>
<b>Income foregone</b>	<b>28</b>
<b>Proposed compensatory payments</b>	<b>28</b>

**Table. 21. Calculation of compensatory payments for keeping one specimen of rare endangered breeds of Chicken geese per year**

<b>Indicators</b>	<b>EUR/animal</b>
Total income due to restriction	<b>17,5</b>
Total income in usual practice	<b>20,8</b>
<b>Income foregone</b>	<b>3,3</b>
<b>Proposed compensatory payments</b>	<b>3</b>

References:

1. 2005-12-30 Order of the Ministry of Agriculture No 4D-169 “Concerning the approval of the depreciation normative for capital assets of the institutions under the Ministry of Agriculture and the institutions financed from the budget.
2. Fundamentals of husbandry, Vilnius, 1988.
3. Normative for planning of the farmers production activities. Kaunas, 1999.
  - 2006-09-27 Government decree No 954 “Concerning the calculation of the average salaries for employees and public officials”. (State news, 2006 No. 105-4011).

#### **SCHEME 4. IMPROVING THE STATUS OF WATER BODIES AT RISK**

According to this activity arable land is transformed into extensively used meadows. Assessment is made of the income forgone as a result of the changes in the amount of direct payments.

Participants transformed the activity from cereals to meadows decreased their income. By requirement of the activity of moving grass once and in later terms they don't receive any income from the meadows, because they produced suits only for bedding. The direct payment for meadows compare to direct payment for cereals decrease by 1.5 times. So, the total income decreased by 5 times.

Costs related to the new activity make up just one third of the previous costs of cereal farming. It should be noted that cost amount is less according to the requirement not to use mineral fertilizers.

Finally, the income losses are higher to compare to cost savings. Proposed compensatory payments see in the table below.

**Table 22. Calculation of compensatory payments for protection of water bodies against pollution and soil erosion on the arable land**

Indicators	EUR/ha
Total income due to restriction	85,4
Total income in usual practice	444,7
Income losses	359,3
Total cost due to restriction	111
Total cost in usual practice	352
Saving cost	241
Income foregone	118,3
Proposed compensatory payments	118

References:

1. Tariff of mechanized agricultural works. I part. Main cultivation works, 2007.
2. Tariff of mechanized agricultural works. II part. Crop treatment and haymaking, 2006.
3. Tariff of mechanized agricultural works. III part. Harvesting, 2006.
4. Order of minister "For biological capital and normative prices for agricultural production" (2006, No. 140-5366)
5. Budgetary institutions and organizations workers hourly rates, determined by governmental decision No. 954, Basic salary and basic hourly rate is determined by governmental decision No. 1604

## MEASURE 2

### FIRST AFFORESTATION OF AGRICULTURAL LAND

The system of compensatory payment for first afforestation of agricultural land consists of two parts.

**Part 1** of compensatory payments for income foregone supporting the farmer who transferring its activity from agriculture to first afforestation. The calculation method for this part of the payments is based on income foregone, which is considered as a profit for average farm engaged in agricultural activity. As the aim of the measure is to encourage farmers in the LFA to transfer their activities from agriculture to forestry the payment amount is fixed on the average indicator (profit) from the FADN data for 2005.

Proposed first part compensatory payments see in the table below.

**Table 23. Calculation of compensatory payments for farmer transferring activity from agriculture to first afforestation**

Areas	Profit, EUR	Average respondent farm size, ha	Profit, EUR/ha
LFA	4443	45,7	97
FA	7552	62,6	121
Average	6052	54,4	111

Reference:

1. FADN data about agricultural enterprises, 2005, Vilnius

**Part 2.** of the compensatory payment consists of forest planting, maintenance and protection were calculated according the average costs of forest establishment maintenance and protection in 2006 year in Lithuania. These costs born after a survey was made in which 40 companies providing forest establishment and maintenance services were questioned. Verifiability of these costs was confirmed by the Lithuanian Forest Research Institute. Forest establishment costs consists of: preparation of afforestation plan (project formulation, measurement and marking of the area), seedlings/seeds costs and transportation, site preparation, planting and protection of seedlings, mounting of fire break belts. Costs for maintenance and protection of seedlings consists of: maintenance of forest seedlings, renovation of firebreak belts, replanting of lost forest seedlings (seedling purchase, transportation, planting), renovation of forest protection means (fences, individual protection means, etc.), purchase and use of repellents.

Forest establishment, maintenance and protection costs are included into costs shown in the table.



**Table 24. Compensable costs of forest planting, maintenance and protection by different species of trees**

Tree species composition of planted forest	Establishment grant, EUR/ha		Annual premium for maintenance and protection of the new forest, EUR/ha (only in case of afforestation of abandoned land)
	Favourable area (70%)	Less favourable area (80%)	
Conifers with softwood broadleaves (not less than 20 pct.) or only soft broadleaves	1,360.8	1,555.2	385.2
Conifers with/or softwood broadleaves with not less than 20 pct. of hardwood broadleaves and/or lime.	1,814.4	2,073.6	449.4
Hardwood broadleaves and/or lime with the mixture of conifers and/or softwood broadleaves up to 40 pct.	2,268	2,592	513.6
Hardwood broadleaves, lime, or aspen (including hybrid aspen) of selective origin planted	2,721.6	3,110.4	513.6
Planted oak when there are 2,500 oak seedlings per hectare planted and protected with individual protection means	4,082.4	4,665.6	642
Fast-growing hybrid aspen for short-term cultivation	2,721.6	3,110.4	-
Fast-growing species for short-term cultivation	1,360.8	1,555.2	-



## **MEASURE 3**

### **FIRST AFFORESTATION OF NON AGRICULTURAL AND ABANDONED LAND**

Description of methodology of Measure 3 is the same as the description methodology of payment calculation part 2 of the Measure 2 “First afforestation of agricultural land”.

## **MEASURE 6**

The payment amount depends on the importance of the environmental commitments made and is set to cover additional costs incurred and income foregone resulting from the commitment made by the forest owner. For that purpose, the measure provides two levels of annual payments for environmental protection in forests payable for the taking of and compliance with environmental commitment of an appropriate level.

For non-performance of final forest cutting in WKH the annual payment of EUR 279/ha will be granted for 7 years. The annual payment of this amount to a private forest owner would compensate losses incurred because of incomes received later when a final forest cutting on voluntary commitment of the forest owner is not performed (postponed 7 years) as compared to final forest cutting allowable under such conditions by legal acts. In this case the incomes foregone are equal the annual interest rate for long-term deposits that could be received in case of selling the wood after allowed final forest felling.

The payment amount of EUR 140/ha is set for non-clear cutting of forests instead of clear cutting allowed annually until the last case of non-clear cutting but for no longer than 7 years. The annual payment of this amount to a private forest owner would compensate losses incurred because of income received later when a part of trees (in average 50 %) cut through non-clear cutting activities only in 5 to 10 years as compared to clear cutting allowable under such conditions. In this case the incomes foregone are equal the annual interest rate for long-term deposits that could be received in case of selling the additional wood after allowed clear-cutting.

Calculation of payment amounts for compensation the income foregone resulting from the voluntary commitments made by the forest owner

Calculation of payment amounts for compensation the income foregone resulting from the voluntary commitments made by the forest owner.

**Table 25. Calculation of compensatory payments for the forest environment payments**

Activity	Mean growing stock volume of mature forest stands, m <sup>3</sup> /ha	Average marketable wood volume in mature forest stands, m <sup>3</sup> /ha	Average volume of wood left after the first cutting case, %	Average price of round wood, EUR/m <sup>3</sup>	Average costs of wood harvesting and logging, EUR/m <sup>3</sup>	Average price of uncut forest, EUR/m <sup>3</sup>	Annual interest rate of commercial banks for long-term deposits, %	Annual amount of incomes foregone (amount of annual payment), EUR/ha
Mark/formula	A	A*90%	B	C	D	C-D	E	A*90%*B*(C-D)*E
Activity 1: <b>Payments for not conducting final forest cutting in WKH</b>	260	234	-	42.5	11.9	30.6	3.9	<b>279</b>
Activity 2: <b>Payments for non-clear forest cuttings instead of clear ones</b>	260	234	50	42.5	11.9	30.6	3.9	<b>140</b>
Data source / explanation	State Forest management service (State forest inventory, 01-01-2008)	Position A includes the volume of non-liquid timber that accounts, on average, for 5-15 % or 10 % *	Two cases non-clear cuttings prevail in Lithuania	The Directorate General of State Forests (2007 Annual Report of State forest enterprises)			The Bank of Lithuania (average annual interest rate for long-term (over 2 years) deposits in 2007	

*Note: The volume of the commercial (liquid) timber per different composition forests is calculated and approved by the State Forest Management Service (Order No. 53-06-G of 29 December 2006).*

## MEASURE 7

### NATURA 2000 PAYMENTS AND PAYMENTS LINKED TO DIRECTIVE 2000/60/EC (SUPPORT FOR NATURA 2000 AREAS IN AGRICULTURAL LAND)

Natura 2000 payment in agriculture is calculated as an average of income forgone in farms according land fertility points. The methodology of calculations is based on these principles:

- 1) the net added value of traditional farming and farming with restrictions is being compared;
- 2) the data (the average data of 2003-2005) of typical farm structure according dominate type of farming is used;
- 4) In case dominant type of farming is livestock farms the most affecting restrictions in protected areas are these:
  - a) the restriction to alterate hydrological regime;
  - b) the restriction of mowing meadows or grazed livestock units in grazed areas;
  - c) the restriction to re-sow meadows with culture grass.
- 5) In case dominant type of farming is crop production farms the most affecting restrictions in protected areas are these:
  - a) the prohibition of using of fertilisers, pesticides or liming substances;
  - b) the prohibition of ploughing meadows. .

**Table 26. Calculation of compensatory payments for Natura 2000 areas in agricultural land**

Dominant type of farming	Net added value of traditional farming according average structure of farms, EUR/ha	Net added value of farming with restrictions according average structure of farms, EUR/ha	Income foregone, EUR/ha
Dominant type - livestock farms	85	48	37
Dominant type – crop production farms	92	47	45
Average income forgone			41
<b>Proposed compensatory payments</b>			40

Note: direct payments were not included in the calculation.

Reference:

1. FADN data about agricultural enterprises, 2005, Vilnius.

**MEASURE 8**  
**NATURA 2000 PAYMENTS (SUPPORT FOR NATURA 2000 AREAS IN FORESTS)**

**MEASURE 8**  
**NATURA 2000 PAYMENTS (SUPPORT FOR NATURA 2000 AREAS IN FORESTS)**

The Payments have been calculated as an average differentiation of the value of different forest types according to the following restriction groups:

1) The final felling of forests is forbidden in the stand that reached the age of final felling applied for IV forests group, or when the final felling of forests is postponed (payment is only for the period of postponing the felling. The payment shall be made annually. In case of the final felling of the forest the payment is made only for the period of postponement of the felling. Forest removals comprise 90 % of volume of a mature forest stand. The value was calculated according to an average price (by all species of trees) for 1m<sup>3</sup> realisable timber. The forest preparation costs shall be deducted from the timber market value. The annual payment has been calculated following an assumption that the forest owner could deposit the amount generated from the sale of the cut timber in the bank as a long-term deposit and generate interest income.

Calculation of payments:

**Table 27**

	Mean growing stock volume of mature forest stands, m <sup>3</sup> /ha	Average marketable wood volume in mature forest stands, m <sup>3</sup> /ha	Average price of round wood, EUR/m <sup>3</sup>	Average costs of wood harvesting and logging, EUR/m <sup>3</sup>	Average price of uncut forest, EUR/m <sup>3</sup>	Annual interest rate of commercial banks for long-term deposits, %	Annual amount of incomes foregone (amount of annual payment), EUR/ha
	A	A*90%	C	D	C-D	E	A*90%*B*(C-D)*E
2008	260	234	42.5	11.9	30.6	3.9	279
2006	255	230	30.9	9.9	21	3.7	179

2) In case the final felling is permitted but must be carried out in non-clear cutting way (the payment is paid annually, however, only for the period from the first felling instance to the last felling instance).

The income foregone of the forest owner shall be calculated having considered the price of the realisable (of commercial value) timber not cut and left in the forest. In Lithuania not-clear fellings are most often carried out in two felling instances, i.e., about 50 % of the volume of mature forest holding are left uncut. Forest removals comprise 90 % of volume of a mature forest holding. The value was calculated according to an average price (by all species of trees) for 1m<sup>3</sup> of realisable timber. The forest preparation costs shall be deducted from the timber market value. The annual payment has been calculated following an assumption that the forest owner could deposit the amount generated from the sale of the cut timber in the bank as a long-term deposit and generate interest income.

Calculation of payments:

**Table 28:**

	Mean growing stock volume of mature forest stands, m <sup>3</sup> /ha	Average marketable wood volume in mature forest stands, m <sup>3</sup> /ha	Average volume of wood left after the first cutting case, %	Average price of round wood, EUR/m <sup>3</sup>	Average costs of wood harvesting and logging, EUR/m <sup>3</sup>	Average price of uncut forest, EUR/m <sup>3</sup>	Annual interest rate of commercial banks for long-term deposits, %	Annual amount of incomes foregone (amount of annual payment), EUR/ha
	A	A*90%	B	C	D	C-D	E	A*90%*B*(C-D)*E
2008	260	234	50	42.5	11.9	30.6	3.9	140
2006	255	230	53	30.9	9.9	21	3.7	94

3) where additional number of living trees shall be preserved and left in clear cutting areas.

The income foregone of the forest owner shall be calculated having considered the price of the liquid (of commercial value) timber not cut and left in the forest. Forest removals comprise 90 % of volume of a tree. The value was calculated according to an average price (by all species of trees) for 1m<sup>3</sup> realisable timber. The forest preparation costs shall be deducted from the timber market value. The payment is a one-off payment since the trees will never be completely cut. On some *Natura 2000* areas when carrying out the final felling of the forest, it is a requirement to leave on average 10 living trees per hectare.

Calculation of payments:

**Table 29:**

	Average volume of single tree, m <sup>3</sup>	Average marketable wood volume in mature forest stands, m <sup>3</sup> /ha	Average price of round wood, EUR/m <sup>3</sup>	Average costs of wood harvesting and logging, EUR/m <sup>3</sup>	Average price of uncut forest, EUR/m <sup>3</sup>	Average number of living trees left in a clear-cut area, unit /ha.	Annual amount of incomes foregone (amount of annual payment), EUR/ha
	A	A*90%	B	C	B-C	D	A*90%*(B-C)*D
2008	0.8	0.72	42.5	11.9	30.6	10	220
2006	0.75	0.68	30.9	9.9	21	10	144

4) When felling of all drying trees or dead wood by means of sanitary felling is restricted in stands that reached thinning age and in elder stands, i.e. a certain number of drying trees or dead wood must be left in 1 ha.

An assumption is made that in forest stands of different age, around 15 dying retention trees in 1 ha may be felled on the basis of sanitary felling and the average volume of one such tree is 0,6 m3. Forest removals comprise 90 % of volume of a tree. Average price of non-felled fuel wood is 18.5 EUR/m3.

Calculation of payments:

**Table 30**

	Average volume of single tree, m <sup>3</sup>	Average marketable wood volume in mature forest stands, m <sup>3</sup> /ha	Average wood fuel price EUR/m <sup>3</sup>	Average costs of wood harvesting and logging, EUR/m <sup>3</sup>	Average non-felled fuel wood price, EUR/m <sup>3</sup>	Average drying and dead wood to be left in case of clear-cutting, unit/ha.	Average income foregone (Annual payment amount), EUR/ha
	A	A*90%	B	C	(B-C)	D	A*90%*(B-C)*
2008	0.6	0.54	18.5	11.9	6.6	15	53.5
2006	0.75	0.68	-	-	4.8	15	49

**MEASURE 9**  
**PAYMENTS TO FARMERS IN AREAS WITH HANDICAPS, OTHER THAN**  
**MOUNTAIN AREAS (LESS FAVOURED AREAS)**

The amount of the compensatory payments is calculated as a difference between the income and costs of farms (average from 2003-2005) operating in favoured areas (grain crops-rape, plant production farming), and in less favoured areas (dairy production, mixes plant production-grass-feeding animal husbandry). The LFA analysis has pointed differences of main economical indicators among such areas. Therefore LFAs are divided into two categories:

- highly unfavoured areas (HUA);
- less unfavoured areas (LUA).

In HUA the payment is 75,3 EUR/ha; in LUA – 56,5 EUR/ha (table below).

Compensatory payments are differentiated:

- for areas up to 150 ha – 100%;
- for areas from 151 to 250 ha – 85%;
- from 251 to 500 ha – 70%;
- from 501 ha – 50%.

The rationale for differentiation of the payments is caused by the fact that fix costs are not growing as fast as the size of the farm.

**Table 31. Calculation of compensatory payments for LFA**

No	Indicators	EUR/ha
	<b>Income losses</b> in Non-LFA areas to compare with:	
1	HUA	108,55
2	LUA	62,8
	<b>Costs savings</b> in Non-LFA areas to compare with:	
3	HUA	33,25
4	LUA	6,3
<b>5</b>	<b>Proposed compensatory payments for:</b>	
6=1-3	HUA	75,3
7=2-4	LUA	56,5

Reference:

1. FADN data about agricultural enterprises, 2005, Vilnius.

## **Annex 10. CREDIT FUND**

### **Legal basis**

The EAFRD may co-finance expenditure in respect of an operation comprising contributions to support loan funds, in accordance with Articles 51 and 52 of Commission Regulation (EC) No 1974/2006. Thus it is foreseen to create the Credit Fund.

### **Set-up procedures**

The Credit Fund is set-up as a separate block of finance within an existing financial institution - Rural Credit Guarantee Fund Ltd. This institution was established in 1997 (the Government Resolution of the Republic of Lithuania, No. 912 of 22 August). Ministry of Agriculture is the only shareholder of the Rural Credit Guarantee Fund. Rural Credit Guarantee Fund is a financial institution, operating under the Law on Stock Companies of the Republic of Lithuania (No. VIII-1835 of 13 July, 2000), the Law on the State Debt of the Republic of Lithuania (No. I-1508 of 22 August, 1996), the Law on Financial Institutions of the Republic of Lithuania (No IX-1068, 10 September 2002) and other legal acts.

Rural Credit Guarantee Fund is nominated as the Credit Fund Manager (hereinafter as Fund Manager) by the order of the Minister of Agriculture. For the management of the Credit Fund there shall be kept separate accounts distinguishing the new resources invested in the Credit Fund, including those contributed by the EAFRD, from those initially available in the Fund Manager in accordance with the provisions of the paragraph 2, the Article 51 of the Commission Regulation (EC) No 1974/2006.

The Fund Manager shall submit to the Ministry of Agriculture / National Paying Agency the business plan specifying the targeted market, the criteria, terms and conditions of financing, the operational budget of the fund, the ownership and part-financing partners, the requirements as to the professionalism, competence and independence of the management, the fund's by-laws, the justification and intended utilisation of the EAFRD contribution, the investment exit policy, and the winding-up provisions of the fund, including the re-utilisation of returns attributable to the EAFRD contribution.

The terms and conditions for contributions to the Credit Fund from RDP, including deliverables, investment strategy and planning, monitoring implementation, investment exit policy and winding up provisions, shall be established in a Funding agreement to be concluded between the Fund Manager, National Paying Agency and the Ministry of Agriculture. The Funding agreement can be concluded only after the positive evaluation of the business plan performed by the National Paying Agency in accordance with the criteria set by the Ministry of Agriculture. The transfer of resources to the Credit Fund may be in several installments.

The Credit Fund is established for unlimited period of time. It shall be functional at least up to the end year 2015.

### **Financial Intermediates**

Credits from Credit Fund will be provided through the Financial Intermediates operating in the market. When selecting Financial Intermediates, the Fund Manager is committed to respect fundamental principles, such as the principles of equal treatment, non-discrimination, confidentiality, transparency etc. The Applications of Financial Intermediates (any commercial bank holding a license from the Bank of Lithuania or foreign bank branch operating in Lithuania or a Credit Union) will be examined by the Fund Manager, using professional analysis and judgment, taking into account the eligibility criteria such as:

- Financial Intermediate in the last reported quarter met the requirement on mandatory reserves;



- Financial Intermediate in the last reported quarter was not using a credit from the Bank of Lithuania to maintain the liquidity, etc.

The applications of Financial Intermediates which do not comply with these eligibility criteria will be rejected. The applications of Financial Intermediates which meet the eligibility criteria will be ranked according quality assessment criteria such as experience in providing credits, duration of the procedures and credit administration costs. Depending on the ranking the amount foreseen for the loans shall be divided among all Financial Intermediates. Fund Manager shall sign bilateral agreements with each selected Financial Intermediate.

The Fund Manager will perform a supervision of Financial Intermediates and control the credit issuance and proper use.

### **Targeted Market**

Credits shall be provided to economic entities engaged in agricultural activities and enterprises engaged in production, processing and realization of agricultural produce, which are registered and operating in the territory of the Republic of Lithuania. As an exception, credits may be provided for the start-ups, if the cooperation is promoted. The Credit Fund shall invest in economic entities on their establishment, during their early stages or expansion and only in activities that the Credit Fund considers potentially viable. The assessment of the economic viability shall take into account all sources of income of the enterprises / farmers in question. The Credit Fund shall not invest in firms in difficulty within the meaning of the Community Guidelines on State aid for rescuing and restructuring firms in difficulty.

### **Eligibility of beneficiaries for financing and their selection criteria**

Beneficiaries for financing should meet eligibility criteria set in RDP under the measures 121 “Modernisation of Agricultural Holdings” and 123 “Processing of Agricultural Products and Increasing of Added Value” depending on the area of investments foreseen in the project. Only investments listed under these measures are eligible for financing. Eligibility of beneficiaries and investments shall be evaluated by the National Paying Agency. Financial Intermediate takes into account the evaluation done by the National Paying Agency and selects investment projects for financing based on selection criteria such as profitability, degree of risks, term of credit reimbursement etc.

### **Operational budget of the Credit Fund**

The EAFRD co-financing rate is up to 75 per cent. National co-financing rate is at least 25 per cent. The credits shall be provided under 2 schemes:

1. “II. Modernization of agricultural holdings – credit support” (total public support – EUR 86.886.006, out of which EUR 65.164.504 is the Community funding);
2. “II. Processing of agricultural products and increasing of added value – credit support” (total public support – EUR 43.443.003, out of which EUR 32.582.252 is the Community funding).

Credit re-imburements and interests shall be split *pro rata* among investors of the Credit Fund. The EAFRD co-financing part reimbursed in the form of credit or interest payment may be reused to provide credits without further national co-financing. In case of credit default the liability is covered by EAFRD funds and national funds in line with the amount of funds used for credit issuing.

Temporarily unused resources for lending may be invested in financial markets so as to generate interest. The investment must be safe and profitable. Such investment shall be in line with the Rules for Investment of Temporarily Unused State Money Resources, approved by the Resolution of Minister of Finance, No 49 of 28 February, 2001. Temporarily unused resources should be invested in, for example:

- Debt securities and money market instruments issued by the Republic of Lithuania or foreign government;
- Debt securities and money market instruments, issued by the Bank of Lithuania or foreign central bank, European Central Bank, international organization in which at least one Member State of European Union has a membership;
- Debt securities and money market instruments issued by commercial banks of the Republic of Lithuania or foreign banks;
- Term deposits in the Bank of Lithuania;
- Term deposits in commercial banks of the Republic of Lithuania and foreign countries.

The interest generated from the temporarily unused resources shall be used to finance financial engineering actions for individual undertakings, which are part of the Funding agreement.

The EAFRD resources paid to the Credit Fund, excluding the management expenses of the Fund should be granted to the credit beneficiaries for at least one time up to December 31, 2015. The EAFRD resources which do not comply with these conditions must be reimbursed to the Commission. The EAFRD resources meeting the above mentioned conditions and which are in the Fund's disposal up to December 31, 2015 or repaid to the Fund after this term, shall be reused for the benefit of individual undertakings.

Management cost of the Credit Fund shall not exceed 3 % of the paid-up capital on a yearly average for the duration of the RDP in accordance with Article 51, paragraph 5 of the Commission Regulation (EC) No 1974/2006).

#### **Supervision and reports**

The National Paying Agency performs supervision of the Fund Manager's business plan implementation. Final beneficiaries shall be reported in the meaning of the Commission Regulation (EC) No 259/2008. Implementation of financial engineering shall be a part of the Annual Progress, mid-term and ex-post reports of the Programme.