

Annex 1 : Measure sheets

I. COMMON ABBREVIATIONS AND DEFINITIONS

ABBREVIATIONS:

Agency – the National Paying Agency under the Ministry of Agriculture

Cooperative – officially recognised agricultural cooperative before the submission of application

EAFRD – European Agricultural Fund for Rural Development

FADN – Farmer Account Data Network

GAEC - Good Agricultural and Environmental Condition

MoA – Ministry of Agriculture of the Republic of Lithuania

RDP – Rural development plan 2004-2006

SPD - Measures under priority “Rural development and fisheries” of Lithuanian Single Programming Document 2004–2006

UAA – Utilized Agricultural Area

DEFINITIONS USED IN THE PROGRAMME:

Abandoned land – agricultural land that has not been declared and used for agricultural activity for at least 3 consequent years.

Advisory service – service when farmers are consulted on the improvement of farming activities in the fields of agriculture and forestry.

Agricultural activity - activity covering production of agricultural products, its handling as well as processing of own produced and handled agricultural products (with an exception of production and sale of foodstuffs produced from agricultural products produced and handled not in own farm) as well as services provided for agriculture.

Agricultural holding (further referred to as holding) – the set of agricultural activity and/or alternative activity production units, developed by the entity engaged in agricultural activity or alternative activity, and linked together on general legal, technological and economic terms, registered according national legislation.

Agricultural holding manager - a natural person or legal entity engaged in agricultural activities or alternative activities managing one agricultural holding on the basis of property, rental, and lending rights as well as other grounds, or – in case the holding is used by several partners – delegated on the basis of a written agreement concluded by and between partners of the holding.

Agricultural land - land used or suitable for the production of agricultural products, including areas covered by residential and operational buildings owned by land user if these areas are not formed as separate plots.

Agricultural machinery - tractors, tractor trailers (semi trailers), agricultural machines, equipment, specialized means for transportation of production, facilities used in the process of mechanization of work, which are not separate units but form a part of facilities used in a technological line or production process, devices (watering equipment and etc.) used in agricultural work.

The following are not considered to be agricultural machinery: varied machinery which can also be partly used in agricultural production but is used for the purposes of various branches or other needs (means of road transport (freight vehicles and cars, buses, vehicle trailers and semi trailers, motorcycles, forest equipment), other means of transport (moving on air, water, rails, i.e. ships, airships, trains etc.), road-building and maintenance machines as well as construction machines (cranes, hoists, and graders), various facilities used in industrial buildings for non agricultural purposes

(compressors, forklifts, washing and cleaning machines, etc.), and public utility as well as domestic appliances and organisational technology.

Agricultural products – crop, livestock products, as stipulated in Annex 1 to the Treaty and intended for direct consumption or subsequent processing in making foodstuffs and non-food items.

Animal husbandry - the agricultural branch covering breeding and rearing of livestock in farms (except domestic pets) as well as use of these animals for the production of animal husbandry products.

Applicant – an individual who has submitted a filled-out application for support under set rules.

Application for support – a fixed-form document that has to be filled out and submitted by the applicant seeking to receive support.

Beneficiary – an operator, body or firm, whether public or private, responsible for implementing operations or receiving support;

Business plan – a document providing technical, financial (economical) and social validation for the purposes of investment, specifying the resources and terms needed for project implementation, prepared following the rules set by MoA for preparation of business plans.

Campsite service – organisation of short-term recreation and/or provision of night's lodging in tents or residential premises in recreational territories, agricultural land, forestry land or land used for other purposes. A campsite must consist of places specially established for tents, facilities that suffice hygiene needs and solve trash gathering, and organisation of active rest.

Check of the applicant or beneficiary (further referred to as check) - physical and/or administrative check and check on the spot performed in order to verify data and documents provided by the applicant or beneficiary.

Compensatory payment - financial assistance granted to the natural person or legal entity in the manner prescribed by the legislation to compensate for income foregone and losses incurred as a result of compliance with legal restrictions or voluntary commitments.

Construction of new buildings / reconstruction of buildings - activities that are defined in the Law on Construction of the Republic of Lithuania where such activities are an integral part of the project.

Cross-compliance – assurance of good agricultural and environmental conditions in farm complying support with environmental, food safety, animal health and welfare requirements.

Crop production - the agricultural branch which covers growing of crop for the purpose of providing foodstuffs and non-foodstuffs for people, raw material for industry, fodder for livestock production and growing of mushrooms.

Cultural landscape - human-designed landscape reflecting coexistence of people and environment.

European environmental network Natura 2000 – A European Community-wide common network of protected territories that comprises areas significant in terms of habitat and bird protection, designed to preserve, maintain and, if necessary, restore the natural types of habitats, animal and plant species on the territory of the European Community.

Farmer - a natural person who has registered his farm and holding in accordance with the procedure established by legislation.

Forest - means land area of more than 0,5 hectare with trees higher than 5 metres and a canopy cover of more than 10 percent, or trees able to reach those thresholds in situ. Areas under reforestation that have not yet reached but are expected to reach a canopy cover of 10 percent and a tree height of 5 meters are included in the definition, as are temporarily unstocked areas, resulting from human intervention or natural causes, which are expected to regenerate. Forests include forest roads, firebreaks and other small open areas, forests in national parks, nature reserves and other protected areas, such as those of specific scientific, historical, cultural or spiritual interest. Forests include windbreaks and windthrows areas of more than 0,5 hectare and width of more than 20 meters as well as plantations. Land used for agriculture or for urban services and groups of trees within agricultural

production and agroforestry systems, as well as urban parks and gardens are excluded from that definition

Forest affected by a natural disaster - forest land which was originally covered by trees and plants and where 50 per cent or more trees have been destroyed, badly damaged or languishing (damaged trees cannot grow any longer) due to natural factors (drought, wind, snow, freezing rain, flooding and etc.) as well as fire, diseases and forest pests (insects).

Forest holders - forest owners, forest enterprises, administrations of state reserves, administrations of national parks, municipalities, other state enterprises and organizations, managing forest land in trust in accordance with the procedure established by legislation.

Forest management plan - a document under which forestry activities shall be organised and all work related to forest regeneration and use as well as forest land management shall be carried out. This document shall be drawn, approved, endorsed and registered in the manner prescribed by the legislation.

Forest resources - an uncut forest, resin, stumps and resinous trees or stumps, bark, bast, birch bark, tree sap, Christmas trees, other decorative forest material, sprays, twigs, mushrooms, nuts, berries, fruits, herbs and medical raw material, forest floor and leaves as well as forest vegetation.

Forestry activity – activity related directly with forest-growing that embraces the planting and restoration, maintenance, stewardship and use of forests.

Forest Owners Association – an organisation uniting owners of private forests and representing them the objective whereof is to facilitate its members to improve the management of the forests managed by them

General costs - remuneration paid to engineers and consultants, architects, experts consulting on technical, technological, economic and organizational matters related to the preparation and implementation of a project, where such services are not continuous or periodic activities linked to regular activities and costs of a natural person or legal entity; costs related to the preparation of the construction project, including expertise; costs associated with technical analysis of the project and purchase of patents and licenses; project audit costs in the cases determined by MoA, costs for consultation service aiming at / related with creation of micro-enterprise, franchise in non agricultural sector.

Handling, grading, packing - preparation of agricultural products by not altering their original physical or chemical structure.

Innovation - new technologies, ideas and methods aimed at creating new or improving existing processes, technologies, technical measures, raw materials and products.

Land consolidation - a part of land management, during which complex reconstruction of land plots is being carried out, when their bounds are being changed according to land consolidation project drafted for the appropriate territory in order to expand land plots, to form reasonable land-ownerships of farms and to improve their structure as well as to establish proper rural infrastructure and to implement other goals and tasks of agriculture, rural development and policy of protection of the environment.

Local action group (LAG) – public legal entity of a limited liability with its decision –making management body representing the interests of different groups of population of a LAG territory, i.e., at least 50% of the LAG management body shall be composed of the members representing rural communities, social other partners and associations thereof, up to 25% stands for business representatives and up to 25% shall be made up of the representatives of local government authorities;

Marketing of agricultural product – buying up/ gathering, preparation for sale, as well as storing, labeling, handling, grading, packing and sale of agricultural production.

Medium-sized enterprise – an enterprise which employs fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total does not exceed EUR 43 million.

Micro-enterprise – an enterprise which employs fewer than 10 persons and annual turnover and/or annual balance-sheet total does not exceed EUR 2 million.

Natural meadows – self-growing meadows that have never been ploughed or re-sown.

Non-agricultural land – land not attributed to agricultural land (forestry and other land).

Organic farm - a system of agricultural activity satisfying requirements laid down by the legal acts intended to ensure the production of organic agricultural products and foodstuffs.

Processing of agricultural products – preparation of agricultural products by altering their original physical or chemical structure.

Project - the set of documents, which contain the operations envisaged in the business plan (description of the project), justified in the application for support, its annexes and information stored in certain databases and particular amount of money for the reaching of envisaged targets of the project.

Project implementation period - the period starting on the date of registration of application in the Agency and ending on the date of the submission of the last payment application to the Agency.

Replacement investment - an investment that simply replaces an existing building or machine, or parts of it, without expanding the production capacity by at least 25% or without fundamentally changing the nature of production or the technology involved. Neither the complete demolition of a farm building at least 30 years old and replacement by an up-to date building, nor the fundamental renovation of a farm building, are considered as replacement investments.

Rural area – a village, small town, town and other areas populated by less than 6000 residents¹.

Rural community – residents of a rural area related by mutual public needs and interests, which are envisaged to be implemented under the measures based on the principles of self-governance. Rural community asking for support shall be registered according to national legislation.

Rural tourism service special accommodation service, supplied in rural area or town populated by no more than 3000 residents, except municipality center, when a service provider: shall have specialized homestead or separate buildings for accommodation with up to 20 rooms (numbers); shall provide rural tourism services that are in line with requirements set.

Semi-natural meadows -meadows ploughed and sown more than five years ago.

Short-rotation (plantation) sprouts – sprouts of same fast growing tree or bush species, which are cut down no later than 15 years after establishment.

Small enterprise - enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance-sheet total does not exceed EUR 10 million.

Standard rate of goods, services and works (further referred to as standard rate) – a rate of goods, services and works set by a certain institution used as a basis for calculation of the payable amount of support.

Traditional craft centre – public or private legal entity promoting and developing traditional crafts established by the national legislation.

Transferee of agricultural holding – natural person or legal entity taking over all or part of land holding for agriculture or non agriculture activity.

Urban area – town, cities populated by more than 6000 residents.

Wetland – soggy land with vegetation characteristic to swamps that is undergoing a process of turning into swamp and has its margins determined in accordance with the procedure established by legislation.

Wooded areas - land that is not considered a forest with an area of more than 0,5 ha and trees higher than 5 meters, and with canopy cover up to 5-10 %. As wooded areas are also considered land with cover of shrubs, bushes and trees above 10 percent. The definition does not include land that is predominantly under agricultural or urban use

¹ Under the activity “Development of rural tourism services, including creation of crafts in the rural tourism homesteads” of the measure “Encouragement of rural tourism services” support can be granted in a village, small town or town populated by no more than 3000 residents. In terms of RDP implementation support shall not be eligible for projects which implementation area is municipality center unless otherwise provided in the description of the particular / specific measure and/or its implementation rules.

Woodland key habitat (WKH) - undamaged forest area inventoried according to established order, where exist endangered, vulnerable and rare or conserved specialized species of habitats.

For the purpose of this Programme, the definitions in Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD), in Commission Regulation (EC) No 1974/2006 of 15 December 2006 laying down detailed rules for the application of Council Regulation (EC) 1698/2005 on support for rural development by the European agriculture fund for rural development (EAFRD), in Commission Regulation (EC) No 1320/2006 of 5 September 2006 laying down rules for the transition to the rural development support provided for in Council Regulation (EC) 1698/2005, in Commission Regulation (EC) No 1975/2006 of 7 December 2006 laying down detailed rules for the implementation of Regulation (EC) No 1698/2005, as regards the implementation of control procedures as well as cross-compliance in respect of rural development support measures and other EU and national legislation in force.

II. GENERAL PROVISIONS AND REQUIREMENTS FOR SUPPORT

1. Applications shall be submitted by operators eligible for support under a specific measure or activity, while activities and expenses must be related to the supported measure and/or activity.

2. The applicant shall not have overdue tax arrears to the Budget of the Republic of Lithuania and/or the State Social Insurance Fund², unless otherwise provided in the description of the measure and/or implementing rules.

3. Applicants (natural persons) eligible for support shall be of age over 18.

4. In case of death or long-term professional incapacity of the beneficiary the succession of the support under the measure might be, provided the successor takes over all the commitments of the transferor and complies with support provision requirements for applicant, unless the description of the measure or the rules implementing the measure do not provide differently.

5. Where all or part of a holding of the beneficiary is transferred to another person during the period for which a commitment given as a condition for the grant of assistance runs, that other person may take over the commitment for the remainder of the period. If the commitment is not taken over, the beneficiary shall reimburse the assistance granted. It may be decided not to require the reimbursement where a beneficiary who has already honoured a significant part of the commitment concerned definitively ceases agricultural activities and it is not feasible for a successor to take over the commitment;

6. If the project or the application is assessed over for the assessment by special services, the examination of the project or application is postponed until special services provide their conclusions or position.

7. The applicant's eligibility for support shall be assessed based on the data submitted on the day of the submission of application and substantiated with appropriate documents as well as based on data held in public registers, unless otherwise provided in the description of the measure and/or implementing rules.

8. Funds for the measures, activities and sectors thereof shall be foreseen before a call to submit applications.

9. Priority selection criteria will be applied to the projects or applications which meet all eligibility criteria for support (the range of projects may be narrowed/widened through economic viability criteria). If the demand for support foreseen in the projects or applications is higher than the budget available, projects and applications meeting the first priority selection criteria will be selected first. If there will be a budget still left for other projects or applications, the second priority selection criteria will be applied and so on till the budget becomes not sufficient for all projects or applications meeting particular priority selection criteria. In this case out of these projects or applications will be selected ones that meet next selection priority criteria after the particular one. If needed, the last one priority selection criteria will finalise the selection.

III. GENERAL PROVISIONS AND REQUIREMENTS FOR SUPPORT FOR INVESTMENT MEASURES

1. The project shall be in compliance with targets and objectives provided for under the measure and/or a particular activity.

2. The applicant shall certify that the expenses provided for in the project are not and will not be financed through other national programmes and Community funds

² This provision may be not applied to institutions the activities of which are funded from State or Municipality Budget, and legal persons granted tax payment or social security contribution extension in accordance with the procedure prescribed by legislation of the Republic of Lithuania, and to farmers.

3. The applicant shall keep book-keeping records in accordance with the procedure established by legislation of the Republic of Lithuania, unless otherwise provided in the description of the measure and/or implementing rules.

4. The applicant or the partner where partnership is allowed under the measure shall obligate for at least five years from the decision to grant support not to do a substantial modification in the activities provided by the project that:

- would affect its nature or implementation conditions or would give undue advantage to a private or public legal person;
- would be caused by the change of the nature of the ownership of the item of infrastructure or due to the cessation or reallocation of productive activity.

The property purchased using the support funds may be sold or otherwise transferred to a third party only on condition that the nature of activity remains the same and a written approval of the Agency is obtained, unless the rules implementing the measure provide differently.

5. Immovable property which is the object of investment shall be legitimate managed by the applicant.,

6. The goods, services and works envisaged in the project are financed, following the Law on Public Procurement or the procurement rules established by the MoA, provided standard rate are not envisaged, following the procedure established by the MoA under individual measures.

7. Expenditure shall be considered eligible, provided it was incurred while implementing the project and not earlier than the date of the submission of the application to the Agency (with the exception of expenditure incurred in the course of preparation of the project, where this is specified in the support agreement) and in the course of implementation of the project, as specified in the support agreement, unless otherwise provided in the description of the measure and/or implementing rules.

8. Beneficiaries must insure long-term assets co-financed by the Community funds. Insurance of declared crops shall be obligatory for those measures of the Programme whose implementing rules thus require .

9. Investments shall meet relevant environmental protection, animal welfare, veterinary, hygiene and food quality requirements. For specific measures a prior assessment of the project drafted by an authorized institution shall be submitted.

10. The applicant who significantly fails to meet targets and indicators set in the business plan of former project (according to the rules set by the MoA) due to reasons other than objective reasons, shall lose the possibility to apply for support under investment measures until shortcomings are removed.

11. The applicant repeatedly applying for the Community support (the amount will be set by the MoA) shall provide an audit report prepared by independent audit body on activities of the implemented project, unless otherwise provided in the description of the measure and/or implementing rules.

12. Maximum support amount for investment measures for the period of 2007-2013 shall be (unless the State aid rules apply and the measure description provide differently):

12.1. up to EUR 400,000 under the measures *Modernisation of agricultural holdings (except the [projects under the 2004-2006 SPD for which there were no sufficient funds), Improvement of economic value of forests, Infrastructure related to the development and adaptation of agriculture and forestry, Improvement of forest infrastructure* (including the support received under other measures of the Programme);

12.2. up to EUR 4 mill under the measure *Processing of agricultural products and increasing of added value* (including the support received under other measures of the Programme);

12.3. Under the *de minimis* the amount of the gross support granted to the same enterprises may not exceed the amount of EUR 200,000 in the period of 3 fiscal years.

12.4 Second application for support may be submitted only after the completion of the previous Project according to the rules set in the legal acts of the Republic of Lithuania if legal acts do not foresee otherwise.

13. For partner and/or linked enterprises* the maximum level of support combined together, will be limited to the maximum support amount envisaged for one beneficiary during the period of 2007-2013 as set in point 12.

14. Business plans shall be prepared following the rules set by the MoA, unless otherwise provided in the description of the measure and/or implementing rules.

15. Before the call for submission of applications the MoA may set the maximum amount of support and aid intensity not exceeding the ceilings provided for in measure description.

16. In the case of agricultural investments simple replacement investments are not eligible expenditure.

17. If the property is acquired using financial leasing it shall become the property of the beneficiary prior to the completion of the project.

18. Costs connected with the leasing contract, such as lessor's margin, interest refinancing costs, overheads and insurance charges or renovation shall not be eligible expenditure.

19. For agricultural investments the purchase of agricultural production rights, animals, annual plants and their planting shall not be eligible for investment support.

20. Eligible general costs shall comprise up to 10 per cent of other eligible project expenditure (the expenditure for preparation of a business plan and consultancy services regarding the implementation of such plan shall not exceed 5 % of the eligible project expenditure), if it is not provided otherwise in the description of measure.

* Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises

IV. MEASURES OF PROGRAMME BY THE AXIS

AXIS I

IMPROVING THE COMPETITIVENESS OF THE AGRICULTURAL AND FORESTRY SECTOR

MEASURE 1

VOCATIONAL TRAINING AND INFORMATION ACTIONS

Code of the measure 111.

LEGAL BASIS

Articles 20 (a) (i), 21, 52 (c) Council Regulation (EC) No 1698/2005.
Point 5.3.1.1.1 of Annex II of Commission Regulation (EC) No 1974/2006.

1. RATIONALE FOR INTERVENTION

In order to achieve the sustainable agricultural and rural development it is necessary to expand vocational training and information actions, including dissemination of scientific knowledge and innovative practices, for persons engaged in the agricultural and forestry sectors. In order to implement efficiently the requirements for the agri-environmental requirements, animal welfare and hygiene, biodiversity and landscape, with a view to install new manufacturing technologies and encourage to apply methods of organic farming, it is necessary to strengthen skills and competence of persons involved in agriculture and forestry activity to adapt to the changing technological and business environment and encourage them to apply the scientific innovations.

2. DESCRIPTION OF THE MEASURE

This measure is aimed at implementing the goals of Lisbon strategy to maintain rapid economic growth, to increase competitiveness of Lithuanian economy, to stimulate employment and investments into human capital in order to make the training of farmers and rural residents comply with the growing demands of economy and business. Particular emphasis shall be placed on training subject that introduce to the mandatory legislation items, including the application of statutory management and agri-environmental requirements, as well as education of the entrepreneurship competence and abilities to compete in a rapidly growing market. According to these training subject, training courses and seminars shall be covered all the territory of the country. Training will be provided according to further vocational training programmes.

The training related to new technologies in agriculture and forestry will be supported too. This kind of training will be organized according to demand.

Whereas effective application of innovations and relevant experience determine the whole development of the competitive economy, this measure is aimed at dissemination of the innovative scientific knowledge and best practices. Persons engaged in agricultural, forestry sectors are not enough oriented towards the application of scientific knowledge and innovations in production activities, do not get enough information on the up-to-date results of the science. This measure shall ensure the dissemination of the scientific knowledge and innovations in different regions of Lithuania

by organizing field days, seminars, other events. Technological innovations will be demonstrated under production conditions and thus will promote and encourage an application of advanced technologies and innovations in the agriculture and forestry sectors.

3. OBJECTIVES

3.1. Overall objective is to increase the competitiveness of agriculture and forestry sector by strengthening human capacities and implementing advanced technologies and innovations.

3.2. Specific objectives:

3.2.1. To improve professional qualification and competence of persons involved in agricultural and forestry sectors by enabling them to adapt to the new market developments and stimulating their abilities to compete.

3.2.2. To encourage people engaged in the agriculture and forestry, and to apply scientific innovations in order to develop the competitive economy and improve the quality of life in rural areas.

3.3. Operational objectives:

3.3.1. To educate and increase the level of knowledge, to improve professional competence and develop entrepreneurial skills of persons engaged in agriculture and forestry sectors;

3.3.2. To disseminate scientific knowledge and innovations in agriculture and forestry, processing of agricultural products in farmer's holding or agricultural enterprise.

4. SCOPE AND ACTIONS

4.1. Activity 1:

Training and information of natural persons engaged in agriculture or forestry sectors. The support will be allocated for organization of seminars, field days, training courses and other information actions. This activity will be implemented according to the following training trend:

4.1.1. Training trend 1:

4.1.1.1. Statutory management requirements (issues related to environment, public, animal and plant health, as well as animal welfare) good agricultural and environmental conditions, and occupational safety standards;

4.1.1.2. Agri-environment and development of landscape (including sustainable and organic farming);

4.1.1.3. Improvement of entrepreneurship and financial management;

4.1.1.4. Improvement of young farmer's competences.

4.1.2. Training trend 2:

4.1.2.1. Agricultural production technologies;

4.1.2.2. Forestry.

4.2. Activity 2:

Dissemination of scientific knowledge and innovative practice that is related to agriculture, forestry and processing of agricultural products in a farm. The support will be allocated for purchase of equipment needed for demonstration of activities, to organize seminars, field days and other information actions.

5. DEFINITION OF BODIES PROVIDING THE TRAINING AND INFORMATION ACTIONS

5.1. Activity 1:

5.1.1. Training trend 1 (4.1.1.):

Private or public training body nominated by The Ministry of Agriculture.

5.1.2. Training trend 2 (4.1.2.):

Farmers self-governmental organizations, associations, state and municipal authorities, non-governmental organizations, public institutions that are selected according to the approved priority and eligibility criteria.

The selected bodies organize trainings and selects providers of training courses according to training trends 1 and 2 by the open call for proposals procedure.

5.2. Activity 2:

5.2.1. Institutions and organizations engaged in researches related to agriculture, forestry or handling and processing of agricultural products, and/or engaged in the dissemination of research results and innovative practices that are selected according to the approved priority selection and eligibility criteria.

6. FINAL BENEFICIARIES

Farmers, their partners, farm's workers and other natural or legal persons engaged in agricultural, food and forestry sectors, whose agricultural or forest holdings are registered in the Register of Agriculture and Rural Business of the Republic of Lithuania.

7. ELIGIBLE EXPENDITURE

All costs that are directly concerned with the implementation of projects related to the training and information actions, dissemination of scientific knowledge and innovative practices. The detailed list of eligible expenditure shall be provided in the implementation rules.

8. ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

8.1. An applicant shall fulfill requirements and general provisions defined in Chapter II "General Provisions and Requirements for Support" of Annex I in Rural Development Programme 2007-2013 for Lithuania (RDP).

8.2. Activity 1

8.2.1. Support is excluded for introduction training courses which form part of the normal programmes or systems of agricultural and forestry education at vocational training or higher educational institution.

8.2.2. The support under the training trend 2 (point 4.1.2) is to be granted considering the demand for the training. An applicant will have to provide the justification for the demand of training

8.3. Activity 2

8.3.1.

The applicant has to conduct projects on dissemination of scientific knowledge and innovations at experimental base and/or farmer's holding or agricultural enterprise and draw up a plan for the implementation of research and innovation dissemination.

9. PRIORITY SELECTION CRITERIA

9.1 Activity 1

Priority selection criteria will be set in the Implementation rules prepared by the Ministry of Agriculture taking into account the organized trainings in the certain territory, needs for the training and aid intensity.

9.2. Activity 2

Priority selection criteria will be set in the Implementation rules prepared by the Ministry of Agriculture considering to the complexity of scientific innovations.

10. AID INTENSITY

10.1 Activity 1

10.1.1. The maximum amount of support per project:

10.1.1.1. per subject under the training trend 1 – up to EUR 800 thousands;

10.1.1.2. per subject under the training trend 2 – up to EUR 200 thousands;

10.1.2. Covering up to 100 per cent of the total eligible expenditure of the project.

10.1.3. For the separate programmes the specific ceiling of the support will be announced before the calls for proposals.

10.2. Activity 2

10.2.1. The maximum amount of support per project will be up to EUR 300 thousands; except projects in the forestry sector, where *de minimis* rule shall be applied.

10.2.2. Covering up to 100 per cent of the total eligible expenditure of the project.

10.3. The support for the activities of the measures in the forestry sector will be in conformity with the Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to *de minimis* aid, Official Journal L 379 of 28.12.2006. The gross *de minimis* support to the same applicant according to the *de minimis* rule shall not exceed EUR 200,000 within 3 fiscal years.

11. FINANCING

The funding over the period 2007-2013 (in current prices)

Year	Public support total		Community funding		LT funding	
	EUR	pct	EUR	pct	EUR	pct
2007-2013	20, 884,299	100	15, 663,224	75	5,221, 075	25

12. TRANSITIONAL ARRANGEMENTS

No transition arrangements shall be applied.

13. QUANTIFIED TARGETS FOR COMMUNITY COMMON INDICATORS

Type of indicator	Indicator	Target 2007-2013
Output	The number of participants in training	60 thousand
	The number of individuals attending measures for diffusion of scientific knowledge and innovations	11 thousand
Result		

The number of attendees successfully

95 per cent,

		55 thousand
	Attendees of measures for diffusion of scientific knowledge and innovations who have successfully applied innovations in their own business	20 per cent, 2.2 thousand
Impact	Labour productivity in the agriculture	9,400 thousand EUR/AWU basic prices
	Labour productivity in the forestry	15,6 thousand EUR/AWU basic prices

Baseline	Education and training in agriculture – 20 pct.	Labour productivity in agriculture (4 086 EUR/AWU basic prices).	Labour productivity in forestry (9 740 EUR/AWU basic prices).
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14. SANCTIONS

In case of any misconduct, breach or violation of legal acts or the support agreement by the beneficiary, there shall be three types of mandatory sanctions: reduction of the support, refusal to grant the support and / or the requirement to repay the support. The specific terms for the imposition of the sanctions shall be laid down in the rules implementing the measure.

15. LINKAGES AMONG RDP MEASURES, DEMARCATION LINES AND CRITERIA WITH OTHER COMMUNITY FINANCIAL INSTRUMENTS

The measure “Vocational Training and Information Actions” is related to the implementation of the measures of Axis I and II under the Rural Development Programme for Lithuania 2007-2013. Improvement of professional qualification, dissemination of scientific knowledge and innovative practices increase entrepreneurial skills of farmers’ and other rural resident, strengthen competitiveness of agriculture and forestry and facilitates effective implementation of environmental measures.

The measure “Vocational Training and Information Actions” is related with the corresponding measures financed by the European Social Fund (further – ESF), European Regional Development Fund (ERDF), European Fishery Fund (EFF).

The demarcation line between measure “Vocational Training and Information Actions” and measures financed by **mentioned funds has been set according to the training ranges (agriculture or forestry).**

Social Fund (SF):

1. *Development of human resources in enterprises* (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.

Final beneficiaries: enterprises.

2. *Training of people’s entrepreneurship skills in connection with establishment of business.*

Final beneficiaries: business information centres, business incubators, non-governmental organizations).

3. *Support for projects for development of general competences and abilities of workers.* *Final beneficiaries:* enterprises, state and municipality institutions, non-governmental institutions.

Priority 3. Increase of the capacity of researchers

- Support for scientists and other researchers (students) in the fields of scientific activity (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&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.

OP on Economic Growth

Priority 2: Increasing business productivity and improving environment for business):

European Regional Development Fund (ERDF):

- 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.

European Fishery Fund (EFF):

1. *Support for promotion of partnership of scientists and operators in the fisheries sector, pilot projects for innovations in fisheries sector.*

Final beneficiaries: non-governmental organizations or legal persons representing interests of fishery sector.

2. *Support for promotion of professional skills and adaptability of workers under strategy of local action groups for fishery areas.*

Final beneficiaries: Local action groups for fishery areas, having approved strategies.

3 *Support for training of workers of fish processing or aquaculture enterprises with less than 750 employees or with a turnover of less than EUR 200 million.*

Final beneficiaries: fish processing enterprises with less than 750 employees or with a turnover of less than EUR 200 million

MEASURE 2 USE OF ADVISORY SERVICES

Code of the measure 114.

LEGAL BASIS

Articles 20 (a) (iv) and 24 of Council Regulation (EC) No 1698/2005.
Article 15, point 5.3.1.1.4. of Annex II of Commission Regulation (EC) No 1974/2006.

1. RATIONALE FOR INTERVENTION

The knowledge based economy is becoming a priority of Lithuania. The National Programme for the implementation of Lisbon strategy foresees, *inter alia*, implementation of measures of the EU Common Agriculture Policy, so as to promote investment into human resources, knowledge and innovations. It is obvious that advisory and information services for farmers must be developed as well.

Starting already from 2007, the granting of support under the measures of Axis II *Improving the environment and the countryside* of the Rural Development Programme for Lithuania 2007-2013 shall be related to ensuring with the compliance of holdings to the statutory management requirements and the good agricultural and environmental conditions provided for in Council Regulation (EC) No 1782/2003, and later on full cross-compliance will apply. Moreover, farmers must be familiarized with the related Community occupational safety standards as well. Due to the scope and complexity of application, the help to farmers to assess the performance of their holdings and to identify necessary improvements of farm/holding activities will be needed.

Comparing to the period 2004-2006, the scope of actions and consequently the number of potential applicants for the agri-environmental measures has been significantly increased for the period 2007-2013. Farmers do not possess the needed knowledge and experience for the implementation of such measures, thus the support is envisaged for the consultations of farmers, participating in the agri-environmental measures.

The knowledge of real economic and financial state of holdings is an important factor for the successful business development. However, the bookkeeping of large part of holdings is not managed properly, thus the advisory support shall be provided for improvement or introduction of the bookkeeping.

Advisory services on forestry will increase awareness of farmers and forest holders in forest planting, forest environment and in increasing the efficiency of their forest activities.

2. DESCRIPTION OF THE MEASURE

Expenditure related to advisory services shall be supported under this measure in order to achieve an overall improvement of a holding. This shall be achieved using the following: assessment of holdings, consulting the farmers on meeting the statutory management requirements and the good agricultural and environmental conditions (cross-compliance) that are laid down in Articles 4 and 5 of and in Annexes III and IV to Council Regulation (EC) No 1782/2003, as well as on meeting occupational safety standards, based on the Community's legislation, consulting the farmers on implementing of agri-environmental measures, improving the state of bookkeeping management and introducing advanced methods of engaging in forestry in private forests.

3. OBJECTIVES

3.1. Overall objective – to improve the competitiveness of agricultural and forestry sectors, to ensure the production of competitive high quality products with higher added value through strengthening human potential and to increase the level of income in the agricultural, forestry and rural development sectors.

3.2. Specific objectives:

3.2.1. to contribute to the successful implementation of the statutory management requirements and the good agricultural and environmental conditions (cross-compliance) and occupational safety standards;

3.2.2. to increase awareness on the implementation of agri-environmental measures;

3.2.3. to improve the bookkeeping management system in holdings;

3.2.4. to encourage forest holders to apply advanced forestry methods.

3.3. Operational objectives:

3.3.1. to consult farmers who seek advisory services on the following issues: the statutory management requirements and the good agricultural and environmental conditions (cross-compliance) that are laid down in Articles 4 and 5 of and in Annexes III and IV to Council Regulation (EC) No 1782/2003, as well as occupational safety standards, based on the Community legislation; introduction to agri-environmental measures in holdings; bookkeeping management in holdings; forestry.

4. SCOPE AND ACTIONS

4.1. Activity 1:

Advisory services on the assessment of the compliance of a holding to the statutory management requirements and the good agricultural and environmental conditions (cross-compliance) provided for in Articles 4 and 5 of and in Annexes III and IV to Regulation (EC) No 1782/2003 as well as of the Community occupational safety standards;

4.2. Activity 2:

Advisory services on the elimination of discrepancies and/or violations of the statutory management requirements and the good agricultural and environmental conditions (cross-compliance) provided for in Articles 4 and 5 of and in Annexes III and IV to Regulation (EC) No 1782/2003 as well as of the Community's occupational safety standards;

4.3. Activity 3:

Advisory services on agri-environmental issues for farmers who intend to participate and participate in agri-environmental measures;

4.4. Activity 4:

Advisory services on the bookkeeping of holding;

4.5. Activity 5:

Advisory services on issues related to the forestry (the activity related to forest planting, and reforestation, forest maintenance and protection, management and the use, implementation of good agrarian environmental condition and the introduction of work safety standards in a forest holding)".

Advisory services can be provided individually or in groups.

5. BENEFICIARIES

Natural persons or legal entities engaged in agriculture and /or forest management activities and having registered their holdings in the Register of agriculture and rural business of the Republic of Lithuania in the manner stipulated by legal acts”.

Advisory services shall be provided by the advisory institutions and consultants accredited under the rules of the Ministry of Agriculture. The accreditation is to be given to authorities and bodies which have appropriate human resources (staff and its qualifications), material resources (administrative and technical infrastructure) and advisory experience. Advisory institution information obtained in the course of the advisory activity to be treated as confidential, except in case of serious infringements of Community or national law

6. ELIGIBLE EXPENDITURE

The eligible expenditure is costs incurred by the beneficiaries related to the advisory services received for the activities provided for in paragraph 4 and based on the invoice issued by the advisory institution and paid by the beneficiary and indicating the field of provided advisory service. The maximum rate for one hour of advisory services shall be approved by the Ministry of Agriculture.

7. ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

7.1. Advisory services which are to be provided by advisory institutions and consultants accredited by the Ministry of Agriculture.

7.2. The advisory services to the recipient of the services engaged in agricultural activities shall cover as a minimum the statutory management requirements and the good agricultural and environmental conditions provided for in Article 4 and 5 and in Annexes III and IV to Regulation (EC) No. 1782/2003, and occupational safety standards based on Community legislation. These beneficiaries may receive the support under Activities 3, 4 and 5 only by submitting an application for advisory services according Activity 1 and (or) Activity 2.

7.3. Where the beneficiary is a forest manager engaged in forestry development the advisory services on forestry issued activity shall cover as a minimum the statutory management requirements and the good agricultural and environmental conditions.

8. PRIORITY SELECTION CRITERIA

8.1. Priority for financing of advisory services under Activities 1 and 2 shall be given to the following applicants:

8.1.1. Receiving the amount of direct payments, exceeding EUR 15 000 per year;

8.1.2. Young farmers.

8.2. Priority for financing of advisory services under Activity 3 shall be given to the applicants, who participate in agri-environmental measures under Rural Development Programme for Lithuania 2007-2013, when agri-environmental activities are implemented on the larger than indicated minimum areas;

8.3. Priority for financing of advisory services under Activity 4 shall be given to young farmers, who start to manage their bookkeeping using double bookkeeping system;

8.4. Priority for financing of advisory services under Activity 5 shall be given to the applicants, who applied or intend to apply for the support for forestry related measures under Rural Development Programme for Lithuania 2007-2013;

8.5. Other priority criteria shall be set up annually, when preparing implementation rules of the measure.

9. AID INTENSITIES

9.1. According to the Activity 1 support shall cover up to 80 per cent of the total eligible expenditure of the project. The maximum amount of support shall be up to EUR 350 per beneficiary;

9.2 According to the Activity 2 support shall cover up to 80 per cent of the total eligible expenditure.. The maximum amount of support shall be up to EUR 650 per beneficiary;

9.3. According to the Activity 3 support shall cover up to 80 per cent of the total eligible expenditure. The maximum amount of support shall be up to EUR 500 per beneficiary;

9.4. According to the Activity 4 support shall cover up to 50 per cent of the total eligible expenditure. The maximum amount of support shall be up to EUR 500 per beneficiary.

9.5. According to the Activity 5 support shall cover up to 80 per cent of the total eligible expenditure. The maximum amount of support shall be up to EUR 500 per beneficiary.

9.6. The total amount of support for advisory services per beneficiary shall not exceed EUR 1 500 in 2007–2013 period.

9.7. Aid granted under this measure will be in conformity with the Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid, Official Journal L 379 of 28.12.2006. Under the *de minimis* the amount of the gross support granted to the same enterprises may not exceed the amount of EUR 200,000 in the period of 3 fiscal years.

10. FINANCING

The funding over the period of 2007-2013 (in current prices)

Year	Public support total		Community funding		LT funding	
	EUR	pct.	EUR	pct	EUR	pct
2007-2013	32 075 699	50-80	24 056 774	75	8 018 925	25

11. TRANSITIONAL ARRANGEMENTS

No transitional arrangements apply.

12. INDICATORS

Type of indicator	Indicator	Target 2007-2013
Output	Number of farmers consulted	Activity 1 – 53 000 Activity 2 – 15 000 Activity 3 – 10 000 Activity 4 – 10 000
	Number of forest holders consulted	1 000
	Total volume of investments	EUR 33 123 692
Result	Increase in agricultural GVA in supported farms	5 %
Impact	Labour productivity in the agriculture	9 400 EUR/AWU basic prices
	Labour productivity in the forestry	15 600 EUR/AWU basic prices
Baseline	Labour productivity in agriculture (4 086 EUR/AWU basic prices).	

		Labour productivity in forestry (9 740 EUR/AWU basic prices).
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13. SANCTIONS

In case of any misconduct, breach or violation of legal acts or the support agreement by the beneficiary, there shall be three types of mandatory sanctions: reduction of the support, refusal to grant the support and / or the requirement to repay the support. The specific terms for the imposition of the sanctions shall be laid down in the rules implementing the measure.

14. LINKAGES AMONG RDP MEASURES, DEMARCATION LINES AND CRITERIA WITH OTHER COMMUNITY FINANCIAL INSTRUMENTS

The activities under this measure are related to the implementation of the following measures under the Rural Development Programme for Lithuania 2007-2013: *Setting up of young farmers, Semi-subsistence farming, Modernisation of agricultural holdings* and to the implementation of all measures of Axis II *Improving the environment and the countryside*. Implementation of the measure *Use of advisory services* is directly linked to the activities under the measure *Vocational training and information actions*. The following activities shall be supported under this measure: training of farmers, information activities in order to inform on Statutory management requirements (issues related to environment, public, animal and plant health, as well as animal welfare) good agricultural and environmental conditions, and occupational safety standards, also information actions on agri-environment and development of landscape and issues of forest management. The implementation of the measure also is related to the direct payment from 2009.

Demarcation line with the Community structural funds is made by applicant and based on fields of advisory services (agriculture and forestry sectors)

OP on Economic Growth

Priority 2: Increasing business productivity and improving environment for business:

- infrastructure for business environment: development of business incubators and information centers in places not belonging to rural areas), etc.

- measures to improve business environment: creation of databases, market assessment, 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.;

- projects for competitiveness growth: preparation, various sectorial and overall competitiveness studies, activities for improvement of Lithuanian business environment image, etc.

Final beneficiaries: municipalities, business information centres, business incubators, etc.

MEASURE 3

SETTING UP OF YOUNG FARMERS

Code of the measure 112.

LEGAL BASIS

Articles 20 (a)(ii) and 22 of Council Regulation (EC) No 1698/2005.

Article 13 and point 5.3.1.1.2 of Annex II of Commission Regulation (EC) No 1974/2006.

1. RATIONALE FOR INTERVENTION

The age structure of population engaged in farming is not favourable for the development of agriculture. However, the support provided during 2004-2006 programming period had a positive effect on the growth of the number of young farmers and their income. If compared to the holdings of older farmers, holdings of young farmers received about 2 times more investment funds and support. Younger farmers are more flexible in combining agricultural activity with other economic activities. They are enlarging their holdings and expanding their production outputs. These are positive changes in the domestic agriculture.

The majority of young people living in rural areas have agricultural education or certificate of the acquisition of minimum skills required for farming. They also have some purchased/rented land and seek to establish own holding to ensure sufficient income and an appropriate level of livelihood for themselves and their family members. Financial and credit institutions already qualify the young farmers quite favourably. In 2005 Rural Credit Guarantee Fund signed 101 agreements of credit guarantees with young farmers (36 in 2004). The amount of credit guarantees issued to young farmers increased by 66.6 per cent in 2005 and reached the sum of EUR 9 mill. In 2006 195 agreements were signed and the sum of guarantees increased up to EUR 24 mill. However, the main obstacle for setting up a holding is the lack of initial own capital. Also small size farms dominate in country, which don't have technical base for effective farming. Therefore support granted under this measure will create conditions for young farmers to increase size of holdings, will keep youth in village and will create applicable technical base for farming.

During the period of 2000-2004 farmers were able to use the EC support under the SAPARD programme. During the period of 2004-2006 Lithuanian Single Programming Document (SPD) became available; support was initiated under the measure *Setting up of young farmers* of the SPD's priority *Rural development and fishery*.

The applicants showed big interest in the SPD's measure "*Setting up of young farmers*" and great activity was observed (young farmers have submitted 753 applications in total and there are 674 agreements signed). Only two calls for submission of applications have been launched, since the number of applicants who applied for the support was bigger than expected and the amount of applied support exceeded the amount of allocated support for the measure. As a consequence, no more calls for applications were announced during the period.

Based on the data available from FADN in 1 January 2004 there were 60514 farmers registered, out of which 5 104 were young farmers. In 1 January 2006 this number grew up to 86043 farmers, but the number of young farmers increased to 13 136. Based on the data available from Eurostat in 1 January 2004 there were 271501 holdings registered, at the end of 2005 this number downsized to 252 950 agricultural holdings. Because only farmer, who have registered holding and farm can be applicant under this measure, the part of farms of young farmers is countable not from number of holdings but from number of farms. Taking into account the fact, that 3000 young farmers registered their holdings during 16 May 2005 – 1 January 2007 period, considerable activity is expected during this programming period as well. Therefore the forecasted number of potential beneficiaries is 1 806 young farmers during the period until 2013.

2. DESCRIPTION OF THE MEASURE

This measure bears a single premium character.

As young farmers are able to adapt more effectively to the changes in modern technologies and new competitive environment and they are inclined to use know-how and scientific and technical knowledge, the implementation of this measure will improve competitiveness in the agricultural sector. In addition, this measure will encourage young people to remain in the countryside, as implementation of the measure will increase income, will raise quality of life for families of young farmers and other members of the holding.

3. OBJECTIVES

3.1. Overall objective – to improve the competitiveness of agri-foodstuffs and forestry; to encourage young farmers to engage in agriculture and to neutralise the demographic process of ageing of farmers in most rural areas; to improve the quality of life; to provide young farmers with possibilities to secure substantial income and an appropriate level of living conditions for themselves, their family members and other individuals employed at their holdings.

3.2. Specific objectives:

3.2.1. To seek the application of new technologies and development of new business environment by young farmers and to meet Community standards for all investments;

3.2.2. To increase the share of young farmers who have received support in the total number of supported farmers;

3.2.2. To increase the size of holdings.

3.3. Operational objective – setting up of young farmers.

4. BENEFICIARIES

Farmers, who meet the following requirements at the date of submission of the application:

- are less than 40 years old;
- possess adequate occupational skills and competence;
- submit a business plan for the development of their farming activities;
- are setting up as a head of the holding and/or farm for the first time (The holding cannot be re-registered on behalf of a spouse);
- have registered holding and farm not earlier than 16 May 2005 when farmers submit applications in 2007 or not earlier than 2 years before the submission of the application when it is submitted later than 2007.

The setting up of young farmers shall be the date of submission of the application.

Decision to grant support for the setting up shall be taken no later than 18 months after setting up of young farmers. This period starts from the date of submission of the application.

5. SCOPE AND ACTIONS

This measure has no activity breakdown.

6. ELIGIBLE EXPENDITURE

6.1. Construction and reconstruction of operational buildings / structures including the purchase of construction materials;

6.2. Aid may be granted for purchase of agricultural land, costing up to 10 % of the total eligible expenses of the investment, on the condition that the land shall be used only for agricultural activity;

6.3. The purchase of new agricultural machinery, means of transport for the transportation of the produced output, and equipment, including computer hardware and software intended for the use of the project;

6.4 Development of infrastructure (construction and reconstruction of agricultural field roads, local water-supply and local sewage systems, farming drainage, artesian boreholes, construction/reconstruction of watering equipment and the construction of low-output (up to 250 KW) wind power stations) within holding, when it is related to agricultural production and/or processing and preparation for marketing;

6.5. The purchase of perennial fruit trees and bushes and planting material needed for planting of new gardens;

6.6. Publicity arrangements of the project.

6.7. General costs.

7. ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

7.1. The applicant shall fulfill general provisions and requirements for support and general provisions and requirements for support for investment measures laid down in the Chapters II and III of Annex 1 to Rural Development Programme for 2007-2013 (RDP);

7.2. The land size of holding of crop production, livestock production and mixed production farms where the young farmer is setting up shall be at least 12 ha³ of the farmer's own useful agricultural area (UAA). If applicant does not have required size of his own UAA on the date of submission of application he/she submit commitment to have required size of his own UAA or documents proving that till the submission of the last payment application he/she will have required size of his own UAA. The applicant shall take the commitment to expand the holding up to at least 20 ha of his own UAA during the period of 5 years from the date of submission of application.

When establishing specialised olericulture, medicinal herb-growing, berry-growing, floriculture farm, the size of holding, where farm is established, shall be at least 4 hectares of own UAA. When establishing horticulture farm the size of holding, where farm is established, shall be at least 8 hectares of own UAA;

7.3. If a part of the holding is being set up on leased land, the durability of the lease agreement shall be at least 5 years;

7.4. The applicant shall possess sufficient occupational skills and competence on the day of application submission. If the applicant does not meet these requirements, such applicant shall be provided with a minimum period of 36 months from the decision to grant the support and shall achieve the conformity with the established requirements within such period if provided that the business plan provides for such a need. The applicant shall also commit to continuous improvement of his/her knowledge during the project's implementation period;

7.5. The applicant shall prove in the business plan the holding's conformity to economic viability criteria. The conformity of the business plan to the criteria of economic viability shall be proven at the start of the implementation of the project. The business plan shall describe at least:

7.5.1. The initial situation of the agricultural holding and specific milestones and targets for the development of the activities of the new holding, and;

7.5.2. Details of investments, training, advice or any other action required for the development of the activities of the agricultural holding.

³ Other than farms named in point 7.2.

7.6. Compliance with the business plan shall be assessed during the fifth year after the date of the individual decision of support granting by the Agency. If the young farmer fails to comply with the provisions of the business plan at the time of the assessment and is not able to validate irregularities (the delay of investments envisaged in business plan etc.), Agency shall initiate the process of the recovery of support;

7.7. Support may be granted for investments to comply with existing Community environmental protection, animal welfare, veterinary, hygiene and food quality standards and the period of grace within which the standard needs to be met, may not exceed 36 months from the date of setting up;

7.8. The holding or part of holding shall not be re-registered on behalf of a spouse;

7.9. If both spouses meet all the measure requirements provided for the setting up, the total combined amount of support for them shall not exceed EUR 40 000. Setting up of both spouses is supported in case if they meet definition of beneficiary and all eligibility criteria for support described in this measure. If one of the spouses, already has farm or holding registered earlier than the date indicated in point 4, the support shall not be granted for any of spouse;

7.10. If a setting-up runs in farms and holdings which were a part of another farm and/or holding (when division was made not earlier than the date indicated in point 4) the total amount of support shall not exceed EUR 40 000;

7.11. All investments shall meet the Community environmental protection, animal welfare, veterinary, hygiene and food quality standards;

7.12. No support will be granted for investments in growing of hops or sugar-beet. No support will be granted for investments in apiculture or fruit and vegetables sectors if such support is available from other funds.

8. PRIORITY SELECTION CRITERIA

8.1 The holding is taken over under the measure *Early retirement from agricultural production activities*;

8.2. The applicant has been a permanent rural resident for at least 3 previous years, giving the higher priority for the longest period duration of living in rural area;

8.3. The applicant possesses high education in agriculture;

8.4. The farm is being established on land operated under the right of ownership only, giving the higher priority for the biggest size of land operated under the right of ownership;

8.5. The biggest size of set farm is taken into account first.

The method of application of priority selection criteria is described in Chapter II of Annex I to the Rural development programme for Lithuania (RDP).

9. AID INTENSITY

9.1. The amount of support for setting-up is up to EUR 40 000;

9.2. The amount of support is based on the size of UAA owned and rented by the applicant, i.e. 1 ha of UAA establishing crop production, livestock production and mixed production farms to receive EUR 1 000, establishing specialised horticulture, olericulture, medicinal herb-growing, berry-growing, floriculture farm – 2000 EUR, however the maximum amount of support for one farm may not exceed EUR 40 000;

10. FINANCING

Funding over the period of 2007-2013. (In current prices)

Period	Public support, in		Community funding		National funding	
	EUR	pct	EUR	pct	EUR	pct
2007-2013	62 240 000	100	46 680 000	75	15 560 000	25

11. TRANSITIONAL ARRANGEMENTS

No transition arrangements are foreseen.

12. INDICATORS TARGETED FOR 2013

Type of indicator	Indicator	Target (2013)
Output	Number of young farmers supported: by gender Male Female	1 806 60 pct. 40 pct.
	Link with Early retirement measure	1 355
	Total volume of investment	EUR 62 240 000
	Average farm size	17,6 ha
	Total area in ha supported	650 746,8 ha
Result	Increase in gross value added in supported holdings	EUR 8 600 000
	Increase of the number of young farmers	33 %
Impact	Economic growth	2 300 000 EUR/PPS
	Increase of labour productivity in the agriculture	9 400 EUR/AWU
Baseline	Labour productivity in agriculture 4 086 EUR/AWU	Age structure in agriculture ≤40 years – 14 pct.; 40-50 years – 20 pct.; 50-65 years – 34 pct.; ≥65 years – 32 pct.

13. SANCTIONS

In case of any misconduct, breach or violation of legal acts or the support agreement by the beneficiary, there shall be three types of mandatory sanctions: reduction of the support, refusal to grant the support and / or the requirement to repay the support. The specific terms for the imposition of the sanctions shall be laid down in the rules implementing the measure.

14. LINKAGES AMONG RDP MEASURES, DEMARCATION LINES AND CRITERIA WITH OTHER COMMUNITY FINANCIAL INSTRUMENTS

The measures *Modernisation of agricultural holdings* and *Setting up of young farmers* will accelerate the restructuring of holdings.

The activity *Land consolidation* under the measure *Infrastructure related to the development and adaptation of agriculture and forestry* will enable young farmers to undertake economic activity in holdings that are formed in a more rational way.

The activity under the measure *Vocational training and information actions* will help farmers to set up their own holdings successfully. Young farmers will be entitled to consultation services under the measure *Use of advisory services*.

Applicants setting up organic farms can be entitled to payments for organic farms under the measure *Agri-environment*. Young farmers setting up holdings in less favourable areas or in areas bound by certain environmental restrictions will have to satisfy the applicable environmental requirements and will receive compensations for lost income.

Young farmers shall be encouraged to take over holding from farmers retiring under the measure *Early retirement*.

In order to receive additional income from non-agricultural activities young farmers or members of their families shall be able to use support under the measures of Axis 3, designed for the improvement of life quality in rural areas.

Young farmers taking actions in LAG's activity will increase physical and creative potential of the area such LAG operates in.

MEASURE 4 EARLY RETIREMENT

Code of the measure 113.

LEGAL BASIS

Articles 20 (a)(iii) and 23 of Council Regulation (EC) No 1698/2005.

Article 14 and point 5.3.1.1.3 of Annex II of Commission Regulation (EC) No 1974/2006.

1. RATIONALE FOR INTERVENTION

Mostly elderly holding managers engage in agricultural activity in Lithuania. In 2005 there were more than 85 000 farmers registered in the Farmers farms register and approximately 59 per cent of holding owners were 55 years old and older and only 14 per cent were under 40 years old, and 12 per cent were at age of 40 to 54. Based on the data available from FADN, in 2004, young farmers (under 40 years old) earned nearly by 14 per cent more income based on 1 ha of UAA than holding managers over 60 and older.

The interest in this measure is still very high therefore the highest amount of applications under the Early retirement scheme is expected for the beginning of the 2007-2013 programming period.

In 2004-2006, there were 21 500 applications submitted for support under an analogous RDP measure and 20 011 beneficiaries were approved. There were 12 057 of beneficiaries - owners of a small dairy farm that were at the retirement age. During the Period of 2004-2006 there were 51 360 ha of land transferred by average 62,3 years old transferors. An average age of farm workers was 59,5 years. The average size of the land taken over by young farmers was 9,89 ha and the average size of land transferred by one holding manager was 10,2 ha. A note shall be made of the positive effect the measure has on the farmers' age structure, when agricultural holdings of older holding managers are being taken over by younger farmers capable to increase the efficiency of agricultural production. This measure is one of the reasons that had impact on farms growth: average farm size in 2005 in comparison to 2004 has increased by 5 per cent and was 11,5 hectares, in 2006 – 12,4 (increase by 7,8 per cent compared to 2005).

2. DESCRIPTION OF THE MEASURE

Support under this measure includes retirement grant to be paid to cover income loss for beneficiaries who decided to stop commercial farming for a period of up to 15 years (the period will vary depending on the applicant's age on the date of application). Support will be made available to persons ("*transferors*") who were engaged in agricultural activity and decided to stop commercial farming for the purpose of transferring their holdings to other persons and to farm workers which decided to stop all farm work definitively upon transfer of the holding. No support will be made available to transferors over 70 and to farm workers who have reached the established retirement age. As of 2006, the established retirement age in the Republic of Lithuania is 62,5 for men and 60 for women (the State Social Insurance Pension Law of the Republic of Lithuania (Official Gazette Valstybes Zinios, 1994, No. 59-1153)) (hereafter - established retirement age). The changes of established retirement age are relative directly to the age criteria for applicants. The annual payment consists of a fixed and a variable part. An annual variable payment per hectare of land released shall be paid to differentiate income loss compensation in order to encourage managers of medium size agricultural holdings to participate in early retirement scheme. The aid amount depends on the released land area.

To exclude the possible overcompensation the fixed part of the annual payment is reduced by the annual amount of social payments received (state social retirement pension or advance payments of state social retirement pension in this case).

Only one of the spouses can apply for support under the measure early retirement (no option to receive support for several transferors).

3. OBJECTIVES

3.1. Overall objective – to ensure viability and effectiveness of agricultural holdings by increasing farms size and ensuring a certain income level for elderly holding managers who decide to stop agricultural activity and for elderly family helpers and farm workers who lose their employment as a result of a holding managers early retirement;

3.2. Specific objective - by supporting transfer of agricultural holdings increase the average farm size in Lithuania;

3.3. Operational objective – provide support under the Early retirement scheme to land owners who are able to transfer their inefficient agricultural holdings to young farmers in order to increase economic viability and efficiency of their farms.

4. SCOPE AND ACTIONS

To ensure a certain income level for holding managers who decide to stop commercial farming and for their farm workers.

5. BENEFICIARIES

5.1. Natural person engaging in agricultural activity who has registered his/her holding;

5.2. Farm worker.

6. ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

6.1. The applicant shall fulfil general provisions and relevant requirements for support laid down in the Chapters II of Annex 1 to Rural Development Programme for 2007-2013 (RDP).

6.2. Applicant (transferor):

6.2.1. A male or female transferor as of the day of application shall be not less than 55 years old but not yet of established retirement age;

6.2.2. Must have practiced farming for the 10 years preceding transfer;

6.2.3. Has declared, according to the established order UAA and/or has registered cattle from the year 2004. If for the period from 2004 UAA has been declared and/or cattle registered in the name of the applicant and/or their spouse, the applicant satisfies this eligibility criteria. If for the period from 2004 UAA has been declared and/or cattle registered in the name of the applicant and/or their spouse and the spouse is already dead the applicant satisfies this eligibility criteria;

6.2.4. Has practiced farming on the area of at least 1 hectare of UAA (as of the year of application);

6.2.5. Must have a right to receive state social retirement pension when he/she reaches the normal retirement age;

6.2.6. As of the day of application the agricultural holding shall be on the Agriculture and Rural Business Register;

6.3. A farm worker may be entitled to support only when he is employed in the farm of a holding manager who has decided to use the option of early retirement from commercial farming and:

6.3.1. A male or female as of the day of application shall be not less than 55 years old but not yet of established retirement age;

6.3.2. Have decided to stop all farm work definitively upon transfer of the holding;

6.3.3. Have devoted at least half of his working time to farm work, during the preceding five years, as a farm worker;

6.3.4. Have worked on the transferor's agricultural holding for at least the equivalent of two years full-time during the four-year period preceding the early retirement of the transferor;

6.3.5. Have a right to receive state social retirement pension when he/she reaches the normal retirement age.

6.4. Transferee of a holding:

6.4.1. The transferee taking over the holding for agricultural production shall conform to the following requirements:

6.4.1.1. Must succeed the transferor:

6.4.1.1.1. by setting up the farm under the measure *Setting up of young farmers*;

6.4.1.1.2. or as of the day of application shall qualify as a farmer of less than 50 years old (the transferor's spouse may not be the transferee) aiming at increasing the size of agricultural holding. The transferee must fulfill age requirement as of the day of application and register as a farmer before the day of support designation. This requirement applies to all eligible applications received after the 1 January 2007;

6.4.1.1.3. or shall be a legal entity engaging in agricultural activity, which is taking over the transferor's agricultural holding to increase the size of the agricultural holding;

6.4.1.2. Must take over the whole of the transferor's holding (including spouses holding) with the exception of the part of the holding that the transferor is entitled to keep (a maximum of 3 ha of UAA). In the case when the transferor's holding is divided among several transferees the size of the newly formed holding cannot be less than 20 ha of UAA;

6.4.1.3. Must possess occupational skills and (or) competence (only applies to natural persons). This requirement applies to all eligible applications received after the 1 January 2007;

6.4.1.4. Must take a commitment to renew data on the Agriculture and Rural Business Register on the change in the holding's ownership;

6.4.2. The non-farming transferee shall conform to the following requirements:

6.4.2.1. As of the day of application be less than 50 years of age (the transferor's spouse may not qualify as transferee);

6.4.2.2. Must take a commitment to renew data on the Agriculture and Rural Business Register on the change in the holding's ownership;

6.5. A beneficiary:

6.5.1. Must stop commercial farming definitively due to the holding being released to other farmers. The transferor may retain the use of the buildings and the area on which their residential buildings are situated, as well as the agricultural parcel for non-agricultural activity, which may not be used for commercial farming purposes in the future. The transferor is allowed to remain not more than 3 ha of UAA;

6.5.2. Farm worker may not return to farm work;

6.5.3. The transferor and his spouse may retain 1 dairy cow, which may not be used for commercial purposes. The sale of the remaining 1 cow and its calf shall not be considered as the return to the commercial farming;

6.5.4. Non-commercial farming activity continued by the transferor and his spouse shall not be eligible for support under support schemes of the Common Agricultural Policy. The monitoring of referred actions is to be ensured by the Agency.

6.5.5. Must release the land to an individual who satisfies the requirements set down in the point 6.4;

6.5.6. The beneficiary and his spouse may not sell agricultural products and shall only farm to satisfy their own needs;

7. PRIORITY SELECTION CRITERIA

7.1. The transferee is a young farmer (participant under the measure *Setting up of young farmers*);

7.2. The transferee is under 40 years old.

7.3. Older transferor.

The method of application of priority selection criteria is described in Chapter II of Annex I to the Rural development programme for Lithuania (RDP).

8. AMOUNT OF PAYMENTS

Early retirement aid granted to transferors consists of two parts – **fixed and variable**.

8.1. The fixed part of the grant consists of:

8.1.1. A retirement grant, calculated as an average annual old-age pension forecast for the period 2007-2013. The retirement grant is a flat rate per annum of EUR 1 549 per transferor, payable to the transferor in the national currency (if the average state social insurance old-age pension increases by more than 20 per cent the amendments to the RDP 2007-2013 related to adjustment of the amount upwards shall be accepted by the European Commission);

8.1.2. Extra-payment in the case of a dependant spouse (the spouse shall be not less than 55 years old but not yet of normal retirement age, unemployed, and receive no state social benefits). In this case extra payment in the amount of half the rate specified under paragraph 8.1.1 should be paid to the beneficiary. The payment shall not depend on the land released. The extra-payment can not be provided in the case if the spouse enters the farm worker early retirement scheme or is employed under a labour contract or if the spouse receives income from national social insurance funds (old-age pension or disability pension). Extra-payment is made until the dependant spouse reaches normal retirement age.

8.1.3. As the aid grant goes beyond normal retirement age, after the transferor has reached it, the fixed part (except the extra payment for dependant spouse) of the retirement grant is decreased by the annual amount of national retirement pension to which the transferor is entitled.

8.2. The variable part of the grant consists of:

8.2.1. Annual payment per hectare of released land owned by ownership right. In order to encourage small and medium size holding managers to apply for this sort of support, an annual payment of 93 EUR per hectare up to 20 ha of released UAA will be paid to compensate the income loss.

8.2.2. Only beneficiaries satisfying the criteria for applicants releasing their holdings are entitled to the variable part of the grant, which consists of annual payments for hectares of released UAA.

8.3. Duration of the payments

Early retirement support shall not exceed a period of 15 years and shall not go beyond the 70 birthday of a transferor or beyond the normal retirement age of a farm worker.

The payment for a dependant spouse for all beneficiaries will be made available for a period of until the spouse reaches retirement age.

8.4. Inheritance of support

If the beneficiary dies within the period of the early retirement support, the support may be granted to his or her spouse. Entitlement to the early retirement support for the remaining of the period will be contingent on full compliance with the conditions of the scheme by the beneficiary's spouse and if the transferee will continue his/her commitments.

If the beneficiary dies after the submission of application but prior the decision for support is taken, the early retirement support may be granted to his or her spouse for the remaining of the period, provided the conditions of the scheme continue to be met.

Type of support	Payment, EUR	Beneficiaries	Payment duration
Payment	1 549	Applicants of 55 years old to retirement age (other than farm workers)	15 years or until the beneficiary turns 70 years old
Payment	1 549	Applicants – farm workers of 55 years old to retirement age	until the beneficiary reaches normal retirement age
Extra payment	774	An applicant with a dependant spouse	until the dependant spouse reaches the normal retirement age
Payment for one hectare of UAA released	93	Transferor applicants	15 years or until the beneficiary turns 70

9. FINANCING

Funding over 2007-2013 (in current prices)

Year	Public support total		Community funding		National funding	
	EUR	pct	EUR	pct	EUR	pct
2007-2013	164 290 779*	100	123 218 084	75	41 072 695	25

*Including EUR 121.947.622 for ongoing commitments of Measure Early retirement (RDP 2004-2006 (Articles 10-12 of Council Regulation (EC) No 1257/1999))

A single transferor is entitled to a maximum of EUR 18 000 per year.

The total amount of support per transferor may not exceed EUR 180 000.

A single worker is entitled to a maximum of EUR 4 000 per year.

The total amount of support per worker may not exceed EUR 40 000.

10. TRANSITIONAL ARRANGEMENTS

Following the measure Early retirement from RDP 2004-2006 (Articles 10-12 of Council Regulation (EC) No 1257/1999) further payments will be made for the taken commitments.

Expenditure relating to multi-annual commitments under this measure shall be eligible under EAFRD according Article 7 of Council Regulation (EC) No 1320/2006.

Correlating measures		Public support total	Community funding	National funding
Early retirement (Articles 10-12)	Early retirement (Article 20, paragraph a, subparagraph iii and Article 23)	121 947 622	91 460 717	30 486 906

11. QUANTIFIED TARGETS FOR COMMUNITY COMMON INDICATORS

Type of indicator	Indicator	Target 2007-2013
Output	Number of holding managers early retired – (6 730). According to age category: 55-64 years old	6 700 According to age category: 55-64 years old – 6 700 (45 % male);
	Number of farm workers early retired	3
	Number of hectares released	35 000
	Number of young farmers supported as transferees	1355
Result	Increase in agricultural gross value added in supported farms (transferees)	EUR 76,6 mill.
Impact	Net additional value expressed in PPS	2,3 mill EUR/PPS
	Labour productivity in the agriculture	9 400 EUR/AWU basic prices

Baseline indicators	<i>Labour productivity in agriculture (4 086 EUR/AWU basic prices)</i>	<i>Age structure in agriculture: ≤ 40 years – 14 %; ≥ 55 years – 59 %; 55 – 62 years – 12 %</i>
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12. SANCTIONS

In case of any misconduct, breach or violation of legal acts or the support agreement by the beneficiary, there shall be three types of mandatory sanctions: reduction of the support, refusal to grant the support and / or the requirement to repay the support. The specific terms for the imposition of the sanctions shall be laid down in the rules implementing the measure.

13. LINKAGES AMONG RDP MEASURES, DEMARCATION LINES AND CRITERIA WITH OTHER COMMUNITY FINANCIAL INSTRUMENTS

The implementation of this measure will ensure smoother application of the measures *Setting up of young farmers* and *Modernization of agricultural holdings* due to an accelerated restructuring of farms. The measure is particularly closely related to the measure *Setting up of young farmers*, as young farmers taking over holdings from holding managers who are retiring under the Early retirement scheme have the priority. Holdings released will also be used both for the development of agricultural activity and for non-agricultural business, e.g. afforestation, which will have a favourable effect on diversification of rural activities and security of additional income for residents of rural areas.

MEASURE 5 SEMI-SUBSISTENCE FARMING

Code of the measure 141.

LEGAL BASIS

Articles 20 (d)(i) and 34 of Council Regulation (EC) No 1698/2005.

Article 24 and point 5.3.1.4.1 of Annex II of Commission Regulation (EC) No 1974/2006.

1. RATIONALE FOR INTERVENTION

The key provision of the measure *Semi-subsistence farming* is to support small agricultural holdings by providing support to farming entities that aim for economic viability, increase of efficiency and higher income as well as entering the market.

The majority of domestic agricultural holdings are small in terms of economic size units (hereinafter as ESU). Out of 252 950 agricultural holdings at the end of 2005, there were 200 513 subsistence holdings up to 2 ESU and occupied 36,4 per cent of UAA. 37 240 semi-subsistence agricultural holdings (2-3,99 ESU) occupied 17,8 per cent of UAA and made 14,7 per cent from all agricultural holdings. Such holdings are dominated by mixed production and earn most of their income from dairy products and meat sale but produce primarily for their own consumption and market only small proportion of their output. Due to small-scale production, they are not economically viable, as the income of such holdings is not quite sufficient to improve farming activities. With the market demands growing, small holdings that engage in agricultural activity of a low efficiency level are not competitive. This has certain negative effects on the quality of life of rural residents and on demographic processes in rural areas. With no financial support, most domestic small holdings find it difficult to go for more efficient farming.

Since Lithuania's average farm size is small and uncompetitive in comparison with EU and because of higher support level given it is expected that popularity of the measure will grow and support for semi-subsistence agricultural holdings would help to strengthen them economically and would increase their competitiveness at the same time.

2. DESCRIPTION OF THE MEASURE

Making semi-subsistence farming economically viable is one of the ways for speeding up the restructuring process and promoting competitiveness in the agricultural sector.

Semi-subsistence farming is an investment measure whereby support will be provided to small agricultural holdings for a five-year period, based on the 3+2 principle. The entire support amount shall be invested into the holding following the business plan accompanying the application. If the beneficiary fails to comply with the business plan and if the beneficiary is unable to validate the delay of investment envisaged in the business plan, the disbursement of the support for the beneficiary may be terminated starting from the third year of granting the support.

Implementation of this measure will increase the number of market oriented farms.

3. OBJECTIVES

3.1. Overall objective – by increasing competitiveness of agricultural holdings to improve their structure and develop market oriented commercial farming.

3.2. Specific objectives:

3.2.1. To increase the income of holding managers;

3.2.2. To increase number of market oriented agricultural holdings.

3.3. Operational objective – to support semi-subsistence agricultural holdings under restructuring. In addition, to create possibilities for farmers to receive practical skills of participation in an investment measure (preparation and submission of business plans, planning and implementation of investments, submission of requested documents proving the completion of investments to the Agency).

4. SCOPE AND ACTIONS

Enhance the restructuring of semi-subsistence agricultural holdings and promote their conversion into market oriented farms.

5. BENEFICIARIES

Natural persons engaged in the production of agricultural products which have registered their holdings.

6. ELIGIBLE EXPENDITURE

6.1. Construction and reconstruction of operational buildings / structures, purchase of construction materials.

6.2. The purchase of new agricultural machinery, equipment, technological equipment, computer hardware and software intended for the use of the project.

6.3. Development of the infrastructure for the holding (installation and reconstruction of the local water supply systems, agricultural drainage, artesian wells, watering installations) related to the production, processing of agricultural products, services to agricultural holdings and preparation of the same for marketing.

6.4. General costs.

6.5. The aid for investment in harvesting sugar-beet is not eligible. Investments in apiculture, fruits and vegetables sectors are not eligible, if such aid can be granted from other funds.

7. ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

7.1. The applicant shall fulfil general provisions and requirements for support and general provisions and requirements for support for investment measures laid down in the Chapters II and III of Annex 1 to Rural Development Programme for 2007-2013 (RDP).

7.2. The size of applicant's holding is 2-3,99 ESU;

7.3. The agricultural holding shall be on Agriculture and Rural Business Register;

7.4. The holding managers shall keep their books in the manner prescribed by the Lithuanian legislation from the day of application for support, unless the bookkeeping procedure was already in place;

7.5. A business plan available:

7.5.1 Presenting evidence that the agricultural holding shall become economically viable*;

7.5.2 Describing the required investments in detail;

7.5.3 Defining specific holding development milestones and targets.

7.6. Holding managers which received support under the Rural Development Plan 2004-2006 measure "Support for semi-subsistence farms undergoing restructuring" are not eligible for support for a second time.

* the size of agricultural holding shall increase in terms of ESU by 20% over the first three years.

8. PRIORITY SELECTION CRITERIA

8.1. The applicant has never received the EU investment support for agriculture and rural development.

8.2. The beneficiary's membership in a cooperative, which is recognized as an agricultural cooperative before the submission of application.

8.3. Applicants age (as younger).

The method of application of priority selection criteria is described in Chapter II of Annex I to the Rural development programme for Lithuania (RDP).

9. AID INTENSITIES

9.1. The maximum amount of support is EUR 1 500 per agricultural holding annually.

9.2. Support will be granted for a five-year period under the 3+2 principle, meaning that in three years following the implementation of the business plan, the progress in complying with the business plan will be assessed:

9.2.1. In the event of compliance with the business plan, support will be extended for another two years;

9.2.2. If the beneficiary fails to comply with the provisions of the business plan and if beneficiary is unable to validate the delay of investment envisaged in the business plan, no further support will be granted. There will be a requirement to reimburse the granted support. If the delay of investments made is explained the support will be granted for the last 2 years.

9.3. The amount of support received under this measure shall not be taken in to account calculating the maximum amount of support for one beneficiary under investment measures in the period 2007 – 2013 laid down in the Chapter III point 14.

9.4. The support shall be granted in respect of applications approved by 31 December 2013.

10. FINANCING

Funding over the period of 2007–2013 (in current prices)

Year	Public support total		Community funding		National funding	
	EUR	pct	EUR	pct	EUR	pct
2007–2013	29.890.000*	100	22.417.500	75	7.472.500	25

*Including EUR 2.556.379 of ongoing commitments of Measure Support for semi-subsistence farms undergoing restructuring (RDP 2004-2006 (Article 33b of Council Regulation (EC) No 1257/1999))

11. TRANSITIONAL ARRANGEMENTS

Following the measure „Support for semi-subsistence farms undergoing restructuring” (Article 33b of Council Regulation (EC) No 1257/1999) from RDP 2004-2006 further payments will be made for the taken commitments. Expenditure relating to multiannual commitments under this measure shall be eligible under EAFRD according Article 7 of Council Regulation (EC) No 1320/2006.

Correlating measures		Public support total EUR	Community funding EUR	National funding EUR
Support for semi-subsistence farms (Article 33 paragraph b)	Semi-subsistence farming (Article 20, paragraph d, subparagraph i and Article 34)	2 556 379	1 917 285	639 095

12. QUANTIFIED TARGETS FOR COMMUNITY COMMON INDICATORS

Type of indicator	Indicator	Target 2007-2013
Output	Number of semi-subsistence farms supported	5-10 – 1 250; > 10 ha – 2 400
Result	Number of farms entering the market	3 000
Impact	Economic growth: Net additional value expressed in PPS	2,3 mill EUR/ PPS
	Labour productivity in the agriculture	9 400 EUR/AWU basic prices

Baseline indicators	<i>Labour productivity in agriculture (4 086 EUR/AWU basic prices).</i>	The importance of semi-subsistence farming in New Member States: (7 % of the farms are semi-subsistence and 4% of agricultural employees are occupied there)
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13. SANCTIONS

In case of any misconduct, breach or violation of legal acts or the support agreement by the beneficiary, there shall be three types of mandatory sanctions: reduction of the support, refusal to grant the support and / or the requirement to repay the support. The specific terms for the imposition of the sanctions shall be laid down in the rules implementing the measure.

If holding manager applies for the measure Early Retirement and is approved as beneficiary (as a transferor) while the semi-subsistence aid is paid, the latter aid shall be terminated immediately and the support already received shall be reimbursed for the years when no investments were made or the investments were not completed.

14. LINKAGES AMONG RDP MEASURES, DEMARCATION LINES AND CRITERIA WITH OTHER COMMUNITY FINANCIAL INSTRUMENTS

Holding managers which receive support under this measure, after strengthening their agricultural holdings will become commercial agricultural holding owners and will be able to apply for support under the measure *Modernisation of agricultural holdings*.

To ensure rational use of land in semi-subsistence agricultural holdings, the implementation of the measure *Early retirement* and the activity *land consolidation* under the measure *Infrastructure related to the development and adaptation of agriculture and forestry* will have its significance.

Activities under the measure *Vocational training and information actions* will benefit holding managers to restructure semi-subsistence agricultural holdings into commercial agricultural holdings.

Owners of semi-subsistence agricultural holdings who are developing organic farming will be entitled to payments to organic farms under the measure *Agri-environment*, farmers in less favourable areas will be able to use support under the measure *Less favourable areas*.

In restructuring semi-subsistence agricultural holdings into commercial agricultural holdings, the former will have to conform to a variety of standards and requirements, keep their accounts using consultation services under the measure *Use of advisory services*.

MEASURE 6

MODERNISATION OF AGRICULTURAL HOLDINGS

I. MODERNISATION OF AGRICULTURAL HOLDINGS – INVESTMENT SUPPORT

Code of the measure 121.

LEGAL BASIS

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

Article 17 and point 5.3.1.2.1 of Annex II of Commission Regulation (EC) No. 1974/2006.

1. RATIONALE FOR INTERVENTION

Following the land reform, Lithuania saw the arrival of rather small and uncompetitive holdings. Productivity of primary agricultural production as well as its competitiveness to a large extent depends on the size of agricultural holdings and their structure. Though the process of consolidation of holdings has begun recently, market-focused holdings are still developing slowly and such holdings constitute only a small (5 ha) proportion in the overall holding structure. 2/3 out of 252 950 holdings registered in Lithuania at the end of 2005 were small holdings. Such small holdings produce almost 45 per cent of all agricultural products, however, because of low production levels and poor product quality, the income of such holdings is not sufficient for their modernisation. In order to achieve the objectives of the Lisbon strategy and the continuous enhancement of the competitiveness of Lithuanian agriculture it is imperative to invest into the introduction of new technologies, equipment and innovative methods in agricultural production, in order to generate bigger added value and the production of higher quality.

Special agricultural and rural development program (SAPARD) was implemented in Lithuania during the period of 2000-2004. Under the SAPARD measure *Investment In Agricultural Holdings* a total of EUR 61.617 mill. of support was granted to producers of agricultural products. 445 investment projects were supported. The biggest share of support was allocated to the producers of crop and flax sector – 46.6 per cent of all support under this measure. The producers of meat sector received 23.2 per cent, milk sector – 23.9 per cent and fruit and vegetables sector – 6.1 per cent of all the support under this SAPARD measure

Under the measure *Investments into agricultural holdings* of the SPD for 2004-2006 the payment amounting to EUR 83.364 mill in total is committed to support 600 beneficiaries. The allocation of support according to sectors is as follows: 54 per cent - for crop production, 15 per cent - for livestock production, 25 percent - for milk sector and 3.5 per cent for fruit and vegetables sector. *Modernisation of agricultural holdings* is a continuation of the aforementioned SAPARD and SPD measures and is aimed at the development of a competitive national agricultural sector. Under this measure the support will also be granted to eligible projects meeting the relevant criteria, which were submitted in 2004-2006 under the SPD measure *Investments into agricultural holdings* but were not supported due to the shortage of financial resources. Legal foundation is part 1 of Article 8 of Commission Regulation (EC) No. 1320/2006.

On 1 January 2006, in Lithuania the value of agricultural products produced in the holdings reached EUR 1 467.62 mill. The crop production stands for EUR 744.844 mill of this total value, while livestock production stands for EUR 722.77 mill. The cattle breeding stands only for 3.7 per cent of the value of total agricultural production, flax growing – for 0.1 per cent, rape growing – for 2.5 per cent, vegetable growing – for 8.2 per cent and fruit and berries growing – for 1.9 per cent. With the view to the development of these agricultural sectors and with the view to establishment of conditions for such development, a list of priority sectors is compiled while bearing in mind the current situation in the structure of overall agricultural production.

Priority for livestock production is given taking into account that meat processing industry is under the process of modernization (starting from SAPARD, SPD) and there is a need to balance the demand/supply side of raw material. In order to assure the consumer receives a product of high quality, it is important to invest into all segments of food chain “from stable to table” and restructuring of farms breeding/rearing livestock is vital.

Flax growing is historically traditional activity, nevertheless Lithuania is facing a decline in flax growing area since 2004. One of the main reasons for this is a lack of investments for modern technologies. Taking into account abovementioned and existing capacities for processing of flax, the priority is given for this sector.

Majority of farms in Lithuania cultivating crops, especially smallest one, are using seed of poor quality and applying outdated technologies. In recent years only around 15 per cent of crop area was sown using certificated seeds. It's necessary to strengthen the material basis for supply of seeds of high quality that is why the modernization of this sector is a priority.

Lithuania's climate is good for gardening and horticulture. However there is a shortage of warehousing facilities, vegetable-growing technologies are obsolete, there is an insufficient level of cooperation among producers in sharing special equipment and conducting joint marketing activities therefore priority is also given for this sector.

The issue of nitrogen compound pollution is of high importance in Lithuania. Attempts are made to solve the issue by implementing Council Directive 91/676/EEC (hereinafter as Nitrates Directive). The State Programme for the Reduction of Pollution of Waters from Agricultural Sources was adopted by the Decision No. 1076 of the Government of the Republic of Lithuania of 26 August 2003. The aim of this Programme is to implement the Nitrates Directive on the territory of the Republic of Lithuania, reducing water pollution and especially focusing on nitrates and other chemical elements that may adversely affect public health, biodiversity, alter the traditional landscape; the Programme also focuses on the protection the waters of the Republic of Lithuania from eutrophication. In order to implement this Programme, it is divided into two sections. During the period of 2004-2008, the first Action Programme is being implemented throughout the whole territory of Lithuania. Along with mandatory measures, related to sustainable fertilisation with organic and mineral fertilisers, land use and rotation, it is required to install appropriate manure storage facilities and sewage tanks in livestock production holdings, having more than 300 LU and in all newly established holdings. Pursuant to the second Action Programme for 2008 – 2012 manure storage facilities must be installed in smaller holdings as well. Therefore one of the actions of the measure *Modernisation of agricultural holdings* is designed for the implementation of the requirements of the Nitrates Directive in holdings, having more than 10 LU. The support for the implementation of the requirements of the Nitrates Directive was also granted under the measure *Meeting EU standards* of the Rural Development Plan for 2004-2006. There were 1348 applications approved and EUR 70.17 mill of support was granted under this measure.

One of the main policy objectives of the EU, envisaged in the Communication of 26 November 1997 Energy for the future: renewable sources of energy - White Paper for a Community strategy and action plan is to increase, by 2010, a penetration of renewable energy sources in the European Union by two times (12%). Directive 2001/77/EC of the European Parliament and of the Council of 27 September 2001 on the promotion of electricity produced from renewable energy sources in the internal electricity market also envisaged to increase the indicative share of electricity produced from renewable energy sources in total Community electricity consumption by 2010 up to 22 %. Therefore one of the main objectives of the country is to keep on searching for competitive renewable sources of energy and other sources of energy with lower CO₂ emissions and supply of such sources; to assume global leadership in this area with the view to bringing climate change to a halt and improving quality of air.

The main material used for the production of biofuel is grain and rape. Therefore with the view to the development of additional biomass sources, the support will be granted to the planting of short rotation regenerated area.

2. DESCRIPTION OF THE MEASURE

This measure bears an investment character.

The support under this measure is designed for the investments into tangible and intangible assets of agricultural holdings, where such investments improve the overall holding performance and are made with the view to complying with the new Community's standards which are applicable to the investments concerned. If investments are made in order to comply with the Community's standards, support is granted only to those which are newly introduced and the period until the full compliance to this standard may be extended for a maximum period of 36 months from the date of the standard becoming binding on the holding.

The support will also be granted to the projects of processing and commercial preparation of agricultural products produced/grown at own holding, which is to improve the added value of such products and increase income of farmers as well.

Support will be given to tangible and intangible investments related to the productions of agricultural products linked to products covered by Annex I to the Treaty, handling (except fishery products), and respecting the Community standards applicable to the investment concerned.

3. OBJECTIVES

3.1. Overall objective - to improve competitiveness of agriculture by introducing new processes, new technologies and innovations.

3.2. Specific objectives:

3.2.1. to modernise and restructure physical potential and to meet Community standards for all investments;

3.2.2. to increase farmers income from agriculture and related activities;

3.2.3. to promote production of higher added value agriculture products and/or services for agriculture sector;

3.2.4. To encourage the increase of the proportion of renewable energy resources in primary energy consumption, with the view to climate change to mitigation and improving the quality of air;

3.2.5. to implement the Nitrates Directive on the territory of the Republic of Lithuania, reducing water pollution and especially focusing on nitrates and other chemical elements that may have an adverse effect on public health, biodiversity, alter the traditional landscape and focusing on protection of the waters of the Republic of Lithuania from eutrophication.

3.3. Operational objective:

3.3.1. to grant support to farmers and increase the number of modernised holdings in agricultural sector;

3.3.2. to increase farmers income from agricultural activities and services to agriculture;

3.3.3. to improve environment protection;

3.3.4. to increase the economic value and labour productivity created in the agriculture;

3.3.5. Produce biomass, as a source of energy, with the view to biomass partially replacing imported raw materials (oil, gas, coal) and contributing to the reduction of CO₂ emissions, which results in greenhouse effect.

4. SCOPE AND ACTIONS

4.1. Activity 1:

Compliance with the requirements of the Nitrates Directive and the new compulsory Community standards.

4.2. Activity 2:

- 4.2.1. Production of agricultural products and (or) services for agriculture sector;
- 4.2.2. Production of biogas from waste of holding. Such biogas may be used for the needs of the holding only;
- 4.2.3. Handling (grading, packing, and etc.), processing of commercial agricultural products (which are produced/grown in the holding) and their delivery to market (or, in the case of cooperatives which were recognised as agricultural cooperatives before the date of submission of application, handling and delivery to market of agricultural products bought from its members which produced/grew such products on their holdings).

4.3. Activity 3:

- 4.3.1. Planting of short-rotation coppices.

4.4. Priority of activity 2 activities (in the descending order):

- 4.4.1. Livestock production;
 - 4.4.1.2. Beef production;
 - 4.4.1.3. Other branches of livestock production;
- 4.4.2. Crop production;
 - 4.4.2.1. Flax growing and all kinds of certified seed production;
 - 4.4.2.2. Horticulture, fruit and vegetable growing;
 - 4.4.2.3. Rape growing;
 - 4.4.2.4. Other branches of crop production;
- 4.4.3. Services for agriculture.

For each activity and sub-activity shall be foreseen a separate budget. The share of budget will be decided taking into account factors such as increase in export markets, higher value-added, impact on other sectors, the need for innovation, restructuring and modernization etc.

5. BENEFICIARIES

Activity 1 and 2

5.1. A farmer or a legal entity engaged in agricultural production and/or services for agriculture sector and having registered his/her holding according to the national legal acts. Other eligible beneficiaries are cooperatives, which should be recognised as agricultural cooperatives* before the date of submission of application;

5.2. Science and education institutions, possessing experimental, demonstration, training and test farms and engaging in agricultural production and/or services for agriculture sector.

Activity 3

Natural persons or a legal entity legitimately managing an agricultural holding.

6. ELIGIBLE EXPENDITURE*

6.1. Activity 1:

For the Nitrates Directive

- 6.1.1. Construction of new manure storage facilities and/or sewage storage tanks and/or reconstruction of old ones;
- 6.1.2. The purchase of new manure and sewage storage facilities, delivery machinery, as well as purchase of equipment and machinery for sewage insertion/spreading down;
- 6.1.3 The purchase of new construction materials;

* Not applicable for projects, which were submitted under the SPD measure *Investments into agricultural holdings* and for which support was not granted under SPD due to lack of funds

6.1.4. Project publicity costs;

6.1.5. General costs.

6.2. Activity 2:

6.2.1. The purchase of new agricultural machinery, transportation means for the finished production, equipment and technological facilities, computer hardware and software intended for the use of the project;

6.2.2. Development of holding's infrastructure (construction and reconstruction of agricultural field roads, local water-supply and local sewage systems, farming drainage, artesian boreholes, construction/reconstruction of watering equipment and the construction of low-output (up to 250 KW) wind power stations) within holding, when it is related to agricultural production and/or processing and/or services for agriculture sector and preparation for marketing;

6.2.3. Construction and reconstruction of operational buildings / structures, purchase of construction materials;

6.2.4. The purchase of perennial fruit trees and bushes needed for planting of new gardens;

6.2.5. Project publicity costs;

6.2.6. General costs.

6.3. Activity 3:

6.3.1. Preparation of coppice project;

6.3.2. Preparation of area of planting and/or soil. Planting of short-rotation coppices in Natura 2000 territories is not supported;

6.3.3. The purchase of seedlings;

6.3.4. Implantation;

6.3.5. Project publicity costs;

6.3.6. General costs.

6.4. If investments are made in order to meet Community standards, the support shall be granted only for the investments that are made with the view to seeking compliance to the newly introduced standards of the Community. In this case, the period until the full compliance to such standard will be extended for a maximum period of 36 months from the date of the standard becoming binding on the holding;

6.5. In the case of young farmers, receiving support under the measure *Setting up of young farmers*, support may be granted for investments to comply with existing Community standards, provided that it is indicated in the business plan. The period of grace within which the standard needs to be met, may not exceed 36 months from the date of setting up.

7. ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

7.1. The applicant under this measure shall fulfill general provisions and requirements for support and general provisions and requirements for support for investment measures laid down in the Chapters II and III of Annex 1 to the Rural Development Programme for 2007-2013 (RDP).

7.2. For Activity 1

For the Nitrates Directive

7.2.1. If the holding is already granted the Community support under investment measures of SAPARD, SPD or RDP for implementation of EU standards, a conclusion on the environmental condition of the holding must be submitted according to the rules of the MoA. Standards for whole holding shall be achieved till the date defined in implementing rules of this activity;

7.2.2. The investment shall improve the overall performance of holding (such as decreasing of adverse effect in environment) and shall contribute to increased competitiveness of the agricultural holding;

7.2.3. All investments shall meet relevant Community standards.

7.3. For Activity 2

7.3.1. Income from agricultural activity over the period of 2 years must be at least 50 per cent of the total holding income (with the exception for cooperatives, science and training institutions).

7.3.2. The applicant investing in the milk sector must have a milk quota adequate to the capacities existing in the project. Where the applicant is a cooperative, its members must have milk quota adequate to the capacities existing in the project. Where the Project of the applicant envisages an increase of production capacities, a possibility to increase milk quotas must be provided for and substantiated.*;

7.3.3. The applicant must possess professional education in agriculture or be trained in the basic course in farming or have more than 2 years of farming experience. This requirement is not applicable to legal entities;

7.3.4. The applicant is not a newly-established - it must be in business for at least 2 years before the date of submission of application (this requirement is not applicable to cooperatives);

7.3.5. The applicant must prove the holding's conformity to economic viability criteria (with the exception for science and training institutions) in his/her submitted business plan. To ensure the selection of the highest quality projects in terms of economic viability and proper entry conditions to the measure, the MoA may set lowest/highest values of economic viability criteria;

7.3.6. The holding applying for the support to develop the seed growing must be recognized as a holding of seed production*;

7.3.7. The investment shall improve the overall performance of holding (such as application of new production technologies increasing fertility of agricultural plants, rising of animal's productivity, production of alternative energy sources, creation of better quality food products and development of outlet, decreasing of adverse effect in environment) and shall contribute to increased competitiveness of the agricultural holding.

7.3.8. All investments shall meet relevant Community standards;

7.3.9. No support will be granted for investments in growing of hops or sugar-beet. No support will be granted for investments in apiculture or fruit and vegetables sectors if such support is available from other funds.

7.3.10. Farms which are smaller than 4 economic standard units (ESU) are not eligible for support. This requirement shall not apply to entities engaged in the provision of services to agriculture only where the standard gross margin (SGM) is not possible to be established in accordance with Commission Decision 85/377/EEC and other cases established by the MoA.

7.3.11 In case of investment into winter greenhouses only those investments will be supported which will take into account the environmental aspects and clearly improve energy, water and waste efficiency.

7.4. For Activity 3*

7.4.1. The agricultural holding benefiting from the investment shall be legitimately managed by the applicant in the manner specified by the legal acts of the Republic of Lithuania;

7.4.2. The applicant shall present a Project on planting of short-rotation coppices for energy purpose. The project shall foresee that no damage will be done for drainage system;

7.4.3. The support shall be granted for planting short-rotation coppices, period between 2 cuttings of them is up to 5 years (willow, osier – *Salix L.*; aspen (*Populus tremula L.*, *populus tremula***Populus tremuloides*, ; gray alder – *Alnus incana L.*);

7.4.4. Planted area shall not be smaller than 1 ha;

7.4.5. Short rotation coppices shall be planted in UAA meeting GAEC, but not eligible in NATURA 2000 areas;

7.4.6. All investments shall meet Community standards.

8. PRIORITY SELECTION CRITERIA*

8.1. Activity 1:

8.1.1. Priority criteria shall be laid down according to the current situation (sensitivity of area for pollution) and evaluating whether the applicant has more LU (LU number cannot exceed 1,7 LU per ha of UAA), which create higher threats for pollution and whether the applicant has never received the Community support to complete the implementation of the Nitrates Directive.

8.2. Activity 2:

8.2.1. The applicant has never received the EU investment support for agriculture and rural development accordingly;

8.2.2. Holding's area is up to 150 ha of UAA;

8.2.3. The applicant is under 40 years old;

8.2.4. Lower aid intensity is requested for the project implementation;

8.2.5. Innovations are introduced in the holding;

8.2.6. Applicant's membership in the cooperative;

8.2.7. The applicant is a cooperative. The number of members of a cooperative shall be taken into consideration;

8.2.8. Modernisation of holdings, whose owners possess the "Green Diploma";

8.2.9. Projects having a higher internal return rate and/or by considering other criteria established by the MoA.

8.3. Activity 3:

8.3.1. The applicant has never received the EU investment support for agriculture and rural development accordingly;

8.3.2. Lower aid intensity is requested for the project implementation;

8.3.3. Applicant's membership in the cooperative;

8.3.4. The applicant is a cooperative. The number of members of a cooperative shall be taken into consideration;

8.3.5. By considering other criteria established by the MoA.

The method of application of priority selection criteria is described in Chapter II of Annex I to the Rural development programme for Lithuania (RDP).

9. AID INTENSITY

9.1. Activity 1

For the Nitrates Directive

9.1.1. The support may cover up to 75 per cent of the amount of eligible investment within a maximum of four years from the date of Accession to the EU. Later on, aid intensity shall be the same, as established in Activity 2;

9.1.2. The maximum amount of support per project is linked to the number of LU but shall not exceed EUR 200 000. Size of support for LU will be defined in implementing rules of this activity. The support received under this measure shall not be included into the calculation of maximum sum of support for one beneficiary under investment measures in the period of 2007 – 2013. The number of projects may be limited by MoA;

* Not applicable for projects, which were submitted under the SPD measure *Investments into agricultural holdings* and for which support was not granted under SPD due to lack of funds.

9.1.3. Farmers and legal entities implementing the Nitrates Directive may apply for support under other measures and under other activities of this measure as well.

9.2. Activity 2

9.2.1. The support may cover up to 40 per cent of the total eligible expenditure of the project; and up to 50 per cent for young farmers;

9.2.2. The support may cover up to 50 per cent of the total eligible expenditure of the project for farmers in less favourable areas; and for young farmers in such areas – up to 60 per cent;

9.2.3. The maximum amount of support per project and per period is up to EUR 400 000;; in the cases specified by the Ministry of Agriculture for entities modernising winter greenhouses the maximum amount per project also in 2007-2013 is up to EUR 1,300 thousand;

9.2.4. In case aviculture farm apply to receive support under the measure “Processing of agricultural products and increasing of added value” the maximum rate for support during 2007-2013 programming period shall not exceed EUR 4,4 mill. including the received support under the measure “Modernization of agricultural holdings”;

9.2.5. The support granted under measures/activities listed below shall not be included into the calculation of maximum amount:

9.2.5.1. Vocational training and information actions;

9.2.5.2. Use of advisory services;

9.2.5.3. Semi-subsistence farming;

9.2.5.4. Setting up of young Farmers;

9.2.5.5. Implementation of the Nitrates Directive requirements;

9.2.5.6. The support granted for projects that were submitted under the SPD measure *Investments into agricultural holdings* and they are financed from RDP 2007-2013. The maximum amount of support per such project is up to EUR 375 000.

9.3. Activity 3

9.3.1. Aid intensities are the same as for activity 2;

9.3.2. The maximum amount of support per period is up to EUR 400 000; the maximum amount of support per project is up to EUR 200 000, but maximum support may not exceed 1500 EUR/ha

10. FINANCING

Funding over the period of 2007-2013 (in current prices)

Year	Public support, in total		Community funding		National funding	
	EUR	pct	EUR	pct	EUR	pct
2007–2013	314 412 841	40-75	235 809 631	75	78 603 210	25

11. TRANSITIONAL ARRANGEMENTS

Following the measure “Meeting standards” (Articles 21b and 21c Compliance with standards Article 31 (2a) and (2b)) from RDP 2004-2006 further payments will be made for the undertaken commitments. The support under this measure shall be provided according Article 5 of Council Regulation (EC) No 1320/2006.

Correlating measures			Public support total	Community funding	National funding
Meeting standards	Article 2(b)(i) and		18.900.000	14.175.000	4.725.000

(Articles 21b and 21c Compliance with standards Article 31 (2a) and (2b))	Article 26 Modernization of agricultural holdings			
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12. SANCTIONS

In case of any misconduct, breach or violation of legal acts or the support agreement by the beneficiary, there shall be three types of mandatory sanctions: reduction of the support, refusal to grant the support and / or the requirement to repay the support. The specific terms for the imposition of the sanctions shall be laid down in the rules implementing the measure.

13. LINKAGES AMONG RDP MEASURES, DEMARCATION LINES AND CRITERIA WITH OTHER COMMUNITY FINANCIAL INSTRUMENTS

The measure *Modernisation of agricultural holdings* relates with the following measures of Lithuanian Rural Development Programme for 2007-2013 (RDP):

Support under the measure *Setting up of young farmers* shall facilitate modernisation and restructuring of holdings.

Limited-scope projects on handling (grading, packing, and etc.) of farming products shall be supported under the measure *Modernisation of agricultural holdings*, while larger projects shall be supported under the measure *Processing of agricultural products and increasing of added value*. The output of primary agricultural production and the quality of farming products have a positive effect on the operating capacity of the processing industry. The support under the measures *Use of advisory services* and *Vocational training and information actions* shall help farmers to implement investment projects under this measure successfully.

Coordination of the measures *Modernisation of agricultural holdings* and *Vocational training and information actions* shall improve the professional expertise and knowledge management of applicants.

Some farmers are also private forest owners, thus the support for forestry development under the measure *Improvement of economic value of forests* shall ensure additional income and shall promote alternative activities.

Holdings in less favourable areas shall have to comply with environmental standards and shall be entitled to support under the measure *Less favourable areas*.

Applicants developing organic farms and receiving support under this measure shall be entitled to payments for organic farming under the measure *Agri- environment*.

Beneficiaries under the measure *Semi-subsistence farming* shall be encouraged to submit the applications for support for larger investments under the measure *Modernisation of agricultural holdings*, since upon completion of projects under the measure *Semi-subsistence farming* they shall have the capacity to prepare projects for larger-scale farm modernisation investments as well.

Diversification into non-agricultural activities. . Under this measure support shall be given to cooperatives and farmers for the handling (grading, packing, and etc.) of commercial agricultural products which are produced/grown in the applicant's household and preparation of such products for sale and for the services to agriculture . Under the Axis III measure *Diversification into non-agricultural activities* support shall be given for the micro-enterprises for the handling (grading, packing, and etc.) of commercial agricultural products which are produced/grown not in the applicant's household and preparation of such products for sale and for the basic services to rural population, unconcerned with agriculture. Under the measure "*Modernization for agricultural holdings*" support shall be granted for the production of products are included in Annex I of the Treaty. Meanwhile under the measure "*Diversification into non-agricultural activities*" support shall be granted for the production of non Annex I products.

The support is allocated for the growing of short rotation coppices for energy production purposes, which is different from measures *First afforestation of agricultural land* and *First afforestation of non-agriculture land*, where the support is allocated for the increase of afforested areas and the duration of growing of plants is at least 15 years. If the support is granted for this measure, the applicant could not get support under the measures *First afforestation of agricultural land* and *First afforestation of non-agriculture land* for the same area.

The demarcation with the ERDF and CF is done with respect of the following criteria:

1) Range of activity (spreading of science and technologies in agriculture, including production of agricultural products).

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).

Final beneficiaries: natural and legal persons engaged in agriculture, science and training institutions having experimental agricultural holdings).

Demarcation criterion:

II. *OP on Economic Growth*

Priority 1: Research and Development for Competitiveness and Growth of the Economy

European Regional Development Fund (ERDF):

- support for:

- activities of scientific research centres;

- centres of sciences-business interaction;

- 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);

- the researches of state scientific institutions and universities in the fields of high and medium high technologies;

- centres, existing under public science and study institutions, implementing the functions of technology transfer;

- R&D activities of enterprises;

- development of R&D technical base of enterprises.

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: Increasing business productivity and improving environment for business.

- 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.

Final beneficiaries: enterprises

2) Modernisation of agricultural holdings (support for building farm roads)

Location of project implementation (rural area)

Applicant (natural or legal person engaged in agricultural activity)

II. *OP on Economic Growth*

Priority 4: Basic economic infrastructure:

European Regional Development Fund (ERDF):

Building and reconstruction of regional roads (including paving of gravel roads).

Final beneficiaries – municipalities

3) Modernization of agricultural holdings,

(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

III. OP for Promotion of Cohesion

Priority 3. Environment and sustainable development

Cohesion Fund (CF)

- renovation and development of wastewater network;
- renovation and development of water supply network;

Final beneficiaries: municipalities and water companies

Coherence with first pillar. For given project a beneficiary cannot use double sources of public funds. The cross-check by applicant, type of investments, area of project implementation, information from database of projects and registry at the level of the Paying Agency will be made. These provisions specifically apply to the following sectors: fruit and vegetables, hop, sugar producer groups and other sectors regulated by CAP. Support under CAP for these sectors is granted considering to size of land, number of beefamilies and quota of sugar. Support under this measure for these sectors is granted by percentage term considering to eligible expenditures. Support under CAP for hop in Lithuania is not granted. Areas covered by short rotation coppices will be eligible for direct payments if meets the set requirement for direct payments.

II. MODERNISATION OF AGRICULTURAL HOLDINGS – CREDIT SUPPORT

Code of the measure 121.

LEGAL BASIS

Articles 20 (b) (i), 26 and 71 (5) of Council Regulation (EC) No. 1698/2005.

Articles 17, 50-52 and point 5.3.1.2.1 of Annex II of Commission Regulation (EC) No. 1974/2006.

1. RATIONALE FOR INTERVENTION

The access to a credit still remains a major issue for most of the farmers and legal entities engaged in agricultural activity. Thus, many applicants for the financial support provided through the Programme face challenges in ensuring the private co-financing required by the Programme.

In the absence of their own co-financing resources and refused by the crediting institutions, the potential applicants for the EAFRD support and the applicants already approved for the support are forced to abandon their development projects with direct consequences both to their own income, the local economy (development of agrifood sector), realization of tasks and objectives of the Programme (to improve competitiveness, higher value added etc.), as well as to the absorption of the Community funds by the local communities and the sectors most in need. Limited access to a credit (or in some cases no access at all) is a problem and for those which intend to modernize their holdings without investment support under the Programme.

The recent financial crisis occurring worldwide and also affecting the Lithuanian economy contributes even more to the inaccessibility of this category of credit applicants to the market financial resources with serious consequences for the absorption of the EAFRD resources. Also, the use of land and other agricultural assets as banking collaterals is profoundly affected by the volatility of the prices generated by the currents economic crisis.

Having in regard the above mentioned issues, it is necessary to develop a financial instrument to increase the accessibility of the Programme applicants to the credits for co-financing the private

contribution or farmers and legal entities engaged in agricultural activity which intend to modernize their holdings without investment support under the Programme.

2. DESCRIPTION OF THE MEASURE

In general, this measure provides an opportunity for those engaged in agricultural activity to get a credit for the development of their business in agricultural production and/or services for agriculture sector. In addition, natural persons or legal entities that have own UAA may get a credit for planting of short-rotation coppices.

3. OBJECTIVES

To provide the access to the credits for the investments which seek the objectives listed in “I. Modernisation of Agricultural Holdings – investment support”, section “3. Objectives”.

4. SCOPE AND ACTIONS

Investments for which the credit is granted should fall under one of the activities listed in “I. Modernisation of Agricultural Holdings – investment support”, section “4. Scope and Actions”.

5. BENEFICIARIES

Potential beneficiaries for a credit support are those which fall under section “5. Beneficiaries” of “I. Modernisation of Agricultural Holdings – investment support”.

6. ELIGIBLE EXPENDITURE

Investments which seek the objectives listed in “I. Modernisation of Agricultural Holdings – investment support”, section “3. Objectives” and listed in “I. Modernisation of Agricultural Holdings – investment support”, section “6. Eligible expenditure”.

7. ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

7.1. Credits may be provided only for the activities and economic entities that the Credit Fund or on its responsibility selected Financial Intermediate considers potentially viable. The assessment of the economic viability shall take into account all sources of income of the enterprises in question.

7.2. 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.

7.3. There should be met all requirements set in “I. Modernisation of Agricultural Holdings – investment support”, section “7. Eligibility criteria and requirements for support”.

8. SELECTION CRITERIA

Financial Intermediate selects investment projects for financing based on selection criteria such as profitability, degree of risks, term of credit reimbursement etc.

9. AID INTENSITY

9.1. For the calculation of aid intensity the Communication from the Commission on the revision of the method for setting the reference and discount rates (OJ C 14 2008, p. 6) shall be used.

9.2. Aid intensity calculated as Gross Grant Equivalent (GGE) shall not exceed the ceilings set under “I. Modernisation of Agricultural Holdings – investment support”, section “9. Aid intensity”. If the credit support is combined with an investment support under “I. Modernisation of Agricultural Holdings – investment support”, both types of aid shall be cumulated.

9.3. The lowest amount of the credit is 3 thousand EUR and the highest amount of the credit is 300 thousand EUR.

9.4. Duration of the credit is up to 7 years.

10. FINANCING

Funding over the period of 2009-2013 (in current prices)

Year	Public support, in total	Community funding		National funding	
	EUR	EUR	pct	EUR	pct
2009–2013	86 886 006	65 164 504	75	21 721 502	25

11. TRANSITIONAL ARRANGEMENTS

There are no transitional arrangements.

12. SANCTIONS

In case of any misconduct, breach or violation of legal acts or the credit agreement by the beneficiary, there shall be sanctions imposed. The specific terms for the imposition of the sanctions shall be laid down in the implementing rules of the measure.

13. LINKAGES AMONG RDP MEASURES, DEMARCATION LINES AND CRITERIA WITH OTHER COMMUNITY FINANCIAL INSTRUMENTS.

Financial engineering measures financed from EAFRD will be applied for investment projects related to primary agricultural production and processing covered by the Annex I to the Treaty only. Financial engineering measures financed from other funds are not applicable for such projects.

INDICATORS TARGETED FOR 2013 (INVESTMENT SUPPORT AND CREDIT SUPPORT)

Type of indicator	Indicators	Target (2013)
Output	Number of holdings that received investment support under Activity 1	3 076
	Number of holdings that received investment support under Activity 2	1 281
	Number of holdings that received investment support under Activity 3	23
	Total number of holdings that received investment support	4380
	Number of projects supported that received credit support	1000
	Number of holdings that received investment under activity 2 support divided by:	
	1. gender:	60 per cent
	Male	40 per cent
	Females	
	2. legal status	79 per cent
	Farmers	21 per cent
	legal entity	
	3. type of investment:	587
Livestock production	63	
Beef production	114	
Vegetable growing and gardening	517	
Other sectors of crop production		
Area of planting of short-rotation coppices	2740 Ha	
Total amount of investment under Activity 1	EUR 123 722 000	
Total amount of investment under Activity 2	EUR 398 062 000	
Total amount of investment under Activity 3	EUR 16 874 000	
Total amount of investment under measure	EUR 538 658 000	
Result	Number of holdings introducing new products and/or technologies (divided by distribution of products)	150
	Increase in gross value added in supported holdings	192 900
Impact	Economic growth	EUR 2.3 mill. / PPS
	Labour productivity increase in the agriculture	9 400 EUR/AWU basic prices
Baseline	Labour productivity in agriculture	4 086 EUR/AWU basic prices
	Gross fixed capital formation in agriculture	EUR 950 mill.

MEASURE 7

IMPROVEMENT OF ECONOMIC VALUE OF FORESTS

Code of the measure 122.

LEGAL BASIS

Articles 20(b)(ii) and 27 of Council Regulation (EC) No 1698/1999.

Article 18 and point 5.3.1.2.2. of Annex II of Commission Regulation (EC) No 1974/2006.

1. RATIONALE FOR INTERVENTION

Forests hold an important place among the economic activities in rural areas. Following the restoration of its Independence, Lithuania is developing private forestry by returning forests to their rightful owners. There are 745 000 ha of private forests in Lithuania, which constitute 35 % of total forest area of country's territory. The number of private forest holders is approximately 220 000. Private forestry is distinguished by small-scale forest holdings (an average of 3,4 ha) with ineffective economic activities, an underdeveloped system of forestry services. By virtue of such specifics, there is a low degree of competitiveness in the private forestry, and therefore Community's support is essential in expanding the economic value of forests and creating a competitive forestry.

2. DESCRIPTION OF THE MEASURE

This measure bears an investment character.

This measure is designed to reinforce the physical economic potential and promote innovation in the forestry within the framework of implementing the goal and objectives of the first axis of the 2007-2013 Rural Development Programme. The support will be granted for forests owned by private owners and their associations or municipalities and their associations. The measure is first of all aimed at increasing the economic value of forests through reconstructing forest stands of low economic value and young stands thinning (pre-commercial thinning) by forming stands that are more productive and valuable from the economic viewpoint.

A lot of emphasis is paid to the modernisation of forest harvesting, round wood logging and bio-energy producing technologies through promotion of the application of the advanced forest machinery, equipment and technology, with particular focus on safety of forest operations.

The support of investments into the forest sector includes plans for creating additional employment opportunities to reduce the rate of unemployment in rural areas.

3. OBJECTIVES

3.1. Overall objective: to improve the level of modernisation, technology innovation and marketing thereby ensuring a well-balanced development of a competitive forestry.

3.2. Specific objectives:

3.2.1. to increase the economic value of forest holdings;

3.2.2. to improve and modernise the forest harvesting, round wood logging and bio-energy (wood fuel) producing technologies, promoting the application of advanced and secure logging machinery, modern and efficient processes.

3.3. Operational objectives:

3.3.1. to render support to forest-owners investing into the increasing of the economic value of their forest holdings;

3.3.2. to render support to forest-owners implementing modern forest harvesting, round wood logging and bio-energy (wood fuel) producing technologies.

4. SCOPE AND ACTIONS

4.1. Activity 1

Restructuring (reconstruction) of forest stands of low economic value and thinning of young stands.

4.2. Activity 2

Modernization of forest harvesting, round wood logging and bio-energy (wood fuel) producing technologies.

5. TYPE OF BENEFICIARIES

Private forest owners and their associations or municipalities and their associations.

6. STATE AID PROVISIONS

Any aid granted under this measure will be in conformity with the Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid, Official Journal L 379 of 28.12.2006

7. TYPES OF INVESTMENTS

7.1. Activity 1:

7.1.1. Young stands thinning (pre-commercial thinning) under the Rules of Forest Thinning (Official Gazette Valstybes Zinios, 2004, No. 25-778);

7.1.2. Restructuring (reconstruction) of forest stands of low economic value under the Rules of Forest Regeneration and Afforestation (Official Gazette Valstybes Zinios, 2004, No. 39-1280). Support can not be granted for the activities related to regeneration after final felling.

7.1.3. Arrangement of forest management plan and other documents related with implementation of this activity.

7.1.4. Publicity arrangements of the project.

7.2. Activity 2:

7.2.1. Arrangement of forest management plan.

7.2.2. The purchase of new forest harvesting, round wood logging and bio-energy machinery, up to the market value of the asset.

7.2.3. General costs.

7.2.4. Publicity arrangements of the project.

8. ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

8.1. The applicant shall fulfil general provisions and requirements for support laid down in the Chapters II and III of **Annex 1 to Rural Development Programme for 2007-2013 (RDP)**.

8.2. Activity 1

8.2.1. The forest area benefiting from the investment shall be owned by the applicant under ownership right;

8.2.2. For the forest holding in which the investment will be done the applicant shall submit the forest management plan;

8.2.3. the applicant shall submit project for reconstruction of stands of low economic value, including a detailed description of the reconstruction process, estimated costs of project implementation and a validation of such costs.

8.2.4. the applicant shall invest into own forest holding with area of not less than 1 ha.

8.3. Activity 2

8.3.1. The forest area benefiting from the investment shall be owned by the applicant under ownership right;

8.3.2. For the forest holding in which the investment will be done the applicant shall submit the forest management plan;

8.3.3 The applicant shall prove in the business plan the conformity of economic entity to economic viability criteria

8.3.4. the applicant shall invest into own forest holding with area of not less than 1 ha.

8.3.5. The income from forest cutting, provision of the round timber and biofuel production services to other owners of private forest shall account for not more than 50 percent of the total income generated from cutting the forest, production of round timber or biofuel.

9. PRIORITY SELECTION CRITERIA

9.1. The applicant has never received the Community investment support for Agricultural and Rural development;

9.2. The project is for investments into young stand thinning (pre-commercial thinning);

9.3. The applicant is a natural person who is investing into own forest holdings with area of at least 5 ha;

9.4. The applicant is a member of the forest owner association or a cooperative;

9.5. Innovations are introduced in the project (not applied for applications selected in 2007);

9.6. Smaller amount of support is requested for the project.

The method of application of priority selection criteria is described in Chapter II of Annex I to the Rural development programme for Lithuania (RDP).

10. AID INTENSITY

10.1. Activity 1

10.1.1. Support may cover up to 60 per cent of total eligible expenditure of the project for forests in less favourable areas and in NATURA 2000 territories, and up to 50 per cent - for forests in other areas.

10.1.2 The maximum amount of support per project is up to EUR 50.000.

10.2 Activity 2

10.2.1. Support may cover up to 50 per cent of total eligible expenditure of the project.

10.2.2. The maximum amount of support per project is up to EUR 200.000.

11. FINANCING

Funding over the period of 2007-2013 (in current prices).

Year	Total		Community funding		National funding	
	EUR	pct	EUR	pct.	EUR	pct
2007-2013	20 500 000	50-60	15 375 000	75	5 125 000	25

12. QUANTIFIED TARGETS FOR COMMUNITY COMMON INDICATORS

Type of indicator	Indicator	Target (2013)
Output	The number of projects supported	170
	Projects for restructuring (reconstruction) of forest stands of low economic value and thinning of young stands (activity 1)	90
	Projects improving forest harvesting, round wood logging and wood fuel producing (activity 2)	80
	Total investment amount	EUR 37 270 000
Result	The quantity of forestry techniques acquired	80
	Area of forest land with economic value increased as a result of application of support under activity 1	1 100 ha
	New job places created	160
Impact	Economic growth	EUR 2,3 mill in PPS;
	Percentage of the area of forest land with increased economic value as compared to the total area of private forest land	0,15 per cent
	Labour productivity increase	15 580 EUR/AWU basic price

Baseline indicators	<i>Labour productivity in forestry 9 740 EUR/AWU basic prices</i>	<i>Gross fixed capital formation in forestry EUR 13,872 million</i>
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13. SANCTIONS

In case of any misconduct, breach or violation of legal acts or the support agreement by the beneficiary, there shall be three types of mandatory sanctions: reduction of the support, refusal to grant the support and / or the requirement to repay the support. The specific terms for the imposition of the sanctions shall be laid down in the rules implementing the measure

14. LINKAGES AMONG RDP MEASURES, DEMARCATION LINES AND CRITERIA WITH OTHER COMMUNITY FINANCIAL INSTRUMENTS

The measure relates with the following measures of Rural development programme for Lithuania 2007-2013 (RDP):

The measure supporting forestry is tightly related to the measure *Modernisation of agricultural holdings*, as part of active farmers are also forest owners. Support will guarantee them extra income and a possibility to undertake alternative activity.

This measure is closely related to the measure *First afforestation of agricultural land, first afforestation of non agricultural land*. These measures share the same objectives related to well-balanced forestry development. Also, this measure is closely connected to measure “Encouragement of

rural tourism services”, activity 2 “Establishment and development of rural campsites” which seeks to promote the development of the rural recreational infrastructure.

This measure is also closely connected with measure ”*Infrastructure related to the development and adaptation of agriculture and forestry*”” activity “*Improvement of forest infrastructure*”.

MEASURE 8

INFRASTRUCTURE RELATED TO THE DEVELOPMENT AND ADAPTATION OF AGRICULTURE AND FORESTRY

Code of the measure 125.

LEGAL BASIS

Articles 20 (b) (v) and 30 of Council Regulation (EC) No 1698/2005
Point 5.3.1.2.5 of Annex II of Commission Regulation (EC) No 1974/2006

1. RATIONALE FOR INTERVENTION

1.1. Agricultural water management

Lithuania is in an excess humidity area, some 80 per cent of agricultural land demands drainage. Drainage operations have been completed on 2.6 million hectares, some 15 per cent of the areas drained are in poor or satisfactory condition. Melioration systems are not fit for private farming and do not conform to environmental requirements.

The key focus will rest on the improvement of the field drainage engineering infrastructure as a basis of farming and other alternative activities. Another problem that persists is the inadequate level of drainage system operation and their application in line with environmental requirements. Specifically sensitive on pollution is the territory of Karst in Lithuania, due to pollution of the underground water sources via scour gypsum cracks.

Drainage systems are huge and are interconnected with joint water drains. They drain both useful agricultural land and other public access areas in forests, along roads, etc.

There is 52,400 hectares of water-meadows in the Nemunas delta, including settlements and farmland. Due to difficulties with obtaining finance, local municipalities are unable to renovate polder embankments and their pump stations. Natural localities unaffected by human activity account for more than one-half of the area on Rusnė Island and other smaller isles. One-third of the territory that is outside the polder area gets flooded.

In order to preserve environment, the Nemunas delta water-meadows humidity regime are not changed. Wetlands and NATURA 2000 territories are not drained as well.

In future, maintenance of interventions (investments) will not be supported as part of this activity and will pass into the responsibility of beneficiaries.

1.2. Land consolidation

After the restitution of ownership rights to land, ownership rights have been restored to small land parcels in rural areas - one land owner averagely owns 6 ha of land. As of 1st January 2006, there were 85 thousand farmers' farms registered in the Farmers' Farms register in Lithuania and the average size of a farm was 12.22 hectares. Small land parcels often divide fields of the same or similar agricultural characteristics into several smaller agricultural holdings that may hardly be used for the development of competitive farming. Fragmentation of land use is even enlarged with the parcels of free state land remaining as a result of the land restitution process.

Such farming conditions are inconvenient and encumber farmers' work, when agricultural machinery needs to be used for cultivation of small parcels that belong to the same farmer and are often several kilometers apart from each other.

The short-term project "Methodological Guidance to Impact Assessment in Land Consolidation Process" implemented by the Government Service for Land and Water Management (DLG) of the Netherlands and National Land Service under the Ministry of Agriculture in year 2005-2006 in order to develop a framework of procedures, methods and instruments regarding the environmental impact

assessment in relation to land consolidation and to introduce a system for the performance of cost/benefit analysis regarding land reparation.

According to the results of the project agricultural production costs after land consolidation could decrease up to 10 per cent, but there could also be identified other achievements of the land consolidation.

The environmental impact assessment would be one of the main requirements for applicants of land consolidation. Especially attention will be assigned for a High nature values areas. The development of competitive farms and improvement of infrastructure will harmonize with protection of environment and biodiversity.

1.3. Improvement of forest infrastructure

Forests hold an important place among the economic activities in rural areas. Private forestry is not competitive enough because the net of forest roads is not explicated. Therefore Community support is essential in expanding the economic value of private forests and creating favourable conditions for handling forest resources.

1.4. Increasing the marketable value of livestock and fowl

Under this activity support is given for the establishment of livestock auction.

2. DESCRIPTION OF THE MEASURE

This measure bears an investment character.

Target of the activity "Agricultural water management" for the land reclamation is the reconstruction of the existing drainage systems (open ditches and subsurface collectors) which had been installed by the state. The construction of new land reclamation systems are not planned. The aim of this sub-measure is to provide support for renovation and reconstruction general access drainage systems and their hydrotechnical constructions under non-profit public projects. This activity shall attract investments aimed at improving the technical condition of the systems through engineering works.

Support under the activity "Land consolidation" may be granted for organization, preparation and implementation of land consolidation projects and for the finance of the related activities to land consolidation project.

The activity „Improvement of forest infrastructure“ is designed to improve the access to forest land by explicating forest roads with gravel cover in private forests and by improving the condition of forests' roads and also in other than Natura 2000 territories to install or restore forest drainage system.

3. OBJECTIVES

3.1. Overall objective -to provide proper conditions for infrastructure development which should contribute to the competitiveness of agriculture and forestry.

3.2. Specific objectives:

- 3.2.1. To improve the conditions of work for rural residents;
- 3.2.2. To improve rural areas and forest infrastructure equipment.

3.3. Operational objectives:

- 3.3.1. Agricultural water management:
 - 3.3.1.1. To improve the technical condition of general access melioration engineering infrastructure on field;
 - 3.3.1.2. To preserve and develop the ecological value of agricultural water resources.
- 3.3.2. According to a land consolidation plan prepared for a certain territory:

- 3.3.2.1. To form farms' rational land holdings and improve their structure;
- 3.3.2.2. To shape proper territorial basis for improvement of the infrastructure;
- 3.3.2.3. To shape the territorial basis for implementation other goals and tasks of the agricultural and rural development as well as environment protection policy.
- 3.3.3. Improvement of forest infrastructure:
 - 3.3.3.1. To provide support for the improvement of forest infrastructure.
- 3.3.4. Increasing the marketable value of livestock and fowl.
 - 3.3.4.1. To establish a livestock auction.

4. SCOPE AND ACTIONS

Activity 1

4.1. Agricultural water management:

- 4.1.1. Reconstruction of drainage systems and their hydro technical constructions and liming of the acid arable soils with the $\text{pH} \leq 5,5$ in the drainage territory;
- 4.1.2. Reconstruction of hydro technical constructions in artificial water bodies;
- 4.1.3. Reconstruction of polders.

Activity 2

4.2. Land consolidation (the organization, preparation and implementation of land consolidation projects).

Activity 3

4.3. Improvement of forest infrastructure

- 4.3.1. Improving the access to forest land by installing or reconstruction of forest roads with gravel cover in private forests;
- 4.3.2. Installing or restoring of forest drainage systems in other than Natura 2000 territories.

Activity 4

- 4.4. Increasing the marketable value of livestock and fowl.

5. TYPE OF BENEFICIARIES

5.1. Activity 1:

- 5.1.1. Municipalities;
- 5.1.2. Associations of melioration system users.

5.2. Activity 2:

- 5.2.1. Institution responsible for organizing of the land consolidation projects;

5.3. Activity 3:

- 5.3.1. Private forest owners and their associations or municipalities and their associations, managers of state forests.

5.4. Activity 4:

- 5.4.1. Legal entities.

6. STATE AID PROVISIONS

6.1. Any aid granted under this measure will be in conformity with the Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid, Official Journal L 379 of 28.12.2006.

7. TYPES OF INVESTMENTS

7.1. Activity 1:

- 7.1.1. reconstruction;
- 7.1.2. liming of the acid arable soils with the $pH \leq 5,5$ in the drainage territory;
- 7.1.3. the purchase of new construction material and equipment for the purposes of the project for the applicant's account up to the market value of the asset.
- 7.1.4. General costs, up to a 13 percent of total eligible expenditure of the project (including fees for the preparation of the business plan and consulting, which cannot exceed 5 percent of total eligible expenditure of the project),
- 7.1.5. Publicity arrangements of the project.

7.2. Activity 2:

- 7.2.1. The preparation of the land consolidation project;
- 7.2.2. The preparation of land valuation plan under the land consolidation project;
- 7.2.3. The organising of public discussion and coordination of the land consolidation project;
- 7.2.4. The implementation of the land consolidation project;
- 7.2.5. General costs;
- 7.2.6. Publicity arrangements of the project.

7.3. Activity 3:

- 7.3.1 Improvement of forest infrastructure (expenditures for constructing, reconstruction or renovation of forest roads with gravel cover, water drains, culverts, bridges, etc);
- 7.3.2. Arrangement of forest management plan and other documents related with implementation of this activity.
- 7.3.3. General costs;
- 7.3.4. Publicity arrangements of the project.

8. ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

8.1. The applicant shall fulfill general provisions and requirements defined in the Chapter I-II of Annex 1 to the Rural Development Programme for Lithuania (RDP)

8.2. Activity 1:

- 8.2.1. Constructions with their obsolescence up to 30 per cent are not eligible for reconstruction;
- 8.2.2. The environmental impact assessment, where necessary, shall be performed in the manner stipulated by legal acts. High nature value areas (including Natura 2000 areas) are excluded from eligible areas to be drained.

8.3. Activity 2:

- 8.3.1. A land consolidation project shall meet environment requirement when its implementation is completed. The environmental impact assessment, where necessary, shall be performed in the manner stipulated by legal acts;
- 8.3.2. Land parcels under reparation shall be in rural areas. High nature value areas (including Natura 2000 areas) are excluded from eligible area;
- 8.3.3. The applicant shall submit the decision to start the development of land consolidation project;
- 8.3.4. An application for the land consolidation project shall be submitted by at least 5 landowners or managers of state-owned land;
- 8.3.5. The area of the land consolidation project shall be at least 100 hectares;
- 8.3.6. The applicant shall demonstrate that the land consolidation project will improve the shape and/or size of the land parcels in the project area;

8.4. Activity 3:

8.4.1. The forest area benefiting from the investment shall be legitimately managed by the applicant in the manner provided for by legal acts of the Republic of Lithuania;

8.4.2. For the forest holding in which the investment will be done the applicant shall submit forest management plan⁴ which comes complete with designed measures for which the support is requested.

8.4.3. When required by the legislation, the applicant shall submit an infrastructure installation project for the improvement of forest infrastructure;

8.4.4. Forests in high nature value areas (including Natura 2000 areas) are excluded from the support for installing or restoring of forest drainage systems.

8.4.5. Support to managers of State forest shall be granted only provided the project also benefits owners of private forests.

8.5. Activity 4:

8.5.1. The applicant shall have experience in pedigree livestock sector;

8.5.2. the applicant shall submit an investment project (a feasibility study);

8.5.3. the applicant shall have experience in implementation and administration of national and international livestock projects.

9. PRIORITY SELECTION CRITERIA

9.1. Activity 1:

9.1.1. Projects implemented in the sensitive regions of Karst and Nemunas delta;

9.1.2. The applicant has never received investment support under this activity co-financed by Community;

9.1.3. Projects on reconstruction of drainage system hydrotechnical constructions of lower residual value (in per cent);

9.2. Activity 2:

9.2.1 Projects embrace a higher number of persons participating in land consolidation project;

9.2.2. Projects related with other objectives of the integrated territorial reorganization: development of the rural infrastructure, afforestation of agricultural land, implementation of the strategies of local rural communities and implementation of other goals and objectives of agriculture and rural development, as well as environment protection policy (this should be reflected in the Local Rural Development strategies or in equivalent documents).

9.3. Activity 3:

9.3.1. The applicant has never received the Community investment support for Agricultural and Rural development;

9.3.2. the applicant is a natural person who investing into the forests holdings under the ownership which are larger than 5 ha;

9.3.3. investing into IV group forests (forests for economical purposes).

The method of application of priority selection criteria is described in Chapter II of Annex I to the Rural Development programme for Lithuania (RDP).

10. AID INTENSITY

10.1. Agricultural water management

10.1.1. Support may cover up to 90 per cent of total eligible costs of the project.

10.1.2. The maximum amount of support per project is up to EUR 300 000. The maximum amount of support per one polder reconstruction project is up to EUR 600 000.

⁴ In case the forest management plan is prepared for the forest in protected areas (including Natura 2000 areas) this plan shall be agreed with the direction of appropriate protected area in the manner prescribed by the legislation.

10.1.3. No additional support for agricultural water management shall be given on the same territory. Maintenance costs are not eligible.

10.2. Land consolidation

Land consolidation will be executed according to one type of the land management projects (plans) – land consolidation projects. These projects belong to the group of the public non-profit projects and are financed up to 100 per cent of total eligible costs. The ceiling for the total amount of investment aid is up to EUR 400 thousand. The valuation for 1 ha of consolidated land could not exceed maximums designated according the rules of the Ministry of Agriculture.

No additional support for land consolidation will be given on the same territory.

10.3 Improvement of forest infrastructure

10.3.1. Support may cover up to 60 per cent of total eligible costs of the project.

10.3.2. The maximum amount of support per project is up to EUR 200 000.

11. FINANCING

Funding over the period of 2007-2013 (In current prices)

Year	Public support total		Community funding		National funding	
	EUR	pct	EUR	pct	EUR	pct
2007-2013	58 660 000	60-100	43 995 000	75	14 665 000	25

Allocation of public support according the activities:

Activity 1 – EUR 38 000 000

Activity 2 – EUR 16 160 000

Activity 3 – EUR 4 500 000

12. QANTIFIED TARGETS FOR COMMUNITY COMMON INDICATORS

Type of indicator	Indicator	Target 2007-2013
Output	Number of operations supported: The number of water management projects supported	120
	The number of land consolidation projects supported	40
	The number of forest infrastructure projects supported	23

	Total volume of investment: The total amount of projects implemented The total amount of water management projects The total amount of land consolidation projects The total amount of forest infrastructure projects	EUR 65 882 222 EUR 42 222 222 EUR 16 160 000 EUR 7 500 000
Result	Increase in gross value added in supported holdings	10% increase for water management projects. 5% land consolidation projects. 5% increase for forest infrastructural projects
	With the support established or reconstructed forest roads with gravel cover	100 km
	Reconstructed drainage systems	3000 km
	Reconstruction of hydro technical constructions in artificial water bodies	3 km
Impact	Reconstruction of polders	20 km
	Economic growth	EUR 2,3 mill / PPS
	Labour productivity in the agriculture	9 400 EUR/AWU basic prices

Baseline	Economic development of primary sector (EUR 936,4 mill)
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13. SANCTIONS

In case of any misconduct, breach or violation of legal acts or the support agreement by the beneficiary, there shall be three types of mandatory sanctions: reduction of the support, refusal to grant the support and / or the requirement to repay the support. The specific terms for the imposition of the sanctions shall be laid down in the rules implementing the measure

14. LINKAGES AMONG RDP MEASURES, DEMARCATION LINES AND CRITERIA WITH OTHER COMMUNITY FINANCIAL INSTRUMENTS

The measure relates with the following measures of Rural Development Programme for Lithuania 2007-2013 (RDP):

The measure is related to *Modernisation of agricultural holdings* – agricultural water management and land consolidation shall provide conditions for farm modernisation, implementation of other investment measures through expansion of infrastructure and services.

The land consolidation activity relates with the measure *Early retirement*– such relationship leads to the improvement of farm structure. Moreover, the land consolidation activity is connected to the

measures *First afforestation of agricultural land, First afforestation of non-agricultural and abandoned land, Encouragement of rural tourism activities.*

Improvement of forest infrastructure is related “*Improvement of economic value of forests*”, “*Restoring forestry potential and introducing prevention actions*” and “*Non-profit investment into forests*”.

The relation with the measure Village renewal and development is set in that way, that according the measure Village renewal (in which the beneficiaries are local action groups (LAGs) having approved local development strategies) the costs for the improvement of public infrastructure (including the new construction of drainage system in villages) are eligible and in this measure (in which the local action groups (LAGs) have not participating) the improvement of water resources management in other rural areas is foreseen.

The demarcations with Structural funds:

In this measure for water management (renovation of field drainage system) final beneficiaries are municipalities and associations of melioration system users. Demarcation criteria with Cohesion Fund (CF) are based on applicant and implemented activities. The Cohesion Fund (*OP for Promotion of Cohesion, Priority 3. Environment and sustainable development*) support - renovation and development of wastewater network also renovation and development of water supply network (final beneficiaries: municipalities and water companies).

According the activity Improvement of forest infrastructure the private forest owners and municipalities can get support for the constructing of forest roads. ERDF get support for the building and reconstruction of regional roads (including paving of gravel roads) (applicants –municipalities).

MEASURE 9 PROCESSING OF AGRICULTURAL PRODUCTS AND INCREASING OF ADDED VALUE

I. PROCESSING OF AGRICULTURAL PRODUCTS AND INCREASING OF ADDED VALUE – INVESTMENT SUPPORT

Code of the measure 123.

LEGAL BASIS

Articles 20 (b) (iii) 28 of Council Regulation (EC) No 1698/2005.

Article 19 and point 5.3.1.2.3. of Annex II of Commission Regulation (EC) No 1974/2006.

1. RATIONALE FOR INTERVENTION

Small and medium-sized processing enterprises, dominant in Lithuania, compete with each other and undergo a rapid modernization due to the EU financial support and due to ability to use their own finance to that end. According to activity types there were 207 meat processing enterprises, 13 poultry processing enterprises, 4 game enterprises, 2 rabbit meat enterprises, 36 milk processing enterprises and their production divisions, 48 fish processing enterprises and 9 other enterprises (animal waste management, snail processing, egg products, pet food production enterprises, etc.) until 1 January 2007.

SAPARD and SPD support was used by 30 per cent of milk, 12 per cent of meat, 33 per cent of crop and 25 per cent of fruit and berries processing enterprises. Priority is provided for fruit and vegetables sector due to the fact that small enterprises are dominant in this sector. There exist 35 enterprises, 21 of which are micro enterprises. There is still low specialization, low labour productivity, lack of innovations in these enterprises and it is necessary to improve existing equipment and machinery. All these shortcomings cannot ensure competitiveness of fruit and vegetables sector enterprises and increase of added value of productivity. Furthermore, there were less investment made into fruit and vegetables production/processing compared to other food industry sectors. In 2005 investments into fruit and vegetables enterprises decreased three times in comparison with 2004.

Until 2006 the major part of SAPARD and structural support was provided for improvement and modernization of crop farms. The provided support increased the number of specialized farms, a volume of better quality crop production. Though there is still a demand for investments into processing and marketing of crop. For instance, grain elevators are old, use twice as much energy than modern elevators.

Despite the fact that there are many meat processing enterprises (207 enterprises) only a small part of them took advantage of support under SAPARD (25 enterprises) and SPD (3 enterprises). That is why priority is provided to meat processing enterprises in order to install new innovations, technologies which allow to decrease the costs of production and to ensure food safety requirements, to create new products and to increase high added value meat products.

Upon Lithuania's accession to the EU and increase of competition several times, it is difficult for milk and meat processing enterprises to compete within the EU market. In addition, the demand from consumer side for new products of high quality is increasing. That is why in the programming period 2007-2013 this measure will follow the principal of continuity.

In order to be able to compete successfully, considerable attention must be drawn to innovations. Innovations would allow the reduce of production costs and maintenance of high quality of products at the same time and facilitate the production of high added value products. In order to ensure the competitiveness of agricultural products, the application of innovations alone is insufficient, it is also necessary to improve the marketing of agricultural products.

In an environment where it is necessary to constantly maintain the competitive advantage over competitors, there is a need for the creation of cooperatives, which would allow reduce of costs of production and increase competitiveness thus promoting the growth of production. This is why Lithuania will give priority to cooperatives providing the processing of agricultural products in 2007-2013.

Agricultural products processing enterprises encounter problems related with relatively low added value of products, low production trading volumes. Hence, the investments are necessary for the application of innovations and purchasing of technologies in order to produce a higher added value and quality products. There exist difficulties when implementing environmental requirements, especially requirements for water treatment and management of the waste accumulated during processing. In order to reduce the negative impact on the environment the processing enterprises aiming at managing the third category products of animal origin, crop production, or milk waste as accumulated during processing will be eligible for support under this measure. It is also necessary to improve the processes of marketing and processing and to ensure compliance with newly Community standards.

2. DESCRIPTION ON THE MEASURE

In 2007-2013, this measure will focus on improvement of the performance of processing enterprises, development of new outlets for agricultural products, support for marketing, development of innovations within the agri-food production and will address low labour productivity, low level of innovations and low proportion of production with higher added value.

Under this measure, processing enterprises and cooperatives shall be able to contribute efficiently to the improvement of the quality of agricultural and food products, development of high added value products and application of innovations. This measure is designed for the modernisation of the enterprises operating in various processing or marketing fields. Support could also be granted for modernisation of grain dryer and storage. Support could be granted in the case when the modernisation of technological processes and equipment results in the increase of production capacities of high added value products such as matured cheeses, smoked and dried meat products, etc.

Under this measure cooperatives shall be able to receive support for the construction of new plants as well. Support could also be used for the management of the waste accumulated during processing, improvement and development of marketing of agricultural and food products. This measure bears an investment character, support will be given to tangible and intangible investments related to the products, processes and technologies linked to products covered by Annex I to the Treaty (except fishery products) and respecting the Community standards applicable to the investment concerned. The investment shall improve the overall performance of the enterprise and shall contribute to increased competitiveness of the agri-food industry.

3. OBJECTIVES

3.1 Overall objective:

To improve the competitiveness of agricultural and food sectors through modernization of agricultural and food product processing enterprises, ensuring implementation of technologies and application of innovations, production of higher added value products, improving product quality and marketing.

3.2. Specific objectives:

- 3.2.1. to modernise agricultural products processing enterprises;
- 3.2.2. to create innovative products, to apply innovative technologies;
- 3.2.3. to improve quality of products and increase added value;
- 3.2.4. to improve or rationalize marketing processes.

3.3. Operational objective - to support processing and marketing enterprises;

4. SCOPE AND ACTIONS

4.1. Under this measure support is provided for processing and/or marketing of agricultural products. **Support is given for:**

4.1.1. the processing and/or marketing of fruit, berries, vegetables and mushrooms, processing of waste accumulated during processing;

4.1.2. the processing and/or marketing of other crop products, including modernisation of grain dryer, grain storage, processing of crop production waste accumulated during processing. Support shall not be granted for the construction of new flour and grits production units. These restrictions shall not be applicable for cooperatives;

4.1.3. the processing and/or marketing of milk and meat, where investments are made for modernization, processing of milk waste accumulated during processing. Support shall not be granted for the construction of new meat and milk processing plants and slaughterhouses units. These restrictions shall not be applicable for milk cooperatives;

4.1.4. the processing of the third category by-products of animal origin accumulated during processing.

4.2. Priority branches (in the descending order):

4.2.1. Crop production sector:

4.2.1.1. the processing and/or marketing of fruit, berries, vegetables and mushrooms, waste processing;

4.2.1.2. the processing and/or marketing of other crop products, processing of crop production waste.

4.2.2. Meat and milk sector:

4.2.2.1. meat processing and/or marketing;

4.2.2.2. milk processing and/or marketing, processing of milk waste;

4.2.2.3. the processing of the third category by-products of animal origin.

For each activity and sub-activity shall be foreseen a separate budget. The share of budget will be decided taking into account factors such as increase in export markets, higher value-added, impact on other sectors, the need for innovation, restructuring and modernization etc.

5. TYPE AND SIZE OF BENEFICIARY ENTERPRISE

5.1. Micro-enterprises within the meaning of Commission Recommendation 2003/361/EC (enterprises which employ fewer than 10 persons and whose annual turnover and /or annual balance sheet total does not exceed EUR 2 million) (except micro-enterprises operating in rural areas and producing the output related to the traditional crafts according to the rules set by MoA,) also small (enterprise which employs fewer than 50 persons and whose annual turnover and/ or annual balance sheet total does not exceed EUR 10 million) and medium-sized (enterprises which employ fewer than 250 persons and whose annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million) 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.

5.2. Enterprises with employ 250 to 750 employees or with an annual turnover from EUR 50 million to EUR 200 million that process agricultural products and have been engaged in business for at least 2 previous years before entering the scheme. For these enterprises support is halved.

5.3. Cooperatives recognised as agricultural cooperatives before the submission of the application and meet the requirements for micro-, small and medium-sized enterprises.

6. ELIGIBLE EXPENDITURE

6.1. Purchase of new equipment and machinery, including computer software, to be used for the purposes of the project, up to the market value of the asset.

6.1.1. Construction materials;

6.2. Construction and reconstruction of operational buildings;

6.3. Micro-enterprise investments to comply with new Community standards. In that case, a period of grace, not exceeding 36 months from the date on which the standard becomes mandatory for the enterprise, may be provided to meet that standard;

6.4. General costs.

6.5. Publicity arrangements of the project.

Investments for sugar–beet and hop processing and/or marketing are not eligible.

7. ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

7.1. The applicant shall fulfill requirements defined in the Chapter II-III of Annex I to the Rural development programme for Lithuania (RDP).

7.2. Income from the processing or marketing of agricultural products for 2 previous years before submission of application, is at least 50 per cent of total enterprise income (with the exception of cooperatives that are recognised as agricultural cooperatives before the submission of application). Income of aviculture farms which have processing facilities must be at least 50 per cent for 2 previous years before the submission of application from agricultural production and processing of agricultural products grown in own farm;

7.3. support shall only be granted for the processing or marketing of products covered by Annex I to the Treaty (input (raw material) and output) except fishery products;

7.4 support shall only be granted to individual projects and activities if such support is available from other funds;

7.5 investments into retail and wholesale are not eligible;

7.6 the applicant shall prove enterprise's conformity to economic viability criteria in the business plan. To ensure the selection of the highest quality projects in terms of economic viability and proper entry conditions to the measure, the MoA may set lowest/highest values of economic viability criteria.

7.7 investments shall improve the overall performance of the company (increasing volume of new trade outlets, added-value, production of new products, decreasing cost of production, receiving certificates of quality etc.)

8. PRIORITY SELECTION CRITERIA

1. The applicant has never received the EU investment support for agriculture and rural development.

2. cooperatives;

3. micro-enterprises;

4. lower required support intensity;

5. an installation of innovations;

6. projects with a higher internal return rate and/or under other criteria set by the MoA.

9. AID INTENSITY

9.1. Aid intensity is up to 40 per cent.

9.2. For the enterprises indicated in point 5.1.2 the intensity of support shall be reduced by half.

9.3. Support shall be limited to the maximum rate:

9.3.1. for micro and small enterprises up to EUR 1,4 mill per project, per 2007-2013 programming period is up to EUR 2 mill.

9.3.2. for medium sized enterprises and enterprises indicated in point 5.1.2. – up to EUR 2,8 mill per project and up to EUR 4 mill per 2007-2013 programming period.

9.3.3. for aviculture farms which grow and process agricultural products grown in own farm the maximum rate for support during 2007-2013 programming period shall not exceed EUR 4,4 mill including the received support under the measure “Modernization of agricultural holdings”.

9.4. The above rates apply for investments were input (raw material) and the output are products included in Annex I of the Treaty.

10. FINANCING

Funding over the period of 2007-2013 (In current prices)

Year	Public support total		Community funding		National funding	
	EUR	PCT	EUR	pct	EUR	pct
2007–2013	94.055.484	40	70.541.613	75	23.513.871	25

11. TRANSITIONAL ARRANGEMENTS

No transitional arrangements apply.

12. SANCTIONS

In case of any misconduct, breach or violation of legal acts or the support agreement by the beneficiary, there shall be three types of mandatory sanctions: reduction of the support, refusal to grant the support and / or the requirement to repay the support. The specific terms for the imposition of the sanctions shall be laid down in the rules implementing the measure.

13. LINKAGES AMONG RDP MEASURES, DEMARCATION LINES AND CRITERIA WITH OTHER COMMUNITY FINANCIAL INSTRUMENTS.

The measure *Processing of agricultural products and increasing of added value* relates to the following RDP measures:

The measure “*Modernisation of Agricultural Holdings*”. Limited-scope projects on processing of farming products shall be supported under the measure *Modernisation of agricultural holdings*, while larger projects shall be supported under the measure *Processing of agricultural products and increasing of added value*. The output of primary agricultural production and the quality of farming produce have a positive effect on the operating capacity of the processing industry.

The measure “*Support for business creation and development*”. Under this measure support shall be given for the micro-enterprises operating in rural area, the applicant should be engaged into non-agricultural activity, support shall be granted for - development of micro-enterprise’s activity and setting-up of new micro-enterprise in rural area, investments are made into processing with the output falling outside Annex I of the Treaty. Under the measures *Diversification to non-agricultural activities* and *Support for business creation and development* may include a micro-enterprise engaged in a rural area and manufacturing production related to the development of traditional crafts in the manner

established by the Ministry of Agriculture. According to the measure *Processing of agricultural products and increasing of added value* applicants may include micro-enterprises engaged in a non-rural area and manufacturing production not related to the development of traditional crafts in the manner established by the Ministry of Agriculture (engaged in industrial production)., Under the measure *Processing of agricultural products and added value* support shall be granted for the micro-enterprises those income from processing or marketing of agricultural products shall be more than 50 per cent for 2 previous years before.

The scheme “*Organic Farming*” under the measure “*Agri-environment*”. Support for the agricultural products processing industry will ensure the provision of organic raw materials, and the producers of organic agricultural products will be given guarantees in respect of realisation of their products.

II. *OP on Economic Growth*

Priority 1: Research and Development for Competitiveness and Growth of the Economy

European Regional Development Fund (ERDF):

Priority 2: Increasing business productivity and improving environment for business.

- 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.

Final beneficiaries: enterprises

Coherence with first pillar. For a given project a beneficiary cannot use double sources of public funds. The cross-check by applicant, type of investments, area of project implementation, information from database of projects and registry at the level of the Paying Agency will be made. These provisions specifically apply to the fruit and vegetables and other sectors regulated by CAP. Sugar and hop sectors are not eligible for support.

II. PROCESSING OF AGRICULTURAL PRODUCTS AND INCREASING OF ADDED VALUE – CREDIT SUPPORT

Code of the measure 123.

LEGAL BASIS

Articles 20 (b) (iii) 28 of Council Regulation (EC) No 1698/2005.

Articles 19, 50-52 and point 5.3.1.2.3. of Annex II of Commission Regulation (EC) No 1974/2006.

1. RATIONALE FOR INTERVENTION

The access to a credit still remains a major issue for most of the processing enterprises. Thus, many applicants for the financial support provided through the Programme face challenges in ensuring the private co-financing required by the Programme.

In the absence of their own co-financing resources and refused by the crediting institutions, the potential applicants for the EAFRD support and the applicants already approved for the support are forced to abandon their development projects with direct consequences both to their own income, the local economy (development of agrifood sector), realization of tasks and objectives of the Programme (to improve competitiveness, higher value added etc.), as well as to the absorption of the Community funds by the local communities and the sectors most in need. Limited access to a credit (or in some cases no access at all) is a problem and for those which intend to modernize their holdings without investment support under the Programme.

The recent financial crisis occurring worldwide and also affecting the Lithuanian economy contributes even more to the inaccessibility of this category of credit applicants to the market financial resources with serious consequences for the absorption of the EAFRD resources. Also, the use of land and other agricultural assets as banking collaterals is profoundly affected by the volatility of the prices generated by the current economic crisis.

Having in regard the above mentioned issues, it is necessary to develop a financial instrument to increase the accessibility of Programme applicants to the credits for co-financing the private contribution or processing enterprises which intend to modernize their activity without investment support under the Programme.

2. DESCRIPTION ON THE MEASURE

In general, this measure provides an opportunity for those engaged in processing and/or marketing of agricultural products (or start-up in cases when cooperation is promoted) to get a credit for the development of their business.

3. OBJECTIVES

To provide the access to the credits for the investments which seek the objectives listed in “I. Processing of agricultural products and increasing of added value – investment support”, section “3. Objectives”.

4. SCOPE AND ACTIONS

Investments for which the credit is granted should fall under one of the activities listed in “I. Processing of agricultural products and increasing of added value – investment support”, section “4. Scope and Actions”.

5. TYPE AND SIZE OF BENEFICIARY ENTERPRISE

Potential beneficiaries for a credit support are those which fall under section “5. Type and size of beneficiary enterprise” of “I. Processing of agricultural products and increasing of added value – investment support”.

6. ELIGIBLE EXPENDITURE

Investments which seek the objectives listed in “I. Processing of agricultural products and increasing of added value – investment support”, section “3. Objectives” and listed in “I. Processing of agricultural products and increasing of added value – investment support”, section “6. Eligible expenditure”.

7. ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

7.1. Credits may be provided only for the activities and economic entities that the Credit Fund or on its responsibility selected Financial Intermediate considers potentially viable. The assessment of the economic viability shall take into account all sources of income of the enterprises in question.

7.2. 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.

7.3. There should be met all requirements set in “I. Processing of agricultural products and increasing of added value – investment support”, section “7. Eligibility criteria and requirements for support”.

8. SELECTION CRITERIA

Financial Intermediate selects investment projects for financing based on selection criteria such as profitability, degree of risks, term of credit reimbursement etc.

9. AID INTENSITY

9.1. For the calculation of aid intensity the Communication from the Commission on the revision of the method for setting the reference and discount rates (OJ C 14 2008, p. 6) shall be used.

9.2. Aid intensity calculated as Gross Grant Equivalent (GGE) is up to the ceilings set under “I. Processing of agricultural products and increasing of added value – investment support”, section “9. Aid intensity”. If the credit support is combined with an investment support under “I. Processing of agricultural products and increasing of added value – investment support”, both types of aid shall be cumulated.

9.3. The highest amount of the credit is EUR 4 mill and EUR 10 mill, if cooperation in milk sector is promoted.

9.4. Duration of the credit is up to 7 years and up to 10 years, if cooperation in milk sector is promoted.

10. FINANCING

Funding over the period of 2007-2013 (In current prices)

Year	Public support total	Community funding		National funding	
	EUR	EUR	pct	EUR	pct
2009–2013	43.443.003	32.582.252	75	10.860.751	25

11. TRANSITIONAL ARRANGEMENTS

No transitional arrangements apply.

12. SANCTIONS

In case of any misconduct, breach or violation of legal acts or the credit agreement by the beneficiary, there shall be sanctions imposed. The specific terms for the imposition of the sanctions shall be laid down in the implementing rules of the measure.

13. LINKAGES AMONG RDP MEASURES, DEMARCATION LINES AND CRITERIA WITH OTHER COMMUNITY FINANCIAL INSTRUMENTS.

Financial engineering measures financed from EAFRD will be applied for investment projects related to primary agricultural production and processing covered by the Annex I to the Treaty only. Financial engineering measures financed from other funds are not applicable for such projects.

QUANTIFIED TARGETS FOR COMMUNITY COMMON INDICATORS

Type of indicator	Indicator	Target 2007-13
Output	Number of enterprises supported (credit support)	40
	Number of enterprises supported (investment support)	55
	Breakdown according to the type of enterprise:	
	micro;	5
	small;	17
medium.	33	

	Breakdown according to the sector and type of activity (marketing and processing or development):	
	Milk processing and marketing;	18
	Meat processing and marketing;	13
	Arable crop, flax, albuminous and oil seeds processing and marketing;	12
	Fruit, berries, vegetables, potatoes (excluding potatoes for starch) and mushrooms processing and marketing	12
	The total amount of investments for one enterprise (aggregate of private investments and public support)	EUR 3 000 000
	The total amount of investments by activity sector:	
	Milk processing and marketing;	EUR 79 736 670
	Meat processing and marketing;	EUR 50 939 640
	Arable crop, flax, albuminous and oil seeds processing and marketing;	EUR 646 420
	Fruit, berries, vegetables, potatoes (excluding potatoes for starch) and mushrooms processing and marketing.	EUR 49 092 030
Result	The number of companies supported in the area of making new products and/or application of new manufacturing methods:	25
	1) by company type:	
	- agricultural company ;	0
	- food company	25
	2) by redeployment of production	
	- new manufacturing methods	15
	- new products.	10
	Increase in the gross added value in the companies supported.	5 proc.
The number on jobs created	400	
Impact	Net additional value expressed in PPS	Increase 4 pct
	Labour productivity	Increase 8 pct
Baseline indicators		Labour productivity in food industry (8 800 EUR/AWU)

MEASURE 10

PARTICIPATION IN FOOD QUALITY SCHEMES

Code of the measure – 132.

LEGAL BASIS

Articles 20 (c) (ii) and 32 of Council Regulation (EC) No. 1698/2005.

Article 22 and point 5.3.1.3.2 of Annex II of Commission Regulation (EC) No. 1974/2006.

1. RATIONALE FOR INTERVENTION

The development of production of the high quality products and meeting the needs of the consumers who have been attaching an increased significance to the product quality are one of the major factors in relation to the implementation of the task defined in the Lithuanian agricultural policy *The development of a competitive agriculture and food sector*. Participation in the food quality scheme recognised on the national level – production of the superior quality agricultural products and foodstuffs enables the producers to generate larger income, also contributes to the protection of the national heritage and contributes to the protection of environment.

Producers participating in the food quality scheme recognised on the national level are obligated to assume certain undertakings concerning the compliance of the product to the specification requirements. In view of these obligations, also control exercised by an independent institutions or a certification institutions and the on-going cooperation processes producers incur additional costs. Since until now in Lithuania there have not been any food products certified according to the quality schemes, without a sufficient experience in selecting the products or confidence the consumers are not prepared to pay extra price for such products. The support is required in order to promote the farmers to produce and present to the market products of higher quality.

Considering that 2/3 of Lithuanian farms are attributed to the small farms category, the production of certified, superior quality products would enable the farmers' families and small farms to increase their competitiveness, create higher added value and thus generate higher income.

2. OBJECTIVES

2.1. Overall objective – Improve product quality and marketing by supporting farmers participating in food quality schemes.

2.2. Specific objectives:

2.2.1. Increase the number of farmers participating in the recognised food quality schemes.

2.2.2. Produce a higher added value agricultural and food products, develop food production traditions and provide to consumers diversified and good quality food.

2.3. Operational objectives:

2.3.1. Support farmers participating in food quality schemes.

3. SCOPE AND ACTIONS

3.1. Support shall be granted to the production of products covered by Annex I to the Treaty and products included in Annex 1 of Council Regulation (EC) No 510/2006 of 20 March 2006 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, and Annex 1 of Council Regulation (EC) No 509/2006 of 20 March 2006 on agricultural products and foodstuffs as traditional specialities guaranteed, except the production of fisheries and aquaculture products covered by COUNCIL REGULATION (EC) No 104/2000 of 17 December 1999 on the common organisation of the markets in fishery and aquaculture products:

- a) intended only for human consumption;
- b) produced according to the officially recognised national food quality schemes.

3.2. This measure bears a compensatory character.

3.3. This measure has no activity breakdown.

4. THE ELIGIBLE FOOD QUALITY SCHEMES

The food quality scheme recognised on the national level according to the requirements of the Rules on the superior quality agricultural products and foodstuffs approved by Order No. 3D-524 of 29 November 2007 of the Minister of Agriculture of the Republic of Lithuania (Official Gazette, 2007, 126-5142);

5. THE DESCRIPTION OF THE SUPERIOR QUALITY AGRICULTURAL PRODUCTS AND FOODSTUFFS PRODUCTION SCHEME RECOGNISED ON THE NATIONAL LEVEL

The superior quality agricultural products and foodstuffs (SQP) and the production process “from stable to table” is defined by a relevant national legal instrument and corresponds to the provisions of Article 22 of Commission Regulation (EC) No 1974/2006 of 15 December 2006 laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD).

The qualities of the final products shall be determined by the best available production methods, environment-friendly technologies, involving the maximum waste utilisation, limited use of synthetic, not self-degradable and non-recyclable packaging materials. Only the minimum amount of fertilizers required to ensure the normal vegetation of plants according to the calculated food product balances is used. The distance from the fields (in which the plants grow and livestock are out to pasture) to the pollution sources and the use of plant protection agents is restricted. It is prohibited to use for plant protection toxic and very toxic pesticides. Higher than applicable in regular practice standards on cattle and fowl breeding (lower density per square meter, free range breeding, extended pasturage period as compared to the regular farming conditions), extensive breeding, limited use, frequency and time of the use of medicines. Methods used for processing of the SQP contribute to the preservation of nutritional qualities of the products without using any synthetic food additives (preservatives, sweeteners, flavour enhancers, colours). As a result, SQP are distinguished for their exceptional taste, smell, looks, and

consistence, with a higher natural cellular tissue contents, as well as minerals, vitamins, peliphenols and other biologically valuable materials and reduced energy value, low fat, sated fat acid, salt and sugar contents.

Specific requirements to SQP, farming and production methods in respect of the product groups or a specific product type are defined in the relevant specifications (Order No. 3D-308 of 4 June 2008 of the Minister of Agriculture “On the specifications of the superior quality agricultural products and foodstuffs“ (Official Gazette, 2008, No. 66-2520). The certification and supervision of the superior quality agricultural products and foodstuffs is exercised by the independent certifying bodies approved by the Ministry of Agriculture complying with the requirements of the Standard LST EN 45011:2000. The certificate issued by the certifying body proves the compliance of the product with the requirements of the specifications and authorises the marking of the product by a mark registered in the State Patent Bureau of the Republic of Lithuania.

The scheme is open to all producers. The superior quality scheme is open to all producers and the participation in the scheme is voluntary.

The schemes are transparent and assures complete traceability of the products. Product specifications and the list of certified products and producers is published. In addition to other marking the label of a SQP shall bear the name of the certifying body. Producers of SQP must exercise self-control and ensure the traceability of the entire production process.

The scheme responds to current and foreseeable market opportunities. The SQP and the production process respond to market trends of the growing consumer needs in respect of product quality and a higher confidence in certified products.

6. LIST OF ELIGIBLE PRODUCTS

Poultry, meat, milk, cheeses, flour, groats, beetroots, radish, lettuce, cabbage, cauliflower, onion, garlic, carrot, tomato, cucumber, sweet paprika, potato, pear, plum, cherry, raspberry, strawberry, currant, honey and bee products (bee bread and farina) and their combinations, corresponding to the requirements of Order No. 3D-308 of 4 June 2008 of the Minister of Agriculture “On the specifications of the superior quality agricultural products and foodstuffs“ (Official Gazette, 2008, No. 66-2520).

7. OFFICIAL INSTITUTIONS RESPONSIBLE FOR THE SUPERVISION OF THE QUALITY SCHEME OPERATION AND THE ORGANISATION OF SUPERVISION

The Ministry of Agriculture of the Republic of Lithuania is the competent authority responsible for the functioning of the system for the protection and control of the superior quality agricultural products and foodstuffs, recognition of national quality schemes and the implementation of the policy in the area (Resolution No. 1120 of 15 September 1998 of the Government of the Republic of Lithuania) (version of Resolution No. 343 of 9 April 2008 of the Government of the Republic of Lithuania) (*Official Gazette*, 2008, No. 46-1732). The Superior quality agricultural products and foodstuffs council and the Superior quality agricultural products and foodstuffs expert committee have been set up to ensure an efficient implementation of the SQP system and dealing with all related issues (Order No. 3D-524 of 29 November 2007 of the Minister of Agriculture of the Republic of Lithuania) (Official Gazette, 2007, No. 126-5142).

The compliance of the products to the requirements of the rules for the Superior quality agricultural products and foodstuffs and the specific product specifications is monitored and supervision is exercised by the Certifying body appointed in the established manner by the Ministry of Agriculture (Order No. 3D-

475 of 27 August 2008 of the Minister of Agriculture “On the granting of the authorisation to certify the superior quality agricultural products and foodstuffs to the PE ”Ekoagros“ (Official Gazette, 2008, No. 99-3844). The procedure for the certification of the products and the supervision has been defined in Order No. 3D-524 of 29 November 2007 of the Minister of Agriculture (Official Gazette, 2007, No. 126-5142);

The oversight of the controlled (certified) entities is exercised according to the control schedules approved by the control (certification) bodies.

The designated certifying and control authorities supply, in the established manner complete information to the Ministry of all certified products and the results of the supervision process. In case of doubts concerning the performance of the certifying or control authority the Ministry has a right to apply to the accreditation authority with a request to have the authority in question inspected or its authorisations suspended.

8. BENEFICIARIES

Natural and legal persons engaged in the production of agricultural products and participating in the food quality schemes recognised on the National level.

9. ELIGIBILITY CRITERIA

9.1. An applicant shall comply with the general provisions and the requirements specified in Section two of the General Part of the Lithuanian Rural Development Programme for 2007-2013, and the requirements specified in Sections 4 and 5 of this measure.

9.2. The production and / or the production process of the applicant shall be certified and / or controlled by an independent certifying or control authority designated by the Ministry of Agriculture.

10. PRIORITY SELECTION CRITERIA

10.1. Applicants participating in cooperative.

10.2. Applicants who are asking for smaller support.

11. AID DENSITY

11.1. Support shall be granted for a period not in excess of 5 years by compensating up to 100 percent of eligible expenses.

11.2. The average annual support amount in the course of 5 years for the participants in the food quality schemes recognised on the national level – LTL 7,738 (EUR 2,241) per a holding.

11.3. Maximum support amount – LTL 10,358 (EUR 3,000) per agricultural holding per year is not exceeded as required by the provisions of the Annex of Council Regulation (EB) No. 1698/2005.

12. SUBSTANTIATION OF FIXED COSTS

The amount of support has been calculated on the basis of the fixed costs arising in relation to the participation of the producers in food quality schemes. The fixed costs have been calculated with reference to the requirements to be complied with by the participants in the food quality products. The costs include the costs related to joining a food quality scheme and the annual fee for the participation in the scheme, as well as certification and control expenses in relation to the verification of the specification compliance.

13. FINANCING

Funding over the period of 2007-2013 (in current prices)

Year	Total		Community funding		National funding	
	EUR	pct	EUR	pct	EUR	pct
2009–2013	2,859,000	100	2,144,250	75	714,750	25

14. TRANSITIONAL ARRANGEMENTS

No transitional arrangements.

15. QUANTIFIED TARGETS FOR COMMUNITY COMMON INDICATORS

Type of indicator	Indicator	Target 2007-2013
Output	Total beneficiaries under the measure <i>Participation in food quality schemes</i> .	400
Result	The value of the agricultural produce certified according to the food quality schemes will increase, 2013	The target indicator to be established after the exact number of the participants in the food quality schemes is known
Impact	Economic growth (Net added value according to PPS)	Will increase. The target indicator to be established after the exact number of the participants in the food quality schemes is known
	Labour productivity in agriculture	
Primary indicators	Economic development in agriculture, hunting and forestry	(1,314.4 MEUR)

16. SANCTIONS

In case of any misconduct, breach or violation of legal acts or the support agreement by the beneficiary, there shall be three types of mandatory sanctions: reduction of the support, refusal to grant the support and / or the requirement to repay the support. The specific terms for the imposition of the sanctions shall be laid down in the rules implementing the measure.

17. LINKAGES AMONG RDP MEASURES, DEMARCATION LINES AND CRITERIA WITH OTHER COMMUNITY FINANCIAL INSTRUMENTS

The measure *Participation in food quality schemes* is linked to other measures under the Lithuanian Rural Development Programme for:

According to the measure *Modernisation of agricultural holdings* participants in the food quality schemes and engaged in the production of agricultural products will be authorised to effect investment necessary for the production of quality products.

The foodstuff processors and the participants in the food quality schemes will be authorised to effect investment under the scheme *Processing of agricultural products and increasing of added value*.

Link with Pillar I of CAP

The support under the measure *Participation in food quality schemes* is segregated from the support to apiculture sector (Article 2 of Council Regulation (EC) No. 797/2004 of 26 April 2004 on measures improving general conditions for the production and marketing of apiculture products), from the support to sheep and goat breeders (Article 114(1) and Article 119 of Council Regulation (EC) No 1782/2003 of 29 September 2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers and amending Regulations (EEC) No 2019/93, (EC) No 1452/2001, (EC) No 1453/2001, (EC) No 1454/2001, (EC) 1868/94, (EC) No 1251/1999, (EC) No 1254/1999, (EC) No 1673/2000, (EEC) No 2358/71 and (EC) No 2529/2001), from the support to sugar beet growers (Council Regulation (EC) No 320/2006 of 20 February 2006 establishing a temporary scheme for the restructuring of the sugar industry in the Community and amending Regulation (EC) No 1290/2005 on the financing of the common agricultural policy), and the support to beef and veal producers (Article 132 of Council Regulation (EC) No. 1782/2003).

The support under the measure *Participation in food quality schemes* in terms of its scope does not overlap with the support for the information and promotion actions in internal market that can be granted in accordance with Council Regulation (EC) No 2826/2000 of 19 December 2000 on information and promotion actions for agricultural products on the internal market.

Due to a different support scope the measure *Participation in food quality schemes* cannot overlap with the system (Articles 42(5) and 69 of the Council Regulation (EC) No. 1782/2003).

Specific procedures have been put in place in order to avoid the overlapping of the support under the measure *Participation in food quality schemes* with the operational fund referred to in Council Regulation (EC) No 2200/96 of 28 October 1996 on the common organization of the market in fruit and vegetables. Lithuania will grant (or apply for) the exception in respect of the fruits and vegetables sector referred to in Article 5(6) of Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD). The provision of

the exception shall be of relevance with a view to avoiding any discrimination of beneficiaries under the 2007-2013 Programme.

In order to avoid any duplication of financing the National Paying Agency shall verify all payments prior to effecting any from the funds under the measure. In case any of the expenses have been financed from the operational funds the expenses could not be financed under the measure in question. The time limits for the submission of the applications for the support under *Participation in food quality schemes* will be set up after the issue of the funding of the previous' year expenses from the operational funds is resolved.

AXIS II

IMPROVING THE ENVIRONMENT AND THE COUNTRYSIDE

Measure 1.

AGRI-ENVIRONMENT PAYMENTS

Code of the measure – 214

LEGAL BASIS

This measure bears a compensatory character and implements Article 36, paragraph a, subparagraph iv and Article 39 of Council Regulation (EC) No. 1698/2005.

1. RATIONALE FOR INTERVENTION

The objective of implementation of common environmental objectives is to guarantee a sustainable development of the countryside, to create and preserve a healthy and harmonious living environment for the people, natural landscape elements and an overall ecological stability.

The objective of this policy is to promote the sustainable use of land, to prevent the decline of biodiversity and the decay of ecosystems, to protect the natural shores of rivers and lakes, to preserve and properly maintain natural and semi-natural meadows and extensively-used wetlands, recreation environment, to optimize natural resources and to preserve landscape and biodiversity, to decrease the negative impact effect of agricultural activities on the environment.

National legal acts restrict use of fertilizers and pesticides in obligatory shore protective belts. But for the intensive agricultural activity increasing of use of pesticides and fertilizers is threat that pesticides and fertilizers will run into water bodies. In order to reduce such pollution of water are foreseen these activities: “*Management of shore protective belts of water bodies in meadows*”; “*Protection of water bodies against pollution and soil erosion on the arable land*”, “*Management of reclamation ditches*” and scheme “*Improving the status of water bodies at risk*”.

In order to prevent soil erosion it is important to ensure proper farm management techniques, which would play a preventive role for adaptation of proper crop rotation, consisting of establishment of grassland, sowing of perennial crops. For the reason to prevent soil erosion it is provided activity “*Stubbly field in winter season*”, schemes “*Organic farming*” “*Improving the status of water bodies at risk*”.

In 2005 the green houses emission was 4 tones/citizen in Lithuania. This is the lowest amount among EU countries. For the reason to maintain and to reduce the amount of green house emission it is foreseen activity “*Management of natural and semi-natural meadows*” and scheme “*Organic farming*”

2. DESCRIPTION OF THE MEASURE

Agri-environment payments are to be made to applicants who undertake agri-environment commitments, which are not obligatory but provide the benefit to the environment.

Agri-environment payments cover only those commitments going beyond the relevant mandatory standards established pursuant to Articles 4 and 5 of and Annexes III and IV to Council Regulation (EC) No. 1782/2003, as well as minimum for fertiliser and plant protection product use and other relevant mandatory requirements established by national legislation and identified in the programme.

Beneficiary participating in “Agri-environment payments” shall follow the mandatory standards or requirements established to Articles 4 and 5 and Annex III and IV to Regulation 1782/2003 as well as minimum requirements for fertilizer and plant protection product use and other relevant mandatory requirements established by national legislation. In the case of amendments of the relevant standards or of related requirements for beneficiary, the adjustment of the commitment should be made. If such adjustment is not accepted by the beneficiary, the commitment shall expire and reimbursement shall not be required in respect of the period during which the commitment was effective.

Payments are made annually and cover additional costs and income forgone incurred due to undertaken commitments. They also cover transaction costs. In case of the beneficiary’s death, support may be inherited by his/her successor provided that all eligibility criteria are met.

3. OBJECTIVES

3.1. Overall objective:

To improve the environment and the landscape through sustainable use of land resources and to support for development of sustainable farming.

3.2. Specific objectives:

3.2.1. To preserve the landscape, biodiversity and semi-natural habitats.

3.2.2. To reduce the negative impact of agricultural activities on the environment.

3.3. Operational objectives:

3.3.1. To preserve and to duly maintain natural and semi-natural meadows and wetlands, when necessary, restoring extensive farming systems in them, to reduce the intensity of farming on intensively-used meadows;

3.3.2. to reduce water pollution with nutrients coming because of intensive arable farming activities.

3.3.3. to reduce soil erosion that appears because of not appropriate arable land cultivation.

3.3.4. to contribute mitigating of climate change.

3.3.5. To promote organic farming as a production system that offers social and economic benefits to rural residents, ensures environmental protection and the production of quality foodstuffs that are in great demand on the market;

3.3.6. To promote the keeping and rearing of local endangered animal breeds and domestic birds.

3.3.7. To help attain the good condition, as defined under the Water Law, in water bodies that by virtue of negative effect of farming are classified as bodies at risk and good condition may not be attained by 2015.

4. SCOPE AND ACTIONS

The measure *Agri-environment payments* consists of the following schemes:

4.1. Landscape stewardship scheme:

4.1.1. Activity 1 - management of natural and semi-natural meadows;

4.1.2. Activity 2 - management of wetlands;

4.1.3. Activity 3 - management of shore protective belts of water bodies in meadows;

4.1.4. Activity 4 - protection of water bodies against pollution and soil erosion on the arable land;

4.1.5. Activity 5 - stubbly field in winter season;

4.1.6. Activity 6 - strips or plots of melliferous plants in the arable land;

4.1.7. Activity 7 - management of the holding landscape elements;

4.1.8. Activity 8 - management of reclamation ditches;

4.2. Organic farming scheme;

4.3. Rare Breeds Scheme;

4.4. Scheme for improving the status of water bodies at risk.

5. TYPE OF BENEFICIARIES

5.1. Farmer and legal entity engaging in agricultural activity.

5.2. State forest enterprise and administration of protected areas on holdings which they control under tenure (only for Activity 1 *Management of natural and semi-natural meadows* and for Activity 2 *Management of wetlands* under *Landscape Stewardship scheme*).

6. DESCRIPTION OF METHODOLOGY

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

7. ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

7.1. the applicant shall fulfill general provisions and requirements defined in the Chapter II of Annex I to RDP;

7.2. the holding is registered in the Agricultural and Rural Business Register, applicants engage in the agricultural production of agricultural produce (the agricultural production requirements applies to participants of the *Organic farming scheme* only);

7.3. the eligible (value) area shall be at least 1 ha of UAA, with the exception of those participating in the *Endangered breeds scheme*, *Management of the holding landscape elements*; *Management of reclamation ditches*; *Strips or fields of melliferous plants in the arable land*;

7.4. Activities: *Management of wetlands*, *Management of the holding landscape element*, *Management reclamation ditches* and under the *Landscape stewardship scheme* can be done not only in UAA;

7.5. the minimum area of field for the supporting is 0,1 ha participating in Organic farming scheme;

7.6. maximum annual payment for holding participating in the Organic farming scheme will be defined by Ministry of Agriculture;

7.7. applicants make commitments for a period of at least 5 calendar years;

7.8. the applicant's utilized land subjected to agri-environmental activities shall be in good agrarian and environmental condition according GAEC (later on – according cross compliance requirements);

7.9. the applicant takes part in the measure “Agri-environment payments” from the day of submission of application in 1st year of participating in scheme.

7.10. activities under this measure shall be implemented in the same place and area during all period of commitment (5 calendar years) with the exception of Activity 5 *Stubble field in winter season* and Activity 6 *Strips or fields of melliferous plants in the arable land* under *Landscape stewardship scheme*, which may be rotated in arable land across the holding.

7.11. management of hedgerows and environment of other landscape elements according Activity 7 under *Landscape stewardship scheme* is eligible for support only, if these elements are inside or next to declared fields.

8. PRIORITY SELECTION CRITERIA

While implementing measure the priority criteria is given for the applicants which holding or part of holding is in “Natura 2000” areas.

If the annual budget of the measure is exceeded, the amount of payments may be reduced for all applicants proportionally, with the exception of applicants implementing measure in “Natura 2000” areas.

9. RATE AND DIFFERENTIATION OF SUPPORT

Rate and differentiation of support is described in the schemes and activities.

10. FINANCING

Funding over the period of 2007-2013 (In current prices)

Year	Total		Community funding		National funding	
	EUR	pct	EUR	pct	EUR	pct
2007–2013	364 916 304*	100	291 933 043	80	72 983 261	20

Including EUR 102.247.741 for ongoing commitments from Agri-environment payments measure of RDP 2004-2006

11. TRANSITIONAL ARRANGEMENTS

Following the measure “Agri-environment payments” (Article 33 paragraph b Council Regulation (EC) No 1257/1999) from RDP 2004-2006 further payments will be made for the undertaken commitments. The support under this measure shall be provided according Article 5 of Council Regulation (EC) No 1320/2006.

Correlating measures		Public support total	Community funding	National funding
Agri-environment payments (Articles 22-24)	Agri-environment payments (Article 36, paragraph a, subparagraph iv and Article 39)	102.247.741	81.798.193	20.449.548

12. QUANTIFIED TARGETS FOR COMMUNITY COMMON INDICATORS

Type of indicator	Total/Scheme	Indicator	Target 2007-2013
Output	<i>Total</i>	Number of farm holdings and holdings of other land managers receiving support	66.650
		Total area under agri-environmental support	262.000 ha
		Total number of contracts	66.650
		Number of actions related to genetic resources	400
	<i>Landscape stewardship scheme</i>	Number of farm holdings and holdings of other land managers receiving support	60.000 projects supported
	Area supported	200.000 ha	

	Organic farming scheme	Number of organic farms supported – up to Area of organic farms supported	6 000 170 000 ha
	<i>Rare breeds scheme</i>	Number of actions related to genetic resources Number of endangered animals to be kept	400 projects supported 7 000 animals and birds
	Scheme for improving the status of water bodies at risk	Number of projects supported Area supported	2300 23 000 ha
Result	Total	Areas under successful land management: biodiversity and high nature value farming/forestry water quality	600 000 ha 23 000 ha
	Organic farming scheme	Increment of organic farming area	5 pct of UAA under organic farming
	Rare breeds scheme	Increment in the number of rare-breed animals and domestic birds preserved	10 pct
	Scheme for improving the status of water bodies at risk	Decrease in the number of at-risk water bodies	4 pct
Impact		Reversal in biodiversity decline (farmland bird species population)	Increase of farmland bird species population
		Increase of areas in good agricultural conditions of organic farms	100 pct
		Change in high nature value areas	UAA constitutes 50 pct. of High Nature Value Farmland areas
		Changes in Water quality	Positive changes maintained

Baseline indicators

Organic farming	Number of rare-breed animals and domestic birds preserved	Biodiversity: Population of farmland birds (table below)	High Nature Value and forestry	Water quality (pollution by pesticides and nitrates; gross nutrient balance)
(2 348 farms, 102.000 ha)	4,391	(table below)	299 pSCI's, identified and 77 SPA's designated: total area of Natura	The average concentrations of total nitrogen exceeded the maximum allowable concentration (MAC) in

			<p>200 network in the country constitutes 783000 ha or 12 % of the countries territory.</p> <p>Natural and semi natural meadows make 42,1 thous. ha of UAA, swamps – 81 thous ha, all together 3,1 pct from UAA.</p>	<p>52 % of monitoring sites in the rivers, ammonium nitrogen – in 13%, nitrates – 32%, phosphates – 36%, total phosphorus – 42%.</p> <p>Although values of these substances exceeded MAC in 77% of monitored river sites, in most cases exceeding was not high</p> <p>With respect to hazardous substances concentrations MACs have been exceeded in 7,8 % of stations (at least by one of the hazardous substances). Among those pesticides concentrations were below MAC limit, but they have been found in a certain number of rivers and lakes.</p> <p>During the period of 1992 to 2003 pesticides have been found in more than 25 rivers and in 4 lakes</p>
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13. SANCTIONS

. In case of any misconduct, breach or violation of legal acts or the support agreement by the beneficiary, there shall be three types of mandatory sanctions: reduction of the support, refusal to grant the support and / or the requirement to repay the support. The specific terms for the imposition of the sanctions shall be laid down in the rules implementing the measure.

14. LINKAGES AMONG RDP MEASURES, DEMARCATION LINES AND CRITERIA WITH OTHER COMMUNITY FINANCIAL INSTRUMENTS

14.1. The applicant may participate in one or several schemes under the agri-environmental measure. However, the payments will be made only for the activity performed on separate parcels of the holding (with the exception of the *Rare breeds scheme*).

14.2. If the applicant receives support under the measure “Natura 2000 payments and payments linked to Directive 2000/60/EC” or gets national compensations for restrictions in protected areas, he can not apply for support for the same area for the implementation of following activities under “Landscape Stewardship scheme: Activity 1 “Management of meadows”, Activity 2 “Management of wetlands”, Activity 3 “Management of shore protective belts of water bodies in meadows”, Activity 8 “Management of reclamation ditches”. The applicant shall choose one of the aforementioned support measures.

The Priority 1: *Local and urban development, conservation of cultural heritage and nature and adaptation for tourism development of OP for Promotion of Cohesion* (final beneficiaries – Municipalities and County Governors administrations) get support for:

- improvement of condition of lakes, rivers and etc.: cleaning, removal of unused dams and other equipments, improvement of recreational qualities)

- clean-up of bottom sediments 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.

Programme for improving the status of water bodies at risk

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 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

Demarcation criterion: area and beneficiaries

European Fishery Fund:

EFF priority axis 2 – aqua-environmental measures.

Final beneficiaries – operators who commit themselves to environmental requirements that concern commercial aquaculture ponds

15. SCHEMES OF THE MEASURE

SCHEME 15.1.

LANDSCAPE STEWARDSHIP SCHEME

The objective of this scheme is to maintain natural and semi-natural meadows, wetlands, preserve or, if necessary, restore extensive farming systems on meadows and in wetlands, to reduce the intensity of farming on intensively used meadows, to protect biodiversity and water bodies against pollution.

15.1.1. JUSTIFICATION OF THE SCHEME

This scheme is very important for the protection of natural and semi-natural habitats that have been established over years of extensive farming on low-output meadows, as with farming practice changing, such habitats are now on a rapid decline. The scheme is also very important for the restoration of wetlands that suffer rapid deterioration of their state due to the discontinuation of extensive farming in such areas or drainage and intensive farming on adjacent territories. As agricultural landscape with insertions of natural components comprises the biggest part of the Lithuanian territory, beneficiaries will help preserving the biological diversity and restoring the traditional landscape.. The scheme will encourage appropriate maintenance of shore protective belts of water bodies: scientific studies have shown that the non-attendance of surface water body shore security zones results in inefficient resolution of environmental protection problems and even triggers other problems. The unattended shores overgrow with heavy grass, shoddy shrubs, residues of plants increase the amount of organic nutritional materials in the surface water bodies, the eutrophication of water bodies increases and the traditional agrarian landscape changes.

When the arable lands get close to the shore of a water body, the problem of soil erosion caused by water, becomes topical. The problem will be addressed by this scheme by allocating support to the implementation of additional security zone in arable lands.

The scheme will support the keeping of stubbly fields unploughed for winter, which are valuable source of winter feed for wild birds, who collect scattered grains and weed seeds during the winter. Stubbly fields are important as a shelter for brown hares, partridges and other wintering animals. Keeping of stubble fields during the winter reduces the danger of erosion, caused by wind and water, i. e. the soil is protected and the eutrophication of surface water bodies is reduced.

Insertions of natural vegetation in the contemporary agriculture are very fragmentary and the areas of melliferous plants are planted relatively seldom therefore such areas are important for a multitude of species of wild insects, feeding on pollen and nectars, including butterflies, wild bees and bumblebees. The scheme will support development of richly blooming fields or zones, which will be arranged in farms in a mosaic way, which will create appropriate conditions for wild insects and bees.

15.1.2. ACTIVITIES AND ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

Activity 1 - management of natural and semi-natural meadows. The objective of this activity is protection and improvement of biodiversity. Implementation of this activity will contribute to the reduction of negative impacts caused by traditional use of meadows (early mowing of meadows, use of fertilizers and liming substances, alteration of hydrological regime, alteration of composition of grass species etc.) to important components of biodiversity in natural and semi-natural meadows, especially to ground-breeding wild bird populations, endangered communities of plants, insects and other groups old species which are sensitive to above-mentioned factors.

For participation in actions foreseen under Activity 1 (management of natural and semi-natural meadows), the applicant shall:

15.1.2.1. not use pesticides and fertilisers on the meadows,

15.1.2.2. mow the meadows or graze on them annually respecting the following requirements (it is up to the applicant to make a decision on grazing and/or mowing):

- the mowing of the meadows start not earlier than on July 15 and will end by September 30;
- grazing cannot start before June 15.
- when grazing, cattle concentration by August 1 may not exceed 1 livestock unit per 1 ha;
- if mowing is done using machinery, it cannot damage soil surface.

15.1.2.3. not plough the meadows and re-sowing them with cultural grass;

15.1.2.4. mowed grass must be removed by 30 September (if in national legal acts is not determined another date);

15.1.2.5. not install new drainage and irrigation systems.

Activity 2 - management of wetlands. The objective of this activity is protection and management of biodiversity. Implementation of this activity will promote extensive use wetlands and mitigate two most important negative processes there: *first*, rate of abandonment of wetlands and, *second*, alteration of wetlands for the purpose of intensive agricultural use. Many sensitive bird species (e. g. common snipe, great snipe and common redshank), other fauna and flora species and natural habitats depending on regular but non-intensive use of wet meadows will benefit from this activity. It is expected that this activity will facilitate restoration of habitats (removal of bushes and reeds) in some important parts of wetlands which used to be historically in agricultural use but are neglected now since last several years.

For participation in actions foreseen under Activity 2 (management of wetlands), the applicant shall:

15.1.2.6. not use pesticides and fertilisers in the wetlands;

15.1.2.7. mow the wetlands or graze on them annually respecting the following requirements (the applicant may decide on grazing and/or mowing at their own discretion):

- the mowing will start not earlier than on 15 of July and will end by September 30;
- grazing cannot start before July 1;
- when grazing, cattle concentration from July 1 to August 1 may not exceed 1 livestock unit per 1 ha;

15.1.2.8. remove grass mowed and cut bushes by 30 September (if in national legal acts is not determined another date);

15.1.2.9. not install new drainage systems.

Activity 3 - management of shore protective belts of water bodies in meadows. The objectives of this activity are:

- 1) management of biodiversity in shore belts;
- 2) protection of water bodies against pollution.

This activity can be performed in meadows or in pastures near any natural or artificial water body, and the main objective of this activity is to form a favourable structure of shore protective belt vegetation of water bodies. As shores of water bodies contain the highest concentration of species which live there or look for food. Shores serves as corridors for species migration

Maintenance activities shall be performed in shore protective belts,

obligatory according to the requirements, provided by legal acts, and also in an additionally allocated shore belt, 5 meters width. Obligatory shore protective belts of 1-10 meter width have to be maintained according Law on Protected Areas along all bigger water bodies. The width of this belt depends on size of water body and inclination of its shore. Where no shore protective belt is allocated according to the legal acts, activities shall be performed only on the 5 meter width shore belt. National legal acts restrict use of fertilizers and pesticides in obligatory shore protective belts, but does not impose any requirement to manage shore vegetation in biodiversity friendly manner. Under this activity support will be granted for late mowing or extensive grazing of shore vegetation. The same

method of management in additionally designated 5 meter wide protective belt in adjacent grassland area will strengthen the quality and functions of that important habitat.

Obligation not to use any fertiliser, pesticides or liming substances in additionally designated 5 meter wide belt will contribute to the improvement of water quality in open water bodies.

For participation in actions foreseen under Activity 3 (management of shore belts of water bodies in meadows), the applicant shall:

15.1.2.10. Not to plough, not to use pesticides and fertilizers or liming substances;

15.1.2.11 once a year – to mow grass up to water-line or graze live-stock in the area according to the requirements of national legal acts (the applicant is free to choose between grass mowing or grazing):

- to start the grass mowing not earlier than 15 July and finish it not later than 30 September;
- to remove the mowed grass till 30 September;
- to graze the live-stock in observance of distances up to the water body shore, envisaged in legal acts; the grazing must be started not earlier than 15 June and be performed at the intensity not higher than 1LU/1ha.

Activity 4 - protection of water bodies against pollution and soil erosion on the arable land.

The objectives of this activity are:

1) protection of water bodies against pollution and prevention of soil erosion by promotion of environmentally-friendly management methods and economic activity compliant with nature protection requirements in places with high risk of soil erosion and water contamination,

2) establishment of places for protection of wild plant and animal habitats in territories with high utilisation intensity of arable land.

This activity will support establishment of additional shore protective belt along any natural or artificial water, neighbouring with arable land. Maintenance activities shall be performed in the shore protective belt, obligatory according to the requirements, and also in additionally established shore belt 5 meters width, where arable land is converted into a perennial meadow of extensive use.

Additional shore protective belt will serve as buffer mini2mising filtration of nutrients into the water bodies. As the edges of arable land next to water body are mostly on slopes establishment an proper management of protective shore belt will help to avoid soil erosion.

Late mowing or extensive grazing at the end of summer improves the structural variety of the shore vegetation creating new nesting grounds for birds, shelter for other animals.

For participation in actions foreseen under Activity 4 (protection of water bodies against pollution and soil erosion on the arable land), the applicant shall:

15.1.2.12. to convert arable land into perennial meadow in 5 meter width belt near the shore security zone, obligatory according legal acts, by sowing this belt with a mixture of perennial grass till July 1;

15.1.2.13. not to plough, not to use pesticides and fertilizers;

15.1.2.14. once a year – to mow grass up to water-line or graze live-stock in the area according to the requirements of national legal acts (the applicant is free to choose between grass mowing or grazing):

- to start the grass mowing not earlier than 15 July and finish it not later than 30 September;
- remove grass mowed till 30 September;
- to graze the live-stock in observance of distances up to the water body shore, envisaged in legal acts; the grazing must be started not earlier than 15 June and be performed at the intensity not higher than 1LU/1ha.

Activity 5 - stubbly field in winter season.

The objectives of this activity are:

- 1) to foster biodiversity in intensive used agricultural areas;
- 2) to facilitate containment of erosion..

Over wintered stubbles provide an important winter food source for seed-eating birds, from split grain and the seed of broad-leaved weeds. They are also a beneficial habitat for brown hare, grey partridge and other wintering birds. Stubble fields provide shelter for many species of rodents which are an important source of food for endangered birds of prey.

Soil surface of over wintered stubbles is locked by roots of plants and is more resistant against water and wind erosion. This is important in areas where intensive production of cereals takes place in huge open monoculture fields.

After harvesting of cereals or oilseed rape, stubble fields shall rest not ploughed until 1st of March next year. Each year a stubble field, left for winter season may be located in another place, but the area of each field every shall be the as indicated in application form.

For participation in actions foreseen under Activity 5 (stubble field in winter season), the applicant shall:

15.1.2.15. after the harvesting to put order straw in order, baling it into rolls or shredding it and spreading on the surface.

15.1.2.16. light cultivation of the surface for the purpose of coppicing of weed seeds or loosening the compressed soil is permitted to be performed only till 30 September;

15.1.2.17. not spray any pesticides, any herbicides after harvesting;

15.1.2.18. not use any fertilizers on stubble, not to lime, graze or trim stubble fields;

Activity 6 - Strips or plots of melliferous plants in the arable land. The objective of this activity is enhancement of biodiversity in intensive used arable land.

Incorporating flowering plants in a plot will boost the numbers of pollen and nectar feeding insects, including butterflies and bumblebees.

Strips or fields of the mixture of melliferous plants, consisting of at least three species of melliferous plants (for instance red clover, alsike clover, birdsfoot trefoil) shall be planted in small plots, up to 0.5 ha on the arable land by spreading them across the farm evenly (one area per 10 ha of the arable land).

For participation in actions foreseen under Activity 6 (the strips or plots of melliferous plants in arable land), the applicant shall:

15.1.2.19. in July-August or April-May – to sow a mixture of melliferous plants, consisting of at least three species of melliferous plants (for instance red clover, alsike clover, birdsfoot trefoil). Such fields must be planted as separate fields or as strips of at least 6 m. in width. No species of the melliferous plants shall exceed 70% of the mixture. The mixture can include non-aggressive spike plants (for instance, meadow fescue, sheep's fescue bluegrass etc) for the purpose of avoiding of spreading of annual weeds;

15.1.2.20. the strips or fields of the melliferous plant mixture in one location shall not exceed the area of 0.5 ha. To ensure that strips or fields are well distributed across the land no more than one field of such melliferous mixture must be sown for each 10 ha of arable land;

15.1.2.21. hand work shall only be used for local control of injurious weeds (melancholy thistle, dock, common ragwort, etc.);

15.1.2.22. it is forbidden to use pesticides, fertilizers, liming;

15.1.2.23. in order to stimulate late blooming of the mixture, in June half of the plot must be cut down, in September - the entire plot must be mowed down. It is obligatory to remove the cut or mowed grass.

15.1.2.24. The area of the melliferous mixture shall not be used as a roadway or a U-turn point for machinery or as a storage area;

15.1.2.25. from 15 September the areas of melliferous mixture can be used for livestock grazing.

Activity 7 - management of the holding landscape elements. Management of the hedgerows. The objective of this activity is to preserve and to manage landscape elements, protection of biodiversity, protection of soil against wind erosion. If the hedgerow are not managed, trimmed, they become

stunted and make landscape unattractive. The management of hedgerow helps to protect soil against wind erosion.

For participation in actions foreseen under Activity 7 (management of the holding landscape elements), the applicant shall:

15.1.2.26. The hedgerow must be trimmed;

15.1.2.27. at least 2 times during the vegetation season the hedgerow must be trimmed;

15.1.2.28. it is forbidden to trim hedgerow during the bird-breeding season (1 March to 31 July);

15.1.2.29. it is forbidden to plough soil in 1 meter width along hedgerow;

15.1.2.30 the high of hedgerow must be at least 1 m and the length of hedgerow must be at least 1 m;

15.1.2.31. near hedgerow must be declared fields.

Activity 8 – management of reclamation ditches. The objective of this activity is protection of water bodies against pollution and protection of biodiversity. In order to protect reclamation ditches against erosion and pollution from agricultural activities it is advisable management of reclamation ditches.

For participation in actions foreseen under Activity 8 (management of shore protective belts and slopes of reclamation ditches), the applicant shall:

15.1.2.32. to mow the slopes of melioration ditches once a year (start mowing not earlier than 15 July and end by 30 September);

15.1.2.33. to cut bushes from the slopes of reclamation ditches;

15.1.2.34. the grass mowed from reclamation ditches must be removed by 30 September.

15.1.3. AID INTENSITY

Annual payments:

- for Activity 1 (management of meadows) – EUR 98/ha;

- for Activity 2 (management of wetlands) – EUR 229/ha (in non UAA) and EUR 168/ha (in UAA);

- for Activity 3 (management of additionally installed shore protective belts of water bodies in meadows) – EUR 100/ha; (management of obligatory by national legal acts shore protective belts of water bodies)- EUR 109/ha

- for Activity 4 (protection of water bodies against pollution and soil erosion on arable land) – EUR 160/ha;

- for Activity 5 (stubble field in winter season) – EUR 145/ha;

- for Activity 6 (the strips or plots of melliferous plants on the arable land) – EUR 62/ha;

- for Activity 7 (management of the the holding landscape elements) – EUR 437/ha (EUR 0,437/10m²);

- for Activity 8 (management of reclamation ditches) – EUR 100 /ha

SCHEME 15.2.

ORGANIC FARMING SCHEME

The aim of this scheme is to support organic farming as the production system that ensures the production of quality food products with good market potential.

First and foremost organic farming is an important measure of agrarian environmental protection since it helps to retain and improve quality of soil, reduce water pollution and emissions to the atmosphere, secure the stability of the eco-system and biodiversity. On the other hand, this way of

farming helps to cherish the old-school environment-friendly farming traditions, retain the authentic agrarian landscape.

Organic farming helps to diversify economic activities and provide the residents of the country with quality foodstuffs.

The growth of the volumes of organic farming is bringing about more possibilities to provide organic products to the market, which results in the growth of farmers' income.

15.2.1. JUSTIFICATION OF THE SCHEME

In the European Union's agricultural policy puts emphasis on improving attention environmental protection while allowing farming. In that light organic farming is one of the most popular environmental measures. Organic farming helps growing healthy and valuable crops, preserving biodiversity and reducing pollution of the environment, while the viability of soil and plants results from measured, planned and natural, environment-friendly farming methods.

15.2.2. ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

15.2.2.1. Follow the rules approved by EU and national legal acts of organic production at least for the duration of agri-environmental commitments;

15.2.2.2. Submit an organic farm certificate issued by an organic farm certification institution;

15.2.2.3. Declare utilized agricultural area on annual basis;

15.2.2.4. Partially sell/use as production that is supplied to the market. Rules for this requirement are defined by Ministry of Agriculture. In the order of Minister of Agriculture it is defined, that participant of this scheme will get payment after he will present to National paying agency bill about of part sold production.

15.2.3. AID INTENSITY

Support is granted for certified and declared areas, used for producing organic agricultural products:

- for grain crops – EUR 215/ha;
- for perennial grass – EUR 127/ha.

1) Payments will only be made available to stock-keepers certified under the requirements of Council Regulation (EEC) No. 2092/91 of 24 June 1991 on organic production of agricultural products and indications referring thereto on agricultural products and foodstuffs (as last amended and supplemented by Commission Regulation (EC) No. 2254/2004 of 27 December 2004) OL 2004 L 385, p. 20 and of the Rules for Organic Farming, for the area of perennial grass of a maximum of 3 ha per one livestock unit;

2) Seed growing holdings certified in accordance with the requirements of Council Regulation (EEC) No 2092/91 of 24 June 1991 and Commission Regulation (EEC) No 1452/2003 14 August 2003 and Organic farming regulations for parcels used for organic seed growing.

- for vegetables, potatoes – EUR 440/ha;
- for herbs – EUR 489/ha;
- for berries and for gardens – EUR 516/ha.

Payments are made for organic farming and farming in transition.

SCHEME 15.3.

RARE BREEDS SCHEME

The objective of this measure is to promote keeping and breeding of the old local endangered breeds of native domestic animals and birds.

15.3.1. JUSTIFICATION OF THE SCHEME:

This scheme is designed to preserve the old local breeds of animals and birds in danger of extinction.

Local breeds of animal are identified in Programme of FAO AnGR Global Focal Point & Baltic Genofond in cooperation with [FAO SEUR](#).

The local breeds of animals and birds in danger of extinction and the number of rare-breed animals and birds registered as of February 22, 2006 are as follows:

Žemaitukai horses (Also Big Žemaitukai) – 314;
Lithuanian Weighted horses – 472;
Lithuanian Ash-Grey – 162;
White-backed cattle – 162;
Lithuanian Black and White cattle (old genotype)– 339;
Lithuanian Rufous (old genotype) – 101;
Lithuanian White pigs (old genotype) – 1490;
Lithuanian Native (Wattle) pigs – 45;
Lithuanian Native Coarse-wooled sheep – 41;
Lithuanian Blackhead sheep (old genotype)– 1849;
Chicken geese – 355.

The information about the number of registered rare-breed animals and birds is given by State animal supervision service under Ministry of Agriculture.

15.3.2. ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

15.3.2.1. applicant has to have at least 1 animal unit or 10 domestic birds units of local breeds in danger of extinction;

15.3.2.2. Animal breeding may only be done only by the way of pure breeding, i.e. using only animals of the same breed for that purposes only.

15.3.2.3. Animal herds may be increased only with animals purchased off herds or flocks of endangered old native animals and domestic birds or with animals that are genetically confirmed as belonging to this herd.

15.3.2.4. follow the requirements for animal welfare and animal registration and identification;

15.3.2.5. maintain the number of endangered Lithuanian animals and domestic birds as specified in the application over the period of support (at least for 5 year).

15.3.3. AID INTENSITY

Support is granted for rare Lithuanian breeds.

- 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.

SCHEME 15.4.

SCHEME FOR IMPROVING THE STATUS OF WATER BODIES AT RISK

The objective of the scheme is to help achieve good status of water bodies that by especially big negative impact of farming - pollution of water with nutrients, organic substances - are at risk not to achieve good status till 2015 (as is required by Water Framework Directive 2000/60/EC and Water Law of Lithuania).

15.4.1. JUSTIFICATION OF THE SCHEME:

The Water Framework Directive 2000/60/EC that fixes the basis for water management in the European Union requires that by 2015, good status be attained in all water bodies. Good status is described as condition similar to the natural condition that is little affected by human activity. Attaining such a status is a huge commitment as water bodies are affected by a lot of human activities, agriculture among them. That is an activity that has one of the greatest impacts on water bodies in Lithuania. Of the 790 of water bodies in Lithuania that are at risk of not to attain good status till 2015 (“*water bodies at risk*”), 22 percent of water bodies are at risk due to the negative impact of agricultural – pollution of water with nutrients and organic substances coming from agricultural areas because of the intensive animal husbandry or arable land farming. The part of water bodies at risk were identified according to the estimated data and assumptions, thus they have to be revised. The updated list of water bodies at risk because of agricultural impact and their basins territories will be determined by the end of November 2007. Especially big negative impact on water bodies is made by large quantities of nutrients (phosphorus and nitrogen) that reach water bodies from arable land. In terms of area, the catchments areas of water bodies at risk due to the agriculture impact occupy nearly one-fourth of the country’s territory. To achieve good status of these water bodies, more attention has to be paid to this particular territory. Agriculture is the source of scattered pollution, one that is much more difficult to control than the pollution coming from concentrated pollution sources. Efficient control of agricultural pollution requires huge financial and human resources and therefore giving financial incentives to farmers to reduce this pollution has better outlook in this regard.

The scheme for improvement of water body at risk consists of the measure *Conversion of arable land into permanent pasture (meadow)*. It is designed to reduce nitrogen and phosphorus reaching water bodies at risk because of the soil erosion and fertilizing. Surveys have established that the quantity of nitrogen wash-outs off soil sown with permanent grassland into water bodies is several times less than that off arable land. The status of every water body mostly depends on the activities in its catchment territory, thereby the implementation of measure will lead to the improvement of risk water bodies status and contribute to the implementation of WFD water protection objectives. As the implementation of measure will reduce nutrients inflow to the Baltic Sea, it will contribute to the reduction of Baltic Sea eutrophication processes, that is identified as the priority Baltic Sea environment problem by HELCOM.

The criteria for the identification of risk water bodies are approved by the Order of the Minister of Environment No D1-256 *on Approval of Description of Surface Water Bodies Types, Description of Indicators of Reference Conditions of Surface Water Bodies Quality Elements, Description of Criteria for the Designation of Heavy Modified and Risk Water Bodies*“ of 23 May 2005. However, these criteria as well as risk water bodies were designated preliminary, thus they should be revised. After

final designation of water bodies at risk because of agricultural pressures, their basins territories will be identified and separated.

After the identification of water bodies at risk and their basins territories the scheme will be implemented from 2008.

After the river basin management plans will be adopted and detailed rules for support under Water Framework Directive will be fixed, this measure will be revised.

15.4.2. ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

15.4.2.1. The area of arable land under conversion into a perennial pasture (meadow) shall be at least 1 ha and shall be within the catchments area of water body at risk.

15.4.2.3. Applicant who is accepted to implement the measure shall sow permanent grass by July 1 in the first year of implementing of scheme.

15.4.2.4. Maximum of 1 LU/ 1ha on the field converted into a permanent pasture (meadow), when said area is to be used for stock-breeding purposes.

15.4.2.5. not use pesticides and fertilizers.

15.4.2.6. first mowing must be done till 1st of August. After first mowing remove grass mowed till 1st of August. The second mowing will start not earlier than on 15 of August and will end by September 30.

15.4.2.7. after second mowing remove grass mowed till 30 September.

15.4.3. AMOUNTS OF SUPPORT

Income foregone resulting from the conversion of arable land into a permanent pasture (meadow) – 118 EUR/ha.

MEASURE 2

FIRST AFFORESTATION OF AGRICULTURAL LAND

Code of the measure 221.

LEGAL BASIS

Articles 36 (b) (i) and 43 of Council Regulation (EC) No. 1698/2005.

Articles 30 and 31 and point 5.3.2.2.1 of Annex II of Commission Regulation (EC) No 1974/2006.

1. RATIONALE FOR INTERVENTION

This measure bears compensatory character and is implemented to promote afforestation of agricultural land as alternative land use, to decrease dependency on agricultural activities, as well as to develop forestry in accordance with the goal provided for in the Lithuanian Afforestation Programme and the Lithuanian Forestry Policy and Its Implementation Strategy . It foresees until 2020 to increase forest cover of the country by 3 % by planting at least 7 thousand ha per year of new forest on state and private land. This will improve ecological and environmental conditions in the country and ensure cost-effective use of wasted and low-value land and reach forest cover level of the country close to that of other Baltic countries. Also this measure is designed to implement EU Forest Action Plan which aims to promote afforestation with the purpose of environmental protection and to encourage the production of forest biomass energy. Afforestation is an important measure in the context of climate change mitigation as forests play a big role for carbon sequestration and biomass production. By extending forest areas in the shoreline of the seaside, the effects of strong winds will be diminished as well. Protective role of forest, which is predetermined by hydrophysical properties of its soils, is significant in protecting the ground and the surface water quality, regulating river flows.

Afforestation permits shall be issued following the requirements of the land use plans for afforestation approved by regional municipalities which fulfill European and state environmental requirements for new forest. Areas for afforestation are selected taking into account factors such as underground water protection areas, landscape, recreational resources, karst protection zone, vulnerable areas for soil erosion, areas with low soil fertility points, abandoned land, land which has the border with existing forests, land which has no suitable access and is not covered by NATURA 2000 network or other protected areas or areas important for birds, habitats protection etc.

In regard to fire risk, in order to decrease it when planning afforestation of medium and high fire risk areas, firebreak belts are foreseen and mixed broadleaf – coniferous forests are to be planted.

2. DESCRIPTION OF THE MEASURE

This measure bears a compensatory character.

Under this measure, afforestation can be carried out on agricultural state and private land used for agricultural production, which are apt for afforestation for environmental reasons.

2.1. Support for afforestation of agricultural land consists of:

2.1.1. an one-off establishment grant;

2.1.2. an annual maintenance and protection premium per hectare to contribute covering the costs for a new forest (excluding short-rotation (plantation) forest or forest established on state land) payable for a maximum of 5 years;

2.1.3 an annual premium per hectare to cover loss of agricultural income resulting from afforestation. It can be paid for a maximum period of 15 years for farmers or their groups who are engaged in afforestation and who used the land before its afforestation for agricultural production

purposes, or for any other natural persons or private legal entities. This premium is not available when short rotation (plantation) forest is planted.

2.2. Support for the afforestation of agricultural land owned by public authorities will cover only the costs of establishment.

3. OBJECTIVES OF THE MEASURE

3.1. Overall objective: To promote afforestation of land used for agricultural production as an alternative land use, to promote the development of forestry and its role within context of climate change mitigation, to ensure improvement of local environmental conditions and to help to solve the unemployment problems in rural areas.

3.2. Specific objectives:

3.2.1. To increase the forest cover of the country;

3.2.2. To reduce dependency on agriculture of rural population;

3.2.3. To increase economical, ecological and social value of the locality and land holdings;

3.2.4. To provide new employment opportunities in rural areas;

3.2.5. To provide new sources of income.

3.3. Operational objectives:

3.3.1. To promote afforestation of agricultural land used for agricultural production;

3.3.2. To encourage establishment of short rotation (plantation) forest.

4. TYPES OF BENEFICIARIES

4.1. Natural persons or legal entities who own agricultural land as well as state forest holders.

5. SCOPE AND ACTIONS

5.1. Planting forest and short-rotation coppices of fast growing species in agricultural land used for agricultural production and apt for afforestation for environmental reasons.

6. DEFINITIONS

6.1. Agricultural land for afforestation - land of good agrarian and environmental (later on cross compliance criteria) condition which is used or is suitable to use for the production of agricultural products.

6.2. Farmer (for the purpose of this measure) – natural person or private legal entity which allocates major part of its working time for agricultural activities and earns at least 50 % of income from it.

6.5. Fast-growing species for short-term cultivation shall mean species with a rotation time, namely the period between two harvest cuts on the same parcel, of not less than 6 and not more than 15 years.

7. ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

7.1. The applicant shall fulfill general provisions and requirements defined in the Chapter II of Annex I to the RDP 2007-2013.

7.2. The land for afforestation has to be in good agrarian conditions (declared for past 2 years) and used for agricultural production.

7.3. In the case of fast-growing species for short-term cultivation, support shall be granted for establishment of fast growing species of which the period between two harvest cuts is from 6 up to 15 years.

7.4. The afforestation area shall be at least 0,5 ha, with the exception of land bordering with forest;

7.5. Support is available only when native tree species and bushes (table below) are used for afforestation, except when fast- growing species are planted for establishing short rotation forest:

Species of trees and bushes eligible for support
Conifers
Scots pine – <i>Pinus sylvestris</i> L.
Norway spruce – <i>Picea abies</i> (L.) H. Karst.
European larch – <i>Larix decidua</i> Mill.
European yew – <i>Taxus baccata</i> L.
Hardwood broadleaf tree species:
Penduculate oak – <i>Quercus robur</i> L.,
Sessile oak - <i>Quercus petraea</i> Liebl.
beech – <i>Fagus sylvatica</i> L.
ash – <i>Fraxinus excelsior</i> L.
maple – <i>Acer platanoides</i> L.
elm – <i>Ulmus glabra</i> Huds, <i>Ulmus minor</i> Mill, <i>Ulmus laevis</i> Pall.
hornbeam – <i>Carpinus betulus</i> L.
Softwood broadleaf tree species:
birch – <i>Betula</i> L.
black alder– <i>Alnus glutinosa</i> L.
lime tree – <i>Tilia cordata</i> Mill.,
aspen – <i>Populus tremula</i> L., hybrid aspen- <i>Populus tremula</i> × <i>Populus tremuloides</i>
Other conifer and broadleaf tree species and bushes:
<i>Rosa</i> L., <i>Crataegus</i> L., <i>Padus avium</i> Mill., <i>Pyrus communis</i> L., <i>Pyrus pyrastra</i> (L.) Burgsd, <i>Malus sylvestris</i> (L.) Mill., <i>Euonymus europaeus</i> L., <i>Euonymus verrucosus</i> Scop., <i>Viburnum opulus</i> L., <i>Lonicera xylosteum</i> L., <i>Cornus sanguinea</i> L., <i>Ribes nigrum</i> L., <i>Ribes rubrum</i> L., <i>Ribes alpinum</i> L., <i>Prunus spinosa</i> L., <i>Cerasus vulgaris</i> Mill), <i>Berberis</i> L., <i>Frangula alnus</i> Mill., <i>Rhamnus cathartica</i> L., <i>Sorbus aucuparia</i> L., <i>Corylus avellana</i> L., <i>Juniperus</i> L.
Fast-growing species for short-rotation forest:
Aspen, poplar – <i>Populus</i> L., <i>Populus tremula</i> × <i>Populus tremuloides</i>
white alder – <i>Alnus incana</i> (L.) Moench

7.6. The applicant shall provide permission to plant forest on a non-forest land site;

7.7. The applicant shall present a Plan on Forest Planting and Natural Regeneration approved by competent institution;

7.8. The applicant shall provide a certificate of origin of forest seedlings/seeds in the manner prescribed by the legislation.

7.9. Support for afforestation of state agricultural land is only made available to cover the costs of afforestation;

7.10. An establishment grant is paid in the first or second year of the planting, based on the completion of the forest establishment works. The establishment grant is paid when state forestry officials ascertain that the forest was planted in accordance to the approved Plan on Forest Planting and Natural Regeneration and that its quality meets the requirements of the Afforestation and Reforestation Guidelines.

7.11. The Lost Income Premium is payable to those who plant forest on part or their entire agricultural land and receive forest establishment grant under the afforestation scheme.

7.12. With regard to maintenance and protection of planted forest the applicant may apply for five times annually.

7.13. If some of the seedlings did not survive and seeds did not germinate, regenerated area shall be supplemented with seedlings so as to comply with the solutions of the Plan on Forest Planting and Natural Regeneration.

7.14. Limitations of support:

7.14.1. Article 43(2) of the Regulation states that support for the afforestation of agricultural land owned by public authorities shall cover only the cost of establishment;

7.14.2. No support for afforestation of agricultural land will be granted to farmers supported under the early retirement scheme;

7.14.3. No support will be granted for the growing of Christmas trees, cultivation of protective belts around fields as well as for short-rotation cultivation of fast growing tree species with a period between two harvest cuts not longer than 5 years. ;

7.14.4. Natura 2000 territories are excluded from eligible areas for support;

7.14.5. In the case of planting short rotation (plantation) forest, support for afforestation shall be granted for establishment costs only.

8. PRIORITY SELECTION CRITERIA

8.1. The applicant has never received the Community support for afforestation;

8.2. The forest (other than short-rotation (plantation) forest) is to be planted on private agricultural land owned by natural persons.

8.3. The afforestation is carried out in less favourable areas, on other territories with land productivity up to 32 point, as well as in carstic regions.

8.4 At least 50 per cent of oak is to be planted.

8.5. Land parcels for afforestation are planned in the land consolidation project.

The method of application of priority selection criteria is described in Chapter II of Annex I to the Rural development programme for Lithuania (RDP).

9. AID INTENSITY

9.1 Compensable costs 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, maintenance and protection costs are included into costs shown in the table.

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
	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	-

9.2. Intensity of aid for the forest establishment grant, maintenance and protection grants as shown in the table 9.1. which are equal to the 80 % of assessed average costs of afforestation, maintenance and protection in less favourable areas and 70 % in favourable areas;

9.3. The premium compensating income losses is granted for a period of 15 years to beneficiaries who comply with the definitions of "farmer" and "agricultural land for afforestation" provided for in points 7.1 and 7.2 The payment rate for farmers is EUR/ha 111, for other applicants - EUR/ha 25. Direct payments are not available when short rotation (plantation) forest is planted.

9.4. Aid granted under this measure will be in conformity with the Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid, Official Journal L 379 of 28.12.2006. Under the de minimis the amount of the gross support granted to the same enterprises may not exceed the amount of EUR 200,000 in the period of 3 fiscal years.

9.5. Where pursuant to the legal acts of the Republic of Lithuania an emergency situation is declared because of natural disaster, supplementary forest planting may be compensated under the measure "Restoring forestry potential and introducing fire prevention actions".

9.6. When beneficiaries receiving payments under this measure do not respect on the whole holding, as a result of an action or omission directly attributable to them, the mandatory requirements provided for in Articles 4 and 5 of and in Annexes II and IV to Regulation No. 1782/2003, the total amount of their payments to be granted in the calendar year in which the non-compliance occurs shall be reduced or cancelled. For beneficiaries in Member States applying the single area payment scheme as provided for in article 143b of Regulation No. 1782/2003, the mandatory requirements to be respected are those provided for in Article 5 and Annex IV to that Regulation.

10. DESCRIPTION OF METHODOLOGY

The compensatory payment of forest planting, maintenance and protection were calculated according the average costs of forest establishment maintenance and protection in 2006 year in Lithuania. The system of lost income premium calculated in such way that compensatory payments cover the losses for farmer transferring its activity from agriculture to first afforestation. The calculation method is based on income foregone, which is considered as a profit for average farm engaged in agricultural activity.

11. FINANCING

Funding over the period of 2007-2013 (in current prices)

Year	Total		Community funding		National funding	
	EUR	pct	EUR	pct	EUR	pct
2007-2013	59 214 488*	70-80	47 371 590	80	11 842 898	20

*Including EUR 2 790 851 ongoing commitments for Afforestation measure of RDP 2004-2006 (Articles 29-32 of Council Regulation (EC) No 1257/1999)

12. TRANSITIONAL ARRANGEMENTS

Following the measure „Afforestation of agricultural land” from RDP 2004-2006 (Articles 29-32 of Council Regulation (EC) No 1257/1999) further payments will be made for the undertaken commitments. Expenditure relating to multiannual commitments under this measure shall be eligible under EAFRD according Article 7 of Council Regulation (EC) No 1320/2006.

Correlating measures		Public support total	Community funding	National funding
Afforestation (Articles 29-32)	First afforestation of agricultural land (Articles 36 (b) (vi) and 43)	2 790 651	2 232 681	558 170

13. QUANTIFIED TARGETS FOR COMMUNITY COMMON INDICATORS

Type of indicator	Indicator	Target 2007-2013
Output	Number of beneficiaries receiving afforestation aid	3 500 land owners, out of which: the farmers category (1000); the associations category (20); other beneficiaries (2480);
	Number of hectares of afforested land	Agricultural land afforested – 10 500 ha; out of which: - LFA – 8 000 - Short-rotation (plantation) forests, 1000 ha. - Forests planted in attractive valuable areas, 3 000 ha (recreation forests) Average area of afforested land parcel - 4-5 ha

Result	Areas under successful land management	Increase in the forest area, 0,3 per cent of total state area; At least 30 per cent of new forests are broadleaf species; Some 20 per cent of the total area afforested will be short-rotation forests.
	Impact	
	Reversal in biodiversity decline (farmland bird species population)	Halted declining
	Tree species composition	conifers – 55 pct. broadleaves – 45 pct.
	Change in high nature value areas	UAA constitutes 50 pct. of High Nature Value Farmland areas High nature value forestry areas 1 000 ha, 9,5 pct of afforested area
	Changes in gross nutrient balance	Positive changes maintained
	Increase in production of renewable energy	Production of renewable energy from wood, wood waste and woody material 8 pct, 850 ktoe

Baseline indicators

Biodiversity: Tree species composition	Soil: areas at risk of soil erosion	Biodiversity: Population of farmland birds (table below)	High Nature Value farmland and forestry	Climate change: production of renewable energy from agriculture and forestry
2004 conifers – 57.2 pct. Broadleaves (softwood species) – 38,3 pct. Broadleaves (noble hardwood species) – 4,5 pct.	14% affected by water erosion, 19 % by deflation 1,8-2,5 tones of soil/year	(table below)	266 pSCI's covering 649 271 ha (or 9,94 pct. of Lithuania's territory) identified; 73 SPA's covering 523 580 ha (or 8,02 pct. of Lithuania's territory) identified. Natural and semi natural meadows make 42,1 thous.ha of UAA, swamps – 81 thous ha, all together 3,1 pct from UAA.	Production of renewable energy from wood, wood waste and woody material -690 ktoe (7,6 per cent from common balance of primary energy)

			High Nature Value forestry – 29,6 of total forests area.	
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Population of farmland birds

<i>Name</i>	<i>Population</i>	<i>Change of population (2001 year)</i>
Northern lapwing (<i>Vanellus vanellus</i>)	18 000-20 000	<i>Declining</i>
Cornerake (<i>Crex crex</i>)	25 000-30 000	<i>Rising</i>
Grey partridge (<i>Perdix perdix</i>)	10 000-20 000	<i>Declining</i>
White stork (<i>Ciconia ciconia</i>)	12 500-13 000	<i>Rising</i>
Eurasian tree sparrow (<i>Passer montanus</i>)	300 000-500 000	<i>Declining</i>
Yellowhammer (<i>Emberiza citrinella</i>)	600 000-750 000	<i>Stable</i>
Eurasian skylark (<i>Alauda arvensis</i>)	1 100 000-1 500 000	<i>Declining</i>

14. SANCTIONS

In case of any misconduct, breach or violation of legal acts or the support agreement by the beneficiary, there shall be three types of mandatory sanctions: reduction of the support, refusal to grant the support and / or the requirement to repay the support. The specific terms for the imposition of the sanctions shall be laid down in the rules implementing the measure.

15. LINKAGES AMONG RDP MEASURES, DEMARCATION LINES AND CRITERIA WITH OTHER COMMUNITY FINANCIAL INSTRUMENTS

This measure is closely related to other measures aimed to support forestry, like First afforestation of non agricultural land, Improvement of economic value of forests, Restoring forestry potential and introducing prevention actions, Forest environment payments. This support guarantees additional income and possibilities of alternative activity. These measures share the same objectives related with sustainable development of forest management.

MEASURE 3

FIRST AFFORESTATION OF NON AGRICULTURAL AND ABANDONED LAND

Code of the measure 223.

LEGAL BASIS

Articles 36 (b) (iii), and 45 of Council Regulation (EC) No. 1698/2005.

Article 30 and point 5.3.2.3.3 of Annex II of Commission Regulation (EC) No 1974/2006

1. RATIONALE FOR INTERVENTION

This measure bears compensatory character and is implemented to promote afforestation of non agricultural and abandoned land as alternative land use, to decrease dependency on agricultural activities, as well as to develop forestry in accordance with the goal provided for in the Lithuanian Afforestation Programme and the Lithuanian Forestry Policy and Its Implementation Strategy. It foresees until 2020 to increase forest cover of the country by 3 % by planting at least 7 thousand ha per year of new forest on state and private land. This will improve ecological and environmental conditions in the country and ensure cost-effective use of wasted and low-value land and reach forest cover level of the country close to that of other Baltic countries. Also this measure is designed to implement EU Forest Action Plan which aims to promote afforestation with the purpose of environmental protection and to encourage the production of forest biomass energy. Afforestation is an important measure in the context of climate change mitigation as forests play a big role for carbon sequestration and biomass production. By extending forest areas in the shoreline of the seaside, the effects of strong winds will be diminished as well. Protective role of forest, which is predetermined by hydrophysical properties of its soils, is significant in protecting the ground and the surface water quality, regulating river flows.

Afforestation permits shall be issued following the requirements of the land use plans for afforestation approved by regional municipalities which fulfill European and state environmental requirements for new forest. Areas for afforestation are selected taking into account factors such as underground water protection areas, landscape, recreational resources, karst protection zone, vulnerable areas for soil erosion, areas with low soil fertility points, abandoned land, land which has the border with existing forests, land which has no suitable access and is not covered by NATURA 2000 network or other protected areas or areas important for birds, habitats protection etc.

In regard to fire risk, in order to decrease it when planning afforestation of medium and high fire risk areas, firebreak belts are foreseen and mixed broadleaf – coniferous forests are to be planted.

2. DESCRIPTION OF THE MEASURE

Under this measure, afforestation can be carried out on non- agricultural as well as abandoned state and private land, which has never been covered by forest. Support for afforestation of non – agricultural land or afforestation with short-rotation tree species covers the costs of forest establishment.

Support for afforestation of abandoned land will cover establishment costs and forest maintenance costs for five years (except cases of afforestation on state land and fast-growing species for short-term cultivation); when land regenerates naturally and supplementary planting is not needed, support shall cover only costs for maintenance and protection of naturally regenerated forest.

3. OBJECTIVES

3.1. Overall objective:

To promote afforestation of non-agricultural land and abandoned land as an alternative land use, to promote the development of forestry and its role within context of climate change mitigation, to ensure improvement of local environmental conditions and to help to solve the unemployment problems in rural areas.

3.2. Specific objective:

- 3.2.1. To increase the forest cover of the country;
- 3.2.2. To increase economical, ecological and social value of the locality and of land holdings;
- 3.2.3. To provide new employment opportunities in rural areas;
- 3.2.4. To provide new sources of income.
- 3.2.5. To decrease area of abandoned land;

3.3. Operational objective:

- 3.3.1. To promote afforestation of non-agricultural and abandoned land;
- 3.3.2. To encourage establishing short rotation (plantation) forest.

4. BENEFICIARIES

4.1. Natural persons or legal entities who own non-agricultural land or abandoned land as well as state forest holders.

5. SCOPE AND ACTIONS

5.1. Planting of forest and short-rotation cultivation of fast growing tree species on non – agricultural land as well as abandoned land.

6. DEFINITIONS

6.1. Fast-growing species for short-term cultivation shall mean species with a rotation time, namely the period between two harvest cuts on the same parcel, of not less than 6 and not more than 15 years.

7. ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

7.1. The applicant shall fulfill general provisions and requirements defined in the Chapter II of Annex I to the RDP 2007-2013.

7.2. In the case of fast-growing species for short-term cultivation, support shall be granted for establishment of fast growing species of which the period between two harvest cuts is from 6 up to 15 years.

7.3. The afforestation area shall be at least 0,5 ha, with the exception of land bordering with forest;

7.4. Support is available only when native tree species and bushes (table below) are used for afforestation, except when fast- growing species are planted for establishing short rotation forest:

Species of trees and bushes eligible for support
Conifers
Scots pine – <i>Pinus sylvestris</i> L.
Norway spruce – <i>Picea abies</i> (L.) H. Karst.
European larch – <i>Larix decidua</i> Mill.

European yew – <i>Taxus baccata</i> L.
Hardwood broadleaf tree species:
Pedunculata oak – <i>Quercus robur</i> L.,
Sessile oak - <i>Quercus petraea</i> Liebl.
beech – <i>Fagus sylvatica</i> L.
ash – <i>Fraxinus excelsior</i> L.
maple – <i>Acer platanoides</i> L.
elm – <i>Ulmus glabra</i> Huds, <i>Ulmus minor</i> Mill, <i>Ulmus laevis</i> Pall.
hornbeam – <i>Carpinus betulus</i> L.
Softwood broadleaf tree species:
birch – <i>Betula</i> L.
black alder– <i>Alnus glutinosa</i> L.
lime tree – <i>Tilia cordata</i> Mill.,
aspen – <i>Populus tremula</i> L., hybrid aspen- <i>Populus tremula</i> × <i>Populus tremuloides</i>
Other conifer and broadleaf tree species and bushes:
<i>Rosa</i> L., <i>Crataegus</i> L., <i>Padus avium</i> Mill., <i>Pyrus communis</i> L., <i>Pyrus pyraister</i> (L.) Burgsd, <i>Malus sylvestris</i> (L.) Mill., <i>Euonymus europaeus</i> L., <i>Euonymus verrucosus</i> Scop., <i>Viburnum opulus</i> L., <i>Lonicera xylosteum</i> L., <i>Cornus sanguinea</i> L., <i>Ribes nigrum</i> L., <i>Ribes rubrum</i> L., <i>Ribes alpinum</i> L., <i>Prunus spinosa</i> L., <i>Cerasus vulgaris</i> Mill), <i>Berberis</i> L., <i>Frangula alnus</i> Mill., <i>Rhamnus cathartica</i> L., <i>Sorbus aucuparia</i> L., <i>Corylus avellana</i> L., <i>Juniperus</i> L.
Fast-growing species for short-rotation forest:
Aspen, poplar – <i>Populus</i> L., <i>Populus tremula</i> × <i>Populus tremuloides</i>
white alder – <i>Alnus incana</i> (L.) Moench

7.5. In case of afforestation of abandoned agricultural land, the applicant shall provide permission to plant forest on a non-forest land site;

7.6. An applicant shall present approved a Plan on Forest Planting and Natural Regeneration;

7.7. The applicant shall provide a certificate of origin of forest seedlings/seeds in the manner prescribed by the legislation.

7.8. An establishment grant is paid in the first or second year of the planting, based on the completion of the forest establishment works. The establishment grant is paid when state forestry officials ascertain that the forest was planted in accordance to the approved Plan on Forest Planting and Natural Regeneration and that its quality meets the requirements of the Afforestation and Reforestation Guidelines.

7.9. With regard to maintenance and protection of planted forest in abandoned land or naturally regenerated by forest area, the applicant may apply for five times annually.

7.10. If some of the seedlings did not survive and seeds did not germinate, regenerated area shall be supplemented with seedlings so as to comply with the solutions of the Plan on Forest Planting and Natural Regeneration;

7.11. Limitations of support:

7.11.1. No support will be given for the growing of Christmas trees, cultivation of protective belts around fields as well as for short-rotation cultivation of fast growing tree species with a period between two harvest cuts not longer than 5 years;

7.14.2. Natura 2000 territories are excluded from eligible areas for support.

8. PRIORITY SELECTION CRITERIA

8.1. The applicant has never received the Community support for afforestation

8.2. The forest (except the short rotation plantation forests) shall be planted in the land owned by natural persons by title

8.3. There is to be planted a forest, not short-rotation cultivation of fast growing tree species;

8.4. The afforestation is carried out in less favourable areas, on other territories with land productivity up to 32 points, on abandoned land, as well in land situated in carstic regions.

8.5. At least 50 per cent of oak is to be planted.

8.6. Land parcels for afforestation are formed in the land consolidation project.

The method of application of priority selection criteria is described in Chapter II of Annex I to the Rural development programme for Lithuania (RDP).

9. AID INTENSITY

9.1. Compensable costs of forest planting, maintenance and protection were calculated according the average costs of forest establishment maintenance and protection in 2006 years 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 State Forest Institute. Forest establishment, maintenance and protection costs are included into costs shown in the table.

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	-

9.2. Applicants receive forest establishment, maintenance and protection grants as shown in the table 9.1 which are equal to the 80 % of assessed average costs of afforestation, maintenance and protection in less favourable areas and 70 % in favourable areas. Direct payments are not available when short rotation (plantation) forest is planted;

9.2. Five-year premium for maintenance and protection premium is granted only in case of afforestation of abandoned land;

9.3. Aid granted under this measure will be in conformity with the Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid, Official Journal L 379 of 28.12.2006. Under the de minimis the amount of the gross support granted to the same enterprises may not exceed the amount of EUR 200,000 in the period of 3 fiscal years.

9.4. Where pursuant to the legal acts of the Republic of Lithuania an emergency situation is declared because of natural disaster, supplementary forest plants may be compensated under the measure “Restoring forestry potential and introducing fire prevention action”.

9.5. When beneficiaries receiving payments under this measure do not respect on the whole holding, as a result of an action or omission directly attributable to them, the mandatory requirements provided for in Articles 4 and 5 of and in Annexes II and IV to Regulation No. 1782/2003, the total amount of their payments to be granted in the calendar year in which the non-compliance occurs shall be reduced or cancelled. For beneficiaries in Member States applying the single area payment scheme as provided for in article 143b of Regulation No. 1782/2003, the mandatory requirements to be respected are those provided for in Article 5 and Annex IV to that Regulation.

10. DESCRIPTION OF METHODOLOGY

The compensatory payment of forest planting, maintenance and protection were calculated according the average costs of forest establishment maintenance and protection in 2006 year in Lithuania.

11. FINANCING

Funding over the period of 2007-2013 (in current prices)

Year	Total		Community funding		National funding	
	EUR	pct	EUR	pct	EUR	pct
2007-2013	45 425 916	100	36 340 733	80	9 085 183	20

12. TRANSITIONAL ARRANGEMENTS

No transitional arrangements foreseen.

13. QUANTIFIED TARGETS FOR COMMUNITY COMMON INDICATORS

Type of indicator	Indicator	Target 2007-2013
Output	Number of beneficiaries receiving afforestation aid	2 800 land owners: 20 forest governorships engaged in state land afforestation annually.
	Number of hectares of afforested land	Total non agricultural area afforested–14 000 ha, out of which: - LFA – 8 000 - On abandoned land - 7000 ha - Forests planted in attractive valuable areas, 1 000 ha (recreation forests) - Short-rotation (plantation) forests, 1000 ha. Afforesting an average of 4-5 ha parcels of land
Result	Areas under successful land management	Increase in the forest area by 0,2 per cent of total state area; At least 30 per cent of new forests are broadleaf species;
Impact	Reversal in biodiversity decline (farmland bird species population)	Halted declining
	Tree species composition	conifers – 55 pct. broadleaves – 45 pct.
	Change in high nature value areas	UAA constitutes 50 pct. of High Nature Value Farmland areas High nature value forestry areas increases by 1000 ha, 7,1 pct of afforested area
	Changes in gross nutrient balance	Positive changes maintained
	Increase in production of renewable energy	Production of renewable energy from wood, wood waste and woody material 8 pct, 850 ktoe

Baseline indicators

Biodiversity: Tree species composition	Soil: areas at risk of soil erosion	Biodiversity: Population of farmland birds (table below)	High Nature Value farmland and forestry	Climate change: production of renewable energy from agriculture and forestry
2004 conifers – 57.2 pct. Broadleaves (softwood species) – 38,3 pct. Broadleaves	14% affected by water erosion, 19 % by deflation 1,8-2,5 tones of soil/year	(table below)	266 pSCI's covering 649 271 ha (or 9, 94 pct. of Lithuania's territory) identified; 73 SPA's covering 523 580 ha (or	Production of renewable energy from wood, wood waste and woody material -690 ktoe (7,6 per cent from common balance of

(noble hardwood species) – 4,5 pct.			8,02 pct. of Lithuania's territory) identified.	primary energy
			Natural and semi natural meadows make 42, 1 thous.ha of UAA, swamps – 81 thous ha, all together 3,1 pct from UAA.	
			High Nature Value forestry – 29,6 of total forests area.	

Population of farmland birds

Name	Population	Change of population (2001 year)
Northern lapwing (<i>Vanellus vanellus</i>)	18 000-20 000	<i>Declining</i>
Cornerake (<i>Crex crex</i>)	25 000-30 000	<i>Rising</i>
Grey partridge (<i>Perdix perdix</i>)	10 000-20 000	<i>Declining</i>
White stork (<i>Ciconia ciconia</i>)	12 500-13 000	<i>Rising</i>
Eurasian tree sparrow (<i>Passer montanus</i>)	300 000-500 000	<i>Declining</i>
Yellowhammer (<i>Emberiza citrinella</i>)	600 000-750 000	<i>Stable</i>
Eurasian skylark (<i>Alauda arvensis</i>)	1 100 000-1 500 000	<i>Declining</i>

14. SANCTIONS

In case of any misconduct, breach or violation of legal acts or the support agreement by the beneficiary, there shall be three types of mandatory sanctions: reduction of the support, refusal to grant the support and / or the requirement to repay the support. The specific terms for the imposition of the sanctions shall be laid down in the rules implementing the measure.

15. LINKAGES AMONG RDP MEASURES, DEMARCATION LINES AND CRITERIA WITH OTHER COMMUNITY FINANCIAL INSTRUMENTS

This measure is closely related to other measures aimed to support forestry, like First afforestation of agricultural land, Improvement of economic value of forests, Restoring forestry potential and introducing prevention actions, Forest environment payments. This support guarantees additional income and possibilities of alternative activity. These measures share the same objectives related with balanced development of forest management.

MEASURE 4

RESTORING FORESTRY POTENTIAL AND INTRODUCING PREVENTION ACTIONS

Code of the measure 226.

LEGAL BASIS

Articles 36 (b) (vi) and 48 of Council Regulation (EC) No 1698/2005.

Articles 30 and 33 and point 5.3.2.2.6 of Annex II of Commission Regulation (EC) No 1974/2006

1. RATIONALE FOR INTERVENTION

Fires and natural disasters cause an especially great threat to forests. Lately 100-750 ha of forests have been burning annually in Lithuania. Therefore great importance is attributed to support the restoration of forests affected by natural disasters and fires. This measure is to not only help to restore forests affected by fires and natural disasters but also to promote preventive measures to avoid forest fires and natural disasters.

2. DESCRIPTION OF THE MEASURE

This measure bears a compensatory character.

This measure is first of all intended to contribute to restoration of private and state forests affected by natural disasters and fires. It is also planned to support relevant preventive measures thus preserving the environmental and economic value of forests. Support to fire-prevention measures is allocated where the forest manager has the forest areas attributed to high or medium fire risk according to the approved Forest Distribution Map by Fire Risk of the Republic of Lithuania and according to the approved List of the Areas of Forests Attributable to High or Medium Fire Risk in the Territory of Activity of the State Forest Enterprises and the Administration of the Curonian National Park. Areas classified as high or medium risk for forest fire are defined according to the European Forest Fire Information System (EFFIS) in the framework of Regulation (EC) No 2152/2003 of the European Parliament and of the Council. According to documents mentioned above the total forest area of 1091,5 thous ha or about 50 % of the total forest area of Lithuania is attributed to high or medium fire risk, out of which: 676,5 thous ha are attributed to high fire risk and 415 thous ha – to medium fires risk areas.

This measure contributes to the targets set in the Forestry Strategy of the European Union (1999/C 56/01) and an the EU Forest Action Plan adopted on 15 June 2006 where it is intended to support from the EARDF the restoration of forests damaged by natural disasters and fires and to support forest fire prevention measures. Improvement of the unified forest fire-emergency and sanitary forest protection systems on the national level is one of the aims stated in the Lithuanian Forestry and its Implementation Strategy, approved on 17 September 2002 by Order No 484 of the Minister of Environment of the Republic of Lithuania. Also this measure is very important while dealing with climate mitigation problem.

3. OBJECTIVES

3.1. Overall objective: To ensure restoration of forests damaged by fires and natural disasters and prevention of such disasters.

3.2. Specific objective:

3.2.3. To restore private and state forests affected by natural disasters and fires;

3.2.4. To improve the state forest fire protection system.

3.3. Operational objective:

3.3.1. To provide support to forest owners and forest governors in restoring forests affected by natural disasters and forests and applying measures of fire prevention.

3.3.2. To provide support to entities implementing the general state system of measures to prevent forest fires in forests of all property forms.

4. TYPE OF BENEFICIARIES

4.1. Activity 1

4.1.1. Owners of private forests and managers of state forests.

4.2. Activity 2

4.2.1. Legal entities implementing the general state system of measures to prevent forest fires in forests of all property forms in accordance with the procedure set out in the Law on Forests.

5. SCOPE AND ACTIONS

5.1. Activity 1

5.1.1. Restoration of forests affected by natural disasters and fires and preventive measures;

5.1. Activity 2

5.2.1. Improvement of the general state system of measures to prevent forest fires.

6. TYPES OF INVESTMENTS

6.1. Activity 1:

6.1.1. Preparation of the project of restoration of forests affected by natural disasters and fires;

6.1.2. Costs of the restoration of forest areas or areas afforested with the support co-financed by the European Community affected by natural disasters or fires (area cleaning, forest plants, transportation of forest plants, soil preparation, planting, supplement of damaged plants, protection of plants);

6.1.3. Costs for measures to prevent forest fires (installation, renovation and maintenance of fire-protection barriers, mineralised belts and belts of deciduous trees);

6.2. Activity 2

6.2.1. Preparation of a fire prevention plan for a certain locality or an emergency forest fire plan;

6.2.2. measures to forecast and monitor forest fires (installation, construction, reconstruction of fire observation towers, purchase and installation of fire monitoring systems, data and telecommunication systems);

6.2.3. installation of information signs and boards, issuing and disseminating of educational publications, making and running video clips on the subject of fire prevention;

6.2.4. machinery for creating fire-protection mineralised belts;

6.2.5. creation of water collection points and artificial water reservoirs.

7. ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

7.1. The applicant shall fulfil general provisions and requirements for support laid down in the Chapter II of **Annex 1** to Rural Development Programme for 2007-2013 (RDP).

7.2. Activity 1

7.2.1. The applicant shall submit a document certifying the property or management right for the forest area for which support is requested;

7.2.2. The applicant shall submit project of restoration of forests affected by natural disasters and fires;

7.2.3. In case of support for preventive actions the applicant shall submit forest management plan with planned fire-protection measures for which support is being requested.

7.2.4. In case of support for preventive measures the support is granted only for the forest areas attributed to high and medium fire risk according to the approved Forest Distribution Map by Fire Risk of the Republic of Lithuania;

7.2.5. Limitations of support:

7.2.5.1. Support shall not be granted for the establishment and maintaining of forest firebreaks in the areas benefiting from the support for afforestation as well as from the support for appropriate activities under the measure “Agri-environment payments”.

7.3. Activity 2

7.3.1. Support for this activity is granted only for the forest areas attributed to high and medium fire risk according to the approved Forest Distribution Map by Fire Risk of the Republic of Lithuania;

7.3.2. The fire-prevention activity plan for forests or a plan of expeditious forest fire extinguishing actions is submitted with preventive measures to prevent forest fires to be implemented for which support is requested, or with fire prevention measures approved by the General Forest Management Authority;

7.3.3. Documents and projects for construction, installation of renovation of fire detection towers are submitted where support for them is requested.

8. PRIORITY SELECTION CRITERIA

- 8.1. The applicant has never received the Community support in forest sector
- 8.2. The project of restoration of forests affected by natural disasters and fires.
- 8.3. The applicant has never received support co-financed by the Community.
- 8.4. The applicant is a private forest manager.
- 8.5 Smaller amount requested for the project’s financing.

The method of application of priority selection criteria is described in Chapter II of Annex I to the Rural development programme for Lithuania (RDP).

9. RATE AND DIFFERENTIATION OF SUPPORT

9.1. Activity 1

9.1.1. Compensation covers up to 80 per cent of eligible expenditure for this activity, up to a ceiling of EUR 100 000 per project.

9.2. Activity 2

9.2.1. Compensation covers up to 80 per cent of eligible expenditure for this activity, up to a ceiling of EUR 400 000 per project.

10. FINANCING

Funding over the period of 2007-2013. (in current prices)

Year	Total		Community funding		National funding	
	EUR	pct	EUR	pct	EUR	pct
2007-2013	15 000 000	80	12 000 000	80	3 000 000	20

11. QUANTIFIED TARGETS FOR COMMUNITY COMMON INDICATORS

Type of indicator	Indicator	Target 2007-2013
Output	Number of prevention/restoration actions	Number of projects support by measure 75: Activity 1- 50 Activity 2 - 25
	Supported area of damaged forests	Up to 1 000 ha of private and state forests damaged by fires and natural disasters restored.
	Number of new or reconstructed fire observation towers	10
	The length of new or restored mineral fire belts	10 000 km
	Total volume of investment	EUR 18,75 mill
Result	Areas under successful land management	Total: Restored area of forests affected by natural disasters and fire, 1000 ha.
Impact	Change in high nature value areas	Increasing of high nature value forest areas by 4000 ha, up to 31,5 pct
	Changes in gross nutrient balance	Positive changes maintained
	Increase in production of renewable energy	Production of renewable energy from wood, wood waste and woody material 8 pct, 850 ktoe

Baseline indicators

Biodiversity: Tree species composition	Soil: areas at risk of soil erosion
2004 conifers – 58,1pct. Soft broadleaves – 37,2pct. Hard broad leaves – 4,7pct	14% affected by water erosion, 19 % by deflation 1.8-2.5 tones of soil/year

12. SANCTIONS

Whether any misconduct, breach or violation of the project and/or application requirements is detected by the Agency or appears known to it, the Agency shall have a right to initiate the process of the suspension of support and/or demand the repayment of the entire amount of the support received or any part of it thereof.

13. LINKAGES AMONG RDP MEASURES, DEMARCATION LINES AND CRITERIA WITH OTHER COMMUNITY FINANCIAL INSTRUMENTS

This measure is closely related to other measures aimed to support forestry, like *First afforestation of agricultural land*, *First afforestation of non agricultural land*, *Improvement of economic value of forests*, *Non-productive investments*, *Infrastructure related to the development and adaptation of agriculture and forestry*. This support guarantees possibilities to form forest stands, that are more

resistant to forest fires and natural disasters, to give additional income and alternative activity to forest holders. These measures share the same objectives related with balanced development of forestry.

The *OP for Promotion of Cohesion* (final beneficiaries: Public and private subjects) (*1 priority: Local and urban development, conservation of cultural heritage and nature and adaptation for tourism development*) get support for:

- Development of public tourism infrastructure using natural and cultural heritage and creation and modernisation of active tourism infrastructure.

- Development of tourism information services and promotion of tourism marketing

- Development of variety of tourism services/products and improvement of tourism services quality..

- Cleaning-up of the damaged landscape elements (abandoned and landscape contaminating construction objects, areas damaged due to former excavation activities and etc.).Final beneficiary – State protected areas service.

- Demarcation criterion– projects size and beneficiary.

MEASURE 5

NON-PRODUCTIVE INVESTMENTS IN FORESTS

Code of the measure 227.

LEGAL BASIS

Articles 36 (b) (vii) and 49 of Council Regulation (EC) No 1698/2005.
Point 5.3.2.2.7 of Annex II of Commission Regulation (EC) No 1974/2006.

1. RATIONALE FOR INTERVENTION

According to the requirements of the national legal acts neither private forest owners nor state forest managers are obligated to improve the ecological value of forests and their public amenity by the measures like formation of the skirts of the forests, supplementation of forest stands with ornithochoric trees and bushes, installation of small ponds for improving of biodiversity, improvement of recreational infrastructure which is intended to be used free for public in recreational forests. Therefore all those measures are very important for improving the quality of the environment, biodiversity and landscape, as well as enhancing a public amenity value of forests. For example, formation of the skirts of the forests helps to increase the resistance of the forest to the negative wind influence, provides suitable special living conditions for number of flora and fauna species. Supplementation of tree growths with ornithochoric trees and bushes, as well as installation of small ponds helps to preserve and increase populations of useful forest birds.

Other important measures for improving of environmental value in the private and state forests are those provided in the nature management plans. Such plans are made for the protected areas like Natura 2000 areas and include special forest related measures targeted to the concrete area, for example 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).

For better implementation of environmental objectives mentioned above, there is a need for non-profit investment into forests where the environmental as well as the public amenity value of the forest could be increased. It is also sought to improve the infrastructure of private forest holdings, to enhance possibilities for alternative activities of rural residents and to improve environmental quality and biological and landscape diversity.

2. DESCRIPTION OF THE MEASURE

This measure bears a compensatory/investment character.

The primary objective of this measure is to increase the environmental and public amenity value of forests. Activities of ensuring ecological and social functions of forests are particularly important in the light of rural development. Support will be given for increasing the ecological value of forests and for preserving biodiversity and landscape, in particular for formation of the skirts of the forests, supplementation of forest stands with ornithochoric trees and bushes, installation of small ponds, roadblocks and information signs as well as for the improvement of recreational infrastructure which is intended to be used free for public in recreational forests.

3. OBJECTIVES

3.1. Overall objective: To achieve environmental objectives by improving the quality of the environment, biodiversity and landscape, and to enhance a public amenity value of forest by developing the recreational facilities in forests.

3.2. Specific objective:

3.2.2. To enlarge, install and upgrade recreational facilities in forests;

3.2.1. To form forest stands of higher ecological value;

3.3. Operational objective:

3.3.1. To provide support to forest holders in restoring, preserving and developing the ecological and recreational functions of forests.

4. TYPE OF BENEFICIARIES

4.1. Owners of private forests and managers of state forests.

5. SCOPE AND ACTIONS

5.1. Reconstructing, preserving and developing the ecological and recreational functions of forests in rural areas.

6. DEFINITION OF OPERATIONS TO BE SUPPORTED

6.1. 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 forest stands with ornithochoric trees and bushes, creation and renovation of small ponds of up to 300 m², temporary facilities to close forest roads through ecologically sensitive areas;

6.2. Installation and improvement of recreational forest infrastructure facilities for public use (recreational paths, bridges, stairs, observation sites, resting-places, campsites, bowers benches, tables, fireplaces, dustbins, latrines, fences, boards, maps, pointers, information signs).

6.3. Management and preservation of the surroundings of recreational and nature protection 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).

6.4. 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.

7. ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

7.1. The applicant shall fulfil general provisions and requirements for support laid down in the Chapter II of Annex 1 of RDP.

7.2. The agricultural holding benefiting from the investment shall be legitimately managed by the applicant in the manner specified by the legal acts of the Republic of Lithuania;

7.3. for the forest holding in which the investment will be done the applicant shall submit the forest management plan;

7.4. The applicant shall submit relevant technical projects and other documents for installation of forest recreational infrastructure objects where these are required according to the requirements of legal acts;

7.5. Restoration works of disturbed hydrological regime are supported only in forests of Group I (strict reserves forests) and Group IIA (ecosystem protection forests) as well as in forests of Natura 2000 network territory according to special projects drafted;

7.6. restoration works of protected natural habitats or habitats of protected species in forests or support of typical structure are supported only if they are provided for in the nature management plan drafted and approved according national legislation;

7.7. Installation and improvement of recreational forest infrastructure facilities are supported in all forest to the extent permitted by the legal acts of the Republic of Lithuania – forests of Group IIB (recreational forests), group III (protective) and IV (farming);

7.8. Applicant shall confirm that recreational infrastructure is intended to be used free for public.

8. PRIORITY SELECTION CRITERIA

8.1. The applicant has never received the Community support in forest sector;

8.2. The applicant is a private forest owner;

8.3. Installation and improvement of recreational forest infrastructure facilities are supported only in forests of Group IIB (recreational forests);

8.4. Smaller amount requested for the project's financing;

8.5. The project is designed to increase the ecological value of the forest.

The method of application of priority selection criteria is described in Chapter II of Annex I to the Rural development programme for Lithuania (RDP).

9. AID INTENSITIES

9.1. Compensation covers up to 90 per cent of eligible expenditure for this activity, up to a ceiling of EUR 100 000 per project.

9.2. Aid granted under this measure will be in conformity with the Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid, Official Journal L 379 of 28.12.2006. Under the de minimis the amount of the gross support granted to the same enterprises may not exceed the amount of EUR 200,000 in the period of 3 fiscal years.

10. FINANCING

Funding over the period of 2007-2013. (in current prices)

Year	Total		Community funding		National funding	
	EUR	pct	EUR	pct	EUR	pct
2007-2013	10.000.000	90	8.000.000	80	2.000.000	20

11. TRANSITION ARRANGEMENTS

No transition arrangements are foreseen.

12. QUANTIFIED TARGETS FOR COMMUNITY COMMON INDICATORS

Type of indicator	Indicator	Target 2007-2013
Output	Number of non-productive investments actions	Number of projects support by measure 100:
	Supported forest area of non-productive investments	2.000 ha
	Number of new installed or improved recreational forest infrastructure facilities	100 recreation facilities installed or improved.

	Total volume of investment	12,5 mill EUR
Result	Areas under successful land management	Area of forests with higher ecological and recreational value, 2000 ha.
Impact	Change in high nature value areas	Increase of High nature value forestry areas by 2000 ha, up to 31,5 pct
	Changes in gross nutrient balance	Positive changes maintained

Baseline indicators

Biodiversity: Tree species composition	Soil: areas at risk of soil erosion
2004 conifers – 58,1pct. Soft broadleaves – 37,2pct. Hard broad leaves – 4,7pct	14% affected by water erosion, 19 % by deflation 1,8-2,5 tones of soil/year

13. SANCTIONS

In case of any misconduct, breach or violation of legal acts or the support agreement by the beneficiary, there shall be three types of mandatory sanctions: reduction of the support, refusal to grant the support and / or the requirement to repay the support. The specific terms for the imposition of the sanctions shall be laid down in the rules implementing the measure.

14. LINKAGES AMONG RDP MEASURES, DEMARCATION LINES AND CRITERIA WITH OTHER COMMUNITY FINANCIAL INSTRUMENTS

This measure is closely related to other measures aimed to support forestry, like *Improvement of economic value of forests*, *First afforestation of non agricultural land*, *First afforestation of agricultural land*, *Forest environment payments*. This support guarantees additional income and possibilities of alternative activity. These measures share the same objectives related with balanced development of forest management.

Also, this measure is closely connected to measure *Encouragement of rural tourism activities*, *Activity 2 Establishment and development of rural campsites* which seeks to promote the development of the rural recreational infrastructure. Demarcation criterion between *Establishment and development of rural campsites* and this measure is made by location of projects implementation: creation of the camps under this measure is eligible in the forest area.

This 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. Demarcation criteria with *OP for Promotion of Cohesion* is activity and geographical area of project implementation (forests). According the *OP for Promotion of Cohesion (1 priority: Local and urban development, conservation of cultural heritage and nature and adaptation for tourism development)* the support is granted for cleaning-up of the damaged landscape elements (abandoned and landscape contaminating construction objects, areas damaged due to former excavation activities and etc.) (final beneficiary – State protected areas service).

MEASURE 6

FOREST ENVIRONMENT PAYMENTS

Code of the measure 225.

LEGAL BASIS

Articles 36 (b) (v) and 47 of Council Regulation (EC) No 1698/2005.
Point 5.3.2.2.5 of Annex II of Commission Regulation (EC) No 1974/2006.

1. RATIONALE FOR INTERVENTION

Woodland key habitats (WKH– identified, undamaged forest area with vanishing, vulnerable, rare or protected specialized species of habitats) were stock-taken in forests of all forms of property in Lithuania in 2001-2005 as the important areas for preservation of high-value forest ecosystems and forest biological diversity. WKH are designated, mapped and registered to the Lithuanian State Cadastre of Forests according to the Instruction of Works of Forest Management Planning, approved on 29 December 2006 by the Order No.53-06-G of the Director of State Forest Survey Service of the Ministry of Environment of the Republic of Lithuania. The areas were selected according to criteria defined during common Lithuanian-Swedish project “Woodland key habitat inventory in Lithuania”. However only a part of such habitats are included into areas protected according to the legal acts, and for the rest thereof the legal acts do not provide for any activity restrictions, which is why especially owners of private forests do not protect these WKH and carry out economic activities therein. There are 3500 ha of WHK identified in private forests. According to requirements of the national legal acts the forest owner is allowed to carry out final cuttings (in most cases even clear cuttings) and to destroy the WKH. Final cutting of mature forest stands is the usual forest management practice in Lithuanian forests. Taking into account above said, it is necessary to support owners of private forests who on voluntary basis make the commitment to preserve WKH and not to carry out final forest felling allowed by the legal acts but destroying WKH.

According to the Forest Law of the Republic of Lithuania and other legal acts regulating forestry activities every forest owner must follow such usual forest management practice:

- final clear cutting of mature forest stands in Forest Group III and IV is allowed only if the permission is given and this clear cutting is designed in the forest management plan;
- the clear-cut area shall be reforested within three years after their origin;
- the area of final clear-cut plot is limited up to 8 ha in Forest Group IV and up to 5 ha in Forest Group III.

Usually the clear-cut plots in private forests in Lithuania are smaller and reaches 1-2 ha in average. Accordingly about 7 thousand ha of forests are clear-cut out in private forests every year. The volume of such forest cutting is allowed by the legal acts and this is a usual forest management practice in Lithuania. However in order to preserve biological and landscape diversity, to promote natural reforestation with local species of trees and to reduce soil erosion and other adverse effects on forest ecosystems, it is necessary to support non-clear cuttings of forests on voluntary carried out by private forest owners, instead of clear cutting allowed by the legal acts.

2. DESCRIPTION OF THE MEASURE

This measure bears a compensatory character. This measure implements the Forestry Strategy of the European Union (1999/C 56/01) and the EU Forest Action Plan adopted on 15 June 2006 where it is intended to promote schemes for forest owners to engage in voluntary environmental commitments and to promote enhancing of ecological value of forests. Preservation of the biodiversity in the Lithuanian

forests is one of the aims stated in the Lithuanian Forestry and its Implementation Strategy, approved on 17 September 2002 by Order No 484 of the Minister of Environment of the Republic of Lithuania.

This measure is intended to make a better contribution to preservation of more natural forest environment, raising of awareness among forest owners by providing financial support for forest owners' initiatives to take environmental commitments not stipulated in the legal acts. This measure creates conditions for development of more environmentally-friendly forestry activities and at the same time preservation of especially valuable WKH in private mature forests.

Forest environment payments are allocated for each hectare of private forests to owners thereof who voluntarily take a commitment not to carry final forests cutting in WKH identified within their areas or carry out non-clear cutting in any other forests instead of clear cutting allowed by the legal acts. Due to such obligations forest owners lose income that is to be compensated by this measure.

The proposed measures conform to the forest protection measures in forest areas attributed to high or medium fire risk according to the approved Forest Distribution Map by Fire Risk of the Republic of Lithuania.

In the case of amendments of the relevant mandatory standards or requirements in national legal acts concerning supported activities under this measure the expediency of the support will be reconsidered.

3. OBJECTIVES

3.1. Overall objective: To give financial incentives to private forest owners, to engage in forestry activity that is more acceptable from the environmental point of view, to preserve the woodland key habitats and raising environmental awareness of forest owners at the same time and also maintaining high quality biodiversity in forest habitats.

3.2. Specific objectives:

3.2.1. To preserve WKH in private forests.

3.2.2. To encourage the scale of non-clear forest cutting systems in private forests.

3.3. Operational objective:

3.3.1. To compensate losses incurred by private forest owners due to the voluntary taking of and compliance with environmental commitments that are not stipulated in the legislation.

4. TYPE OF BENEFICIARIES

4.1. Private forest owners who on voluntary and contractual basis make a commitment to follow additional environmental requirement, which are not stipulated in the legislation or binding on their holdings.

5. SCOPE AND ACTIONS

5.1. Activity 1

5.1.1. Payments for not performing final forest cutting operations in WKH.

5.2. Activity 2

5.2.1. Payments for non-clear forest cutting operations instead of clear ones.

6. ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

6.1. The applicant shall fulfil general provisions and requirements for support laid down in the Chapter II of **Annex 1 to Rural Development Programme for 2007-2013 (RDP)**.

6.2. The applicant shall submit a document certifying the property right for the private forest area for which support is requested;

6.3. Activity 1:

6.3.1. The applicant shall provide a certificate from the State Forest Survey Service indicating that the holding for which support is being requested has at least 0,5 ha of WKH, that the holding is a group 3 or 4 forest and that the forest stand in which the WKH is identified has reached the minimum age for final cutting as established for the respective forest group.

6.3.2. The applicant shall submit a letter of confirmation with regard to non-performance of full cutting of WKH after it is identified issued by the Regional Environment Protection Department of the Ministry of Environment;

6.3.3. The applicant shall take a commitment to preserve the WKH and refrain from final forest cutting operations for at least 7 years.

6.3.4. Limitations of support:

6.3.4.1. Applicants can not apply for support for the same area under measure *Natura 2000 payments*.

6.4. For applicants for support under activity 2:

6.4.1. The applicant shall provide an internal forest management plan, drawn, approved and endorsed in the established order.

6.4.2. The applicant shall submit the permission to cut forest issued according national legislation whereby they are allowed to carry out the first case of non-clear cutting;

6.4.3. The applicant shall submit confirmation that clear-cutting could have been allowed instead of the planned and allowed non-clear cutting of forest;

6.4.4. The applicant shall take a commitment to conduct non-clear final forest cutting operations instead of clear-cutting operations in mature forests of group 3 and 4.

7. PRIORITY SELECTION CRITERIA

7.1. The forest holding for which support is being requested is a group 3 forest (protection forests).

7.2. The owner of the private forest holding for which support is being requested is a natural person.

7.3. The application identifies support as to be used for WKH preservation (activity 1).

The method of application of priority selection criteria is described in Chapter II of Annex I to the Rural development programme for Lithuania (RDP).

8. RATE AND DIFFERENTIATION OF SUPPORT

8.1. The payment amount covers costs incurred and income forgone by forest owners due to the taking of voluntary commitment to follow certain environmental restrictions and is differentiated as follows:

8.1.1. under activity 1: EUR 279/ha annually, but not longer than 7 years;

8.1.2. under activity 2, the payment amount is EUR 140/ha annually until the last case of non-clear cutting operation, but not longer than 7 years.

8.2. Aid granted under this measure will be in conformity with the Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid, Official Journal L 379 of 28.12.2006. Under the de minimis the amount of the gross support granted to the same enterprises may not exceed the amount of EUR 200,000 in the period of 3 fiscal years.

9. DESCRIPTION OF METHODOLOGY

9.1. 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.

9.2. 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.

9.3. 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.

10. FINANCING

Funding over the period of 2007-2013 (in current prices)

Year	Total		Community funding		National funding	
	EUR	pct	EUR	pct	EUR	pct
2007-2013	10.000.000	100	8.000.000	80	2.000.000	20

11. QUANTIFIED TARGETS FOR EU COMMON INDICATORS

Type of indicator	Indicators	Target for 2013
Product indicators	Number of supported projects (all kinds of activities)	3 500
	Projects to protect WKH in private forests	1 500
	Projects to support partial cutting in private forests	2 000
	Forest area for which forest environmental benefits are paid out (total), ha	13 500
	Number of WKH preserved in private forests	1 500
	Area of WKH preserved in private forests, ha	3 500
	Area of partial forest cutting carried out instead of full cutting allowed in private forests, ha	10000
Output indicators	Share of supported forests in the area of private forests, pct.	1,5
	Share of WKH preserved using the support of all the identified WKH, pct.	15
Impact indicators	Biodiversity change (bird population in agricultural land)	Stopping the decrease
	Diversity of tree kinds	Conifers – 54 pct.; deciduous – 46 pct.
	Increase in the area of forests of high natural value (preserved WKH + increase in the area of forests of Groups I-III), thou ha	4
	Change in the balance of quantity of nutrients	Preservation of positive changes

Baseline indicators	Area of forests of high natural value (forests of Groups I-III), thou ha	627
	Diversity of tree kinds	Conifers – 57 pct.; deciduous – 43 pct.
	Area of WKH supported in private forests	No support for preserving WKH were applied
	Clear-cut area in private forests	7000 ha annually

12. SANCTIONS

In case of any misconduct, breach or violation of legal acts or the support agreement by the beneficiary, there shall be three types of mandatory sanctions: reduction of the support, refusal to grant the support and / or the requirement to repay the support. The specific terms for the imposition of the sanctions shall be laid down in the rules implementing the measure.

13. LINKAGES AMONG RDP MEASURES, DEMARCATION LINES AND CRITERIA WITH OTHER COMMUNITY FINANCIAL INSTRUMENTS

This measure is closely related to other measures aimed to support forestry, like *First afforestation of non agricultural land*, *First afforestation of agricultural land*, *non productive investments*. All these measures are intended to implement the same tasks relating to sustainable development of forestry and preservation and increase of biological diversity.

Applicant can not apply for support for the same area under measure *Natura 2000 payments*

MEASURE 7
NATURA 2000 PAYMENTS AND PAYMENTS LINKED TO DIRECTIVE 2000/60/EC
(SUPPORT FOR NATURA 2000 AREAS IN AGRICULTURAL LAND)

Code of the measure – 213

LEGAL BASIS

Articles 38 and 46 of Council Regulation (EC) No. 1698/2005
Point 5.3.2.1.5 of Annex II of Commission Regulation (EC) No 1974/2006

1. RATIONALE FOR INTERVENTION

One of the key goals of support under the European Agricultural Fund for Rural Development (EAFRD) is to contribute to the implementation of the Community's sixth environmental action programme (EAP), as specified in the preamble to this regulation. The focus in supporting rural development and implementing EAP rests on biodiversity, the management of the Natura 2000 network, the protection of water and soil and on other priorities in the field of environmental protection.

The Natura 2000 network is the principal mechanism for preserving biodiversity in the Community. The agricultural restrictions imposed on Natura 2000 territories improve the status of protection of rare and endangered animals and plants, natural and semi-natural habitats, however tend to reduce the income of farmers or demand higher operating costs.

2. DESCRIPTION OF THE MEASURE

This measure bears a compensatory character.

It is essential to support farmers working land in areas that have inherent obstacles because of implementation of Council Directive 79/409/EEC of 2 April 1979 on the conservation of wild birds and Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora, where the Natura 2000 network is being established on the basis of these directives and efforts are made to manage these areas in an efficient way.

In Lithuania according national legislation, the Natura 2000 network consists of protected areas or their parts that have been granted the status of Areas Important for Bird Protection (correspond to Special Protected Areas (SPAs) according Directive 79/409/EEC) and of sites which match selection criteria for Areas Important for Habitats Protection (correspond to proposed Sites of Community Importance (pSCI) according Directive 92/43/EEC). The Natura 2000 territories have been selected according the approved national selection criteria. By order No. 219 of the Minister of Environment of April 20, 2001, the criteria for selection of SCIs were adopted. By order No. 22 of the Minister of Environment of January 9, 2001, the criteria for selection of (SPAs) were adopted. At this moment the network of SPAs in Lithuania is scheduled to consist of 79 territories. In the initial stage of the implementation of Directive 92/43/EEC selection of pSCIs and presentation of their list to the European Commission for evaluation takes place. The lists of pSCIs currently consist of 299 sites. The Minister of Environment approved the latest supplementation of the pSCIs list on November 6, 2006.

Total area of Natura 2000 network in Lithuania constitutes 783000 Ha. Utilized agricultural area (UAA) covers 147000 Ha, or 4.4 % from the total UAA in the country.

Economical activities in Natura 2000 areas are being regulated differently from site to site. Different composition of habitats and species of Community interest in Natura 2000 areas requires site specific restrictions. This is implemented through a selection of the type of protected area which fits best in a particular situation (e.g. nature reserve, biosphere polygon, or different zones within the state parks, etc.), which have to be established in the area. Lithuanian Law on Protected Areas foresees

rather wide range of types of protected areas in the country. This Law does not restrict the choice of the type of a protected area when establishing Natura 2000 area.

In the case of nature reserves, state parks (and their zones) and buffer zones of strict nature reserves, the use of agricultural land is regulated by the Special Conditions on Land and Forest Use (its chapters 34-46) approved by the Governmental decision No 343 on 12 May, 1992. Biosphere polygons have their individual regulations, approved by the Minister of Environment.

Most common restrictions on the land use are listed in subpoints of 7.3 of the measure. In different combinations they are legally binding in most of the Natura 2000 sites or their parts. The farming practices are restricted in approximately 54 000 Ha of UAA belonging to Natura 2000 network. In other part of UAA in Natura 2000 network according legal acts traditional agricultural practices have not been affected by protection regime of particular protected areas, until it is not necessary for the protection of species or habitats of Community interest. Under this measure payments will be granted only to those farmers who follow compulsory obligations listed in sub-points 7.3.1-7.3.5 reducing their incomes or requiring higher operational costs.

Nevertheless throughout all Natura 2000 network there is unified requirement stemming from the Law on Environmental Impact Assessment and Art. 6.3 of Habitats Directive 92/43/EEC and preventing negative interventions in the sites: "Any plan or project not directly connected with or necessary to the management of the site but likely to have a significant effect thereon, either individually or in combination with other plans or projects, shall be subject to appropriate assessment of its implications for the site in view of the site's conservation objectives". As this requirement on EIA does not affect farmers' day-today activities, this is not a subject for compensations under this measure.

Two types of protected areas management plans (first, as a territorial planning document, and second, as strategic document for active nature management) play a supplementary role in the system of protected areas management tools. Management plans (as territorial planning documents) are only obligatory for state parks and biosphere reserves due to the fact that these territories are multi-zoned protected areas. All these territories have their zoning documents approved by the Government. Different zones can be distinguished here: from agricultural zones with no specific regulation to nature reserves zones with full set of restrictions listed in sub-points 7.31-7.3.5 of this measure. On the other hand, strategic nature management plans for active nature management are being developed in current years (in 2nd quarter 2007 there were 23 of such plans approved and over 100 under preparation).

The measure is important for implementation of Water Framework Directive (2000/60/EC). The implementation of WFD is to be postponed till the river basin management plans will be adopted and detailed rules for support will be fixed.

3. OBJECTIVES

3.1. Overall objective

To help address specific disadvantages in the respective areas resulting from implementation of Directives 79/409/EEC, 92/43/EEC, 2000/60/EC thus contributing to the improvement of life quality in rural areas and the raising of environmental awareness in local communities.

3.2. Specific objective

To implement environmental requirements in Natura 2000 network territories to protect wild birds, natural habitats, species and their habitats.

3.3. Operational objective

To support farms with agricultural holdings in Natura 2000 areas.

4. SCOPE AND ACTIONS

Farmers will receive annual support to compensate additional costs incurred and income forgone in the respective areas due to the implementation of Directives 79/409/EEC and 92/43/EEC.

5. TYPE OF BENEFICIARIES

Natural persons or private legal entities that have holdings in agricultural areas on Natura 2000 territories and are therefore obliged to follow additional restrictions on farming as provided in the Special terms and conditions on the use of land and forests, in protected area management plan, in individual statute or regulation of certain protected area.

6. ELIGIBLE AREA

Agricultural area in Natura 2000 territories designated according to Directives 79/409/EEC, 92/43/EEC, 2000/60/EC

7. ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

7.1. The applicant shall fulfill general provisions and requirements defined in the Chapter II of Annex I of the RDP.

7.2. the size of utilized agricultural area of the holding delimited as Natura 2000 territory or WFD eligible area shall be at least 1 ha;

7.3. the applicant shall farm in conformity with good agricultural and environmental conditions and follow all the particular additional restrictions set in the Special terms and conditions on the use of land and forests, the Statutes of protected areas or their management plans:

7.3.1. the ploughing meadows or re-sowing them with culture grass is prohibited,

7.3.2 draining or any other alterations of the hydrological regime is forbidden,

7.3.3. the number of livestock units per ha in grazed areas is restricted and set up to 1 LU/ha;

7.3.4 the earliest date of mowing meadows is determined after 15 of June, the particular date is set in the statutes of protected areas or their management plans;

7.3.5. using of fertilisers, pesticides or liming substances is prohibited.

7.4. In order to document the present situation of hydrological regime and prevent its any alteration with the first application the applicant shall submit farm plan situating all hydrological features and describe their hydrological conditions.

7.5. Applicant is not eligible for support under this measure for the same area which gets support according to *Landscape Stewardship Scheme* under “Agri-environment payments“ measure or get national compensations for restrictions in protected areas.

8. AMOUNTS OF SUPPORT

The Natura 2000 payment for agriculture is EUR 40/ha, which covers the average income foregone per 1 ha due to the various restrictions on Natura 2000 territories.

In order to simplify calculations and administration of payments, uniform payments per hectare of utilised agricultural areas are established, based on the average additional costs or loss of income. Following calculation methodology has been used and following agronomic assumptions have been taken into account.

9. DESCRIPTION OF METHODOLOGY

Natura 2000 payment in agriculture is calculated as an average of income forgone in farms according land fertility points.

10. FINANCING

Year	Total cost		EU funding		National funding	
	EUR	pct	EUR	pct	EUR	pct
2007-2013	7 500 000	100	6 000 000	80	1 500 000	20

If the annual budget of the measure is exceeded, the amount of payments is reduced proportionally for all applicants.

11. TRANSITIONAL ARRANGEMENTS

No transitional arrangements are foreseen.

12. QUANTIFIED TARGETS FOR COMMUNITY COMMON INDICATORS

Type of indicator	Indicator	Target 2007-2013
Output	Number of supported holdings in Natura 2000 areas	at least 800
	Supported agricultural land managed under under Natura 2000 restrictions	at least 54 000 ha
Result	Areas under successful land management, ha	54 000
	improvement of biodiversity	30 000
	improvement of water quality	54 000
	mitigating climate change	30 000
	improvement of soil quality	20 000
	avoidance of marginalization and land abandonment	
Impact	Reversal in biodiversity decline (farmland bird species population)	Positive changes maintained
	Change in high nature value areas	Increase of well managed UAA by 50 %in High Nature Value Farmland areas High nature value forestry areas 4 000 ha, 31,5 pct
	Changes in gross nutrient balance	Positive changes maintained
	Increase in production of renewable energy	Production of renewable energy from wood, wood waste and woody material, 8 pct

Baseline indicators

Number of rare-breed animals and domestic birds preserved	Biodiversity: Population of farmland birds	High Nature Value farmland and forestry	Water quality (pollution by pesticides and nitrates; gross nutrient balance)
4,391	(see table below)	299 pSCI's covering 659 thous. ha (or appr. 10 %of Lithuania's territory) identified; 77 SPA's covering 542 thous. ha (or appr. 8,3 %of Lithuania's territory) identified. Natural and semi natural meadows make 42,1 thous. ha of UAA, swamps – 81 thous ha,	The average concentrations of total nitrogen exceeded the maximum allowable concentration (MAC) in 52 % of monitoring sites in the rivers, ammonium nitrogen – in 13%, nitrates – 32%, phosphates – 36%, total phosphorus – 42%. Although values of these substances exceeded MAC in 77% of monitored river sites, in most cases transgression was not high. With respect to hazardous substances

		all together 3,1 pct from UAA. High Nature Value forestry – 29,6 of total forests area.	concentrations MACs have been exceeded in 7.8 % of stations (at least by one of the hazardous substances). Among those pesticides concentrations were below MAC limit, but they have been found in a certain number of rivers and lakes. During the period of 1992 to 2003 pesticides have been found in more than 25 rivers and in 4 lakes
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Population of farmland birds

Name	Population	Change of population (2001 year)
Northern lapwing (<i>Vanellus vanellus</i>)	18 000-20 000	<i>Decline</i>
Corncrake (<i>Crex crex</i>)	25 000-30 000	<i>Increase</i>
Grey partridge (<i>Perdix perdix</i>)	10 000-20 000	<i>Decline</i>
White stork (<i>Ciconia ciconia</i>)	12 500-13 000	<i>Increase</i>
Eurasian tree sparrow (<i>Passer montanus</i>)	300 000-500 000	<i>Decline</i>
Yellowhammer (<i>Emberiza citrinella</i>)	600 000-750 000	<i>Stable</i>
Eurasian skylark (<i>Alauda arvensis</i>)	1 100 000-1 500 000	<i>Decline</i>

Source: Birds in Europe. Population estimates, trends and conservation status (BirdLife Conservation Series No. 12).

13. SANCTIONS

In case of any misconduct, breach or violation of legal acts or the support agreement by the beneficiary, there shall be three types of mandatory sanctions: reduction of the support, refusal to grant the support and / or the requirement to repay the support. The specific terms for the imposition of the sanctions shall be laid down in the rules implementing the measure.

14. LINKAGES AMONG RDP MEASURES, DEMARCATION LINES AND CRITERIA WITH OTHER COMMUNITY FINANCIAL INSTRUMENTS.

Applicants can not apply for support for the same area under *Landscape Stewardship Programme* in “Agri-environment payments“ measure or gets national compensations for restrictions in protected areas. This measure closely related to the measure Natura 2000 payments.

The OP for Promotion of Cohesion (final beneficiaries: State protected areas service) (1 priority: Local and urban development, conservation of cultural heritage and nature and adaptation for tourism development) get support for keeping Natura 2000 territories, except in territories related to activities of forestry and agriculture. European Fishery Fund (EFF) get support for sustainable aquaculture compatible with specific environmental constrains resulting from the designation of Natura 2000 areas.

Currently Community regulation on Financial Instrument for the Environment (LIFE +) has been adopted. This regulation creates possibilities to support some actions related to Natura 2000 network management, but a regulation clearly indicates, that neither compensatory payments to farmers nor payments for recurring management activities are be eligible under LIFE+ regulation.

MEASURE 8

NATURA 2000 PAYMENTS (SUPPORT FOR NATURA 2000 AREAS IN FORESTS)

Code of the measure 224.

LEGAL BASIS

Articles 36 (b) (iv) and 46 of Council Regulation (EC) No 1698/2005.

Article 30 and point 5.3.2.2.4 of Annex II of Commission Regulation (EC) No 1974/2006.

1. RATIONALE FOR INTERVENTION

One of the key goals of support under the European Agricultural Fund for Rural Development (EAFRD) is to contribute to the implementation of the Community's sixth environmental action programme (EAP), as specified in the preamble to its regulation. The focus in supporting rural development and implementing said EAP rests on biodiversity, the management of the Natura 2000 network, the protection of water and soil and on other priorities in the field of environmental protection.

The Natura 2000 network is the principal mechanism for preserving biodiversity in the Community. For it to be successfully applied in forests as well, this measure is intended to support private forest owners to help them tackle the issues that arise in the process of compliance with the Natura 2000 requirements in forests. Forest use restrictions imposed on Natura 2000 territories improve the conservation status of rare and endangered animals and plants, natural and semi-natural habitats, however tend to reduce the income of forest owners or demand higher operating costs.

2. DESCRIPTION OF THE MEASURE

This measure bears a compensatory character.

It is essential to support private forest owners to guarantee successful implementation of Council Directive 79/409/EEC of 2 April 1979 on the conservation of wild birds and Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora, where the Natura 2000 network is being established on the basis of these directives and efforts are made to manage such territories in an efficient way.

In Lithuania according national legislation, the Natura 2000 network consists of protected areas or their parts that have been awarded the status of Areas Important for Bird Protection (correspond to Special Protected Areas (SPAs) according Directive 79/409/EEC) and sites which mach selection criteria for Areas Important for Habitats Protection (correspond to proposed Sites of Community Importance (pSCI) according Directive 92/43/EEC). The Natura 2000 territories have been selected according the approved national selection criteria. By order No. 219 of the Minister of Environment of April 20, 2001, the criteria for selection of SCIs were adopted. By order No. 22 of the Minister of Environment of January 9, 2001, the criteria for selection of (SPAs) were adopted. At this moment the network of SPAs in Lithuania is scheduled to consist of 79 territories. In the initial stage of the implementation of Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora selection of Sites of Community importance (SCIs) and presentation of their list to the European Commission for evaluation takes place. The list of pSCIs currently consists of 299 sites. The latest supplementation of the pSCIs list was approved by the Minister of Environment on November 6, 2006.

Total area of Natura 2000 network in Lithuania constitutes 783000 Ha. In this network forests cover 491000 ha, or 25 % of the total forest area in the country. The usual forestry practices are restricted in approximately 91500 Ha of forests belonging to in Natura 2000 network. In other forest area, which forms Natura 2000 network, usual forestry practices have not been affected by protection

regime (legal acts) of particular protected areas, until it is not necessary for the protection of species or habitats of Community interest.

Economic activities in Natura 2000 areas are being regulated differently from site to site. Different composition of habitats and species of Community interest in Natura 2000 areas requires site-specific restrictions. This is implemented through a selection of the type of protected area to be established there and which fits best in a particular situation (e.g. nature reserve, biosphere polygon, or different zones within the state parks, etc.). Lithuanian Law on Protected Areas envisages rather wide range of types of protected areas in the country. This Law does not restrict the choice of the type of a protected area when establishing Natura 2000 area.

In case of nature reserves, state parks (and their zones) and buffer zones of strict nature reserves forestry activities are regulated by the Law on Forests. This Law envisages the attribution of forests area to a particular forest group (I, II, III or IV) taking into account its importance for the protective purposes. Detailed rules on the assignment of forests to forest groups are laid down in the Governmental Resolution No 1171 on 26 September 2001. Detailed rules for various felling types according different forest groups are laid down by series of orders of the Minister of Environment (No 669, 670 on 19 December 2003, No D1-406 on 1 September 2006, No D1-204 on 11 April 2007, etc). Individual statutes approved by the Minister of Environment additionally regulate forestry activities in biosphere polygons.

Under this measure payments will be granted only to those forest owners who have followed the compulsory obligations reducing their incomes or requiring higher operational costs. Most common restrictions on forestry activities set in Natura 2000 areas are listed in sub-points of 7.4.1-7.4.4 of the measure. Depending on the attribution to a particular forest group listed, restrictions influence forestry activities at different age period of a tree stand. They overlap neither in terms of area nor in terms of age period of a tree stand.

Nevertheless throughout all Natura 2000 network there is unified requirement stemming from Law on Environmental Impact Assessment and Art. 6.3 of Habitats Directive 92/43/EEC and preventing negative interventions in the sites: "Any plan or project not directly connected with or necessary to the management of the site but likely to have a significant effect thereon, either individually or in combination with other plans or projects, shall be subject to appropriate assessment of its implications for the site in view of the site's conservation objectives". As this requirement on EIA does not affect forest owners' level of income on regular base, this is not a subject for compensations according under this measure.

Two types of protected areas management plans (first, as a territorial planning document, and second, as strategic document for active nature management) play a supplementary role in the system of protected areas management tools. Management plans (as territorial planning documents) are only obligatory for state parks and biosphere reserves due to the fact that these territories are multi-zoned protected areas. All these territories have their zoning documents approved by the Government. Different zones can be distinguished here: from commercial forestry zones with no specific regulation to nature reserves zones with the restrictions listed in sub-points of 7.4.1-7.4.4 of the measure of this measure. On the other hand, strategic nature management plans for active nature management are being developed in current years (in 2nd quarter 2007 there were 23 of such plans approved and there are over 100 under preparation).

3. OBJECTIVES OF THE MEASURE

3.1. Overall objective

To guarantee a successful implementation of Directives 79/409/EEC and 92/43/EEC through specific support to private forest owners to help address specific problems resulting from their implementation, as well as contribute to the improvement of life quality in rural areas and the raising of environmental awareness in local communities.

3.2. Specific objective

To implement environmental requirements in areas of Natura 2000 network to protect wild birds, natural habitats, species and their habitats.

3.3. Operational objective

To support private forest owners which hold forests in Natura 2000 territories.

4. SCOPE AND ACTIONS

Annual support is paid per hectare of forests to private forest owners or their associations to cover part of the costs incurred and income forgone as a result of restrictions on the use of forests imposed through implementation of Directives 79/409/EEC and 92/43/EEC in the respective area.

5. TYPE OF BENEFICIARIES

Private forest owners or their associations that have holdings on Natura 2000 territories and are therefore obliged to follow additional forest use restrictions. Forest use restrictions have to be site-specific and fixed in legal acts (individual statute or regulation of the protected area) or in protected area management plan.

6. ELIGIBLE AREA

Natura 2000 forest area designated according to Directive 79/409/EEC and 92/43/EEC, where site-specific additional requirements go beyond national standard forest use requirements.

7. ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

7.1. The applicant shall fulfill general provisions and requirements defined in the Chapter II of Annex I of the Rural Development Programme for Lithuania (RDP).

7.2. the applicant shall be a private forest owner or an association thereof possessing an at least 0.5 ha holding on a Natura 2000 territory, where site-specific additional requirements go beyond national standard forest use requirements;

7.3. the applicant shall manage the forest area in conformity with general requirements of national legal acts and to follow all additional site-specific restrictions set in legal acts (individual statute or regulation of the protected area) or in protected area management plan;

7.4. provide a certificate issued by the authority responsible for management of Natura 2000 site stating that following site-specific additional requirements on the holding in use is applicable according individual legal acts:

7.4.3.1. final forest cutting operations shall be forbidden or postponed, until forest stand has already reached minimum cutting age, that would be applicable to group 4 (commercial) forests,

7.4.3.2. final forest cutting operations shall be carried out in non-clear cutting way,

7.4.3.3. additional number of living trees shall be preserved and left in clear cutting areas,

7.4.3.4. cutting of drying trees or dead wood is forbidden or restricted.

7.5. the applicant shall submit a forest management plan (or correct the existing one) for the forest holding to address the protected area regime.

7.6. The applicant shall only be entitled to apply for payment for restrictions established in points 7.4.3.2 and 7.4.3.3 on the condition that cutting carried out in non clear way were carried out in the protected territory in compliance with the established restrictions after 1 May of 2004.

8. AMOUNTS OF SUPPORT

8.1. Natura 2000 payments for forestry are calculated considering what impact restrictions impose in the protected areas on the income and operational costs of private forest owners or their associations:

8.1.1. annual payment EUR 279/HA, if final forest cutting operations are forbidden or postponed. The payment will only be made when the forest stand has reached the minimum cutting age that would be applicable to group 4 (commercial) forests. In case of final cuttings postponement payment will only be made throughout the postponement period;

8.1.2. annual payment EUR 140/HA, if final forest cutting operations have to be carried out in non-clear cutting way. The payment is paid only throughout the period from the first to the last case of final forest cutting;

8.1.3. annual payment EUR 220/HA (for 5 years), if additional number of living trees have to be preserved and left in clear cutting areas;

8.1.4. annual payment EUR 53,5/HA, if cutting of drying trees or dead wood is forbidden or restricted in forest stands 20 years old and over. The payment is paid only throughout the period until the age of final forest cutting is reached.

8.2. Payments under paragraphs 8.1.1-8.1.4 may not overlap on the particular forest area.

8.3. Aid granted under this measure will be in conformity with the Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid, Official Journal L 379 of 28.12.2006. Under the de minimis the amount of the gross support granted to the same enterprises may not exceed the amount of EUR 200,000 in the period of 3 fiscal years.

9. DESCRIPTION OF THE METHODOLOGY

The payment is calculated as an average value for stands of various tree-species differentiating in accordance with the following groups of restrictions:

9.1. 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).

9.2. When the final felling of trees is allowed but it must be carried out by non-clear cutting way (payment is for the period from the first cutting case to the last cutting case)

9.3. When additional number of not felled living trees must be preserved and left in clear cutting areas.

9.4. 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.

10. FINANCING

Year	Total cost		Community funding		National funding	
	EUR	pct	EUR	pct	EUR	pct
2007-2013	25 500 000	100	20 400 000	80	5 100 000	20

If the annual budget of the measure is exceeded, the amount of payments is reduced proportionally for all applicants.

11. TRANSITIONAL ARRANGEMENTS

No transitional arrangements foreseen.

12. QUANTIFIED TARGETS FOR COMMUNITY COMMON INDICATORS

Type of indicator	Indicator	Target 2007-2013
Output	Number of supported forest holdings in Natura 2000 areas	20 000 in forestry
	Supported forest area managed under Natura 2000 restrictions	91 500 ha forest
Result	Areas under successful land management, ha	improvement of biodiversity 91 500 improvement of water quality (30 %) 27 000 mitigating climate change (measure is not oriented to increase use of renewable (fuellwood) energy) improvement of soil quality 91 500 avoidance of marginalization and land abandonment (measure is not oriented to avoid marginalisation or land abandonment)
Impact	Reversal in biodiversity decline (forest bird species population)	Positive changes maintained
	Change in high nature value areas	High nature value forestry areas 4 000 ha, 31,5 pct
	Changes in gross nutrient balance	Positive changes maintained
	Increase in production of renewable energy	measure is not oriented to increase use of renewable (fuellwood) energy

Baseline indicators

Number of rare-breed animals and domestic birds preserved	Biodiversity: Population of farmland birds	High Nature Value farmland and forestry	Water quality (pollution by pesticides and nitrates; gross nutrient balance)
4 391	(see table below)	299 pSCI's covering 659 thous. ha (or appr. 10 % of Lithuania's territory) identified; 77 SPA's covering 542 thous. ha (or appr. 8,3 % of Lithuania's territory) identified. Natural and semi natural meadows make 42,1 thous. ha of UAA, swamps – 81 thous ha, all together 3,1 pct from UAA. High Nature Value forestry – 29,6 of total forests area.	The average concentrations of total nitrogen exceeded the maximum allowable concentration (MAC) in 52 % of monitoring sites in the rivers, ammonium nitrogen – in 13%, nitrates – 32%, phosphates – 36%, total phosphorus – 42%. Although values of these substances exceeded MAC in 77% of monitored river sites, in most cases transcendence was not high. With respect to hazardous substances concentrations MACs have been exceeded in 7,8 % of stations (at least by one of the hazardous substances). Among those pesticides concentrations were below MAC limit, but they have been found in a certain number of rivers and lakes. During the period of 1992-2003 pesticides have been found in more than 25 rivers and in 4 lakes

13. SANCTIONS

In case of any misconduct, breach or violation of legal acts or the support agreement by the beneficiary, there shall be three types of mandatory sanctions: reduction of the support, refusal to grant the support and / or the requirement to repay the support. The specific terms for the imposition of the sanctions shall be laid down in the rules implementing the measure.

14. LINKAGES AMONG RDP MEASURES, DEMARCATION LINES AND CRITERIA WITH OTHER COMMUNITY FINANCIAL INSTRUMENTS.

Applicant may not apply for support for the same area under measure “Forest environment payments”, or for which compensation is granted according national order on calculation of compensations for private forest owners approved by Resolution of Government of Republic of Lithuania on December 4, 2004, No 1578.

This measure is closely related to other measures aimed to support forestry, like *Forestry development, Afforestation, Forest environment payments*. This support guarantees additional income and possibilities of alternative activity. These measures share the same objectives related with balanced development of forestry. Also the measure is related to the measure *Natura 2000 payments and payments linked to Directive 2000/60/EC*, but areas eligible are different.

The OP for Promotion of Cohesion (final beneficiaries: State protected areas service) (1 priority: Local and urban development, conservation of cultural heritage and nature and adaptation for tourism development) get support for keeping Natura 2000 territories, except in territories related to activities of forestry and agriculture. European Fishery Fund (EFF) get support for sustainable aquaculture compatible with specific environmental constrains resulting from the designation of Natura 2000 areas.

Currently Community regulation on Financial Instrument for the Environment (LIFE +) is under preparation. This regulation may create possibilities to support some actions related to Natura 2000 network management, but current proposal for a regulation clearly indicates, that neither compensatory payments to forest owners nor payments for recurring management activities will be eligible under LIFE+ regulation.

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

Code of the measure 212.

LEGAL BASIS

Articles 36 (a) (ii), Article 37 and Article 50, part 3 of Council Regulation (EC) No. 1698/2005.
Point 5.3.2.1.2 of Annex II of Commission Regulation (EC) No 1974/2006

1. RATIONALE FOR INTERVENTION

Natural, social, economical, traditional and other factors have caused differences across regions in Lithuania. The volumes of crop and animal husbandry production and, consequently, the level of income and the quality of life differ from region to region about by 3 to 4 times. Demographical indicators in more deprived regions are further deteriorating, and migration from these regions is leading to critical levels of depopulation in some areas.

Considering this situation and the problems it is causing, a detailed analysis of regional differences has been conducted, taking into account every key element affecting the quality of life in various regions. The study categorized eastern, south-eastern and western parts of the country as areas with handicaps (less favoured areas) (LFAs).

2. DESCRIPTION OF THE MEASURE

This measure bears a compensatory character.

Due to natural, social, economic, and other circumstances regional differences emerged in Lithuania. These factors directly or indirectly influence productivity, efficiency, income and quality of life in a particular region. Differences of soil quality result in different plant productivity, which varies within Lithuania about 3 times. Low productive potential of soil and inefficiency lead to abandonment of agricultural land and eventually to less gross income per region. Demographic situation and viability of rural population are other important factors for the quality of life. Viability coefficient is particularly low in the eastern part of Lithuania. Unfavoured agricultural conditions lead to higher level of population migration from those areas, lower volumes of agricultural activities, fewer investments into the sector and eventual abandonment of land.

With regard to this situation and the problems which follow, a thorough analysis of regional disparities has been performed considering all the major factors determining the quality of life in different regions. As a result of the analysis the eastern, south – eastern and western parts of the country were designated as areas with handicaps (see map).

The support for these areas was included into the Rural Development Plan of Lithuania 2004-2006. Under the measure „**Less-favoured areas and areas with environmental restrictions**“ farmers in less-favoured areas were supported by compensatory allowances as provided by Article 14 of Regulation (EC) No 1257/1999. The list of less-favoured areas was approved by Order of January 27 of 2004 (No. 3D-72) of the Minister of Agriculture of the Republic of Lithuania.

Data of 2004 were used in order to attribute LFA for 2007-2009. According to Article 93 of Council Regulation (EC) No. 1698/2005 of 20 September 2005 Council Directives and decisions laying down and amending the lists of less favoured areas adopted pursuant to Article 21(2) of Regulation (EC) No 950/97 are repealed with effect from 1 January 2010. The re-examining the delimitation of areas with handicaps will be done in 2008-2009 according new agreements and rules of EU support for LFA. Starting from 2010 the updated list of areas and new requirements will be introduced.

Payments should compensate additional costs incurred and income foregone by farmers as a result of obstacles for agriculture in these areas. Payments are granted to natural persons or legal entities who commit to carrying out agricultural activity in areas specified under Article 50, part 3 (natural

handicaps payments in other areas with handicaps) of Council Regulation (EC) No. 1698/2005 of 20 September 2005 for at least five years from the date of the first payment.

To create and enforce a Community-compliant system of supporting the income of Lithuanian agricultural entities farming in less favoured areas, such areas are selected according the following criteria:

- the value of total agricultural production per capita employed in agriculture is lower than 80 per cent of the national average;
- the yield of grain crops is less than 80 per cent of the national average;
- the density of the population is below 50 per cent of the national average;
- the average annual population regression is at least 0,5 per cent;
- the share of working age population engaged in agriculture, hunting and forestry is above 15 per cent.

The Extreme Karst zone in which the Karst phenomena constitute natural handicap to farming has been designated as areas with handicaps. Karst process and the phenomena related with it is known in about one third of the world. The deliquescent solid and internal water streams are the necessary factors for the Karst process. Distinctive relief and underground Karst formations are the outcomes of the Karst process which results in restrictions to farming applicable with the view protecting underground water from pollution. North Lithuanian Karst zone differs and is composed of Karst protection zone and Extreme Karst zone. Different plant fertilization and protection systems in the Extreme Karst zone are recommended as a result of criteria of ecological vulnerability and different crop structure. Parts of Biržai and Pasvalys municipalities are designated as Extreme Karst zone by the resolution of Lithuanian Government No 589 of 1991.

The resolution regulates agricultural activities in Extreme Karst. According to the resolution the limits of 60-80 per cent of grain and 20-40 per cent of perennial grass are set in the crop structure. In some cases the crop structure must only be composed of meadows. In some cases the use of fertilizers is forbidden or restricted (can not go beyond the limits of 70 – 100 kg/ha of nitrogen, phosphorus and potassium). The use of chemical plant protection materials in some cases is forbidden; in other cases it is restricted only to particular chemicals.

Due to the restrictions or prohibition of using manure and chemicals, the yield of agricultural plants in extreme Karst zone decreases by 20 – 50 per cent. The yield of cereals in extreme Karst zone is below 80 per cent of the national average (2,18 ton/ha). Due to these additional requirements that go beyond the Nitrates Directive the cereal yield decreases and therefore it has an effect on farms' economic results.

Four municipalities marginally do not match the criteria on population density (Šalčininkai, Šilutė, Pagėgiai) and rate on population regression (Plunge). However, these municipalities play an important role in terms of protection of landscape and biodiversity. Moreover, they are designated as less favoured areas as well. Šilutė municipality and Pagėgiai municipality are also attributed to the areas vulnerable to flooding, where floods occur on regular basis. These areas are important in terms of living environment for local people and in terms of native environment for Lithuania itself as well as for all Baltic countries. The meadows of Nemunas lower reaches serve as a filter for silt and pollution from the Nemunas catchment's area. Flooded parts of lower reaches of Nemunas river's meadows and lagoon are the main spawning areas for fishes from the Curoonian sea. Besides, in the autumn and spring time flooded meadows serve as resting areas for migrant birds.

The total area of utilized agricultural area is 1 404 431 ha. Less favoured areas covers 43.5 per cent of total utilized agricultural areas in Lithuania.

3. OBJECTIVES

3.1. Overall objective:

To preserve landscape, biodiversity and supporting viable rural communities in LFAs.

3.2. Specific objective:

To ensure well-balanced use of agricultural land in line with the rules of GAEC.

3.3. Operational objective:

To give support to individuals and entities farming in less favoured areas.

4. TYPE OF BENEFICIARIES

Registered natural persons and legal entities engaged in agricultural activities.

5. ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

5.1. The applicant shall fulfill general provisions and requirements defined in the Chapter II of Annex I of the Rural Development Programme for Lithuania (RDP).

5.2. a natural person or a legal entity shall declare utilized agricultural areas (arable land, pastures and meadows, permanent crops);

5.3. the farm or a the part of the farm, for which compensation is sought, shall be in a LFA;

5.4. the size of the farm holding in the LFA shall be at least 1 ha of the UAA.

5.5. a natural person and a legal entity shall commit to farming at least for 5 years from the date of the first payment under this measure;

5.6. a natural person or a legal entity shall follow the requirements of GAEC (later on – cross-compliance requirements),

5.7. in order to get support for meadows or pastures the applicant shall fulfill at least one of these requirements:

5.7.1. to produce agricultural production for market;

5.7.2. to have not less than 0,2 LU/ha;

5.7.3. not less than 1/3 of his crop structure has to be arable land.

The same eligibility criteria is applied for beneficiaries from 2004-2006 programming period which have commitments to farm at least for 5 years from the date of the first payment under the measure,

6. AMOUNT OF SUPPORT

6.1. In Lithuania, support is differentiated based on the intensity of natural elements restricting farming and the specificity of farms and their products. The LFA analysis has pointed to significant differences among such areas. Therefore LFAs are divided into two categories:

6.1.1. highly unfavoured areas (HUA);

6.1.2. less unfavoured areas (LUA);

6.2. For areas up to 150 ha, the support is 100 per cent. Later on the payments will be reduced as follows: for areas from 151 to 250 ha the support is 85 pct., from 251 till 500 ha – 70 pct. From 501 ha support is halved.

6.3. In highly unfavoured areas, the payment is EUR 75,3/ha; in less unfavoured areas – EUR 56,5/ha.

6.4. If the annual budget of the measure is exceeded, the amount of payments can be reduced proportionally for all applicants or the payment can be reduced annually by the difference of the basic direct payment in running and last year.

7. DESCRIPTION OF THE METHODOLOGY

The compensatory allowance calculated as a difference between the economic indicators 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).

8. FINANCING

Year	Total		Community funding		National funding	
	EUR	pct	EUR	pct	EUR	pct
2007-2013	287 033 696	100	229 626 957	80	57 406 739	20

9. QUANTIFIED TARGETS FOR COMMUNITY COMMON INDICATORS

Type of indicator	Indicator	Target 2007-2013
Output	Number of supported holdings, according the type (highly unfavoured, less unfavoured)	Total 110 000 highly unfavoured 35000 less unfavoured 85000
	Agricultural land supported	(highly unfavoured 200 000 ha, less unfavoured 800 000 ha)
Result	Areas under successful land management, ha	improvement of biodiversity 110 000 ha improvement of water quality 55000 ha mitigating climate change 110 000 ha improvement of soil quality 55000 ha avoidance of marginalization and land abandonment 110 000 ha
	Reduction of the growth of abandoned land, per cent	20 pct.
Impact	Reversal in biodiversity decline (farmland bird species population)	Positive changes maintained
	Change in high nature value areas	UAA constitutes 50 pct. of High Nature Value Farmland areas

10. SANCTIONS

In case of any misconduct, breach or violation of legal acts or the support agreement by the beneficiary, there shall be three types of mandatory sanctions: reduction of the support, refusal to grant the support and / or the requirement to repay the support. The specific terms for the imposition of the sanctions shall be laid down in the rules implementing the measure.

11. LINKAGES AMONG RDP MEASURES, DEMARCATION LINES AND CRITERIA WITH OTHER COMMUNITY FINANCIAL INSTRUMENTS.

No support under this measure will be given to farmers supported under the *Early retirement* measure. This measure is also closely linked with the measure “*Diversification into non-agricultural activities*” which encourages farming in less favoured areas, where income from farming is low. Also this measure is related to *afforestation* of agricultural and not agricultural land. The priority points will be added if the afforestation is carried out in less favourable areas. The higher aid intensity level for less-favourable areas is set in the activities 2 and 3 under the measure *Modernisation of agricultural holdings*.

AXIS III

THE QUALITY OF LIFE IN RURAL AREAS AND DIVERSIFICATION OF THE RURAL ECONOMY

MEASURE 1

DIVERSIFICATION INTO NON-AGRICULTURAL ACTIVITIES

Code of the measure 311.

LEGAL BASIS

Articles 52 (a) (i) and 53 of Council Regulation (EC) No 1698/2005.

Article 35 and point 5.3.3.1.1 of Annex II of Commission Regulation (EC) No 1974/2006.

1. RATIONALE FOR INTERVENTION

Rural areas comprise 97,4 pct. of the total area of Lithuania and the rural population counts for 33,4 pct of the total population. In terms of implementation of Rural Development Programme (RDP) (including this measure) rural area is treated as a village, small town or town populated by no more than 6 000 residents; municipality centers are excluded from eligible area for the support under this measure.

The role of agriculture as a main economic activity in rural areas is recently facing a constant decrease. The employment of rural population in agriculture, hunting and forestry decreased by 9 pct. in the period of 2001–2005 and comprised 42 pct. in 2005. More than a half (i.e. 58 pct.) of rural people were employed in non-agricultural sectors. In 2006 55.9 thousands (or 13.23 pct.) of the rural people were engaged in the processing industry, 10.27 pct. in trade, vehicle and household appliance repair and 6.58 pct. in construction sectors. On the other hand, if the division is made according to the professional groups, the qualified agricultural and fishery workers constitute the largest part (33.3 pct.).

Despite the fact, that more women (52 pct.) than men (48 pct.) live in rural areas, but employed (working) women are less than men there: by data of 2004 there were 44 pct. of employed women in rural areas. The share of women engaged in agriculture decreased by near 5 pct. from 2000 to 2004.

The rural development strategy for 2007–2013 foresees that until 2013 the rural employment in non-agricultural activities will reach 70 pct.

The average monthly gross wage in agriculture, hunting and forestry increased by 27.8 pct. during the period of 2001–2005 and comprised EUR 393 in 2005 but still it is by 24 pct. lower than the national average wage. At the end of the third quarter of 2006 the largest amount of free working places in Lithuania was registered in industry (27.5 pct.) and construction sectors (18.8 pct.) and, subsequently, the smallest one – in agricultural and fishery enterprises (1.4 pct.). The biggest part of the unemployed in the rural areas have been engaged in the agricultural, hunting and forestry sectors before becoming unemployed. Such tendencies encourage the small scale farmers to search for additional sources of employment but the process is slow.

According to the data of general census of agriculture in 2003, additional economic activity was developed by 1.7 pct. of farms, while the EU average was 9 pct. Limited investment potential of small scale farmers, underdeveloped versatile cooperation forms, lack of information and consultation about the advantages of non agricultural activities, orientation of the services into the local market, small demand of the goods and services due to lower standards of living of rural population (compared to that of the urban one) and other reasons impedes the development of non-agricultural activities.

The solving of these problems needs national and Community financial support. Seeking to increase the income of the rural population, to decrease the gap in the standards of living between the urban and rural areas, it is necessary to accelerate the development of non-agricultural activities in the rural areas.

With the growth of the rural peoples' employment and income rate from non-agricultural activities the demand for a versatile quality production will increase also accordingly.

2. DESCRIPTION OF THE MEASURE

This measure has an investment character.

The measure is designed to diversify rural economy, to encourage rural inhabitants employed in agriculture, rural women in particular, to orient into non-agricultural activities, provision of services and to make additional income.

Furthermore this measure is to encourage the development of crafts, specially based on ethnic custom, aiming at preservation of unique character of rural heritage.

Aiming to contribute to a better territorial balance in both economic and social terms, support under this measure is available to farmers and micro-enterprises, engaged in agricultural activity but also planning (or operating already) to enter into non-agricultural business.

Support is provided for a wide range of non-agricultural activities, including services (such as hairdresser, clothes sewing, furniture manufacturing etc.) and crafts. There is a list of activities which are not eligible for the support under this measure provided.

3. OBJECTIVES

3.1. Overall objective:

To improve quality of life in rural areas by promoting employment in rural areas, supporting diversification of agricultural activities into non-agricultural ones, encouraging the development of services and crafts.

3.2. Specific objectives:

- 3.2.1. to support the business initiatives of rural population, youth and women in particular;
- 3.2.2. to ensure the workplaces for the rural population;
- 3.2.3. to encourage the creation of higher quality and value added goods on the farmers' farms;
- 3.2.4. to uphold and increase the income rate of rural population;
- 3.2.5. to promote and revive the values of rural heritage.

3.3. Operational objectives:

- 3.3.1. to encourage the development of services;
- 3.3.2. to decrease the dependence of the farmers and others on the agricultural activity by supporting a wide range of non agricultural activities;
- 3.3.3. to encourage the development of crafts.

4. DOMAINS OF DIVERSIFICATION COVERED

4.1. The support is provided for non-agricultural activities, including services and crafts.

4.2. Support under this measure is not eligible to the activities specified by the MoA including at least hunting and hunting-related services, production of alcohol, tobacco products, ammunition and guns, wholesale and retail trade, financial intermediation, and auxiliary financial intermediation, insurance and pension funds accumulation, immovable property operations, judicial activity, activities related with organization of games of chance and gambling games, activities supported under the measures of Axes' 1 and 2 of the RDP, rural tourism and campsites activities, fishery and other related activities supported under Operational Programme of the Lithuanian fishery sector for 2007–2013.

5. BENEFICIARIES

- 5.1. Farmers.
- 5.2. Micro-enterprises engaged in agriculture.

5.3. Rural residents engaged in agriculture.

6. STATE AID PROVISIONS

Any aid granted under this measure will be in conformity with the Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to *de minimis* aid, Official Journal L 379 of 28.12.2006⁵.

7. ELIGIBLE EXPENDITURE

7.1. Construction, reconstruction of operational and other buildings and (or) structures, improvement of immovable property necessary for project implementation, the purchase of construction materials;

7.2. the purchase of new machinery and equipment, including computer hardware and software, to be used for the purposes of the project;

7.3. establishment of business infrastructure (lighting, access, sewerage, etc);

7.4. creation of the website;

7.5. general costs;

7.6. publicity arrangements of the project.

8. ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

8.1. For all applicants:

8.1.1. the applicant shall fulfill general provisions and requirements laid down in the Chapters II and III of Annex I of the RDP;

8.1.2. the applicant shall be engaged in agricultural activities in the accounting and / or the current year and the share of income from agricultural activity shall be at least 50 pct. of the total income from economic activity;

8.1.3. the applicant shall prove conformity of the economic entity to economic viability criteria in the business plan;

8.1.4. the project shall be implemented in a rural area, i.e. in an area up to 6000 inhabitants. The municipality centers shall be excluded from the eligible area for the support;

8.1.5. the project should be unconcerned with the production of products listed in Annex I of the Treaty.

8.2. For a farmer and rural resident:

8.2.1. the applicant shall have competence in the area of project activity;

8.2.2. the project operator shall possess a business license or a certificate of individual activity, which is envisaged in the project, if it is required according the national legislation.

8.3. For a micro-enterprise:

8.3.1. the micro-enterprise shall have competence in area of project activity;

8.3.2. the micro-enterprise shall stay an independent enterprise at least five years after the completion of the support contract;

8.3.3. the micro-enterprise shall be registered and operating in rural area, i.e. in the territory up to 6000 inhabitants. The municipality centers shall be excluded from the eligible area for the support.

9. PRIORITY SELECTION CRITERIA

9.1. the applicant or the principal shareholder of the micro-enterprise has not received any EC investment support for agriculture or rural development;

⁵ The total amount of *de minimis* aid, granted to the same undertaking under the *de minimis* rule, does not exceed the ceiling of EUR 200000 over a period of three fiscal years.

- 9.2. support is applied for development of traditional crafts in the manner specified in the legal acts of the Republic of Lithuania;
- 9.3. the applicant is a woman / the micro-enterprise is run by woman;
- 9.4. the applicant is a farmer / a manager of micro-enterprise under 40 years old;
- 9.5. the project is being implemented in a less favorable area and (or) problematic region identified according to the rules set by MoA;
- 9.6. the support is applied for an activity that is in line with the LAG's local development strategy approved by MoA;
- 9.7. project with a higher internal return rate and (or) under other criteria set by the MoA.

The method of application of priority selection criteria is described in Chapter II of Annex I of the RDP.

10. AID INTENSITY

10.1. The support may cover up to 65 percent of the total eligible expenditure of the project value.

10.2. Where the project is related to the development of traditional crafts the support may cover up to 75 percent of the total eligible expenditures and shall be financed in the manner specified in the legal acts of the Republic of Lithuania.

10.3. Where the beneficiary is a micro-enterprise or a farmer, the maximum amount of the support per project shall be up to EUR 200 000.

10.4. Where the beneficiary is a rural resident, the maximum amount of the support per project shall be up to EUR 60 000.

11. FINANCING

Funding over the period of 2007–2013 (in current prices)

Period	Public expenditure, in total		Community funding		National funding	
	EUR	pct	EUR	pct	EUR	pct
2007-2013						
Diversification into non-agricultural activities	55 631 727	50	41 723 795	75*	13 907 932	25*

* If a project is implemented under *LEADER* method, as provided for in Article 70 (2) (b) of Regulation (EC) No. 1698/2005, Community funding shall cover 80 pct. and national funding shall cover 20 pct. of public eligible expenditure accordingly .

12. TRANSITIONAL ARRANGEMENTS

No transitional arrangements apply.

13. QUANTIFIED TARGETS FOR COMMUNITY COMMON INDICATORS

Type of indicator	Indicator	Target 2013
Output	1. The number of beneficiaries:	450
	1) by gender:	
	- men	50 pct./ 225
	- women	50 pct./ 225
	2) by age:	
	- under 25	8 pct./ 36
	- 25 to 40	20 pct./ 90
	- above 40	72 pct./ 324
	3) by type of non-agricultural activity:	
	- crafts	20 pct./ 90
	- other non-agricultural business	50 pct./ 225
	- services	30 pct. / 135
	2. Overall amount of investments into services (aggregate of private investments and public support)	30 pct. / EUR 45 379 036
Result	1. Increment in the overall added value of non-agricultural activity in business supported	12 pct
	2. Total number of jobs created, including self-employed persons (working with a business license or certificate of individual activity):	7 563
	1) by venue:	
	- on farmer's farm	50 pct. / 3782
	- in micro-enterprise	50 pct. /3782
	2) by gender of employed persons:	
	- men	50 pct. / 3782
	- women	50 pct. /3782
	3) by age of employed persons:	
	- under 25	10 pct. / 378
	- 25 to 40	25 pct. / 946
	- above 40	65 pct./2458
	3. Population in rural areas benefiting from improved services	3 pct.
Impact	Economy growth in non-agricultural sector (GVA)	4-5 pct.
	Increase/change in the employment rate in non-agricultural sector	5 pct

Baseline indicators

Economic growth in non-agricultural sector (GVA) (N/A)	Increase in the employment rate in non-agricultural sector (2000–2005 year increased 5,4 pct)	Growth in the number of entities engaged in individual non-agricultural activity (N/A)
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14. SANCTIONS

In case of any misconduct, breach or violation of legal acts or the support agreement by the beneficiary, there shall be three types of mandatory sanctions: reduction of the support, refusal to grant the support and / or the requirement to repay the support. The specific terms for the imposition of the sanctions shall be laid down in the rules implementing the measure.

15. LINKAGES AMONG RDP MEASURES, DEMARCATION LINES AND CRITERIA WITH OTHER COMMUNITY FINANCIAL INSTRUMENTS

The measure **“Diversification into non-agricultural activities”** relates to the following measures of the RDP:

“Support for business creation and development”. Demarcation between these measures is made by type of economic activity on the date of application submission: under the measure “Diversification into non-agricultural activities” the applicant should be engaged in agriculture (in the accounting and / or the current year with the income from agricultural activity of at least 50 pct of the total income from economic activity). Meanwhile applicant under the measure “Support for business creation and development” should be engaged in non-agricultural activity;

“Encouragement of rural tourism activities”. Demarcation between these measures is made by types of non-agricultural activities supported: under the measure “Diversification into non-agricultural activities” support is provided for a wide range of non-agricultural activities, but no duplicating activities which are supported under other measures. Therefore rural tourism and establishment and development of campsites in rural areas as well are not eligible to support under the measure “Diversification into non-agricultural activities”.

“Village renewal and development”. As far as support for the development of traditional crafts’ *inter alia* is envisaged in both measures the demarcation line is based on the type of project: profit-generating projects shall be supported under the measure “Diversification into non agricultural activities” while public (non profit) projects – under the measure “Village renewal and development”.

“Payments to farmers in areas with handicaps, other than mountain areas (less favoured areas)”. Development of non-agricultural activities shall have the priority in less favoured areas, where income from farming is low. Both measures contribute to a better social and economic cohesion of rural and urban areas.

“Modernization for agricultural holdings”. Demarcation between these measures is made by the following criteria:

- types of services: under the measure “Modernization for agricultural holdings” support shall be granted for the services to agriculture and under measure “Diversification into non-agricultural activities” – for the basic services to rural population, unconcerned with agriculture.

- type of product: under the measure “Modernization for agricultural holdings” support shall be granted for the production of products listed in Annex I of the Treaty. Meanwhile under the measure “Diversification into non-agricultural activities” support shall be granted for the production of non Annex I products.

Furthermore measures **“Modernization for agricultural holdings”**, **“Semi-subsistence farming”** and “Diversification into non-agricultural activities” create an opportunity to use all available resources and to make full use of the farm in terms of employment.

The demarcation line with the **EU structural funds**:

OP on Economic Growth

(2 priority: Increasing business productivity and improving environment for business)

European Regional Development Fund (ERDF):

1. Type of support: ERDF support to small and medium-sized enterprises enabling them to benefit from financial engineering measures (micro credits, guarantees, venture capital funds);
2. Area of activity: ERDF support to investment into new equipment and technologies, electronic business solutions, business process management, corporate energy audit, in enterprises seeking to increase their productive and improve the performance, also to improve the business environment (creation of data bases, research, dissemination of business information – organisation of seminars, conferences, initiation of cooperation between business associations and business information centres with other related institutions,

information exchange, etc.), financing of competitiveness enhancement projects, and conduct of competitiveness studies, measures to improve the image of Lithuania, etc. Also the ERDF support is available for the projects related to improvement of business environment infrastructure (support to business incubators and information centres development in non-rural areas, where the final beneficiaries are municipalities, business information centres and 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.

European Fishery Fund:- investment in *construction, development and modernization* of equipment of production of *aquaculture*, when applicants are legal entities and natural persons, engaged or seeking to engage in commercial aquaculture;

- investment into construction, development and modernization of *fish processing* plants.

MEASURE 2

SUPPORT FOR BUSINESS CREATION AND DEVELOPMENT

Code of the measure 312.

LEGAL BASIS

Articles 52(a) (ii) and 54 of Council Regulation (EC) No 1698/2005.

Point 5.3.3.1.2 of Annex II of Commission Regulation (EC) No 1974/2006.

1. RATIONALE FOR INTERVENTION

In the European Union, just like in the rest of the world, a lot of attention is paid to the development of small and medium-size business. The long-term strategy of the development of Lithuania's economy up to year 2015 provides that the development of small and medium-sized business in Lithuania ought to become one of the priority axes of the economic policy. Micro-enterprises are crucial for the economic growth. The development of such companies shall create an opportunity to diversify rural economic activity, increase income and occupation of the people.

Rural areas comprise 97,4 pct of the total area of Lithuania and the rural population counts for 33,4 pct of the total population. In terms of implementation of Rural Development Programme (including this measure) rural area is treated as a village, small town or town populated by no more than 6 000 residents; municipality centers are excluded from the eligible area for support under this measure.

Nearly one-half of rural Lithuania's population is employed in the agricultural sector. Lithuania is facing a social problem due to the fact that this proportion mentioned above is constantly decreasing and there is a lack of adequate options for those who ceased their agricultural activity to find an employment in other sectors. Insufficient development of a range of rural economic activities and a slow creation of new jobs has resulted the gap between the living standards in urban and rural areas. This is particularly relevant in terms of unproductive soil, where little economic justification is seen to run traditional farming.

According to the data of 2005, there are some 8000 small and medium-sized enterprises (SMEs) operating in rural areas, making a ratio of 7 SMEs per 1000 of rural population, whereas in the EU-15 this indicator stands at 24 SMEs. SMEs operating in Lithuanian rural areas mostly engage in trade (39 pct. of the SMEs), a little less – in industry (20,3 pct.) and services (20,6 pct.); agricultural, hunting and forestry activity is pursued by as little as 15 pct..

The National Rural Development Strategy 2007–2013 provides that by 2013, there could be some 10000 SMEs running their business in rural areas, 2000 new SMEs being established over the period of 2007–2013, of which 70 pct., or 1400 would be micro-enterprises. Assuming that, in average, one micro-enterprise would offer 3 jobs, this would result in about 4000 jobs available for rural population.

2. DESCRIPTION OF THE MEASURE

This measure has an investment character.

The measure is designed to promote the entrepreneurship of rural population, increase of employment, diversification of rural economy and development of small business in rural areas.

Support under this measure is for the micro-enterprises in rural area and other rural inhabitants, engaged into non-agricultural activity.

Micro-enterprise is treated as an independent company which employs less than 10 persons and whose annual turnover and (or) annual balance sheet total does not exceed EUR 2 million. Support shall be granted for the setting-up of new micro-enterprises and for the development of the already operating ones.

Rural inhabitant aiming at the support under this measure shall possess relevant competence, experience in the field on non-agricultural business he is achieving to get support for. Also the applicant

shall exercise financial accountancy and possess a business license or the certificate of individual activity which is envisaged in the project.

Support is provided for non-agricultural activities in rural areas, including services (such as hairdresser's parlour, clothes sewing, furniture manufacturing etc.), small scale production of products which are not listed in Annex I of the Treaty, crafts and establishing of craft centers in rural areas (profit generating projects). There is a list of activities which are not eligible for the support under this measure provided.

3. OBJECTIVES

3.1. Overall objective – to support the creation and development of micro-enterprises and other small business initiatives in rural areas by encouraging non-agricultural activities, creating new jobs and alternative sources of income and thereby enhancing the quality of rural life.

3.2. Specific objectives:

- 3.2.1. to create new and preserve the existing workplaces for rural inhabitants;
- 3.2.2. to increase the variety and extent of non-agricultural activities in rural areas;
- 3.2.3. to encourage the development of services;
- 3.2.4. to promote and revive the values of rural heritage.

3.3. Operational objectives:

- 3.3.1. to promote the entrepreneurship of rural residents, youth and women in particular;
- 3.3.2. to support new small rural business initiatives;
- 3.3.3. to strengthen the viability of existing micro-enterprises and encourage their modernization;
- 3.3.4. to foster crafts' technologies and to provide conditions for representation and marketing of crafts' production.

4. SCOPE AND ACTIONS

4.1. Activity 1

Support is provided for the non-agricultural activities, including services, and small scale production of products which are not listed into Annex I of the Treaty.

4.2. Activity 2

Support is provided for traditional crafts and creation of traditional crafts centers (profit generating projects).

4.3. Support under this measure is not eligible to the activities specified by the MoA including at least hunting and hunting-related services, production of alcohol, tobacco products, ammunition and guns, wholesale and retail trade, financial intermediation, and auxiliary financial intermediation, insurance and pension funds accumulation, immovable property operations, judicial activity, activities related with organization of games of chance and gambling games, activities supported under the measures of Axes' 1 and 2 of the RDP, rural tourism and campsites activities, fishery and other related activities supported under Operational Programme of the Lithuanian fishery sector for 2007–2013.

5. TYPES OF BENEFICIARY

5.1. Private legal entity corresponding to the requirements for micro-enterprises. Support may be provided:

- 5.1.1. the development of micro-enterprise's activity;
- 5.1.2. setting-up of new micro-enterprise².

5.2.

Rural resident seeking support for the development of the individual non-agricultural activities (without establishing a micro-enterprise).

6. STATE AID PROVISIONS

Any aid granted under this measure will be in conformity with the Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to *de minimis* aid, Official Journal L 379 of 28.12.2006⁶.

7. ELIGIBLE EXPENDITURE

7.1. Construction, reconstruction of operational and other buildings / structures, improvement of immovable property necessary for project implementation, including the purchase of construction materials;

7.2. the purchase of new machinery and equipment, including computer hardware and software, to be used for the purposes of the project;

7.3. establishment of business infrastructure (lighting, access, sewerage, etc.);

7.4. creation of a website;

7.5. general costs;

7.6. publicity arrangements of the project.

8. ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

8.1. For all applicants:

8.1.1. the applicant shall fulfill general provisions and requirements laid down in the Chapters II and III of Annex I of the RDP⁷;

8.1.2. the project shall be implemented in rural area, i.e. in the territory up to 6000 inhabitants; the municipality centers are excluded from the eligible area for the support under this measure;

8.1.3. the applicant shall prove the conformity of economic entity to economic viability criteria in the business plan⁸;

8.2. For a micro-enterprise:

8.2.1. a micro-enterprise shall be registered and operating in a rural area, i.e. in the territory up to 6000 inhabitants (municipality centers are excluded from eligible area for the support) and engaged in non-agricultural activity⁹;

8.2.2. the micro-enterprise shall have competence in the area of project activity¹⁰;

8.2.3. at least 50 pct. of the micro-enterprise's staff shall be permanent rural residents¹¹.

8.3. For a rural inhabitant:

⁶ The total amount of *de minimis* aid, granted to the same undertaking under the *de minimis* rule, does not exceed the ceiling of EUR 200000 over a period of three fiscal years.

⁷ For projects aimed at setting-up of micro-enterprises this requirement will be assessed before the signing of the contract for support.

⁸ For projects aimed at setting-up of micro-enterprises this requirement will be assessed before the signing of the contract for support.

⁹ For projects aimed at setting-up of micro-enterprises this requirement will be assessed before the signing of the contract for support.

¹⁰ For projects aimed at setting-up of micro-enterprises this requirement will be assessed before the signing of the contract for support.

¹¹ For projects aimed at setting-up of micro-enterprises this requirement will be assessed before the signing of the contract for support.

8.3.1. the applicant shall have competence in the area of project activity;

8.3.2. the applicant shall be engaged in particular non agricultural activity which is envisaged in the project in the accounting and / or current year in rural area and to exercise financial accountancy of this business or to take commitment to exercise fanatical accountancy from the data of submission of application for support;

8.3.3. the project operator shall have a business license or a certificate of an individual activity, which is envisaged in the project, if it is required according national legislation-;

9. PRIORITY SELECTION CRITERIA

9.1. The applicant or the principal shareholder of the micro-enterprise has not received any EC investment support for agriculture or rural development;

9.2. support is applied for development of traditional crafts in the manner specified in the legal acts of the Republic of Lithuania;

9.3. the number of workplaces created;

9.4. the project is being implemented in a less favoured area and (or) in a problematic region identified by the rules set by the MoA;

9.5. support is applied for a activity that is in line with the LAG's local development approved by MoA;

9.6. projects with a higher internal return rate and/or under other criteria set by the MoA.

The method of application of priority selection criteria is described in Chapter II of Annex I to the RDP.

10. AID INTENSITY

10.1. When support is sought for Activity 1, funding shall cover up to 65 pct. of the total eligible expenditure of the project.

10.2. When support is sought for Activity 2, funding shall cover up to 75 pct. of the total eligible expenditure of the project according to the procedure established in laws of the Republic of Lithuania.

10.3. When the beneficiary is a micro-enterprise the maximum amount of support per project is up to EUR 200 000.

10.4. When the beneficiary is a rural resident the maximum amount of support per projects is up to EUR 60 000.

11. FINANCING

Funding over the period of 2007–2013 (in current prices)

Period	Public expenditure, in total		Community funding		National funding	
	EUR	pct	EUR	pct	EUR	pct
2007–2013						
Support for business creation and development	97 696 507	50	73 272 380	75*	24 424 127	25*

* If a project is to be implemented under *LEADER* method, as provided for in Article 70 (2) (b) of Regulation (EC) No. 1698/2005, Community funding shall cover 80 pct. and national funding - 20 pct. of eligible public expenditure.

12. TRANSITIONAL ARRANGEMENTS

New measure, no transitional arrangements apply.

13. QUANTIFIED TARGETS FOR COMMUNITY COMMON INDICATORS

Type of indicator	Indicator	Target 2013
Output	1. The number of micro-enterprises and rural inhabitants supported:	660 units
	1) by applicant's status:	
	- the number of newly-established micro-enterprises	50 pct./ 330 units
	- the number of operating micro-enterprises	20 pct./ 132 units
	- the number of rural inhabitants (working with the business license or certificate of individual activity)	30 pct. / 198
	2) by gender of the micro-enterprises manager/ rural inhabitant:	
	- the number of applicants / micro-enterprises run by women	50 pct./ 330
	- the number of applicants / micro-enterprises run by men	50 pct./ 330
	3) by age of the applicant's / micro-enterprises manager:	
	- under 25	6 pct./ 40
	- 25 to 40	25 pct./ 165
	- above 40	69 pct./ 455
	4) by type of non-agricultural activity:	
	- crafts	10 pct. / 66
	- small scale production of products which are not listed into Annex I of the Treaty	20 pct. / 132
	- other non-agricultural business	50 pct. / 330
	- services	20 pct. / 132
	5) Overall amount of investments into services (aggregate of private investments and public support)	EUR 39 078 603
	2. The number of crafts' centers created (profit-generating projects)	5
	Result	1. The total number of jobs created, including self-employed persons (working with the business license or the certificate of individual activity):
1) employed by gender:		
- men		50 pct. / 1750
- women		50 pct. / 1750
2) employed by age:		
- under 25		15 pct. / 525
- 25-40		30 pct. / 1050

	- above 40	55 pct. /1925
	3) by activity of individuals employed:	
	- in agriculture	60 pct. /2100
	- in non-agricultural activity	40 pct. /1400
	2. Population in rural areas benefiting from improved services	3 pct.
	3. Increment in the overall value added of non-agricultural activity in micro-enterprises supported	15 pct
Impact	Economic growth in non-agricultural sector (GVA)	4-5 pct
	Increase in the employment rate in non-agricultural sector	5 pct

Baseline indicators

Economy growth in non-agricultural sector (GVA) (N/A)	Increase in the employment rate in non-agricultural sector (2000–2005 year increased 5,4 pct)	Growth in the number of entities engaged in individual non-agricultural activity (N/A)
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14. SANCTIONS

In case of any misconduct, breach or violation of legal acts or the support agreement by the beneficiary, there shall be three types of mandatory sanctions: reduction of the support, refusal to grant the support and / or the requirement to repay the support. The specific terms for the imposition of the sanctions shall be laid down in the rules implementing the measure.

15. LINKAGES AMONG RDP MEASURES, DEMARCATION LINES AND CRITERIA WITH OTHER COMMUNITY FINANCIAL INSTRUMENTS

The measure “**Support for business creation and development**” relates to the following measures of the RPD:

“**Diversification into non-agricultural activities**”. Demarcation between these measures is made by the type of activity on the data of application submission: under the measure “Diversification into non agricultural activities” the applicants should be engaged in agriculture in the accounting and / or the current year before the support application submission (with the income part from agricultural activity at least 50 percent of the total income from economic activity). Meanwhile the applicant under the measure “Support for business creation and development” should be engaged into non-agricultural activity.

“**Encouragement of rural tourism activities**”. Demarcation between these measures is made by the types of non-agricultural activities supported: under the measure “Support for business creation and development” support is provided for a wide range of non-agricultural activities, but no duplicating activities which are supported under other measures. Thus rural tourism, creation and establishment of campsites in rural areas are not eligible to support under the measure “Support for business creation and development”.

“**Village renewal and development**”. Development of traditional crafts, including creation of traditional craft centers *inter alia* is envisaged in both measures. In terms of traditional crafts demarcation line is made by the type of the project. Profit-generating projects shall be supported under the measure “Support for business creation and development” while public (non profit) projects aiming at the creation of *traditional* craft centers shall be supported under the measure “Village renewal and development”.

“Payments to farmers in areas with handicaps, other than mountain areas (less favoured areas)”. Development of non agricultural activities shall have the priority in less favoured areas, where income from farming is low. Both measures contribute to a better social and economic cohesion of rural and urban areas.

“Modernization for agricultural holdings”. Demarcation between these measures is made by the following criteria:

- types of services: under the measure “Modernization for agricultural holdings” support shall be granted for the services to agriculture and under measure “Support for business creation and development” – for the services, unconcerned with agriculture.

- type of product: under the measure “Modernization for agricultural holdings” support shall be granted for the production of products listed in Annex I of the Treaty. Meanwhile under the measure “Diversification into non-agricultural activities” support shall be granted for the production of non Annex I products.

Furthermore measures **“Modernization for agricultural holdings”**, **“Semi-subsistence farming”** and **“Diversification into non-agricultural activities”** create an opportunity to use all available resources and to make full use of the farm in terms of employment.

The demarcation with the **EU structural funds** is done with respect of following criteria:

- type of support: **ERDF** support to small and medium-sized enterprises enabling them to benefit from financial engineering measures (micro credits, guaranties, venue capital funds);

- area of activity: **ERDF** support to investment into new equipment and technologies, electronic business solutions, business process management, corporate energy audit, in enterprises seeking to increase their productive and improve the performance, also to improve the business environment (creation of data bases, research, dissemination of business information – organisation of seminars, conferences, initiation of cooperation between business associations and business information centres with other related institutions, information exchange, etc.), financing of competitiveness enhancement projects, and conduct of competitiveness studies, measures to improve the image of Lithuania, etc. Also the ERDF support is available for the projects related to improvement of business environment infrastructure (support to business incubators and information centres development in non-rural areas, where the final beneficiaries are municipalities, business information centres and 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.

The demarcation with the European Fishery Fund (**EFF**) is made by range of activity: EFF support is provided for investment in construction, development and modernization of equipment of production of aquaculture, when applicants are legal entities and natural persons, engaged or seeking to engage in commercial aquaculture; investment into construction, development and modernization of fish processing plants.

MEASURE 3

ENCOURAGEMENT OF RURAL TOURISM ACTIVITIES

Code of the measure 313.

LEGAL BASIS

Articles 52 (a) (iii) and 55 of Council Regulation (EC) No 1698/2005.
Point 5.3.3.1.3 of Annex II of Commission Regulation (EC) No 1974/2006.

1. RATIONALE FOR INTERVENTION

Rural areas comprise 97,4 pct of the total area of Lithuania and the rural population counts for 33,4 pct of the total population. In terms of RDP implementation rural area is treated as a village, small town or town populated by no more than 6 000 residents, except the rural tourism activity which is to be implemented in rural areas up to 3000 residents; municipality centers are excluded from the eligible are for the support under this measure.

Traditionally most Lithuanian residents find resort-places available in rural areas are acceptable. Recreational potential consists of rich area of forests (32 pct of national territory), wide network of inland waters (2850 lakes, 758 rivers), objects of cultural heritage and traditional crafts, etc. which are important for the development of rural tourism in different regions of Lithuania (The Lake and Forest Region of Aukštaitija, The Forest, Lake and River region of Dzūkija, The Highlands of Žemaitija and the Seacost region). It is important to note that most of the terrains having recreational potential are situated in less favoured farming areas which are very attractive for the development of non agricultural businesses.

Rural tourism is a very efficient tool for the preservation of the objects of natural and cultural heritage, encouraging to render meaning to the preservation and renovation of old residential and operational buildings, conservation of peculiar landscapes and increasing public interest in nature, traditions and customs.

According to the data of National Tourism Information System, in 2003 there were 284 rural tourism homesteads operating, in 2004 the figure increased to 376 rural tourism homesteads, in 2005 it further grew to 438 rural tourism homesteads, in 2006 there were 510 rural tourism homesteads and during the period of 2003-2005 the number of rural tourism homesteads increased by 1,8 times. In 2005 155 000 holidaymakers visited rural tourism homesteads. Annual increase of interest in rural tourism compared to 2004 was 52 pct among residents of Lithuania and 40 pct among foreign visitors. Involvement of rural tourism is visible in the Community investment support analysis: 45 applications were submitted under SAPARD (support was given for 17 appropriate projects for the value of EUR 1.795.644), and 118 applications were submitted under 2004-2006 SPD (support was provided to 54 appropriate projects the value of which is EUR 16.913.809).

Rural tourism has big development potential due to the increasing demand for holiday resorts in rural tourism homesteads as well as the increasing number of rural inhabitants planning to run this non agricultural business. Despite the fact that rural tourism became one of the most popular non agricultural businesses in rural areas the supply, the quality and the variety of rural tourism services is not sufficient yet.

Rural tourism is growth economic sector, creating an opportunity for diversification of activity for persons engaged in agriculture, also for additional income, increasing employment of rural population and promoting their entrepreneurship.

2. DESCRIPTION OF THE MEASURE

The measure bears an investment character.

Popularity of the measure among the applicants during the SAPARD and the 2004–2006 SPD programming periods has significantly risen. Considering this, in 2007–2013 high attention shall be paid to

the improvement of the quality of such services, their enrichment in variety, also installation of innovations in the field of rural tourism. In order to increase variety of rural tourism services, it is encouraged to combine traditional agricultural activities with services for tourists such as supply of fresh, farm-made products to holidaymakers, recreational services (water sports, horse-riding, farming promoting activities, etc.). In this way rural residents may secure themselves long-term employment and additional income.

Considering the high popularity of holidays in the countryside and seeking to create variety of recreational services in rural areas, support shall also be granted for the establishment of short-term camping and/or lodging places, or camps, in rural areas, except forests, because the same activity shall be supported under the Axis 2 measure “Non productive investments in the forests”.

With a view to that the measure should contribute to the fostering of cultural heritage it is encouraged to observe Lithuanian traditions while creating the new rural tourism homestead.

Support under this measure is intended for natural persons, i.e. farmers or rural residents.

3. OBJECTIVES

3.1. Overall objective:

To improve the quality of rural life and increase employment by developing rural tourism, which increases employment rate and provides an additional source of income for rural populations.

3.2. Specific objectives:

3.2.1. to increase employment rate and develop non-agricultural activities in rural areas;

3.2.2. to increase the attractiveness of rural tourism homesteads;

3.2.3. to increase the number of lodging places in rural tourism homesteads;

3.2.4. to increase the number of rural locations (camps) that could be used for short-term rest and/or lodging purposes;

3.2.5. to support rural recreational infrastructure.

3.3. Operational objectives:

3.3.1. to enlarge the variety of rural tourism homesteads and services and improve the quality of such services;

3.3.2. to foster the rural heritage through restoration or establishment of new homesteads which uphold traditions of architecture and culinary;

3.3.3. to support the establishment and development of rural campsites.

4. SCOPE AND ACTIONS

4.1. Activity 1

Encouragement of or rural tourism, including development of crafts in rural tourism homesteads;

4.2. Activity 2

Establishment and development of tourist camps in rural areas (except in forests).

5. STATE AID PROVISIONS

Any aid granted under this measure will be in conformity with the Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to *de minimis* aid, Official Journal L 379 of 28.12.2006¹².

¹² The total amount of *de minimis* aid, granted to the same undertaking under the *de minimis* rule, does not exceed the ceiling of EUR 200000 over a period of three fiscal years.

6. BENEFICIARIES

- 6.1. A farmer.
- 6.2. A rural resident.

7. ELIGIBLE EXPENDITURE

- 7.1.1. 7.1. Construction, reconstruction of buildings / structures, improvement of immovable property necessary to the project implementation, the purchase of construction materials;
- 7.2. the purchase of new machinery and equipment, including computer hardware and software, to be used for the purposes of the project;
- 7.3. establishment of infrastructure:
 - 7.3.1. business infrastructure (lighting, access, sewerage, etc.);
 - 7.3.2. small-scale informational infrastructure (information boards, the signposting of tourist sites, etc.);
 - 7.3.3. recreational infrastructure (access to natural objects such as installation, and small capacity accommodation, arrangement of strands etc.);
- 7.4. the development and / or marketing of tourism services relating to rural tourism (creation of the website, etc.).
- 7.5. general costs;
- 7.6. publicity arrangements of the project.

8. ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

8.1. For Activities 1 and 2:

- 8.1.1. the applicant shall fulfill general provisions and requirements laid down in the Chapter II and III of the Annex I of RDP;
- 8.1.2. the applicant must be competent in the project area in the manner established by the MoA;
- 8.1.3. the applicant shall prove the conformity of economic entity to economic viability criteria in the business plan;
- 8.1.4. the project's operator shall possess a business license or a certificate of individual activity which is envisaged in the project;
- 8.1.5. the project shall be implemented in rural area, i.e. a village, small town or town with population up to:
 - 8.1.5.1. 3000 – under Activity 1;
 - 8.1.5.2. 6000, except forests – under Activity 2;
 - 8.1.5.3. the municipality centers are excluded from eligible area for the support under this measure.

8.2. For Activity 1:

- 8.2.1. newly established rural tourism homestead shall be situated in an at least 0,7 ha area¹³;
- 8.2.2. newly established rural tourism homestead shall be situated at least 0,5 km off highways Vilnius-Klaipėda, Vilnius-Panevėžys, Saločiai-Kalvarija¹⁴;
- 8.2.3. a number of rooms in residential premises may not exceed that specified in the Law on Tourism.

9. PRIORITY SELECTION CRITERIA

- 9.1 The applicant has never received the Community investment support for agriculture and rural development;
- 9.2. the applicant is a farmer

¹³ This criterion is applicable for the newly established rural tourism homesteads only.

¹⁴ This criterion is applicable for the newly established rural tourism homesteads only.

- 9.3. the applicant exercises economical and (or) professional activity in rural area for at least last two years before the support application submission;
- 9.4. the applicant is a farmer under 40 years old;
- 9.5. support is applied for a activity that is in line with the LAG's local development strategy approved by MoA;
- 9.6. the project provides for the development of a traditional craft, and development of culinary heritage in the manner specified by MoA or campsite created in a less favourable area ¹⁵;
- 9.7. installation of innovations is envisaged in the project;
- 9.8. the project is being implemented near tourist routes;
- 9.9. the project with a higher internal return rate and (or) under other criteria set by the MoA.

The method of application of priority selection criteria is described in Chapter II of Annex I of the RDP.

10. AID INTENSITY

10.1. Activity 1:

- 10.1.1. support may cover up to 65 pct. of the total eligible expenditure of the project;
- 10.1.2. the maximum amount of support per project is up to EUR 200 000.

10.2. Activity 2:

- 10.2.1. support may cover up to 65 pct. of the total eligible expenditure of the project;
- 10.2.2. the maximum amount of support per project is up to EUR 60 000.

10.3. The applicant can submit the application for the support under the both activities of the measure. In this case maximum amount of the support for the combined application can not exceed EUR 200 000.

10.4. Where the project is related to the development of traditional crafts up to 75 percent of the total eligible expenditures shall be financed in the manner specified by MoA.

11. FINANCING

Funding over the period of 2007-2013 (in current prices)

Period	Public expenditure, in total		Community funding		National funding	
	EUR	pct	EUR	pct	EUR	pct
Total	82 285 758	50	61 714 319	75*	20 571 439	25*

*If a project is to be implemented under *LEADER* method, as provided for in Article 70 (2) (b) of Regulation (EC) No. 1698/2005, Community funding shall cover 80 pct. and national funding - 20 pct. of eligible public expenditure accordingly.

12. TRANSITIONAL ARRANGEMENTS

No transition arrangements apply.

¹⁵ This criterion is applicable for Activity 1 exceptionally.

13. QUANTIFIED TARGETS FOR COMMUNITY COMMON INDICATORS

Type of indicator	Indicator	Target 2013
Output	The number of tourism development activities supported:	570
	- establishment of small-scale infrastructure (info boards, signposts of tourist sites, etc.)	200
	- establishment of recreational infrastructure (campsites, access to natural objects, e.g. arrangement and installation of shorelines, etc.)	160
	- marketing of rural tourism services and their development.	210
	Overall amount of investments into tourism activities (aggregate of private investments and public support):	EUR 164 571 516
	- establishment of small-scale infrastructure (info boards, signposts of tourist sites)	10 pct./ EUR 16 457 152
	- establishment of recreational infrastructure (campsites, rural tourism homesteads, access to natural objects, e.g. arrangement and installation of shorelines, etc.)	80 pct./ EUR 131 657 213
	- marketing and of rural tourism services and their development.	(10 pct./ EUR 16 457 152)
Result	Increase in the number of tourists (holidaymakers in rural areas)	30 pct.
	- the number of tourists (holidaymakers in rural areas) staying for the night	25 pct
	- the number of tourists (holidaymakers in rural areas) not staying for the night	5 pct
	Total number of new jobs (self-employed persons working with a business license or certificate of individual activity) created:	4000
	1) by age of people employed:	
	- under 25	5 pct./200
	- 25 to 40	10 pct./400
	- above 40	85 pct./ 3400
	2) by gender of people employed:	
	- women	50 pct./ 2000
	- men	50 pct./ 2000
	3) by activity of people employed:	
- persons engaged in agricultural activity	40 pct./ 1600	
- persons engaged in non-farming activity	60 pct./ 2400	
Impact	Economy growth in non-agricultural sector (GVA)	4-5 pct
	Increase in the employment rate in non-agricultural sector	5 pct

Baseline indicators

Tourism infrastructure in rural areas (N/A)

14. SANCTIONS

In case of any misconduct, breach or violation of legal acts or the support agreement by the beneficiary, there shall be three types of mandatory sanctions: reduction of the support, refusal to grant the support and / or the requirement to repay the support. The specific terms for the imposition of the sanctions shall be laid down in the rules implementing the measure.

15. LINKAGES AMONG RDP MEASURES, DEMARCATION LINES AND CRITERIA WITH OTHER COMMUNITY FINANCIAL INSTRUMENTS

The measure “**Encouragement of rural tourism activities**” relates with the following measures of the RDP:

“**Setting up of young farmers**”. Farmers under 40 are encouraged to undertake rural tourism business in particular.

“**Diversification into non-agricultural activities**” and “**Support for business creation and development**”. Demarcation between these measures is made by the types of non-agricultural activities supported: rural tourism also creation and establishment of campsites in rural areas shall be supported under the measure “Encouragement of rural tourism activities” exceptionally. While other types of non agricultural activities shall be eligible under the measures “Diversification into non agricultural activities” and “Support for the business creation and development”.

“**Semi-subsistence farming**”. Farm enlargement and improvement of farm infrastructure shall benefit farmers to switch to commercial farming, thus accumulating initial investment into larger projects that shall help to transit from traditional farming to tourism business, which shall increase farmers’ income.

“**Payments to farmers in areas with handicaps, other than mountain areas (less favoured areas)**”. Rural tourism is particularly instrumental in promoting non agricultural activity in less favorable areas, where income from farming is scarce.

“**Non productive investments in the forests**”. Demarcation criterion between Activity 2 (creation and development of camps) and “Non productive investments in the forests” is made by location of projects implementation: creation of the camps under Activity 2 is not eligible in the forests.

The demarcation with the **EU structural funds** is done with respect of the following criteria:

- type of beneficiary: support under the measure “Encouragement of rural tourism activities” is provided for natural persons i.e. farmers and rural inhabitants. **ERDF** support to tourism is provided to public and private legal entities;

- type of tourism activities supported: support under the measure “Encouragement of rural tourism activities” support is provided for rural tourism. **ERDF** support is eligible for the development of public tourism infrastructure using natural and cultural heritage and creation and modernisation of active tourism infrastructure, development of tourism information services and promotion of tourism marketing; development of variety of tourism services/products and improvement of tourism services quality; establishment of visiting centers and expositions, systems of environmental education (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.

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.

The demarcation with the **EFF** is done by type of beneficiary: **EFF** support the promotion of tourism, tourism infrastructure in fishery regions, preservation of cultural heritage and other activities foreseen in

the strategy of LAGFAs for fishery areas having approved strategy (physical and legal persons foreseen in this strategy).

MEASURE 4

VILLAGE RENEWAL AND DEVELOPMENT

Code of the measure – 322.

1. LEGAL BASIS

Articles 52 (b) (i),(ii), (iii) and 56, 57 of Regulation (EC) No 1698/2005.

Points 5.3.3.2.1, 5.3.3.2.2, 5.3.3.2.3 of Annex II of Regulation (EC) No 1974/2006.

2. RATIONALE FOR INTERVENTION

The rural areas cover up 97,4 pct of the total area of Lithuania and the rural population counts for 33,4 pct of the total population. In terms of implementation of Rural Development 2007–2013 Programme for Lithuania (RDP) rural area is treated as a village, small town or town populated up to 6 000 residents.

Many Lithuanian villages have lost their attractiveness as a result of the changes in ownership relationships and the character of rural residents' activities and lifestyle. People in rural areas are not satisfied with the existing living surroundings. The inadequate development of areas of rural economic activities and the slow expansion of new jobs in rural areas lead to a decreasing employment rate of people in rural areas. The obviously growing gap between the quality of life in the city and in the country, the quite-lower living standards in rural areas are causing rural residents to migrate to the larger cities or abroad. To keep the existing rural population and to attract new people to come and live in rural areas, thus ensuring rural development, the public infrastructure has to be improved. Village renewal becomes one of the most important measures in rural development policy and is intended for the restoration of attractiveness of rural environment as well as for improvement of quality of life of rural residents.

3. DESCRIPTION OF THE MEASURE

This measure bears an investment character.

Support shall be granted for restoration and development of rural areas, i.e. renovation of buildings, arrangement or establishment of public infrastructure, etc. Support shall be also granted for the measures of raising environmental consciousness and investments into the conservation, restoration and renewal of natural heritage and development of valuable natural objects as well as for studies and investments related to cultural heritage (conservation, restoration and upgrading of the cultural identity of villages and rural landscape).

The measure “Village renewal and development” promotes the improvement of the quality of life in rural residential areas, the viability of economic activities and attraction of tourist flows. This measure is important with the view to keeping the rural identity and reducing migration. The measure is implemented in two ways: by *LEADER* method according to the approved local development strategies and “top-down” approach in the procedure approved by the MoA.

4. OBJECTIVES

4.1. Overall objective: to create an attractive environment for work and life in rural areas by having more attractive and modernized villages.

4.2. Specific objectives:

4.2.1. to increase the attractiveness of rural residential environment;

4.2.2. to reduce the depopulation of rural areas;

4.2.3. to uphold rural heritage by creating and developing traditional craft centers.

4.3. Operational objectives:

- 4.3.1. to reconstruct (renovate) buildings;
- 4.3.2. to renovate and conserve rural heritage objects and landscape elements with historic, ethno-cultural, architectural value;
- 4.3.3. to arrange or create public infrastructure;
- 4.3.4. to foster the technologies of traditional crafts;
- 4.3.5. to provide conditions for representation of traditional crafts and marketing of crafts' production.

5. SCOPE AND ACTIONS

This measure is designed to ensure the restoration and development of rural areas (renovation of buildings, arrangement or establishment of public infrastructure (including construction and renovation of drainage system, installation of public drinking water supply and sewage management systems the installation of water improvement and iron removal systems in rural areas with the population less than 500), the conservation and upgrading of rural heritage objects and landscape elements with historic, ethno-cultural, architectural value (creation and development of traditional crafts' centers) as well as improvement of the quality of life.

6. BENEFICIARIES

6.1. Beneficiaries implementing the measure by *LEADER* method – rural communities, local action groups, non-governmental organizations and other legal persons established and/or operating in rural area, municipalities or their enterprises.

6.2. Beneficiaries in case of the measure implementation by “top-down” approach – municipalities.

6.3. The project may be submitted in cooperation with the partner(s) in the manner specified by MoA.

7. ELIGIBLE EXPENDITURE

7.1. Costs intended for the improvement of the aesthetic welfare of villages (for example, re-tilling of roofs, replacement of windows etc);

7.2. establishment and improvement of public infrastructure;

7.3. renovation of buildings and adaptation to the public needs;

7.4. establishment of traditional crafts centers (including setting up of traditional crafts' technology line, establishment of traditional crafts' market place, establishment of premises for training in for traditional crafts);

7.5. construction, reconstruction of structures, improvement of immovable property not specified in points 7.1-7.4 but necessary for the needs of the project, the purchase of construction materials.

7.6. general costs;

7.7. publicity arrangements of the project.

8. ELIGIBILITY CRITERIA AND REQUIREMENTS FOR SUPPORT

8.1. An applicant shall fulfill general provisions and requirements laid down in the Chapters II and III of the Annex I of the RDP;

8.2. a project shall conform to the objectives as specified in this measure;

8.3. a project shall be performed and the related investments shall be made in rural area except the case provided in point 8.3.1.:

8.3.1. if the measure is implemented by “top-down” approach and projects are related with the establishment and/or development of traditional craft centers, such projects can be implemented in rural

areas and towns including municipality centers except the biggest towns of Lithuania (Vilnius, Klaipėda, Kaunas, Šiauliai and Panevėžys).

8.4. a project shall be a public (non-profit generating).

9. PRIORITY SELECTION CRITERIA

(applicable if the measure is implemented by *LEADER* method)

9.1. the project shall include renovation (conservation, restoration, renovation, transformation) of cultural heritage objects that are on the list of immovable cultural values;

9.2. the applicant is a rural community;

9.3. support is applied for the establishment of traditional crafts' center;

9.4. other criteria set by the MoA.

The method of application of priority selection criteria is described in Chapter II of Annex I of the RDP.

10. AID INTENSITY

10.1. If the project is implemented by “*top-down*” approach support may cover up to 80 per cent of the total eligible expenditure of the project, except the case referred to point 10.2:

10.1.1. if the project is related with the creation and development of the traditional craft centres the support may cover up to 90 percent of the total eligible expenditures and shall be financed in the manner specified by the MoA.

10.3. The maximum amount of support per project is up to EUR 200 000. Co-funding is accepted as monetary funding and/or funding in-kind, for example, voluntary work. The value of unpaid voluntary work shall be determined taking into account the time spent and the hourly or daily rate (provided by the Department of Statistics under the Government of the Republic of Lithuania) of remuneration.

11. FINANCING

Funding over the period of 2007–2013 (in current prices) when the project is implemented under “*top-down*” approach

Period	Public expenditure		Community funding		National funding	
	EUR	pct	EUR	pct	EUR	pct
Village renewal and development	40.000.000	80	30.000.000	75	10.000.000	25

Indicative share of allocation:

- village renewal projects 40 pct.
- rural heritage projects 30 pct.
- basic services projects 30 pct.

12. TRANSITIONAL ARRANGEMENTS

The new measure, no transition arrangements shall be applied.

13. QUANTIFIED TARGETS FOR COMMUNITY COMMON INDICATORS

Type of indicator	Indicator	Target 2013
Output	The number of villages (rural areas) covered by projects	140
	The number of village renovation projects supported	200
	The number of public buildings reconstructed	100
	The number of rural heritage objects renovated and conserved	20
	The number of rural landscape components and public areas renovated and conserved	40
	Basic services by type of activity, in per cent of supported basic services: - Mobility / transport services - Leisure, sport and cultural activities - Other basic services	5 pct. 10 pct. 85 pct.
Result	The number of rural residents enjoying the project results as a per cent age of total rural population	8
	Population in rural areas benefiting from improved services	4pct.
	The number of traditional crafts' centers created	5
Impact	Economic growth	4-5 pct per programming period
	Employment rate	5-7 pct per programming period
	The number of new jobs created including: - for men - for women - for young people under 30	600 50 pct/300 50 pct/300 8 pct/48

Baseline indicators	2005 domestic migration balance was positive	3,406
	International migration balance was negative	-1,268
	Economy growth in non-agricultural sector	(N/A)
	Increase in the employment rate in non-agricultural sector	5,4 pct in the year 2000–2005

14. SANCTIONS

In case of any misconduct, breach or violation of legal acts or the support agreement by the beneficiary, there shall be three types of mandatory sanctions: reduction of the support, refusal to grant the support and / or the requirement to repay the support. The specific terms for the imposition of the sanctions shall be laid down in the rules implementing the measure.

15. LINKAGES AMONG RDP MEASURES, DEMARCATION LINES AND CRITERIA WITH OTHER COMMUNITY FINANCIAL INSTRUMENTS

The measure „**Village renewal and development**” is related to the following measures of the RDP: „**Implementation of Local Development Strategies**” of the Axis IV („Implementation of the LEADER method”). LAGs shall be obliged to foresee the measure „Village renewal and development” in their local development strategies.

„**Encouragement of rural tourism activities**”. Improved attractiveness of rural areas as a result of implementation of the „Village renewal and development” measure becomes non-tangible investment in the tourism sector.

„**Support for business creation and development**” and „**Diversification into non-agricultural activities**”. Support for the development of crafts’ is envisaged in both measures. The main demarcation line is based on type of project: profit-generating projects shall be supported under the measures “Diversification into non-agricultural activities” and “Support for business creation and development” while public (non profit) projects – under the measure “Village renewal and development”.

„**Infrastructure related to the development and adaptation of agriculture and forestry**”. The measure „Village renewal and development” shall contribute to the implementation of the activity field „Agricultural water resources management”.

Demarcation line with the **EU structural funds** is made by beneficiaries and based on project scope: **EARDF** support under the measure “Village renewal and development” is provided for:

- renewal of buildings;
- arrangement or establishment of public infrastructure;
- **conservation and upgrading of rural heritage objects** and landscape elements with historic, ethno-cultural, architectural value (establishment and development of traditional craft centres).;

Maximum support per project shall be up to EUR 200 000.

Beneficiaries:

implementing the measure under *LEADER* method– rural communities, local action groups, non-governmental organizations and other legal persons established and operating in rural area, municipalities or their enterprises.

- implementing the measure by a “top-down” approach – municipalities.

It shall be required to prove that the project is not financed from ERDF by submitting a document issued by the Regional Development Council

Support per project shall be up to 200 000 EUR.

European Regional Development Fund (ERDF) support is provided for:

- improvement of urban environment infrastructure (including regeneration of industrial and other damaged areas);

Final beneficiaries: administration of municipalities or their enterprises.

- 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.

Final beneficiaries: administration of municipalities or their enterprises.

- 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).

Final beneficiaries: administration of municipalities or their enterprises.

- support for renovation of buildings for education, training, community and social activities in rural areas.

Support shall be granted in areas having between 1000 and 3000 inhabitants. Complex development projects exceeding EUR 200 000.

Decisions on projects shall be made by Regional Development Councils.

Final beneficiaries: administration of municipalities or their enterprises.

- promotion of universal multifunctional centers in rural areas having less than 1000 inhabitants. Centers would deliver education and training services;

Final beneficiaries: municipalities.

- modernisation or establishment institutions delivering social services in the areas exceeding 3000 inhabitants;

Final beneficiaries: administration of municipalities or their enterprises.

- renovation of buildings of State or municipalities of National health system, National education system, institutions delivering social services and state or municipality cultural centers aiming to increase efficiency of energy consumption.

Final beneficiaries: municipalities or their enterprises.

- Building and reconstruction of regional roads (including building of gravel roads).

Final beneficiaries: municipalities.

- Improvement of technical parameters of the roads and railroads of national significance.

Applicant: The Lithuanian Road Administration.

Cohesion Fund (CF) support is provided for:

- renovation and development of wastewater network;

- renovation and development of water supply network;

Final beneficiaries: municipalities and water companies.

- implementation of the infrastructure contributing to the road safety, building of city circuits roads;

Final beneficiaries: Direction of the Lithuanian Road Administration, administration of municipalities.

- increase in the throughput of the transeuropean significance roads, improvement of their technical parameters.

Final beneficiaries: Direction of the Lithuanian Road Administration.

- Organisation and development of the ecological public transportation.

Final beneficiaries: administration of municipalities.

European Fishery Fund (EFF)

4 priority. Sustainable development of fishery regions.

The activities foreseen in local development strategies related with renovation of villages

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.

Final beneficiaries: LAGFAs

AXIS 4

IMPLEMENTATION OF THE *LEADER* METHOD

1. LEGAL BASIS

Articles 61-65 of Council Regulation (EC) No 1698/2005.

Articles 37-39, point 5.3.4 of Annex II of Commission Regulation (EC) No 1974/2006.

2. RATIONALE FOR INTERVENTION

After Lithuania acceded to the European Union on May 1, 2004, the implementation of the *LEADER+* type measure was launched, aimed at promoting rural development by way of training and strengthening the ability of local people to work together. The objective of the *LEADER+* type measure in Lithuania was to master the *LEADER* methodology through implementing integrated rural development strategies prepared on the basis of the territorial integrity principle and to prepare for the implementation of *LEADER* method in the future.

The *LEADER+* type measure in Lithuania had a pilot character and therefore its implementation focused on activities that did relate to acquisition of skills. Technical support under the activity *Acquisition of skills* was granted to studies of rural areas and assessment thereof, preparation of applications for support and of integrated pilot strategies and improvement of prepared pilot strategies; informing and training of the population to encourage an active participation in the rural development process; development of a representative partnership for local development, for instance, the training of members of communities and local action groups in relation to the raising of skills in the areas of setting-up, administration and financial management of partnerships; preparation and dissemination of information and methodological material; diffusion of experience acquired.

The implementation of the *LEADER+* type measure in Lithuania has encouraged the setting up of new partnership and cooperation-based institutional and social structures that have the principal goal of addressing problems at local level and being actively involved in the processes of rural development.

Rural communities in Lithuania. The number of rural communities in Lithuania is growing fast. According to the information available from the Institute of Agrarian Economy of Lithuania, there were 10 rural communities registered in the country in 2000, going up to 30 in 2001 to 210 in 2002 to 406 in 2003 to over 800 in 2004 and their number increased to more than 1,300 in 2006.

The Rural Communities Association of Lithuania was established in 2002 and currently has nearly 770 members. The aim of this organisation is to seek regional cohesion by reducing the gap between the city and the country, providing conditions for rural communities to use support granted to community projects on rural development and to prepare for the implementation of local initiative programmes. In 2004, the Rural Communities Association of Lithuania joined the European rural movement programme PREPARE.

A survey by the initiative group of the Open Lithuanian Fund and the Centre on Social Studies of the Vilnius University has showed that in seeking their goals, rural communities are still facing the issue of insufficient human resources. Most representatives of rural communities polled said that they were short on people who could contribute to the community's activities, the too-low interest of local populace in the community's activities being another pressing issue. In any case, many rural communities have been in business too short to expect any radical changes in this regard. The said survey also revealed some positive developments that are taking place, like the growing number of events, people becoming more united and more involved in communal activities, their inter-necine relationship and self-confidence are improving.

Local action groups (hereinafter referred to as "LAG") in Lithuania. Up to July 2007, 42 LAGs were set up in Lithuania and are involved in implementation of the *LEADER* approaches. LAGs intend to participate actively in implementation of measures under the *LEADER* method in 2007–2013. The total territory of LAGs' activity covers over 97 per cent of rural areas in Lithuania.

Support under the activity *Acquisition of skills* aimed at conducting studies of rural areas and preparation of pilot integrated strategies was granted to 29 LAGs in 2005.

In mid-January 2006, 27 LAGs applied for a total of EUR 3.97 million of support to implement their pilot integrated strategies. By way of tender, top 10 pilot integrated strategies were selected (prepared by the Ukmergė district LAG, the Šalčininkų district LAG; the Švenčionys district LAG “Švenčionių partnerystė”; the Kelmė region partnership LAG; the Dzūkija LAG; the North-west of Lithuania LAG; the Seacoast Initiative LAG “Pajūrio iniciatyvos”; the Aukštaitija association of communities LAG; the Joniškis district partnership LAG; LAG „Nemunas” of the Pagėgiai and Jurbarkas district municipalities) to be awarded up to EUR 147,363 of support each.

In drawing their pilot integrated strategies, LAGs had to select one of four themes as suggested. The theme *Improvement of the quality of life in rural areas* was selected by 20 LAGs (out of them 6 LAGs got support for the implementation of the strategies). The theme *Making the best use of natural and cultural resources, including the increase of the value of sites of Community interest selected under Natura 2000* was chosen by 6 LAGs (out of them 3 LAGs got support for the implementation of the strategies). *Adding value to local products, in particular by facilitating access to markets for small production units via collective actions* was selected by one LAG (the LAG got support for the implementation of the strategy). No LAG chose the theme of *The use of know-how and new technologies to improve the competitiveness of rural production and services*.

In association with representatives from science institutions and social, economic partners, the Ministry of Agriculture sought efficient measures to tackle the outlook of further activities of the LAGs that were not selected, to motivate them to continue their activity in spite of the first failure, and to promote their motivation and further active involvement in solving rural issues. The Ministry of Agriculture and the Rural Communities Association of Lithuania took steps to have funds allocated in the 2006 budget of the Republic of Lithuania for the development of rural communities and LAGs and the promotion of their initiative. The 2006 state budget of the Republic of Lithuania provided EUR 0.86 million, the 2007 state budget provided EUR 1.74 million for these purposes. In order to prepare properly for the programming period of 2007–2013 by the initiative of the Ministry of Agriculture the Lithuanian Single Programming Document for 2004–2006 was amended in May 2006 – LAGs were enabled to apply for the support to improve the prepared pilot integrated strategies in programming period of 2004–2006. Support under the activity *Acquisition of skills* aimed at *improvement of pilot integrated strategies*, in order to be prepared properly for the period 2007–2013, was granted to 31 LAGs.

According to the study carried out by the University of Agriculture of Lithuania in July 2005, LAGs, as organisations, are in varying situations. The survey results show that some LAGs are already starting to pursue target-driven strategic activity, others are learning how to become cohesive and efficient organisation, still others are yet trying to grasp their position in the rural development environment and to find a niche for their activity. Many of the people actively involved in LAG activity see a possibility to exercise, through joint action, a positive effect on the areas they live in and are positive that poverty and social isolation in rural areas can be defeated only by working together.

Administration. In order to achieve efficiently the objectives of the *LEADER+* type measure, the Centre of *LEADER* Programme and Farmers’ Training Methodology was set up in 2005, comprised of two departments – the group for methodological coordination and supervision of training; and the *LEADER* group. The functions of the *LEADER* group are to hold seminars, training courses, conferences designed to LAGs and their consultants, to establish the needs for training courses and qualification improvement, to prepare programmes for qualification improvement as well as to organise preparation and publishing of information publications dedicated to the *LEADER+* type measure, to publicise the *LEADER+* type measure.

In order to implement the “bottom-up approach” efficiently, using the initiative and ideas of the active LAGs and rural communities, the Group for Coordination of the implementation of the *LEADER+* type measure was established in March 2005 by order of the Minister of Agriculture. The main goal of the group is to address issues related to the implementation and administration of the *LEADER+* type measure, to deliberate draft legislation items and to submit comments thereof. The coordination group has 23 members. For the group to address the most pressing problems of the population of all rural areas in Lithuania, for its decisions to be based on research and comply with the effective EU and national legislation, 12 members represent LAGs from different Lithuanian regions, 2 – rural communities’

organisations, 5 – science and education institutions (the University of Agriculture of Lithuania, the Institute of Agrarian Economy of Lithuania), 1 – the Agency, 3 – the Ministry of Agriculture. The Group shall perform its functions during period 2007–2013, thus it shall contribute to the implementation of Axis 4 as well.

In order to implement pilot integrated strategies effectively and master the *LEADER* methodology, two committees were established at the beginning of 2007 by order of the Minister of Agriculture: the Cooperation Committee and the Committee on Problems Analysis. *The Cooperation Committee* consists of representatives of all selected LAGs. The main tasks of this committee are to exchange the experience among selected LAGs and to communicate problems related to the implementation of pilot integrated strategies to the Ministry. In parallel, *the Committee on Problems Analysis* deals with and solves the problems related to the implementation of pilot integrated strategies. The problems are horizontal, thus the Committee of Problems Analysis consists of representatives from many related public institutions (Ministry of Environment, State Service for the Protected Areas under the Ministry of Environment, Ministry of the Interior, ect).

Lithuania has an informal network of Lithuania LAGs.

Dissemination of *LEADER* ideas. In order to ensure publicity of the *LEADER+* type measure and the dissemination of the good experience and information, a section dedicated to the *LEADER+* type measure was placed on the Ministry of Agriculture's website at www.zum.lt. However, in July 2005 an independent national *LEADER* site www.leaderplus.lt was launched. It provides all relevant information related to the implementation of the *LEADER+* type measure in Lithuania: documents regulating the measure, scientific publications, contact information of LAGs, information about support, LAGs of other countries, etc. In order to assure efficient dissemination of *LEADER* ideas, the current *LEADER* site shall be used during programming period 2007–2013 as well.

3. OBJECTIVES

3.1. Overall objective: to promote rural development on the basis of local initiative and partnership.

3.2. Specific objectives:

3.2.1. to promote local initiatives and partnerships through involvement of members of the rural communities, local authorities and business people;

3.2.2. to motivate inhabitants of rural areas and train their skills to work together;

3.2.3. to prepare integrated local development strategies and organise their implementation under new methods and approaches through targeted application of local resources and public assistance.

3.3. Operational objectives:

3.3.1. to implement local development strategies designed to achieve the objectives of Axis 3;

3.3.2. to implement inter-territorial and transnational cooperation projects designed to achieve the objectives of Axis 3;

3.3.3. to guarantee efficient operation of LAGs in implementation of the *LEADER* method, acquiring and actively applying knowledge.

4. DESCRIPTION OF THE AXIS

4.1. The measures of this Axis shall be implemented under *LEADER* principles.

4.2. The implementation of the *LEADER* method contributes to the implementation of all measures of Axis 3: *Diversification into non-agricultural activities, Support for business creation and development, Encouragement of rural tourism activities, Village renewal and development*. In their local development strategies LAGs may envisage other measures targeted at achieving Axis 3 objectives. The *LEADER* Axis has indirect links to the objectives and measures of Axis 1 and Axis 2.

5. FINANCING

5.1. The funds for the implementation of the *LEADER* method shall be at least 6,06 per cent of public support in total, amounting up to EUR 136,99 million.

5.2. The breakdown of the financial resources (public support in total) allocated for the *LEADER* method in 2007-2013 by measures is as follows:

	Measure	Percentage	Funds (EUR mill)
1.	Implementation of local development strategies	92,69 per cent	126,97
2.	Inter-territorial and transnational cooperation	3,04 per cent	4,17
3.	Support for running the LAG, acquiring of skills and animating the territory: a) support for running the LAGs;	<i>20 per cent of the amount of support granted for the implementation of local development strategies</i>	<i>25,39 per cent of the amount of support granted for the implementation of local development strategies</i>
	b) support for acquisition of skills, animation of potential project owners in LAGs' territories.	4,27 per cent	5,85
	Total:	100 %	136,99

6. MEASURES

6.1. IMPLEMENTATION OF LOCAL DEVELOPMENT STRATEGIES

6.1.1. Code of the measure – 413.

6.1.2. Legal basis: Articles 63 (a), 64 of Council Regulation (EC) No 1698/2005; Article 37, point 5.3.4.1 of Annex II of Commission Regulation (EC) No 1974/2006.

6.1.3. Objectives:

6.1.3.1. **Overall objective:** to implement *LEADER* method through promotion of local initiatives and partnerships, using involvement of members of the rural communities, local authorities and business people;

6.1.3.2. **Specific objective:** to improve quality of life in rural areas and encourage the diversification of economic activities through implementation of local development strategies under new methods and approaches through targeted application of local resources and public assistance;

6.1.3.3. **Operational objective:** to support the implementation of local development strategies designed to achieve the objectives of Axis 3.

6.1.4. Beneficiaries – LAGs having local development strategies approved by the Ministry of Agriculture. Final beneficiaries are provided in the descriptions of Axis 3 measures and/or local development strategies.

6.1.5. Procedure and timetable for selection of local development strategies:

6.1.5.1. the Agency and the Ministry of Agriculture shall select the local development strategies that are eligible for support. The Ministry of Agriculture or an institution delegated by it may organize preliminary evaluation of local development strategies;

6.1.5.2. local development strategies shall be selected according to the evaluation criteria approved by the order of the Minister of Agriculture. Local development strategies shall be rated in points, the maximum amount of points per local development strategy being 100. Support shall be granted to local development strategies that collect at least 70 points;

6.1.5.3. the call for proposal to submit local development strategies shall be organised until December 31st, 2008 at the latest. The Ministry of Agriculture has the right to make additional invitations to submit local development strategies for selection (especially when local development strategies are being submitted by newly established LAGs). In such case, the call for proposal to submit local development strategies can be organised later than December 31st, 2008;

6.1.5.4. in areas with *LEADER+* experience in the programming period 2004–2006, i.e. the areas of 10 LAGs selected under *LEADER+* type measure, transitional rules shall be respected: these LAGs shall start *implementation* of their new local development strategies when the pilot integrated strategies are already closed. This rule does not imply that their new local development strategies cannot be prepared, evaluated and selected.

6.1.5.5. up to 50 local development strategies shall be selected during the 2007-2013 programming period in order to implement local development strategies evenly in every rural area across Lithuania.

6.1.6. Selection criteria for LAGs.

6.1.6.1. Eligibility criteria and requirements for LAGs:

6.1.6.1.1. a LAG shall be registered;

6.1.6.1.2. a LAG shall be a limited liability public legal entity with its decision-making management body representing the interests of different groups of a population of a LAG territory, i.e. at least 50 per cent of the LAG management body shall be composed of the members representing rural communities, social, other partners and associations thereof, up to 25 per cent shall stand for business representatives and up to 25 per cent shall be made up of the representatives of local authorities;

6.1.6.1.3. a LAG's managing body shall consist of members of different ages (at least one member under 25) and both genders (at a ratio of 40 to 60, at least 40 per cent of managing body members representing either of the genders);

6.1.6.1.4. a LAG shall possess the administrative, methodical and financial-management capacity to implement the local development strategy and to administrate public funds (shall either select an administrative and financial lead actor able to administer public funds and ensure the satisfactory operation of the partnership, or LAGs come together in a legally constituted common structure the constitution of which guarantees the satisfactory operation of the partnership and the ability to administer public funds);

6.1.6.1.5. a LAG shall participate in a networking of LAGs; if a network of LAGs is not established at the date of submission of a local development strategy, a LAG shall be obliged to take part in formation of a LAG network and/or participate in its activities.

6.1.6.2. Eligibility criteria and requirements for area covered by the strategy:

6.1.6.2.1. the area shall cover territories with population 5.000 – 150.000, including small towns and towns with population under 6.000;

6.1.6.2.2. a LAG-represented territory shall be integral from the economical, social and physical (geographical) point of view and shall not belong to the territory of other LAG.

6.1.6.3. Eligibility criteria and requirements for local development strategies:

6.1.6.3.1. the local development strategy shall be targeted at achieving Axis 3 objectives (one of the measures provided in the local development strategy shall be Axis 3 measure *Village renewal and development* of Axis 3);

6.1.6.3.2. the local development strategy shall at least include the analysis of social and economic situation of the territory, its needs as well as rural area development vision, priorities, objectives, implementation measures and recommended actions taken through use of local resources and mobilizing the efforts of both the rural communities and other rural population;

6.1.6.3.3. the local development strategy shall meet the objectives and descriptions of the measures of Axis 3¹⁶ (if applicable) and shall not prejudice the objectives of the other Axes. When the 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 EC funds, provided in Annex 2 of the Rural Development Programme 2007-2013 for Lithuania;

6.1.6.3.4. the local development strategy shall not conflict with and/or shall complement the existing national and/or regional strategies;

6.1.6.3.5. the local development strategy shall provide for ways to address the social, economical and environmental issues that exist in a LAG territory;

6.1.6.3.6. the preparation of the local development strategy shall involve residents, rural communities and other rural development participants of a LAG territory;

6.1.6.3.7. the local development strategy shall be approved by at least 1/2 of all rural communities within the LAG territory.

6.1.7. Quality criteria for local development strategies:

6.1.7.1. The quality criteria shall at least include criteria in the following fields:

6.1.7.1.1. the quality of LAGs' partnership (criteria related to the consistency of LAG's functions with activity profile, LAG's intentions to involve less active and/or socially isolated rural residents into LAG's activities, etc.);

6.1.7.1.2. the quality of local development strategy (criteria related to particularity of SWOT analysis, local development strategies' implementation and financial plan, application of innovations in a local development strategy, etc.);

6.1.7.1.3. LAGs' intentions to cooperate (at national and international level).

6.1.8. Funds allocated for the measure: at least 92,69 per cent of the financial resources designated for the implementation of the *LEADER* method. The maximum amount of support per local development strategy based at least on the population in the LAG territory shall be provided in the documentation of call to submit local development strategies.

6.1.9. Advance payments to the LAGs. LAGs having local development strategies approved by the Ministry of Agriculture may apply for the advance payment to the Agency. Advance payments shall be made from national budget.

6.1.10. Eligible expenditure: as specified in the descriptions of Axis 3 measures and/or local development strategies (including publicity arrangements of the local development strategy; general costs for local project owners) the share of the financed gross expenditures shall be up to 15 percent of the total eligible expenditures (but not more than 10 percent of the total eligible expenditures may be allocated to the issues of business plan and activity description preparation and consultations on implementation issues).

6.1.11. Description of the measure administration model:

6.1.11.1. A LAG performs projects selection and provides a decision on granting support to the Agency for the approval.

6.1.11.2. The administration model shall have the following stages:

6.1.11.2.1. *Stage one:* the local project applicant shall submit the local project application to the LAG by himself or with a partner(s) in the manner specified by MoA. The applicant takes responsibility for implementation, administration and supervision of local project.

6.1.11.2.2. *Stage two:* upon receipt of the local project application, the LAG shall carry out evaluation by assessing the administrative compliance of the local project (establishes if the application is properly filled-out, if all of the necessary data are provided), the priority/ benefit and quality of the local project

¹⁶ When a LAG envisage in its local development strategy measures from the list of Axis 3, it has to respect financial conditions of the support and may define additional conditions for the eligibility as specified within Axis 3.

(assesses which of the submitted local projects are most useful, represent the most efficient application of financial resources and are best-planned). The evaluation on eligibility for support (or part thereof) shall be made by a LAG or Agency or other public body through delegation considering the complexity of the local project.

6.1.11.2.3. *Stage three*: upon completion of the evaluation of local project and after the decision on granting support is taken by the LAG, the LAG shall draw a letter to the Agency asking to approve the decision. The letter to the Agency shall be accompanied by the reports on evaluation of the local project applications, decision on granting support taken by the management body of the LAG and other required documents.

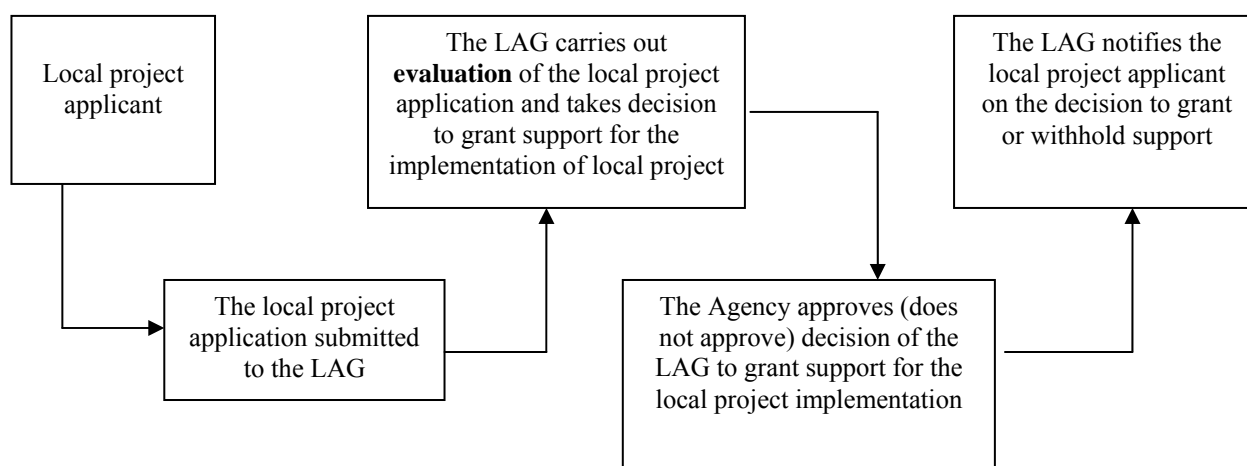
6.1.11.2.4. *Stage four*: the Agency, after reception of the LAG's letter, considering the reports on evaluation of the local project applications, decision on granting support taken by the management body of the LAG and other required documents, takes one of the following decisions:

- approves decision of the LAG to grant/not to grant support for the implementation of local project;
- does not approve (provides motivation) decision of the LAG to grant/not to grant support for the implementation of the local project, if considering the reports on evaluation of the local project applications and decision on granting support identifies unconformities;
- assigns the LAG to re-evaluate local project;
- makes another decision.

The Agency shall notify the LAG about the decision taken.

6.1.11.2.5. *Stage five*: the LAG shall notify the local project applicant of the decision taken by the LAG and approved by the Agency.

The scheme of the measure administration model:



6.1.11.2.6. The functions of the paying institution belong to the Agency and local action groups (LAGs).

6.1.11.2.7. An advance payment to the local project owner can be made by the Agency when the local project owner is a public legal entity. Advance payments shall be made from national budget.

6.1.12. Maximum amount of support for local project and aid intensity:

6.1.12.1. When a local development strategy provides for the measures that are regulated by the Rural Development Programme 2007–2013 for Lithuania, the maximum amount of support and aid intensity of support is fixed in the descriptions of Axis 3 measures, except intensity of support for projects of Axis 3 measure *Village renewal and development*.

6.1.12.2. Intensity of support for projects of Axis 3 measure *Village renewal and development* implemented under *LEADER* method: support may cover up to 90 per cent of the total eligible expenditure of the project.

6.1.12.3. When the local development strategy provides for other measures that are not regulated by the Rural Development Programme 2007–2013 for Lithuania, funding shall cover up to 70 per cent of all eligible expenditure for profit-generating local projects and up to 80 per cent for non-profit generating

local projects submitted to local action groups under the local development strategies. Co-funding is accepted as monetary funding and/or funding in-kind, for instance voluntary work. The value of unpaid voluntary work shall be determined taking into account the time spent and the hourly or daily rate (provided by the Department of Statistics under the Government of the Republic of Lithuania) of remuneration. The maximum amount of support per local project shall not exceed EUR 200 000.

6.1.13. Financing:

Funding over the period of 2007-2013, EUR million (in current prices)

6.1.13.1. Financing of local development strategies:

Year	Public support total		Community funding		National funding	
	EUR	pct	EUR	pct	EUR	pct
2007-2013						
Implementation of local development strategies	126.973.804*	100	101.579.043	80	25.394.761	20

*Support for running the LAGs is included.

6.1.13.2. Financing of local projects implemented under measure *Village renewal and development* of local development strategies:

Year	Public support total		Community funding		National funding	
	EUR	pct	EUR	pct	EUR	pct
2007-2013						
<i>Village renewal and development</i> under local development strategies	74.405.005	90	59.524.004	80	14.881.001	20

6.1.14. Quantified targets for Community common indicators.

Measure: Implementation of local development strategies		
Type of indicator	Indicator	Target 2013
Output	The number of LAGs selected	50
	Total area of LAG territories, km ² (breakdown by selected and newly selected LAGs)	63 800 km ² (27 pct selected; 73 pct newly selected)
	Total population of LAG territories	1,217 mill
	The number of projects financed by LAGs (breakdown by Axis and measures)	759 projects (Axis 3 measures: <i>Diversification into non-agricultural activities</i> – 25; <i>Support for business creation and development</i> – 25; <i>Encouragement of rural tourism activities</i> – 165; <i>Village renewal and development</i> – 494; <i>Other</i> – 50).

	The number of beneficiaries supported (breakdown by Axes and measures)	600 beneficiaries (Axis 3 measures: <i>Diversification into non-agricultural activities</i> – 20 beneficiaries; <i>Support for business creation and development</i> – 25 beneficiaries; <i>Encouragement of rural tourism activities</i> – 165 beneficiaries; <i>Village renewal and development</i> – 350 beneficiaries; <i>Other</i> – 40 beneficiaries).
	Total investment amount for village renewal, including: - village renewal projects: - rural heritage projects:	82,67 mill EUR: - 57,87 mill EUR - 24,80 mill EUR
	The number of villages (rural areas) covered by projects	464
	The number of public buildings reconstructed	250
	The number of rural heritage objects renovated and conserved	70
	The number of rural landscape components and public areas renovated and conserved	80
Result	Total number of jobs created	2,000 For men – 50 pct/1,000; For women – 50pct/1000; For young people under 30 – 8 pct/160).
	Types of activities supported under the local development strategies	Non-profit generating – 80 pct; Profit generating – 20 pct.
	The number of rural residents enjoying the village renewal results as a percentage of total rural population	20
	The number of traditional crafts' centers created	10
Impact	Economy growth	4-5 pct per programming period
	Employment rate	5-7 pct per programming period

Baseline indicators	
Development of LAGs: number of LAGs selected and share of population covered by selected LAGs	10 LAGs selected; 35 pct population covered by selected LAGs
Economic development of the non-agricultural sector	(N/A)
Employment development in the non-agricultural sector	Employment rate increased 5,4 pct in 2000-2005 year

6.1.15. Sanctions:

6.1.15.1. The control and supervision of the implementation of local development strategies shall be performed by the Agency. The control and supervision of local projects implemented under local development strategies shall be performed by both Agency and LAGs.

6.1.15.2. Whether any misconduct, breach or violation of the local development strategy and/or local project and/or application requirements is detected by the Agency or appears known to it, the Agency shall have a right to initiate the process of the suspension of support and/or demand the repayment of the entire amount of the support received or any part of it thereof“ by the sentence “In case of any misconduct, breach or violation of legal acts or the support agreement by the beneficiary, there shall be three types of mandatory sanctions: reduction of the support, refusal to grant the support and / or the requirement to repay the support. The specific terms for the imposition of the sanctions shall be laid down in the rules implementing the measure.

6.1.16. Linkages among RDP measures, demarcation lines and criteria with other Community financial instruments:

6.1.16.1. The measure *Implementation of local development strategies* of the Axis 4 shall support the implementation of Axis 3 objectives and its measures *Diversification into non-agricultural activities*, *Support for business creation and development*, *Encouragement of rural tourism activities*, and particularly the measure *Village renewal and development*. As far as LAGs are enabled to foresee at their local development strategies other measures designed to achieve the objectives of Axis 3, the objectives of the Axis 3 shall be implemented more efficiently. Moreover, the local development strategies shall not contravene the objectives of Axis 1 and Axis 2.

6.1.16.2. 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 Annex 2 of the Rural Development Programme 2007-2013 for Lithuania.

6.1.16.3. When at the same territory a LAG and a local action group for fishery areas (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.

The demarcation line between LAGFA and the LAGs will be based 1) on the type of beneficiaries (EAFRD: people involved in agricultural and non-agricultural sector excluding the fishermen communities and other stakeholders involved in fishery sector / EFF: fishermen communities and other stakeholders involved in fishery sector), and 2) on the type of eligible activities selected within the strategy (EAFRD: measures regarding the rural development / EFF: measures regarding fisheries and aquaculture). The 2 groups might run on the same territory (a territorial overlap will be allowed) but the composition, the accounting – control systems and the strategies will be different. A common administrative structure could even be used by an LAGFA and a LAG, the operating costs would then be shared proportionally between them. They would still have distinctive selection committees, separate accounting systems, and a clear delimitation between strategies.

6.2. INTER-TERRITORIAL AND TRANSNATIONAL COOPERATION.

6.2.1. Code of the measure – 421.

6.2.2. Legal basis: Articles 63 (b), 65 of Council Regulation (EC) No 1698/2005; Article 39, point 5.3.4.2 of Annex II of Commission Regulation (EC) No 1974/2006.

6.2.3. Objectives:

6.2.3.1. **Overall objective:** to implement the *LEADER* method through encouragement of cooperation in rural development;

6.2.3.2. **Specific objective:** to promote local initiatives and partnership through cooperation and exchange of the best practices in rural development;

6.2.3.3. **Operational objective:** to support the implementation of inter-territorial and transnational cooperation projects designed to achieve the Axis 3 objectives.

6.2.4. Beneficiaries – LAGs having local development strategies approved by the Ministry of Agriculture.

6.2.5. Eligibility criteria and requirements for cooperation projects:

6.2.5.1. The cooperation project shall be either inter-territorial or transnational:

6.2.5.1.1. an inter-territorial cooperation project is a project designed to achieve the Axis 3 objectives and prepared by at least two partners that operate on the territory of the Republic of Lithuania. At least one partner shall be a LAG, which has obtained support for the implementation of local development strategy;

6.2.5.1.2. a transnational cooperation project is a project designed to achieve the Axis 3 objectives and prepared by at least two partners that operate in the different member states of EU or in third countries. At least one partner shall be a LAG, which operates on the territory of the Republic of Lithuania and has obtained support for the implementation of local development strategy.

6.2.5.2. The cooperation project shall be aimed at the implementation of joint activity of the cooperating LAGs, the purpose of which activity is to achieve the Axis 3 objectives.

6.2.5.3. The LAG in charge of implementation of the cooperation project – the cooperation project coordinator.

6.2.6. Administration model: cooperation projects shall be selected by the Agency.

6.2.7. Funds allocated for the measure: up to 3,04 per cent of the financial resources designated for the implementation of the *LEADER* method.

6.2.8. Advance payments to the LAGs. LAGs having cooperation project approved by the Ministry of Agriculture may apply for an advance payment to the Agency. Advance payments shall be made from national budget.

6.2.9. Eligible expenditure: costs of making first contact (preparatory technical support, like travel, lodging), taking joint action (like holding exhibitions, seminars, workshops, etc.), running common organisational structures, animation activities, publicity arrangements of the project, general costs. For cooperation projects aimed at implementing Axis 3 measures' objectives, the lists of eligible expenditure are provided in the descriptions of the appropriate Axis 3 measures. For cooperation projects aimed at implementing measures envisaged in local development strategies designed to attain the Axis 3 objectives, the list of eligible expenditure is provided in the appropriate local development strategy.

6.2.10. Financing:

Funding over the period of 2007-2013, EUR million (in current prices)

Year	Public support total		Community funding		National funding	
	EUR	pct	EUR	pct	EUR	pct
2007-2013						
Inter-territorial and transnational cooperation	4.170.000	100	3.336.000	80	0.834.000	20

6.2.11. Quantified targets for Community common indicators

Measure: Inter-territorial and transnational cooperation		
Type of indicator	Indicator	Target 2013
Output	The number of cooperation projects supported (breakdown by the type of cooperation)	70 (inter-territorial – 55; transnational – 15)
	The number of LAGs cooperating (breakdown by the type of cooperation)	45 (inter-territorial – 30; transnational – 15)
Result	The total number of jobs created (breakdown by age and gender)	210 For men – 50 pct/105; For women – 50 pct/105; For young people under 30 – 10 pct/21 jobs.
Impact	Employment rate	5-7 pct per programming period

Baseline indicators

Development of LAGs: number of LAGs selected; share of population covered by selected LAGs; number of cooperation projects supported	10 LAGs selected; 35 pct population covered by selected LAGs; cooperation projects were not supported
Economic development of the non-agricultural sector	N/A
Employment development in the non-agricultural sector	Employment rate increased 5,4 pct in 2000-2005 year

6.2.12. Sanctions:

Whether any misconduct, breach or violation of the cooperation project and/or application requirements is detected by the Agency or appears known to it, the Agency shall have a right to initiate the process of the suspension of support and/or demand the repayment of the entire amount of the support received or any part of it thereof.

6.2.13. Linkages among RDP measures, demarcation lines and criteria with other Community financial instruments:

6.2.13.1. The measure *Inter-territorial and transnational cooperation* of the Axis 4 shall support the implementation of Axis 3 objectives and its measures *Diversification into non-agricultural activities*,

Support for business creation and development, Encouragement of rural tourism activities, Village renewal and development. As far as LAGs are enabled to implement inter-territorial and international cooperation projects designed to achieve the objectives of Axis 3, the objectives of the Axis 3 shall be reached more efficiently. Moreover, the cooperation projects shall not contravene the objectives of Axis 1 and Axis 2.

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.

6.3. SUPPORT FOR RUNNING THE LAG, ACQUIRING OF SKILLS AND ANIMATING THE TERRITORY

6.3.1. Code of the measure – 431.

6.3.2. Legal basis: Articles 59, 63 (c) of Council Regulation (EC) No 1698/2005; Article 38, point 5.3.4.3 of Annex II of Commission Regulation (EC) No 1974/2006.

6.3.3. Objectives:

6.3.3.1. Overall objectives:

- 6.3.3.1.1. to rally inhabitants of rural areas and raise their abilities to work together;
- 6.3.3.1.2. to prepare integrated local development strategies and organise their implementation under new methods and approaches through targeted application of local resources and public assistance;
- 6.3.3.1.3. to ensure efficient activity of LAGs in implementing the *LEADER* method, acquiring skills and applying them in an active manner.

6.3.3.2 Specific objectives:

- 6.3.3.2.1. to support running the LAGs;
- 6.3.3.2.2. to support the development/improvement of local development strategies;
- 6.3.3.2.3. to support the capacity building of LAGs and rural inhabitants.

6.3.4. Activities supported:

- 6.3.4.1. support for the running LAGs (hereinafter referred to as “Activity 1”);
- 6.3.4.2. technical assistance for rural studies, preparation and/or improvement of local development strategies, training of persons involved in the *preparation* or *improvement* of local development strategies (hereinafter referred to as “Activity 2”);
- 6.3.4.3. support for the training and advisory services of persons *involved in the implementation* of local development strategies (hereinafter referred to as “Activity 3”);
- 6.3.4.4. support for the animation of the potential project owners in the LAG’s territory (hereinafter referred to as “Activity 4”).

6.3.5. Beneficiaries: LAGs having local development strategies approved by the Ministry of Agriculture (the requirement to have a local development strategy approved by the Ministry of Agriculture shall not be applied to applications for support under Activity 2).

6.3.6. Funds allocated for the measure:

- 6.3.6.1. Activity 1 – up to 20 per cent of the total public expenditure designated for the implementation of the local development strategies;
- 6.3.6.2. Activities 2-4 – up to 4,27 per cent of the total public expenditure designated for the implementation of the *LEADER* method.

6.3.7. Advance payments to the beneficiaries. Beneficiaries having project under Activities 2–4 approved by the Ministry of Agriculture may apply for an advance payment to the Agency. Advance payments shall be made from national budget.

6.3.8. Eligible expenditure:

6.3.8.1. Activity 1 – remuneration to the administrator(s) of local development strategies and/or the financial manager, the costs of upkeep of premises, acquisition of facilities, stationery, costs of participation in the LAGs’ network, other national and European Networks and other administrative costs needed for the efficient administration of the local development strategy.

6.3.8.2. Activity 2 – costs of conducting rural studies, preparing and/or improving local development strategies, training persons involved in the *preparation* or *improvement* of local development strategies, general costs, publicity arrangements of the project;

6.3.8.3. Activity 3 – costs of training, consultations for persons, *involved in the implementation* of local development strategies, general costs, publicity arrangements of the project;

6.3.8.4. Activity 4 – costs of animating the potential project owners in the LAGs’ territories, general costs, publicity arrangements of the project.

6.3.9. Aid intensities:

6.3.9.1. Activity 1 – support shall cover up to 100 per cent of the total eligible expenditure. The maximum amount of support shall not exceed 20 per cent of the total public expenditure designated for the implementation of the local development strategy.

6.3.9.2. Activity 2 – support shall cover up to 100 per cent of the total eligible expenditure of the project. The maximum amount of support per project shall be up to EUR 20 000.

6.3.9.3. Activity 3 – support shall cover up to 100 per cent of the total eligible expenditure of the project. The maximum amount of support per project shall be up to EUR 100 000.

6.3.9.4. Activity 4 – support shall cover up to 100 per cent of the total eligible expenditure of the project. The maximum amount of support per project shall be up to EUR 100 000.

6.3.10. Financing:

Funding over the period of 2007-2013, EUR million (in current prices):

Year	Public support total		Community funding		National funding	
	EUR	pct	EUR	pct	EUR	pct
2007-2013						
Support for running the LAGs	25.394.761	100	20.315.809	80	5.078.952	20
Support for acquiring of skills and animating the potential project owners in the LAGs territories	5.850.000	100	4.680.000	80	1.170.000	20

6.3.11. Quantified targets for Community common indicators.

Measure: Support for running the LAG, acquiring of skills and animating the territory		
Type of indicator	Indicator	Target 2013
Output	The number of activities supported (breakdown by activities of skills acquisition and activities of animation)	Activity 1 – 50 supported LAGs; Activity 2 – 19 LAGs preparing strategies; 50 LAGs improving strategies; Activity 3 and 4 – 40 projects implemented.
Result	The number of successful graduates from training courses	1000 persons
Impact	Employment rate	5-7 pct per programming period

Baseline indicators	
Development of LAGs: number of LAGs selected; share of population covered by selected LAGs;	10 LAGs selected; 35 pct population covered by selected LAGs;
Employment development in the non-agricultural sector	Employment rate increased 5,4 pct in 2000-2005 year

6.3.12. Sanctions:

Whether any misconduct, breach or violation of the project and/or application requirements is detected by the Agency or appears known to it, the Agency shall have a right to initiate the process of the suspension of support and/or demand the repayment of the entire amount of the support received or any part of it thereof.

6.3.13. Linkages among RDP measures, demarcation lines and criteria with other Community financial instruments:

6.3.13.1. Measure *Support for running the LAG, acquiring of skills and animating the territory* of Axis 4 shall enhance the attainment of Axis 1 and Axis 3 objectives. The measure is related to the measures *Vocational training and information actions* and *Use of advisory services* of Axis 1.

6.3.13.2. EAFRD shall support activities related to technical assistance for rural studies, preparation and/or improvement of local development strategies, training of persons involved in the *preparation* or *improvement* of local development strategies; support for the training and advisory services of persons *involved in the implementation* of local development strategies; support for the animation of the potential project owners in the LAG's territory.

6.3.13.3. European Social Fund (ESF) shall support:

6.3.13.3.1. 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; elaboration of territorial plans (all general plans and detailed plans ordered by municipal administration) as well as preparation of regional and municipal development plans or programmes;

6.3.13.3.2. training and information of participants of rural development who implement or intend to implement EAFRD Axis 3 measures, except LAGs having local development strategies approved by the Ministry of Agriculture.

TECHNICAL ASSISTANCE

Code of the measure – 511.

1. LEGAL BASIS

Article 66 of Council Regulation (EC) No 1698/2005.

Article 40 and point 16 of Annex II of Commission Regulation (EC) No 1974/2006.

Articles 12 and 13 of Chapter IV of Commission Regulations (EC) No. 1320/2006

2. RATIONALE FOR INTERVENTION

The purpose of technical assistance is to improve, extend, promote and maximize the impact of the Rural Development Programme (Programme) in Lithuania, to improve the privity of inhabitants on opportunities that the Programme gives and its mandatory requirements for the Community support. This measure is designed to warrant the appropriate abilities to administrate and manage the resources available and to implement the objectives foreseen in the Strategy on Publicity of the Programme, i. e. to issue information on support, to organise media campaigns and ensure transparency of administrative activities related to the support of Lithuania and the EU, to create a clear picture of support throughout the Member States. Moreover, this programme will contribute to ensuring close cooperation among the European Commission and competent national authorities, social and economic partners. Such cooperation will guarantee accessibility of the Programme measures to the public as well as a certain level of supervision over implementation of these measures and effect on agriculture.

Technical assistance funds shall be used to establish the Lithuanian Rural Network (LRN) and to finance its activities in Lithuania as well.

3. DESCRIPTION OF THE MEASURE

The purpose of this measure is to support activities needed for the improvement of the implementation, management, efficiency and publication of the Programme.

4. OBJECTIVES

4.1. **Overall objective** – to ensure efficient implementation of the Programme.

4.2. **Specific objectives:**

4.2.1. to ensure proper preparation, management, supervision, control and evaluation of the programme;

4.2.2. to support activities that guarantee the transparency of the Programme support and improve the privity of public on EU support;

4.2.3. via the LRN to support cooperation, exchange of good practices and information and dissemination thereof among the parties involved in rural development.

5. SCOPE AND ACTIONS

5.1. **Activity 1**

“Support for the preparation, management, monitoring and control of the programme”.

Support under this activity shall be provided with the view to co-financing of actions related to Programme preparation, management, monitoring, control and evaluation performed by management and payment institutions.

5.1.1. Implementation of Activity 1 seeks to attain the following objectives:

5.1.1.1. to ensure appropriate financing of the delegated management activities;

- 5.1.1.2. to ensure appropriate auditing of the programme;
- 5.1.1.3. to ensure appropriate preparation of the programme, efficient implementation and evaluation thereof, and certification of expenditures well;
- 5.1.1.4. to ensure functioning of the computerized information system of management, monitoring and assessment.
- 5.1.2. Potential supported activities under Activity 1:
 - 5.1.2.1. activities related to preparation to implement Programme, its management, evaluation and selection of projects, monitoring, control and evaluation of Programme and projects (performance of studies, researches that ensure effective preparation of Programme; preparation of yearly reports on the progress achieved; organizing of seminars, conferences and training events; hiring of civil servants and other employees, hired for the work bound to the implementation of the Programme as well as administrative expenses; participation in international seminars and conferences and other events related to the Programme when the target groups are beneficiaries and other institutions or their representatives directly linked with implementation and administration of the Programme).
 - 5.1.2.2. organizational activities of the Monitoring Committee of the Programme and other activities of sub-committees, project selection committees and working groups related to preparation to implement and implementation of Programme (this can involve expenditure on experts and members of other committees including third country participants, when their participation is important for the absorption of support);
 - 5.1.2.3. hiring of experts for the assessment of projects and organization of selection of such projects;
 - 5.1.2.4. purchase, installation, maintenance and up keeping of information and computer systems, related to the administration of measures under the Programme;
 - 5.1.2.5. organizing of audit activities and checks on spot;
 - 5.1.2.6. other devices and services needed for the proper preparation to implement the Programme, and other Programme management, monitoring and control activities.
 - 5.1.2.7. ex-post evaluation, audit, assessment of the 2004–2006 programming period and other tasks necessary for the drawing up of final reports.

5.2. Activity 2

“Information and publicity campaigns”.

Information and publicity campaigns seek to ensure the awareness among potential applicants and beneficiaries, target groups of projects implemented under the Programme and public at large, administrators of Programme at all levels as to what are the operational mechanisms of the Programme. The Strategy on Publicity of the Programme, prepared to this end, defines the goals of information and assessment as well as objectives and principles.

- 5.2.1. Implementation of Activity 2 seeks to attain the following objectives:
 - 5.2.1.1. to ensure appropriate presentation and publicity of the information;
 - 5.2.1.2. to ensure appropriate preparation of publicity strategy and effective implementation of the strategy;
 - 5.2.1.3. to ensure accessibility of information;
 - 5.2.1.4. to increase awareness on the Programme and its results nationally;
 - 5.2.1.5. to seek for the public approval to the Programme.
- 5.2.2. Potential supported activities under Activity 2:
 - 5.2.2.1. implementation of projects that seek to promote awareness among public at large on the objectives of the Programme and its achievements at the national level (implementation of such projects will ensure effective dissemination of information to potential applicants and beneficiaries on the preparation of projects supported under the Programme, on the mechanics of implementation of such projects and results attained; such projects will disseminate information on the Programme and its implementation to public at large, media, public government institutions, will built favorable opinion of the public regarding Programme implementation, support for agriculture and rural development and its

benefits; moreover, such projects will condition favorable attitude and positive opinion on EU rural development policy and inform about active participation of Lithuania on it);

5.2.2.2. seminars and other information campaigns, which are targeted at raising of awareness on preparedness to implement the Programme, the Programme implementation process and results throughout the country, provision of information on the Programme and possibilities to use support for rural development provided by the European Agricultural Fund for Rural Development;

5.2.2.3. implementation of projects aimed at providing clear consultations and information on the administration of the Programme as well as on strategic and competent management of resources, and projects which will focus on the improvement of assessment skills, on promotion to improve evaluation skills when the target groups are not representatives of beneficiaries or the representatives directly linked with institutions that implement and administrate the Programme.

5.2.2.4. organization of assessment of the Programme at all phases and levels; performance of studies and researches that aim at improvement of current and future EARDF support areas for rural development and that concentrate focus on these areas (eligible studies and researches are the ones that provide benefit which meets the needs of beneficiaries and results are publicized and available for Programme administrators of all levels, Programme projects' target groups and the public).

5.2.2. Systemic actions of the Programme information and publicity campaigns will increase chances to more effectively use the resources of the support and will support the growth of competitiveness in the sectors of agri-food and forestry, will create preconditions for the improvement of economic activities in rural areas, will provide sustainability of the existing natural, human and other values and will contribute to bridging the gap between towns and rural areas as well as other regions.

6. BENEFICIARIES

6.1. Management authority.

6.2. Paying institution.

7. ELIGIBLE EXPENDITURE

Eligible expenditure comprises all the expenses necessary for the achievement of overall and specific objectives. The detailed list of eligible expenditure shall be provided in the implementation rules of this measure.

8. AID INTENSITY

Support shall cover up to 100 per cent of the total amount of the eligible expenditure.

9. NATIONAL RURAL NETWORK (Lithuanian Rural Network)

Title of the Technical assistance activity - Lithuanian Rural Network (LRN)

9.1. LEGAL BASIS

Articles 66, 68 of Council Regulation (EC) No 1698 /2005.

Article 41 and point 16 of Annex II of the Commission Regulation (EC) No 1974/2006.

9.2. DESCRIPTION OF THE MEASURE

The establishment of the Lithuanian rural network (LRN) shall be aimed at cohesive rural and agricultural development. The LRN will unify organisations and institutions contributing to rural development. The LRN's functions relate to the establishment and analysis of good transferable practice, the issuing of information on such practice, network management, the organising of exchange of experience at national and international level, the holding of training programmes for local action groups.

9.3. FINANCING

9.3.1. Financing the network

Measure/Axis	Public expenditure	Private expenditure	Total Cost
511. Technical Assistance	92.979.200	-	92.979.200
- of which amount for the national rural network:	9.297.920	-	9.297.920
(a) establishment and running costs	2.324.480	-	2.324.480
(b) action plan	6.973.440	-	6.973.440

9.3.2. Procedures and timetable for the establishment of LRN:

9.3.2.1. the list of LRN participants, the detailed list of persons acting in the LRN Council that provides names of the institutions, organizations, as well as their representatives, shall be approved by the Minister of Agriculture.

9.3.2.2. the Statutes of the Lithuanian Rural Network shall be approved by the Minister of Agriculture.

9.3.2.3. The LRN shall be established by 31 December 2008, at the latest.

9.3.3. Action plan. The action plan of the LRN will include at least:

9.3.3.1. *Management* of the LRN;

9.3.3.2. *Transfer of knowledge* (identification and analysis of good transferable practices and the provision of information about them, the organisation of exchanges of experience and know-how);

9.3.3.3. *Training* (the preparation of training programmes for local action groups);

9.3.3.4. *Technical assistance* for inter-territorial and transnational cooperation.

9.3.4. Measures used for the implementation of the action plan:

9.3.4.1. database on local projects;

9.3.4.2. transnational project database;

9.3.4.3. expert database;

9.3.4.4. local action groups database based on the use of a common LAG form;

9.3.4.5. transnational cooperation partner search tool;

9.3.4.6. multilingual LRN web site.

Gradually, following the demand, the additional tools and networking measures will be prepared (publications, proactive expertise, training tools for new LAGs, thematic meetings dedicated to cooperation, to present rules on the implementation of cooperation in the different member states, etc.).

9.3.5. Structures needed to run the network activities:

9.3.5.1. for the primary list of members and LRN structure please see *Annex 3*.

9.3.5.2. a permanent secretariat (up to 5 persons) within the Ministry of Agriculture will be established. It will be responsible for LRN management and it will provide technical support to the LRN Council;

9.3.5.3. the established LRN Council will act as the coordinating body. It will consist of representatives of governmental and non-governmental institutions and organisations playing a role within rural development;

9.3.5.4. the action plan will be implemented by the Council of the LRN, the Secretariat and members divided into the sectors according to the delegated responsibilities and functions;

9.3.5.5. the final decisions on the management, implementation of the action plan, functions and responsibilities will be made after consultations among partners.

9.4. BENEFICIARIES

9.4.1. The Ministry of Agriculture.

9.4.2. Members of the LRN.

9.4.3. National paying agency under the Ministry of Agriculture.

9.4.4. Programme Leader and farmers training methodology centre.

9.5. ELIGIBLE EXPENDITURE

Eligible expenditure comprises all the expenses necessary for the achievement of overall and specific objectives. The list of eligible expenditure will be provided in the implementation rules of this measure.

9.6. AID INTENSITY

Support shall cover up to 100 per cent of the total amount of the eligible expenditure.

10. RESPONSIBLE INSTITUTIONS

The Ministry of Agriculture

11. FINANCING

Funding over the period of 2007–2013 (in current prices)

Year	Public expenditure		EU funding		LR funding	
	EUR	pct	EUR	pct	EUR	pct
2007–2013	92.979.200	100	69.734.400	75*	23.244.800	25*

	Breakdown of funds	Percentage	Funds	
			Total	EU funding (75 pct)
1.	Support for the preparation, management, supervision and control of the programme	55	51.138.560	38.353.920
2.	Information and publicity	35	32.542.720	24.407.040
3.	Establishment and activity of the Lithuanian Rural Network	10	9.297.920	6.973.440
	Total	100 %	92.979.200	69.734.400

12. QUANTIFIED TARGETS FOR COMMUNITY COMMON INDICATORS

12.1. The impact assessment of the Activity 1 „**Support for the preparation, management, monitoring and control of the programme**” shall be implemented using the following indicators:

12.1.1. the number of new jobs created – 130;

12.1.2. the number of technical, computer and programming equipment needed for implementation and administration of the Programme - 1000;

12.1.3. the number of studies and researches - 100;

12.1.4. organizational activities of the Monitoring Committee of the Programme and other activities of sub-committees, etc. – 50;

12.1.5. hiring of experts – 20;

12.1.6. organizing of audit activities and checks on spot – 15 000 per year.

12.2. The impact assessment of the Activity 2 „**Information and publicity**” shall be implemented using the following indicators:

12.2.1. the number of seminars, conferences, trainings and other publicity and information events and the number of participants in them – 500 per year;

12.2.2. the number of publications on media – 1000 per year;

12.2.3. the statistic data on visiting activity of the specialized web sites/web pages – 5000 per year;

12.2.6. the number of studies and researches - 7.