



**RURAL DEVELOPMENT PROGRAMME OF THE  
CZECH REPUBLIC FOR 2007 - 2013**

**Prague, January 2007**

*Prepared in accordance with Council Regulation (EC) No. 1698/2005, on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (hereinafter just the Regulation for rural support), Council Regulation (EC) No. 1290/2005, on the financing of the common agricultural policy, and Commission Decision No. 2006/144/EC, on Community strategic guidelines for rural development (programming period 2007 to 2013).*

*Guarantor and coordinator: Ministry of Agriculture, VÚZE Prague*

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## LIST OF ABBREVIATIONS USED

a. s.	joint stock company
a.l.	arable land
a.l.	agricultural land
AEM	agri-environmental measures
AFT	agrarian foreign trade
ALF	Agricultural Land Fund
ANCLP CR	Agency for Nature Conservation and Landscape Protection Czech Republic
APP	agricultural producer prices
AWMA	Agricultural Water Management Authority
BAT	Best Available Techniques
BRC	British Retail Consortium
c.p	current price
VSEU	valuated soil-ecological unit
CAP	Common Agricultural Policy
CC	Candidate Countries
CF	Cohesion Fund
CHMI	Czech Hydrological and Meteorological Institute
CLC	comprehensive land consolidation
KM	cultural monument
CMGDB	Czech-Moravian Guarantee and Development Bank
CNC	Czech National Council
CPAH	census for population, apartments and houses
CSN	Czech State Norm
CSO	Czech Statistical Office
COSMC	Czech Office for Surveying, Mapping and Cadastre
CWMMP	cows without market milk production
DCM	digital cadastral map
EAFRD	European Agricultural Fund for Rural Development
EAGF	European Agricultural Guarantee Fund
EAGGF	European Agricultural Guidance and Guarantee Fund
EC	European Commission
EC	European Community
ECCP	European Climate Change Programme
ECEAT	European Centre for Eco Agro Tourism
EEC UN	Convention on Long-Range Transboundary Air Pollution
CLRTAP	
EFF	European Fisheries Fund
EN	European Norm
ERDF	European Regional Development Fund
ESF	European Social Fund
EU 12	European Union until 1994 (Belgium, Denmark, Germany, Spain, France, Great Britain, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal)
EU or EU 15	European Union after 1994 (joining of Austria, Finland, Sweden)
EUR	Euro = the common currency of the European Currency Union (valid since 1 January 1999)
EUROSTAT	European Statistical Centre
FADN	Farm Accountancy Data Network
FFFSG	Farming and Forestry Fund Support Guaranty
FSC	Forest Stewardship Council
FSO	Federal Statistical Office
GA CR	Grant Agency Czech Republic
GAP	gross agricultural production
GAV	gross added value
GDP	gross domestic product

GMO	genetically modified organisms
GO	Government Order
HACCP	Hazard Analysis Critical Control Points system
HRDP	Horizontal Rural Development Plan
IAFI	Office of agricultural and food information
LU	Livestock unit
HVZ	historical village zone
HVR	historical village reservation
ICEA	Industrial Classification of Economic Activities
IFM	Institute of forest management
IFS	International Food Standard
IOA	Inspection of organic agriculture
IOS	Inspection on site
IPPC	Integrated Pollution Prevention and Control
ISO	International Standards Organization
ISU	identification size unit
IT CR	international trade of the Czech Republic
LAG	Local Action Group
LDPFF	Lands designated to perform the function of forests
LEADER	Liason entre les actions de développement économique rural (Relationships between rural development events) - name of initiative of EU 1991-2006 and Axis IV
LF CR	Land Fund of the Czech Republic
LFA	Less Favoured Areas
LP	legal persons
LP	livestock production
LPIS	Land Parcel Information System
MA CR	Ministry of Agriculture of the Czech Republic
MERO	metylester of oilseed rape oil
MF CR	Ministry of Finance of the Czech Republic
MGTA	Main German Trade Association
micro-region	territory of associated municipalities
MIT CR	Ministry of Industry and Trade of the Czech Republic
MoE CR	Ministry of the Environment of the Czech Republic
MPP	means for the protection of plants
MRD CR	Ministry for Regional Development of the Czech Republic
MW	Megawatt
NE	national economy
NCM	national cultural monument
NM	natural monuments
NNM	national nature monuments
NNR	national nature reserve
NP	national park
NSPRD	National Strategic Plan for Rural Development of the CR for 2007 - 2013
NUTS	Nomenclature des unités territoriales statistiques (territorial statistical units)
NVA	nitrogen vulnerable areas
OECD	Organization for Economic Cooperation and Development
OF	organic farming
OL	ownership list
OP	Operational Programme of Rural Development and Multifunctional Agriculture
PDWSRA	plan for the development of waterworks and sewage of regional areas
PEFC	Programme for the Endorsement of Forest Certification
PF	private farmer
PFM	professional forest manager
NPA	nature conservation authority
PG	permanent grasslands
PIOS	Physical inspection on site

FNAV/AWU	Farm net added value/annual working unit
NP	natural persons
PLA	protected landscape area
IACS	Integrated administrative and control system
PP	plant production
PPA	Particularly protected area
PP s.p.	Podniky Povodí state enterprise (Watershed enterprises)
NR	natural reserve
PSD	permanently sustainable development
RASFF	Rapid Alert System for Food and Feed
RES	renewable energy sources
RGT	rapid growth trees
RIASC	Research Institute of Ameliorations and Soil Conservation
RRP	Rural Renewal Programme
s.r.o	company with limited liability
SAA	summary agricultural account
SAIF	State Agricultural Intervention Fund – Recognized Payment Agency
SAPARD	Special Accession Programme for Agriculture and Rural Development
SAPS	single area payments scheme
SPA	State Phytosanitary Administration
SPA	specially protected areas
SWOT	SWOT Analysis – Strengths, Weaknesses, Opportunities, Threats
TGM WRI	T.G. Masaryk Water Research Institute
VAT	value added tax
AERI	Agricultural Economics Research Institute
WFD	Water Framework Directive 2000/60/EC
AA - LO	agricultural agency – land office
WW	wastewater

## DEFINITIONS

- “Convergence Objective”**: the objective of the initiative for the least developed member states and regions in accordance with the legal regulations of the Union governing the European Regional Development Fund (hereinafter “ERDF”), the European Social Fund (hereinafter “ESF”) and the Cohesion Fund during the period from 1 January 2007 to 31 December 2013;
- “Measure”**: a set of operations helping the implementation of the Axis, as described in Art. 4 Para. 2 of Council Directive (EC) No.1698/2005;
- “Operation”**: project, contract, agreement or other initiative selected according to the criteria set for the individual Rural Development Programme and conducted by one or more beneficiaries, enabling the reaching of the goals set in Art. 4 of the Council Regulation (according to Art. 2 of Council Regulation (EC) 1698/2005);
- “Axis”**: unified group of measures with specific goals deriving directly from their conduct and contribution to the fulfilment of one or more goals set in Art. 4 of the Council Regulation (according to Art. 2 of Council Regulation (EC) 1698/2005);
- “Programming”**: organisational process leading to the acceptance of decisions and the financing in several phases, intended for a longer term conduct of the Union and Member States initiatives intended for the reaching of priority goals of EAFRD;
- “Beneficiary”**: business entity, institution or a company, governmental or privately owned, responsible for the conduct of the operations or receiving the aid;
- “Region”**: a territorial unit corresponding to level 1 or 2 of the territorial statistical units classification (level NUTS 1 and 2) in the spirit of the European Parliament and Council Directive (EC) no. 1059/2003 of the day of 26 May 2003 on the implementation of common classification of territorial statistical units (NUTS) <sup>1</sup>;
- “Common Framework for Monitoring and Analysis”**: common approach prepared by the Commission and the Member States setting limited number of common indicators describing initial situation, financing, output, results and the impact of the programmes;
- “Regional Development Strategy”**: unified set of operations, serving for the fulfilment of the regional goals and needs, conducted within the framework of the partnership on the appropriate level;
- “Public Expenditure”**: any contribution from public funds for the financing of operations originating from the budget of public entities or associations of one or more regional or local institutions or public entities in the spirit of Regulation of the European Parliament and Council 2004/18/EC, of 31 March 2004 on coordination of assigning procedures of public contracts for building work, supplies and services<sup>2</sup>, is regarded as a contribution from public sources.

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<sup>1</sup> *Official Bulletin L 154, 21.6.2003, s. 1.*

<sup>2</sup> *Official Bulletin L 134, 30.4.2004, s. 114.*

## **INTRODUCTION**

The Rural Development Programme of the Czech Republic for the period from 2007 to 2013 proceeds from the National Strategic Plan of Rural Development. It was prepared in accordance with Council Regulation (EC) No. 1698/2005 and operating guidelines of the above-stated standard.

The Rural Development Programme, which ensures the operation of the European Agricultural Fund for Rural Development, more closely specified in accordance with Council Regulation (EC) 1698/2005 Art. 15, of the strategy in the individual axes determined by the National Strategic Rural Development Plan on the operational level and thus ensures its effective realisation.

Rural Development Programme measures will assist in achieving goals of the Lisbon Strategy in all its areas:

- Society based on knowledge
- Home market and business environment
- Labour market
- Sustainable development

Göteborg Conference is reflected in Programme during implementation of measures for sustainable systems of farm management and support of measures which create sustainable jobs.

The existence and the realisation of the Rural Development Programme of the Czech Republic will assist in achieving the goals set by the National Strategic Rural Development Plan, i.e. the development of the rural areas of the Czech Republic according to the principals of sustainable development, environmental protection and reducing the negative impact of intensive agriculture. The programme will further create conditions for the competitiveness of the Czech Republic in basic food commodities. The Programme will also support and expand the diversification of economic activities in the countryside, with the goal of developing entrepreneurship, creating new jobs, lowering the unemployment rate in the countryside and strengthening the cohesion of the rural population.

The Programme, which will be approved by the Czech government, will encompass the territory of the Czech Republic and it will set the rural development policy in the Czech Republic for the period of 2007 - 2013.

1. **NAME OF RURAL DEVELOPMENT PROGRAMME**  
**RURAL DEVELOPMENT PROGRAMME**  
OF THE CZECH REPUBLIC FOR 2007 - 2013



## **2. MEMBER STATE AND ADMINISTRATIVE REGION**

### **CZECH REPUBLIC**

THE CONVERGENCE REGION IS THE ENTIRE TERRITORY OF THE CZECH REPUBLIC EXCEPT THE CAPITAL OF PRAGUE

### 3. ANALYSIS OF THE STRENGTHS AND WEAKNESSES OF THE SITUATION, CHOSEN STRATEGY FOR THEIR RESOLUTION AND EVALUATION EX ANTE

#### 3.1 *Analysis of the situation in terms of strengths and weakness*

##### **General socio-economic characteristics**

The Czech Republic is a Central European country with an area of 78,860 km<sup>2</sup> and with 10.2 million of inhabitants. To the east and northeast it borders on the Slovak and Polish Republics, to the south on Austria and its longest border to the northwest and southwest is with Germany. Out of its total area, only 39% is at a height under 400 meters below sea level. In the European context it has the character of mountain to foothill regions.

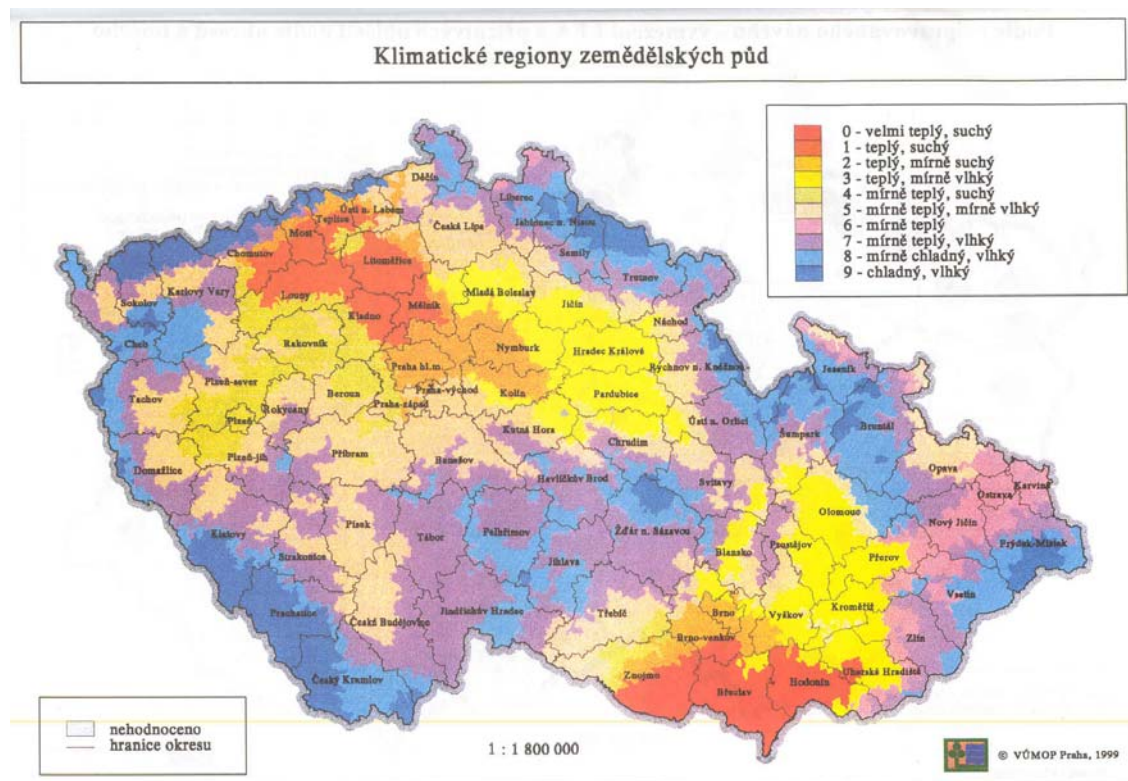
##### **Position of the Czech Republic in Europe**



The climate of the Czech Republic is distinguished by the mutual interaction of oceanic and continental influences. It is characterised by prevailing western wind streams and intensive cyclonic influence, which causes frequent weather changes and relatively ample precipitation. The country's hilly landscape also has a strong influence on the climate of the Czech Republic.

The territory of the Czech Republic was divided into individual climatic regions on the basis of approximately identical climatic conditions, advantageous for the growth and development of agricultural crops. Their distribution around the territory of the Czech Republic is depicted in the following map.

## Climatic Regions of the Czech Republic



Key:

Climatic Regions of Agricultural Soils

0 – very warm, dry

1 – warm, dry

2 – warm, moderately dry

3 – warm, moderately wet

4 – moderately warm, dry

5 – moderately warm, moderately wet

6 – moderately warm

7 – moderately warm, wet

8 – moderately cold, wet

9 – cold, wet

Administratively, the Czech Republic is divided into 14 self-governing counties (on the level of NUTS 3). The population and size criteria for the delimiting of cohesion regions are fulfilled by eight regions of NUTS 2 level.

### Regiony soudržnosti NUTS2 v rozdělení na okresy NUTS4

Klasifikace CZ-NUTS - od 1. 5. 2004  
dle Sdělení 228/2004 Sb.

CZ0 Česká republika  
CZ01 Praha  
□ CZ010 Hl. m. Praha

#### CZ02 Střední Čechy

CZ0201 Benešov  
CZ0202 Beroun  
CZ0203 Kladno  
CZ0204 Kolín  
CZ0205 Kutná Hora  
CZ0206 Mělník  
CZ0207 Mladá Boleslav  
CZ0208 Hymburk  
CZ0209 Praha-východ  
CZ020A Praha-západ  
CZ020B Příbram  
CZ020C Rakovník

#### CZ03 Jihozápad

CZ0311 České Budějovice  
CZ0312 Český Krumlov  
CZ0313 Jindřichův Hradec  
CZ0314 Písek  
CZ0315 Prácheň  
CZ0316 Strakonice  
CZ0317 Tábor  
CZ0321 Domažlice  
CZ0322 Klatovy  
CZ0323 Píseň-město  
CZ0324 Píseň-jih  
CZ0325 Píseň-sever  
CZ0326 Rokycany  
CZ0327 Tachov

#### CZ04 Severozápad

CZ0411 Chab  
CZ0412 Karlovy Vary  
CZ0413 Sokolov  
CZ0421 Dáčen  
CZ0422 Chomutov  
CZ0423 Litoměřice  
CZ0424 Louny  
CZ0426 Most  
CZ0428 Teplice  
CZ0427 Ústí nad Labem

#### CZ06 Jihovýchod

CZ0611 Havlíčkův Brod  
CZ0612 Jihlava  
CZ0613 Pelhřimov  
CZ0614 Třebíč  
CZ0615 Žďár nad Sázavou  
CZ0621 Blansko  
CZ0622 Brno-město  
CZ0623 Brno-venkov  
CZ0624 Břeclav  
CZ0625 Hodonín  
CZ0626 Vyškov  
CZ0627 Znojmo

#### CZ05 Severovýchod

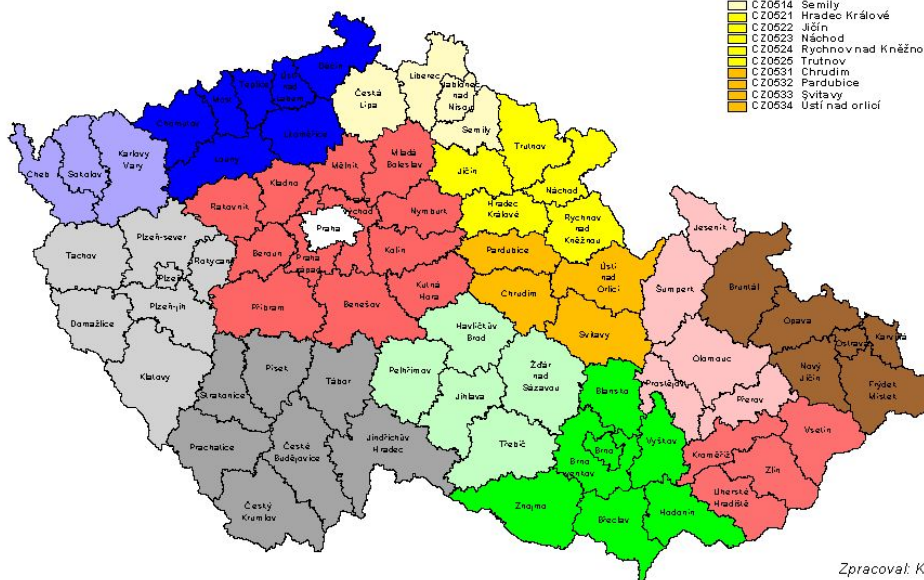
CZ0511 Česká Lípa  
CZ0512 Jablonce nad Nisou  
CZ0513 Liberec  
CZ0514 Semily  
CZ0521 Hradec Králové  
CZ0522 Jičín  
CZ0523 Náchod  
CZ0524 Rychnov nad Kněžnou  
CZ0525 Trutnov  
CZ0531 Chrudim  
CZ0532 Pardubice  
CZ0533 Svítav  
CZ0534 Ústí nad orlicí

#### CZ07 Střední Morava

CZ0711 Jeseník  
CZ0712 Olomouc  
CZ0713 Prostějov  
CZ0714 Šternov  
CZ0715 Šumperk  
CZ0721 Kroměříž  
CZ0722 Uherské Hradiště  
CZ0723 Veselí  
CZ0724 Zlín

#### CZ08 Moravskoslezsko

CZ0801 Bruntál  
CZ0802 Frýdek-Místek  
CZ0803 Karviná  
CZ0804 Nový Jičín  
CZ0805 Opava  
CZ0806 Ostrava-město



Zpracoval: Kleinertová VÚZE, červen 2005

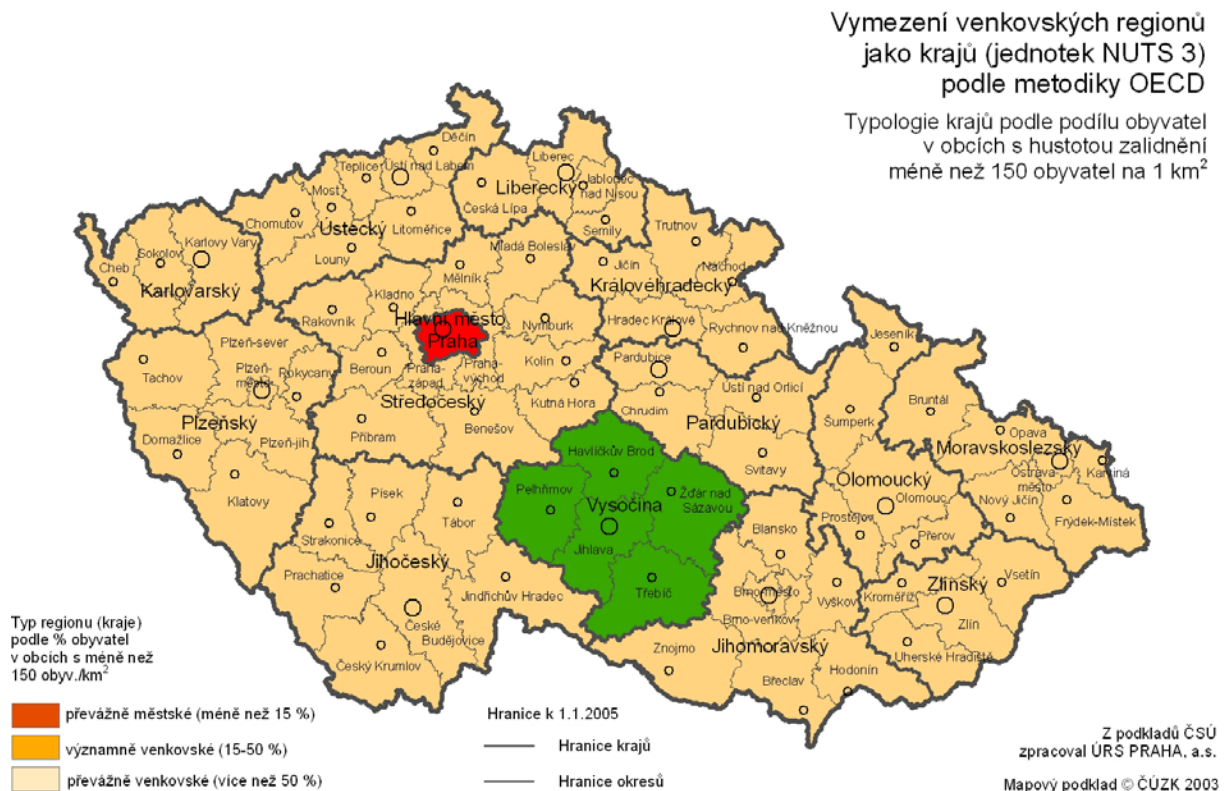
Key:

Cohesion Regions NUTS 3

Divided to Districts NUTS 4

For the classification of rural regions the European Union uses the OECD methodology based on the criterion of calculated population density. According to this method the NUTS 3 regions can be divided into three types.

- predominantly rural regions – more than 50% of the population living in rural communities (for this purpose defined as communities with fewer than 150 inhabitants per 1 km<sup>2</sup>),
- significantly rural regions – 15 to 50% of the population living in rural communities ,
- predominantly urban regions – less then 15% of the population living in rural communities.



### Key:

Distribution of Rural Regions as NUTS 3 Units according to the OECD guidelines

Regional typology according to the population share in towns with population density less than 150 inhabitants per 1km<sup>2</sup>

Predominantly urban (less than 15%)

Significantly rural (15 – 20%)

Predominantly rural (more than 50%)

In significantly and predominantly rural regions in the Czech Republic there are 9,050,006 inhabitants, which constitutes 88.6% of the Czech population and they cover 78,370 km<sup>2</sup>, which is 99.4% of the territory of the Czech Republic.

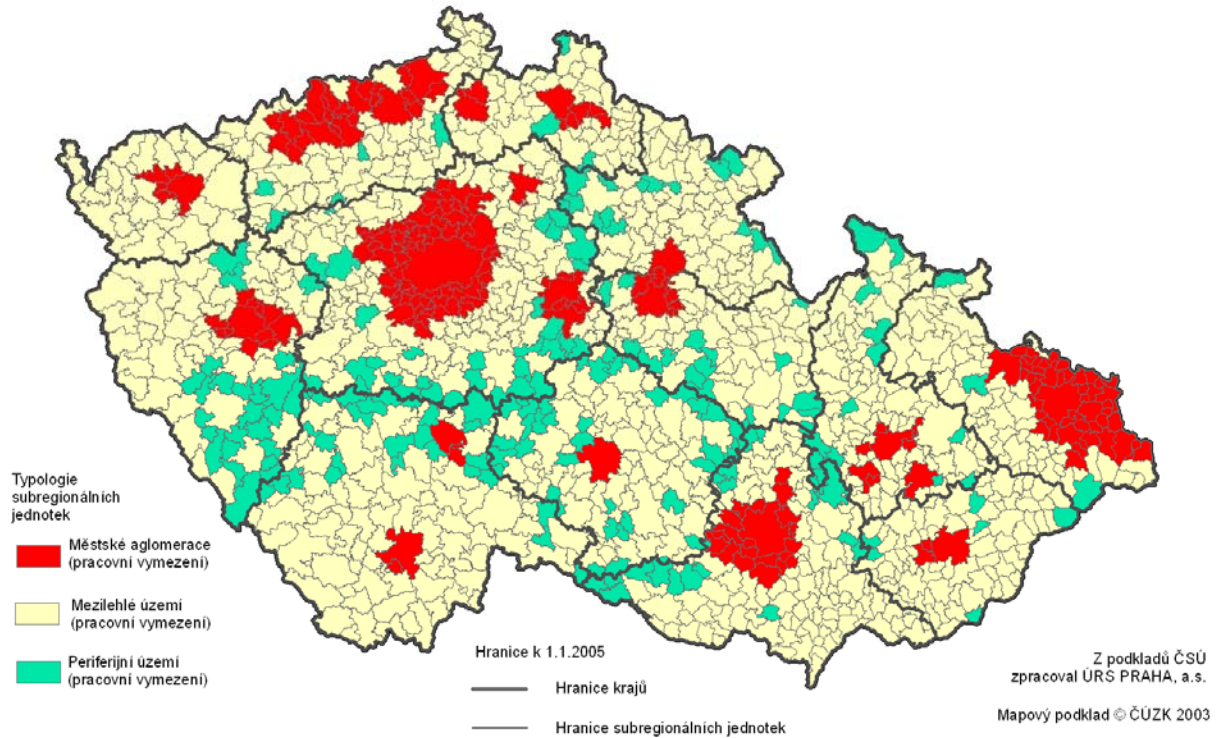
The statistical limit, commonly used in the Czech Republic for determining rural municipalities, is 2,000 residents. Municipalities with fewer than 2,000 residents are considered rural in our conditions. On the other hand there are typical rural municipalities, which have more residents and thus according to this criterion do not fall into the rural municipality category, but they are still not towns (mostly in southern Moravia and the Ostrava Region). At 1 January 2005, there were 166 “non-urban” municipalities with more than 2,000 residents and two “non-urban” municipalities with more than 5,000 residents.

Therefore there are 5,612 municipalities that fall into the rural category which constitutes 89.82% of all municipalities. Rural municipalities govern an area which constitutes 73.6% of the area of the Czech Republic. However, only one quarter of the population (26.3%), which is 2,690 thousand residents lived there at 1 January 2005.

Rural areas in the Czech Republic are to be distinguished as suburban, intermediate, and remote ones. At present, an unambiguously adopted definition of the above types does not exist. This is connected, in particular, with the fact that, in order to make the identification thereof, we must use a lower territorial unit than are the regions (14 NUTS III units) or districts (in total, 77 units at NUTS IV level), or even the administration districts of municipalities with enlarged operation (206 units) or municipalities with delegated municipal offices (394 units). The individual municipalities (6 248 units) are, in contrast, too diverse, so that the most convenient detail level is small subregional units (cca 1 000 – 1 300 units) representing, in principle, municipalities with the basic facility equipment (school, post office, medical centre) and their nearest catchment areas. By means of the units defined in that way, it is in consequence possible to define more coherent lands of three types. The suburban rural areas can be considered to be the rural municipalities in the framework of urban agglomerations, or closely delimited urbanized areas (with more than 50 000 inhabitants), the remote rural areas include, in particular, the so called peripheral lands, i.e., the lands with adverse social and economic characteristics of the population and settlement. Consequently, the intermediate areas include the remaining territory of the Czech Republic.

The urban agglomerations and peripheral lands were defined in the past; at present, work relating to the up-dating thereof is going on. The map shows a first working form of the above definitions, yet it will be still subject to significant adjustments.

## Typologie prostorů pro klasifikaci venkovských obcí



### Key:

Urban agglomerations

Intermediate lands

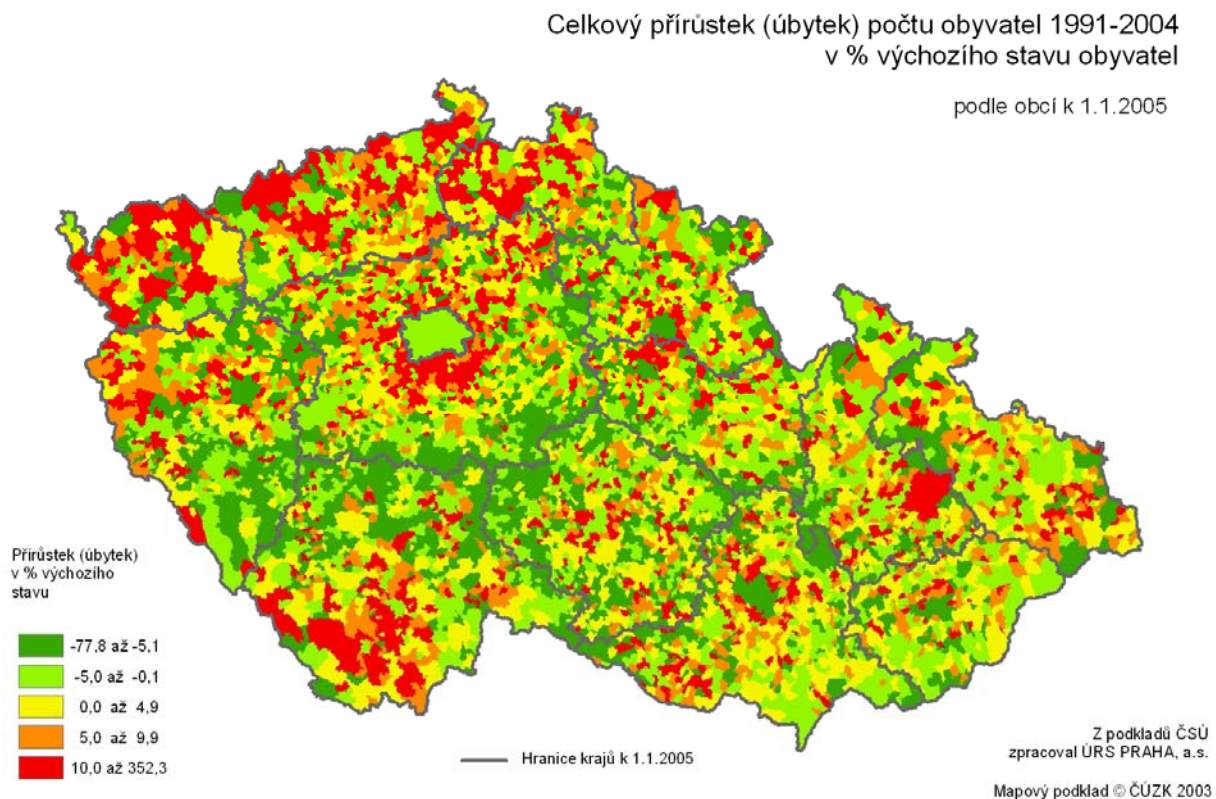
Peripheral lands

While a natural process is going on in suburban areas in transfers of housing and economic activities from towns to the surrounding rural municipalities, which process should be completed with the additional equipment of those municipalities with infrastructure, in the intermediate and remote areas it is necessary to use a whole structure of instruments for the enhancement in the diversification of activities as well as for the improvement of the quality of life, for the attractiveness of lasting housing and enterprising

From the comparison of age structure of women and men is seen higher difference only for categories of the oldest age group (65 years and more) where there are in rural regions 16.5% of women in the comparison with 11% of men from total number women/men in rural regions, in medium age group there are 68.9% of women and 72.9% of men, in the youngest group there are 14.5% of women and 16% of men.

Rural municipalities have a lower share of productive age population. The lowest share of population in productive age (66.5%) is in the smallest towns (up to 100 inhabitants) and its

increase depends on the size category of the rural municipality<sup>3</sup>. The depopulation of the countryside areas has stopped; however, this is because of the massive construction boom of single-family houses in the vicinity of large towns and the creation of dense satellite towns in these areas.



#### Key:

Growth (Decrease) of the Number of Inhabitants 1991 – 2004

In % of the initial number of inhabitants

In other areas, however, the depopulation of the countryside has not stopped. Amongst the main reasons belong the absence of services, poor accessibility of healthcare and schools, poor public transportation and the lack of basic technical infrastructure. This is also the case of the smallest municipalities (up to 200 to 500 inhabitants). The countryside is also threatened by the migration of young people to cities.

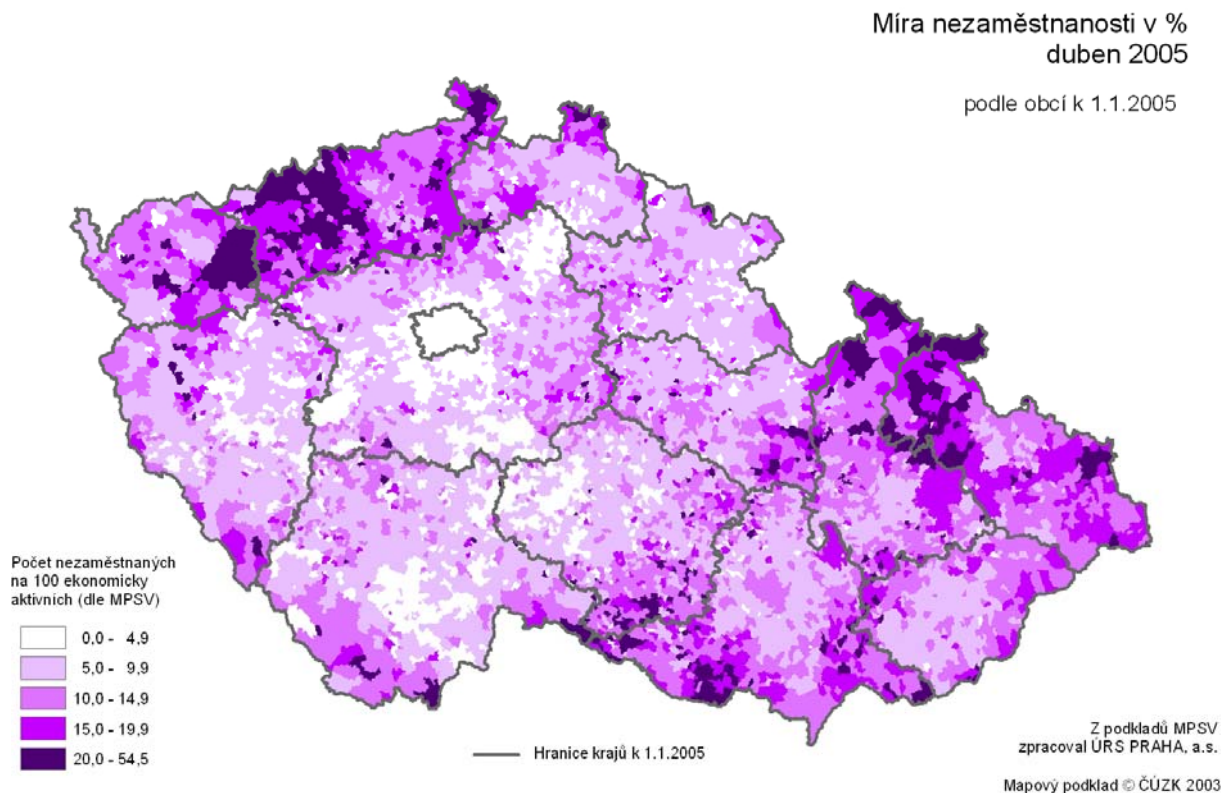
Gross added value in rural regions (according to the classification of the OECD) was in 2004 76.8% from total gross added value created in the Czech Republic. In rural regions was employed 87.2% from total number of employed inhabitants in the CR.

According to CPAH, there were over 1.3 million economically active persons in rural municipalities (according to Czech Statistical Office approximately 600 000 of self-employed

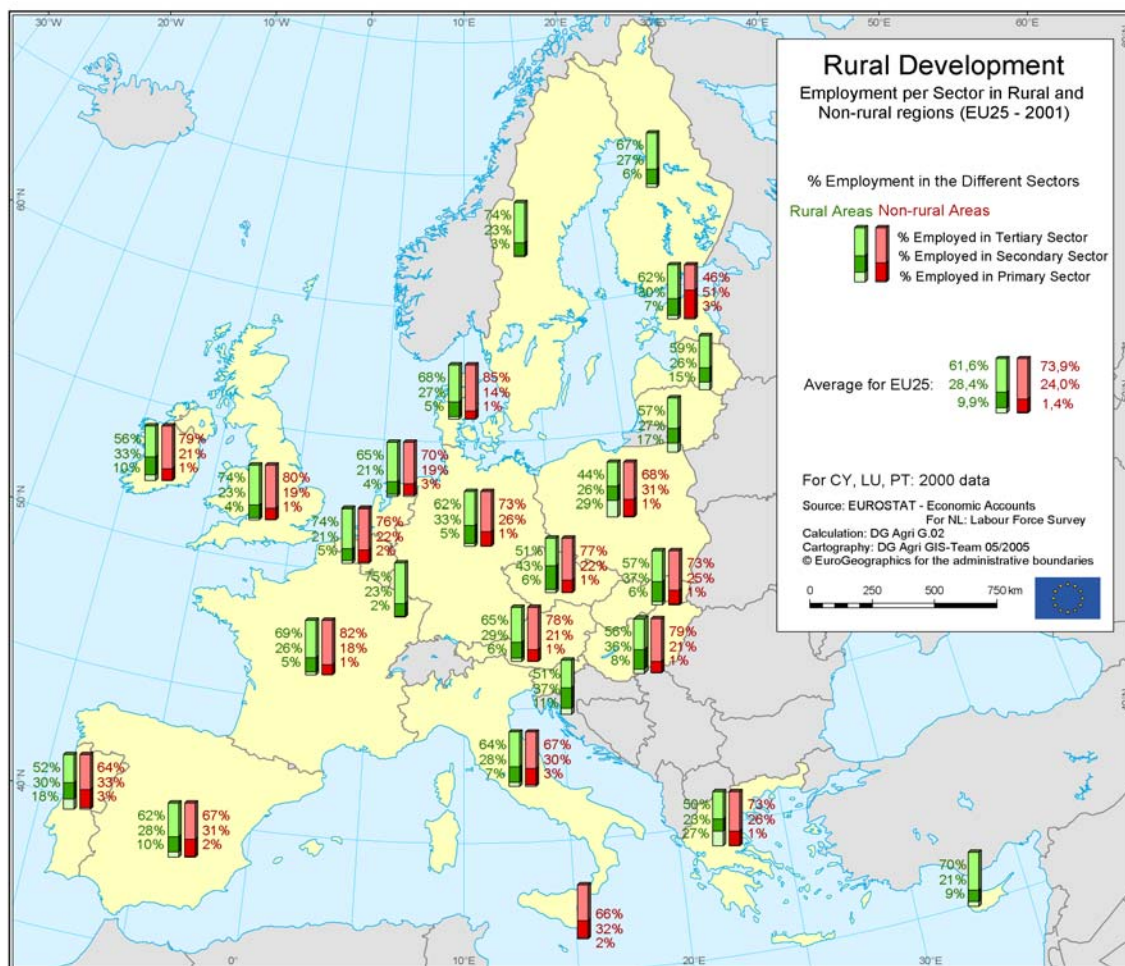
<sup>3</sup> *Small Lexicon of the Czech Republic 2004, CSO 2004.*



persons worked in rural regions in 2004). In comparison with cities, there is a lower level of economic activity in the countryside – less than one half of the inhabitants are active (49.35%) while in cities this is 52.06%. Unemployment in the country is higher and is more prevalent amongst women. There are also great differences amongst individual rural areas. The highest unemployment rate is in Moravian-Silesian Region (women 17.8%, men 11.9%), Ustecky Region (women 15.1%, men 13.9%) and also Karlovarsky Region (women 10%, men 8.6%).



## Employment per Sector in Rural and Non-rural regions

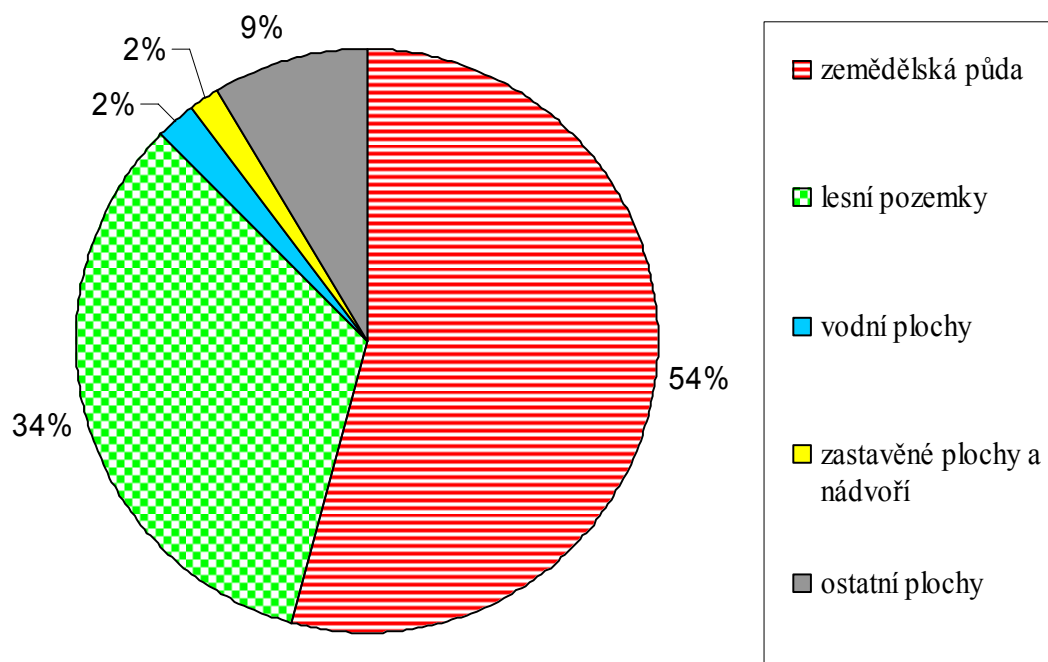


The employment rate in services for the Czech rural population is 26% less than in urban areas. At the same time the indicator set out lags behind the EU 25 by 10%. Assuming similar employment development there exists potential for its increase in particular in the services industry, where employment from the secondary sector is also shifting.

### ***The Economic Situation in the Agricultural, Forestry and Food Industry***

The Czech Republic has 4,264 ha of agricultural land (3,515 ha accordingly to the registration of the Land Parcel Information System (LPIS), September 2005), which constitutes approximately half (54%) of the state's area. There is on average 0.42 ha of agricultural land per inhabitant, of which 0.3 ha is arable land. This is approximately the European average. More than one third of the Land Fund of the Czech Republic is forest land.

## Land Resources Structure



(Source: The Annual Statistical Publication of the Land Fund, Czech Office for Surveying, Mapping and Cadastre (COSMC) – data valid 31 December 2005)

### Key:

Agricultural land -54%

Forest land - 34%

Water surface areas - 2%

Built-up areas – 2%

Other areas – 9%

Since 1995, the area of agricultural land decreased by 15 thousand ha but on the other hand the area of forest land increased by 16 thousand ha.

The amount of arable land has been steadily decreasing during the last ten years and in contrast the area of land evidenced in the land registry as permanent grassland increased by 71 thousand ha. One half of the Land Resources is located in less favoured areas (LFA). Most of the agricultural land is in the ownership of natural and legal persons. The state owns 599.7 thousand ha of agricultural land (at 31 December 2004), which is leased by the Land Fund of the Czech Republic. Large fragmentation of the land ownership and a large share of leased land (90%) by a

large number of holders is a certain hurdle limiting the development of agricultural land enterprise. Basic condition of the adjustment of titles to land is resolution of land consolidations. Detail analysis of needs is introduced in the Appendices to the National Strategic Plan.

The number of people employed in agriculture decreased in 2004 to approximately 141 thousand<sup>4</sup>, which constitutes an annual decrease of 4.7% of agricultural jobs. The share of agricultural jobs in the employment structure of the national economy<sup>5</sup> decreased to 3.8%. The support of establishment of new and development of existing non-agricultural enterprises of smallest size – micro-enterprises<sup>6</sup> including new trades in the area of production, processing and services without limitations for the sector, especially in the field of crafts and services for economy and inhabitants will serve particularly for achieving of goals of the Lisbon Strategy. Social structure and social rural capital together with the structure of built-up areas offer significant potential for diversification of activities (available labour, unused buildings, experience with complementary production).

The level of agriculture wages significantly lags behind the average – in 2004 it was by 28 percentage points compared to the average nominal wage in the national economy. The level of real wages in this industry keeps lagging by 10 percentage points behind the average reached in 1989.

The share of agriculture and forestry (agriculture and forestry create together the sector in the framework of Sector Classification of Economic Activities) on the gross added value in the national economy decreased significantly in the past ten years and it nears the averages of the EU 15 (in 1995 the share of gross added value was 4.6%, in 2003 3.1%).

The company size structure differs significantly from that of the companies in the EU 25. Companies with more than 50 ha of agricultural land comprise 92.2% of the total area of managed land. Average area of the land managed by agriculture enterprise was in 2004 21 ha.

Economic results in agriculture are relatively stabile (see table 2.3.3. in appendices to the National Strategic Plan). Debt ratio is decreasing. An interest in agriculture credit and enlargement of credit possibilities for farmers increase.

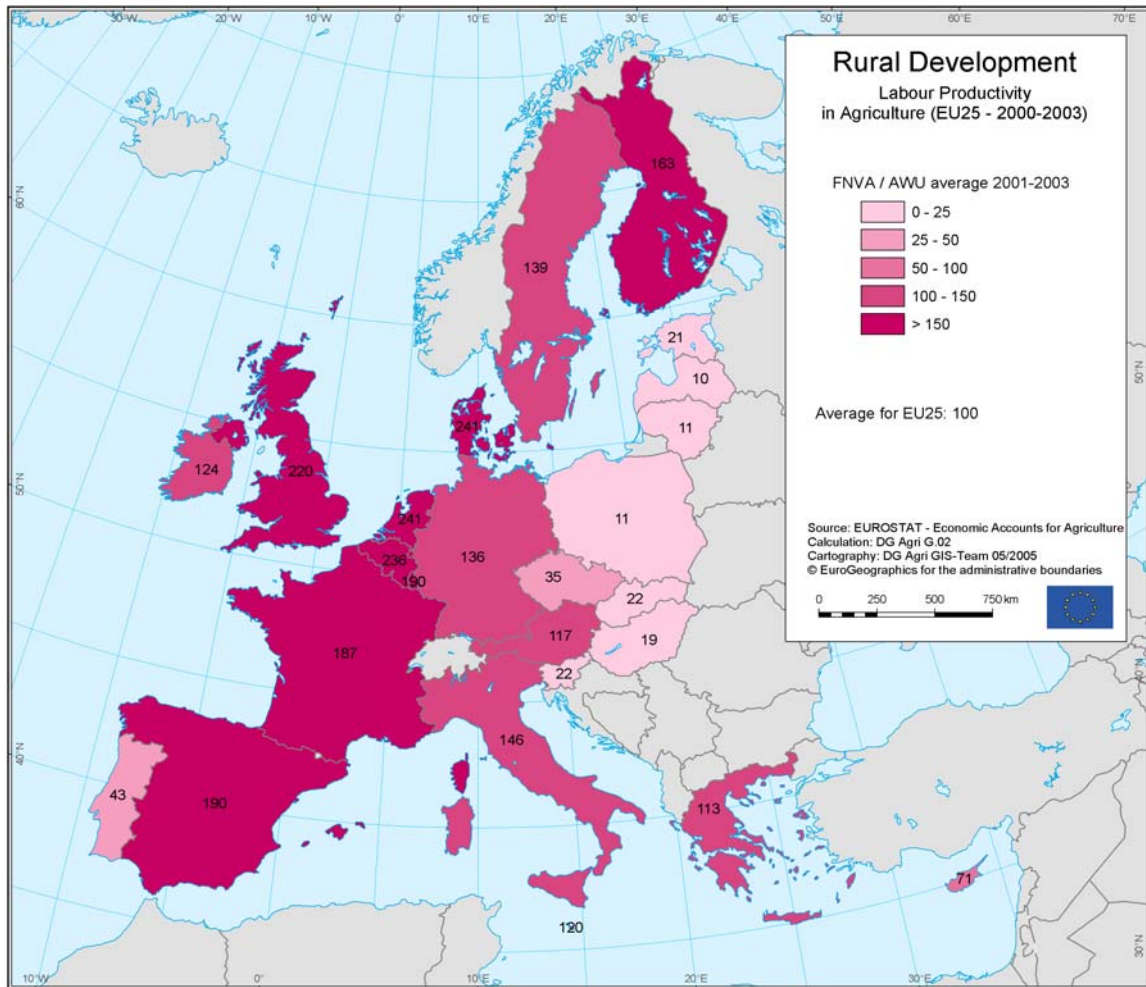
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<sup>4</sup> *The average amount of registered workers in primary agriculture production, without connected services and hunting, VÚZE preliminary data.*

<sup>5</sup> *Source: The registered amount of workers and their wages in the Czech Republic in 1<sup>st</sup> to 4<sup>th</sup> quarters of 2003, 2004, ČSÚ 2004, 2005.*

<sup>6</sup> *Commission Recommendation 2003/361/EC concerning the definition of micro, small and medium-sized enterprises. A micro-enterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.*

## Agricultural Labour Productivity in EU 25



(Note: FNVA/AWU – farm net value added/annual working unit)

From observing the comparison of work productivity within the EU states it is apparent that there is a significant difference between the old and the new Member States as well as low level of productivity in the Czech Republic, even though it is the highest amongst the new member states. A similar situation is in the food industry, which also requires an increase in work productivity.

Material and equipment base in agriculture lags behind, most significantly in equipment and technologies for the fulfilling the set requirements, most importantly in the area of animal welfare, elimination of negative impact of agricultural production on the nature and the creation of more attractive living environment in the countryside. Detail analysis of technical equipment state is introduced in Chapter 2.3.6 of Appendix to the National Strategic Plan.

Education level of agricultural workers, even despite gradual improvement, is still significantly lower than in other sectors of the national economy. A slow rate of improvement of the agricultural equipment in the combination with low work productivity and low education level of

the agricultural workers is most likely the most significant barrier of Czech agriculture's ability to compete.

Concerning a consultancy in the agriculture, consulting services are provided by private consultants who are introduced in the Ministry of Agriculture's consultants register. The Ministry of Agriculture delegated a part of its competences during securing an operation of consulting system to the Institute of Agricultural and Food Activities which is responsible for preparation, processing and implementation of consultancy methodologies and preparation and accreditation of consultants. The scope and content of consultancy services issued from the Council Regulation No. 1782/2003 and 1698/2005 and the National Council for Consultancy in the Agriculture and rural Areas, composed from representatives of professional departments of the Ministry of Agriculture, non-governmental organisations, research institutes and schools. Particular elements of agriculture consultancy system, their role and position are stipulated by the Conception of Agriculture Consultancy of the MoA for 2004-2010, Ref. no. 2160/2004-3020 of the 5<sup>th</sup> February 2004. Realising information on agriculture consultancy system, used standards and methodologies through Regional Information Centres is laid down in this conception.

With the accession of the Czech Republic to the EU the trend of consumer demand for a selection of food products with a higher added value and quality in higher relative prices is continuing. Therefore important factors in increasing quality in this area are the support of research, innovation and new technologies, receipt of quality marks, ensuring product trademarks, organic food certification, publicity of products and the systematic training of workers of all levels.

In agrarian exports the commodities milk, live animals, grain and sugar have established themselves. Their export is not, however, promising for the Czech Republic due to the low degree of finalisation of these commodities and the "one-off" nature of their export. Besides these commodities, beer, malt, hops, confections, dairy products, eggs and honey, bakery goods and food additives have a significant share of Czech agrarian export.

For many years in the wood-processing industry a decrease in the demand of raw wood occurred, with an accompanying decrease in prices thereof. In 2005 as a result of a number of investments in new wood-processing facilities there occurred a reverse in this unfavourable trend, which exhibited itself in an increased demand, particularly for coniferous roundlogs and pulp and in increased revenue from sales of wood. An increased growth dynamic is occurring, not only in production indicators but also in labour productivity. Actual forest management with its share of 0.6% of GDP represents a base for the creation of 5 – 6% GDP in related fields.

### ***Overall situation in the environment***

Farming is one of the most significant factors influencing biodiversity in the Czech Republic. Agriculturally managed ecosystems contain important elements of biological diversity important for ensuring food production, ecosystem functioning and a safe life. Sustainable usage is the presupposition for maintaining biodiversity in agricultural ecosystems.

Due to the marked contribution of unsuitable technological procedures there remains a large amount of soils threatened by degradation in the Czech Republic. From the agricultural standpoint soil degradation is understood to be loss of the production functions. From the ecological, environmental standpoint soil degradation is understood to be a loss of its ability to meet its natural functions. From both standpoints the most significant is the loss of all of its

functions by its development i.e. permanent destruction. The general causes of soil degradation, invoked by man, stem primarily from insensitive usage and unsuitable farming methods. In the usual conditions in the Czech Republic (CR) six basic types of degradation threatening agricultural or forestry land usage can be observed. These are water and wind erosion, debasification and acidification, physical degradation (degradation of the soil structure, compaction) degradation through pollution and contamination, loss of organic matter (humus) and biological degradation. The problem is that often individual causes of degradation combine and take place at the same time.

By far the most serious is water erosion. In the CR more than half of the agricultural land is potentially threatened by water erosion. The extent of the actual water erosion cannot be determined precisely, however experts from the Research Institute of Ameliorations and Soil Conservation Prague (VÚMOP) estimate that roughly 1.4 million ha of agricultural land is damaged. Erosion damages are primarily caused by storm rainfalls, which, according to recent research, is showing a faintly increasing trend and a slight shift to the autumn months whilst the overall annual precipitation remains the same, even though it cannot be stated that this is a permanent trend.

Wind erosion in the CR potentially threatens 7.5% of the agricultural land. Marked damages are annually recorded in the drier and warmer climatic areas on light soils (the Polabi area and Southern Moravia). Likewise heavy clay soils are threatened. They suffer a breakdown of their structure after the winter freeze and during the spring drying winds, when, as a rule, the soil's protection by vegetation is at a minimum leading to it being easily translocated.

Debasification and acidification is not presently a fundamental problem, even though, with regards to the restrictions on soil liming, it is looming on the horizon. The fall in humus, biological degradation and vulnerability of soils by compaction are usually caused by unsuitable management (not adhering to sowing procedures, using heavy machinery). These types of degradation are increasing slowly; nevertheless the state of agricultural soils in the CR is continually worsening.

The territory of the Czech Republic features great landscape diversity and a high level of habitat diversity. Agriculture markedly contributed to increasing this in the past. In the last fifty years, thanks to changes in technology, agriculture was the main cause in the loss of rural landscape diversity. The greatest drop in species diversity occurred in the agriculturally productive areas with strong disturbances to the landscape structure and a large consumption of agricultural chemicals. Fields were consolidated into large soil blocks (average field size increased from 0.23 ha in 1948 to roughly 20 ha at present), which often had little respect for the terrain's relief. These measures resulted in considerably disturbing the runoff relations, water pollution and soil degradation. These steps gradually started the process of the soil losing its natural fertility, a sharp reduction in the landscape's water retention abilities, a decrease in biological diversity, lowering the number of those species bound to the agricultural landscape and a fall in eco-stabilisation landscape elements.

The small number of habitats for wild plant species and shelters, or food bases, for wildlife has a negative impact on today's agricultural landscape. A characteristic example is the fall in species dependent on small areas of diffuse greenery, field edges and generally less intense farming (for instance the partridge and the hare). The main reason for the falling number of species in the agricultural landscape can be determined by the lack of food in season and during hibernation,

the lack of shelters and the farming methods that lead to the physical destruction of nests or young individuals among birds and further a loss of those species that are dependent on habitats free of chemical pollutants.

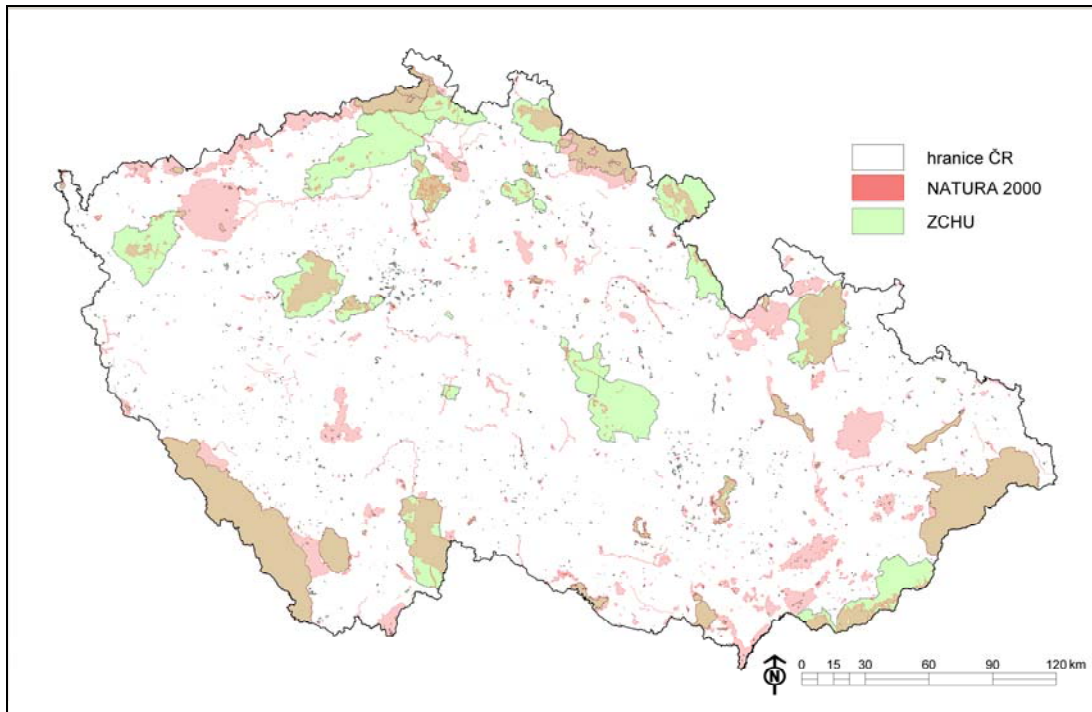
The unified large-scale farming was underwritten by a considerable threat to a number of biotopes on grasslands. It is estimated that of the overall area of grassland in the CR ca 40 000 ha is well-preserved species rich meadows and pastures (the majority in existing protected territories) and another approximately 300 000 ha that are showing certain signs of degradation (a large part in the present protected areas or in the emerging Natura 2000 network). According to Ministry of Environment estimates the amount of agricultural land resources in Natura 2000 territory is 25.6% of the total area of the Natura 2000 territory. In all 13.5% of the Czech Republic's territory falls under the Natura 2000 system. The rest of the grassland is represented by quite altered intensively managed grassland with a poor species composition. The most common cause of degradation in grassland communities is the overall eutrophication in the localities due to increased fertiliser usage. Another cause is the repeated mowing of the grasslands at roughly the same time and vegetation period, which leads to meadow communities being continuously impoverished of those herb species with a later flowering date. With regards to the strong ties that the entomofauna has with the plant community then this component of the ecosystem is also displaying a trend towards degradation. Thus meadow biodiversity gradually falls. Species that can tolerate intensive and uniform farming methods are gradually starting to predominate in these communities.

A specific part of the biotopes were damaged by a converse trend – the reduction in regular management especially with the fall in pasture or mowing. Such grassland communities subsequently succumb to the growth of woody species, the expansion of invasive species or are afforested, by which the biotopes die away. This concerns such valuable biotopes as waterlogged meadows, steppes and remote mountain and submontane species rich grasslands. All of the ecosystems mentioned are distinguished by very high biodiversity when extensively farmed.

Despite the highly negative trends mentioned here there has been a partial reduction in the intensity of disturbances to natural resources in the last decade. The considerable fall in the usage of fertilisers and plant protection preparations has meant a lesser pressure on the environment, which has been partially reflected in the slight increase in the numerousness of certain bird and mammal species. The opposite side of this tendency is a fall in the competitiveness of a number of farmers, particularly in the disadvantageous areas. For this reason almost 7% of the agricultural land is threatened by abandonment and the associated processes of degradation in the species rich parts of the agricultural ecosystem.



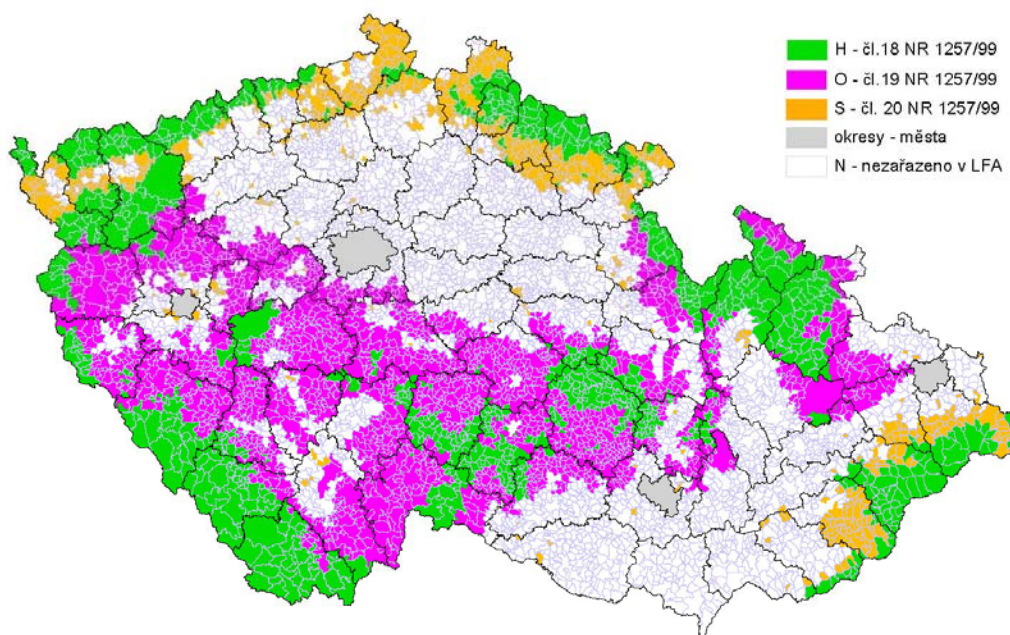
## Specially protected areas and Natura 2000 sites



According to the OECD the environment of the Czech Republic exhibits the following key facts and trends: The share of water treatment plants without consideration of treatment level is higher in comparison with most of the EU 15 countries, but the effectiveness of treatment is mostly lower; the degree of ploughing agricultural land is decreasing; the favourable trend of decreasing the share of agricultural land in favour of foresting land is very slow; the consumption of fertilisers and pesticides decreased significantly in the 1990s and is at present lower than in the EU 15 countries; the intensity of animal production rearing (LU/km<sup>2</sup>) for all species of livestock declined significantly below the level of the EU 15; the share of protected areas of the Czech Republic in connection with accession to the EU has increased since 2004; the risk status of certain wild flora and fauna continues to be unfavourable.

Less favoured areas (LFA) take up about 50% of the agricultural land resources in the CR, in the framework of the LFA 3 types of areas are defined – mountainous, where the main cause of the disadvantage is the shortened growing season as a consequence of the elevation and the high costs for farming on sloping fields. The other less favoured areas are characterised by low fertility soil and a low density of population, which is dependent on farming activities and areas with specific restrictions where there is low fertility soil in combination with the higher costs for farming as a result of steep slopes. In 2005 the proportion of land farmed organically was 6% of agricultural land (data from 2004).

## LFA pro HRDP 2004 - 2006



Organic farming is supported in the framework of agri-environmental measures proposed in the HRDP programme document. In connection with the accession of the Czech Republic to the EU a significant alteration in the amount of support for organic farming is apparent. Organic foods, however, comprise roughly only 0.07% of the volume of the overall food market in the Czech Republic.

In the Czech Republic, similarly as in other EU countries, agriculture is the main source of ammonia emissions as one of the four substances polluting the atmosphere with a global effect, for which the EU countries, not excepting the Czech Republic, have set emission ceilings. The emission ceiling set for the Czech Republic in the amount of 80 kt NH<sub>3</sub>/year 2010 corresponds to the annual emission of the agricultural sector.

Solving problems of high emissions is a part of the task of implementation of alternative energy sources and the utilisation of biochemistry. One of the strategies for dealing with the danger of climate change is the utilisation of renewable sources of energy. The most significant sources of renewable energy in the Czech Republic is biomass, intentionally grown as well as the one which is going to waste. The support for establishment of growths of fast-growing tree species for use in energy generation accordingly to the Government Regulation No. 308/2004 Coll. in the framework of the Horizontal Rural Development Plan was provided in 2004 and 2005. In the framework of this support were established 81.5 ha of fast-growing tree species growths. Higher areas of fast-growing tree species are directly dependent on the support and development of the construction of heating stations using the biomass.

In the Czech Republic is not in the comparison with other states comparable policy in the field of tax supports, prices of electricity from renewable resources and other instruments. Despite was recorded an increase in decentralised gas units for particular farm or food enterprises, heat

production for municipalities and processing of agriculture and food waste. A size of these facilities should be optimally regulated for use of agriculture commodities over-production and also increasing of activity diversity, increasing of incomes in rural areas and as well with the aim of ensuring energy self-sufficiency of rural areas and fulfilment of the Czech Republic commitments to achieve 8% of energy from renewable resources.

The area of forest plots is growing slightly. This trend has been ongoing since the 1930's. In 2000 the area of forest was 2 637 290 ha as compared to 2 647 416 ha in 2005, showing a growth of 2025 ha.

Despite gradual improvement the health condition of forests is not satisfactory. The age structure of forest growth is not even. The growing share of the oldest age categories contributes to disrupting the stability of the existing stands and increases the threat of widespread calamities. There is an uneven age and growth structure of the forest growths.

Production forests constitute 75.6% of the forested area and they fulfil mostly its production function. Protective (3.5%) and special designation (20.9%) forests are categories that are designated to fulfil other forest functions, collectively labelled as non-productive. General trend aimed towards protecting biodiversity and sustainable use of its components is directly reflected in the implementation of a multifunctional forest economy.

The current share of deciduous trees is 23%, while in a natural forest it should be approximately 65%.

Despite the fact that the CR, due to its position and climatic conditions, does not belong to those countries threatened by large forest fires, the risk of fires arising exists and increases in the dry season and is connected to the increased occurrence of exceptionally warm years as a result of global climatic changes. Across the majority of the territory the Ministry of Agriculture provides an aerial fire service for forest owners.

Even though impairment by direct emission was significantly reduced during the past 15 years and de facto disappeared as an impairment factor, the mitigation of its effects, most importantly the improvement of nutrient starved and acidified forest soils, will be a long-term task.

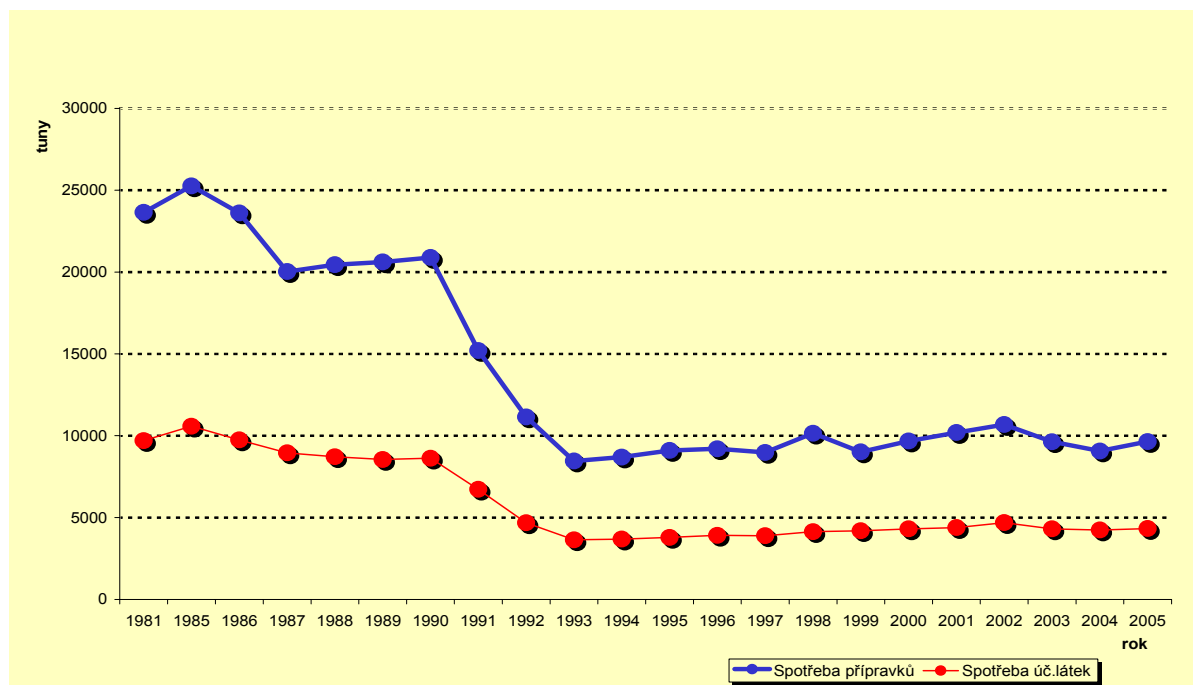
Since 1990, the quality of water in rivers has significantly improved (maps representing water quality in the CR watercourses important from the point of view of water management in 1991 – 2004 were published in the National Strategic Plan). Despite the achieved improvement it is not possible to view the current state as satisfactory. The quality of surface and groundwater is significantly affected by non-point sources of pollution – most importantly agricultural pollution, atmospheric deposits and erosion wash down from terrain. The significance of non-point pollution is growing as the pollution from point sources is decreasing. Its share is especially significant in the case of nitrates and acidification and less important in case of phosphates and it also differs in various areas of the Czech Republic depending on population density, share of treated wastewater, intensity and ways of agricultural production and the level of atmospheric pollution.

Catastrophic floods in the Czech Republic in 1997, 1998, 2000, 2002 and 2006 demonstrated the inadequate retention ability of the landscape. An important role during flood situations was played in the past years by areas of natural flood overflows, lakes and small water reservoirs. The poor technical state of the fishpond dikes, general neglect of technical equipment and large amount of sediment, however, decreases their retention capacity.

2005 was the first year when, for the entire period, supervision of animal protection was carried out according to the conditions in the EC harmonisation provisions. Right at the start of the year, from the 10<sup>th</sup> of January to the 14<sup>th</sup> of January, the meeting of these requirements in our conditions was checked by the DG SANCO mission. The mission expressed satisfaction with the findings. It is necessary to mention that the conditions in caged egg laying facilities were particularly thoroughly checked, including a check in egg laying facilities with a transitional period. The assessment of ensuring the professional readiness of persons transporting animals was also positive, as was that of issuing documents for these purposes and registering hauliers. In the final report only supplemental tasks were mentioned, which were realised in accord with the action plan tasks. This meant that not only were the checks on animal welfare in our conditions at least as good as those in the EU states, but also that trading conditions for our producers with other countries were not influenced. However, in spite of this the results show that it is necessary to be even more careful, especially as concerns the welfare of calves and other cattle categories, including resolving care for animals in relation to monitoring the causes of their death. As the results from rearing farm animals demonstrate, reserves for meeting the tasks must be found in providing professional information to breeders and the public in time, realistic leadership for education and a thorough implementation of the administrative authorities' activities in animal protection. A continuously repeating situation that stems from the results of the assessments, is that a relatively high proportion of insufficiencies were found in hobby rearing, i.e. in rearing where the person rear the animals as a pastime. A certain promise for an improvement in the situation is brought by grants addressing these problems made to non-governmental institutions and civic associations. A significant benefit is also the formation of the educational institute The Animal Protection Foundation.

Despite the various approaches to reducing the usage of plant protection preparations (herein preparations) agriculture is still considerably dependent on their usage. It is estimated that in the global balance losses caused by pest organisms amount to 35% of yield.

The graph depicts developments in preparations usage and the active substances (tonnes).



The fall in consumption in 1990 was not just caused by the transformation of agriculture and the shift in the development of new active substances, but also the acceptance of the new regulations and the re-evaluation of registered preparations in the framework of the CR's vision to enter the EU. In the long-term trend it is possible to observe a slight growth in the consumption of preparations and active substances. This is linked to the growth in the number of diseases (from 60 to 197) and pests (from 94 to 256) (source Doc. J. Šedivý).

Another important indicator is the fall in the consumption of preparations and active substances per hectare, tab. no. 1 (selected years for the period mentioned)

kg/ha	1981	1987	1991	1992	1993	1995	1997	2001	2003	2004	2005
Preparations	5.41	4.63	3.54	2.6	2.04	2.13	2.1	2.38	2.25	2.12	2.25
Active substances	2.22	2.07	1.57	1.09	0.88	0.89	0.91	1.02	1.01	0.99	1.01

Over the last 20 years the toxicity of preparations has fallen significantly. Whilst in 1990 the consumption of "Other Poisons" (OP) was 14.5% and "Specially Dangerous Poisons" (SDP) was 0.35% of the overall consumption of preparations, in 1999 it was 2.7% for OP and 0.004% for SDP. Since 1 January 2000 there was a new classification (the Chemical Substances Act) and the proportion of toxic and highly toxic preparations is only 0.5 – 1.0% of the overall consumption of preparations. Developments in this direction (reducing the proportion of toxic and persistent preparations) continue.

## ***Overall economic and social situation in rural regions***

GVA created in the rural regions made 76.8% from the summary GVA in the Czech Republic, the highest rate shows the tertiary sector (56%) with the highest rate of employment (53,2%), secondary sector rate is 40,4% (employment 42%) and primary sector rate is 3,6% (employment 4,9%). In the rural regions was employed 87,2% of total number of employed.

The major problem of the countryside is not the preservation of agriculture anymore, but the stabilisation of the rural population. The share of the workforce in the agricultural sector (11% in rural areas and 3.8% overall) is not a sufficiently stabilising factor of the rural population. There is need for change in the economic structure of the countryside and the creation of attractive environment for living as well as economic enterprise, including the conditions for small entrepreneurs, i.e. to support a creation of new jobs by diversification out of the agriculture as well as the general improvement of quality of life in the rural areas.

The economic activity structure in rural areas is much poorer than the nationwide average. Only 18.8% of farmers have other profit activity than the agriculture. This is particularly marked for market services, including advisory services for enterprise. These activities are concentrated in towns, and Prague significantly raises nationwide averages. In the Czech Republic rural tourism has not yet been fully developed, and the potential of agricultural farms in the area of agrotourism is not utilised. The tourist infrastructure and publicity in these areas does not conform to European Union standards and support services (accommodation, dining, information) are on a low level.

The countryside in the Czech Republic has large potential of natural and cultural heritage. This potential is at many places underestimated and unused.

Villages are not well prepared for new construction. The countryside in the Czech Republic has a high natural heritage potential. In many places this potential is undervalued and not utilised. Some villages have unimproved public space without much available public greenery, others contain architecturally inorganic buildings or constructions which have lost their purpose. In terms of equipping of rural municipality with civil and technical infrastructure, most rural municipalities (approximately 62%) have basic civic facilities. Improvements are continually being made in the equipping of rural municipalities with technical infrastructure, but the level is far from sufficient. In 2004 more than 80% (63.7% in a size category of up to 199 inhabitants) of municipalities had a public water main network distribution system. The percentage of municipalities with a sewage network connected to a water treatment plant increased to 26.1% (to 7.7% in the smallest municipalities). The condition of local roads is highly unfavourable. Worsened accessibility to transportation together with insufficient equipment inhibits further development of residence and enterprise activities in remote municipalities.

The Czech Republic is well covered by high-speed internet (90% of the territory in 2005), nevertheless only 3.8% of total number of inhabitants in rural areas use the connection to it.

As of yet a minimal number of settlements has energy based on renewable sources. The aim of building a technical infrastructure moving towards renewable energy sources, as well as building materials etc., is one of the strategic objectives of rural development in the next decade.

The Leader principles are a particularly suitable method for the rural development as they guide to positive impact resulting from linking various subjects that operate in the rural space. The Local action groups employing the Leader principles complement in a suitable way the local self government.

## **LEADER**

Poor economic situation of rural municipalities and the necessity of mutual help have lead to a growing co-operation among individual municipalities within rural areas, as well as the establishment of local partnerships of actors active in rural areas. Since 1998, the Rural Renovation Programme has emphasised the development of co-operation among municipalities. In the Czech Republic, development strategies of rural micro-regions represent an established way of preparing conceptions, implementation and administration of activities, which lead to social and economic development of a certain area. The SAPARD 2000-2003 programme enabled to prepare and implement 210 local development strategies.

The first 29 local action groups have been gaining experience within LEADER+ sub-measures of the Operational Programme “Rural Development and Multifunctional Agriculture”, and the national programme, LEADER CR, since 2004 and 2005. The territories covered by the local action groups (cadastral territories of municipalities located in the LAG territory) using the Leader method represent 12,414 km<sup>2</sup>, i.e. 15.7% of the territory of the Czech Republic, and a population of 743 000, i.e. 7.3% of the population of the Czech Republic. In 2006 seven more local action groups were accepted. It is expected that in 2007 about 70 local action groups will be prepared to implement rural development strategies by means of the Leader method within the new Rural Development Programme of the Czech Republic for the period 2007 – 2013 (about 133 local action groups in the process of formation are registered

## **SWOT analysis**

The overall SWOT analysis was prepared as an intersection of partial analyses prepared along individual axes. Its evaluation is the foundation for strategic decision-making on priorities, objectives and the distribution of resources among axes, as well as the choice of measures. For information on axes, priorities, measures and sub-measures – see Chapter 5.

Strengths	Weaknesses	Opportunities	Threats
<b>Axis I</b>			
<ol style="list-style-type: none"> <li>1. Suitable size structure of agricultural enterprises from the standpoint of investment and competitiveness</li> <li>2. The temporarily low price of agricultural land and labour.</li> <li>3. Adequate potential labour forces for agriculture and forestry</li> <li>4. High level of planning and organisation of management in agriculture, forestry and water management</li> <li>5. Tradition and adequate network of agricultural and forestry education</li> <li>6. Good quality of foods and high level of state supervision</li> <li>7. High degree of flexibility of primary sector to market requirements, including processing industry</li> <li>8. Competitiveness of specific products – malt, poppy seeds, dairy</li> </ol>	<ol style="list-style-type: none"> <li>1. Large differences in profitability of agricultural enterprises, including differences in management quality, low labour productivity</li> <li>2. Obsolete technical and technology equipment</li> <li>3. Insufficient financial resources for investment in the agrarian sector</li> <li>4. Weak position of farmer on the market</li> <li>5. Low share of production with a higher value added</li> <li>6. Low level of income in agriculture, high level of debt</li> <li>7. Unclear land ownership relations and fragmentation of land holdings</li> <li>8. Prevalence of leasehold relationships to agricultural land</li> <li>9. Insufficient use of research and development results, low level of innovation</li> <li>10. Unfavourable age and educational structure of productive farmers</li> <li>11. Low labour productivity</li> <li>12. Insufficient use and ignorance of marketing practices, related to insufficient level of product finalisation</li> </ol>	<ol style="list-style-type: none"> <li>1. With an increased living standard for inhabitants of the CR interest in high-quality and safe foods and healthy environment is increasing</li> <li>2. Increasing demand for traditional products, special organic food products, and health food products</li> <li>3. The opportunity for wider use of markets in the EU and third countries</li> <li>4. The EU's lack of self sufficiency in the production of beef and mutton</li> <li>5. Improved position of farmers and food producers with banks (as a result of higher profitability of the sector and a more stable grant environment)</li> <li>6. Support of high-quality products and innovation in the agricultural, food and forestry sector</li> </ol>	<ol style="list-style-type: none"> <li>1. Pressure from retail chains and monopolisation</li> <li>2. Changing trends in food commerce</li> <li>3. High costs for meeting and compliance with the European standards</li> <li>4. Strict EU norms with a short implementation time</li> <li>5. Limited demand for domestic agricultural products and foods due to import from cost-favourable regions</li> <li>6. Increased land prices (rent)</li> <li>7. Instability of leasehold relationships</li> <li>8. Sale of state lands with the resulting destabilisation of agriculture in entire border regions (with a high share of state land)</li> <li>9. Little progress in digitalisation of Real Property Cadastre</li> <li>10. Low enforceability of the law – lack of discipline in adhering to norms and regulations</li> </ol>



<p>9. Adequate experience with and personnel for land consolidation</p>	<p>13. Insufficient integration of agricultural primary producers and processing industry</p> <p>14. Disturbance of the functionality of equipment managing the water regime in forests</p> <p>15. Insufficient infrastructure of agriculture and forestry</p> <p>16. Insufficient level of education and training in accordance with current requirements of the Common Agricultural Policy and environmental protection in the European Union</p> <p>17. Insufficient capacity for producing biomass and non-food production</p> <p>18. Low accessibility to the countryside in more intensely managed areas (disappearance of traditional road networks, including paths in the past; significant increase of size of land parcels; low level of connectivity of municipalities, or tourist goals, without the need to cross a large road)</p>		<p>11. Trade of specialists</p> <p>12. Industrialisation without consideration for the environment</p> <p>13. Climate changes due to global warming</p>
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Strengths	Weaknesses	Opportunities	Threats
<b>Axis II</b>			
<ol style="list-style-type: none"> <li>1. Landscape variety with high level of natural diversity</li> <li>2. Nature protection system on a European level, system of protected areas</li> <li>3. Secured administration of streams</li> <li>4. Share of forest land on the level of the EU average</li> <li>5. System of organic farming certification on a European level and share of organic farming by total area of agricultural land higher than the EU average</li> <li>6. Tradition of farming and management on land in less favourable areas</li> <li>7. Forestry legislation reflecting principles of permanently sustainable management</li> </ol>	<ol style="list-style-type: none"> <li>1. Worse economic results of enterprises and insufficient job opportunities in less favoured areas</li> <li>2. Biodiversity decline and depletion of natural value at species-rich sites</li> <li>3. Low ecological stability of landscape, namely its advancing fragmentation and lack of landscape elements</li> <li>4. High share of land in less favoured areas or at risk for erosion and degradation</li> <li>5. Reduced water retention in the soil and landscape</li> <li>6. Non-point pollution of surface water and groundwater and local sources of drinking water</li> <li>7. Poor spatial and age structure and unsuitable species composition of forests</li> <li>8. Anthropogenic damage to forests and degradation of forest and agricultural land</li> <li>9. Small share of energy crop area</li> <li>10. Disruption of the functionality of small streams and their connection to the landscape</li> </ol>	<ol style="list-style-type: none"> <li>1. Increasing society interest in protection of nature, landscape and the environment.</li> <li>2. General international support for sustainable development of agricultural and forest management</li> <li>3. Building a system of European protected areas – Natura 2000</li> <li>4. Public demand for non-productive functions of forests</li> <li>5. Demands of the Kyoto protocol and increased interest in the use of alternative energy sources in connection with the growth in fuel and energy prices – obligation of the EU to increase the share of renewable energy sources – cereals and oilseeds</li> <li>6. High potential to use agricultural land for non-food production</li> <li>7. Improved landscape retention abilities</li> <li>8. Growing purpose of economic and educational instruments in landscape and nature protection</li> </ol>	<ol style="list-style-type: none"> <li>1. Climatic changes and changes in hydrological cycles – floods, windstorms, drought</li> <li>2. Reduced groundwater stores</li> <li>3. Increased application of fertilisers and pesticides in production areas, with the impact of reduced content of humus and nutrients</li> <li>4. High percentage of land in fragile areas and in specially protected areas</li> <li>5. Growth of GMO</li> <li>6. Uncontrolled land abandonment</li> <li>7. Threatened valuable sites, rare and threatened species of flora and fauna in agriculturally managed land</li> </ol>

Strengths	Weaknesses	Opportunities	Threats
<b>Axis III</b>			
<ol style="list-style-type: none"> <li>1. Attractiveness of landscape for foreign and domestic tourism</li> <li>2. Significant potential of water reservoirs from the perspective of multi-purpose use (sport fishing, recreation, diversification)</li> <li>3. Equipping of larger municipalities with basic infrastructure</li> <li>4. Richness of cultural heritage and tradition</li> <li>5. Existence and increased purpose of non-governmental organisations</li> <li>6. Network of marked tourist routes and cycle routes</li> <li>7. Dense road and railroad network</li> <li>8. Human potential and high degree of organisation of rural population</li> </ol>	<ol style="list-style-type: none"> <li>1. Adverse age structure and disappearance of population in productive age</li> <li>2. Lack of job opportunities in the countryside</li> <li>3. Small number of non-agricultural micro-enterprises, small degree of diversity of activities in agricultural enterprises</li> <li>4. Insufficient tourist infrastructure and information on tourist potential</li> <li>5. Low level of awareness of natural and cultural values of the countryside</li> <li>6. Low use of modern information technologies</li> <li>7. Few opportunities for life-long learning and consultancy</li> <li>8. Insufficient equipping smaller municipalities with sewage systems with water treatment plants</li> <li>9. Poor structural and technical status of rural buildings</li> <li>10. Poor local surface roads</li> </ol>	<ol style="list-style-type: none"> <li>1. Increased interest of the EU and CR in rural development</li> <li>2. Opportunities to use inexpensive unused buildings and free labour forces</li> <li>3. Opportunities to use cultural specific regions</li> <li>4. Interest of tourists in the Czech Republic and the Czech countryside</li> <li>5. European interest in getting to know the diverse natural and cultural heritage of individual Member States</li> <li>6. Processing agricultural waste as renewable energy sources</li> <li>7. Support of information communications technologies and centres</li> <li>8. Interest in increasing the share of use of renewable energy sources in municipalities</li> </ol>	<ol style="list-style-type: none"> <li>1. Unsuitable setting of conditions for enterprise, instability of the entrepreneurial environment impairing the initiation of new trades and micro-enterprises</li> <li>2. Insufficient financial resources for implementation of measures in the countryside</li> <li>3. Conflict between inappropriate development plans with the requirements for sustainable development of municipalities and protection of landscapes and nature</li> <li>4. Delayed acquisition of urban planning documentation</li> </ol>

Strengths	Weaknesses	Opportunities	Threats
<b>Axis IV</b>			
<ol style="list-style-type: none"> <li>1. Activities of regional management in landscapes, tradition of municipal cooperation</li> <li>2. Two-year experience with Leader methodology</li> <li>3. Knowledge in the preparation and implementation local development strategies</li> <li>4. Strong will in the countryside for mutual assistance</li> <li>5. Developed civic life</li> <li>6. Experience engaging farmers in the Leader methodology</li> </ol>	<ol style="list-style-type: none"> <li>1. Insufficiently developed partner relationships of participating parties</li> <li>2. Insufficient appropriation of cooperation methods</li> <li>3. Absence of own resources of local action groups</li> <li>4. Little developed ties among micro-regions in CR or abroad, absence of networks</li> </ol>	<ol style="list-style-type: none"> <li>1. Increasing interest in the Leader method in rural municipalities</li> <li>2. Support of the Leader method on the part of the EU</li> <li>3. Opportunity to use 15-year experience with the Leader method in old Member States</li> <li>4. Expansion of the best examples via the nationwide network for rural development and connection to the European network</li> <li>5. Opportunity to use consultation service and build capabilities</li> </ol>	<ol style="list-style-type: none"> <li>1. Legislative barriers</li> <li>2. Lack of trust to local organisations (organisational elements of the state)</li> <li>3. Growth of internal peripheries of regions (with the occurrence of more unfavourable socio-economic characteristics at the same time)</li> <li>4. Problems in securing financial resources for completing financing of Leader projects</li> </ol>
<b>Cross-sectionally</b>			
<ol style="list-style-type: none"> <li>1. Developed support for agriculture, forest and water management and the countryside from national programmes, operational programmes and HRDP, successful implementation of SAPARD programme</li> </ol>	<ol style="list-style-type: none"> <li>1. Unfavourable age structure of the population</li> <li>2. Higher rate of unemployment than in towns, worse among women and young people</li> <li>3. Regional differences in unemployment and population density, depopulation of areas</li> <li>4. Low purchasing power in certain regions</li> </ol>	<ol style="list-style-type: none"> <li>1. EU financial resources offered for rural development</li> <li>2. General international interest and support of permanently sustainable development, growth and employment</li> <li>3. Support of the use of information and communications technologies, the Internet</li> <li>4. Attractiveness of CR for investors</li> </ol>	<ol style="list-style-type: none"> <li>1. Population decline and depopulation of remote areas of the countryside</li> <li>2. Growth in regional differences in standard of living</li> <li>3. Strong national currency</li> </ol>

### **3.2 The strategy chosen for meeting the objectives of rural development by making use of strengths and eliminating weaknesses**

In terms of the development of agriculture and the countryside dominant *strengths* can be considered in particular the rich agricultural production tradition in practically all regions of the Czech Republic, including regions with less favoured conditions for the development of agricultural production, which originates from the relatively high level of support of agricultural production in the past decades.

For certain commodities, abandonment of production has occurred due to the increased efficiency of agricultural production and the operation of market forces. There still exist, however, a number of agricultural commodities which are competitive even on an international scale. Based on production capacity, a basic rural municipal technical and social infrastructure network and transportation service systems were created, which to a large extent is in service to the present, although with qualitative changes.

Traditional agricultural production and the social life in the countryside connected therewith created an enormous cultural heritage potential and developed social and special-interest life in the countryside.

Among the *weaknesses* of rural development, the **lack of job opportunities** dominates in rural municipalities, which is related to the termination of production lacking promise for the future, which was localised here in the framework of the centrally planned economy. The low number of jobs results in the **outflow of young and qualified labour forces** to more attractive places with a larger and more varied selection of job opportunities. Although a number of agricultural enterprises do have competitive production, the majority of them have problems with sales and succumb to the pressure from the supermarket chains due to insufficient integration with other agricultural producers and the related processing industry. The relatively disadvantageous position of farmers is further exacerbated by **prevalent farming on leased land**.

At present adverse impacts of agriculture on soil, nature and the landscape still persist in areas with intensive production. The disruption of the landscape structure occurred in the past, it still does not provide suitable living conditions for wild species of flora and fauna, and in this way limits **biodiversity**.

Agricultural enterprises have **obsolete technologies** which feature high operating costs and do not provide the quality required by consumers, which threatens competitiveness. Any improvement in competitiveness is further limited by the relatively **low transfer of new knowledge and innovation into practice** (particularly in relation to environmentally oriented legislation and the use of information technologies).

In connection with intensive agricultural production, the water regime of the agricultural landscape was changed, which has had an unfavourable impact on the **quality of groundwater and surface water, retention capacity and the risk of floods**.

Extensive experience with the implementation of development programmes for the countryside and agriculture show an increasing public interest in programmes implemented from the bottom up – metod Leader.

The main *opportunities* for the development of the Czech countryside and agriculture are primarily in the use of the rich potential of **the cultural traditions** of the Czech countryside and non-productive functions of agriculture for the development of low-impact forms of **tourism**. Agricultural entities play the main role in care of the landscape and natural values.

Production capacity should concentrate on competitive commodities and the use of modern technologies, and findings from science and research for increasing the quality of agricultural products with a higher added value via the advisory services and training actions. The production of energy from renewable sources and use of renewable energy sources within diversification of agricultural activities is a promising activity contributing to both the alleviation of climate change and support of the rural economy.

Support for the creation and development of microenterprises is opportunity to addressing unemployment in rural regions.

Lack of technical and social infrastructure facilities in rural municipalities, besides the import of agricultural products from regions with cheaper costs, can be included among negative external influences in the development of agriculture and the countryside, having the character of a *threat*. Together with insufficient job opportunities in the countryside, this leads to gradual rural depopulation, ageing of the population, a decline in entrepreneurial activities and a drop in the purchasing power of rural inhabitants. Valuable habitats, rare and endangered flora and fauna species from agriculturally managed landscapes are threatened by succession, water eutrophication and unsuitable technological procedures.

**Climate change** also represents a risk for the countryside due to the more frequent occurrence of extreme weather conditions, which threaten both agricultural production and the property of rural inhabitants.

The strengths and weaknesses, opportunities and threats will be addressed by the four strategic development axes defining the basic orientation of the development of agriculture and the countryside for the period 2007 – 2013:

#### **AXIS I: Improving the competitiveness of the agricultural and forestry sector**

The development axis is divided into two priorities, and has a share of 22.39% of total EAFRD financial allocation:

##### **Priority 1.1 Modernisation, innovation and quality**

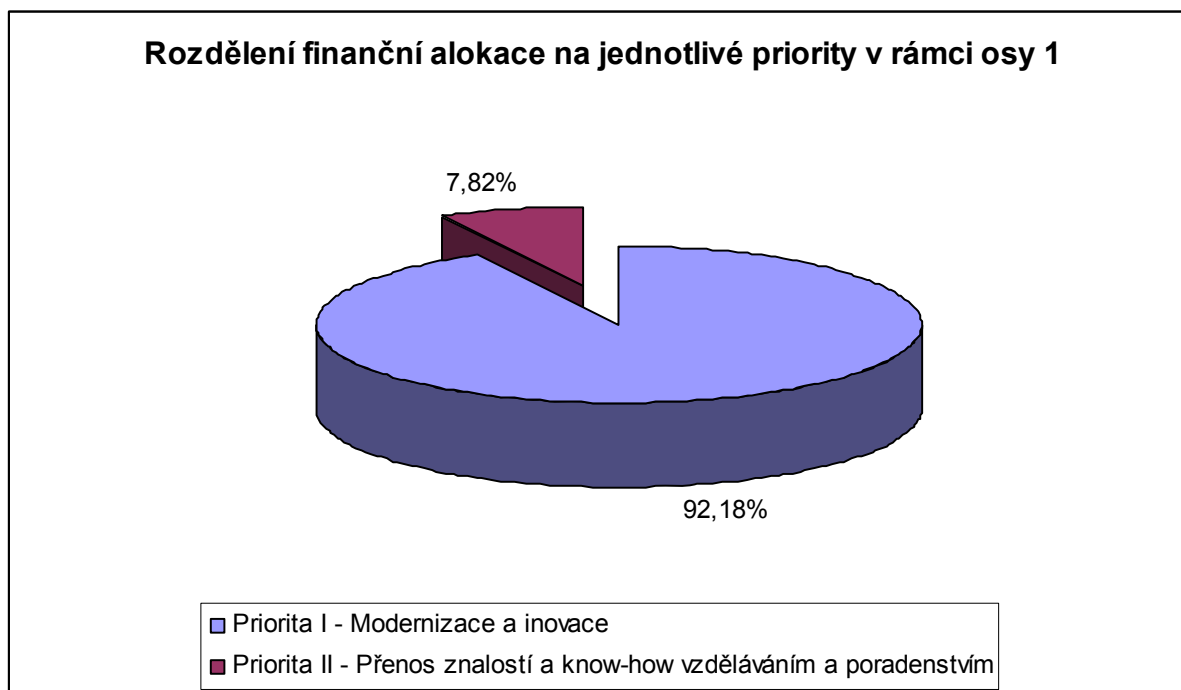
The priority Modernisation, innovation and quality encompasses groups of measures for support of agricultural enterprises and their activities, improvement of the quality and added value of agricultural and food products, forest management and improvement of the adaptation and development of rural areas.

The maximum amount of financial resources – 92.18% of resources intended for Axis I - is focussed on this priority.

##### **Priority 1.2 Knowledge transfer**

The priority Knowledge transfer includes groups of measures for the support of vocational training and use of advisory services of entrepreneurs in agriculture, the food industry, forestry and additional measures for the support of young farmers and early retirement from farming.

In the priority framework 7.82% of financial resources are allocated to this priority.



Key:

Rozdělení finanční alokace na jednotlivé priority v rámci osy 1 – Division of financial allocations to individual priorities in the framework of Axis I

Priorita I Modernizace a inovace – Priority I Modernisation and innovation

Priorita II Přenos znalostí a know-how vzděláváním a poradenstvím – Priority II Transfer of knowledge and know-how by training and consultancy

## **AXIS II: Improving the environment and landscape**

The development axis contains three priorities and its share of total EAFRD fund allocation totals 55.2%.

### **Priority 2.1 Biodiversity, conservation and development of agricultural and forestry systems with a high added value and traditional agricultural landscapes**

The priority supports increasing the biodiversity in the landscape and is focused on the conservation of natural resources. For this priority 80,10% of Axis II resources are allocated.

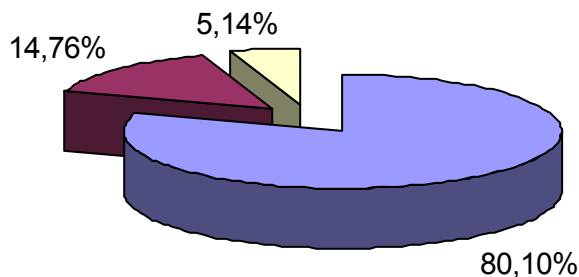
### **Priority 2.2 Water and soil protection**

This priority supports the protection of natural water regime quality in the landscape using suitable agricultural systems. In the framework of Axis II 14.76% of resources are dedicated for it.

### **Priority 2.3 Mitigation of climate changes**

The priority supports cultivation of renewable energy sources, reducing the emission of greenhouse gases and maintaining forest functions. The share of the priority in the total volume of Axis II equals 5.14%.

## Rozdělení finanční alokace na jednotlivé priority v rámci osy 2



- Priorita: Biologická rozmanitost a zachování systémů zemědělství a lesnictví s vysokou přírodní hodnotou
- Priorita: Ochrana vody
- Priorita: Zmírňování klimatických změn

### Key

Rozdělení finanční alokace na jednotlivé priority v rámci osy 2 – Division of financial allocations to individual priorities in the framework of Axis II

Priorita Biologická rozmanitost a zachování systémů zemědělství a lesnictví s vysokou přírodní hodnotou – Priority Biological diversity and conservation of agricultural and forestry systems with high natural value

Priorita Ochrana vody – Priority Water protection

Priorita Zmírňování klimatických změn – Priority Mitigation of climate change

## **AXIS III: Quality of life in rural areas and diversification of rural economy**

The development axis is divided into three priorities and its relative share of EAFRD fund allocation equals 16.93%.

### **Priority 3.1 Creation of employment opportunities and support of use of renewable energy sources**

The planned share of financial resources in the framework of Axis III is 50% for this priority in total, while the main emphasis will be placed on diversification of agricultural activities, support for establishment of enterprises and support of tourism. In the framework of diversification of agricultural activities will be the goal particularly the support of energy self-sufficiency of the countryside and reaching of the Czech Republic commitments to achieve 8% of energy from renewable resources. The priority is oriented towards securing compensation for expected decline in job opportunities in agriculture and the food sector, and therefore fulfilment of the Lisbon Strategy goals.

### **Priority 3.2 Conditions of growth and quality of life in the countryside**

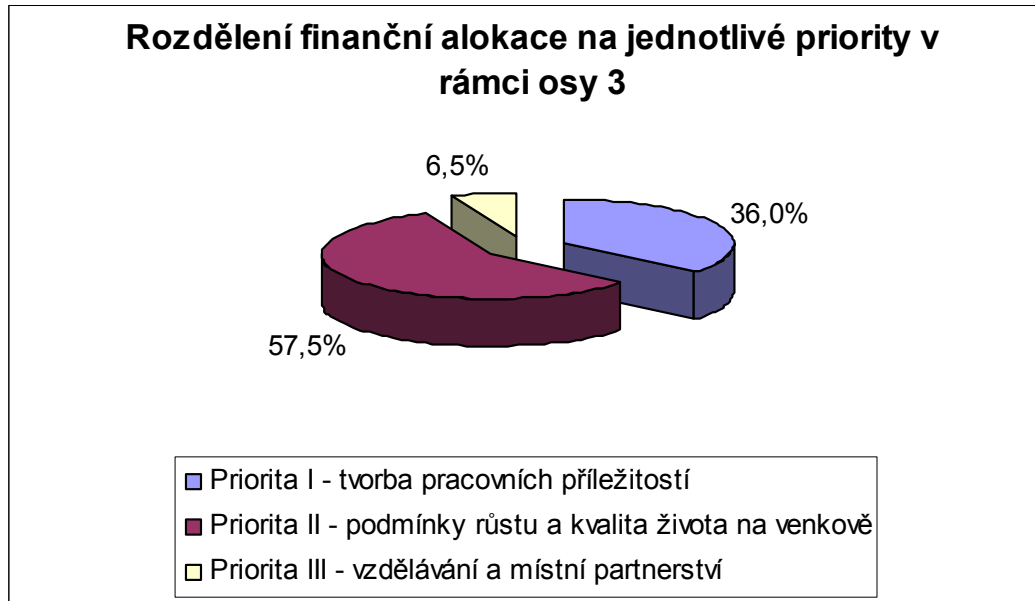
The priority is oriented to improving the conditions for growth and quality of life in rural areas (infrastructure, water purity in municipalities, cultural and social infrastructure). The



largest share of financial resources in the framework of Axis III is allocated for Priority 3.2 in sum – 48%.

### Priority 3.3 Education

The priority is aimed to the education and information of business entities to which Axis III is applied. The priority shares in total allocation of Axis III with 2% of financial means.



Key

Rozdělení finanční alokace na jednotlivé priority v rámci osy 1 – Division of financial allocations to individual priorities in the framework of Axis III

Priorita I tvorba pracovních příležitostí – Priority I Creation of jobs

Priorita II podmínky růstu a kvalita života na venkově – Priority II Growth conditions and quality of life in the countryside

Priorita III vzdělávání a místní partnerství – Priority III Training and local partnerships

### AXIS IV: Leader

The aim of axis **IV - Leader** is mainly to improve the quality of life in rural areas, to strengthen the economic potential and utilisation of rural natural and cultural heritage, plus enhancement of management and administrative skills within rural communities.

The Leader principles are an especially good approach since they lead to positive effects, following from connecting varied parties active in rural space. Local action groups using the Leader principle are not antithetical to local government, but appropriately complement it in efforts for the restoration and development of municipalities and contribute to the development of agriculture and care for nature and landscape.

The many-year experience of municipalities, municipal associations and local action groups with programme development and with project preparation and implementation (POV, SAPARD, LEADER CR, OP Rural Development and Multifunctional Agriculture) are also significant.

A positive comment from programmes which have used the Leader programmes to date is the fact that local action groups are fully aware of the necessity to create reserves of high-quality projects, in the interest of the use and due evaluation of local specifications as preparation for

the new EU programme period 2007 – 2013 and the real use of the European Agricultural Fund for Rural Development as an instrument of EU Common Agricultural Policy.

Despite the brief experience with the Leader approach in the Czech Republic it is possible to state that results achieved to date have displayed their singularity and extraordinary contribution to the development of rural micro-regions. In the conditions of the Czech Republic, where there is still in many instances a way of thinking prevalent which is oriented to the past central management with its targeted limitation of local and individual initiatives, this new method is a significant innovative element, which on a local level provides sufficient space for active engagement of all rural subjects into micro-region development, including delegation of responsibility for the results of these activities to a local level. Already during the first two years of the Leader approach's application in the Czech Republic one can see in the countryside a strong interest in the implementation of this method, which continues to grow.

The development axis encompasses 1 priority, with a share of 5.00% of the EAFRD financial allocation.

### **Priorities, objectives and measures of axis IV**

<b>Priority</b>	<b>IV. Improvement of management and mobilisation of the rural inherent development potential</b>	
<b>Objective</b>	<b>Implementation of local development strategies and co-operation of local partnerships</b>	<b>% of the axis 100</b>
<b>Measure</b>	<b>IV.1.1. Local action group</b>	<b>max. 25</b>
	<b>IV.1.2. Implementation of local development strategy</b>	<b>min. 65</b>
	<b>IV.2.1. Implementation of co-operation projects</b>	<b>10</b>

### **Improving management and mobilization of natural intrinsic development potential of rural areas**

#### **3.3 Ex ante evaluation**

Independent evaluators - Prof. Ing. František Střeleček, CSc., Prof. Ing. Magdalena Hrabánková, CSc.; consultant - Morten Kvistgaard, Orbicon, Denmark.

The ex ante evaluation has been prepared in compliance with Articles 84 and 85 of Council Regulation (EC) No. 1698/2005 on rural development support aiming to improve quality, effectiveness and impact of implementation of rural development programmes, to evaluate the impacts of the programme in terms of strategic Community aims, to judge difficulties in the area of rural development characteristic for the Czech Republic with consideration for the requirements of sustainable development and impact on the environment and to optimise allocation of budgetary resources. The full text of the ex ante evaluation is contained in the appendix. The conclusions and recommendations following from this report are set out below.

## **Conclusions**

The Ministry of Agriculture prepared a comprehensive collection of documents, including the National Strategic Plan, appendixes to this NSP and draft Rural Development Programme reflecting calls in the areas of greater competitiveness, nature protection and development of the quality of life in the countryside, which the Czech Republic will address in the upcoming years.

An extensive selection of measures for the realisation of these appeals has been prepared, including old, well verified measures, which were implemented in previous programmes, and new measures from the selection in the framework of the new Regulation 1698/2005. The new programme represents both continuity and innovation to satisfy national needs, EU needs and international obligations.

The division of allocations among axes reflects political compromise which resolves the “irresolvable.” This means allocating a sufficient quantity of resources to resolve all justified needs in the framework of each axis. The compromise referred to expresses an equilibrium between nature and the environment (Axis II) on the one hand and competitiveness and entrepreneurship on the other hand (Axes I and III). This equilibrium is generally justified by experience from the present rural situation in the Czech Republic.

It is anticipated that the implementation of the programme will contribute to the achievement of programme objectives, individual axes and the development vision for the Czech countryside. The competitiveness of the agricultural and food sector with a strong international position will be improved, at the same time values of the Czech countryside will be conserved and upgraded and opportunities for the development of rural tourism, non-agricultural industry and other entrepreneurial activities will be created.

We must also admit that the level of detail of the draft programme in this phase does not allow for a more detailed verification of the relationships between investment, activities and impacts.

The summary activities of programming were started earlier, already in 2004, and contained many different parties in the framework of the Ministry and subordinated organisations and agencies. A multi-sided partnership was built, in which in the design of the documents the inputs and contributions of many parties were used on a central and regional level. We greatly appreciate this attempt of the Ministry and we believe that it will be successful in the final phase of completing the Rural Development Programme for 2007 – 2013.

## **Recommendations**

The main recommendations are set out below, while the main report contains additional, smaller recommendations.

- We recommend improving the description and analysis of the present situation contained in the RDP, to document and justify the choice of measure, set of objectives and expected quantified fulfilment and financial allocations. In this connection we recommend the use of the appendixes to the NSRDP, where possible, and completing references to these appendixes where necessary.
- We also recommend improving the description of measures, as far as the logic of interventions is concerned, for the preparation of a better documented and more transparent programme. This means that quantified indicators of needs, inputs, outputs, results and impacts should be included in the description. A quantification of

the baseline condition, results and particularly the impacts can be found in tables in the NSRDP and in Table 5.3 of the RDP.

- We further recommend revising financial allocations according to the expanded description of the logic of interventions, if needed. A systematically used description and quantification of the logic of interventions may be a reason for other allocations in the framework of axes and measures than are set out now in the RDP.
- To improve the description of implementation procedures (Leader, monitoring and evaluation with a view to the requirements of on-going evaluation).
- We recommend using the benefits of MA and SAIF experiences from more than 5 years of programme implementation. This means that lessons from administrative practice and other user surveys or other types of evaluations of previous or present programmes should be actively used.
- As an addition to final recommendations we add that the Ministry should improve the English translation of the NSRDP and RDP before they are presented to the Commission. This recommendation has two dimensions. First of all, it is important that the translation be consistent with standard terminology used in EU policies and regulations for rural development, and secondly, the English should not disrupt the reader's following the text and understanding the contents of chapters and sections.
- Finally we recommend improving the formal text layout and presentation of the NSRDP and RDP so the documents have the required professional appearance.

Results and recommendations arising from Ex-ante evaluation have been continuously incorporated in the Rural Development Programme in further stages of finishing the programme document; it means that the final version takes into account results of Ex-ante evaluation.

### ***3.4 Influence of previous programmes and relation of the Rural Development Programme measure to measures from previous programmes***

#### **3.4.1 SAPARD**

The SAPARD programme was intended for ten candidate countries and on the basis of the EC's proposal assisted candidate countries in the resolution of specific tasks in the fulfilment of the *acquis communautaire* related to the Common Agricultural Policy (CAP), structural changes in individual agricultural sectors and in the countryside. In view of the accession of the Czech Republic to the EU in 2004, in this year no rounds of application acceptance were announced and similarly no other financial resources were contracted. The conclusion of contracts was completed as at 31. 12. 2003. The payment of financial obligations from all rounds of application acceptance will continue until autumn 2006.

#### **Lessons and recommendations from the SAPARD used for the conceptualisation of the Rural Development Programme:**

A number of recommendations followed from the mid-term evaluation of the SAPARD programme on both the individual measure level as well as on the overall programming level. In general the independent evaluator recommended MA to determine operative effectiveness of programme administration as a strategic priority and to concentrate on improving the

effectiveness of administrative procedures. It was also stated that the administrative process should be simplified as much as possible (primarily in relation to the submission and evaluation of applications concerning lesser amounts). A further recommendation was made, among others, to reduce the number of days needed for decision-making, to perform inspections on-site by only one inspector and to examine deviations in performance in different regions and agree on rectification.

In addition to the recommendations of the administrative nature, the Czech Republic was further recommended that the MA should well identify and verify needs of basic industry, especially for measures of investment nature, and concentrate on priority areas. In addition the question of farm size and access of smaller and mid-size farms to the programme was discussed. Precisely these categories have found themselves at a disadvantage to large enterprises. Measures focused on processing and marketing agricultural products should focus more on industries which process market diversified products (particularly regional specialities and environmentally friendly products) and complement measurements with activities related to ability to monitor product quality. For land consolidation the need to use resources as quickly as possible and as effectively as possible was expressed in view of the fact that land consolidation is absolutely necessary for the development of the agricultural sector. For measures of village renewal and development and infrastructure increased efforts to perform better and more rigorous screening of projects were recommended so that only the bests projects are chosen (for job creation support priority for new, small and mid-size enterprises), that the risk of the effect of dead weight be weighed and at the same time that engagement of rural inhabitants into the programme be increased. For measures oriented to the diversification of activities a narrower focus on the rural context, thorough definition of the hierarchy of objectives and a clear description of what types of support are supported by the programme (for example for renewable resources) were recommended. For agricultural production approaches intended for the protection of the environment and conservation of the landscape recommendations were made to increase awareness among farmers and to improve administrative employee training and anchoring of agri-environmental policies as a cornerstone of rural development strategy. Finally, for measures focused on vocational training measure management should be improved, a database of implemented projects should be monitored and prepared, training parties should be allowed a greater degree of flexibility, an analysis of training needs should be prepared and the market situation of vocational training should be taken into account.

On the overall programme level the need to proceed from experience drawn in the framework of the SAPARD programme in further strategic decisions on future interventions in the agricultural sector, the achievement of external coherence with other support in the MA ministry and with the support of other ministries, and the creation of a transparent hierarchy of objectives were mentioned. Attention should also be devoted to an increased engagement of small and mid-size enterprises, questions of environmental protection and training and development of human resources.

### **3.4.2 Operational Programme Rural Development and Multifunctional Agriculture**

The Operational Programme Rural Development and Multifunctional Agriculture is a basic programme document<sup>7</sup>, which was approved by the European Commission. The OP enables drawing resources from EU funds intended for the support of agriculture, for the period 2004

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<sup>7</sup> *More detailed in Report on the state of agriculture of the Czech Republic for 2003*

to 2006. A total of approximately EUR 250 million will be paid out to Czech farmers, processors, owners or holders of forests and fisheries during this period.

The Operational Programme for Rural Development and Multifunctional Agriculture is aimed primarily at the support of investment operations implemented in agriculture, food processing, forest and water management, fisheries and during land consolidation. The goal of support is to ensure greater competitiveness of agriculture by means of improving labour productivity, increase added value and quality of agricultural products and in this way to increase incomes in agriculture. A very important aspect which the Operational Programme observes is the reduction and removal of negative influences of agricultural production on the environment, protection of water and soil from pollution from agricultural sources and preparation for the Leader approach.

## **Implementation of the Agriculture Operational Programme**

In the implementation of the Agriculture OP experience with the pre-accession SAPARD programme has been fully used and a number of recommendations which followed from the mid-term evaluation of the SAPARD programme were exercised in programme preparation and implementation.

Priority I – Support of agriculture, processing of agricultural products and forest management – became the supporting priority of the entire Agriculture OP. In measures aimed at agriculture and food sector this priority built on the pre-accession SAPARD programme. Financial resources intended for this area are continuously drawn and presented projects exceed the available financial resources in their requirements. In contrast with the SAPARD programme support of forest management was newly included in the Agriculture OP in the framework of Priority I. The aim was improving management in forests connected with the restoration of forest potential damaged by natural disaster, support of prevention instruments against natural disasters and measures to improve the ecological stability of forests. Applicant's interest in this measure is primarily in the support for the restoration of forest potential damaged by natural disasters and fire, support for the introduction of appropriate prevention instruments and support for the acquisition of equipment.

Priority II. Development of the countryside, fisheries and vocational training were also partially built on pre-accession SAPARD programme. The recommendation of the mid-term SAPARD programme evaluation to utilize support for land consolidation as much as possible with a view to the fact that land consolidation is necessary for the overall development of the agricultural sector, is met. In the framework of application acceptance demand always exceeded available financial resources. The entire measure Improving adaptation and development of rural areas, which encompasses, besides land consolidation which have the greatest allocation in this measure, the Community initiative Leader+, is continuously drawn with certain exceptions. Priority II also includes support in the area of vocational training. Not least the area of fisheries must also be mentioned, which was already partially support in the pre-accession SAPARD programme. Support is aimed primarily at the construction of new or reconstruction of existing processing facilities, the modernisation or acquisition of new technological equipment for processing fish, setting up of producer organisations, looking for new markets and rearing water fauna. Applicants' interest in the fishery area was increased,

thanks to the expansion of eligible costs, although the drawing of available financial resources is not completely optimal.

The evaluation of results and impacts of the entire Operational Programme for Rural Development and Multifunctional Agriculture in the Czech Republic will be the subject of an “ex-post” evaluation, which will be performed after the completion of payment of projects from the Agriculture OP.

### **3.4.3 Horizontal Rural Development Plan**

The Horizontal Rural Development Plan of the Czech Republic for the period 2004 – 2005 (HRDP) is a basic programme document approved by the European Commission in May 2004 for the provision of support to Czech agriculture and rural space from EU resources, or the guarantee section of the EAGGF. The total financial allocation granted to the HRDP programme is EUR 678.5 million, of which EUR 542.8 million comes from the EU.

The HRDP priority is “Permanently sustainable development of agriculture, the countryside and its natural resources.” The HRDP’s aims are, among others, to stimulate the process of replacing older farmers with younger ones using the measure Early retirement from farming, to contribute to the sustainable use of agricultural land and to the stabilisation of the rural population using the measure Less favoured areas and areas with environmental restrictions, slowing drainage of water from the landscape, reducing water and wind erosion of soil, support of the ecological landscape stability and conserving and improving biodiversity on agriculturally used land using Agri-environmental measures, changing the structure of agricultural farms with the aim of ensuring other income in the form of diversification of their activities and reducing the area of agriculturally managed land using the measure Forestry and Setting up agricultural producer groups and their association for the purpose of common marketing of agricultural products and increased added value of common production using the measure Setting up producer groups.

In 2005 applicants in the Czech Republic were actually paid out approximately **CZK 6.071 billion** (i.e. approximately CZK 4,856 million from the EAGGF) in the framework of the HRDP programme. The payment of grants was carried out for the measure LFA (approximately CZK 3,107 million), the measure AEM (approximately CZK 2,928 million) and the measure Forestry (approximately CZK 36 million). In total in the framework of the HRDP programme during the period 2004 - 2005 beneficiaries received payments of approximately CZK 8,143 billion, of this approximately CZK 2,072 billion in 2004 and approximately CZK 6,071 billion in 2005. At 31.12.2005 approximately CZK 5,684 billion had been paid out for applications submitted in 2004, and for applications submitted in 2005 a total of approximately CZK 2,459 billion had been paid out at 31. 12. 2005.

In 2004 the following measures were implemented – “Less favoured areas and areas with environmental restrictions,” Agri-environmental measures and Forestry measures – in 2005 the measures “Early retirement from farming” and “Setting up producer groups” were started, for which appropriate government orders were issued. The measure “Technical assistance” had not been launched by the end of 2005.

#### **Evaluation of the impacts of individual measures**

In 2005 five measures in the framework of HRDP were implemented, specifically Early retirement from farming, Less favoured areas and areas with environmental restrictions

(LFA), Agri-environmental measures (AEM), Forestry and Setting up producer groups. On the basis of these measures a claim for grants in a total amount of approximately CZK 6,231.2 million was created for Czech farmers.

### **Early retirement from farming**

In 2005 most applications for this measure were submitted in the Southwest Region, specifically 81 applications for an area of 4,904 ha. The fewest applications were in the Moravian-Silesian Region, where 9 applications for an area of 512 ha were submitted. Of the total number of applicants, 74.4% were in the age category 55 – 60 years of age, and 25.6% were in the age category 60 – 65 years of age.

### **Less favoured areas and areas with environmental restrictions (LFA)**

Since 2005 applicants have been able in the framework of this measure to enter into newly demarked areas with environmental restrictions. The greatest volume of financial resources in 2005 flowed by means of this measure to support management in LFA into regions with the greatest area of foothill and mountain areas and the least to the fertile Central Bohemian Region and to the smallest Moravian-Silesian Region. The claim for a grant which was created to farmers in individual NUTS 2 regions is dependent on soil, climate and other production conditions in these regions, on the opportunities for AEM implementation and on the sufficiency of area suitable for afforestation. Support for the “Less Favoured Areas” measure is paid out for grasslands, and have not only the nature of socio-economic assistance aimed at the maintenance of income stability of farmers farming in less favourable natural conditions, but also have the nature of restructuring measures, which support the rearing of cattle and other animals using grasslands.

### **Agri-environmental measures (AEM)**

In the HRDP framework this concerns measures with the greatest volume of financial resources provided to agriculture. The total volume of grants in the framework of AEM reached the amount of CZK 3,297 million in 2005. Measures encompass four sub-measures. Sub-measure A – environmentally friendly approaches enabled grants in the amount of CZK 379 million, and sub-measure B – grassland maintenance the amount of CZK 1,887 million, sub-measure C – landscape management and sub-measure D – crop rotation in cave protection zones the amount of CZK 26 thousand.

In 2005 the AEM was implemented on a total area of 1,168 thousand ha. Out of the sub-measures the greatest interest was in grassland maintenance, which was exercised on 61% of the entire area of implemented AEM. Although the zonal sub-measure Crop rotation in cave protection zones was only implemented on an area of 48.26 ha, this is, however, approximately 25% of the area for which this sub-measure is intended.

In 2005 the sub-measure environmentally friendly approaches was implemented on an area of 241 thousand ha and a claim for grant in the amount of CZK 379 million was created for organisations implementing this sub-measure. This sub-measure is comprised of two schemes, specifically Organic farming (OF) and since 2005 the newly included scheme Integrated systems of producing fruit or grapes (IP). OF is implemented to the greatest degree in regions with a high proportion of grasslands on agricultural land. By contrast in the fertile Central Bohemia Region and Southeast Region the measure is implemented over smaller areas, but with greater intensity. In areas of organic farming support no significant increase in registered area of organically farmed vineyards, vegetables or fruit, or registered areas of arable land occurred, even though the strategy of setting a higher support amount aimed at the goal of



increasing the scope of such areas. The IP scheme is divided into two programmes: IP – fruit and IP – grapes. IP – fruit is not tied to a specific area and growers come from the entire Czech Republic, the most in the Northeast Region and the least in the Moravian-Silesian Region. IP - grapes is, understandably, concentrated in the wine-growing areas of the Southeast Region.

In 2005 the total claim for grants for the sub-measure Grassland maintenance on an area of 713 thousand ha was CZK 1,887 million. The most grants and largest area, more than one-fourth, fell to the Southwest Region. The largest average grant of CZK 3,120 per ha was achieved in the Northwest Region. Central Bohemia shared in the sub-measure least of all, only 7%. A comparison of the total number of hectares receiving grants (713 thousand ha) and scope of available permanent grasslands in the Czech Republic (882 thousand ha in 2005) shows that this support measure applied to approximately 81% of all permanent grasslands in the Czech Republic. The measure thus operated on a significant nationwide level and is leading to minimal applications of pesticides and industrial fertilisers. The measure's environmental effect is clear.

The sub-measure Landscape care contains several grant schemes which can be implemented in both fertile areas as well as in LFA. Thus for the regions neither use in terms of area nor volume of grants received “copies” the scope of the LFA in the region as for most other measures.

There was almost twice as much interest in the sub-measure Landscape care as was expected. The sub-measure Landscape care is composed of six schemes, out of which the most used, approximately 85%, was the intermediary crops scheme. The “intermediary crops” scheme has a significant anti-erosion effect and intermediary crops were sown on more than 192 thousand ha of arable land. In view of the fact that the measure reports other positive impacts, particularly in connection with the attempt to improve soil structure, it is possible to claim that its impact is not only in terms of area, but that it also has a very positive effect in terms of environmental protection.

The sub-measure Landscape care was implemented on an area of approximately 214 thousand ha, which is approximately 18% of the area of the implemented AEM.

## **Forestry**

In 2005 the Forestry measure was implemented on a total area of 661 ha, and of this the sub-measure Afforestation of agricultural land on 658 ha. In addition the sub-measure Establishment of fast growing stands was implemented on 15 ha. In total grants in the amount of CZK 55,721.7 were allocated. For 2005 HRDP grants in an amount of CZK 6,491 million were planned.

## **Setting up producer groups**

In 2004 a total of 24 combined applications (one application may contain multiple commodities) were submitted for the Setting up producer groups measure. Applications for 54 commodities were submitted in all. The amount of grants in the framework of the applications mentioned will be determined on the basis of the documented amount of financial value of the traded production of individual producer groups. The most applications were submitted for marketing slaughter animals, specifically 28 (of this 9 applications for slaughter cattle, 15 for slaughter pigs and 4 for slaughter poultry). In addition 12 applications were submitted for cereals, 11 applications for oilseeds and 3 applications for potatoes.

As follows from the number of applications submitted, in 2005 24 new producer groups were submitted (with a maximum grant amount of approximately CZK 72 million), which can be considered consistent with the approved allocation of financial resources for the period 2004 – 2005 for this measure.

### **Comments and recommendations from the HRDP programme**

In view of the shortened programme period 2004 – 2006 a mid-term evaluation of the Horizontal Rural Development Programme will not be performed, but a number of recommendations follow from HRDP administration and implementation both on the individual measure level and on the overall programme level. In the framework of individual measures it is necessary to improve the awareness of potential applicants of individual conditions of the measures, to simplify administrative procedures and to ensure smoother and faster payment of support. It is also necessary to ensure greater flexibility of proposed measures in national regulations.

On the overall programme level it is necessary to ensure coherence with other support in the framework of the Ministry of Agriculture and also with support provided by other ministries (primarily the Ministry of Environment) in the framework of their grant programs.

### **3.4.4 LEADER**

Although the European Community's LEADER+ initiative is not accessible to the Czech Republic for 2000-2006, in view of the importance of using this principle in rural development, the Czech Republic started in advance to prepare for the application of this approach in the later period (2007 – 2013), and already created financial and organisational conditions for micro-regions and gradually emerging local action groups for the development of their activities and acquisition of necessary abilities.

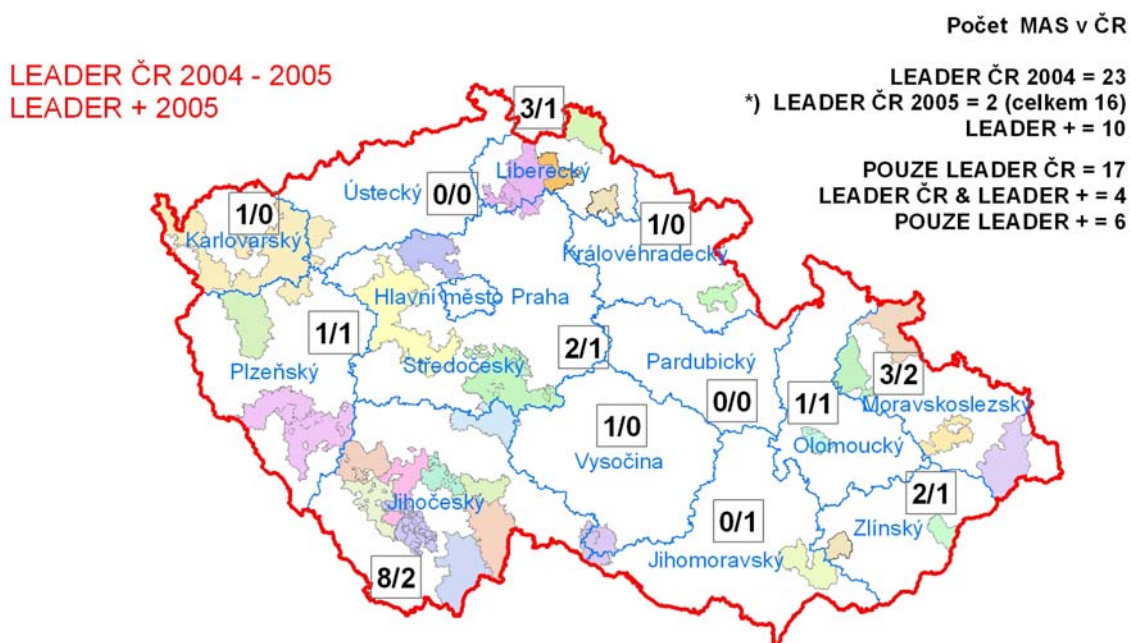
The Leader approach was used in these programmes:

#### **A. National programmes**

Rural Development Programme

LEADER ČR – Ministry of Agriculture – programme

# MAS v České republice



Celkový počet MAS v ČR = 29

\*) MAS Přemyslovské Střední Čechy & MAS Srdce Čech bez dotace pro rok 2005

Key:

Počet MAS v ČR = Number of LAGs in the CR

Celkový počet MAS ČR = Total number of LAGs in the CR

## B. Programmes with EU support

Pre-accession SAPARD programme (2000 – 2006)

Operational Programme Rural Development and Multifunctional Agriculture – sub-measure 2.1.4 Rural development (sub-measure of Leader+ type)

## C. Summary of experience to date with application of the Leader approach

The Leader principles are an especially good approach since they lead to positive effects, following from connecting varied parties active in rural space. Local action groups using the Leader principle are not antithetical to local government, but appropriately complement it in efforts for the restoration and development of municipalities and contribute to the development of agriculture and care for nature and landscape.

The Czech Republic has its own specifics, provided by its historical development, structure of settlements, density of population and thoroughfares and by the nature of the local economy. The socio-economic structure of the rural population also has its own significant specifics, marked by post-war socio-political changes and resettlement of the population, ageing of the rural population, decline in large-scale agricultural production, transformation of the suburban countryside and in the recent past the widening of differences between rural and urban areas.

The many-year experience of municipalities, municipal associations and local action groups with programme development and with project preparation and implementation (POV, SAPARD, LEADER CR, OP Rural Development and Multifunctional Agriculture) are also significant.

For the constructive development of local action groups mutual support is needed, by means of mutual awareness, both passive (Internet – creation of LAG websites) as well as active (seminars, working meetings, joint social events). It is necessary to teach LAGs to orient themselves to other possible resources, such as private resources from an LAG's territory, regional grant programmes etc. It is necessary to create a system of systematic education of LAG members in management and administration, project selection, work with the public, project monitoring etc.

A positive comment from programmes which have used the Leader programmes to date is the fact that local action groups are fully aware of the necessity to create reserves of high-quality projects, in the interest of the use and due evaluation of local specifications as preparation for the new EU programme period 2007 – 2013 and the real use of the European Agricultural Fund for Rural Development as an instrument of EU Common Agricultural Policy.

Despite the brief experience with the Leader approach in the Czech Republic it is possible to state that results achieved to date have displayed their singularity and extraordinary contribution to the development of rural micro-regions. In the conditions of the Czech Republic, where there is still in many instances a way of thinking prevalent which is oriented to the past central management with its targeted limitation of local and individual initiatives, this new method is a significant innovative element, which on a local level provides sufficient space for active engagement of all rural subjects into micro-region development, including delegation of responsibility for the results of these activities to a local level. Already during the first two years of the Leader approach's application in the Czech Republic one can see in the countryside a strong interest in the implementation of this method, which continues to grow.

From the tens of functioning local action groups, 29 action groups have been currently engaged and trained in the existing LEADER ČR and LEADER + programmes, and tens of others have been established and are forming their development plans. A sufficient number of local action groups will be prepared for the receipt of resources for rural development from the resources of Council Regulation (EC) 1698/2005 by the LEADER approach. It is presumed that in 2006 36 LAGs will be actively engaged in LEADER programmes and 60-70 LAGs will be prepared to participate in Axis IV starting in 2007.

### 3.4.5 Relation of measures from previous programme periods

<b>Name of Rural Development Programme measures for 2007- 2013</b>	<b>Measure/Sub-measure of previous programme</b>
Modernisation of agriculture enterprises	1.1 Investment in agriculture property (OP)
Investment in forests	1.3 Forestry (OP)
Adding value to agricultural and food products	1.2 Amelioration of agriculture products processing and their marketing (OP)
Land consolidation	2.1.1 Land consolidation (OP, SAPARD)
Producer groups	Establishment of producer groups (HRDP)
Further vocational training and information actions	2.2 Vocational training (OP)
Setting up of young farmers	1.1.1 Investment in agriculture property and support of young beginning farmers (OP)

<b>Name of Rural Development Programme measures for 2007- 2013</b>	<b>Measure/Sub-measure of previous programme</b>
Early retirement from farming	Early retirement from farming (HRDP)
Use of consultancy services	Measure is new
Natural handicap payments provided in mountain areas and payments provided in other areas with handicaps	Less favoured areas and areas with environmental restrictions (HRDP)
Natura 2000 payments and payments linked to Water Framework Directive 2000/60/EC (WFD)	Measure is new
Agri-environmental measure	Agri-environmental measure (HRDP)
Afforestation of agriculture land	Forestry (HRDP)
Payments within Natura 2000 in forest areas	Measure is new
Forest-environment payments	Measure is new
Restoring forestry potential after disasters and promoting social functions of forests	Measure is new
Diversification of non-agricultural activities	Diversification of agricultural activities (OP)
Support for the creation and development of enterprises	2.2 SAPARD
Support of tourism activities	2.2 SAPARD 2.1.5 Diversification of agricultural activities and activities related to agriculture
Village renewal and development, public amenities and services	2.1.a),b) SAPARD
Conservation and upgrading of the rural cultural heritage	Measure is new
Training and information	Measure is new (partially related to 2.2. vocational training – OP)
AXIS IV LEADER	2.1.4. LEADER+ (OP), LEADER ČR

## **4. REASONING FOR CHOSEN PRIORITIES IN VIEW OF THE COMMUNITY STRATEGIC GUIDELINES AND NATIONAL STRATEGIC RURAL DEVELOPMENT PLAN**

### **4.1 *Community Strategic guidelines for rural development, National Strategic Plan for 2007 – 2013, and their reflection in the Rural Development Programme***

The Community Strategic guidelines for rural development determine areas important for realisation of Community priorities, in particular in relation to the Göteborg sustainability goals and to the renewed Lisbon strategy for economic growth and jobs.

Areas which contribute to the realisation of the Lisbon and Göteborg goals is the attempt on **Improvement of the competitiveness of agriculture and forestry** (to ensure competitiveness priorities according to the Strategic guidelines should be oriented to transfer of knowledge and innovation in the food chain, as well as investment in physical and human capital).

In the framework of the Rural Development Programme a set of measures in the framework of Axis I are proposed aimed at improving the competitiveness of agricultural and food products, modernisation of holdings, increasing added value and implementation of land consolidation.

In the Czech Republic transfer of knowledge, modernisation and innovation in food production, will be supported with a particular focus on small and mid-size enterprises as well as investment in priority sectors with the goal defined by the Community Strategic guidelines, i.e. restructuring the agriculture sector, improving competitiveness of farmers and stabilising jobs in the countryside (as a contribution of Axis I to the Lisbon strategy).

#### **Relevant RDP priorities:**

##### **Priority 1.1 Modernisation, innovation and quality**

##### **Priority 1.2 Knowledge transfer**

**Improving the environment and landscape** – for the purpose of improving the condition of the environment and landscape priorities should be aimed at biological diversity and conserving systems of agriculture and forestry with a high added value, protection of water and mitigation of climate changes.

The Rural Development Programme contributes to improving the condition of the environment and landscape by the implementation of agri-environmental measures, measures supporting farming in less favoured areas and Natura 2000 measures. These measures proved themselves in the previous planning period in the HRDP as well.

Mitigating the impact of climate change will be realised primarily by means of forestry measures and afforestation of agricultural land in the framework of Axis II.

#### **Relevant RDP priorities:**

**Priority 2.1 Biodiversity, conservation and development of agricultural and forestry systems with a high added value and traditional agricultural landscapes**

**Priority 2.2 Water and soil protection**

**Priority 2.3 Mitigation of climate changes**

**Quality of life in rural areas and support of diversification** – to maintain the quality of life and support diversification those priorities should be supported whose goal will be creating new jobs in non-traditional industries to secure substitution for anticipated decrease in job opportunities in the agricultural and food sector and improving the rural infrastructure.

The Rural Development Programme will increase the attractiveness of the countryside for living including improving conditions for economic growth by the realisation of measures aimed primarily at the diversification of economic (non-agricultural) activities, improving quality of life in the countryside, training and expanding the use of information and communication technologies, and also improving the quality of life by increasing the awareness of natural and cultural values of the environment and their revitalisation and rehabilitation.

**Relevant RDP priorities:**

**Priority 3.1 Creation of employment opportunities and support of use of renewable energy sources**

**Priority 3.2 Conditions of growth and quality of life in the countryside**

**Priority 3.3 Education**

**Building local capacities for employment and diversification** – for the satisfactory building of local capacities priorities should be realised which are oriented towards improving management and releasing local potential.

The Rural Development Programme enables building of local capacities in particular by creating local partnerships in various areas of social life, preparing local development strategies and their subsequent realisation. Integrated access will help protect and expand the local natural and cultural heritage, increase awareness of environmental protection, support the production of local specialities, tourism, renewable energy sources and investment into them.

**Relevant RDP priorities:**

**Improving management and mobilization of natural intrinsic development potential of rural areas**

#### ***4.2 Anticipated impacts of the Programme according to the ex ante evaluation and chosen priorities***

Prof. Ing. František Střeleček, CSc., Prof. Ing. Magdalena Hrabánková, CSc.; consultant - Morten Kvistgaard, Orbicon, Denmark.

The Rural Development Programme provides great opportunities to all potential beneficiaries. The circle of potential beneficiaries is very wide. A positive impact can be expected from every programme which will be successfully implemented and proceeds from a good

entrepreneurial purpose. The implemented programmes will widen the gap between successful applicants and those who did not get to the programme.

Individual measures can be evaluated from the viewpoint of the temporality of their impacts (whether given measures will operate only in the short term or whether in contrast its impact will be long term). Among measures acting in the long term clearly belong measures of an investment character, such as modernisation of the agricultural economy, and support of biomass processing and utilisation.

Measures increasing the economic value of land, forests and the environment also have a long-term character. These measures definitely include land consolidation, improving the economic value of forests, first afforestation of agricultural land, changing the species composition of forests etc.

In the area of rural development impacts acting in the long term can be considered measures for village renewal and development, a development of public amenities and services, diversification into non-agricultural activities etc. It is clear that each of these measures has its timeframe and to attempt for complete timelessness is probably not reasonable. It is, however, important that these measures create a solid foundation for long-term positive development.

Some measures, however, essentially can have an antagonistic effect, for instance the influence of modern agricultural management can lead to reduction in employment, significant support of energy from renewable sources may not win out in the price competition with classic fuels, or modernisation could influence higher production, which is in contrast limited by the system of national quotas and limits.

The actual quantified evaluation of individual indicators of Programme success are set out in the tables of Appendix 14 in Chapter 6, where it is possible to monitor the impacts of the entire Programme on selected indicators such as economic development, employment, labour productivity, biodiversity and others.



**5. INFORMATION ON THE AXES AND MEASURES PROPOSED FOR EACH AXIS AND THEIR DESCRIPTION, INCLUDING THE SPECIFIC VERIFIABLE OBJECTIVES AND INDICATORS THAT ALLOW THE PROGRAMME'S PROGRESS, EFFICIENCY AND EFFECTIVENESS TO BE MEASURED**

**5.1 Overview of axes, priorities and measures**

Axis	Measure number			Name of the group of measures/ measure / sub-measure
	Group of measures	Measure	Sub-measure	
<b>AXIS I – Improving the competitiveness of agriculture and forestry</b>				
I.	1.			Measures aimed at restructuring and developing physical potential and promoting innovation
I.	1.	1.		Modernisation of agricultural holdings
I.	1.	2.		Investments in forests
I.	1.	3.		Adding value to agricultural and food products
I.	1.	3.	1.	<i>Adding value to agricultural and food products</i>
I.	1.	3.	2.	<i>Cooperation for development of new products, processes and technologies (or innovations) in food industry</i>
I.	1.	4.		Land consolidation
I.	2.			Transitional measures for the Czech Republic and other New Member States of the EU
I.	2.	1.		Producer groups
I.	3.			Measures aimed at promoting knowledge and improving human potential
I.	3.	1.		Further vocational training and information actions
I.	3.	2.		Setting up of young farmers
I.	3.	3.		Early retirement from farming
I.	3.	4.		Use of advisory services
<b>AXIS II – Improving the environment and landscape</b>				
II.	1.			Measures targeting the sustainable use of agricultural land
II.	1.	1.		Natural handicap payments provided in mountain areas and payments provided in other areas with handicaps
II.	1.	2.		Natura 2000 payments and payments linked to Water Framework Directive 2000/60/EC (WFD)
II.	1.	2.	1.	<i>Payments within Natura 2000 agricultural areas</i>
II.	1.	2.	2.	<i>EC Water Framework Directive</i>
II.	1.	3.		Agri-environmental measures
II.	1.	3.	1.	<i>Agri-environmental measure – Environment friendly farming (including organic farming and integrated production)</i>
II.	1.	3.	2.	<i>Agri-environmental measure – Grassland management</i>
II.	1.	3.	3.	<i>Agri-environmental measure – Landscape management</i>
II.	2.			Measures targeting the sustainable use of forest land
II.	2.	1.		Afforestation of agricultural land
II.	2.	1.	1.	<i>First afforestation of agricultural land</i>
II.	2.	1.	2.	<i>Planting of fast-growing tree species designed for use in energy generation</i>

Measure number				Name of the group of measures/ measure / sub-measure
Axis	Group of measures	Measure	Sub-measure	
II.	2.	2.		Payments within Natura 2000 forest areas
II.	2.	2.	1.	<i>Conservation of a forest management group from previous production cycle</i>
II	2.	3.		Forest-environment payments
II.	2.	3.	1.	<i>Improving the species composition of forests</i>
II.	2.	4.		Restoring forestry potential after disasters and promoting social functions of forests
II.	2.	4.	1.	<i>Restoring forestry potential after disasters and introducing prevention actions</i>
II.	2.	4.	2.	<i>Non-productive investments in forests</i>
<b>AXIS III – Quality of life in rural areas and diversification of rural economy</b>				
III.	1.			Measures to diversify the rural economy
III.	1.	1.		Diversification into non-agricultural activities
III.	1.	2.		Support for the creation and development of enterprises
III.	1.	3.		Encouragement of tourism activities
III.	2.			Measures to improve the quality of life in rural areas
III.	2.	1.		Village renewal and development, public amenities and services
III.	2.	2.		Conservation and upgrading of the rural cultural heritage
III.	3.			Training and information measure for business entities operating in the fields covered by axis III
III.	3.	1.		Training and information
<b>AXIS IV – Leader</b>				
IV.	1.			Implementing a local development strategy
IV.	1.	1.		Competitiveness
IV.	1.	2.		Environment / Area management
IV.	1.	3.		Quality of life / diversification
IV.	2.			Implementation of co-operation projects
IV.	2.	1.		Co-operation
IV.	3.			Running the local action groups
IV.	3.	1.		Operation, skills-acquisition and animation

## 5.2 Description of proposed measures

### 5.2.1 AXIS I – IMPROVING THE COMPETITIVENESS OF AGRICULTURE AND FORESTRY

Axis I is aimed at supporting the competitiveness of agriculture and forestry and at strengthening the dynamics of enterprises in agriculture and the downstream food industry. The financial allocation for axis I accounts for 22.39% of total EAFRD funding.

Priorities include modernisation of agricultural holdings, land consolidation and adding value to agricultural products. Therefore, the highest volume of funding is concentrated on these actions.

**Table - Priorities, objectives and measures under axis I**

Priority	I.1. Modernisation, innovation and quality	
Objective	To create a strong agri-food industry, to modernise agricultural holdings, to introduce innovations and increase the quality of products	% of the axis 92.18
Measure	I.1.1 Modernisation of agricultural holdings	38.72
	I.1.2 Investments in forests	11.94
	I.1.3 Adding value to agricultural and food products	15.92
	I.1.4 Land consolidation	23.61
	I.2.1. Producer groups	1.99
Priority	I.2 Knowledge transfer	
Objective	To create a dynamic agri-food environment, to extend training and advisory services and to reduce the average age of workers in agriculture	% of the axis 7.82
Measure	I.3.1 Further vocational training and information actions	1.49
	I.3.2 Setting up of young farmers	1.99
	I.3.3 Early retirement from farming	1.99
	I.3.4 Use of advisory services	2.35

### ***Group of measures I.1 – Measures aimed at restructuring and developing physical potential and promoting innovation***

#### **I.1.1 Modernisation of agricultural holdings**

Measure code: 121,124

##### ***Description of situation***

The measure responds to a strategic objective to improve the competitiveness of agriculture. By its orientation it is designed to support the modernisation of agricultural holdings where there is an inadequate level of investments, into both, structures as well as technologies, in crop as well as animal production. The inadequate investments have caused obsolescence of farm technologies and are reflected also in the condition of farm buildings, which do not always satisfy the modern requirements of animal welfare and environment protection. The low level of investments has an effect on costs and efficiency of agricultural production, on productivity, creation of added value and hence on the overall competitiveness of agricultural production. In view of the growing consumer pressure on food safety and environmentally friendly approach to farm production, the agricultural production base needs to be well equipped. In the 2004-2006 programming period, a similar type of support was successfully provided under the Operational Programme's measure 1.1 "Investments in agricultural holdings".

The measure connects on Conception of agrarian policy ČR.

##### **Legislative framework**

Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development – Articles 26 and 29.

### **Profile of the measure**

The support focuses on investments improving overall performance of agricultural holdings in order to increase their competitiveness. The support is related to activities connected with production, processing or placing on the market products introduced in Appendix No. I. Contracts on Establishment of EC.

With the objective to ensure competitive and perspective agriculture enterprises, resp. resolution of rural development questions, the Czech Republic will not limit the aim of measures for selected sectors.

The object of the support shall be preserved for a period of 5 years.

### **Objectives of the measure**

To improve economic performance of agricultural holdings through better use of production factors.

Utilisation of market opportunities thanks to innovations.

Restructuring and development of technical potential and support of innovative processes.

Increased competitiveness.

### **Definition of supported areas**

The project shall be implemented on the territory of the Czech Republic, with the exception of the capital city of Praha.

### **Conditions for the granting of support**

- the project shall be in conformity with applicable legislation,
- only one source of EU funding may be used to finance the project.

### **Categories of beneficiaries**

- Agricultural entrepreneur, i.e. natural or legal person who operates agriculture production as permanent and independent activity under his own name, at his own responsibility and with the aim to reach a profit (including school farms).
- An enterprise where majority owners are agricultural primary producers and the activity of which is to provide works or services connected solely with farming, in which means or equipment are used serving for the purposes of agricultural production.
- Young farmer shall mean for purposes of higher rate of support legal person who did not reach at time of application submission age of 40 years and operates the agriculture production as permanent and independent activity under his own name, at his own responsibility and with aim to reach a profit

### **Eligible expenditure**

The support may be provided for

- investments in agricultural buildings (reconstruction and construction of new buildings – use of brownfields is preferred), including necessary handling areas, for animal production – the support applies to the keeping of cattle, pigs, sheep, goats, horses, poultry and bees:

- construction or reconstruction of animal housing and keeping facilities,
- construction or reconstruction of storage capacities for secondary products of animal production,
- construction or reconstruction of storage capacities for bulk feed,
- investments in animal production technologies – the support applies to cattle, pigs, sheep, goats, horses and poultry,
- investments in agricultural buildings (reconstruction and construction of new buildings) for plant production, including:
  - i. construction or reconstruction of storage capacities for products of plant production,
  - ii. construction or reconstruction of supporting structures for perennial crops,
  - iii. necessary handling spaces,
- investments in plant production technologies, including the purchase and renewal of irrigation,
- investments in buildings and technologies for the processing and use of intentionally grown biomass as well as residual and waste biomass for energy and material purposes, including necessary handling areas,
- investments in machinery for landscape management and upkeep,
- investments connected with the development and application of new agricultural products, processes and technologies in plant or animal production (eligible expenditure is reimbursed to a farmer who applies the outcomes of research and development in cooperation with other actors taking part in that research and development).

### **Type and amount of support**

The support shall be provided as a contribution to cover a part of the eligible expenditure incurred, at most at the following level:

60% of eligible expenditure for investments made by young farmers in Natura 2000 areas or areas with handicaps,

50% of eligible expenditure for investments made by other farmers in Natura 2000 areas or areas with handicaps,

50% of eligible expenditure for investments made by young farmers in areas other than Natura 2000 areas or areas with handicaps,

40% of eligible expenditure for investments made by other farmers in areas other than Natura 2000 areas or areas with handicaps.

The EU contribution shall amount to 75% of public sources.

The Czech Republic's contribution shall amount to 25% of public sources.

Eligible expenditure shall be in a range from CZK 100 000 to CZK 30 million per project.

Maximum support per beneficiary shall amount to CZK 90 million for the period 2007-2013.

## **I.1.2 Investments in forests**

Measure code: 122, 123, 124, 125

### **Description of situation**

The measure supports a strategic objective to improve the competitiveness of forestry focusing especially on the support of dynamic forestry enterprise, higher effectiveness of forestry enterprises, on the restructuring of forestry and on improved protection of the environment in forestry. Supported actions should address existing problems such as low level of investments in the forestry sector and obsolete and technically inadequate equipment of forestry enterprises. The support will also help to address problems connected with insufficient infrastructure in forestry.

Based on experience with the implementation of measure 1.3 “Forestry” under the Agriculture Operational Programme (OP) during the 2004-2006 programming period, measures focusing on investments in forestry machinery and on construction investments in forest infrastructure will continue to be supported under Axis I of the Rural Development Programme. The support will be extended to cover improvement of the economic value of forests and technical facilities for finalisation and marketing of forestry products.

The measure contributes to fulfil National forest program from 2001.

### **Legislative framework**

Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development – Articles 27, 28, 29 and 30.

### **Profile of the measure**

The support will allow to increase the efficiency of forestry by increasing the economic value of forests, i.e. by actions to improve the condition of forest soils, local actions to adjust the chemistry of forest soils including fertilisation during forest regeneration, by restoration and stabilisation of forest stands, introduction of economically more appropriate tree species structure in conformity with legislation (reconstruction), by protection of forest stands or thinning of forest stands.

At the same time, the support will be targeting upgrading of forestry machinery which currently does not satisfy the requirements of modern technologies and so preconditions for competitive forestry are not meet. The support will be covering in particular the purchase of machines and equipment for the construction and maintenance of forest roads, paths and pavements, soil amelioration, torrent control, retention reservoirs, facilities for tourism and machinery and equipment for the regeneration and thinning of forests and primary processing of wood by environmentally friendly technologies. It will also contribute to the creation and preservation of existing small plants, which will be creating jobs for unskilled as well as skilled labour in rural areas and will increase the share of locally processed raw timber (machinery for finalisation and marketing of forestry products will be improved).

Improved forest infrastructure will support the rationalisation and environmental performance in forestry. The object of the support shall be preserved for a period of 5 years (does not apply to the improvement of the economic value of forests).

### **Objectives of the measure**

Increasing the economic value of private as well as municipal forests, increased diversification, and widening of market opportunities.

Improving the processing and marketing of raw materials.

Improving the infrastructure.

Using market opportunities thanks to innovations.

Restructuring and development of technical potential and support for innovation processes.

Increasing the competitiveness.

### **Definition of supported areas**

The project shall be implemented on the territory of the Czech Republic, with the exception of the capital city of Praha

### **Conditions for the granting of support**

- the project shall be in conformity with applicable legislation,
- only one source of EU funding may be used to finance the project,
- the project shall contain an approval of the Ministry of the Environment, namely in the case of support for:
  - adjustment of the chemistry of forest soils including fertilisation during replanting
  - construction of forest roads
  - construction, upgrading, reconstruction and general repair of facilities controlling water regime in forests.
- in the case of technical equipment for plants, support shall not be granted to enterprises in difficulty.

## **I.1.2.1. Enhancing of economic value of forest**

### **Legislation framework**

Council Regulation No. 1698/2005 on support of rural development from the European Agricultural Fund for Rural Development – Article 27

### **Categories of beneficiaries**

Natural or legal person (including school farms and school forest districts), municipalities and their associations managing in forests which are in an ownership of private persons or their associations or in municipality ownership or their associations.

### **Eligible expenditure**

- forest soil chemistry treatment including fertilisation during growth regeneration
- forest stands regeneration
- forest stand ensuring,
- implementation of better tree composition from the economic point of view according to legislation (reconstruction),

- forest stands protection,
- thinning of forest stands.

### **Type and amount of support**

Type of support: direct non-repayable grant

Method of financing: co-financing

Amount of support:

- Amount when rate of support is 50% of eligible expenditure (60% of eligible expenditure in Natura 2000 areas)

The EU contribution shall amount to 75% of public sources.

The Czech Republic's contribution shall amount to 25% of public sources.

Eligible expenditure for which support may be provided shall be in a range from CZK 20 000 to CZK 20 million per each individual project.

Maximum support per beneficiary shall amount CZK 60 million for the period 2007-2013.

## **I.1.2.2. Forestry machinery**

### **Legislation framework**

Council Regulation No. 1698/2005 on support of rural development from the European Agricultural Fund for Rural Development – Articles 27, 29

### **Categories of beneficiaries**

Natural or legal person (including school farms and school forest districts), municipalities and their associations managing in forests which are in an ownership of private persons or their associations or in municipality ownership or their associations, including persons providing services in forestry activities.

### **Eligible expenditure**

- purchase of machines and equipment for the construction and maintenance of forest roads, paths and pavements, soil amelioration, torrent control, retention reservoirs, facilities for tourism and machinery and equipment serving regeneration and thinning of forest stands and primary processing of wood by environmentally friendly technologies,
- expenditure related to a development and application of new machinery and equipment for:
  - construction and maintenance of forest roads, paths and pavements
  - soil amelioration, torrent control, retention reservoirs
  - construction and maintenance of facilities for tourism and machinery
  - regeneration and thinning of forest stands
  - primary processing of wood by environmentally friendly technologies

(expenditure are covered for natural or legal person managing in forests which are in an ownership of private persons or their associations or in municipality ownership or their associations, who applies research and development results in the co-operation with other persons participating at this development or research).



## Type and amount of support

Type of support: direct non-repayable grant

Method of financing: co-financing

Amount of support:

Region	Small enterprises		Medium enterprises	
	2007-2010	2011-2013	2007-2010	2011-2013
CZ 02 Střední Čechy	60 %	60 %	50 %	50 %
CZ 03 Jihozápad	56 %	50 %	46 %	40 %
CZ 04 Severozápad	60 %	60 %	50 %	50 %
CZ 05 Severovýchod	60 %	60 %	50 %	50 %
CZ 06 Jihovýchod	60 %	60 %	50 %	50 %
CZ 07 Střední Morava	60 %	60 %	50 %	50 %
CZ 08 Moravskoslezsko	60 %	60 %	50 %	50 %

The EU contribution shall amount to 75% of public sources.

The Czech Republic's contribution shall amount to 25% of public sources.

Eligible expenditure for which support may be provided shall be in a range from CZK 20 000 to CZK 15 million per project.

Maximum support per beneficiary shall amount CZK 30 million for the period 2007-2013.

### I.1.2.3. Technologies and equipment for plants

#### Legislation framework

Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development – Articles 28, 29

Commission Regulation No 70/2001 on the application of Articles 87 and 88 of the EC Treaty to State aid to small and medium-sized enterprises

#### Categories of beneficiaries

Natural or legal persons, entrepreneurs in forestry or related sectors which have less than 10 employees and their annual turnover is less lower then € 2 million (according to Commission Recommendation 2003/361/EC).

In the case of development of new technologies, a beneficiary of support shall be natural or legal persons involved in forestry, municipality or their associations managing in forests, which are in an ownership of private persons or their associations or in municipality ownership or their associations.

#### Eligible expenditure

- acquisition and upgrading of technologies (including intangible investments) that will allow to process and use residual biomass for energy generation and other purposes,
- construction and modernisation of small-capacity outdoor operations that will be producing products with a higher share of added value (including intangible investments),

- expenditure incurred in connection with the development and application of new products, processes and technologies in small-capacity outdoor operations of forestry production and acquisition of technologies which will allow to process and use residual biomass for energy generation and other purposes (the expenditure shall be reimbursed to a natural or legal person involved in the management of forests that are owned by private owners or their associations or by municipalities or their associations, that applies the results of research and development in cooperation with other persons taking part in this research and development).

### **Type and amount of support**

Type of support: direct non-repayable grant

Method of financing: co-financing

Amount of support:

Region	Small enterprises		Medium enterprises	
	2007-2010	2011-2013	2007-2010	2011-2013
CZ 02 Střední Čechy	60 %	60 %	50 %	50 %
CZ 03 Jihozápad	56 %	50 %	46 %	40 %
CZ 04 Severozápad	60 %	60 %	50 %	50 %
CZ 05 Severovýchod	60 %	60 %	50 %	50 %
CZ 06 Jihovýchod	60 %	60 %	50 %	50 %
CZ 07 Střední Morava	60 %	60 %	50 %	50 %
CZ 08 Moravskoslezsko	60 %	60 %	50 %	50 %

Amount of support is provide with Commission Resolution No 510/2006 from 24.10.2006.

The EU contribution shall amount to 75% of public sources.

The Czech Republic's contribution shall amount to 25% of public sources.

Eligible expenditure for which support may be provided shall be in a range from CZK 20 000 to CZK 10 million per project.

Maximum support per beneficiary shall amount CZK 20 million for the period 2007-2013.

### **I.1.2.4. Forest infrastructure**

#### **Legislation framework**

Council Regulation No. 1698/2005 on support of rural development from the European Agricultural Fund for Rural Development – Article 30

#### **Categories of beneficiaries**

Natural or legal person (including school farms and school forest districts), municipalities and their associations managing in forests which are in an ownership of private persons or their associations or in municipality ownership or their associations.

#### **Eligible expenditure**

- construction, upgrading, reconstruction and general repairs of forest roads, including associated buildings,
- construction, upgrading, reconstruction and general repair of facilities controlling water regime in forests, including associated buildings,
- construction, upgrading, reconstruction and general repair of other infrastructure, buildings and facilities serving the needs to forestry.

### **Type and amount of support**

Type of support: direct non-repayable grant

Method of financing: co-financing

Amount of support:

- 100 % of eligible expenditure

The EU contribution shall amount to 75 % of public sources.

The Czech Republic's contribution shall amount to 25 % of public sources.

Eligible expenditure for which support may be provided shall be in a range from CZK 60 000 to CZK 20 million per each individual project.

Maximum support per beneficiary shall amount CZK 60 million for the period 2007-2013.

### **I.1.3 Adding value to agricultural and food products**

Measure code: 123,124

#### **Description of situation**

The measure responds to the strategic objective to improve the competitiveness of agri-food industry by focusing especially on the improvement of the performance of processing enterprises and on the development of new outlets for agricultural products, support for marketing of agricultural products, and the development of innovations within the agri-food production, namely through cooperation with persons taking part in research and development. Supported actions should address issues such as low labour productivity, low level of innovations, and low proportion of production with higher added value and insufficient finalisation of products, including marketing.

In the 2004 - 2006 programming period, a similar type of support was provided under the Operational Programme's measure 1.2 "Improving the processing and marketing of agricultural products". The support focused on investments in buildings and technologies for food industry. The finance allocated in the Programme's financial plan was used up and the demand was higher than the available resources. In view of the experience from the Operational Programme implementation, the measure was taken over under Axis I of the Rural Development Programme.

The measure connects on Conception of agrarian policy ČR.

## **Legislative framework**

Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development – Articles 28 and 29.

## **Profile of the measure**

The support shall be granted for tangible and intangible investments concerning processing and/or marketing and/or the development of new products, processes and technologies linked to products, covered by Annex I to the EC Treaty (except fishery products), and respecting the EC standards applicable to the investment concerned. The investments shall improve the overall performance of the enterprise and shall contribute to increased competitiveness of the agri-food industry.

With the objective to ensure competitive and perspective of agri-food industry as a whole, resp. resolution of rural development questions, the Czech Republic will not limit the aim of measures for selected sectors.

Where investments are made in order to comply with EC standards, support may be granted only to those which are made by micro-enterprises in order to comply with newly introduced EC 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 the standard.

The object of the support shall be preserved for a period of 5 years.

## **Objectives of the measure**

Improving the processing and marketing of raw materials and products.

Utilisation of market opportunities thanks to innovations.

Restructuring and development of technical potential and support of innovative processes.

Increased competitiveness.

## **Definition of supported areas**

The project shall be implemented on the territory of the Czech Republic, with the exception of the capital city of Praha

## **Conditions for the granting of support**

- the project shall be in conformity with applicable legislation,
- only one source of EU funding may be used to finance the project,
- compliance with Community standards applying to the investment concerned,
- investments made in order to comply with newly introduced EC standards may be made only by micro-enterprises and 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 the standard.

### **I.1.3.1. Adding value to agricultural and food products**

#### **Legislative framework**

Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development – Article 28.

#### **Categories of beneficiaries**

Producer of foodstuffs or raw materials intended for human consumption which meets the definition of micro, small or medium-sized enterprise or has less than 750 employees or a turnover of less than the equivalent in Czech crowns of EUR 200 million. The support may be provided to producers of foodstuffs or raw materials intended for human consumption as defined in Act No. 110/1997 Coll. on foodstuffs and tobacco products, as amended, or Act No. 321/2004 Coll., on viticulture and wine industry, as last amended, and at the same time listed in Annex I to EC Treaty, except fishery products.

Producer of feedingstuffs who meets the definition of micro, small or medium-sized enterprise or has less than 750 employees or a turnover of less than the equivalent in Czech crowns of EUR 200 million. The support may be provided to producers of feedingstuffs as defined in Act No. 91/1996 Coll. on feedingstuffs, as amended and at the same time listed in Annex I to EC Treaty, except fishery products.

Individual enterprise meeting the criteria of Commission Recommendation No 2003/361/EC shall be deemed to be micro, small and medium-sized enterprise.

#### **Eligible expenditure**

The support may be provided for:

investments in construction and technologies leading to improved processing of agricultural and food products, including the necessary handling areas,

investments to improve and monitor the quality of agricultural and food products,

investments connected with the development and application of new agricultural and food products, processes and technologies in agri-food production (the expenditure shall be reimbursed to the producer of foodstuffs or raw materials (see definition of beneficiary) that applies the results of research and development in cooperation with other entities taking part in that research and development),

purchase of facilities and equipment directly linked to the finalisation, packaging and labelling of products in relation to the increasing of quality, including technologies related to product traceability.

#### **Type and amount of support**

The support shall be provided as a contribution to cover a part of the eligible expenditure incurred, at most at the following level:

- a) 50% of the project's eligible expenditure,
- b) 25% of project's eligible expenditure for enterprises not meeting the definition of micro, small or medium-sized enterprise and having less than 750 employees or a turnover of less than the equivalent in Czech crowns of EUR 200 million.

The EU contribution shall amount to 75% of public sources.

The Czech Republic's contribution shall amount to 25% of public sources.

Eligible expenditure shall be in a range from CZK 100 000 to CZK 30 million per project.  
Maximum support per beneficiary shall amount to CZK 90 million for the period 2007-2013.

### **I.1.3.2. Cooperation for development of new products, processes and technologies (or innovations) in food industry**

#### **Legislative framework**

Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development – Article 29.

#### **Categories of beneficiaries**

Producer of foodstuffs or raw materials intended for human consumption as defined in Act No. 110/1997 Coll. on foodstuffs and tobacco products, as amended, or Act No. 321/2004 Coll., on viticulture and wine industry, as last amended, and at the same time listed in Annex I to EC Treaty, except fishery products.

Producer of feedingstuffs who meets the definition of micro, small or medium-sized enterprise or has less than 750 employees or a turnover of less than the equivalent in Czech crowns of EUR 200 million. The support may be provided to producers of feedingstuffs as defined in Act No. 91/1996 Coll. on feedingstuffs, as amended and at the same time listed in Annex I to EC Treaty, except fishery products.

#### **Eligible expenditure**

Costs of cooperation in the development of new products, processes and technologies (or innovations) related to preparatory operations, including design and development of products, processes or technologies and tests and/or intangible investments linked with this cooperation before the use of the newly developed products, processes and technologies for commercial purposes.

#### **Type and amount of support**

The support shall be provided as a contribution to cover a part of the eligible expenditure incurred, at most at the rate of 50% of a project's eligible expenditure

The EU contribution shall amount to 75% of public sources.

The Czech Republic's contribution shall amount to 25% of public sources.

Eligible expenditure shall amount to at least CZK 200 000 per project.

Maximum support per beneficiary shall amount to CZK 90 million for the period 2007-2013.

### **I.1.4 Land consolidation**

Measure code: 125

#### **Description of situation**

Land consolidation is one of key factors for rural development. The measure addresses issues such as titles to land, insufficient agricultural infrastructure or absence of elements of landscape's ecological stability. Indirectly, the measure also helps to develop farming enterprise and has an indisputable effect on sustainable development of landscape.

In the 2004-2006 programming period, this support was provided under sub-measure 2.1.1. *Land consolidation* within the Agriculture Operational Programme. Land consolidation was covered also by the SAPARD pre-accession programme. In view of a positive experience with previous implementation and great absorption capacity of this type of measure, this support was taken over to Axis I of the Rural Development Programme. The measure connects on Conception of agrarian policy ČR.

### **Legislative framework**

Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development – Article 30.

### **Profile of the measure**

Land consolidation involves a rational spatial arrangement of parcels of all land owners within a given cadastre territory and, if necessary, also actual demarcation of the parcels in the field. Implementation of the so called “plan of common facilities” is an integral part of land consolidation.

The object of the support shall be preserved for a period of 5 years (does not apply to land survey projects).

### **Objectives of the measure**

Improving the infrastructure, including access to parcels.

Parcel restructuring and development of land potential.

Increasing the scale of implemented comprehensive land consolidation projects.

Increased competitiveness.

Improving the environment and landscape.

### **Definition of supported areas**

The project shall be implemented on the territory of the Czech Republic, with the exception of the capital city of Praha

### **Conditions for the granting of support**

- the project shall be in conformity with applicable legislation
- only one source of EU funding may be used to finance the project
- the scope of surveying works shall be in accordance with the needs of drawing up a land consolidation plan,
- the demarcation of newly proposed parcels shall be done on the basis of an approved land consolidation plan,
- the implementation of common facilities must be in conformity with approved land consolidation plans
- the surveying of parcels pursuant to § 21 (a) of Act No 229/1991 Coll., as amended, shall be done on the basis of owners' requests

### **Categories of beneficiaries**

Land authorities

## **Eligible expenditure**

The support may be provided for the following types of projects:

### Implementation of plans of common facilities on the basis of an approved land consolidation plan

- implementation of measures to provide access to parcels
- implementation of erosion control measures to protect land resources
- implementation of water management measures to safely drain away surface water and prevent flooding
- implementation of measures to protect and develop the environment and to increase landscape's ecological stability.

### Surveying projects

- surveying of a territory and all topographic elements and other surveying works carried out in order to draw up a land consolidation plan,
- demarcation of newly proposed parcels on the basis of an approved land consolidation plan,
- measurement of parcels on the basis of § 21 (a) of Act No. 229/1991 Coll. on the adjustment of titles to land and other farming assets, as amended.

## **Type and amount of support**

Type of support: direct non-repayable grant

Method of financing: full financing

Rate of support: 100% of eligible expenditure

The EU contribution shall amount to 75% of public sources.

The Czech Republic's contribution shall amount to 25% of public sources.

Eligible expenditure for which support may be provided shall be in a range from CZK 300 000 to CZK 50 million per project.

Maximum support per beneficiary (i.e. a land authority) shall amount to CZK 180 million for the period 2007 - 2013.

## ***Group of measures I.2 Transitional measures for the Czech Republic and other New Member States of the EU***

### **I.2.1 Producer groups**

Measure code: 142

#### **Description of situation**

The measure addresses in particular the problem of a weak bargaining position of farmers in relation to processors and buyers.



In the 2004-2006 programming period, a similar type of support was provided under the measure “Setting-up of producer groups” within the Horizontal Rural Development Plan. The support from the Horizontal Rural Development Plan focused on the setting up of producer groups and improvement of their work. Given the continuing interest on the part of potential applicants, the measure will continue under Axis I of the Rural Development Programme.

### **Legislative framework**

Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development – Article 35.

### **Profile of the measure**

The support is provided for the setting up of producer groups and for their operation, in particular for the following activities:

- adapting the production and output of producers who are members of such groups to market requirements,
- joint placing of goods on the market, including preparation for sale, centralisation of sales and supply to buyers,
- establishing common rules on production information.

### **Objectives of the measure**

Achievement of a desired level of marketing groups in new Member States.

Support to new Member States in adapting to the European market.

Increased competitiveness.

### **Definition of supported areas**

The measure shall be implemented on the territory of the Czech Republic.

### **Conditions for the granting of support**

- the supported activity shall be in conformity with applicable legislation,
- only one source of EU funding may be used to finance the project,
- the producer group shall be set up in the period 2007 - 2013,
- the producer group markets unprocessed agricultural commodities,
- all members of the producer group shall be natural or legal persons producing products falling among unprocessed agricultural commodities,

### **Categories of beneficiaries**

A legal person meeting the conditions for the granting of support. Groups of producers for which the joint marketing of selected products is governed by special Council Regulations such as Council Regulation No 2200/1996 on the common organisation of the market in fresh fruit and vegetables or Council Regulation No 104/2000 on the common organisation of the markets in fishery and aquaculture products may not be beneficiaries.

Recognised payment agency – SAIF issues an approval of producer’s groups on the basis of an application assessment which is in compliance with above-mentioned conditions.

**Type and amount of support**

The support shall have the form of a direct non-repayable grant for the setting up of producer groups or associations of producer groups and for their operation during a period of five years starting from the date of the producer group’s recognition.

Year from the date of the producer group’s recognition	A maximum rate of annual support (as a percentage of annual production placed on the market) in the case when the annual marketed production <b>does not exceed</b> EUR 1 million	A maximum rate of annual support (as a percentage of annual production placed on the market) for annual marketed production <b>exceeding</b> EUR 1 million
1 <sup>st</sup> year	5%	2.5% but not exceeding EUR 100 000
2 <sup>nd</sup> year	5%	2.5% but not exceeding EUR 100 000
3 <sup>rd</sup> year	4%	2.0% but not exceeding EUR 80 000
4 <sup>th</sup> year	3%	1.5% but not exceeding EUR 60 000
5 <sup>th</sup> year	2%	1.5% but not exceeding EUR 50 000

The EU contribution shall amount to 75% of public sources.

The Czech Republic’s contribution shall amount to 25% of public sources.

## ***Group of measures I.3 Measures aimed at promoting knowledge and improving human potential***

### **I.3.1 Further vocational training and information actions**

Measure code: 111

#### **Description of situation**

Specific characteristics of agricultural labour – poor retrainability, low mobility and ageing of workforce caused primarily by a low level of wages and continuing disparity between agricultural wages and those in other sectors together with a low availability of agricultural jobs have an adverse effect on the competitiveness of agricultural labour on agricultural as well as rural labour market and on the competitiveness of the sector as such. Therefore, the support will focus on the training and dissemination of information in the area of innovations leading on the one hand to improved competitiveness of agriculture and forestry and on the other hand to a desirable and varied diversification of agricultural activity. The measure will support investments in human capital, one of strategic objectives of the Community.

In the 2004 - 2006 programming period, a similar type of support was provided under the measure of the Operational Programme Agriculture 2.2 “Vocational Training”

#### **Legislative framework**

Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development – Article 21.

#### **Profile of the measure**

The measure has a cross-cutting nature and in addition to Axis I it will be used also in the framework of subjects of Axis II.

The support targets training projects focusing on the acquisition, improvement and innovation of knowledge and skills and a dissemination of information related to individual EAFRD measures and to objectives of the common agricultural policy, namely in the area of:

- statutory management requirements applying to eligibility to direct payment (cross-compliance),
- public education for the implementation of new production processes, methods and technologies which are compatible with sustainable development,
- increasing the efficiency of enterprises within the sector,
- possibilities of non-agriculture enterprises activities diversification in the framework of Axis I and II,
- landscape conservation and maintenance and environment protection, resolution of problems related to the soil erosion, water pollution, reduction of energy burden, increasing of biological diversity and landscape diversity,
- forestry.

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

Provision of training and knowledge in technical as well as economic field.

Development of knowledge and improvement of human potential.

Increased competitiveness.

### **Definition of supported areas**

Support shall be provided to training actions implemented on the territory of the Czech Republic.

### **Conditions for the granting of support**

- the project shall be in conformity with applicable legislation,
- only one source of EU funding may be used to finance each approved project,
- supported projects shall not include training organised within the school educational system.

### **Categories of beneficiaries**

Natural or legal persons which have training in the area of activity.

### **Eligible expenditure**

The support may be provided for the preparation and implementation of training and information actions, including consultations and practical experience corresponding with the purpose of the support, i.e. on:

- securing of training rooms and facilities,
- technical arrangements, including the cost to hire equipment and the delivery of technical services,
- preparation and distribution of training and information materials,
- purchase of indispensable office supplies
- actual organisation of the training and information actions – organisers' wage and overhead costs,
- expenditure on expert lecturers
- cost of translations and interpreting
- cost of promotion of the training and information activities.

### **Type and amount of support**

Type of support: direct non-repayable grant

Method of financing: co-financing

Rate of support: 100% of eligible expenditure

The EU contribution shall amount to 75% of public sources.

The Czech Republic's contribution shall amount to 25% of public sources.

Eligible expenditure for which support may be provided shall be in a range from CZK 200000 to CZK 1 million per project of training and information actions.

Maximum support per beneficiary shall amount to CZK 50 million for the period 2007-2013.

### **I.3.2 Setting up of young farmers**

Measure code: 112

#### **Description of situation**

The measure is linked with the strategic objective to increase the competitiveness of agriculture. It concentrates on support for the development of dynamic enterprise of younger farmers thereby having a positive effect on the age structure of farmers. It will be acting against the departure of young workers from agriculture and will be improving the employment in rural areas.

In the 2004-2006 programming period this kind of support wasn't provided. The measure is new. The measure connects on Conception of agrarian policy ČR.

#### **Legislative framework**

Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development – Article 22.

#### **Profile of the measure**

The support aims to stimulate the setting up of young farmers.

The object of the support shall be preserved for a period of 5 years.

The support shall be granted on the basis of business plan; its assessment shall be carried out by recognised payment agency – SAIF.

The support of the measure I.3.2 Setting up of young farmers is possible complete with the measure I.3.3 Early retirement from farming.

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

Support to young farmers and structural changes,

Development of knowledge and improvement of human potential.

Increased competitiveness.

#### **Definition of supported areas**

The project shall be implemented on the territory of the Czech Republic, with the exception of the capital city of Praha.

#### **Conditions for the granting of support**

- the project shall be in conformity with applicable legislation,
- only one source of EU funding may be used to finance each approved project,
- the applicant shall submit a business plan for the development of his farming activities, in which shall be introduced at minimum:
  1. Description of intended development of agriculture activity

- orientation of activity (business subject, main business activities and their structure)
  - current economical-financial situation of an applicant
  - place of business
  - description of products and ensuring of marketing
2. Budget of business plan, including cash-flow analysis
  3. Investment plan (orientation and scope of investment, purchase schedule, possibly leasing and due date)
  4. Time schedule of business plan
  5. Personal ensuring (number of created jobs, method of company management etc.) and professional qualification of an applicant
  6. Information if business plan is related to the support from measure I.3.3
- an applicant meets professional qualification. If necessary maximum term of 36 months after an approval of support can be granted to fill conditions of professional qualification, if it is introduced in business plan.

### **Categories of beneficiaries**

An agriculture entrepreneur, i.e. natural or legal person who operates agriculture production as permanent and independent activity under his own name, at his own responsibility and with the aim to reach a profit, younger than 40 years and starting farming for the first time.

In the event that a young farmer is setting up within a legal person, he must manage that enterprise and at the same time have a share of basic capital more than 50%.

### **Eligible expenditure**

The support may be provided for:

- investments in agricultural buildings (reconstruction and construction of new buildings), including necessary handling areas, for animal production – the support applies to the keeping of cattle, pigs, sheep, goats, horses, poultry and bees:
  - construction or reconstruction of animal housing and keeping facilities,
  - construction or reconstruction of storage capacities for secondary products of animal production,
  - construction or reconstruction of storage capacities for bulk feed,
- investments in animal production technologies – the support applies to cattle, pigs, sheep, goats, horses and poultry
- investments in agricultural buildings (reconstruction and construction of new buildings) for plant production, including:
  - construction or reconstruction of storage capacities for products of plant production
  - construction or reconstruction of supporting structures for perennial crops
  - necessary handling spaces
- investments in plant production technologies,
- investments in construction and technologies for the processing and use of intentionally grown biomass as well as residual and waste biomass for energy and material purposes, including necessary handling areas,
- investments in machinery for landscape management and upkeep.

### **Type and amount of support**

The support shall be provided in two repayments and that after the approval of an application and assessment of the implementation of business plan.

The EU contribution shall amount to 75% of public sources.

The Czech Republic's contribution shall amount to 25% of public sources.

The support shall be provided at a maximum level of € 40 000 for the period 2007-2013.

### **I.3.3 Early retirement from farming**

Measure code: 113

#### **Description of situation**

The measure addresses in particular adverse age structure of farmers and a low inflow of young workers to agriculture. Similarly as measure I.3.2. of the Rural Development Programme, the measure aims to improve the farmers' age structure and to contribute to a higher effectiveness of farms and a more intensive introduction of innovations.

In the 2004-2006 programming period, a similar type of support was provided by the *Early retirement from farming* measure under the Horizontal Rural Development Programme.

The measure connects on Conception of agrarian policy ČR.

#### **Legislative framework**

Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development – Article 23.

#### **Profile of the measure**

The measure motivates older farmers above 55 years of age to retire from farming thereby creating space for the setting up of younger farmers, which may contribute to the strengthening of the economic and social dimension of farming and rural sustainability.

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

Achievement of substantial structural changes in the agriculture sector.

Development of knowledge and improvement of human potential.

Increased competitiveness.

#### **Definition of supported areas**

The measure shall be implemented on the territory of the Czech Republic, with the exception of the capital city of Praha

#### **Conditions for the granting of support**

*transferor (applicant)* – a person transferring an agricultural holding,

*transferee* – a person taking over the agricultural holding.

### **A. Transferor (applicant) of an agricultural holding (can be only natural person)**

- must be a farming entrepreneur (i.e. natural person who operates agriculture production as permanent and independent activity under his own name, at his own responsibility and with the aim to reach a profit) and must stop all commercial farming,
- on the day of submission of application shall be not less than 55 years old and not yet of an age establishing entitlement to retirement pension or not more than 10 years younger than the normal retirement age,
- has practiced commercial farming for at least the 10 calendar years preceding his submission of application, of which at least the last 3 calendar years in his own name and at his own responsibility in the transferred farm.

### **B. Transferee of an agricultural holding (can be a natural or legal person)**

- must be a farming entrepreneur (i.e. natural or legal person who operates agriculture production as permanent and independent activity under his own name, at his own responsibility and with the aim to reach a profit) with registered office or place of business on the territory of the Czech Republic,
- must undertake to practice commercial farming (including the farming of agricultural parcels) for at least 5 years on the farm transferred from the transferor (applicant) and must undertake not to transfer this farm (including agricultural parcels) for at least 5 years, except for the cases of force majeure
- if he is a natural person, must be less than 40 years of age on the day of submission of application for participation in the measure and must start agricultural activity according to Article 22 of Council Regulation (EC) No 1698/2005 and meet the conditions of professional qualification or must be less than 50 years old on the day of submission of application and take over the agricultural holding to increase the size of his agricultural holding and meet the conditions of professional qualification,
- if it is a legal person taking over the agricultural holding to increase the size of its agricultural holding, all statutory representatives must be younger than 40 years on the day of submission of application for participation in the measure and at least one member of the statutory body must meet the condition of professional qualification.

Method of transfer of the agricultural holding:

The transferred agricultural holding must be transferred by the transferor to the transferee by means of a contract on the sale of holding.

A tenant farmer may transfer the released land to the owner provided that the lease is terminated and the requirements relating to the transferee laid down are complied.

### **Categories of beneficiaries**

A natural person, i.e. the transferor meeting the conditions for granting of support.

### **Method to determine the support**

The support shall be granted to the applicant (transferor) for at most 15 calendar years starting from the year, in which the applicant was included into the measure. The support shall not be



granted to the applicant (transferor) starting from the calendar year, in which he reaches 70 years of age.

Once the state begins to pay to the transferor a standard early retirement pension or standard retirement pension pursuant to Act No. 155/1995 Coll. on annuity insurance, the support under early retirement from farming shall be granted as a supplement to allocated retirement pension (Act No. 155/1995 Coll. on annuity insurance, as amended). The amount allocated as the retirement pension (Act No. 155/1995 Coll. on annuity insurance, as amended) shall thus be deducted from the amount granted under this measure

### **Type and amount of support**

The support shall have the form of a grant paid once a year.

The transferor will be receiving an annual grant calculated on the basis of a flat rate of CZK 75 000 and an amount calculated on the basis of the number of hectares of transferred agricultural land multiplied by CZK 4 700 with the number of hectares that can be included in the calculation being limited by a ceiling of 30 ha.

The EU contribution shall amount to 75% of public sources.

The Czech Republic's contribution shall amount to 25% of public sources.

### **I.3.4 Use of advisory services**

Measure code: 114

#### **Description of situation**

The measure is designed to improve the knowledge of entrepreneurs in agriculture, forestry and water management, forest owners, associations of owners, forest leaseholders, professional forest managers and other persons taking part in activities in rural landscape. The objective is to facilitate orientation and to support the introduction of new productions, production methods and technologies which are at the same time compatible with landscape conservation and enhancement and environment protection.

The measure has no relation to some of Operational Programme of HRDP, i.e., it concerns new measure.

The measure connects on Conception of agrarian advisory for 2004-2010.

#### **Legislative framework**

Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development – Article 24.

#### **Profile of the measure**

The measure has a cross-cutting nature and in addition to Axis I it will be used also in the framework of subjects of Axis II.

The subject of the support shall be:

- financial support to farmers to help them to meet the costs arising from the use of services of agricultural advisory system, which will be providing advisory services to farmers to improve their management skills in order to increase the effectiveness of their farming and to comply with the principles of CAP at least within the scope of

mandatory Community standards in the field of the environment, nature conservation and landscape maintenance, protection of public, animal and plant health, food security and occupational safety. The financial support will further serve to promote environmentally friendly farming methods, for instance in connection with agri-environmental measures.

- financial support to forest owners, forest leaseholders and enterprises in forestry for advisory services concerning applicable legislation, including the competences of public authorities and applicable procedural periods (protection of the environment, industrial relations, occupational safety, etc.), standards of appropriate certification systems, management and marketing, logistics and new technologies.

### **Objectives of the measure**

Improving the sustainable management of the enterprise.

Improving and facilitating management and improving the performance thanks to further development of human potential.

Development of knowledge and improvement of human potential.

Increased competitiveness.

### **Definition of supported areas**

The advisory service shall be implemented on the territory of the Czech Republic (with the exception of the capital city of Praha).

### **Conditions for the granting of support**

- the advisory service shall be in conformity with applicable legislation,
- only one source of EU funding may be used to finance each approved application,
- the advisory services shall concern statutory management requirements provided for in Council Regulation (EC) No 1782/2003 and correspond to guidelines VI/185/250/04, as amended.

### **Categories of beneficiaries**

Natural person – agricultural entrepreneur, i.e. natural or legal person who operates agriculture production as permanent and independent activity under his own name, at his own responsibility and with the aim to reach a profit, legal person involved in farming.

Natural or legal person managing forests, which are owned by private persons or their associations or by municipalities or their associations.

### **Eligible expenditure**

The support may be provided as a contribution to the purchase of advisory and consulting services corresponding with the purpose of support.

### **Type and amount of support**

Type of support: direct non-repayable grant

Method of financing: co-financing

Rate of support: The support for provided advisory services shall be granted at a maximum rate of 80% of eligible expenditure.

The EU contribution shall amount to 75% of public sources.

The Czech Republic's contribution shall amount to 25% of public sources.

Eligible expenditure for which support may be provided may amount to up to EUR 1 500.

Maximum support per beneficiary shall amount to CZK 315 000 for the period 2007-2013.

## 5.2.2 AXIS II – IMPROVING THE ENVIRONMENT AND LANDSCAPE

**Table 7 - Priorities, objectives and measures under axis II**

Priority	Biodiversity, conservation and development of agricultural and forestry systems of a high nature value and of traditional agricultural landscapes	
Objective	Promotion of environmentally friendly farming methods leading to biodiversity and promotion of suitable farming systems to preserve rural landscape. Promotion of the protection of the environment on agricultural land and in forest areas of high nature value.	% of the Axis 81,10
Measure	II.1.1 Natural handicap payments provided in mountain areas and payments provided in other areas with handicaps	35,69
	II.1.2.1 Payments within Natura 2000 agricultural areas and payments linked to Water Framework Directive 2000/60/EC – Payments within Natura 2000 agricultural areas	0,33
	II.1.3.1 Agri-environmental measure – Environment friendly farming (including organic farming and integrated production)	13,69
	II.1.3.2 Agri-environmental measure – Grassland maintenance	28,95
	II.2.2. Payments within Natura 2000 forest areas	0,63
	II.2.3. Forest-environment payments	0,81
Priority	Water and soil protection	
Objective	Protection of the quality of surface and ground water sources through measures focusing on erosion control and suitable use of agricultural land	% of the Axis 14,76
Measure	II.1.3.3. Agri-environmental measure – Landscape management	11,99
	II.1.2.2 Natura 2000 payments on agricultural land and payments linked to Water Framework Directive 2000/60/EC - Payments linked to Water Framework Directive 2000/60/EC	2,77
Priority	Mitigation of climate changes	
Objective	Promotion of the use of renewable energy sources through the existing forestry potential and through the possibilities of its expansion and preservation of forest's positive functions.	% of the Axis 5,14
Measure	II.2.1. Afforestation of agricultural land	3,56
	II.2.4. Restoring forestry potential after disasters and promoting social functions of forests	1,58

### ***II.1 Group of measures focusing on sustainable use of agricultural land***

#### **II.1.1 Natural handicap payments provided in mountain areas and payments provided in other areas with handicaps**

Measure code: 211,212

##### **Description of situation**

In the Czech Republic, supports under “Less-favoured areas” measure are paid for grasslands. They represent not only an economic and social aid aiming at preserving stable incomes of farmers farming in less-favoured natural conditions, but function also as a restructuring measure encouraging the keeping of cattle and other grassland utilising livestock.

## Legislative framework

The measure “Natural handicap payments” has been designed in conformity with Articles 37, 50, 51 and 93 of Council Regulation (EC) No 1698/2005 and with the implementing Commission Regulation.

Detailed rules to apply the measure are laid down by national implementing legislation.

The support to less-favoured areas has been granted in the Czech Republic in conformity with national provisions laid down in Act No. 252/1997 Coll. on agriculture, as amended. The support to less-favoured areas had been applied as early as in the pre-accession period from 1998 to 2003. Following the Czech Republic’s accession to the EU, Government Decree No. 241/2004 Coll. was issued to implement the Horizontal Rural Development Plan and the above-mentioned Agriculture Act. Through this Decree, support to less-favoured areas and areas with environmental restrictions has been implemented in the period 2004-2006. The measure follows the priorities and aims of the Strategy of Agrarian Policy of the Czech Republic for the period following the entry into the European Union (2004 – 2013).

## Profile of the measure

This measure focuses on the support of farmers farming in areas with less-favoured conditions with the aim to conserve rural landscape, to support environmentally friendly farming methods, to contribute to the stabilisation of rural population in these areas and to help to assure adequate levels of farmers’ incomes.

## Objectives of the measure

To contribute to agricultural use of land in less-favoured areas.

Sustainable use of agricultural land.

Improvement of the environment and landscape

## Scope of the measure

Measure	Possible scope	Expected scope	Targeted at
Natural handicap payments	1 751 850 ha	750 000 ha	Grassland in LFAs

## Delimitation of supported areas

### Extent of LFAs

The extent of less-favoured areas is updated while the existing methodology for delimiting LFAs in the period 2004-2006 continues to be used. Adjustments result from the updating of input data for the delimitation, namely the area of administrative units in the Czech Republic as on 1 January 2005 according to the Czech Office for Surveying, Mapping and Cadastre (ČÚZK), including a reclassification of the BPEJs (valuated soil-ecological units) and an update of their representation on the territory of administrative units as on 17 May 2006. Furthermore, slope data have been updated for mountain areas according to a digital terrain model. The extent of the LFAs reflecting the updated input data for delimitation is shown in the following table.

### Less-favoured areas according to delimitation effective as on 1 January 2007

LFA type	Total area (according to ČÚZK as on 31.12.2005)		Agricultural land (according to LPIS as on 30.10.2006)		Of which: arable land (according to LPIS as on 30.10.2006)		Of which permanent grassland (according to LPIS as on 30.10.2006)	
	000' ha	%	000' ha	%	000' ha	% of arable land in agric. land	000' ha	% of grassland in agric. land
<b>Mountain</b>	1864.4	23.6	512.4	14.6	156.5	30.5	354.5	69.2
<b>Other</b>	2209.6	28.0	1039.1	29.6	749.8	72.2	286.0	27.5
<b>Specific</b>	572.0	7.3	200.4	5.7	79.5	39.6	119.2	59.4
<b>Total LFAs</b>	<b>4 646.0</b>	<b>58.9</b>	<b>1751.9</b>	<b>49.9</b>	<b>985.7</b>	<b>56.3</b>	<b>759.7</b>	<b>43.4</b>
Favoured area	3 240.7	41.1	1761.3	50.1	1599.3	90.8	124.2	7.1
Total Czech R.	<b>7 886.7</b>	<b>100</b>	<b>3513.0</b>	<b>100.0</b>	<b>2585.0</b>	<b>73.6</b>	<b>883.9</b>	<b>25.2</b>

#### Criteria for the establishment of less-favoured areas

Based on the criteria set out in Council Regulation (EC) No 1698/2005 and taking into account the natural, economic and demographic conditions in the Czech Republic, the following criteria have been established to delimit less-favoured areas:

**Mountain areas (designated by H)** – *(established pursuant to Article 50 (2) and in conformity with Article 93 of Council Regulation (EC) No 1698/2005).*

The following criteria were used in order to delimit mountain areas:

- average altitude of the municipality's territory or the cadastre territory not less than 600 metres above sea level
- or average altitude of the municipality's territory or the cadastre territory not less than 500 metres and lower than 600 metres above sea level combined with a slope of more than 15% over an area greater than 50% of the total land area within the municipality or the cadastre territory.

**Other less-favoured areas (designated by O)** – *(established pursuant to Article 50 (3) (a) and in conformity with Article 93 of Council Regulation (EC) No 1698/2005).*

Other less-favoured areas shall be continuous areas meeting at the same time all the following criteria:

- within a district ("okres") (NUTS IV):
  - average productivity of agricultural land lower than 34 points (80% of the CR average)
- within a region ("kraj") (NUTS III):
  - population density lower than 75 persons per km<sup>2</sup>
  - workforce in agriculture, forestry and fisheries accounting for more than 8% of economically active population

**Areas affected by specific handicaps (designated by S)** – *(established pursuant to Article 50 (3) (b) and in conformity with Article 93 of Council Regulation (EC) No 1698/2005)*

Areas affected by specific handicaps shall include areas meeting the following criteria:

- Territories of municipalities or cadastre territories in sub-mountain areas in the Northwest and East of the Czech Republic with average land productivity lower than 34 points. Agriculture in these border areas has had a specific position within the country for a long time and it needs to be supported there in order to preserve and restore the cultural character of the landscape serving as a recreational hinterland for urban areas and for the development of tourism.
- Individual territories of municipalities and cadastre territories with land productivity lower than 34 points or cadastre territories with land productivity not lower than 34 points and lower than 38 points combined with a slope of more than 7° over an area greater than 50% of the agricultural land within the municipality's territory and the cadastre territory which are situated within favoured (non-classified) areas. In these territories it is necessary to preserve agricultural production in order to maintain rural landscape, tourist potential and to protect the environment.
- Territories of municipalities, which were classified as LFAs in the period 2004-2006 and due to an update of input data no longer meet the criteria for LFA classification, shall remain in LFAs until 2010 in order to maintain the possibility to meet the commitment to practice farming for at least 5 years from the first payment of compensatory allowance for the applicants farming in the LFAs as classified for the period 2004-2006, which would have been excluded in the framework of the input data update. The compensatory allowance in these areas may be claimed only by the applicant, which applied for the compensatory allowance for the land blocks/parts of land blocks in the programme period 2004 - 2006.

The use of agricultural land valuation by a productivity method is set out in Annex 3.

The methodology to delimit LFAs is described in Annex 4.

### **Conditions for the granting of support**

An applicant for the compensatory allowance shall meet the following conditions:

- He/she shall farm at least 1 ha of agricultural land used as grassland in less-favoured areas (LFAs)
- He/she shall enter into the measure with at least 1 ha of agricultural land used as grassland.
- He/she shall undertake to pursue farming for at least 5 calendar years following the year, in which he was granted the compensatory allowance for the first time and the farming shall be pursued at least on the minimum area in LFAs which is required for entry into the measure
- In the S<sup>x</sup> areas, compensatory allowance may be claimed only for those land blocks/parts of land blocks, for which the applicant applied for compensatory allowance in the period 2004 - 2006.

### **Description of management**

- The applicant shall farm in conformity with good agricultural and environmental conditions laid down in accordance with Article 5 and Annex IV of Council Regulation (EC) No 1782/2003. These requirements are set out in Annex 2.

- In the calendar year concerned, the applicant shall utilise for a set period of time the agricultural land, for which he applies for support.
- The applicant shall assure that grasslands are grazed or mowed at least twice a year (in justified cases once a year) within fixed deadlines. The mowed biomass shall be removed from the parcel.
- The applicant shall comply with the density of herbivores farming on a set day. The density of herbivores shall range from 0.2 LU/ha of grassland to 1.5 LU/ha of registered agricultural land farmed by the applicant provided the farming is not taking place within the first degree protection zones delimited to protect the yield or health safety of the sources of surface or ground water designed for drinking water supply. Coefficients to convert herbivores to LUs are shown in Annex 1.
- After the Czech Republic's transition to the single payment scheme, the applicant shall comply within his entire holding with the binding requirements according to Article 4 and Annex III of Council Regulation (EC) No 1782/2003 (cross-compliance).

### Categories of beneficiaries

The beneficiary is a natural or legal person pursuing farming in its own name and at its own responsibility, farms registered agricultural land, meets the criteria for participation in the measure and meets the conditions for the granting of support.

### Method to determine the support

#### Compensatory allowance rates for individual types of LFAs

differentiating percentage	Mountain areas	Other areas	Areas affected by specific handicaps
105%	157.13 EUR/ha (i.e. 4.680 CZK/ha)	117.18 EUR/ha (i.e. 3 490 CZK/ha)	-
100%	-	-	114.83 EUR/ha (i.e. 3 420 CZK/ha)
90%	134.77 EUR/ha (i.e. 4 014 CZK/ha)	-	-
85%		94.68 EUR/ha (i.e. 2 820 CZK/ha)	91.86 EUR/ha (i.e. 2 736 CZK/ha)

\* Exchange rate 29.784 CZK/EUR

### Differentiation of compensatory allowances according to areas

In mountain areas, the rates shall be differentiated as follows:

- municipality or cadastre territory with average altitude of its entire territory not lower than 600 metres above sea level or with average altitude of its entire territory not lower than 500 and lower than 600 metres above sea level combined with a slope of more than 15% over an area greater than 50% of the total land area within the municipality or the cadastre territory – 105% of the average rate for mountain area (**H<sup>A</sup> type**)
- municipalities or cadastre territories not meeting the criteria for the H<sup>A</sup> type - 90% of the average rate for mountain area (**H<sup>B</sup> type**)



For other less-favoured areas the rates shall be differentiated as follows:

- municipalities or cadastre territories with land productivity below 34 points – 105% of the average rate for other less-favoured areas (**O<sup>A</sup> type**)
- municipalities with land productivity not lower than 34 points – 85% of the average rate for other less-favoured areas (**O<sup>B</sup> type**)

For areas affected by specific handicaps the rates shall be differentiated as follows:

- municipalities and cadastre territories with land productivity lower than 34 points or cadastre territories with land productivity not lower than 34 points and lower than 38 points combined with a slope of more than 7° over an area greater than 50% of the agricultural land area - 100% of the average rate for areas affected by specific handicaps (**S type**)
- municipalities which due to an update of input data no longer meet the criteria for LFA classification - 85% of the average rate for areas affected by specific handicaps (**S<sup>x</sup> type**)

A substantiation of the payments for individual types of LFAs is shown in Annex 5.

### **Type and amount of support**

The support has the form of a compensatory allowance provided as an amount in CZK per hectare of eligible area – land block registered in the LPIS, located in a LFA and used as grassland.

## **II.1.2. Natura 2000 payments and payments linked to Water Framework Directive 2000/60/EC (WFD)**

Measure code: 213

### **Description of situation**

In the core areas of national parks (NP) and protected landscape areas (PLA), there are meadow and pasture communities rich in species and dependent on human activity. In order to minimise the interference with adjacent natural ecosystems fertilisation is not allowed on these sites (explicit ban pursuant to § 16(2) (d) and § 26(2) (d) of Act No. 114/1992 Coll. on nature and landscape protection, as amended).

Due to difficult conditions for farming (remoteness, difficult terrain, and low production of biomass due to prohibited fertilisation) a danger exists that farmers will be abandoning the farming of meadows and pastures in core zones of large-scale nature conservation areas and these species rich grasslands dependent on farming will be degrading.

Support in Natura 2000 areas and at the same time in the first zones of NPs and PLAs (areas with environmental restrictions) in accordance with Article 16 of Council Regulation (EC) No 1257/1999 has been applied in the Czech Republic from 2005 in connection with the declaration of areas according to Council Directive 79/409/EEC and areas according to Council Directive 92/43/EEC listed on the list approved by the European Commission.

Payments related to European Parliament Directive 2000/60/EC and Council Directive of the day of 23 October 2000 laying down the framework for Community activity in the area of water policy.

### **Objectives of the measure**

To assist farmers in coping with a specific handicap resulting from the implementation of European directives for the Natura 2000 network and the Water Framework Directive.

Sustainable use of agricultural land

Improvement of the environment and landscape.

## **II.1.2.1. Payments within Natura 2000 agricultural areas**

### **Legislative framework**

The sub-measure “Natura 2000 payments” has been designed in conformity with Article 38 of Council Regulation (EC) No 1698/2005.

The support to Natura 2000 areas has been granted in the Czech Republic in conformity with national provisions laid down in Act No. 252/1997 Coll. on agriculture, as amended. Following the Czech Republic’s accession to the EU, Government Decree No. 241/2004 Coll. was issued to implement the Horizontal Rural Development Plan (according to Article 16 of Council Reg. (EC) 1257/1999) and the above-mentioned Agriculture Act. Through this Decree, support to less-favoured areas and areas with environmental restrictions has been implemented in the period 2004-2006. As Natura 2000 areas were delimited by individual Government Decrees only towards the end of 2004, the compensatory allowance for areas with environmental restrictions (E areas) has been granted from 2005.

### **Profile of the sub-measure**

This sub-measure provides support to farmers farming in Natura 2000 areas (areas declared according to Council Directive 79/409/EEC and areas declared according to Council Directive 92/43/EEC) and at the same time in the first zones of NPs and PLAs. The support is provided in order to conserve rural landscape, to encourage environmentally friendly farming systems and to help to assure adequate levels of farmers’ incomes.

### **Objectives of the sub-measure**

Protection of biodiversity, in particular of:

1. bird populations
2. agricultural land with high nature value
3. species composition of growths

Sustainable use of agricultural land and protection of other natural resources (especially water sources).

### **Definition of supported areas**

The supports are provided on the entire territory of the Czech Republic in areas delimited as Natura 2000 areas which are at the same time located in the first zones of NPs and PLAs.

### **Scope of the sub-measure**

Sub-measure	Possible scope	Expected scope	Targeted at
Payments within Natura 2000 agricultural areas	10 000 ha	8 000 ha	Natura 2000 areas in the first zones of NPs and PLAs

### **Conditions for the granting of support**

An applicant for the support shall meet the following conditions:

- He/she shall farm at least 1 ha of agricultural land used as grassland in a Natura 2000 area in the first zones of NPs and PLAs.
- He/she shall enter into the sub-measure with at least 1 ha of agricultural land used as grassland.
- He/she shall undertake to pursue farming for at least 5 years from the first payment of support, with the exception of cases of force majeure, and the farming shall be pursued at least on the minimum area which is required for entry into the sub-measure

### **Description of management**

- The applicant shall farm in conformity with good agricultural and environmental conditions laid down in accordance with Article 5 and Annex IV of Council Regulation (EC) No 1782/2003. These requirements are set out in Annex 2.
- In the calendar year concerned, the applicant shall utilise for a set period of time the agricultural land, for which he applies for support.
- The applicant shall assure that grasslands are grazed or mowed at least twice a year (in justified cases once a year) within fixed deadlines. The mowed biomass shall be removed from the parcel.
- Application of fertilisers or farm manure shall be avoided. In the case of pasture, grazing livestock may supply at most 30 kg N per hectare of grazed area.
- After the Czech Republic's transition to the single payment scheme, the applicant shall within his entire holding comply with the binding requirements according to Article 4 and Annex III of Council Regulation (EC) No 1782/2003 (cross-compliance).

### **Categories of beneficiaries**

The beneficiary is a natural or legal person pursuing farming in its own name and at its own responsibility, farms registered agricultural land, meets the criteria for participation in the measure and meets the conditions for participation in the sub-measure.

### **Method to determine the support**

The amount of the compensatory allowance shall be determined as a 100% compensation of the income foregone due to reduced production caused by ban on fertilisation in the areas in question. In view of the fact that in Natura 2000 areas in the first zones of NPs and PLAs the priority objective is not to perform intensive farming, the compensatory allowance is determined only in relation to extensive grassland management.

### **Type and amount of support**

The support has the form of a compensatory allowance provided as an amount in CZK per hectare of grassland in Natura 2000 areas in the first zones of NPs and PLAs – see Annex 6.

### The rate of compensatory allowance in Natura 2000 agricultural areas

	Per hectare of eligible area
Natura 2000 areas in the first zones of NPs and PLAs	112.64 EUR/ha (i.e. 3 355 CZK/ha)

\*Exchange rate 29.784 CZK/EUR

#### II.1.2.2. Water Framework Directive 2000/60/EC

This sub-measure will be drawn up in conformity with Article 38 of Council Regulation (EC) No 1698/2005 following the adoption of 8 river basin management plans (for the upper and middle Elbe river, the upper Vltava river basin, the Berounka river basin, the lower Vltava river basin, the Ohře river and the lower Elbe river basin, the Odra river basin, the Morava river basin and the Dyje river basin) by regional administrations according to their territorial competence, which is due to take place by 22 December 2009.

### II.1.3. Agri-environmental measures

Measure code: 214

#### Description of situation

Within the Horizontal Rural Development Plan (HRDP) it has been a measure with the highest volume of funding provided to agriculture. Agri-environmental measures (AEMs) have been applied on a total area of 1 166 000 ha in 2004 and on a total of 1 168 000 ha in 2005. Of the sub-measures, there has been the greatest interest in the “Grassland maintenance” sub-measure which was applied on 61% of the total area covered by AEMs in 2005. The coverage by the sub-measure “Environmentally friendly farming methods” (20.6% of the total area covered by AEMs), which encompasses the “Organic farming” scheme and the “Integrated production” scheme was slightly higher than that by the “Landscape management” sub-measure (18.3% of the total area covered by AEMs). The measure follows the priorities and aims of the Strategy of Agrarian Policy of the Czech Republic for the period following the entry into the European Union (2004 – 2013).

#### Legislative framework

Agri-environmental measures have been designed in conformity with Articles 39, 50 and 51 of Council Regulation (EC) No 1698/2005 and with the implementing Commission Regulation.

Detailed rules for the application of individual agri-environmental measures, sub-measures, schemes and managements are laid down by national implementing legislation.

Agri-environmental measures have been applied in the Czech Republic as early as in the pre-accession period on the basis of Act No. 252/1997 Coll. on agriculture, as amended, and relevant implementing government decrees. They were called “schemes to support non-production functions of agriculture“ and included in particular an organic farming scheme, grassland maintenance scheme and a scheme supporting conversion of arable land to grassland. Following the Czech Republic’s accession to the EU, Government Decree No. 242/2004 Coll. was issued to implement the Horizontal Rural Development Plan and the above-mentioned Agriculture Act. Through this Decree, agri-environmental measures have been implemented in the period 2004-2006 with commitments concluded up until 2010.

#### Profile of the measure

The measure is designed to support methods of agricultural land use that are in accordance with the protection and improvement of the environment, landscape and their properties. It further promotes the conservation of farmed areas of high nature value, natural resources, and biodiversity and the landscape management.

All the sub-measures proposed under the AEM have several basic conditions in common:

- they are implemented in the form of five year commitments
- they are related only to obligations beyond the framework of related required standards laid down according to Articles 4 and 5 of Annexes III and IV of Council Regulation (EC) No. 182/2003 in compliance with Article 39 (3) of Council Regulation (EC) No. 1698/2005 (see Annex No. 9),
- if beneficiaries of AEM payments as a result of certain action or failure which may be directly input to them shall not fill at entire enterprise binding requirements according to Article 5 and Annex IV of Council Regulation (EC) No. 1782/2003, total amount of

payment, which shall be provided them in calendar year when this unfulfilment occurred, shall be decreased or cancelled in accordance with Article 51 (3) of Council Regulation (EC) No. 1698/2005.

- Applicant complies with minimum standards concerning the use of fertilizers and farmyard manure in such way that he/she makes and keeps, minimally for the period of 7 years, records of the volume, kind and time of use of fertilizers, farmyard manure, ameliorating substances and processed sludge by individual land plots, crops and years, in conformity with a special legal regulation (Fertilizers Act),
- An applicant who manages out of sensitive areas according to Council Directive No. 91/676/EEC and keeps Code on Water Protection against Nitrate Pollution from agriculture sources which includes:
  - a) period not suitable for application of fertilizers,
  - b) a method of nitrogen fertilisers and farmyard manure application,
  - c) a method of nitrogen fertilisers and farmyard manure application on slopes,
  - d) a method of nitrogen fertilisers and farmyard manure application close to watercourse
- applicants shall meet the requirements concerning the use of plant protection preparations, namely by observing the rules for storage and handling of chemical substances resulting from applicable legislation (the Phytosanitary Act) so as to avoid contamination of the environment,
- minimum area of land farmed by the applicant required for entry into the agri-environmental measure shall be:
  1. 5 ha of agricultural land registered in the LPIS, if it is not farming according to points 2 to 8,
  2. 2 ha of agricultural land registered in the LPIS where the farming is taking place on the territory of national parks and protected landscape areas,
  3. 1 ha of agricultural land registered in the LPIS in the case of organic farming
  4. 0.5 ha of agricultural land registered in the LPIS in the case of growing of vegetables or special herbs in the system of organic farming or growing of vegetables in the system of integrated production,
  5. 0.25 ha of vineyards, orchards or hop gardens registered in the LPIS in the case of organic farming
  6. 1 ha of orchards registered in the LPIS in the case of integrated fruit production
  7. 0.5 ha of vineyards registered in the LPIS in the case of integrated vine production.
- An applicant shall according to Article 51 (3) of Council Regulation (EC) No. 1698/2005 comply with binding requirements in entire enterprise according to Article 5 and Annex IV of Council Regulation (EC) No. 1782/2003 (see Annex No. 2 – GAEC)

For possibilities to combine sub-measures as regards AEM payments under EAFRD and AEM payments under HRDP see Annex 8

For possibilities to combine on the single part of land block AEM payments under EAFRD and AEM payments under HRDP see Annex 8

For possibilities to combine sub-measures as regards EAFRD payments see Annex 8

For possibilities to combine sub-measures in EAFRD on the single part of land block see Annex 8

Controllability of agri-environmental measures conditions - see Annex 8

### **Objectives of the measure**

Integration of agri-environmental procedures into farming

Sustainable use of agricultural land

Improvement of the environment and the landscape

### **Definition of supported areas**

The sub-measure may be applied throughout the Czech Republic's territory.

### **Overview of sub-measures**

Sub-measure A: Environmentally friendly farming methods

Scheme A1: Organic farming

Scheme A2: Integrated production

Sub-measure B: Grassland maintenance

Sub-measure C: Landscape management

Scheme C1: Conversion of arable land to grassland

Scheme C2: Growing of catch crops

Scheme C3: Bio-belts

### **Categories of beneficiaries**

The beneficiary shall be a natural or legal person pursuing farming in its own name and at its own responsibility, which manages registered agricultural land and meets the criteria for participation in the measure and meets the conditions for the granting of support.

## **II.1.3.1. Sub-measure “Environment friendly farming methods“**

### ***Profile of the sub-measure***

The sub-measure “Environment friendly farming methods” comprises 2 schemes: Organic farming and Integrated production. In terms of environmentally friendly farming practices, integrated production is an intermediate stage between conventional farming and organic farming. It is suitable especially for the crops, to which it is difficult to apply a full organic farming regime.

### **Scope of the sub-measure**

Sub-measure	Possible scope	Expected scope	Targeted at
Environmentally friendly farming methods	3 515 000 ha	310 000 ha	Agricultural land in the Czech Republic

### **Objective of sub-measure**

The objective of sub-measure is support of complex environmentally friendly methods of the management on agriculture land and providing the base for production of quality raw material ensuring the highest requirements for food safety.

#### **II.1.3.1.1. Scheme organic farming**

##### **Conditions for the granting of support**

- The applicant shall be meeting the conditions of Council Regulation (EC) No 2092/1991 on the entire area of his agricultural holding included into the organic farming system and throughout the duration of his commitment (5 years).
- Applicant can apply for support of grassland in case that intensity of herbivore livestock production reaches minimally 0.2 LU/ha of grassland, however, maximally 1.5 LU/ha of agricultural land. Applicant is obliged to be in compliance with this intensity by the stipulated date of respective year of the five-year period. Conversion factors are listed in the Appendix No. 1. Applicant is obliged to ensure that grassland cultures are grazed or mowed at least twice a year (in the justified cases, once a year) by the stipulated date. Mowed material shall be removed from land plot.

##### **Method to determine the support**

- The main starting point for the establishment of the payment is a lower yield of crops and livestock performance in organic farming compared with conventional farms, primarily due to excluded use of intensifying factors, different cropping structure and different system of livestock keeping;
- Additional costs taken into account concern labour (increased proportion of manual work) and work organisation (increased proportion of agrotechnical measures to control weeds, diseases and pests);
- Certified organic produce can be sold for premium prices compared with the same products coming from conventional farming, especially after the market for organic products is well-established, and this is subsequently reflected in the economics of organic farming.

##### **Type and amount of support**

Compensation for economic losses resulting from the organic system of farming. Average exchange rate of 2005 of 29.784 CZK/EUR was used for the calculation.

##### **Rate of support**

Arable land:	155.12 EUR/ha (i.e. 4 620 CZK/ha)
Percentage of the income foregone/additional costs:	100%
Grassland:	88.97 EUR/ha (i.e. 2 650 CZK/ha)
Percentage of the income foregone/additional costs:	100%
Perennial crops:	848.94 EUR/ha (i.e. 25 285 CZK/ha)
Percentage of the income foregone/additional costs:	62%
Vegetables and special herbs on arable land:	563.73 EUR/ha (i.e. 16 790 CZK/ha)



Percentage of the income foregone/additional costs: 55%

### **II.1.3.1.2. Integrated production**

#### **Basic profile**

The “Integrated production“ scheme is divided to three types of managements – integrated production of fruit, vine and vegetables.

#### **II.1.3.1.2.1 Management of integrated fruit production**

##### **Conditions for the granting of support**

The applicant shall meet at least the following conditions of required management:

- Simultaneous growing of fruit in the system of conventional and integrated production by the same grower shall be excluded.
- Determined chemical plant protection products shall not be used.
- Approved biological plant protection means shall be used.
- Samples of soil and fruit shall be taken in order to analyse the content of selected chemicals.
- The contents of monitored chemicals may not exceed the limits set by the Ministry of Agriculture, or by a special regulation.
- The minimum intensity of integrated production is determined by the average density of trees (bushes) per hectare of orchard, for which support is to be granted. It shall be 500 pieces for pomaceous fruit trees, 200 pieces for stone fruit trees and 2 000 pieces for berry plants.

##### **Method to determine the support**

- The starting point for the establishment of the payment is the lower buying price due to lower quality of a part of the produce.
- Costs connected with the signalling and monitoring of pests.
- Additional labour cost and cost of compulsory analyses.
- The loss is adjusted to take into account differences in costs between the more expensive plant protection products approved in integrated production and the common plant protection products.

##### **Type and amount of support**

Compensation for economic losses resulting from the integrated system of farming. Average exchange rate in 2005 of 29.784 CZK/EUR was used for the calculation.

Rate of support:

Proposed rate of payment: 434.97 EUR/ha (i.e. 12 955 CZK/ha)

Percentage of the income foregone/additional costs: 100%

## **II.1.3.1.2.2 Management of integrated vine production**

### **Conditions for the granting of support**

The applicant shall observe at least the following conditions of required management:

- Simultaneous growing of vine in the system of conventional and integrated production by the same grower shall be excluded.
- Determined chemical plant protection products shall not be used.
- Approved biological plant protection means shall be used.
- Preparations containing copper ( $\text{Cu}^{2+}$ ) may be applied only in a total annual dose not exceeding a set limit.
- Fertilisers and farm manure may be applied at a maximum rate of 50 kg N/ha.
- At least every other area between rows must be covered by permanent grassland within 3 years of completion of the planting of the vineyard.
- The minimum intensity of integrated production shall amount to an average density of 1 800 bushes per hectare of vineyards, for which support is to be granted.

### **Method to determine the support**

- The starting point for the establishment of the payment is the reduced yield of vine grapes resulting from the applied management (grassing of areas between rows, restricted fertilisation).
- Increased labour costs have been considered.
- The loss is adjusted to take into account differences in costs between the more expensive plant protection products approved in integrated production and the common plant protection products.

### **Type and amount of support**

Compensation for economic losses resulting from the integrated system of farming. Average exchange rate in 2005 of 29.784 CZK/EUR was used for the calculation.

Rate of support:

Proposed rate of payment: 507.32 EUR/ha (i.e. 15 110 CZK/ha)

Percentage of the income foregone/additional costs: 100%

## **II.1.3.1.2.3 Management of integrated vegetable production**

### **Conditions for the granting of support**

The applicant shall meet at least the following conditions of required management:

- Simultaneous growing of vegetables in the system of conventional and integrated production by the same grower shall be excluded.
- Determined chemical plant protection products shall not be used.
- Approved biological plant protection means shall be used.

- Certified seed shall be used.
- Samples of vegetables shall be taken in order to analyse the content of selected chemicals.
- The contents of monitored chemicals may not exceed the limits set by the Ministry of Agriculture, or by a special regulation.
- The application of nitrogen fertilisers and farmyard manure shall be carried out in accordance with restrictions laid down by the Ministry of Agriculture.

#### **Method to determine the support**

- The starting point for the establishment of the payment is the reduced yield of vegetables resulting from the applied agro-technical measures (restricted fertilisation).
- Increased costs of recognised seed, sampling and labour have been considered.
- The loss is adjusted to take into account differences in costs between the more expensive plant protection products approved in integrated production and the common plant protection products.

#### **Type and amount of support**

Compensation for economic losses resulting from the integrated system of farming. Average exchange rate in 2005 of 29.784 CZK/EUR was used for the calculation.

Rate of support:

Proposed rate of payment: 440.17 EUR/ha (i.e. 13 110 CZK/ha)

Percentage of the income foregone/additional costs: 80%

### **II.1.3.2. Sub-measure “Grassland maintenance“**

#### **Profile of the sub-measure**

Farmers entering into the schemes of this sub-measure undertake to meet the sub-measure’s conditions on all grassland areas which they farm at the time of entry into the sub-measure. Within the whole-farm approach, applicants have the possibility to choose targeted managements for individual land blocks according to natural conditions or according to the method of grassland management applied within the farm concerned. If a scheme of the Ministry of the Environment (ME) is applied on a land block, the applicant is not obliged to include such land block within the whole-farm approach. If none of the managements is suitable for a given land block due to nature and landscape conservation considerations, it is possible, upon recommendation of a nature conservation authority, not to include such land block into the sub-measure.

The following schemes may be chosen within this sub-measure:

<b>Scheme designation</b>	<b>Scheme name</b>
B.1	Meadows
B.2	Mesophilic and hygrophilic meadows

B.3	Mountain and xerophilous meadows
B.4	Permanently waterlogged and peatland meadows
B.5	Bird habitats on grassland – waders' nesting site
B.6	Bird habitats on grassland – corncrake's nesting site
B.7	Pastures (basic management)
B.8	Species rich pastures
B.9	Dry steppe grasslands and heathlands

### Scope of the sub-measure

Sub-measure	Possible coverage	Expected coverage	Targeted at
Grassland maintenance	900 000 ha	680 000 ha	Grasslands in the Czech Republic

### Objectives of the sub-measure

The objective of sub-measure is to support and keep favoured extensification at grasslands used for agriculture production in the framework of the entire agricultural enterprise which are endangered by increased intensity of management, as well as degradation as a result of abandoning the farming. At the same time the aim is ensuring the cultural landscape maintenance, especially by pasture animal farming and support of biological diversity at valuable habitats. Scheme Bird habitats on grassland – waders' nesting site, possibly corncrake's nesting site in the framework of this sub-measure has the aim to maintain and increase population of these bird species by creating of suitable breeding conditions and other conditions necessary to existence of these valuable species.

### Conditions for the granting of support

- Applicant can apply for support in case that intensity of herbivore livestock production reaches at least 0.2 LU/ha of grassland, however, maximally 1.5 LU/ha of agricultural land. The applicant shall comply with this density requirement on a set day of the given calendar year within the five-year period. Coefficients to convert herbivores to LUs are shown in Annex 1. If the applicant participates only in schemes B.4, B.5 or B.6, he does not need to observe the above density requirements.
- With the exception of land blocks/parts of land blocks on which some of the schemes of the Ministry of the Environment are applied or which are covered by the scheme "Conversion of arable land to grassland", the applicant is obliged to enter all grassland he farms into the sub-measure and to choose appropriate management. If none of the managements is suitable for a given land block due to nature and landscape conservation considerations, it is possible, upon recommendation of a nature conservation authority, not to include such land block into the sub-measure.
- Applicants may not use treated sludge for fertilisation.
- In a calendar year, applicants have the possibility to leave up to 10% of a land block unmowed in specifically substantiated cases on an area delimited by a nature conservation authority.

## Description of individual managements within the “Grassland maintenance” sub-measure

### II.1.3.2.1. Meadows

#### Basic profile

Applicants farming in specially protected areas, in protective zones of NPs and in Natura 2000 areas – Bird habitats delimited according to Council Directive 79/409/EEC may choose always one of the schemes. Applicants farming outside of the above areas may choose only schemes B.1, B.4, B.5 and B.6.

#### Scheme:

B. 1 – Meadows (basic management)

B. 2 – Mesophilic and hygrophilic meadows (MHM)

- management B. 2. 1 – Fertilised MHM
- management B. 2. 2 – Non-fertilised MHM
- management B. 2. 3 – MHM with unmowed belts

B. 3 – Mountain and xerophilous meadows (MXM)

- management B. 2. 1 – Fertilised MXM
- management B. 2. 2 – Non-fertilised MXM
- management B. 2. 3 – MXM with unmowed belts

B. 4 – Permanently waterlogged and peatland meadows

B. 5 – Bird habitats on grassland – waders’ nesting site

B. 6 – Bird habitats on grassland – corncrake’s nesting site

#### Scheme B. 1 – Meadows (basic management)

#### Conditions for the granting of support

The applicant shall observe at least the following conditions of required management:

- The average annual application of fertilisers and farm manure on the total area of these meadows may be at most 60 kg N/ha (the limit encompasses application of fertilisers, farm manure and possible livestock grazing). Application of slurry shall be prohibited, with the exception of cattle slurry.
- The grassland shall be mowed at least twice a year (once a year in justified cases) within set deadlines. The grassland may be grazed by livestock.
- The mowed biomass shall be removed from the parcel, except for that resulting from the mowing of ungrazed patches.
- In specially protected areas, protective zones of NPs and in Natura 2000 areas - Bird habitats delimited according to Council Directive 79/409/EEC mulching, rapid grassland

restoration, grassland restoration and supplementary sowing may not be carried out without approval of a nature conservation authority.

- In specially protected areas and in Natura 2000 areas - Bird habitats delimited according to Council Directive 79/409/EEC, and protective zones of NPs, the applicant shall have this scheme approved by a nature conservation authority.

## **Scheme B. 2 – Mesophilic and hygrophilic meadows**

### **Management B. 2. 1 – Fertilised mesophilic and hygrophilic meadows**

#### **Conditions for the granting of support**

The applicant shall observe at least the following conditions of required management:

- The average annual application of fertilisers and farm manure on the total area of these meadows may be at most 60 kg N/ha (the limit encompasses application of fertilisers, farm manure and possible livestock grazing). Only farmyard manure or compost may be used for fertilisation.
- The grassland shall be mowed at least twice a year (once a year in justified cases) within set deadlines. The grassland may be grazed by livestock, with the exception of grassland that is declared unsuitable for grazing by a nature conservation authority.
- The mowed biomass, except for that resulting from the mowing of ungrazed patches, shall be removed from the parcel.
- On a grazed mesophilic and hygrophilic meadow it shall not be allowed to give supplementary feeding to livestock.
- Mulching, rapid grassland restoration, grassland restoration and supplementary sowing may be carried out only with a prior approval of a nature conservation authority.
- The grasslands shall be mowed always from the centre to the edges or from one side of the parcel to another.

### **Management B. 2. 2 – Non-fertilised mesophilic and hygrophilic meadows**

#### **Conditions for the granting of support**

The applicant shall observe at least the following procedures of the required management:

- No fertilisers or farm manure may be applied.
- The grassland shall be mowed at least twice a year (once a year in justified cases) within set deadlines. The grassland may not be grazed.
- The mowed biomass shall be removed from the parcel.
- Mulching, rapid grassland restoration, grassland restoration and supplementary sowing may be carried out only with a prior approval of a nature conservation authority.
- The grasslands shall be mowed always from the centre to the edges or from one side of the parcel to another.

### **Management B. 2. 3 – Mesophilic and hygrophilic meadows with unmowed belts**

### **Conditions for the granting of support**

The applicant shall observe at least the following procedures of the required management:

- No fertilisers or farm manure may be applied.
- The grassland shall be mowed at least twice a year (once a year in justified cases) within set deadlines. It may not be grazed after the mowing. During the first mowing, the farmer shall leave unmowed belts of a set width on the meadow. The unmowed belts shall cover 5-10% of the area of the land block/part of land block concerned and shall be mowed in the next spring, at the latest during the first mowing.
- The mowed biomass shall be removed from the parcel.
- Mulching, rapid grassland restoration, grassland restoration and supplementary sowing may be carried out only with a prior approval of a nature conservation authority.

### **Scheme B. 3 – Mountain and xerophilous meadows**

#### **Management B. 3. 1 – Fertilised mountain and xerophilous meadows**

##### **Conditions for the granting of support**

The applicant shall observe at least the following conditions of required management:

- The average annual application of fertilisers and farm manure on the total area of these meadows may be at most 60 kg N/ha (the limit encompasses application of fertilisers, farm manure and possible livestock grazing). Only farmyard manure or compost may be used for fertilisation.
- The grassland shall be mowed at least once a year within a set deadline. The grassland may be grazed by livestock, with the exception of grassland that is declared unsuitable for grazing by a nature conservation authority.
- The mowed biomass, except for that resulting from the mowing of ungrazed patches, shall be removed from the parcel.
- On a grazed mountain and xerophilous meadow it shall not be allowed to give supplementary feeding to livestock.
- Mulching, rapid grassland restoration, grassland restoration and supplementary sowing may be carried out only with a prior approval of a nature conservation authority.
- The grasslands shall be mowed always from the centre to the edges or from one side of the parcel to another.

#### **Management B. 3. 2 – Non-fertilised mountain and xerophilous meadows**

##### **Conditions for the granting of support**

The farmer shall observe at least the following procedures of the required management:

- No fertilisers or farm manure may be applied.
- The grassland shall be mowed at least once a year within a set deadline. The grassland may not be grazed.
- The mowed biomass shall be removed from the parcel.

- Mulching, rapid grassland restoration, grassland restoration and supplementary sowing may be carried out only with a prior approval of a nature conservation authority.
- The grasslands shall be mowed always from the centre to the edges or from one side of the parcel to another.

### **Management B. 3. 3 – Mountain and xerophilous meadows with unmowed belts**

#### **Conditions for the granting of support**

The applicant shall observe at least the following procedures of the required management:

- No fertilisers or farm manure may be applied.
- The grassland shall be mowed at least once a year within a set deadline. It may not be grazed after the mowing. During the first mowing, the farmer shall leave unmowed belts of a set width on the meadow. The unmowed belts shall cover 5-10% of the area of the land block/part of land block concerned and shall be mowed in the next spring, at the latest during the first mowing.
- The mowed biomass shall be removed from the parcel.
- Mulching, rapid grassland restoration, grassland restoration and supplementary sowing may be carried out only with a prior approval of a nature conservation authority.

### **Scheme B. 4 – Permanently waterlogged and peatland meadows**

#### **Conditions for the granting of support**

The applicant shall observe at least the following conditions of required management:

- No fertilisers or farm manure may be applied.
- The grassland shall be mowed at least once a year within a set deadline. The mowing shall be carried out by light machinery. The grassland may not be grazed after the mowing.
- The mowed biomass shall be removed from the parcel.
- Mulching, rapid grassland restoration, grassland restoration, supplementary sowing, liming and draining of the grassland may not be carried out. Rolling and dragging may be carried out only with a prior approval of a nature conservation authority.

### **Scheme B. 5 – Bird habitats on grassland – waders' nesting site**

#### **Conditions for the granting of support**

The applicant shall observe at least the following conditions of required management:

- No fertilisers or farm manure may be applied.
- The grassland shall be mowed at least twice a year within set deadlines. The mowing shall not be carried out by a group of mowers. The grassland may not be grazed after the mowing.
- The mowed biomass shall be removed from the parcel.
- Mulching, rapid grassland restoration, grassland restoration and supplementary sowing may be carried out only with a prior approval of a nature conservation authority. Rolling



and dragging may be carried out only with a prior approval of a nature conservation authority.

- The grasslands shall be mowed always from the centre to the edges or from one side of the parcel to another.

## **Scheme B. 6 – Bird habitats on grassland – corncrake’s nesting site**

### **Conditions for the granting of support**

The farmer shall observe at least the following conditions of required management:

- No fertilisers or farm manure may be applied.
- The grassland shall be mowed at least once a year within a set deadline. The mowing shall not be carried out by a group of mowers. The grassland may not be grazed after the mowing.
- The mowed biomass shall be removed from the parcel.
- Mulching, rapid grassland restoration, grassland restoration and supplementary sowing may be carried out only with a prior approval of a nature conservation authority. Rolling and dragging may be carried out only with a prior approval of a nature conservation authority.
- The grasslands shall be mowed always from the centre to the edges or from one side of the parcel to another.

### **Method to determine the support**

- The loss of income resulting from a reduced production on grassland designed to produce forage is the main starting point for the establishment of the payment. The loss is in part offset by lower costs.
- The loss of income is caused by the following factors: reduced fertilisation, postponement of the mowing to a date which means a loss of forage value from one mowing (either on the entire area or in belts).
- For managements B.5 and B.6 the excluded fertilisation and the deferred time of first mowing will cause a reduced quality of produce from the site concerned to the extent that the produce of the first mowing can be considered valueless (reduced gross margin per ha). The mowing from the centre to the edges or from one side of the parcel to the other entails higher machinery costs during both cuts (labour and fuel) due to a greater movement of machinery.
- For the B.4 management, the rate of payment is derived from the cost of manual mowing of waterlogged parcels and of subsequent raking up and removal of the mowed grass. In view of the nature of the sites in question and the requested management, economic use of the produce from these areas is not foreseen.
- For managements B.2.1 and B.3.1 the rates of payment are derived primarily from the loss of income resulting from a reduced production on grassland designed to produce forage and an increased cost of fertilisation by farmyard manure or compost. The payment is reduced to take into account some saved costs.

### **Type and amount of support**

The support shall have the form of a fixed payment per hectare depending on the chosen management. An average exchange rate in 2005 of 29.784 CZK/EUR was used for the calculation.

A deduction in areas, where an application of fertilisers is prohibited by special legal regulations shall amount to 112,64 EUR/ha (i.e. 3 355 CZK/ha).

Rate of support:

**B.1** Proposed rate of payment: 74.87EUR/ha (i.e. 2 230 CZK/ha)

Percentage of the income foregone/additional costs: 100%

**B2.1** Proposed rate of payment: 100.05 EUR/ha (i.e. 2 980 CZK/ha)

Percentage of the income foregone/additional costs: 100%

**B2.2** Proposed rate of payment: 115.83 EUR/ha (i.e. 3 450 CZK/ha)

Percentage of the income foregone/additional costs: 100%

**B2.3** Proposed rate of payment: 134.47 EUR/ha (i.e. 4005 CZK/ha)

Percentage of the income foregone/additional costs: 100%

**B3.1** Proposed rate of payment: 120.03 EUR/ha (i.e. 3 575 CZK/ha)

Percentage of the income foregone/additional costs: 100%

**B3.2** Proposed rate of payment: 130.27 EUR/ha (i.e. 3 880 CZK/ha)

Percentage of the income foregone/additional costs: 100%

**B3.3** Proposed rate of payment: 150.42 EUR/ha (i.e. 4 480 CZK/ha)

Percentage of the income foregone/additional costs: 100%

**B.4** Proposed rate of payment: 417.34 EUR/ha (i.e. 12 430 CZK/ha)

Percentage of the income foregone/additional costs: 90%

The payment shall apply only to the permanently waterlogged and peatland area of a meadow.

**B.5** Proposed rate of payment: 201.45 EUR/ha (i.e. 6 000 CZK/ha)

Percentage of the income foregone/additional costs: 100%

**B.6** Proposed rate of payment: 183.32 EUR/ha (i.e. 5 460 CZK/ha)

### **II.1.3.2.2. Pastures**

#### **Basic profile**

Applicants farming in special protected territories, in conservation zones of NPs and in Natura 2000 areas - Bird habitats delimited according to Council Directive 79/409/EEC may choose always one of the schemes. Applicants farming outside of the above mentioned areas may choose only schemes B.7 and B.9.

#### **Scheme:**

- B. 7 – Pastures (basic management)
- B. 8 – Species rich pastures
- B. 9 – Dry steppe grasslands and heathlands

#### **Scheme B. 7 – Pastures (basic management)**

##### **Conditions for the granting of support**

The applicant shall observe at least the following procedures of required management:

- The average annual application of fertilisers and farm manure on the total area of these pastures may be at most 80 kg N/ha (the limit encompasses application of fertilisers, farm manure and livestock grazing). Application of slurry shall be prohibited, with the exception of cattle slurry. At least 5 kg N/ha of each land block/part of land block need to be supplied annually by grazing livestock (in their excreta).
- The grassland shall be grazed at least once a year within a set deadline. After the end of grazing, ungrazed patches shall be mowed, with the exception of parcels with a medium slope of 10° and more. The obligation to mow the ungrazed patches may be altered with a previous approval of a nature conservation authority.
- In the event of chemical weed control, only a spot application of herbicides shall be used.
- In special protected territories, conservation zones of NPs and in Natura 2000 areas, mulching, rapid grassland restoration, grassland restoration and supplementary sowing may not be carried out without approval of a nature conservation authority.
- Watering shall be provided for the animals and technical or organisational arrangements shall be made on the pastures to prevent the animals from escaping
- In specially protected areas, conservation zones of NPs and in Natura 2000 areas - Bird habitats delimited according to Council Directive 79/409/EEC, the applicant shall have this scheme approved by a nature conservation authority.

#### **Scheme B. 8 – Species rich pastures**

##### **Conditions for the granting of support**

The applicant shall observe at least the following procedures of required management:

- No fertilisers or farm manure may be applied. At least 5 kg N/ha of each land block/part of land block and at most 45 kg N/ha of the total area of these pastures shall be supplied annually by grazing livestock (in their excreta).
- The grassland shall be grazed at least once a year within a set deadline. After the end of the grazing period, ungrazed patches shall be mowed, with the exception of parcels with a medium slope of 10° and more. The obligation to mow the ungrazed patches may be altered with a previous approval of a nature conservation authority.
- In the event of chemical weed control, only a spot application of herbicides shall be used.
- Mulching, rapid grassland restoration, grassland restoration and supplementary sowing may be carried out only with a prior approval of a nature conservation authority.
- Watering shall be provided for the animals and technical or organisational arrangements shall be made on the pastures to prevent the animals from escaping.

## **Scheme B. 9 – Dry steppe grasslands and heathlands**

### **Conditions for the granting of support**

The applicant shall observe at least the following procedures of required management:

- No fertilisers or farm manure may be applied. At least 5 kg N/ha of each land block/part of land block and at most 30 kg N/ha of the total area of these pastures shall be supplied annually by grazing livestock (in their excreta).
- The grassland shall be grazed at least once a year within a set deadline. The grazing shall be made by sheep and goats only. After the end of grazing, specified undesirable expansive weeds shall be mowed. The mowing of ungrazed vegetation shall not be obligatory, unless a nature conservation authority stipulates otherwise.
- Herbicides may not be used for chemical weed control.
- Mulching, rapid grassland restoration, grassland restoration and supplementary sowing may not be carried out.
- Watering shall be provided for the animals and technical or organisational arrangements shall be made on the pastures to prevent the animals from escaping.

### **Method to determine the support**

- The loss of income resulting from the reduced livestock density on the pasture is the main starting point for the establishment of the payment.
- The requirement concerning the spot application of herbicides and the removal of ungrazed patches represents additional costs for the farmer equal to the variable costs involved.
- Other requirements will not have a more significant impact on economic results and/or are a part of common farming practice.

### **Type and amount of support**

The support shall have the form of a fixed payment per hectare depending on the chosen management. An average exchange rate in 2005 of 29.784 CZK/EUR was used for the calculation.

A deduction in areas, where an application of fertilizers is prohibited by special legal regulations shall amount to 112,64 EUR/ha (i.e. 3 355 CZK/ha).

Rate of support:

**B.7** Proposed rate of payment: 111.64 EUR/ha (i.e. 3 325 CZK/ha)

Percentage of the income foregone/additional costs: 100%

**B.8** Proposed rate of payment: 169.05 EUR/ha (i.e. 5 035 CZK/ha)

Percentage of the income foregone/additional costs: 100%

**B.9** Proposed rate of payment: 307.55 EUR/ha (i.e. 9 160 CZK/ha)

Percentage of the income foregone/additional costs: 100%

### II.1.3.3. Sub-measure “Landscape management”

#### Profile of the sub-measure

This sub-measure encompasses schemes suitable for special conditions of individual sites, for which management has been drawn up corresponding to given specifics and needs. Individual managements are precisely targeted and can be applied only on a part of areas farmed by a farmer.

Within this sub-measure, it is possible to choose one of the following managements:

Scheme designation	Scheme name	Management designation	Management name	Targeted at
C.1	Conversion of arable land to grassland	C1.1	Conversion of arable land to grassland	Vulnerable soils (on slopes, permeable); land in sensitive areas and LFAs
		C1.2	Conversion of arable land to grassland along water bodies	Land along water bodies
		C1.3	Conversion of arable land to grassland by a regional seed mixture	Land in specially protected areas
		C1.4	Conversion of arable land to grassland by a regional seed mixture along water bodies	Land along water bodies in specially protected areas
C.2	Growing of catch crops			Arable land (primarily sensitive areas)
C.3	Bio-belts			Arable land, taking into account wildlife

#### Scope of the sub-measure

Sub-measure	Possible scope	Expected scope	Targeted at
Landscape management	2 600 000 ha	300 000 ha	Arable land

#### Objective of sub-measure

The main objective in scheme Conversion of arable land to grassland and Growing of catch crops is decrease of surface water runoff on arable land which leads to minimisation of season lack of water and protect against short-term increase of flow rate in watercourses. Other effect of both schemas is a drop of soil erosion risk. The main objective of scheme Bio-belts is increasing of food offer and therefore a support of development of bird communities as well as other animal species bound to field habitats and ecosystems connected with field localities. Thus together with scheme Conversion of arable land to grassland contributes to increasing of biological diversity and ecological stability of landscape.

#### II.1.3.3.1. Scheme “Conversion of arable land to grassland”

## Basic profile

The scheme “Conversion of arable land to grassland“ is divided to four types of managements – Conversion of arable land to grassland (C.1.1), Conversion of arable land to grassland along water bodies (C.1.2), Conversion of arable land to grassland by a regional seed mixture (C.1.3), Conversion of arable land to grassland by a regional seed mixture along water bodies (C.1.4).

## Conditions for the granting of support

A land block used as arable land, which meets at least one of the following criteria, may be entered into this scheme:

- More than 50% of the land block are covered by soils that are shallow, sandy, waterlogged, very heavy, difficult to cultivate or
- At least 50% of the land block’s area are located in sensitive areas according to Council Directive 91/676/EEC or
- Any part of the land block falls under an LFA or
- The land block’s medium slope is greater than 10°
- Land block is adjacent to water body (only the management C. 1. 2 and C. 1. 4).

In case of the management C. 1. 3 and C. 1. 4, a land block with the culture arable land can be included that is in conformity with at least one of the above listed criteria, and at the same time, at least 50% of its area is located on the territory of PPA.

In the title Conversion of arable land into grassland, a land block with the culture arable land can be included on which applicant complies minimally with the procedures of required management:

- The conversion to grassland shall concern the whole land block or its part of a minimum area of 0.1 ha. In case of the management C. 1. 2 and C. 1. 4, applicant is obliged to convert into grassland at least 15-metre wide belt along the boundary with water body.
- The conversion to grassland can take place through sowing into prepared seedbed or through undersowing into a cover crop within fixed deadlines. In case of the management C. 1. 3 and C. 1. 4, applicant is obliged to use a regional grass seed mixture that is approved by a nature conservation body (OOP).
- In the first year after the grassing, the area concerned shall not be fertilised or grazed, but it shall be mowed at least twice a year (in justified cases only once a year) and the mowed biomass shall be removed from the parcel.
- Weeds shall be controlled through cutting. Herbicides may be used only in the first two years and only a spot application shall be possible (especially in the event of an occurrence of persistent and invasive species). Farmers operating in the organic farming system may not use even a spot application of herbicides.
- Starting from the second year the area shall be managed by mowing at least twice a year within set deadlines or by grazing within a set deadline. Application of nitrogen containing fertilisers, livestock manure and treated sludge shall be prohibited.

- Arable areas that had in the past been registered as grassland in the LPIS may not be entered into this scheme.

### **Method to determine the support**

- The loss of income (gross margin) from arable production, based on average values, is the main starting point for the establishment of the payment. The loss is partly offset by a potential income from the grassland.
- Additional costs to establish the grassland are another factor.
- Mowing is not a reason for payment as it is a part of common farming practice.
- A higher price of seed is included in the cost of the management C. 1. 3 and C. 1. 4.

### **Type and amount of support**

The support shall have the form of a fixed payment per hectare. An average exchange rate in 2005 of 29.784 CZK/EUR was used for the calculation.

A deduction in areas, where an application of fertilisers is prohibited by special legal regulations shall amount to 89.98 EUR/ha (i.e. 2 680 CZK/ha).

Rate of support:

**C1.1** Proposed rate of payment: 270.28 EUR/ha (i.e. 8 050 CZK/ha)

Percentage of the income foregone/additional costs: 100%

**C1.2.** Proposed rate of payment: 294.45 EUR/ha (i.e. 8 770 CZK/ha)

Percentage of foregone income/additional costs 100 %

**C1.3.** Proposed rate of payment: 349.52 EUR/ha (i.e. 10 410 CZK/ha)

Percentage of foregone income/additional costs 100 %

**C1.4.** Proposed rate of payment: 373.69 EUR/ha (i.e. 11 130 CZK/ha)

Percentage of foregone income/additional costs 100 %

### **II.1.3.3.2. Scheme “Growing of catch crops”**

#### **Conditions for the granting of support**

A specified area of arable land, on which the applicant observes the following minimum procedures of required management, may be entered into this scheme:

- During the five-year commitment, the applicant shall assure within the crop rotation that every year a specified catch crop is sown on a specified area.
- The farmer shall sow the catch crop within a set deadline. Specified overwintering crops as well as crops vulnerable to frost kill can be used.



- No chemical or mechanical operations leading to a liquidation of the catch crop or to a reduction of the area under the catch crop shall be made before a set date. After that date a main crop shall be established.

#### **Method to determine the support**

- The additional cost of catch crop growing is the main factor for the establishment of the payment.
- The restricted choice of subsequent main crop is another limiting factor.

#### **Type and amount of support**

The support shall have the form of a fixed payment per hectare. An average exchange rate in 2005 of 29.784 CZK/EUR was used for the calculation.

Rate of support:

C.2 Proposed rate of payment: 104.08 EUR/ha (i.e. 3 100 CZK/ha)

Percentage of the income foregone/additional costs: 100%

The payment shall apply only to the areas sown with a catch crop.

### **II.1.3.3.3 “Bio-belts” scheme**

#### **Conditions for the granting of support**

A land block used as arable land, on which the applicant observes the following minimum procedures of required management, may be entered into this scheme:

- To create bio-belts at least 6-metre wide that will be situated at the edges of arable land plots or inside the fields. Bio-belt must not be directly adjacent to the boundary of land block that is directly adjacent to a highway, road of the 1st and 2<sup>nd</sup> category in conformity with the Act on Ground Communications.
- The distance between individual bio-belts inside fields shall be at least 50 metres.
- The applicant shall sow the bio-belts with a mixture of recognised seed of specified crops within a set deadline.
- The applicant shall leave the bio-belts without any management until next spring and then the bio-belts shall be ploughed-in.
- It shall be prohibited to apply pesticides on the bio-belts.
- The bio-belts may not be used for machinery crossing or as headlands.
- The location of bio-belts may be altered during the five-year period depending on the crop rotation.

#### **Method to determine the support**

- The payment is derived primarily from the income foregone (reduced gross margin) caused by the absence of production on the arable land which was allocated to the bio-belts.

- Additional costs connected with the sowing of selected crops' seed mixtures.

**Type and amount of support**

The support shall have the form of a fixed payment per hectare. An average exchange rate in 2005 of 29.784 CZK/EUR was used for the calculation.

Rate of support:

C.3 Proposed rate of payment: 400.55 EUR/ha of the belt (i.e. 1 930 CZK/ha of the belt)

Percentage of the income foregone/additional costs: 100%

## ***II.2. Group of measures targeting the sustainable use of forest land***

### **II.2.1. Afforestation of agricultural land**

Measure code 221

Within this measure, the following two sub-measures are proposed: First afforestation of agricultural land and Planting of fast-growing tree species.

#### ***Legislative framework***

The measure has been designed in conformity with Articles 43 and 45 of Council Regulation (EC) No 1698/2005, an implementing Commission Regulation and with the following national legislation:

Act No. 252/1997 Coll. on agriculture, as amended

Act No. 289/1995 Coll. on forests and on the amendment of certain laws (the Forest Act), as amended.

The support was provided as early as in the pre-accession period on the basis of Act No. 252/1997 Coll. on agriculture, and applicable implementing government decrees in the framework of the so-called schemes to support non-production functions of agriculture. Following the Czech Republic's accession to the EU, Government Decree No. 308/2004 Coll. laying down certain conditions for the granting of aid for afforestation of agricultural land and for the planting of fast-growing tree species designed for use in energy generation was issued to implement the Horizontal Rural Development Plan and the above-mentioned Agriculture Act. Through this Decree, measures according to Chapter VIII Forestry of Council Regulation (EC) No. 1257/1999 have been applied in the period of 2004-2006, with commitments concluded up until 2025. The support has been provided in the framework of the Operational Programme Rural Development and Multifunctional Agriculture for period 2004 – 2006, from the sub-measure 1.3.4. Afforestation of agriculturally unused lands. The measure follows the priorities and aims of the Strategy of Agrarian Policy of the Czech Republic for the period following the entry into the European Union (2004 – 2013).

The measure will contribute to fulfilment of the strategy of the National Forestry Programme from the year 2001.

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

Enlargement of forest stands on agricultural land

Sustainable use of forest and agricultural land

Improvement of the environment and landscape

#### **II.2.1.1. First afforestation of agricultural land**

##### ***Profile of the sub-measure***

A support for changes of the management of a territory by afforestation of agricultural land.

This sub-measure allows farmers, possibly owners of agricultural land, to obtain support for the afforestation of their parcels. This sub-measure creates space for production diversification, which should contribute to a strengthening of economic and social dimension of the sustainability of agriculture and rural areas. It reduces the proportion of arable land

without a risk of increasing the proportion of abandoned agricultural land. The afforestation of agricultural land is important from the viewpoint of land use and protection of the environment. Forests are not only an important source of renewable raw materials, but represent also an important element in the landscape with effect on water regime and soil protection and to a lesser extent have a sanitary, recreational, aesthetic and cultural importance.

### **Objectives of the sub-measure**

Strengthening the landscape's biodiversity by an extension of afforested areas and improving the landscape's ecological balance.

### **Definition of supported areas**

The measure may be implemented on the entire territory of the Czech Republic, with the exception of the capital city of Praha

### **Scope of the sub-measure**

Sub-measure	Possible coverage	Expected coverage	Targeted at
First afforestation of agricultural land	20 000 ha	12 600 ha	Agricultural land less suitable for farming

### **Conditions for the granting of support**

- Together with his application, the applicant shall submit a project on agricultural land afforestation which shall be in conformity with applicable legislation,
- only one source of EU funding may be used for each approved project,
- the project shall be implemented on the territory of the Czech Republic,
- for the purposes of this measure agricultural land shall mean arable land registered in the LPIS in the applicant's name,
- an afforestation project with an opinion of the competent office of the Forestry Institute concerning the typological classification of the parcels concerned,
- the applicant shall supply approval of the Ministry of the Environment and other authorities competent to issue approvals with afforestation of agricultural land,
- after the Czech Republic's transition to the single payment scheme, the applicant shall comply with the conditions of Articles 4 and 5 and Annexes III and IV of Council Regulation (EC) No 1782/2003,
- the support shall not be granted to farmers benefiting from the support for early retirement from farming,
- the support shall not be granted for the planting of Christmas trees,

the applicant shall undertake to maintain the planted forest until it is stabilised and to comply with the measure's conditions,

- a minimum area shall be set by an implementing decree.

### **Categories of beneficiaries**

The following may apply for the support for afforestation of agricultural land and for the maintenance of thus established plantings in order to stabilise them for a maximum period of five years and for a compensation covering the loss of income resulting from the termination of agricultural activity which may be provided for a maximum of 15 years:

- owner or leaseholder of agricultural land,
- association of agricultural land owners or leaseholders, provided it has legal personality.

Public authorities may not apply for the support for the maintenance of established plantings in order to stabilise them for a maximum period of five years and for the compensation covering the loss of income resulting from the termination of agricultural activity. However, if the agricultural land to be afforested, which is owned by public authorities, is rented by a natural person or a legal person, it is possible to grant the support for the maintenance of established plantings in order to stabilise them for a maximum period of five years and the compensation covering the loss of income resulting from the termination of agricultural activity which may be provided for a maximum of 15 years.

### **Method to determine the support**

The support shall have the form of a payment per technical unit.

The support shall be provided for:

1. The first establishment of forest stand on agricultural land
2. The established forest stand management for a period of five years
3. As a compensation for the termination of agricultural activity on the afforested agricultural land. This support shall be provided for a period of 15 years, provided the agricultural parcel to be afforested had been farmed before the decision of a competent authority on the transfer of the parcel concerned from agricultural use to forest use.

### **Type and amount of support**

The support shall have the form of a fixed payment per hectare depending on the chosen management.

The contribution to establishment costs shall amount to at most 70% of eligible expenditure (80% in LFAs, Natura 2000 areas and areas linked with the implementation of Directive 2000/60/EC).

			Payment at a rate of support of 70% of eligible expenditure	Payment at a rate of support of 80% of eligible expenditure
First establishment of forest stand	Coniferous		1 954.07 EUR/ha (i.e. 58 200 CZK/ha)	2 232.74 EUR/ha (i.e. 66 500 CZK/ha)
	Broadleaved		2 590.32 EUR/ha (i.e. 77 150 CZK/ha)	2 961.32 EUR/ha (i.e. 88 200 CZK/ha)
<b>Established forest stand management (for a period of 5 years)</b>			436.48 EUR/ha (i.e. 13 000 CZK/ha/year)	
<b>Compensation for the termination of farming (for 15 years)</b>	Arable land, hop gardens, vineyards, orchards, nursery, vegetable gardens	Farming entrepreneur	293.78 EUR/ha (i.e. 8 750 CZK/ha/year)	
		Other than farming entrepreneur	148.57 EUR/ha (i.e. 4 425 CZK/ha/year)	
	Grassland and other culture	148.57 EUR/ha (i.e. 4 425 CZK/ha/year)		

Exchange rate 29.784 CZK/EUR

The EU contribution shall amount to 80% of public sources.

The Czech Republic's contribution shall amount to 20% of public sources.

## **II.2.1.2. Planting of fast-growing tree species designed for use in energy generation**

### ***Profile of the sub-measure***

“Planting of fast-growing tree species designed for use in energy generation” is a sub-measure allowing farmers managing agricultural land, possibly owners of agricultural land, to obtain support for the planting of fast-growing tree species on their parcels. This sub-measure creates space for production diversification, which should contribute to a strengthening of economic and social dimension of the sustainability of agriculture and rural areas. It reduces the proportion of arable land without a risk of increasing the proportion of abandoned agricultural land.

### **Objectives of the sub-measure**

Reducing the production of greenhouse gases by increasing the share of renewable resources in total energy sources, which will contribute to resolving the problems with global climate change.

More stable financial situation of farms as a result of a changed income structure thanks to diversification of business activities.

### **Definition of supported areas**

The measure may be implemented on the entire territory of the Czech Republic, with the exception of the capital city of Praha

### Scope of the sub-measure

Sub-measure	Possible scope	Expected scope	Targeted at
Fast-growing tree species (FGTS)	4 000 ha	2 170 ha	Arable land and grasslands less suitable for farming

### Conditions for the granting of support

- Together with his application, the applicant shall submit a project on the planting of fast-growing wood species which shall be in conformity with applicable legislation,
- only one source of EU funding may be used for each approved project,
- the project shall be implemented on the territory of the Czech Republic,
- agricultural land shall mean actually used arable land or permanent grasslands; the agricultural land shall be registered in the LPIS in the applicant's name,
- the appropriateness of the actions described in the project, for instance that they are adapted to local conditions and compatible with the environment, shall be documented by an approval of the Ministry of the Environment, which shall be a part of the application for support,
- the project on the planting of fast-growing wood species shall be drawn up by an authorised person,
- after the Czech Republic's transition to the single payment scheme, the applicant shall comply with the conditions of Articles 4 and 5 and Annexes III and IV of Council Regulation (EC) No 1782/2003,
- the support shall not be granted to farmers benefiting from the support for early retirement from farming,
- the support shall not be granted for the planting of Christmas trees,
- the applicant shall plant the fast-growing tree species in conformity with his project on a set minimum area,
- species and varieties with suitable genetic features and suited for the site concerned shall be used for the planting,
- the project shall deal with the management, including the measures to be taken when the lifetime of the plantation comes to an end.

### Categories of beneficiaries

The support for planting shall be granted for the costs of establishment in the first year. The following may apply for the support for the planting of fast-growing tree species designed for use in energy generation:

- owner or leaseholder of agricultural land,
- association of agricultural land owners or leaseholders, provided it has legal personality.

### Method to determine the support

The support shall have the form of a payment per technical unit.

The contribution to establishment costs shall amount to at most 70% of eligible expenditure (80% in LFAs, Natura 2000 areas and areas linked with the implementation of Directive 2000/60/EC).

### **Type and amount of support**

The support shall have the form of a fixed single payment per hectare.

	Payment at a rate of support of 70% of eligible expenditure	Payment at a rate of support of 80% of eligible expenditure
Productive stand of FGTS	2 551.71 EUR/ha (i.e. 76 000 CZK/ha)	2 921.03 EUR/ha (i.e. 87 000 CZK/ha)
Propagating stand of FGTS	2 887.46 EUR/ha (i.e. 86 000 CZK/ha)	3 307.14 EUR/ha (i.e. 98 500 CZK/ha)

Exchange rate 29.784 CZK/EUR

The EU contribution shall amount to 80% of public sources.

The Czech Republic's contribution shall amount to 20% of public sources.

## **II.2.2. Payments within Natura 2000 forest areas**

Measure code 224

Within this measure, the following one sub-measure is proposed "Conservation of a forest management group from previous production cycle".

### **Legislative framework**

The measure has been designed on the basis of Article 46 of Council Regulation (EC) No 1698/2005 and in conformity with an implementing Commission Regulation and applicable national legislation.

In the Czech Republic, the Natura 2000 areas are delimited according to Council Directive 79/409/EEC (on the conservation of wild birds) and Council Directive 92/43/EEC (on the conservation of wild fauna and flora).

The measure will contribute to fulfilment of the strategy of the National Forestry Programme from the year 2001.

### **Objectives of the measure**

Addressing a specific handicap of forest owners

Increasing the environmental value of forests

Sustainable use of forest land

Improvement of the environment and landscape.



## II.2.2.1. Conservation of a forest management group from previous production cycle

### **Profile of the sub-measure**

Conservation of natural habitats protected by European legislation by supporting on selected areas the conservation of current optimum structure of basic tree species or current management type of the forest.

### **Scope of the sub-measure**

Sub-measure	Possible scope	Expected scope	Targeted at
Conservation of a forest stand management group from previous production cycle	200 000 ha	37 000 ha	Natura 2000 forest areas

### **Definition of supported areas**

The measure may be implemented on the entire territory of the Czech Republic according to the delimitation of Natura 2000 areas.

### **Conditions for the granting of support**

- Together with his application, the applicant shall submit a project complying with applicable legislation,
- The applicant shall undertake to give to the author of a new forest management plan a requirement that within the groups of stands on the forest parcel entered into the sub-measure, the current management group or current management type of the forest is conserved,
- The forest parcel shall be located within a territory delimited as a site of European importance or a bird site,
- The entire group of stands of the forest parcel, in which the new forest management plan prescribes forest regeneration after a planned felling or from an existing unstocked area, shall be included into the sub-measure according to laid down regulations,
- The applicant shall undertake to observe the sub-measure's conditions on the forest land entered into the sub-measure for at least 20 years,
- For the group of stands entered into the sub-measure, the beneficiary shall, in the event of forest regeneration and throughout the duration of the commitment, observe the species composition recommended for the regeneration or the method of regeneration by means of suckers.
- Together with his application for support, the beneficiary shall submit to the payment agency annually a notification certified by a professional forest manager that the prescribed species composition or the method of forest regeneration by means of suckers have not been changed on the forest parcels entered into the measure.

### **Categories of beneficiaries**

The following may be beneficiaries of the support:

- Private forest land owners
- Associations of private forest land owners with legal personality.

### **Method to determine the support**

The support shall have the form of a payment per technical unit.

The support shall be provided annually for a period of 20 years as a compensation of the income foregone due to a reduced economic use of forests.

### **Type and amount of support**

The rate of support shall amount to 60.44 EUR/ha (i.e. 1 800 CZK/ha) of forest per year.

Exchange rate of 29.784 CZK/EUR

The EU contribution shall amount to 80% of public sources.

The Czech Republic's contribution shall amount to 20% of public sources.

## **II.2.3. Forest-environment payments**

Measure code: 225

Within this measure, the following one sub-measure is proposed: "Improving the species composition of forest stands".

### **Legislative framework**

The measure has been designed on the basis of Article 47 of Council Regulation (EC) No 1698/2005, an implementing Commission Regulation and in conformity with national legislation.

The measure will contribute to fulfilment of the strategy of the National Forestry Programme from the year 2001.

### **Objectives of the measure**

Increasing the environmental value of forests

Sustainable use of forest land

Improvement of the environment and landscape.

### **II.2.3.1. Improving the species composition of forests**

#### **Profile of the sub-measure**

The sub-measure is aimed at a thorough fulfilment of a fundamental strategic priority of the National Forestry Programme which is the management of forests according to the principles of sustainable management.

#### **Objectives of the sub-measure**

Increased representation of tree species characterised by a higher tolerance to detrimental factors and ameliorative effects on soil will lead to optimised use of a site's production potential. The growing of stands of appropriate species and spatial structure will assure the maintenance and development of forest biodiversity

### Definition of supported areas

The measure may be implemented on the entire territory of the Czech Republic with the exception of the capital city of Praha.

### Scope of the sub-measure

Sub-measure	Possible scope	Expected scope	Targeted at
Improving the species composition of forest stands	200 000 ha	40 000 ha	Forest stands in the Czech Republic

### Conditions for the granting of support

- Together with his application, the applicant shall submit a project to improve the species composition of forests which shall be conformity with applicable legislation,
- Preservation and improvement of the proportion of ameliorative and reinforcing wood species (ARWS) during the thinning of forest stands,
- Actual age of the forest inventory unit shall be in a range from 6 to 30 years.
- The calculated proportion of ARWS in the species composition indicated for the forest inventory unit shall exceed by at least 5% the minimum set percentage of the ARWS,
- On submission of his application for participation in the sub-measure, the applicant shall provide evidence of the initial proportion of the ARWS,
- The applicant shall undertake to observe the sub-measure's conditions on the forest land entered into the sub-measure for at least 20 years,
- For the duration of the commitment, the beneficiary shall, in the forest inventory unit entered into the sub-measure, carry out thinning operations so as to preserve or increase the initial proportion of the ARWS calculated from the species composition given in the forest management plan or the forest management outline,
- At least at the end of the 10<sup>th</sup> and the 20<sup>th</sup> year, the beneficiary shall supply evidence of the proportion of the ARWS; the compliance with the sub-measure shall be checked on the area of the forest inventory unit entered into the sub-measure even if a subsequent forest management plan or forest management outline delimit other boundaries.

### Categories of beneficiaries

The following may be beneficiaries of the support:

- Operators (natural and legal persons including municipalities and school farms) carrying out forestry in the forests of private persons or associations thereof or in the forests of municipalities and associations thereof.

### Method to determine the support

The support shall have the form of a payment per technical unit.

The support shall be provided as a compensation of the income foregone due to a reduced economic use of forests.

### **Type and amount of support**

The support shall be granted annually for agreed period of 20 years.

The proportion of the ARWS exceeding the set minimum proportion by:	5 to 15%	16 to 25%	26 to 35%	36% and more
Rate of support in CZK/ha	750	1 450	2 200	2 900
In EUR/ha	25.18	48.68	73.87	97.37

Exchange rate of 29.784 CZK/EUR

The EU contribution shall amount to 80% of public sources.

The Czech Republic's contribution shall amount to 20% of public sources.

## **II.2.4. Restoring forestry potential after disasters and promoting social functions of forests**

Measure code: 226, 227

Within this measure, the following two sub-measures are proposed: “Restoring forestry potential after disasters and introducing prevention actions“ and “Non-productive investments in forests“.

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

Restoration of forestry potential after disasters and/or introduction of preventive measures in forests

Sustainable use of forest land

Non-productive investments in forests

Improvement of the environment and landscape.

The measure will contribute to fulfilment of the strategy of the National Forestry Programme from the year 2001.

### **II.2.4.1 Restoring forestry potential after disasters and introducing prevention actions**

(Sub)measure code 226

#### **Legislative framework**

The sub-measure has been designed in conformity with Article 48 of Council Regulation (EC) No 1698/2005, an implementing Commission Regulation and with the following national legislation:

Act No. 289/1995 Coll. o forests and on the amendment of certain laws (the Forest Act), as amended.

During the previous programming period, the support was granted according to Chapter VIII Forestry of Council Regulation (EC) No. 1257/1999 under sub-measure 1.3.1. within the Operational Programme Agriculture.

#### **Profile of the sub-measure**

The support will allow reducing the extent of damage caused by natural disasters and fire.

As a disaster, the following is understood:

- Extraordinary measures going beyond the framework of common protection and prevention, or common technological procedures, and managing their consequences. However, this fact should be documented by an opinion of the Forest Protection Service or in any other provable way (e.g., by the announcement of disaster states, disaster areas, etc., with a subsequent protocol monitoring the damage by independent body), possibly with an opinion of forestry engineer.

However, if a natural disaster or fire takes place in spite of preventive measures, these supports will at least enable a restoration of the production potential and functions of forests. The support is provided for protective measures designed to prevent or mitigate damage caused by natural disasters in forests and for emergency measures in case of calamity caused

by biotic factors especially by insect and fungal pests (e.g. sawflies, bark beetles, bud moths, leaf rollers, loopers, needle-cast fungus etc.) as well as by abiotic ones. The support is further provided for the reconstruction of damaged forest stands, forest regeneration following salvage felling, preventive flood control measures on small watercourses and in their catchment areas, for erosion control measures and for the removal of damage caused by floods on small watercourses, in their catchment areas and on forest roads, remediation of gullies, erosion furrows, gully controls and stabilisation of ravines on land designed to fulfil forest functions.

### **Objectives of the sub-measure**

Restoration of forestry potential after disasters and/or introduction of prevention actions

Sustainable use of forest land

Improvement of the environment and landscape

### **Definition of supported areas**

The measure may be implemented on the entire territory of the Czech Republic with the exception of the capital city of Praha.

### **Conditions for the granting of support**

- Together with his application, the applicant shall submit a project which shall be conformity with applicable legislation,
- The project shall be financed from just one EU source,
- The project shall be implemented on the territory of the Czech Republic,
- For emergency measures responding to calamities caused by biotic or abiotic factors, only if the measures in question are area measures (non-point measures) or are taking place in specially protected areas and Natura 2000 areas, further in mitigating of damages caused by floods on small watercourses, in their catchment areas, on forest roads, a removal of erosion furrows, gullies and ravines, the applicant shall supply an approval of the Ministry of the Environment
- For preventive flood control measures on small watercourses and in their catchment areas, erosion control measures on forest land, the applicant shall supply an approval of the Ministry of the Environment

### **Categories of beneficiaries**

The following may apply for support for restoration of forestry potential after disasters and implementation of preventive measures:

- Owners or leaseholders of parcels designed to fulfil forest functions
- Associations, with legal personality, of owners or leaseholders of parcels designed to fulfil forest functions.

### **Method to determine the support**

The support shall be provided according to an approved project.

### **Eligible expenditure**

The support can be provided for:

- Contingency measures during disaster caused by biotic factors as well as abiotic impacts, i.e. especially by insect pests (e.g. sawflies, bark beetles, shoot moths, loopers, etc.), wood-destroying fungi (needle cast, honey fungi, etc.), climatic and other factors, etc. (cannot be applied to common protection and prevention),
- Removal of not suitable or damaged forest plantations after disasters intended for restoration,
- Natural renewal or artificial renewal of seed spreading after disasters, including preparation of these plots prior afforestation,
- Artificial renewal using seedlings on the plots after disaster harvesting, including preparation of these plots prior afforestation,
- Application of fertilizers and liming of damaged forest land plots,
- Elimination of damage caused by flooding to small watercourses and in their catchment basins, on forest roads and associated facilities, sanation of disturbed land, erosion ditches and diking and stabilization of ravines.
- Preventive protective measures to prevent from or reduce damage caused by disasters in forests.
- Carrying out preventive anti-flooding measures on small watercourses and in their catchment basins and anti-erosion measures (e.g. building and renovation of the objects to dike streams).

#### **Type and amount of support**

The support shall have the form of a grant covering 100% of eligible expenditure.

The EU contribution shall amount to 80% of public sources.

The Czech Republic's contribution shall amount to 20% of public sources.

#### **II.2.4.2. Non-productive investments in forests**

(Sub)measure code 227

##### ***Legislative framework***

The sub-measure has been designed in conformity with Article 49 of Council Regulation (EC) No 1698/2005, an implementing Commission Regulation and with the following national legislation:

Act No. 289/1995 Coll. o forests and on the amendment of certain laws (the Forest Act), as amended.

During the previous programming period, the support was granted according to Chapter VIII Forestry of Council Regulation (EC) No. 1257/1999 under sub-measure 1.3.2. within the Operational Programme Agriculture.

##### **Profile of the sub-measure**

Support of activities enhancing the public amenity value of forest.

##### **Objectives of the sub-measure**

Regulation of visitors and their activities in forests

Elimination of adverse impacts of visitors on forest environment through construction of suitable buildings and facilities

Building of facilities to assure safety of visitors

### **Definition of supported areas**

The measure may be implemented on the entire territory of the Czech Republic with the exception of the capital city of Praha.

### **Description of the sub-measure**

A one-off contribution for non-productive investments in order to support activities leading to a regulation of the number of forest visitors and providing for their safety, namely construction, reconstruction and modernisation of roads serving as footpaths up to width of 2 metres, cycle tracks for tourists, and of objects on them to ensure the safety of the visitors, e.g. footbridges, railing, steps, parking places, relaxing places, shelters, forest fountains, information boards etc.

### **Conditions for the granting of support**

- The applicant shall undertake to comply with the sub-measure's objectives for at least 5 years,
- together with his application, the applicant shall submit a project which shall be in conformity with applicable legislation,
- The project shall be financed from just one EU source
- the applicant shall supply an approval of the Ministry of the Environment with the project
- the project shall be implemented on the territory of the Czech Republic.

### **Categories of beneficiaries**

There may be the following beneficiaries:

- Owners or leaseholders of parcels designed to fulfil forest functions,
- Associations, with legal personality, of owners or leaseholders of parcels designed to fulfil forest functions.

### **Method to determine the support**

The support shall be provided according to an approved project.

### **Eligible expenditure**

The support can be provided for:

- Activities to strengthen recreation functions of forest (creation of paths for tourists up to the width of 2 metres, marking of cycle paths, etc.),
- Activities to manage the density of visitors in the territory (building of parking sites, rest areas, shelters, forest wells, information boards, etc.),
- Activities to ensure safety of forest visitors (objects to ensure safety of visitors, e.g. footbridges, handrails, steps, etc.),



- Activities to maintain forest environment,
- Other works and activities contributing to the improvement of social function of forests.

**Type and amount of support**

Reimbursement covering 100% of eligible expenditure.

The EU contribution shall amount to 80% of public sources.

The Czech Republic's contribution shall amount to 20% of public sources.

## 5.2.3 AXIS III - QUALITY OF LIFE IN RURAL AREAS AND DIVERSIFICATION OF RURAL ECONOMY

**Table - Priorities, objectives and measures under axis III**

Priority	III.1. Creation of employment opportunities and support of use of renewable energy sources	
Objective	To create employment opportunities and provide for higher incomes of rural population through the development and diversification of activities in rural areas and promotion of rural tourism, to provide for fulfilment of the Czech Republic commitments in the area of use of renewable energy sources.	% of the axis 50
Measure	III.1.1. Diversification into non-agricultural activities	22.5
	III.1.2. Support for business creation and development	15
	III.1.3. Encouragement of tourism activities	12.5
Priority	III.2. Conditions for growth and quality of life in rural areas	
Objective	To create conditions for growth in rural areas. To improve the facilities and appearance of villages and public areas and to strengthen the population's sense of identity with local environment and rural heritage. To provide for the development of rural infrastructure with the objective to encourage the development of small and medium-sized enterprises and to improve the village environment.	% of the axis 48
Measure	III.2.1. Village renewal and development, public amenities and services	39
	III.2.2. Conservation and upgrading of the rural cultural heritage	9
Priority	III.3. Education	
Objective	To contribute to a higher level of education and employment of rural population through the development of advisory services and training. To increase the use of information and communication technologies.	% of the axis 2
Measure	III.3.1. Training and information	2

### ***Group of measures III.1 – Measures to diversify the rural economy***

#### **III.1.1 Diversification into non-agricultural activities**

Measure code 311

##### **Description of situation**

Rural areas do not almost create new employment opportunities at present because an interest in giving an employment from the side of agricultural enterprises is very low. The shrinking agricultural production, especially in some labour intensive sectors (hop, fruit, vegetables, etc.) has been accompanied by a declining demand for seasonal labour. The current issue to be addressed in rural areas is the stabilisation of rural population through diversification of agricultural enterprises' activities into non-agricultural ones. The objective of diversification is to maintain and create new jobs at the countryside or increase an income of holdings.

The measure is a continuation of measure 2.2 under the SAPARD Programme and measure 2.1.5. under the Operational Programme "Rural Development and Multifunctional Agriculture". The measure represents a continuation on priorities and goals of the Czech Republic Concept of the Agrarian Policy for the period after accession to EU (2004 – 2013).

## **Legislative framework**

Article 52 (a)(i) and 53 of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development, and implementing regulations.

Commission Regulation 70/2001 on the application of Articles 87 and 88 of the Treaty to State aid to small and medium-sized enterprises.

## **Profile of the measure**

The support is focused on diversification of activities of agricultural enterprises into non-agricultural activities (for example joinery, carpentry, smithcraft, ceramics production, basket-making, glazier's profession, handmade activities, further bricklaying, locksmith's trade, upholstery, repair works of machines and equipment, retail business, wholesale business etc.). The support is further aimed to building of decentralised facilities for processing and use of renewable energy sources with goal of energetic self-sufficiency of the countryside and fulfilment of the Czech Republic obligations of achievement of 8 % energy from renewable sources. Preferably is supported utilising existing buildings and premises and promotion of innovative approaches.

## **Objectives of the measure**

Diversification of agricultural activities into non-agricultural production, development of non-agricultural production and support for job creation

Diversity of rural economy

Improvement of the quality of life in rural areas and diversification of economic activities

## **Definition of supported areas**

The project may be implemented in a municipality with not more than 2000 inhabitants on the territory of the Czech Republic (with the exception of projects to build decentralised facilities for the use of renewable sources of fuels and energy, which can be implemented on the entire Czech Republic's territory save that of the capital city of Praha).

## **Conditions for the granting of support**

- The support shall be provided on the basis of a submitted project which shall be in conformity with applicable legislation,
- only one source of EU funding may be used for an approved project,
- the project shall not have an adverse effect on the environment (if it is required by Act No. 100/2001 Coll.),
- the project must be in compliance with conditions of Commission Regulation No. 70/2001 on the application of Articles 87 and 88 of the Treaty to State aid to small and medium-sized enterprises,
- the project is not related to activities connected with production, processing or placing on the market products introduced in Appendix No. I. of the Treaty on Establishment of EC.

## Categories of beneficiaries

Natural or legal person or association of natural or legal persons, without regard to legal status, which grants to the association or its members intrastate law, who carry out agriculture activity in agriculture enterprise at the time of use of the support, with the exception of agriculture workers. In the event that “member of agriculture enterprise” is legal person or association of legal persons, this member shall carry out agriculture activity in agriculture enterprise at the time of the application for support validity.

## Eligible expenditure

- Redevelopment (reconstruction, upgrading, static reinforcement) or construction of new buildings and premises for the purposes of diversification of agricultural activities; utilisation of existing buildings and premises shall be preferred,
- Purchase of buildings, machines, technologies, equipment for plants and workshops, PCs and software,
- Construction of decentralised facilities for the use of renewable sources of fuels and energy (biomass or biogas) – for heating or production of electric energy; heating stations, heating or energy networks, biogas stations (homogenising tank, reactor, biogas container, storage tank, cogeneration unit, heat exchanger, etc.),
- Project and technical documentation, whis is part of purchase of investment.

## Type and amount of support

Direct non-repayable aid.

Maximum rate of support shall be as introduced in table:

Region	Small enterprises		Medium enterprises		Large enterprises	
	2007-2010	2011-2013	2007-2010	2011-2013	2007-2010	2011-2013
CZ 02 Central Bohemia	60%	60%	50%	50%	40%	40%
CZ 03 Southwest	56%	50%	46%	40%	36%	30%
CZ 04 Nordwest	60%	60%	50%	50%	40%	40%
CZ 05 Nordeast	60%	60%	50%	50%	40%	40%
CZ 06 Southeast	60%	60%	50%	50%	40%	40%
CZ 07 Central Moravia	60%	60%	50%	50%	40%	40%
CZ 08 Moravian-Silesian	60%	60%	50%	50%	40%	40%

Rate of support is laid down on the basis of Commission Decision No. 510/2006 as of 24 October 2006.

Minimum total eligible expenditure per project shall amount to CZK 50 000.

The EU contribution shall amount to 75 % of public sources.

The Czech Republic’s contribution shall amount to 25 % of public sources.

### III.1.2 Support for business creation and development

Measure code 312

#### Description of situation

Support for the setting up of new and for the development of existing non-agricultural micro-enterprises<sup>8</sup> including new trades in the area of production, processing and services without any limitations regarding sectors concerned, especially in the area of crafts and services for the economy and population shall assist in achieving goals of the Lisbon Strategy. Rural social structures and social capital together with the structure of built-up areas offer significant potential for diversification of activities (available labour forces, unused buildings, experience with complementary production).

The European Regional Development Fund will be complementing this effort by a general support for small and medium-sized businesses (above the size of micro-enterprises with local consumption) or a support for investments starting from total costs of CZK 10 million. This limitation is not relevant to biogas plant.

The measure represents a continuation of the SAPARD Programme's measure 2.2.

#### Legislative framework

Article 52 (a)(ii) and 54 of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development and implementing regulations.

The Commission Regulation (EC) No. 1628/2006 of the day of 24 October 2006 on the application of Articles 87 and 88 of the Treaty to national regional investment support.

#### Profile of the measure

The support targets increased stability of rural areas through the setting up and development of micro-enterprises with the aim to create employment opportunities and to develop diverse economic structures of non-agricultural activities. The support is provided for small-scale production, crafts and services for the economy and inhabitants. The support is further aimed to building of decentralised facilities for processing and use of renewable energy sources with goal of energetic self-sufficiency of the countryside and fulfilment of the Czech Republic obligations of achievement of 8% energy from renewable sources. Preferably is supported utilising existing buildings and premises and promotion of innovative approaches.

#### Objectives of the measure

Diversification of agricultural activities into non-agricultural production, development of non-agricultural production and support for job creation

Diversity of rural economy

Improvement of the quality of life in rural areas and diversification of economic activities

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<sup>8</sup> Commission Recommendation 2003/361/EC concerning the definition of micro, small and medium-sized enterprises. A micro-enterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.

## **Definition of supported areas**

The project may be implemented in a municipality with not more than 2000 inhabitants on the territory of the Czech Republic (with the exception of projects to build decentralised facilities for the use of renewable sources of fuels and energy, which can be implemented on the entire Czech Republic's territory save that of the capital city of Praha).

## **Conditions for the granting of support**

- the support shall be provided on the basis of a submitted project which shall be in conformity with applicable legislation,
- only one source of EU funding may be used for an approved project,
- the project shall not have an adverse effect on the environment (if it is required by Act No. 100/2001 Coll.),
- the project shall be in compliance with conditions of Commission Regulation (EC) No. 1628/2006 of the day of 24 October 2006 on the application of Articles 87 and 88 of the Treaty to national regional investment support,
- the project is not related to activities connected with production, processing or placing on the market products introduced in Appendix No. I. of the Treaty on Establishment of EC.

## **Categories of beneficiaries**

Natural and legal persons (also without history) meeting the conditions to be classified as micro-enterprises<sup>9</sup>. In the case of construction of decentralised facilities for the use of renewable sources of fuels and energy, the applicant may be only a person with agricultural business.

The micro-enterprise shall mean in accordance with No. Commission Recommendation 2003/361/EC concerning the definition of micro, small and medium-sized enterprises. A micro-enterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.

## **Eligible expenditure**

- Redevelopment (reconstruction, upgrading, static reinforcement) or construction of new buildings and premises; utilisation of existing buildings and premises shall be preferred,
- Purchase of buildings, machines, technologies, equipment for plants and workshops, PCs and software,
- Construction of decentralised facilities for the use of renewable sources of fuels and energy (biomass or biogas) – for heating or production of electric energy; heating stations, heating or energy networks, biogas stations (homogenising tank, reactor, biogas container, storage tank, cogeneration unit, heat exchanger, etc.),
- Project and technical documentation, which is part of purchase of investment.

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<sup>9</sup> Commission Recommendation 2003/361/EC concerning the definition of micro, small and medium-sized enterprises. A micro-enterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.

## Type and amount of support

Direct non-repayable aid.

Maximum rate of support shall be as introduced in table:

Region	Small enterprises	
	2007-2010	2011-2013
CZ 02 Central Bohemia	60%	60%
CZ 03 Southwest	56%	50%
CZ 04 Nordwest	60%	60%
CZ 05 Nordeast	60%	60%
CZ 06 Southeast	60%	60%
CZ 07 Central Moravia	60%	60%
CZ 08 Moravian-Silesian	60%	60%

Rate of support is laid down on the basis of Commission Decision No. 510/2006 as of 24 October 2006.

Minimum total eligible expenditure per project shall amount to CZK 50 000.

The EU contribution shall amount to 75 % of public sources.

The Czech Republic's contribution shall amount to 25 % of public sources.

### III.1.3 a) Encouragement of tourism activities

Measure code 313

#### Description of situation

The measure encourages activities focusing on diversification of rural economy through the development of tourism, in particular in connection with the use of the area's natural and cultural heritage.

Rural tourism has not yet been fully developed in the Czech Republic and the potential of farms in the field of agri-tourism has not been utilised. On the other hand, tourism shows the most dynamic growth and provides numerous employment opportunities even for unqualified labour. It increases the sales of local specialties and handicraft.

The European Regional Development Fund (ERDF) will be complementing these efforts by a general support for regional tourism (services, information centres, marketing at national and international fairs, public investments or costs starting from CZK 10 million).

The measure represents a continuation of the SAPARD Programme's measure 2.2 and of measure 2.1.5. under the Operational Programme "Rural Development and Multifunctional Agriculture".

The measure represents a continuation on priorities and goals of the Czech Republic Concept of the Agrarian Policy for the period after accession to EU (2004 – 2013).

#### Legislative framework

Article 52 (a)(iii) and 55 of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development, and implementing regulations.

### **Objectives of the measure**

Diversification of agricultural activities into non-agricultural production, development of non-agricultural production and support for job creation

Diversity of rural economy

Improvement of the quality of life in rural areas and diversification of economic activities

### **Profile of the measure**

The support is designed for the building of recreational infrastructure and recreational facilities. Support will be provided also for the services for hikers, water sports and skiing (with the exception of ski tows and cable cars), for the development and marking of hiking trails, wine paths, rest sites, horse riding paths and the purchase and planting of accompanying greenery.

### **Definition of supported areas**

The project may be implemented in a municipality with not more than 2000 inhabitants on the territory of the Czech Republic.

### **Conditions for the granting of support**

- the support shall be provided on the basis of a submitted project which shall be in conformity with applicable legislation,
- only one source of EU funding may be used for an approved project,
- the project shall not have any adverse effect on the environment (if it is required by Act No. 100/2001 Coll.),
- it does not concern economic activity.

### **Categories of beneficiaries**

Business entities – natural and legal persons with an authorisation for agricultural or forestry activity. Non-agricultural operators only if they are beginning the activity or have a history shorter than 2 years and also non-profit organisations (including interest associations and clubs) with legal personality.

### **Eligible expenditure**

- construction of facilities providing services to hikers, water sports and skiing (with the exception of ski tows and cable cars),
- development and marking of hiking trails, wine paths, rest sites, horse riding paths outside of forest areas,
- purchase and planting of accompanying greenery.

### **Type and amount of support**

Direct non-repayable aid.

Projects are not based on the public support according to Article No. 87 of the Treaty.

Maximum rate of support shall be 90%.

Minimum total eligible expenditure per project shall amount to CZK 50 000.



The EU contribution shall amount to 75 % of public sources.

The Czech Republic's contribution shall amount to 25 % of public sources.

### **III.1.3 b) Encouragement of tourism activities**

Measure code 313

#### **Description of situation**

The measure encourages activities focusing on diversification of rural economy through the development of tourism, in particular in connection with the use of the area's natural and cultural heritage.

Rural tourism has not yet been fully developed in the Czech Republic and the potential of farms in the field of agri-tourism has not been utilised. On the other hand, tourism shows the most dynamic growth and provides numerous employment opportunities even for unqualified labour. It increases the sales of local specialties and handicraft.

The European Regional Development Fund (ERDF) will be complementing these efforts by a general support for regional tourism (services, information centres, marketing at national and international fairs, public investments or costs starting from CZK 10 million).

The measure represents a continuation of the SAPARD Programme's measure 2.2 and of measure 2.1.5. under the Operational Programme "Rural Development and Multifunctional Agriculture".

#### **Legislative framework**

Article 52 (a)(iii) and 55 of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development, and implementing regulations.

The Commission Regulation (EC) No. 1628/2006 of the day of 24 October 2006 on the application of Articles 87 and 88 of the Treaty to national regional investment support.

#### **Profile of the measure**

The support is designed for the building of recreational infrastructure for small-scale accommodation, including catering and recreational facilities (swimming pools, including associated facilities, playgrounds, riding halls and other recreational facilities). Support will be provided also for the services for hikers, water sports and skiing, for the development and marking of hiking trails, rest sites, horse riding paths, including the use of animals within tourism and the purchase and planting of accompanying greenery.

#### **Definition of supported areas**

The project may be implemented in a municipality with not more than 2000 inhabitants on the territory of the Czech Republic.

#### **Conditions for the granting of support**

- the support shall be provided on the basis of a submitted project which shall be in conformity with applicable legislation,
- only one source of EU funding may be used for an approved project,

- the project shall not have any adverse effect on the environment (if it is required by Act No. 100/2001 Coll.),
- the project must be in compliance with conditions of Commission Regulation (EC) No. 1628/2006 of the day of 24 October 2006 on the application of Articles 87 and 88 of the Treaty to national regional investment support.

### Eligible expenditure

- Redevelopment (reconstruction, upgrading, static reinforcement) or a new construction of small-scale accommodation and catering facilities and other buildings and facilities within tourist infrastructure, building of swimming pools and recreational facilities for public use, including associated facilities (it does not concern aquaparks and spas),
- construction of facilities providing services to hikers, water sports and skiing (including ski tows and cable cars),
- purchase of buildings, machines, technologies, facilities, equipment, computers.

### Type and amount of support

Direct non-repayable aid.

Maximum rate of support shall be as introduced in table:

Region	Small enterprises		Medium enterprises		Large enterprises	
	2007-2010	2011-2013	2007-2010	2011-2013	2007-2010	2011-2013
CZ 02 Central Bohemia	60 %	60 %	50 %	50 %	40 %	40 %
CZ 03 Southwest	56 %	50 %	46 %	40 %	36 %	30 %
CZ 04 Nordwest	60 %	60 %	50 %	50 %	40 %	40 %
CZ 05 Nordeast	60 %	60 %	50 %	50 %	40 %	40 %
CZ 06 Southeast	60 %	60 %	50 %	50 %	40 %	40 %
CZ 07 Central Moravia	60 %	60 %	50 %	50 %	40 %	40 %
CZ 08 Moravian-Silesian	60 %	60 %	50 %	50 %	40 %	40 %

Rate of support is laid down on the basis of Commission Decision No. 510/2006 as of 24 October 2006.

Minimum total eligible expenditure per project shall amount to CZK 50 000.

The EU contribution shall amount to 75 % of public sources.

The Czech Republic's contribution shall amount to 25 % of public sources.

## ***Group of measures III.2 - Measures to improve the quality of life in rural areas***

### **III.2.1 Village renewal and development, public amenities and services**

Measure code: 321,322

## **Description of situation**

Through this measure shall be supported investment into basic water management infrastructure in municipalities with population below 2,000 inhabitants (water main network distribution system, sewerage systems and waste water treatment plants). Within the measure the agricultural brownfields up to 5 ha shall be supported in municipalities with population less than 2,000 inhabitants. Further shall be supported the building and renewal projects of local communications, restoration or building of public utilities networks, improving of appearance of villages - public areas maintenance, including revitalisation of small watercourses and water areas within the municipality and addressing issues of waste management in municipalities with population less than 500 inhabitants. The measure should as well ensure an increasing of quality of life in the rural areas through a development of public amenities and services in municipalities with population less than 500 inhabitants.

The building and reconstructions of municipality water main network distribution system and sewerage systems, including waste water treatment plants or group of waste water treatment plants as well as waste water treatment plants using a reed bed in specially protected areas shall be supported by the Operational Programme the Environment in municipalities with population less than 2,000 inhabitants. The Operational Programme the Environment shall also support water management infrastructure in municipalities with population over 2,000 inhabitants. Regional Operational Programmes will also be addressing issues regarding services and basic public amenities (schools, health centres, etc.) Investments into local communications shall be as well addressed in municipalities with population more than 500 inhabitants.

Sub-measure III.2.1.1. is a continuation of measure 2.1. b) of the SAPARD programme. Sub-measure III.2.1.2. is a continuation of measure 2.1. a) under the SAPARD programme.

## **Legislative framework**

The Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development – Articles 52 b (i, ii) and 56, and implementing regulations.

## **Objectives of the measure**

Improvement of basic services and development of investments providing for enhanced attractiveness of rural areas

Improvement of the quality of life in rural areas

Improvement of the quality of life in rural areas and diversification of economic activities

### **III.2.1.1 a) Village renewal and development**

#### **Profile of the sub-measure**

Through this measure shall be supported investment into basic water management infrastructure in municipalities (water main network distribution system, sewerage systems and waste water treatment plants) and other technical infrastructure. Further shall be supported the building and renewal projects of local communications (transportation infrastructure), improving of the appearance of villages - public areas maintenance and addressing issues of waste management in municipalities.

### **Definition of supported areas**

- Municipalities with population less than 500 inhabitants
  - the projects for building and reconstruction of the transportation infrastructure (local communications),
  - projects concerning constructions and facilities for waste treatment,
  - renewal and building of technical infrastructure (with the exception of water management infrastructure),
  - an improvement of the appearance of villages – public areas maintenance.
- Municipalities with population less than 2,000 inhabitants
  - water management infrastructure and waste water treatment plants

### **Conditions for the granting of support**

- The support shall be provided on the basis of a submitted project which shall be in conformity with applicable legislation,
- only one source of EU funding may be used for an approved project,
- the project shall not have any adverse effect on the environment (if it is required by Act No. 100/2001 Coll.),
- it does not concern economic activity.

### **Categories of beneficiaries**

Municipalities, associations of municipalities, non-profit organisations including churches and their organisations, interest associations of legal persons, business entities – natural and legal persons.

### **Eligible expenditure**

- Restoration of existing buildings or areas by construction (reconstructions, modernisation, static safety provision), possibly new construction related to water management infrastructure, waste water treatment plants, other technical infrastructure including addressing issues of waste management in municipalities, transportation infrastructure, revitalisation of small watercourses and water areas and public areas maintenance,
- purchase of buildings, machines, technologies, facilities, equipment, computers, software related to the project,
- purchase and planting of public greenery, landscaping in the municipality and surrounding areas, purchase of necessary technology for the maintenance of green areas in municipalities,
- elaboration of local planning documentation for municipalities,
- land development for the construction of new residential buildings or buildings for economic use.

### **Type and amount of support**

Projects are not based on the public support according to Article No. 87 of the Treaty.

The maximum rate of support shall amount to 90 %.

The minimum total eligible expenditure shall be CZK 50,000 per project.

Maximum total eligible expenditure per project for waste management and building and reconstruction of local communications shall be CZK 5 million.

The EU contribution shall amount to 75 % of public sources.

The Czech Republic's contribution shall amount to 25 % of public sources.

### **III.2.1.1 b) Village renewal and development**

#### **Legislative framework**

Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development – Articles 52 b (i, ii) and 56, and implementing regulations.

The Commission Regulation (EC) No. 1628/2006 of the day of 24 October 2006 on the application of Articles 87 and 88 of the Treaty to national regional investment support.

#### **Profile of the sub-measure**

Through this measure shall be supported investment into basic water management infrastructure in municipalities (water main network distribution system, sewerage systems and waste water treatment plants) and other technical infrastructure. Further shall be supported the building and renewal projects of local communications (transportation infrastructure), improving of the appearance of villages - public areas maintenance and addressing issues of waste management in municipalities.

#### **Definition of supported areas**

- Municipalities with population less than 500 inhabitants
  - the projects for building and reconstruction of the transportation infrastructure (local communications),
  - projects concerning constructions and facilities for waste treatment,
  - renewal and building of technical infrastructure (with the exception of water management infrastructure),
  - an improvement of the appearance of villages – public areas maintenance.
- Municipalities with population less than 2,000 inhabitants
  - water management infrastructure and waste water treatment plants

#### **Conditions for the granting of support**

- the support shall be provided on the basis of a submitted project which shall be in conformity with applicable legislation,
- only one source of EU funding may be used for an approved project,
- the project shall not have any adverse effect on the environment (if it is required by Act No. 100/2001 Coll.),
- the project shall be in compliance with conditions of Commission Regulation (EC) No. 1628/2006 of the day of 24 October 2006 on the application of Articles 87 and 88 of the Treaty to national regional investment support.

#### **Categories of beneficiaries**

Municipalities, associations of municipalities, non-profit organisations including churches and their organisations, interest associations of legal persons, business entities – natural and legal persons.

#### **Eligible expenditure**

- Restoration of existing buildings or areas by construction (reconstructions,

modernisation, static safety provision), possibly new construction related to water management infrastructure, waste water treatment plants, other technical infrastructure including addressing issues of waste management in municipalities (for waste sorting and recycling, composting plants for biological waste and material from soil stripping), transportation infrastructure, revitalisation of small watercourses and water areas and public areas maintenance,

- purchase of buildings, machines, technologies, facilities, equipment, computers, software related to the project,
- purchase and planting of public greenery, landscaping in the municipality and surrounding areas, purchase of necessary technology for the maintenance of green areas in municipalities,
- land development for the construction of new residential buildings or buildings for economic use.

### **Type and amount of support**

Direct non-repayable aid.

Maximum rate of support shall be as introduced in table:

Region	Small enterprises		Medium enterprises		Large enterprises	
	2007-2010	2011-2013	2007-2010	2011-2013	2007-2010	2011-2013
CZ 02 Central Bohemia	60%	60%	50%	50%	40%	40%
CZ 03 Southwest	56%	50%	46%	40%	36%	30%
CZ 04 Nordwest	60%	60%	50%	50%	40%	40%
CZ 05 Nordeast	60%	60%	50%	50%	40%	40%
CZ 06 Southeast	60%	60%	50%	50%	40%	40%
CZ 07 Central Moravia	60%	60%	50%	50%	40%	40%
CZ 08 Moravian-Silesian	60%	60%	50%	50%	40%	40%

Rate of support is laid down on the basis of Commission Decision No. 510/2006 as of 24 October 2006.

Minimum total eligible expenditure per project shall amount to CZK 50 000.

The EU contribution shall amount to 75 % of public sources.

The Czech Republic's contribution shall amount to 25 % of public sources.

### **III.2.1.2. a) Public amenities and services**

#### **Profile of the sub-measure**

The support shall aim to provide missing public amenities and services (schools, health and social facilities, for which mandatory state funding can not be obtained, including facilities for preschool and out-of-school children care, community care services for seniors, basic shopping infrastructure, market areas, objects and areas for sports and cultural activities, associated catering facilities, objects for various club activities). The support shall also be available for establishing integrated information and training centres using ICT, utilisation of ICT initiatives for better availability of services and work.

### **Definition of supported areas**

The project can be implemented in a municipality with not more than 500 inhabitants situated on the territory of the Czech Republic.

### **Conditions of the granting of support**

- the support shall be provided on the basis of a submitted project which shall be in conformity with applicable legislation,
- only one source of EU funding may be used for an approved project,
- the project shall not have any adverse effect on the environment (if it is required by Act No. 100/2001 Coll.),
- a precondition for a market place construction is the elaboration of Market Rules and an investment in a system supporting exclusively local producers and sellers,
- it does not concern economic activity.

### **Categories of beneficiaries**

Municipalities, associations of municipalities, churches and their organisations, non-profit organisations with legal personality, business entities – natural and legal entities.

### **Eligible expenditure**

- New construction and restoration (reconstructions, modernisation, static safety provision) of buildings and areas which shall provide public amenities in the field of schools, health and social services, including children care, basic business infrastructure, areas for sports and cultural activities and integrated information and training centres,
- purchase of buildings related to this project,
- purchase of facilities, equipment, computers, software, high-speed internet.

### **Type and amount of support**

Projects are not based on the public support according to Article No. 87 of the Treaty.

The maximum rate of support shall amount to 90%.

The minimum total eligible expenditure shall be CZK 50,000 per project.

The EU contribution shall amount to 75% of public sources.

The Czech Republic's contribution shall amount to 25% of public sources.

## **III.2.1.2. b) Public amenities and services**

### **Legislative framework**

The Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development – Articles 52 b (i, ii) and 56, and implementing regulations.

The Commission Regulation (EC) No. 1628/2006 of the day of 24 October 2006 on the application of Articles 87 and 88 of the Treaty to national regional investment support.

## Profile of the sub-measure

The support shall aim to provide missing public amenities and services (schools, health and social facilities, for which mandatory state funding can not be obtained, including facilities for preschool and out-of-school children care, community care services for seniors, basic shopping infrastructure, market areas, objects and areas for sports and cultural activities, associated catering facilities, objects for various club activities). The support shall also be available for establishing integrated information and training centres using ICT, utilisation of ICT initiatives for better availability of services, work and trade (eBusiness, eCommerce).

## Definition of supported areas

The project can be implemented in a municipality with not more than 500 inhabitants situated on the territory of the Czech Republic.

## Conditions of the granting of support

- the support shall be provided on the basis of a submitted project which shall be in conformity with applicable legislation,
- only one source of EU funding may be used for an approved project,
- the project shall not have any adverse effect on the environment (if it is required by Act No. 100/2001 Coll.),
- a precondition for a market place construction is the elaboration of Market Rules and an investment in a system supporting exclusively local producers and sellers,
- the project must be in compliance with conditions of Commission Regulation (EC) No. 1628/2006 of the day of 24 October 2006 on the application of Articles 87 and 88 of the Treaty to national regional investment support.

## Categories of beneficiaries

Municipalities, associations of municipalities, churches and their organisations, non-profit organisations with legal personality, business entities – natural and legal entities.

## Type and amount of support

Direct non-repayable aid.

Maximum rate of support shall be as introduced in table:

Region	Small enterprises		Medium enterprises		Large enterprises	
	2007-2010	2011-2013	2007-2010	2011-2013	2007-2010	2011-2013
CZ 02 Central Bohemia	60%	60%	50%	50%	40%	40%
CZ 03 Southwest	56%	50%	46%	40%	36%	30%
CZ 04 Nordwest	60%	60%	50%	50%	40%	40%
CZ 05 Nordeast	60%	60%	50%	50%	40%	40%
CZ 06 Southeast	60%	60%	50%	50%	40%	40%
CZ 07 Central Moravia	60%	60%	50%	50%	40%	40%
CZ 08 Moravian-Silesian	60%	60%	50%	50%	40%	40%

Rate of support is laid down on the basis of Commission Decision No. 510/2006 as of 24 October 2006.

Minimum total eligible expenditure per project shall amount to CZK 50 000.



The EU contribution shall amount to 75 %, the national public sources to 25 %.

### **III.2.2 a) Conservation and upgrading of the rural cultural heritage**

Measure code: 323

#### **Description of situation**

The quality of life in rural areas is significantly influenced by conservation and development of rural space in general. The measure should enable architectural and urban development of Bohemian and Moravian villages in coherence with requirements for the preservation and strengthening of their characteristic appearance, as well as for increased awareness of identity and local community among local people. This aim complies with the European interest in the preservation of uniqueness, specific features and local traditions in rural development and strengthening of European diversity.

In the past, some negative phenomena occurred as far as the care of rural cultural heritage was neglected, the general awareness of people regarding the necessity of environment and cultural values protection, as well as ways of providing it, was lacking. The measure focuses on activities that concern the process of improving the quality of life by enhancing the awareness of cultural values of the environment, as well as of their restoration and rehabilitation. The measure shall prevent problems associated with inadequate interpretation of the cultural heritage, apart from central and commercially utilised areas.

The European Regional Development Fund (ERDF) will be complementing the EAFRD by supporting investments from CZK 5 million upwards, by supporting restoration of national cultural monuments or cultural monuments used for the purposes of tourism (accommodation, congresses, big museums, providing access to listed monuments).

Measure III.2.2. is a new measure.

#### **Legislative framework**

Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development – Articles 52 (b) (iii) and 57, and implementing regulations.

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

Expansion of investments to provide for enhanced attractiveness of rural areas

Improvement of the quality of life in rural areas

Improvement of the quality of life in rural areas and diversification of economic activities

#### **Profile of the measure**

The support is intended for elaboration of studies for renewal and utilisation of cultural heritage (cultural monuments, urban conservation areas, conservation areas, cultural elements of villages, monuments of local importance, historical parks, historical gardens and alleys and groups of trees), further the elaboration of programmes for restoration of listed territories and plans for landscape conservation zones management). Supported shall be as well investments associated with the maintenance, renewal and increasing the value of cultural heritage or their

utilisation, such as cultural monuments (with the exception of UNESCO monuments, national cultural monuments or cultural monuments used for purposes of tourism services – accommodation, congresses, big museums), sites with important monuments, cultural elements of villages and rural landscape including historical parks, historical gardens and alleys. Building of new permanent expositions and museums with the relation to local history, historical sights, cultural and art activities as well traditional popular architecture shall be also supported.

### **Definition of supported areas**

The project can be implemented in a municipality with not more than 500 inhabitants situated on the territory of the Czech Republic.

### **Conditions of the granting of support**

- The support shall be provided on the basis of a submitted project which shall be in conformity with applicable legislation,
- only one source of EU funding may be used for an approved project,
- the project concerning the cultural monument shall comply with an expert opinion of the Agency for Nature and Landscape Conservation of the Czech Republic and shall be economically viable,
- the author himself may not be an applicant in the case of elaboration of studies, programmes, lists, maps, care plans and geodetical works,
- it does not concern economic activity.

### **Categories of beneficiaries**

Municipalities, associations of municipalities, non-profit organisations with legal personality including churches and their organisations and interest associations of legal persons.

### **Eligible expenditure**

- Elaboration of studies dealing with restoration and/or utilisation of monuments, programmes of regeneration of sites with important monuments, lists and maps of monuments in rural areas, management plans, geodetical works,
- restoration of listed buildings and areas (reconstruction, modernisation, static safety provision),
- restoration of historical parks, historical gardens and alleys,
- purchase of buildings, machines, facilities, equipment, computers, software,
- investments for realisation of exhibitions, museums offering local cultural and historical sights.

### **Type and amount of support**

Projects are not based on the public support according to Article No. 87 of the Treaty.

The maximum rate of support shall amount to 90 %.

The minimum total eligible expenditure shall be CZK 50,000 per project.

The maximum total eligible expenditure shall be CZK 5 million per project.

The EU contribution shall amount to 75% of public sources.

The Czech Republic's contribution shall amount to 25% of public sources.

### **III.2.2 b) Conservation and upgrading of the rural cultural heritage**

Measure code: 323

#### **Description of situation**

The quality of life in rural areas is significantly influenced by conservation and development of rural space in general. The measure should enable architectural and urban development of Bohemian and Moravian villages in coherence with requirements for the preservation and strengthening of their characteristic appearance, as well as for increased awareness of identity and local community among local people. This aim complies with the European interest in the preservation of uniqueness, specific features and local traditions in rural development and strengthening of European diversity.

In the past, some negative phenomena occurred as far as the care of rural cultural heritage was neglected, the general awareness of people regarding the necessity of environment and cultural values protection, as well as ways of providing it, was lacking. The measure focuses on activities that concern the process of improving the quality of life by enhancing the awareness of cultural values of the environment, as well as of their restoration and rehabilitation. The measure shall prevent problems associated with inadequate interpretation of the cultural heritage, apart from central and commercially utilised areas.

The European Regional Development Fund (ERDF) will be complementing the EAFRD by supporting investments from CZK 5 million upwards, by supporting restoration of national cultural monuments or cultural monuments used for the purposes of tourism (accommodation, congresses, big museums, providing access to listed monuments).

The measure represents a continuation on priorities and goals of the Czech Republic Concept of the Agrarian Policy for the period after accession to EU (2004 – 2013).

Measure III.2.2. is a new measure.

#### **Legislative framework**

Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development – Articles 52 (b) (iii) and 57, and implementing regulations.

The Commission Regulation (EC) No. 1998/2006 of the day of 15 December 2006 on the application of Articles 87 and 88 of the Treaty on support *de minimis*.

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

Expansion of investments to provide for enhanced attractiveness of rural areas

Improvement of the quality of life in rural areas

Improvement of the quality of life in rural areas and diversification of economic activities

#### **Profile of the measure**

The support is intended for elaboration of studies for renewal and utilisation of cultural heritage (cultural monuments, urban conservation areas, conservation areas, cultural elements of villages, monuments of local importance, historical parks, historical gardens and alleys and

groups of trees), further the elaboration of programmes for restoration of listed territories and plans for landscape conservation zones management). Supported shall be as well investments associated with the maintenance, renewal and increasing the value of cultural heritage or their utilisation, such as cultural monuments (with the exception of UNESCO monuments, national cultural monuments or cultural monuments used for purposes of tourism services – accommodation, congresses, big museums), sites with important monuments, cultural elements of villages and rural landscape including historical parks, historical gardens and alleys. Building of new permanent expositions and museums with the relation to local history, historical sights, cultural and art activities as well traditional popular architecture shall be also supported.

### **Definition of supported areas**

The project can be implemented in a municipality with not more than 500 inhabitants situated on the territory of the Czech Republic.

### **Conditions of the granting of support**

- The support shall be provided on the basis of a submitted project which shall be in conformity with applicable legislation,
- only one source of EU funding may be used for an approved project,
- the project concerning the cultural monument shall comply with an expert opinion of the Agency for Nature and Landscape Conservation of the Czech Republic and shall be economically viable.

### **Categories of beneficiaries**

Municipalities, associations of municipalities, non-profit organisations with legal personality including churches and their organisations and interest associations of legal persons.

### **Eligible expenditure**

- Elaboration of studies dealing with restoration and/or utilisation of monuments, programmes of regeneration of sites with important monuments, lists and maps of monuments in rural areas, management plans, geodetical works,
- restoration of listed buildings and areas (reconstruction, modernisation, static safety provision),
- restoration of historical parks, historical gardens and alleys,
- purchase of buildings, machines, facilities, equipment, computers, software,
- investments for realisation of exhibitions, museums offering local cultural and historical sights.

### **Type and amount of support**

Direct non-repayable aid.

The support shall be provided for in *de minimis* system, i.e. in compliance with Commission Regulation (EC) No. 1998/2006 of the day of 15 December 2006 on the application of Articles 87 and 88 of the Treaty on support *de minimis*.

The maximum rate of support shall amount to 90 % for non-profit organisations and interest associations of legal persons; 100 % for municipalities, associations of municipalities.

Minimum total eligible expenditure per project shall amount to CZK 50 000.

The maximum total eligible expenditure shall be CZK 5 million per project.

The EU contribution shall amount to 75 % of public sources.

The Czech Republic's contribution shall amount to 25 % of public sources.

### ***Measure III.3 - Training and information measure for business entities operating in the fields covered by axis III***

#### **III.3.1 Training and information**

Measure code 331

##### **Description of situation**

Successful implementation of measures for improvement of quality of life in the rural areas and diversification of rural economy asks for faster and more sophisticated access to currently available information and the completion of necessary knowledge and qualification of business entities.

The European Social Fund (ESF) will be complementing the EARDF funded efforts by supports to raise the general level of education in rural areas, supports for inclusion of different social groups, retraining courses and the use of internet networks and highways where the total costs are above CZK 3 million.

This is a new measure, it is not a continuation of measures from previous programme period. The measure shall enable a fulfilment of the Ministry of Agriculture Directive as of 31 January 2002 on further vocational training.

##### **Legislative framework**

Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development – Articles 52 (c) and 58, and implementing regulations.

The Commission Regulation (EC) No. 1998/2006 of the day of 15 December 2006 on the application of Articles 87 and 88 of the Treaty on support *de minimis*

##### **Profile of the measure**

The support is intended to provide training and information to business entities which operate or have an intention to operate in the spheres of: diversification into non-agricultural activities, creation and development of micro- enterprises, rural tourism, village renewal and development, conservation and upgrading of the rural cultural heritage.

The support shall not include courses of instruction or training which form part of normal education programmes or systems at secondary or higher levels.

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

Strengthening of human potential as a vital precondition for local economy and local service provision

Improvement of the quality of life in rural areas

Improvement of the quality of life in rural areas and diversification of economic activities

### **Definition of supported areas**

The project can be implemented on the entire territory of the Czech Republic.

### **Conditions of the granting of support**

- The support shall be provided on the basis of a submitted project which shall be in conformity with applicable legislation,
- only one source of EU funding may be used for each approved project,
- the aim of project corresponds with priorities of Axis III Rural Development Programme.

### **Categories of beneficiaries**

Municipalities, associations of municipalities, non-profit organisations with legal personality.

User: natural or legal persons interested to set up or extend business or activities in rural areas within the scope of axis III.

### **Eligible expenditure**

- costs connected with the provision of adequate premises,
- technical support – costs connected with the use or lease of IT and technology,
- costs incurred in connection with the preparation and provision of information material,
- purchase of necessary office supplies,
- costs connected with the preparation of the educational activity (e.g. selection procedure)
- costs of lecturers' professional work,
- costs connected with the provision of translations and interpreting,
- costs connected with the promotion of educational and information activities,
- purchase of services

### **Type and amount of support**

Direct non-repayable grant.

The maximum rate of support shall amount to 100 % of total eligible expenditure.

The minimum total eligible expenditure shall be CZK 50,000 per project.

Projects are not based on the public support according to Article No. 87 of the Treaty.

The EU contribution shall amount to 75 % of public sources.

The Czech Republic's contribution shall amount to 25 % of public sources.

## **5.2.4 AXIS IV - LEADER**

The aim of axis IV - **Leader** is mainly to improve the quality of life in rural areas, to strengthen the economic potential and utilisation of rural natural and cultural heritage, plus enhancement of management and administrative skills within rural communities.

### **Table - Priorities, objectives and measures of axis IV**

Priority	IV. Improvement of management and mobilisation of natural intrinsic development potential of rural areas	
Objective	Implementation of local development strategies and co-operation of local partnerships	% of the axis 100
Measure	IV.1.1. Local action group	max. 18
	IV.1.2. Implementation of local development strategy	min. 72
	IV.2.1. Implementation of co-operation projects	10

### IV.1.1. Local action group

Measure code 431

#### Description of situation

Poor economic situation of rural municipalities and the necessity of mutual help have led to a growing co-operation among individual municipalities within rural areas, as well as the establishment of local partnerships of actors active in rural areas. Since 1998, the Rural Renovation Programme has emphasised the development of co-operation among municipalities. In the Czech Republic, development strategies of rural micro-regions represent an established way of preparing conceptions, implementation and administration of activities, which lead to social and economic development of a certain area. The SAPARD 2000-2003 programme enabled to prepare and implement 210 local development strategies.

The first 29 local action groups have been gaining experience within LEADER+ sub-measures of the Operational Programme “Rural Development and Multifunctional Agriculture”, and the national programme, LEADER CR, since 2004 and 2005. The territories covered by the local action groups (cadastral territories of municipalities located in the LAG territory) using the Leader method represent 12,414 km<sup>2</sup>, i.e. 15.7% of the territory of the Czech Republic, and a population of 743 000, i.e. 7.3% of the population of the Czech Republic. In 2006 seven more local action groups were accepted. It is expected that in 2007 about 70 local action groups will be prepared to implement rural development strategies by means of the Leader method within the new Rural Development Programme of the Czech Republic for the period 2007 – 2013 (about 133 local action groups in the process of formation are registered).

Axis IV – Leader will apply to measures according to the conditions of Council Regulation (EC) No 1698/2005. It can not be used only for entitlement based supports under axis II measures of the Rural Development Programme and for the “Early retirement” measure under axis I.

The measure is a continuation of sub-measure 2.1.4. (a sub-measure of LEADER+ type) under the Operational Programme “Rural development and Multifunctional Agriculture”.

#### Legislative framework

Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development – Articles 61-64, and implementing regulations.

Legal provisions and/or binding rules according to individual measures of axes I and III in the scope of Articles 21, 22, 24, 26, 27, 28, 29, 30, 41, 48, 49 and 52 of the Council Regulation (EC) No. 1698/2005.

## **Profile of the measure**

Within this measure, local action groups will be selected that will provide for the implementation of their Leader strategic plan. The local action groups may receive support for operating, administrative and/or advisory activities pursued in connection with the implementation of a Leader strategic plan.

The measure shall be implemented based on Leader principles.

## **Objectives of the measure**

Increasing the competitiveness of agriculture and forestry as well as the quality of life in rural areas and the diversification of economy.

Introduction of local development strategy into the system of rural development programmes.

Application of Leader principles.

## **Definition of supported areas**

A territory covered by LAG – a sub-regional rural area with 10,000 to 100,000 inhabitants anywhere in the Czech Republic, with the exception of the capital city of Prague and cities with more than 25,000 inhabitants

- the territory shall be defined by a boundary that encloses the cadastre territories of all municipalities covered by the LAG,
- the territory shall be continuous, it should have common characteristics and problems documented by required data,
- documents shall be submitted, which prove that all the municipalities have agreed to be included in the territory covered by the LAG and that they have been familiarised with the Leader strategic plan.

## **Conditions for the granting of support to a local action group**

- appropriate partnership between public and private sectors at a local level (local action group), i.e. at least 50% of the private sphere representatives (economic and social partners, representatives of civic society, such as farmers, women and young people from the countryside and their associations),
- obligatory bodies: manager of the local action group, selection committee, a body responsible for the preparation of a strategic plan and supervising its implementation (e.g. programme board), an accountant; the functional period of the selection committee members must not exceed three years,
- the territory for which the LAG Strategic plan applies must be coherent and shall offer sufficient critical quantity of human, financial and economic resources for the support of sustainable strategy of the development,
- members of the local action group shall have their permanent residence, head office or premises on the territory covered by the LAG, or they shall have competences covering this area,
- the local action group shall submit a Leader strategic plan for the period of 2007 - 2013 prepared in accordance with an obligatory outline, including the fiches defining the spheres of support in conformity with Council Regulation (EC) No 1698/2005 – except for entitlement based measures under axis II and the “Early retirement from farming” measure under axis I,
- the local action group may use just one source of EU funding for their eligible



expenditure.

### **Activities pursued by local action groups**

In accordance with Article 62 of Council Regulation (EC) No 1698/2005, local action groups shall pursue the idea of partnership within implementation of local development, propose a comprehensive local development strategy (or a Leader strategic plan) and shall be responsible for its implementation. They select projects to be financed within the RDP in accordance with the strategy.

### **Categories of beneficiaries – Legal personality of the local action group**

Leader local action group – a publicly beneficial corporation as defined by Act No. 248/1995 Coll. on publicly beneficial corporations (or any of its succession forms), a civic association as defined by Act No. 83/1990 Coll. on citizen associations, a professional association of legal persons as defined by § 20 (f) of Act No. 40/1964 Coll., Civil Code, a foundation as defined by Act No. 526/2002 Coll.

Business companies, civic associations established in accordance with § 829 of Act No. 40/1964 Col., Civil Code, and alliances of municipalities can not be regarded as local action groups.

### **Eligible expenditure**

- information and awareness raising activities regarding the territory and the local development strategy for applicants and for the public, workshops and exhibitions,
- distribution of forms and methodological instructions:
  - a) *announcement of a call to submit applications,*
  - b) *receipt of applications,*
  - c) *administrative control of application forms and their enclosures,*
  - d) *evaluation of projects based on selection criteria, ranking of projects, selection of projects to be financed and approving the selection,*
  - e) *control of the implementation of projects,*

collection of information for monitoring and evaluation,

keeping the project files and storing material documenting the administrative activities,

developing the skills and knowledge of the staff of local action groups that is involved in the preparation and implementation of the strategy, as well as those of managers,

purchase of advisory services,

operation - rentals, equipment, heating, electricity, telephone, travel costs, etc.,

updating or elaboration of a Leader strategy for the next period, including studies on the territory.

### **Type and amount of support**

The support of the overheads costs will be paid to LAG by Paying Agency – on the base of real spended costs.

Direct non-repayable grant - at a maximum rate of 20% of the financial amount designed for implementation of the Local action group strategy.

Public support for operation, administrative activities and advisory services for local action groups shall amount to 100% of total eligible expenditure.

The principle for public support under the Leader axis is that 80% of funding comes from the EU and 20% from national public sources.

#### **IV.1.2. Implementing local development strategy**

Measure code: 411, (412), 413

##### **Description of situation**

Implementation using a top-down approach provides full support to pre-defined projects of local applicants. The Leader method can complement this system by the use of local natural, human and cultural potential and to enhance its efficiency. This has been established within two programmes in the Czech Republic – the Operational Programme “Rural Development and Multifunctional Agriculture“ and LEADER CR.

The necessity in association with the Leader axis is mainly an improvement of the quality of life in rural areas, strengthening of the economic potential, appreciation of rural natural and cultural heritage and strengthening of management and administration skills among rural population.

The measure represents a continuation of sub-measure 2.1.4. (a sub-measure of LEADER+ type) of the Operational Programme “Rural Development and Multifunctional Agriculture“.

##### **Legislative framework**

Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development – Articles 61-64, and implementing regulations.

Legal provisions applying to individual measures of axes I and III in the scope of Articles 21, 22, 24, 26, 27, 28, 29, 30, 41, 48, 49 and 52 of the Council Regulation (EC) No. 1698/2005.

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##### **Profile of the measure**

The support may be granted to projects, which are in coherence with the Leader strategic plan, having been selected by the local action group and complying with the requirements of individual measures of the Rural Development Programme.

The measure shall be implemented based on Leader principles.

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

Increasing the competitiveness of agriculture and forestry as well as the quality of life in rural areas and the diversification of economy.

Introduction of local development strategy into the system of rural development programmes.

Application of Leader principles.

##### **Definition of supported areas**

The project must be implemented on a territory covered by the respective LAG.

### **Conditions for the granting of support**

- the applicant may use only one source of EU funding for the eligible expenditure of an approved project,
- the project must be implemented on a territory covered by the respective LAG,
- the project must comply with applicable legislation currently in force and with the Leader strategic plan,
- the applicant must meet the conditions stipulated by the relevant local action group.

The areas to be supported, categories of beneficiaries, type and amount of support, as well as other conditions shall be defined more specifically in the Leader strategic plan of the relevant local action group and within the individual measures of the Rural Development Programme taking into account the specifics of the Leader method.

### **Categories of beneficiaries**

The beneficiary is specified in the Leader strategic plan (local action group specifies the beneficiary according to requirements of individual measures of axes I to III taking into account the specifics of the Leader method. The beneficiary must be active on a territory covered by LAG.

### **Eligible expenditure**

Eligible expenditure shall be governed by Council Regulation No 1698/2005, implementing regulations and the sections devoted to eligible expenditure in the Leader strategic plan and measures of the Rural Development Programme.

### **Type and amount of support**

Direct non-repayable grant.

The rate of the support calculated from the total amount of the eligible expenditure and the amount of total costs of projects of natural and legal persons are governed by the conditions of the relevant measures of the Leader strategic plan, by applicable provisions of Council Regulation (EC) No 1698/2005 and conditions within individual measures of the Rural Development Programme.

The principle of public support within the Leader axis is that 80% of funding comes from the EU and 20% from the national public sources.

The support is paid from the Paying Agency directly to the final beneficiaries who submitted their projects.

## **IV.2.1. Implementation co-operation projects**

Measure code 421

### **Description of situation**

Implementation of cooperation enables to enhance the efficiency of the Leader axis significantly by focusing on the utilisation of best practice examples, innovation and transfer of knowledge. These opportunities have been tested and confirmed by initial examples within the national LEADER CR programme.

Under the Leader Axis, it is necessary primarily to improve the quality of life in rural areas, to strengthen the economic potential, to appreciate rural natural and cultural heritage and to strengthen the management and administration skills among rural population.

### **Profile of the measure**

The support shall be granted to projects dealing with cooperation between territories or supranational cooperation, whose objective will be to facilitate the cooperation between local action groups in the member states and those in third countries. The aim of the measure is to use best practice examples in order to enhance the use of innovation methods as well as knowledge transfer.

### **Legislative framework**

Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development – Article 65, and implementing regulations.

### **Objectives of the measure**

Development and promotion of cooperation, best results and projects.

Introduction of local development strategy into the system of rural development programmes.

Application of Leader principles.

### **Definition of supported areas**

Territories covered by the relevant LAG and/or partner LAGs.

### **Conditions for the granting of support**

- The support for cooperation shall be provided to the end applicant/beneficiary by the payment agency based on an application submitted in coherence with the Leader strategic plan, applicable legislation and obligatory rules, and selected by the selection committee of the Ministry of Agriculture,
- the applicant may use only one source of EU funding for separable costs within the eligible expenditure of an approved project,
- the partners must have concluded a cooperation agreement.

### **Categories of beneficiaries**

Possible beneficiaries include local action groups with legal form of a publicly beneficial corporation as defined by Act No. 248/1995 Coll. on publicly beneficial corporations (or any of its succession forms), a civic association as defined by Act No. 83/1990 Coll. on citizen associations, a professional association of legal persons as defined by § 20 (f) of Act No. 40/1964 Coll., Civil Code,

### **Eligible expenditure**

Eligible expenditure shall be governed by Council Regulation No 1698/2005, implementing regulations and the sections devoted to eligible expenditure in the Leader strategic plan and measures of the Rural Development Programme.

### **Type and amount of support**

Direct non-repayable grant.

The principle of public support within the Leader axis is that 80% of funding comes from the EU and 20% from national public sources.

## **5.2.5 V. TECHNICAL ASSISTANCE**

### **Description of situation**

Technical assistance is necessary to support the activities that are needed to monitor and evaluate the management and implementation of the Rural Development Programme, and to improve the measures covered by this Programme. It includes primarily the activities associated with the development of procedures and documents that are necessary for the administration process from the submission of application until evaluation of individual measures. The work will have the form of expert studies, data collection and analysis, drawing up of information materials, and other activities associated with awareness raising and dissemination of information about the measures being introduced.

A national rural network shall be established to improve the Programme's management and evaluation and to collect and disseminate examples of best practice.

The measure is a continuation of technical assistance under the Operational Programme "Rural Development and Multifunctional Agriculture" and under the Horizontal Rural Development Plan.

### **Legislative framework**

Article 66 of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development.

### **Overview of measures and sub-measures**

V.1. Preparation, monitoring, evaluation, information and control activities within the programme

V.2. Establishment and running of a national rural network

V.2.1. Structures needed to run the network

V.2.2. Action plan

### **V.1 Preparation, monitoring, evaluation, information and control activities within the programme**

#### **Profile of the measure**

The support will be provided for preparation, monitoring, evaluation, information and control activities associated with the implementation of the Rural Development Programme in the period 2007-2013, such as in particular:

- management, implementation, monitoring and control,
- analyses and dissemination of information about the Programme, including publicity measures and evaluation,
- expenditure on meetings and work of the National Monitoring Committee for EAFRD,
- expert assistance in the assessment and review of basic data in the Rural Development Programme and indicators,

assistance and advice in matters concerning the implementation and functioning of the monitoring system,  
expenditure on meetings and complementary tasks of working groups,  
advice, seminars, studies, including the preparation of supporting information for the annual and final reports,  
expenditure on information dissemination, including the expenditure on printing and distribution,  
expenditure on interpreting and translations of supporting documents provided on the Commission's request,  
expenditure associated with visits and seminars, which are not taking place at the Commission's initiative,  
expenditure on evaluation of the Rural Development Programme,  
introduction, running and interconnection of computer systems for management, monitoring and evaluation,  
improvement of evaluation methods and exchange of information on practice in this field,  
activities associated with the organisation of Monitoring Committee's meetings  
ex-post evaluation of programmes covering previous programming period.

### **Definition of supported areas**

Technical assistance may be implemented on the entire territory of the Czech Republic.

### **Conditions for the granting of support**

The support shall be provided on the basis of a submitted application which shall be in conformity with applicable legislation,

only one source of EU funding may be used for an approved application,

the beneficiary shall assure that supplier is selected in conformity with the Public Procurement Act.

### **Categories of beneficiaries**

The Ministry of Agriculture, the department of the Managing Authority for the European Agricultural Fund for Rural Development and State Agricultural Intervention Fund – Recognized Payment Agency shall be the beneficiary of the support.

### **Eligible expenditure**

- Procurement of services
- training, seminars, promotion actions and information materials,
- expertise, consultancy, expert studies,
- field checks,
- meetings of the Monitoring Committee and working groups,
- drawing up of annual reports and the final report,
- ex-ante evaluation of programmes for the subsequent period,
- translations and interpreting,
- information campaign and publicity materials,

- ex-post evaluation of programmes covering the previous programming period (Operational Programme “Rural Development and Multifunctional Agriculture”, Horizontal Rural Development Plan).

### **Method to select applications**

All applications shall be accepted which meet the eligibility criteria and the legislation of the EU and the Czech Republic.

### **Type and amount of support**

The support shall have the form of a direct non-repayable grant.

Total public support shall amount to 100% of eligible expenditure.

The EU contribution shall amount to 75% of eligible public expenditure and the contribution from national public sources shall amount to 25% (but taking into account Article 70(6) of Council Regulation (EC) No 1698/2005).

## **V.2 Establishment and running of a national rural network**

### **Profile of the measure**

It will be possible to use technical assistance for other actions in the framework of the establishment and running of a national rural network according to Article 68 of Council Regulation (EC) No 1698/2005. Financial support may be provided to cover costs associated with the preparation of expert studies, seminars at national as well as international level, procurement and installation of computer systems for the Programme’s management, monitoring and evaluation and expenditure at the Commission’s initiative (e.g. seminars organised by the European Commission). It may be further provided to cover the costs connected with the collection, analysis and dissemination of information about measures of the Rural Development Programme. Another task is to disseminate and consolidate well-tried procedures of rural development (examples of good practice). The technical assistance will also be used to set up and run expert networks with a view to facilitating an exchange of expertise and supporting implementation and evaluation of the rural development policy. It will be possible to use the technical assistance support for the development of cooperation among regions and for transnational cooperation.

### **V.2.1 Structures needed to run the network**

#### **Profile of the sub-measure**

The Czech Republic shall provide tasks for establishment and running of a national rural development network according to Article 68 of the Council Regulation (EC) No 1698/2005 and Article 41 of the Commission Regulation (EC). The National rural network shall be established at the latest by 31 December 2008. The national network’s work will support the tasks of the European Network for Rural Development established pursuant to Article 67 of the EAFRD Regulation and it will be receiving methodological guidance from the EAFRD Managing Authority at the Ministry of Agriculture of the Czech Republic.

## **V.2.2 Action plan**

### **Profile of the sub-measure**

The action plan shall contain at least the identification and analysis of good working practices and the provision of information about them, network management procedures, procedures for the organisation of exchanges of experience and know-how, the preparation of training programmes for local action groups in the process of formation and technical assistance (meetings, seminars, exhibitions and administration) for inter-territorial and transnational cooperation.

The action plan of the Czech Republic will have the objective to connect the national rural network with the European one in the framework of transnational cooperation. Its information will be updated on a monthly basis on the operator's website. A compatibility of the national network with the European one must be ensured according to an EU standard. The action plan will also be creating conditions for the training of staff with a view to administering the network.

It is foreseen that within an information campaign, potential beneficiaries and professional organisations will be addressed and broad public will be informed about the EAFRD's role and implementation the Rural Development Programme.

Within the networks, well-tested methods will be used to present outputs from implemented local strategies and their particular projects at national as well as international level with the aim to disseminate examples of good practice and to raise awareness of benefits stemming from local partnerships.

### **Definition of supported areas**

Technical assistance may be implemented on the entire territory of the Czech Republic.

### **Conditions for the granting of support**

The support shall be provided on the basis of a submitted application which shall be in conformity with applicable legislation,

only one source of EU funding may be used for each approved application.

### **Eligible expenditure**

- Procurement of equipment, computers, software,
- procurement of services
- wages for supporting staff
- training, seminars, promotion actions and information materials,
- expertise, consultancy, expert studies,
- field checks,
- translation and interpreting,
- information system to be used for monitoring and evaluation,
- internet pages and their updating.



**Method to select applications**

All applications shall be accepted which meet the eligibility criteria and the legislation of the EU and the Czech Republic.

**Categories of beneficiaries**

The Ministry of Agriculture.

**Type and amount of support**

The support shall have the form of a direct non-repayable grant.

Total public support shall amount to 100% of eligible expenditure.

The EU contribution shall amount to 75% of eligible public expenditure and the contribution from national public sources shall amount to 25%.

Minimum total eligible expenditure for which support may be provided shall be in the amount of CZK 20 000.

### 5.3 Summary table of operative, specific, and overall goals and indicators of their outputs, results and impacts for individual measures of the Rural Development Programme (including quantification estimate)

Measure number	Measure name	Measure code	Outputs (operative goals of the measure) / quantification	Results (specific goals of the measure) / quantification	Impacts (overall goals of the Programme) / quantification
I.1.1.	Modernisation of agricultural holdings	121 124	Improvement of the economic performance of enterprises through better use of production factors Taking advantage of market opportunities through innovation	Restructuring and development of physical I potential and promoting innovation Development of extent of implemented land consolidations	Increasing competitiveness of agriculture and forestry Improving the environment and the countryside Improving the quality of life in rural areas and diversification of economic activities
			11- Number of farm holdings that received investment support / <b>400 supported holdings annually + 20 supported projects (biomass)</b> 17 – Number of supported cooperation initiatives / <b>20 annually</b>	3 – Number of holdings introducing new products or new technologies / <b>280 enterprises for 2007 - 2013</b> 2 – Increase in GVA in supported holdings / <b>500 million CZK for 2007 – 2013 (in sum for all axis I measures)</b>	<b>Labour productivity / Increase in GVA/AWU by CZK 50,000</b> <b>Increase in GVA per FTE in forestry by CZK 90,000</b> <b>Increase in GVA per FTE in the food industry by CZK 100,000 from 2007 - 2013</b> <b>Economic growth / net increased added value added CZK 500,000,000 for the period</b> <b>Reversal biodiversity decline / relative index of population trends of farmland bird species compared to 2000 up to 107</b>
			12 – Total volume of investments / <b>CZK 2,372 million annually</b>	Growth of area with implemented land consolidation / <b>growth by 9 percentage points for the period of 2007 - 2013</b>	<b>Maintenance of high nature value farmland and forestry/ we do not presume a quantitative change in area with a high natural value, but rather qualitative changes</b>  <b>Water quality improvement / change in nutrient balance 70 kg/ha in 2013, i.e. 2 % growth compared with 2005</b>  <b>Contribution to combating climate</b>
I.1.2.	Investment in forests	122 123 124 125	Broadening of the economic value of private forests, increasing diversification and enhance market opportunities Improving processing and marketing of primary products Taking advantage of market opportunities through innovation Improving infrastructure		
			13 – Number of forest holdings that received investment support / <b>280 (inc. econ. value of forest) + 68 (forest technology) annually</b> 15 – Number of enterprises supported/ <b>45 enterprises annually</b> 17 – Number of cooperation initiatives supported / <b>20 annually</b> 18 - Number of operations supported events/ <b>56 annually</b>		

			14 – Total volume of investments / (CZK 204 million + CZK 176 million) 16 - Total volume of investments / (CZK 176 million) 19- Total volume of investments/ (CZK 176 million) <b>CZK 732 million annually</b>		change / we presume a rough tripling of the production of biomass in 2013 compared with 2004  Employment creation / estimated number of jobs for 2007 – 2013 is 22,000
I.1.3.	Adding value to agricultural and food products	123	Improving processing and marketing of raw materials and products Using market opportunities thanks to innovations		
		124	15 - Number of supported enterprises/ <b>100 enterprises annually</b> 17 - Number of supported cooperation initiatives / <b>20 annually</b> 16 - Total investment volume / <b>CZK 975 million annually</b>		
I.1.4		Land consolidations	125	Improving infrastructure including securing accessibility of parcels 18 – Number of supported events/ <b>200 events annually</b> 19 - Total investment volume / <b>723 mil. Kč annually</b>	
I.2.1	Producer groups		142	Securing required level of marketing groups in new Member States 26 - Number of supported producer groups / <b>60 groups for the period 2007-2013</b> 27 - Turnover of supported producer groups <b>CZK 4.8 billion for the period 2007-2013</b>	Facilitate transition in new Member States 2 - GVA of supported producer groups / <b>CZK 500 million for the period 2007-2013 (summary for all Asix I measures)</b>
I.3.1.			Vocational training and informational activities	111	Ensuring technical and economic training and knowledge 1- Number of participants in training / <b>17,000 participants annually</b> 2 - Number of training days received (number of days *number of training participants) / <b>20,000 annually</b>
I.3.2		Setting up of young farmers		112	Establishing of young farmers 3 - Number of assisted young farmers / <b>360 parties supported during the programme period</b>

			4 - Total volume of investments / <b>CZK 61 million annually</b>	Axis I measures)
I.3.3.	Early retirement from farming	113	Achievement of significant structural changes of transferred holdings	
			5 - Number of farmers early retired / <b>ca 300 supported parties during the programme period</b>	
			7 - Number of ha released/ <b>19,000 ha during the period</b>	
I.3.4.	Use of advisory services	114	Improving sustainable management of holdings	
			Improving and facilitating management and improving performance thanks to further development of human potential	
		115	8 – Number of farmers supported / <b>1000 annually</b>	
			9 – Number of forest holders supported / <b>500 annually</b>	
		10 – Number of newly set up management, relief or advisory services		
II.1.1.	Natural handicap payments	211	Contribute to continued use of agricultural land in areas with handicap	Sustainable use of agriculture and forest lands
		212	28 – Number of supported holdings in areas with handicap in mountain areas / <b>3,500 holdings annually</b>	6 – Growth of area under land management which contributes to: <b>improving biodiversity by 83 thousand ha</b> <b>improving water quality by 26 thousand ha</b> <b>favourable climate change 1 thousand ha</b> <b>improving soil quality by 21 thousand ha</b> <b>avoiding marginalisation and abandonment of land by 31 thousand ha</b> <i>during the period of 2007 - 2013</i>
			30 – Number of supported holdings in areas with handicap other than mountain areas / <b>5,600 holdings annually</b>	
			29 - Agricultural land area supported in areas with handicap in mountain areas / <b>300 thousands ha annually</b>	
			31 - Agricultural land area supported in areas with handicap other than mountain areas / <b>400 thousands ha annually</b>	

II.1.2.	Natura 2000 payments and payment linked to Directive 2000/60/EC	213	Helping farmers to address specific disadvantages resulting from the implementation of Natura 2000 and WFD directives		
			32 – Number of supported holdings in Natura 2000/ under WFD / <b>1000 enterprises annually</b>		
			33 – Supported agricultural land under Natura 2000/WFD / <b>8000 ha annually</b>		
II.1.3.	Agri-environment payments)	214	Responding to increasing demand of environmental services		
			34 – Number of farm holdings and holdings of other land managers receiving support / <b>9,500 holdings annually</b>		
			35 – Total area under agri-envi support / <b>1,300 thousand ha annually</b>		
			36 – Physical area under agri-envi support / <b>1,300 thousand ha annually</b>		
			37 – Total number of contracts / <b>18,000 contracts annually</b>		
II.2.1.	First afforestation of agricultural land	221	Extending forest resources in agricultural land		
			43 – Number of beneficiaries receiving afforestation aid / <b>1,500 beneficiaries annually</b>		

			44 – Number of ha afforested land / <i>2,000 ha annually</i>
II.2.2.	Natura 2000 payments	224	Resolution of specific disadvantages of forest holders
			49 – Number of holdings receiving aid in Natura 2000 / <i>350 enterprises annually</i>
			50 – Supported forest land (ha) in Natura 2000 area / <i>35 thousand ha annually</i>
II.2.3.	Forest environment payments	225	Increasing the environmental value of forests
			51 - Number of forest holdings supported / <b>470 holdings annually</b>
			52 – Total forest area under forest environment support / <b>40 thousand ha annually</b>
			53 – Number of contracts / <b>470 contracts annually</b>
II.2.4.	Restoring forestry potential after disasters and supporting the social function of forests	226	Restoring forestry potential after disasters and/or introducing preventive measures
			227
			54 – Number of preventive and/or restoration actions / <i>77 annually</i>
			56 – Number of supported forest holders / <b>60 annually</b>
	55 – Supported area of damaged forests/ <i>290 ha annually</i>		
	57 – Total volume of investments / <b>CZK 9 million annually</b>		

III.1.1.	Diversification into non-agricultural activities	311	Diversify farming activities towards non-agricultural activities, develop of non-agricultural activities and employment promotion	Diversity of the rural economy
			58 – Number of beneficiaries / <b>150 annually</b>	7 – Increase in non-agriculture value added in supported bussiness
			59 – Total volume investment volume / <b>CZK 394 million annually</b>	8 – Gross number of jobs created / <i>estimate of 30,000 during the period 2007 - 2013</i>
III.1.2.	Support for business creation and development	312	Diversify farming activities towards non-agricultural activities, develop of non-agricultural activities and employment promotion	9 – Additional number of tourist visits / <i>300,000 persons during the period 2007 - 2013</i>
			60 – Number of micro-enterprises supported / <b>150 annually</b>	
			Total volume of investments / <b>CZK 695 million annually</b>	
III.1.3.	Encouragement of tourism activities	313	Diversify farming activities towards non-agricultural activities, develop of non-agricultural activities and employment promotion	
			61 – Number of new tourism actions supported / <b>150 annually</b>	
			62 – Total investment volume / <b>CZK 536 million annually</b>	
III.2.1.	Basic services for the economy and rural population	321,322	Improving basic services and carrying out investment making rural areas more attractive	Improving the quality of life in rural areas
			63 – Number of supported actions 65 – Number of villages where actions took place / <b>100 annually</b>	10 – Population in rural areas benefiting from improved services / <i>350,000 persons during the period of 2007 - 2013</i>
			64 – Total volume of investments 66 – Total volume of investments / <b>CZK 1751 million annually</b>	11 – Increase in internet penetration in rural areas / <i>increasing number of persons with Internet access by 70,000 during the period 2007 - 2013</i>
III.2.2.	Conservation and upgrading of the rural heritage	323	Carrying out investment making rural areas more attractive	Increase in populated connected to public sewer system with water treatment plant / <i>by 50 p.p. during the period 2007 - 2013</i> 12 – Number of participants that successfully ended training activity /
			67 – Number of rural heritage actions supported / <b>100 annually</b>	

			68 – Total volume of investments / <b>CZK 101 million annually</b>	number of persons during the period 2007 – 2013 10,500	
III.3.1	Training and information	331	Enhancing human potential required for diversifying the local economy and provision local services		
			69 – Number of participating economic actors to supported activities / 1000 annually		
			70 –Number of days of training received by participants / 1,200 annually		



Measure number	Measure name	Measure code	Outputs (operative goals of the measure) / quantification	Results (specific goals of the measure) / quantification	Impacts (overall goals of the Programme) / quantification
IV.	Implementing local development strategies Competitiveness Quality of life/diversification	41	Improve the competitiveness of agriculture and forestry, protection of the environment and quality of life in rural areas and diversification of the economy	Implementation of Leader initiative in the rural development programme system	<b>Increasing capacity for the implementation of LEADER</b>  <b>Job creation</b> / estimated number of jobs for the period 2007 – 2013 is 22,000 (with the impact of measures from axes III and IV) <b>Labour productivity</b> / Increase in GVA/AWU by CZK 50,000  <b>Increase in GVA/FTE in forestry by CZK 90,000</b>  <b>Increase in GVA/FTE in the food industry by CZK 100,000</b>  from 2007 - 2013
		411	74 – Number of local action groups / 60	8 – Gross number of jobs created (with the impact of the Leader approach ca 100 annually)	
		413	76 – Total size of the LAG area / 24,000 km <sup>2</sup>	12 – Number of participants that successfully ended training activity / 50 annually	
			77 – Total population in LAG area / 1,500 persons		
			75 – Number of projects financed by LAGs / 600 annually		
	Implementing cooperation projects	421	Development and promotion of cooperation, best practices and projects	Implementation of Leader initiative in the rural development programme system	
			78A – Number of cooperations projects / 20 projects annually 78 B – Number of cooperating LAGs		
	Running of the local action groups	431	Leader capacity development	Implementation of Leader initiative in the rural development programme system	
			79 - Number of actions supported / 100 actions annually	12 – Number of participants that successfully ended training activity / 50 annually	

## **5.4 Legislative Framework of the Programme**

### **Legislative Framework of the Programme**

- Council Regulation (EC) No. 1698/2005, on support for rural development by the European Agricultural Fund for Rural Development (EAFRD),
- Council Regulation (EC) No. 1290/2005, on the financing of the common agricultural policy,
- Commission Decision No. 2006/144/EC, on Community strategic guidelines for rural development,
- Council Regulation (EC) No. 1782/2003 of 23 September 2003, establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers and last amended by Council Regulations (EC) No. 319/2006,
- Council Regulation (EC) No. 1257/1999, on support for rural development by the European Agricultural Guidance and Guarantee Fund (hereinafter just “EAGGF”) – until 1.1.2010,
- 4 accompanying Commission regulations,
- Commission decision on Programme approval,
- European Parliament and Council Directive 2000/60/EC of 23 October 2000 establishing the framework for the Community activity in the field of water policy,
- Act No. 252/1997 Coll., on agriculture, as amended
- Act No. 256/2000 Coll., on the state agricultural intervention fund,
- Supplementary government orders and amendments to government orders, following from Act No. 252/1997 Coll., on agriculture, as amended amendments to Government Order Nos. 241/2004 Coll., 242/2004 Coll., 308/2004 Coll., 655/2004 Coll., and 69/2005 Coll. on Programme implementation
- Resolution of the Government of the Czech Republic No. 1242/2004, on the proposal of a Strategy of sustainable development for the Czech Republic

### **Programme implementation**

The paying agency will be the State Agricultural Intervention Fund. The programme will be administered in the form of grants on the basis of S. 2c of Act No. 252/1997 Coll., on agriculture, as amended, and on the basis of Act No. 256/2000 Coll., on the State Agricultural Intervention Fund, as amended, specifically by means of the so-called national government order or rules issued by the Ministry of Agriculture.

### **Cross-compliance regulations**

#### ***The environment***

1. Council Directive 79/409/EEC of 2 April on the protection of wild birds
2. Council Directive 80/68/EEC of 17 December 1979 on the protection of groundwater against pollution by certain dangerous substances

3. Council Directive 86/278/EEC of 12 June 1986 on the protection of the environment, and in particular of the soil, when sewage sludge is used in agriculture
4. Council Directive 91/76/EEC of 12 December 1991 on the protection of water against pollution caused by nitrates from agricultural sources
5. Council Directive 92/43/EEC of 21 May 1992 on the protection of natural habitats and of wild fauna and flora

### ***Public health and health of animals***

#### ***Identification and registration of animals***

6. Council Directive 92/102/EEC of 27 November 1992 on the identification and registration of animals
7. Commission Regulation (EC) No. 2629/97 of 29 December 1997 laying down detailed rules for the implementation of Council Regulation (EC) No. 820/97 as regards ear tags, holding registers and passports in the framework of the system for the identification and registration of bovine animals
8. Regulation (EC) No. 1760/2000 European Parliament and Council of 17 July 2000 establishing a system for the identification and registration of bovine animals and regarding the labelling of beef and beef products and repealing Council Regulation (EC) No 820/97
- 8a. Council Regulation (EC) No. 21/2004 of 17 December 2003 establishing a system for the identification and registration of ovine and caprine animals and amending Regulation (EC) No 1782/2003 and Directives 92/102/EEC and 64/432/EEC

#### ***Public health, the health of plants and animals***

9. Council Directive 91/414/EEC of 15 July 1991 concerning the placing of plant protection products on the market
10. Council Directive 96/22/EC of 29 April 1996 concerning the prohibition on the use in stock farming of certain substances having a hormonal or thyrostatic action and of  $\beta$ -agonists, and repealing Directives 81/602/EEC, 88/146/EEC and 88/299/EEC
11. Regulation (EC) No.178/2002 of the European Parliament and of the Council of 28 January 2002 laying down the general principles and requirements of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety
12. Regulation (EC) No. 999/2001 of the European Parliament and of the Council of 22 May 2001 laying down rules for the prevention, control and eradication of certain transmissible spongiform encephalopathies

#### ***Reporting infection***

13. Council Directive 85/511/EEC of 18 November 1985 introducing community measures for the control of foot-and-mouth disease
14. Council Directive 92/199/EEC of 17 December 1992 introducing general Community measures for the control of certain animal diseases and specific measures relating to swine vesicular disease
15. Council Directive 2000/75/EC of 20 November 2000 laying down specific provisions

for the control and eradication of bluetongue

***Proper treatment of animals***

16. Council Directive 91/629/EEC of 19 November 1991 laying down minimum standards for the protection of calves
17. Council Directive 91/630/EEC of 19 November 1991 laying down minimum standards for the protection of pigs
18. Council Directive 98/58/EEC of 20 July 1998 concerning the protection of animals kept for farming purposes

**Most important related laws of the Czech Republic**

Act No. 50/1976 Coll., on town & country planning and building regulations (the Building Act), as amended

Act No. 20/1987 Coll., on state care of monuments, as amended

Act No. 139/2002 Coll., on property improvements and property offices and on the amendment to Act No. 229/1991 Coll., on dealing with ownership relations to the land and to other agricultural property, as amended

Act No. 17/1992 Coll., on the environment, as amended

Act No. 114/1992 Coll., on the protection of nature and landscapes, as amended

Act No. 100/2001 Coll., on environmental impact assessment, as amended

Act No. 110/1997 Coll., on foodstuffs and tobacco products, as amended

Act No. 156/1998 Coll., on fertilizers, as amended

Act No. 166/1999 Coll., on veterinary care and on the amendments to some related acts, as amended

Act No. 254/2001 Coll., on waters, as amended

Act No. 274/2001 Coll., on water mains and sewers, as amended

Act No. 137/2006 Coll., on public contracts, as amended

Act No. 326/2004 Coll., on plant health, as amended

Act No. 258/2000 Coll., on public health protection, as amended

Act No. 289/1995 Coll., on forests, as amended

Act No. 242/2000 Coll., on organic farming, as subsequently amended

Act No. 334/1992 Coll., on the protection of the agricultural land fund, as amended

### **5.5. Description of measures governed by the transition from Regulation 1257/1999 to 1698/2005**

In compliance with the accompanying order which establishes the rules for the transition to support for rural development determined under Council Regulation (EC) No. 1698/2005, this chapter introduces a description of the affected measures and their inclusion in individual axes of the Rural Development Programme of the Czech Republic 2007-2013.

In the framework of the Czech Republic this involves the continuation of selected measures of the Operational Programme Rural Development and Multifunctional Agriculture and the Horizontal Rural Development Plan.

**Table of interrelationship between measures set in Regulation (EC) No. 1257/1999, in Regulation No. 1268/1999 and in Regulation (EC) No. 1698/2005**

Measure under Regulation (EC) No. 1257/99	Codes under Regulation (EC) No. 817/141 and No. 141/2004	Category under Regulation (EC) No. 438/2001	Axes and measures under Regulation (EC) No. 1698/2005	Codes under Regulation (EC) No. 1698/2005
			<b>Axis I</b>	
Training Art. 9	(c)	113 – 128	Art. 20(a)(i) and 21: Training and the transfer of information	111
Setting up of young farmers Art. 8	(b)	112	Art. 20(a)(ii) and 22: Setting up of young farmers	112
Early retirement Art. 10-12	(d)		Art. 20(a)(ii) and 23: Early retirement	113
Use of advisory services Art. 21d	(y)		Art. 20(a)(iv) and 24: Use of advisory services	114
Setting up of advisory, management and support services. Art. 33, 3rd para. Arrangement of advisory and educational services. Art. 33g	(l)	1303	Art. 20(a)(v) and 25: Setting up of management, support and advisory services	115
Investment in agricultural businesses. Art. 4-7	(a)	111	Art. 20(b)(i) and 26: Modernisation of agricultural holdings	121
Investment in forests aimed at improving economic value, establishment of associations of forest associations. Art. 30(1), 2 <sup>nd</sup> and 5 <sup>th</sup> para.	(i)	121 124	Art. 20(b)(ii) and 27: Improving economic value of forests	122
Processing and marketing of agricultural and forestry products, publicity of new markets for forestry products. Art. 25-28 and 30(1), 3 <sup>rd</sup> and 4 <sup>th</sup> para. Marketing of quality products and creating quality programmes. Art. 33, 4, para.	(g)  (i)  (m)	114  122  123	Art. 20(b)(iii) and 28: Adding value to agricultural and forestry products	123

Measure under Regulation (EC) No. 1257/99	Codes under Regulation (EC) No. 817/141 and No. 141/2004	Category under Regulation (EC) No. 438/2001	Axes and measures under Regulation (EC) No. 1698/2005	Codes under Regulation (EC) No. 1698/2005
			Art. 20(b)(iv): Cooperation for development of new products, processes and technologies	124
Cultivation of land, land improvement and reparation, water management, agricultural infrastructure. Art. 33, 1 <sup>st</sup> , 2 <sup>nd</sup> , 8 <sup>th</sup> and 9 <sup>th</sup> para.	(j) (k) (q) (r)	1301 1302 1308 1309	Art. 20(b)(v) and 30: Agricultural and forestry infrastructure	125
Restoration-prevention instruments. Art. 33, 12 <sup>th</sup> para.	(u)	1313	Art. 20(b)(vi): Restoration-prevention activities	126
Meeting of standards. Art. 21b and 21c. Compliance with standards. Art. 33/(2a) and (2b)	(x)		Art. 20(c)(i) and 31: Meeting of standards	131
Food quality schemes. Art. 24b-24c	(z)		Art. 20(c)(ii) and 32: Food quality schemes	132
Support of Producer groups for quality product promotion. Art. 24d	(aa)		Art. 20(c)(iii) and 33: Information and promotion	133
Semi-subsistence farms. Art. 33b	(ab)		Art. 20(d)(i) and 34: Semi-subsistence farms	141
Producer groups. Art. 33d	(ac)		Art. 20(d)(ii) and 35: Producer groups	142
			<b>Axis II</b>	
Payments in less favoured areas, mountain areas. Art. 13-15 and 18	(e)		Art. 36(a)(i) and 37: Natural handicap payments in mountain areas	211
Payments in less favoured areas, other areas. Art. 13-15, 18 and 19	(e)		Art. 36(a)(ii) and 37: Natural handicap payments, other than mountain areas	212

Measure under Regulation (EC) No. 1257/99	Codes under Regulation (EC) No. 817/141 and No. 141/2004	Category under Regulation (EC) No. 438/2001	Axes and measures under Regulation (EC) No. 1698/2005	Codes under Regulation (EC) No. 1698/2005
Areas with environmental restrictions. Art. 16	(e)		Art. 36(a)(iii) and 38: Natura 2000 payments for agric. land and Framework Directive for water policy EC	213
Agri-environment. Art. 22-24	(f)		Art. 36(a)(iv) and 39: Agri environmental payments	214
Animal welfare. Art. 22024. Protection of the environment linked animal welfare. Art. 33, 11 <sup>th</sup> para.	(f)  (t)	1312	Art. 36(a)(v) and 40: Payments aimed animal welfare	215
Protection of the environment linked to agricultural activities. Art. 33, 11 <sup>th</sup> para.	(t)	1312	Art. 36(a)(vi) and 41: Non-productive investments	216
Afforestation of agricultural land. Art. 31	(h)		Art. 36(b)(i) and 43: 1. Afforestation of agricultural land	221
			Art. 36(b)(ii) and 44: 1. Establishment of agroforestry systems	222
Afforestation of non-agricultural land. Art. 30(1), 1 <sup>st</sup> para.	(i)	126	Art. 36(b)(iii) and 45: 1. Afforestation of non-agricultural land	223
Environmental stability of forests. Art. 32(1), 1 <sup>st</sup> para.	(i)	127	Art. 36(b)(iv) and 46: Payments in the framework of Natura 2000 in forests	224
Environmental stability of forests. Art. 32(1), 1 <sup>st</sup> para.	(i)	127	Art. 36(b)(v) and 47: Forest environmental payments	225
Restoration and prevention in forestry. Art. 30(1), 6 <sup>th</sup> para.  Fire-stopping barriers Art. 32(1), 2. para.	(i)	125	Art. 36(b)(vi) and 48: Restoring forestry potential after disasters and introducing preventive measures	226





Measure under Regulation (EC) No. 1257/99	Codes under Regulation (EC) No. 817/141 and No. 141/2004	Category under Regulation (EC) No. 438/2001	Axes and measures under Regulation (EC) No. 1698/2005	Codes under Regulation (EC) No. 1698/2005
Measurements of the Communication Leader+ and Leader+ type Art. 33f  Initiative 1: local strategies	For competitiveness: all old codes under Regulation (EC) No. 817/2004 and 438/2001 corresponding to Axis I  For farming on land/the environment: all old codes under Regulation (EC) No. 817/2004 and 438/2001 corresponding to Axis II  For diversification/quality of life: all old codes under Regulation (EC) No. 817/2004 and 438/2001 corresponding to Axis III, plus the following categories from Regulation (EC) No. 438/2001: 161 to 164, 166, 167, 171 to 174, 22 to 25, 322, 323, 332, 333, 341, 343, 345, 351, 353, 354 and 36.		Art. 62(1)(a):  Local development strategy	41  411 competitiveness  412 The environment/farming on land  413 Quality of life/diversification
Measurements of the Communication Leader+ and Leader+ type Art. 33f  Initiative 2: Cooperation		1305-3 1305-4	Art. 63(b):  Cooperation	421
Measurements of the Communication Leader+ and Leader+ type Art. 33f  Initiative 3: Operation of local action groups		1305-1 1305-2	Art. 63 (c):  Operation of local action groups, revitalization	431
Measurements of the Communication Leader+ and Leader+ type Art. 33f  Initiative 3: Networks		1305-5	Art. 66 and 67  Nationwide network for the countryside	511
<b>Technical assistance</b>			<b>Technical assistance</b>	

Measure under Regulation (EC) No. 1257/99	Codes under Regulation (EC) No. 817/141 and No. 141/2004	Category under Regulation (EC) No. 438/2001	Axes and measures under Regulation (EC) No. 1698/2005	Codes under Regulation (EC) No. 1698/2005
Technical assistance Art. 49. Rule No. 11 Regulation (EC) No. 448/2004	(ad)	411 to 415	Art. 66(2): Technical assistance Art. 66(3): Nationwide networks	511 511
Measure under Regulation (EC) No. 1268/99			Measure under Regulation (EC) No. 1698/2005	
Agricultural manufacturing procedures focused on conserving the environment and on maintaining rural landscapes. Art. 2, 4. para.			Art. 36(a)(iv) and 39: Agri-environmental payments	214
Creating Producer groups Art. 2, 7. para.			Art. 20(d)(ii) and 35: Producer groups	142
Forestry. Art. 2, 14 <sup>th</sup> para.			Art. 36(b)(i) and 43: 1. Afforestation of agricultural land	221

### **Operational programme Rural Development and Multifunctional Agriculture for the period 2004 - 2006**

A description of selected measures and sub-measures is set out in the programme document Operational Program Rural Development and Multifunctional Agriculture approved by Commission Decision No. (2004) 2689 (CCI 2003 CZ 06 1 PO 001). Detailed descriptions of procedures and rules are set out in the Rules, which establish conditions for providing financial assistance for projects of the Operational Programme Rural Development and Multifunctional Agriculture for the period 2004 - 2006.

In the framework of the Rural Development Programme the following measures will be financed:

1. Measure 1.1. Investment in agricultural property / agricultural holdings.  
Continuing operations will be financed in the framework of Axis I, Measure I.1.1. Modernisation of agricultural holdings.
2. Measure 1.2. Improvement of processing agricultural products and their marketing.  
Continuing operations will be financed in the framework of Axis I, Measure I.1.3. Adding value to agricultural and food products.
3. Sub-measure 1.3.4. Afforestation of agriculturally unused lands.

Continuing operations will be financed in the framework of Axis II, Measure II.2.1. Afforestation of agricultural land.

4. Sub-measure 2.1.1. Land improvement and reparation

Continuing operations will be financed in the framework of Axis I, Measure I.1.4. Land consolidation.

5. Sub-measure 2.1.3. Management and ensuring the working of agricultural water sources.

The investment plan will continue: Acquisition and renewal of structures for water amelioration of lands (structures for irrigation and draining land) in the framework of Axis I Measure I.1.1. Modernisation of agricultural holdings.

6. Sub-measure 2.1.5. Diversification of agricultural activities and activities related to agriculture

Continuing operations will be financed in the framework of Axis III, Measure III.1.1. Diversification into non-agricultural activities.

Equivalent measures exist for old programme period operations which will be financed in the framework of the new programme period from the Rural Development Program, and projects financed in this way will be co-financed on the basis of the Commission Regulation for transition to support for rural development under Commission Regulation (EC) 1698/2005. Specific financial amounts will be included as part of financings tables for respective measures.

### **Horizontal Rural Development Plan 2004-2006**

A description of selected measures and sub-measures is set out in the programme document Horizontal Programme for Rural Development in the Czech Republic for the period 2004-2006 approved by Commission Decision No. 2004 CZ 06G DO 001. Detailed descriptions of procedures and rules are presented in individual government orders which establish the conditions for provision of financial assistance in the framework of HRDP in the period 2004-2006.

In the framework of the Rural Development Programme the following measures will be financed:

1. Early retirement from farming measure.

Continuing obligations will be financed in the framework of Axis I, Measure I.3.3. Early retirement.

2. Less favoured areas measure.

Continuing obligations will be financed in the framework of Axis II, Measure II.1.1. Payments for natural handicaps.

3. Areas with environmental restrictions measure.

Continuing obligations will be financed in the framework of Axis II, Measure II.1.2.1. Payments in the framework of Natura 2000.

4. Agri-environmental measure.

Continuing obligations will be financed in the framework of Axis II, Measure II.1.3. Agri-environmental payments.

5. Forestry measure.

Continuing obligations will be financed in the framework of Axis II, Measure II.2.1. Afforestation.

6. Setting up producer groups' measure.

Continuing obligations will be financed in the framework of Axis I, Measure I.2.1. Groups of producers.

7. Technical assistance measure.

Continuing obligations will be financed in the framework of Technical assistance (the final evaluation of HRDP will be financed from the PRV Technical assistance).

Equivalent measures exist for all old programme period operations which will be financed in the framework of the new programme period from the Rural Development Programme, and projects financed in this way will meet conditions for co-financing and acceptability established for relevant Rural Development Programme measures.

## 6. FINANCING PLAN

### 6.1 Table presenting on the basis of Art. 69 Para. 4 and 5 total support from the fund planned for each year

In the Czech Republic EAFRD will be used for rural regions, which is the entire Czech Republic except for the Prague region. These rural regions are concurrently all the European regions under the Convergence Objective. The Prague Region, which is in the Goals Regional Competitiveness and Employment, will be supported only in the framework of Agri-environmental measures, Axis II.

#### EAFRD resources in 2007 – 2013 (EURO).

Year	2007	2008	2009	2010	2011	2012	2013
Total EAFRD	396623321	392638892	388036387	400932774	406640636	412672094	417962250
Out of this convergence regions	395869736,7	391892878	387299117,9	400171001,7	405868019	411888017	417168121,7

### 6.2 Financing plan by Axis (in EUR, for the whole period)

Tables establishing for the whole programme period overall planned Community support and corresponding national public financial resources for each axis and amount allocated for technical assistance (EURO)

Axis	Public contribution			Additional national financing
	Total Public contribution	Contribution rate	EAFRD amount	
Axis I	840522496,88	75%	630391873	
Axis II – Convergence Objective	1936012556,67	80%	1548810045	
Axis II – Competitiveness Objective	9726294,68	55%	5349462	
Axis II	1945738851,35	-	1554159507	
Axis III	635553634,31	75%	476665226	
Axis IV	175969147,13	80%	140775318	
Technical assistance	18019240,67	75%	13514430	
Total	3615803370,33	-	2815506354	

## 7. INDICATIVE CLASSIFICATION OF FINANCING BY RURAL DEVELOPMENT PROGRAMME MEASURE FROM THE PERSPECTIVE OF PUBLIC AND PRIVATE EXPENDITURES (IN EURO, FOR THE ENTIRE PERIOD)

EURO in 7 years

Measure number	Council Reg. article	Measure	Measure code	Total public expenditures (EU national) +	Total private expenditures	Total expenditures
I.1.		Measures aimed at the restructure and development of physical capital and support of innovation				
I.1.1.	20 b (i) (iv)	Modernisation of agricultural holdings	121, 124	325450310,79	325450310,79	650900621,58
I.1.2.	20 b (ii) (iii) (iv) (v)	Investment in forests	122, 123, 124, 125	100358386,13	100358386,13	200716772,26
I.1.3.	20 b (iii) (iv)	Added value to agricultural and forestry products	123, 124	133811181,50	133811181,50	267622363,00
I.1.4.	20 b (v)	Land consolidation	123, 125	198447361,51	0,00	198447361,51
I.2.		Transition measures for the Czech Republic and other new EU Member States				
I.2.1.	20 d (ii)	Producer groups	142	16726397,69	0,00	16726397,69
I.3.		Measures focused on the promotion of knowledge and enhancing of human potential				
I.3.1.	20 a (i)	Other vocational training and information activities	111	12523785,20	4174595,07	16698380,27
I.3.2.	20 a (ii)	Setting up of young farmers	112	16726397,69	0,00	16726397,69
I.3.3.	20 a (iii)	Early retirement from farming	113	16726397,69	0,00	16726397,69
I.3.4.	20 a (iv) (v)	Use of advisory services	114, 115	19752278,68	4938069,67	24690348,35
<b>Total Axis I</b>				<b>840522496,88</b>	<b>568732543,16</b>	<b>1409255040,04</b>
II.1.		Measures aimed at the sustainable use of agricultural land				
II.1.1.	36 a (i) (ii)	Payments for natural handicap provided in mountain areas and payments provided in other handicapped areas	211, 212	693320170,05	0,00	693320170,05
II.1.2.	36 a (iii)	Payments in the framework of Natura 2000 and the water framework directive	213	60221141,14	0,00	60221141,14
II.1.2.1.	36 a (iii)	Payments in the framework of Natura 2000 for agricultural land and payments linked to Council Directive 2000/60/EC – Payments in the framework of Natura 2000	213	6410637,60	0,00	6410637,60
II.1.2.2.	36 a (iii)	Payments in the framework of Natura 2000 for agricultural land and payments linked to Council Directive 2000/60/EC – Payments linked to Council Directive 2000/60/EC	213	53810503,53	0,00	53810503,53

II.1.3.	36 a (iv)	Agri-environmental measures	214	1054647016,87	0,00	1054647016,87
II.1.3.1.	36 a (iv)	Agri-environmental measures – Environmentally friendly approaches (including organic farming)	214	264973021,00	0,00	264973021,00
II.1.3.2.	36 a (iv)	Agri-environmental measures – Grassland maintenance	214	559279565,59	0,00	559279565,59
II.1.3.3.	36 a (iv)	Agri-environmental measures – Care of the landscape	214	230394430,28	0,00	230394430,28
II.1.3	36 a (iv)	Competitiveness Goal agri-environmental measures	214	9726294,68	0,00	9726294,68
II.2.		Measures aimed at the sustainable use of forest land				
II.2.1.	36 b (i)	Afforestation of agricultural land	221	69157181,43	0,00	69157181,43
II.2.1.1.	36 b (i)	First afforestation of agricultural land	221	62940805,58	0,00	62940805,58
II.2.1.2.	36 b (i)	Establishment of growth of fast growing trees for energy use	221	6216375,86	0,00	6216375,86
II.2.2.	36 b (iv)	Payments in the framework of Natura 2000 in forestry	224	12238489,97	0,00	12238489,97
II.2.3.	36 b (iv)	Forest environmental payments	224	15735201,39	0,00	15735201,39
II.2.4.	36 b (vi) (vii)	Restoring forestry potential after disasters and support of social function of forests	226, 227	30693355,81	0,00	30693355,81
II.2.4.1	36 b (vi)	Restoring forestry potential after disasters and introducing preventive measures	226	27973691,37	0,00	27973691,37
II.2.4.2	36 b (vii)	Non-productive investment in forests	227	2719664,44	0,00	2719664,44
<b>Total Axis II</b>				<b>1945738851,35</b>	<b>0,00</b>	<b>1945738851,35</b>
*note from 2010						
III.1.		Measures for diversification of the rural economy				
III.1.1.	52 a (i)	Diversification into non-agricultural activities	311	142999567,72	142999567,72	285999135,44
III.1.2.	52 a (ii)	Support for business creation and development	312	95333045,15	95333045,15	190666090,30
III.1.3.	52 a (iii)	Encouragement of tourism activities	313	79444204,29	65320790,19	144764994,48
III.2.		Measures for improvement in quality of life in rural areas				
III.2.1.	52 b (i, ii)	Basic services for the economy and rural population	321, 322	247865917,37	100788213,84	348654131,21
III.2.2.	52 b (iii)	Conservation and upgrading of the rural cultural heritage	323	57199827,09	2542214,54	59742041,63
III.3.		Measures related to training and information of businesses active in areas to which Axis III is related				
III.3.1.	52 c	Training and information	331	12711072,69	0,00	12711072,69
<b>Total Axis III</b>				<b>635553634,31</b>	<b>406983831,44</b>	<b>1042537465,75</b>
IV.1.	62 (1) a	Local action group	431	43992286,78	16920110,30	60912397,08
IV.2.	63 b	Implementation of local development strategy	41	114379945,64	43992286,78	158372232,42
IV.3.	63 c	Implementation of cooperation	421	17596914,71	0,00	17596914,71



		projects				
<b>Total Axis IV</b>				<b>175969147,13</b>	<b>60912397,08</b>	<b>236881544,21</b>
<b>Total Axes I, II, III and IV</b>				<b>3597784129,67</b>	<b>1036622771,68</b>	<b>4634412901,35</b>
V.1.	66	Preparation, observation, evaluation, informing and inspection within the Programme framework		10811544,40	0,00	10811544,40
V.2.	67	Establishment and operation of Nationwide network for the countryside		7207696,27	0,00	7207696,27
<b>Total V Technical assistance</b>				<b>18019240,67</b>	<b>0,00</b>	<b>18019240,67</b>
<b>Total</b>				<b>3615803370,33</b>	<b>1036628771,68</b>	<b>4652432142,02</b>

## 8. ADDITIONAL NATIONAL FINANCING

In accordance with Article 16(f) of Council Regulation 1698/2005 and in terms of Article 89 of the same Regulation is not presently expected application of any additional national financing for rural development in the Czech Republic. In case the Czech Republic would approach toward such financing over the programming period 2007 - 2013, the support would go through the standard notification procedure.

## **9. ELEMENTS NEEDED FOR APPRAISAL UNDER ECONOMIC COMPETITION RULES OR LIST OF AID SCHEMES AUTHORISED UNDER ARTICLES 87-89 OF THE TREATY TO BE USED FOR THE IMPLEMENTATION OF THE PROGRAMME**

On the basis of Art. 5 of Council Regulation (EC) No. 1698/2005 the Rural Development Programme will support only those activities which are in compliance with the Treaty establishing the European Union, the Agreement on the Treaty of Accession to the European Union, with the instruments accepted in its framework and with Community policies and measures, including the rules for economic competition, on public contracts procedures, on the protection and improvement of the environment and on the elimination of inequalities and promotion of equality between men and women.

### **Preservation of economic competition**

Preservation of economic competition in the area of production and trade of agricultural products is implemented on the basis of Articles 81 to 80 of the Treaty and the provisions accepted for its implementation.

If production and trade of agricultural products are not involved, preservation of economic competition is implemented on the basis of Act No. 143/2001 Coll., on the protection of economic competition, as amended. Under Act No. 272/1996 Coll., the central state administrative authority ensuring supervision of compliance with the economic competition rules is the Office for Economic Competition.

### **Public contracts**

In choosing suppliers – contractual business partners, beneficiaries of assistance in the framework of Axis I, III and IV measures and sub-measures are to proceed on the basis of Act No. 40/2000 Coll., on public contracts, as amended, and since 1.7. 2006 on the basis of Act No. 137/2006 Coll., on public contracts. These acts are in full conformity with the *Acquis communautaire* in the subject matter.

### **Public aid**

The European Commission has jurisdiction in matters of judging public aid. By its decision, the Commission can declare support, which fulfils all the conditions set out in Art. 87 Para. 1 of the Treaty, to be incompatible with the common market.

Act No. 215/2004 Coll., setting certain relationships in the state aid area and amending the act on support of research and development governs some relationships in the area of public aid in the Czech Republic. This act governs the performance of state administration by the Office for the Preservation of Competition in the areas of public aid, but it is not used in relation to public aid provided in the areas of agriculture and fishing.

Aid in the area of the production and trade agricultural products is provided on the basis of the Community guidelines on state aid in the agricultural sector (OJ C of 1.2.2000).

Aid in a *de minimis* regime is provided in accordance with Commission Regulation (EC) No. 1860/2004, on the application of Articles 87 and 88 of the EC Treaty on *de minimis* aid in agriculture and fisheries (CZK 90,000 (EUR 3,000) / 3 years / for one agricultural beneficiary), or in accordance with Commission Regulation (EC) No. 69/2001 on the

application of Articles 87 and 88 of the EC Treaty on *de minimis* aid (CZK 3,000,000 (EUR 100,000) / 3 years / for one beneficiary outside of agriculture).

***List of aid schemes approved in accordance with the articles 87, 88 and 89 of the Treaty to the implementation of the programmes.***

<b>Measure code</b>	<b>Name of aid scheme</b>	<b>Indication of lawfulness of the scheme*</b>	<b>Period of aid scheme</b>
I.1.2.2.	Forestry machinery	Block exemption in accordance with Commission Regulation (EC) No. 70/2001 of 12 January 2001 on the application of Articles 87 and 88 of the EC Treaty to State aid to small and medium-sized enterprises <sup>19</sup>	
I.1.2.3.	Technologies and equipments for plants	Block exemption in accordance with Commission Regulation (EC) No. 70/2001 of 12 January 2001 on the application of Articles 87 and 88 of the EC Treaty to State aid to small and medium-sized enterprises	
III.1.1.	Diversification into non-agricultural activities	Block exemption in accordance with Commission Regulation (EC) No. 70/2001 of 12 January 2001 on the application of Articles 87 and 88 of the EC Treaty to State aid to small and medium-sized enterprises	
III.1.2.	Support for business creation and development	Block exemption in accordance with Commission Regulation (EC) No. 1628/2006 of 24 October 2006 on the application of Articles 87 and 88 of the Treaty to national regional investment aid <sup>20</sup>	
III.1.3.	Encouragement of tourism activities	Block exemption in accordance with Commission Regulation (EC) No. 1628/2006 of 24 October 2006 on the application of Articles 87 and 88 of the Treaty to national regional investment aid	
III.2.1.1	Village renewal and development	Block exemption in accordance with Commission Regulation (EC) No. 1628/2006 of 24 October 2006 on the application of Articles 87 and 88 of the Treaty to national regional investment aid – part of measure	
III.2.1.2	Public amenities and services	Block exemption in accordance with Commission Regulation (EC) No. 1628/2006 of 24 October 2006 on the application of Articles 87 and 88 of the Treaty to national regional investment aid – part of measure	

<sup>19</sup> Official journal L 010 , 13/01/2001 p. 0033 - 0042

<sup>20</sup> Official journal L 010 , 13/01/2006 p. 0033 - 0042

III.2.2.2	Cultural heritage of rural areas	Block exemption in accordance with Commission Regulation (EC) No. 1998/2006 of 12 January 2001, on the application of Articles 87 and 88 of the EC Treaty to <i>de minimis</i> aid - part of measure	
III 3.1.	Training and information	Block exemption in accordance with Commission Regulation (EC) No. 1998/2006 of 12.1.2001, on the application of Articles 87 and 88 of the EC Treaty to <i>de minimis</i> aid	

### **Support of equal opportunities for all persons**

Measures supporting equal opportunities of all persons on the labour market are part of the National Employment Plan, approved by the government of the Czech Republic 5 May 1999 (Resolution No. 418). These measures are worked out in “Pillar 4 – Support for equal opportunities for all persons.”

The measures in this pillar are focused on combating discrimination and access to employment and strengthening legal and institutional tools and mechanisms for combating all forms of discrimination in the labour market. So that it is possible to accept a measure for redress, it is necessary to introduce a system of monitoring events of discrimination on the labour market, or to conduct regular sociological investigations. At the same time the goal is the creation of conditions for taking exceptional temporary measures (positive initiatives) in favour of groups of citizens whose access to employment is significantly hindered by race, gender etc. The proposed measures are in harmony with Council Directive EU No. 16 – 18 on employment policy.

#### ***Summary of measures:***

- to strengthen the legal and institutional tools and mechanisms for removing events of discrimination on the labour market,
- to create real opportunities for the utilization of extraordinary temporary measures for the benefit of groups of citizens whose access to employment is significantly hindered,
- to monitor the condition of the level of assertion of rights to employment among groups of citizens threatened by discrimination,
- to contribute to the removal of unjustified differences in compensation for men and women.

In addition, by Government Resolution No. 236 dated 8 April 1998, updated by Government Resolution No. 452 dated 10 May 1999, the government approved government priorities and procedures in promoting equal opportunities for all persons This is the first governmental document by which the government of the Czech Republic officially declared its will to effectively contribute to the removal of existing material and formal barriers which prevent women from achieving a similar standing as men. The document contains chapters on promoting the principal of equality of men and woman as part of government policy, legal ensuring of equality, equal access to economic activities etc., and additional proposals of measures for balancing equal opportunities. The document is updated annually and is presented to the government together with a summary report on the fulfilment of government priorities and procedures in promoting equality of men and women.

***In the Czech Republic equal opportunities for men and women are provided for by the Constitution of the Czech Republic***

In the framework of the EAFRD the principle of equal opportunities for men and women is taken into consideration, on the level of each measure or sub-measure. Gender distribution will be in the framework of RDP observed in monitoring indicators and in the composition of Monitoring committee as well.

Annual reports and a final report on Programme implementation and analysing reports will contain a special chapter which will describe activities undertaken for the meeting of goals in the area of equal opportunities.

Other forms of discrimination are neither on the level of the measures nor in the framework of Monitoring committee problematic. The character of the racial discrimination in the Czech Republic is rather urban and it does not relates to municipalities up to 500 inhabitants.

## **10. INFORMATION ON THE COMPLEMENTARITY OF THE PROGRAMME WITH THE MEASURES FINANCED BY OTHER COMMON AGRICULTURAL POLICY INSTRUMENTS THROUGH COHESION POLICY AS WELL AS BY THE COMMUNITY SUPPORT FOR FISHERIES**

### ***10.1 Complementarity of the Programme with measures financed by other common agriculture policy instruments***

The relationship of the Programme to other common agricultural policy measures can be analysed on three levels:

- The relationship of the Single Area Payment Scheme (SAPS) and the Programme
- The relationship of national complementarity payments (top-up) and the Programme
- The relationship of common market organisations and the Programme

#### **10.1.1 The relationship of SAPS and the Programme**

As a new Member State the Czech Republic (CR) expects to use the possibilities of the Single Area Payment Scheme (SAPS) regime's applications to their full extent, i.e., according to Council Regulation No. 1782/03, under administration extended to the end of 2010

The main goal of SAPS is to ensure appropriate income for farmers. From the Programme perspective, SAPS is an instrument by which the basic income level of the agricultural sector is increased.

In the CR this matter is regulated by Government Decree No. 144/2005 coll., on determining certain conditions for providing single area payments per agricultural land unit for the calendar years 2005 and 2006.

The volume of direct payments for area increases each year in the framework of the negotiated "phasing-in" integration strategy. The Treaty on Accession and subsequently Council Regulation (EC) No. 1782/2003 as amended designated direct payment increases for new Member States in the model of 25% in 2004, 20% in 2005, 35% in 2006, 40% in 2007 and subsequently with an annual increase by 10%.

In 2005 a total of 7.349 milliard CZK was paid out (as of 31.7.06). This amount corresponds to an area of 3 481 855.46 ha. The overall package for 2006 is budgeted for 310.47 million EUR.

In 2007 SAPS will be paid at the level of 40 % of payments in the Community as of 30<sup>th</sup> of April 2004.

#### **10.1.2 The relationship of national complementarity payments (top-up) and the Programme**

National complementarity payments (so-called "top up") in accordance with the article 143c of the Council Regulation (EC) No. 1782/2003, as amended have the goal of balancing the decreased competitiveness of certain sectors caused by the temporary lower level of direct payments with respect to the level of aid in old EU Member States. The increase in payments

is financed by national resources of the Czech Republic, while balancing can be carried out in such a way that the overall amount of single payments for a specific commodity, or group of commodities, does not exceed the basic rate in the framework of phasing-in, increased at most by 30 % Union rates, while it is not permitted that 100% of the Union rate be exceeded. For potato starch the Czech Republic equalizes to 100% of the union rate.

National complementarity payments are set so that competitiveness on the common market is ensured for the sectors set out below. In the Czech Republic this concerns the sectors:

- cultivation of certain plants on arable land (under Appendix No. IX Council Regulation (EC) No. 1782/2003),
- cultivation of linen for fibres,
- hops,
- cattle, sheep, goats (hereinafter just “ruminators”),
- cultivation of potatoes for potato starch production.

The proposed measures in the framework of the Programme respect direct payments and national complementarity payments as an instrument whose goal is ensuring a standard level of competitiveness of agricultural sectors. The Programme tries to supplement common agricultural policy focused on incomes and the market by focusing on rural development:

- In the framework of Axis I, by investments into projects helping to increase the competitiveness of agricultural, forestry and food sectors particularly by increasing added value of products. The Programme places emphasis on the modernisation of agriculture and innovation in the agricultural, food and forestry sectors, with a view to non-food use of production, which direct payments cannot ensure.
- In the framework of Axis II, by payments and investments in the area of improving the environment and landscapes via the environmentally friendly management of agricultural and forest lands. The Programme provides compensation of additional costs and profit losses to farmers who voluntarily commit to increased care of the environment and landscapes and complementary claimable payments for farming in less favoured areas, which direct payments cannot ensure.
- In the framework of Axis III complementary income from non-agricultural activities, from manufacturing, from trades, from rural tourism, and from services benefiting employment and quality of life in the countryside.

In 2005 ca 6.68 milliard CZK were paid in the form of compensatory national direct payments (CNDP) and in 2006 7.4 milliard CZK in the sectors of arable crops, flax for fibre, hops, ruminants and potatoes for starch production. In 2007 the aim is to provide a levelling up to the amount of 70 % of the payments in the EU 15. The conditions for providing CNDP are regulated by Government Regulation No. 141/2006 coll., on determining certain conditions for compensatory national direct payments for direct supports. In 2007 the structure of the CNDB will be based on the structure from the previous years. The actual realisation of the national compensatory payments is conditional on authorisation from the EC.

### **10.1.3 The relationship of common market organisations and the Programme**

In addition to the direct payments and national complementary direct payments set out above, common market organisations will continue to be used. These are primarily a system of milk quotas, support of primary processing of flax and hemp for fibres, support for processing fruit and vegetables (tomatoes, pears, peaches), private storage, a system of guarantee and intervention prices, withdrawal of production from the market, intervention purchases, export grants, setting entry prices, crisis wine distillation and other measures implemented by the State Agricultural Intervention Fund.

The commodity “milk and milk products” is one of the most tightly regulated commodities in the framework of the common market organisations, right from primary production to sales.

The system of milk quotas belongs to those measures that, to a certain extent, influence the other systems (measures) in the framework of the common organisation of the milk and dairy products market. The financial means concerning support for milk producers (upholders of the milk quotas), are provided by SAPS from EU funds and also, in the form of national compensatory payments, from the CR’s funds, for rearing ruminants.

Other measures in the framework of the common organisation of the market (COM) for milk and dairy products are covered by EU funds. They deal with the costs for subsidised exports, the costs for interventional measures (butter, COM) and the costs for supporting the internal market (primarily concerning the consumption of butter and COM). An exception to this are measures supporting the “school milk” programme. In the framework of this programme funds are drawn from both national and EU funds.

Of the market measures used in the CR, in the framework of the COM, there are subsidies to support the export of milk and dairy products, further there are intervention purchases, school milk, the purchase of butter by non-profit institutions and organisations, supports for butter sales under reduced prices and providing contributions for cream, butter and concentrated butter used in the manufacture of pasta, ice cream and other foods.

The COM with wine is particularly focused on market measures that are aimed at reducing surpluses in the market, such as emergency, obligatory and voluntary distillation, private storage, export reimbursements and supports for using other grape vine products. In relation to these measures the Rural Development Programme (especially the agro-environmental measures) has a supplementary role, since it can be assumed that with increasing producer competitiveness there will be less pressure for exploitation.

The control mechanisms when providing payments must ensure compliance with the basic principles of not providing supports to one project from more funds than legally prescribed.

Besides the other market measures the market organisation (for flax and hemp, fruit and vegetables) is primarily targeted at supporting the first processors. Thus it does not concern support for primary producers. Therefore there is no concurrence in the supports in the framework of the COM and the RDP measures.

In relation to these measures the Programme has a purely supplementary relation and otherwise it does not clash with the aims of the common organisation of the markets. In contrast realising the measures may lead to a reduction in the financial burden of the common organisation of the markets. Increasing competitiveness and the quality of production increases the demand for domestic production and, through the non-food usage of production, new markets are opened. This, of course, reduces surpluses which must otherwise be disposed of at high costs.



## **10.2 Complementarity of the Programme with the cohesion policy**

In Axis I, the Programme addresses the issue of primary agricultural and forest production, processing of agricultural and forestry products and training by aid for farmers, forest managers and processors on a nationwide level, with the exception of Prague. Food production is included only if it is part of a primary processing category according to Appendix I to the EC Treaty.

In Axis II the Programme addresses the issue of systems of agricultural and forest production supporting care of nature and the landscape by support of farmers and forest managers and other actors on a nationwide level, with the exception of Prague (except for agri-environmental measures, which can be claimed on the territory of Prague as well).

In Axis III the Programme exclusively addresses local issues of rural municipalities on the entire territory of the Czech Republic, except for Prague, related to the diversification of agricultural economic activities, establishment of micro-enterprises with up to 10 employees without sector restriction (including second stage food processing), rural tourism and care of the rural heritage. Issues of renewal and development of villages, basic infrastructure to a small extent (small local transportation, water management and others, water treatment plants for up to 2000 equivalent inhabitants) and basic civic facilities are addressed exclusively for rural municipalities. Training is addressed exclusively in the context of local development (diversification, micro-enterprises, rural tourism, trades, local services and rural heritage).

The **European Fund for Rural Development (EFRD)** has a regional focus. In connection with Axis I it will address in a complementary way support of processing industry, including second stage food processing (i.e. except for Appendix I to the Treaty on the EU).<sup>21</sup> It is connected to Axis II by support for projects increasing regional biodiversity. In connection with Axis III the EFRD further includes general support of small and mid-sized enterprises, tourism and services (improving the quality of administration on a local level, services for the public, information centres, central and regional marketing, public investment), as well as the transportation and technical infrastructure in rural regions connecting towns and rural areas, a higher level of civic facilities and investment beyond the rural municipality or municipality of a rural character, and also utilisation of cultural monuments for tourism or investment beyond the rural municipality. With this support the EFRD will contribute to the creation of a stable environment for addressing unemployment, the development of innovations and information technologies for the countryside.

The **Cohesion Fund (CF)** addresses investment in the areas of the environment and transportation. It includes, among other things, water treatment plants in specially protected territories and Natura 2000 territories and other territories from 2000 equivalent inhabitants, as well as water management investment in the region for non-agricultural parties.

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<sup>21</sup> *It is assumed that in compliance with Appendix I to the Treaty establishing the European Atomic Energy Community (Treaty of Rome), concluded 25 March 1957, the Ministry of Agriculture will have as a subject of support from resources and programs particularly enterprises of the following types: : dairies and bakeries, distilleries, sugar refineries, enterprise processing vegetable oils, wine enterprises, and other enterprises processing agricultural raw materials. In contrast, enterprises for the processing of meat, including fish meat, and meat products will be included in support only in the area from slaughtering of animals to manufacturers of packaged meat. An exception will be micro-enterprises with up to 10 employees particularly with regional specialties and organic foods. Other meat products and other processing is a subject of cohesion policy support in the framework of the EFRD for support of entrepreneurial activities and innovation of the Ministry of Industry and Commerce.*

The **European Social Fund (ESF)** are connected with the measures of Axis III by support for general education in the countryside, building local administration capabilities, integrating groups of the population, by requalification courses and use of Internet networks or by the support of initiatives from 3 million. CZK.

**Life+** is connected with Axis II by support of projects focused on biological diversity.

The focus on support set out above in the framework of other cohesion policy support instruments clearly demonstrates that overlap will not occur between measures of the EAFRD and other EU funds.

### ***10.3 Programme Complementarity to community support instruments for fishery***

Programme measures will create appropriate conditions for fishery development in the Czech Republic by favourably contributing to water management in the landscape and by contributing to wastewater treatment in small municipalities.

The **European Fishery Fund (EFF)** is an instrument of common fishery policy, which is focused primarily on:

meeting of requirements deriving from changes on world fish markets,

- utilisation of new technologies,
- environmentally friendly sustainable fishing,
- regional development policy goals.

Support provided from the EFF complements a number of Programme measures in the areas of a wider relationship to the fishery phenomenon in the Czech Republic in a cultural landscape with the goal of sustainable utilisation of fish production. The EFF fund is closely focussed on ensuring the necessary structures needed for job creation in the fishery sector and the gradual improvement of the quality of produced and processed products coming from aquaculture or fishing. This primarily means conserving cultural heritage, which fishpond fishing represents in our regions.

There similarly exist common points with the recreational potential of our agricultural landscape and the functions of fishponds beyond fish production.

Sport fishing in fishing grounds can represent another important contribution from the perspective of utilisation of the countryside's tourist and recreational potential.

## **11. PROGRAMME IMPLEMENTATION MEASURES**

### ***11.1 Programme implementation measures***

On the basis of Council Regulation (EC) No. 1698/2005 Article 16 Programme implementation rules are determined in this chapter. The Rural Development Programme, which the activity of the European Agricultural Fund for Rural Development secures, more closely specifies on the basis of Council Regulation 1698/2005 Art. 15 strategies in individual axes determined by the national strategic rural development plan on an implementation level and ensures its effective implementation in this way.

More detailed implementation rules will be determined in the Rules or appropriate Government Regulations, depending on the type of measure. In the framework of the Programme and individual axes we distinguish between two types of measures. Measures of a

project (investment) character, i.e. most of the measures in the framework of Axes I, III and IV, and measures of an entitlement character, i.e. most of measures in the framework of Axis II.

## **11.2 Designation of bodies entrusted with Programme implementation**

### **11.2.1 Managing authority**

On the basis of Council Regulation (EC) No. 1698/2005 on the support of rural development from the European Agricultural Fund for Rural Development (EAFRD) the managing authority is responsible for effective and correct management and implementation of the Czech Rural Development Programme for the period of 2007 – 2013 in the framework of the EAFRD. The managing authority is the Ministry of Agriculture, Těšnov 17, 117 05 Prague 1.

The managing authority (MA) on the basis of Art. 75 of Council Regulation (EC) No. 1698/2005

- a) ensures that all operations designated for financing are selected according to criteria valid for the Rural Development Programme;
- b) ensures the existence of an electronic system for recording and preserving statistical information on Programme implementation, which also fits monitoring and evaluation purposes;
- c) ensures that Programme evaluation is performed in the periods set by Council Regulation (EC) No. 1698/2005 and that it complies with the common evaluation and monitoring framework and delivers the evaluation performed to the Commission;
- d) manages the monitoring committee and sends materials necessary for monitoring Programme implementation from the perspective of its specific goals;
- e) ensures awareness and publicity under Art. 76 Council Regulation (EC) No. 1698/2005, i.e. the provision of information for the public on the National Strategic Plan, Rural Development Programme and the contribution of the Community;
- f) prepares annual reports on progress and presents them to the Commission after their approval by the monitoring committee;
- g) ensures the preparation of national generally binding regulations compliant with Community policy, on the basis of which the Paying agency will implement individual measures and ensures their methodical interpretation;
- h) the managing authority will delegate some Programme implementation activities to the Paying agency in the form of an agreement.

### **11.2.2 The paying agency**

The paying agency (hereinafter just “PA”) conducts the administration and control of applications for support in the framework of EAFRD measures. PA takes care of payments of all EAFRD measures. To ensure this task the existing structure of the State Agricultural Intervention Fund (hereinafter just the “SAIF”) of the accredited paying agency for the EAGGF will be used. The SAIF will be the sole accredited paying agency for implementing

rural development measures. SAIF has a regional office on the NUTS 2 level covering all NUTS 2 regions in the Czech Republic.

SAIF is a legal entity created on the basis of Act No. 256/2000 Coll., on the state agricultural intervention fund. On the basis of S. 2c of Act No. 252/1997 Coll., on agriculture, as amended, it has competency to implement rural development measures.

In compliance with Council Regulation (EC) No. 1290/2005 Art. 6, the SAIF as a paying agency ensures making of payments, communicates and keeps information on them and provides a guarantee that:

- a) the correctness of applications and allocation of support in the framework of rural development, as well as application compliance with Community rules, are checked before payment authorisation;
- b) payments made are correct and completely accounted for;
- c) inspections set by Community legal regulations are performed;
- d) required documents are submitted in the terms and the form set by Community legal regulations and legislation of the Czech Republic;
- e) documents are accessible and maintained in such a way that their completeness, validity and legibility is guaranteed for the whole period, including documents maintained in an electronic form in the meaning of Community legal regulations.

From the perspective of implementation of EAFRD measures SAIF further ensures:

- a) methodical management of administration and inspection of implementation of EAFRD measures with the goal of ensuring a single approach in all NUTS 2 regions (among other things integrated procedures of application receipt and processing, performing administrative inspections, methodology of performing and evaluating on-site inspections),
- b) development and permanent maintenance of the information system used for administration, inspection, payment and accounting of support provided in the framework of EAFRD measures, data collection for monitoring and evaluating in the scope of delegated SAIF activities,
- c) acceptance of support applications in the framework of EAFRD measures, and their entry into the information system,
- d) administrative inspection and observation of compliance of projects, which are the subject of the applications submitted, with Programme legal regulations and rules,
- e) performing selection of parties for on-site inspection on the basis of prepared risk analyses and in a way that complies with EC legislation,
- f) setting an inspection plan, adhering to it and updating it,
- g) performing and evaluating on-site inspection among applicants under the set plan in compliance with the valid Community legal regime,
- h) ensures the conclusion of agreements on delegating selected activities to other state administrative bodies if such delegated activity is necessary for the effective performance of inspection activities,
- i) issuing decisions to end support beneficiaries for entitlement measures or concluding contracts (agreements) for measures of a project character with support beneficiaries, which include the set volume of financial resource and conditions, for

which such resources are provided from the EAFRD fund and from national resources of the Czech Republic,

- j) on the basis of issued decisions or agreements on conducting payments,
- k) cooperates with the managing authority in the preparation of documents for annual and final reports on Programme implementation in the scope of delegated SAIF activities, on the basis of the managing authority's written assignment,
- l) information for applicants on support in the framework of the EAFRD measures related to the performance of its paying agency function, particularly with consideration for the conditions and means of submitting applications and their particulars,
- m) activities and administration of the selection commission (if this is used for application selection). The Minister of Agriculture proposes, appoints and recalls commission members.

### **11.2.3 Competent body**

The competent body is organised in the framework of the Ministry of Finance structure on the basis of Government Resolution 603/2006 dated 24 May 2006 on financial flows of common agricultural policy and common fishery policy in the Czech Republic for the period 2007 – 2013 and its institutional securing.

This body is competent to issue accreditation to the paying agency, or take it away from it, and to perform tasks in compliance with Council Regulation (EC) No. 1290/2005 and implementation regulations in the sense of the accreditation of paying agency and other parties and conducting EAGF and EAFRD account payments.

### **11.2.4 Certification body**

The certification body will be organised in the framework of the Ministry of Finance structure on the basis of provisions by the competent body. This body will verify paying agency – SAIF accounts, if their accuracy, completeness or precision is involved, with consideration for the introduced system of management and inspection in compliance with Commission Regulation (EC) by the implementation rules for Council Regulation (EC) No. 1290/2005 are established, if accreditation of payment agencies and other parties and approval of EAGF and EAFRD accounting closures are involved.

## **11.3 Sanctions and fines**

Either the Rules or the national implementation regulation defines sanctions and fines in detail.

In the case of failure to adhere to the conditions of the Programme, agreement or decision on the provision of support or of the approved project to which the decision or relates are not adhered to, or the support beneficiary has not removed in the set term flaws ascertained during on-site inspection, support may be decreased or completely taken away in the following year (for measures for which decisions are issued, the provision of support may be refused still in the same year in which the non-adherence to conditions occurred).

Sanctions for Axis I will have the character of the return of a designated percentage of support, including penalties if the applicant does not adhere to its obligations connected with the receipt of support.

Sanctions for Axis II for measures of the type of an entitlement contribution for area will have the character of the reduction or complete repeal of the appropriate payment whose binding conditions were breached. For multiple year obligations, this may mean the return of grants already provided. For other types of payments similar steps will be taken as for Axis I.

Sanctions for Axis III and IV will have the character of return of a designated percentage of support if the applicant does not adhere to its obligations connected with the receipt of support.

## **11.4 Financial flows**

The setting of financial flows in the framework of EAFRD is governed by Council Regulation (EC) No. 1698/2005 on the support of rural development from the European Agricultural Fund for Rural Development and at the same time by Council Regulation (EC) No. 1290/2005 on common agricultural policy financing. EAFRD expenditures set out in Art. 4 of Council Regulation (EC) No. 1290/2005 can be financed by the Community only if an accredited paying agency (SAIF) conducts them. Only expenditures set out in Art. 5 of Council Regulation (EC) No. 1290/2005, which specifies other types of financing, belong among income from European resources which can be provided without being performed by an accredited paying agency, i.e. measures focused on preparation, observation, administrative and technical assistance, evaluation, audit and inspection, which are necessary for implementing the common agricultural policy, including rural development, can be financed on a central level on the Commission's impetus or on its behalf.

- Financial flows will be established uniformly for all EAFRD Axes.
- In the interest of simplification and unification of the current "dual" system, financial flows will be conceptualised for the EAFRD along the so-called guarantee line, i.e. according to the EAGGF guarantee section model (used today for HRDP).
- For its expenditure capital, the Ministry of Agriculture will have budgeted resources designated for pre-financing of all EAFRD expenditures, i.e. the overall allocation comprised of European and Czech cooperation. The Ministry of Agriculture will issue a Decision on the provision of a grant to the paying agency – SAIF, based on the paying agency's request. This, then, will pay the funds to end beneficiaries on the basis of the decision or agreement on the provision of assistance to end beneficiaries. The Ministry of Agriculture will hold the European contribution in an income account after the SAIF sends notification on realized expenditures to the Commission.
- SAIF will perform the administration of support measures (application receipt and processing), while it will remain the only paying agency – the model of one paying agency will be preserved.

### **Institutions**

Paying agency - State Agricultural Intervention Fund.

Managing authority – the Ministry of Agriculture

Certification body – its appointment will be within the jurisdiction of the Ministry of Finance.

Competent body – the Ministry of Finance

## **11.5 Description of the monitoring and evaluation system**

### **11.5.1 General principles**

The EAFRD managing authority is responsible for EAFRD monitoring in compliance with Art. 75 of Council Regulation (EC) No. 1698/2005.

The EAFRD monitoring committee will oversee EAFRD implementation in compliance with Articles 77-70 of Council Regulation (EC) No. 1698/2005.

Using an information system the managing authority will ensure collection of financial and statistical information, which will enable exchange of data with the European Commission.

The EAFRD monitoring system enables observing EAFRD implementation on the project level and will be connected with the Ministry of Agriculture and Ministry of Finance information system, which will enable continuous financial flow observation.

The managing authority will be responsible for data acquisition and updating in the monitoring system. Within three months after Programme approval and after approval of grants from the EAFRD fund, the EAFRD monitoring committee will be set up, whose task will be to discuss and approve project selection criteria.

### **11.5.2 Composition of the monitoring committee**

The EAFRD monitoring committee will be set up by the Ministry of Agriculture. The proposed composition will be prepared in collaboration with partners from governmental and non-governmental institutions and will have a balanced ratio of men and women. Details related to the EAFRD monitoring committee's composition, organisation and activities will be set out in the EAFRD monitoring committee's Statute and rules of procedure.

The chair of the EAFRD monitoring committee will be a representative of the Ministry of Agriculture managing authority, its members will include representatives from MLD, MoE, MIT and other ministries with sponsorship of the Programme issues, SAIF, economic and other social partners, representatives of non-governmental organisations, as well as, with an advisory vote, European Commission representatives.

### **11.5.3 Tasks of the monitoring committee**

The EAFRD monitoring committee's obligation is to supervise the implementation of the EAFRD, in particular to observe compliance with regulations of the European Commission and legislation of Czech Republic, fulfilment of EAFRD goals, effectiveness of public resource use and so on.

Based on documents prepared by the managing authority or based on its own findings and recommendations and in compliance with Article 78 of Council Regulation (EC) No. 1698/2005, the EAFRD monitoring committee has the following tasks:

- a) It approves operation financing selection criteria, within four months after the Programme approval decision. These selection criteria will be modified according to programming needs.
- b) On the basis of documents presented to the managing authority it will regularly evaluate progress reached in fulfilling specific Programme goals.
- c) It will reinspect implementation results, particularly achievement of goals set for each priority axis and on-going evaluation.
- d) It will discuss and approve the annual report on progress and the final report on progress

before sending it to the Commission.

- e) It can propose to the managing authority any modification or reinspection of the Programme with the purpose of achieving EAFRD goals demarked in Article 4 of Council Regulation (EC) No. 1698/2005 or it can propose to the managing authority any modification or reinspection of the Programme with the purpose of achieving fund goals or perfection of its management including financial management.
- f) It discusses and approves all proposals to change the contents of Commission decisions on contributions from the fund.

In cooperation with the monitoring committee the EAFRD managing authority prepares a proposal for the Statute and rules of procedure approved by the Minister of Agriculture.

#### **11.5.4 Monitoring by the managing authority**

Information and data on the EAFRD will be used to prepare proposed annual reports on EAFRD implementation, which will be presented to the EAFRD monitoring committee, SAIF, the Ministry of Agriculture, Ministry of Finance and other institutions. Information collection will take place on a monthly bases and physical monitoring on a quarterly basis. For the first time in 2008 and then annually by 30.6 the managing authority will present the Commission with an annual report on progress made during Programme implementation. The managing authority will present the last report on progress made during Programme implementation to the Commission by 30.6.2016 at the latest. Data will also be processed on a regional level.

#### **11.5.5 Annual reports on progress**

- Annual reports on progress will contain the following elements:
- changes in general conditions which have a direct impact on Programme implementation conditions, as well as changes to Community and internal policies affecting harmony between the fund and other financial instruments;
- progress of the Programme from the perspective of goals set on the basis of output and result indicators;
- financial implementation of the Programme, with a report of expenditures paid to beneficiaries for each measure; if the Programme relates to regions qualified under the Convergence Objective, expenditures will be set out separately;
- an overview of on-going evaluation under Art. 86 Para. 3 of Council Regulation (EC) No. 1698/2005;
- steps undertaken by the managing authority and monitoring committee to ensure quality and effectiveness of Programme implementation, particularly:
- measures for monitoring and evaluation;
- an overview of the main problems found in managing the Programme and all measures taken, included reaction to comments under Article 83 of Council Regulation (EC) No. 1698/2005;
- technical assistance utilisation;
- steps taken to ensuring Programme publicity under Article 76 of Council Regulation (EC) No. 1698/2005;



- declaration of compliance with Community policies in the framework of support, including a description of problems found and measures taken to their resolution;
- if applicable, the transfer of support returned in accordance with Article 33 of Council Regulation (EC) No. 1290/2005, on the financing of the common agricultural policy.

### **11.5.6 Monitoring system**

The managing authority defines requirements for the structure of data needed for the observation of indicators for monitoring individual measures. The application, support beneficiaries and the paying agency will provide data for monitoring on the basis of an agreement on the provision of data. These particularly involve indicators of a quantitative character.

The observation of qualitative indicators will be taken care of by the managing authority from third specialised parties.

The managing authority is responsible for evaluating given data and for checking its completeness.

### **11.5.7 Programme evaluation**

The Rural Development Programme and policy are evaluated ex ante, in the mid-period and ex-post under Articles 84 to 87 of Council Regulation (EC) No. 1698/2005.

The goal of evaluation is to improve the quality, effectiveness and efficiency of the implementation of the Rural Development Programme. The Programme's impact from the perspective of Community strategic directions under Article 9 and problems of rural development characteristic for the affected Member States and regions, while the requirements of sustainable development and environmental impact will be taken into consideration, as well as requirements of applicable Community legal regulations.

The evaluation is performed from the authorisation of Member States or the Commission. Independent evaluators will perform evaluations under Point 1. The results must be made available in compliance with the European Parliament and Council Regulation (EC) No. 1049/2001 of 30 May 2001 regarding public access to European Parliament, Council and Commission documents. Member States will provide human and financial resources necessary for performing the evaluation will organize the creation and gathering of necessary information and will use individual information acquired in the framework of the monitoring system. Member States and the Commission will approve evaluation methods and rules, which they will use from the Commission's initiative as a framework under Article 80 of Council Regulation (EC) No. 1698/2005.

#### **Ex ante evaluation**

The goal of on-going evaluation is to verify the suitability of proposed strategies, priorities and measures, including financial allocations, in the framework of the preparation of the EAFRD programme.

The office of the University of Southern Bohemia in České Budějovice performed on-going EAFRD evaluation, processors by Prof. Ing. František Střeleček, CSc., Prof. Ing. Magdalena Hrabánková, CSc., and consultant Morten Kvistgaard, Denmark.

## **Mid-term evaluation and ex-post evaluation**

Starting in 2008 the Programme's managing authority and monitoring committee will present to the monitoring committee each year the report on results of on-going evaluation. Annual reports on progress under Article 82 of Council Regulation (EC) No. 1698/2005 will be part of the annual report on progress.

In 2010 the on-going report will be performed in the form of an independent report containing a mid-term evaluation. This mid-term evaluation will propose measures for improving the quality of the Programme and its implementation. At the impetus of the Commission an overview of reports containing evaluations in the mid-period will be prepared. In 2015 the on-going report will be performed in the form of an independent report containing an evaluation ex-post.

The overview of the ex-post evaluation will be prepared at the Commission's authorisation and in cooperation with the Member State and the managing authority, which will collect information necessary for its preparation. The overview of the ex-post evaluation will be completed by 31 December 2016 at the latest.

Due to ensuring evaluation independence and the need of managing the evaluating activities by external parties, the Ministry of Agriculture will organise an independent section, authorised with the coordination of evaluation activities for programs under the sponsorship of the Ministry of Agriculture supported by EAFRD and EFF funds.

### **11.6 Ensuring Programme publicity**

According to the article n.76 of the Council Regulation (n. 1698/2005 from 25 of September 2005 ) Managing authority is responsible for the publicity and spreading of information about the Rural Development Programme. The activities have a task – to contribute for the transparency towards the potential and final beneficiary of the help and to provide informing of wide public.

A basic condition for the useful utilisation of the Rural Development Programme is a corresponding level of informedness, not only of the public, but also interest, agricultural and forest associations and cooperatives, and partners in the area of rural development.

A working version of the Rural Development Programme was published in electronic form on the MA, MoE, ČZU and VÚZE websites and many regional conferences took place as to such versions.

Common goals:

1. to inform the public about task of the Rural Development Programme and to support the publicity of its individual measures to fill its role fully and to guarantee the transparency of the help.
2. to inform the public about task which Community plays in the development of agriculture and rural areas and about help, which Community provides for this purpose and to inform about results of this help and so to increase of public awareness about the activity of European Union.

Short-term goals of the Communication Action Plan:

1. to increase of the awareness and knowledge about the Rural Development Plan
2. to inform target groups effectively about possibilities which the Rural Development Plan offers
3. to inform the target groups effectively about request for the participation in the RDP
4. to guarantee easy and quick accession for information about managing and management funds including information about task of the institution of EU
5. to provide (if it is requested) competent and sufficient information about the RDP and about individual projects

### **Target groups**

- agricultural primary producers,
- regional and local institutions and their applicable public institutions,
- economic and social partners,
- non-governmental organisations, particularly parties promoting equality between men and women and parties development activities for environmental preservation and improvement,
- agricultural and food state institutions,
- non-governmental agricultural organisations,
- universities and middle schools with an agricultural focus and research institutes,
- information media – radio, television, websites, newspapers and magazines.

### **Method of communication with target groups**

The body responsible for the implementation of the Rural Development Programme will primarily use the following to provide information about the Programme:

- press, radio, television (press departments, information agencies, press offices etc.),
- its own publicity materials (brochures, fliers, publications, videos etc.),
- information events, seminars, conferences and meetings with target groups,
- the Internet,
- provided information channels of individual target groups for greater effectiveness and precision of placing information,
- advisory centres for AA LO MA on NUTS 4,
- trained ÚZPI advisors.

### **Information provided**

Information will also be provided so that individual target groups, for which it will be intended, will get precise, clear and up-to-date information on individual Rural Development

Programme measures, to that they can fully utilise, in the Programme framework, the opportunities which this Programme offers. This information must place an emphasis on the Programme purpose, the role of the European Union and adherence to all legal regulations connected with the Rural Development Programme.

### **Responsibility for communication**

The Rural Development Programme managing authority, which will utilise its experience and capacities in the field of communication, training and research, is the responsible and coordinating unit. The managing authority under Art. 76 of Council Regulation (EC) No. 1698/2005 is responsible for performing publicity activities as follows:

- it will inform possible beneficiaries, professional organisations, economic and social partners, parties involved in the promotion of equality between men and women, and affected non-governmental organisations, including organisations involved in the protection of the environment, on the opportunities which Programme offers and on the financing access rules by means of the Programme;
- it will inform Community contribution beneficiaries, among other things, about the contents of the Programme and calls for the submission of projects and applications and on obligations of using separate accounting, registering and providing information to the managing authority on outputs and results of implementation;
- it will inform the public about the Community part in the Programme and on the results of this Programme.

Financial support of the communication action plan

Communication action plan will be realized and financed by framework of the particular projects measure.3.1. Technician help.

## **12. DESIGNATION OF PARTNERS UNDER ARTICLE 6 OF THE COUNCIL REGULATION AND RESULTS OF CONSULTATIONS WITH PARTNERS**

### ***12.1 Designation of partners***

Partnership in the conditions of the Czech Republic focuses on key issues influencing the balanced social, economic and environmental development of the Bohemian and Moravian countryside using cooperation on a nationwide, regional and local level, and is implemented by the following most representative parties (hereinafter just “partnerships”):

Ministry partners related to rural development and the whole issue of resolution in the framework of the EAFRD are primarily the following ministries: **The Ministry for Local Development of the Czech Republic (MLD ČR), Ministry of the Environment of the Czech Republic (MoE ČR), Ministry of industry and trade of the Czech Republic (MIT ČR), Ministry of Culture of the Czech Republic (MC ČR), Ministry of Finance of the Czech Republic (MF ČR) and Ministry of Labour and Social Affairs of the Czech Republic (MLSA ČR).**

Additionally the **Czech Statistical Office (CSO)** which gathers information for authorities of state administration and regional local governments, publishes an overview of research in the

Statistical Bulletin and performs research on individuals in compliance with applicable legal regulations.

From the **regional perspective**, partnership is ensured in cooperation with **regional local governments**, with regional branches set out below of the nationwide expert and professional organisations and with **municipalities**. **Local action groups** of rural micro-regions, which closely cooperate with all actors in the countryside (public administration, labour offices, entrepreneurial and professional associations, residents, clubs, interest societies – Sokol, volunteer fire fighters, hunting groups, cultural and folklore companies etc.) and participate actively in Leader partnerships, play a significant role in creating and improving partnerships.

**Partner non-governmental organisations include the following in particular:**

The **Agrarian Chamber of the Czech Republic (AK ČR)** is an organisation – legal entity entered in the Commercial Registry and established on the basis of Act No. 3011992 Coll. It associates 71 county agrarian chambers and 59 professional organisations. The goal of the Agrarian Chamber is to support its members' entrepreneurial activities, to promote and protect their interests and see to their needs, as well as to participate in establishing marketing organisations of farmers.

The **Federation of the Food and Drink Industries of the Czech Republic (PK ČR)** is an interest association of legal entities and fills the function of an interest non-governmental association for all food industries and fields of agricultural product processing, it represents the food sector to state administration authorities and similar organisations in the EU, including organisations operating on a global level, and all organisations whose activities are connected to the interests of entrepreneurs in the processing industry. It provides expert and technological consultation in foods and cooperates with other professional groups with a relationship to the sector.

The **Private Farming Association (ASZ)** was created in May 1998 as an organisation independent of the AK ČR with the goal of bringing together the then existing individual associations of private farmers of the Czech Republic. It is a voluntary professional organisation of private farmers and its activities follow from the thorough respect for old farming traditions and from the conviction that family farms have potential as a basis for modern agriculture and a living countryside.

The **Young Agrarians Society of the Czech Republic** is a voluntary organisation of young and starting farmers, which represents and ensures the interests of its members in the field of agriculture.

The **Private Farming Association** is a civic association founded in 1990 in the interest of establishing and strengthening private farms and asserting property right relationships to land. The association emphasises its link to rural development in the need for landscape conservation and the use of environmentally friendly methods of farming in agriculture.

The **Czech-Moravian Association of Agricultural Entrepreneurs** is an association which associates entrepreneurs from various professions and which is not oriented only to agriculture. It also represents industry and service workers.

The **Agricultural Association of the Czech Republic** is a voluntary independent non-profit association which is focused on agriculture, cultivation, animal husbandry and services which have associated to protect their economic and social interests in compliance with legal regulations of the Czech Republic.

**PRO-BIO Association of Ecological Farmers** is a non-governmental, non-profit organisation that supports and promotes ecological methods of farming and the use of organic food. The Association represents the interests of its members (ecological farmers, processors and vendors of organic foodstuffs, schools and consumers). It promotes ecological production.

The **Agency for Nature Protection and Landscape Conservation of the Czech Republic** is an organisation working with the European Natura 2000 system of protected nature territories, corresponding EU legislation, the preparation of the definition of protective conditions for specially protected territories, historical trees etc.

The Union of Towns and Municipalities of the Czech Republic is an association of legal entities focused on resolving problems in the municipal sphere in the Czech Republic. It takes part in the preparation of legislative work for the benefit of towns and municipalities and represents the interests of municipalities to state administrative institutions and EU institutions. It secures informational, publicity and publication activities for its members.

The **Club for Rural Renewal** was founded in 1993 as an association of legal entities and individuals whose goal is the exchange of experience related to rural renewal, encouragement of community life in rural areas, participation in the implementation of development concepts and the dissemination of information. The Club organises an annual competition “Village of the Year” whose winner is then sent every two years to a competition on the European level.

The **Association of Historical Settlements in Bohemia, Moravia and Silesia** was founded in 1991 and its interest is conservation and restoration of the cultural heritage, its presentation and publicity. Every year it organises the Historical town of the year competition and is the main organiser of the European heritage days of the European Council and the Europe campaign – common cultural heritage, whose goal is the utilisation of the cultural potential of individual regions for community and economic development.

The **Centre for Community Organizing (CCO)** is a non-profit non-governmental organization that participates in the preparation and implementation of community planning in regions. It focuses its attention primarily on improving local partnerships, mastering skills and presentation of examples of good practice in the framework of the Leader initiative, for instance.

**ECEAT CZ, Union of Czech Entrepreneurs in Rural Tourism**, is a professional association and national coordinator for entrepreneurs in the area of rural tourism in the Czech Republic. It works closely with the professional Association of Entrepreneurs on rural tourism and agrotourism and assists methodologically in the preparation of entrepreneurial plans and the provision of accommodation and dining services in the countryside. It is connected to the international ECEAT system network in the framework of the EU.

**Local action groups in the framework of LEADER (LEADER+, LEADER ČR)** develop their activities as civic associations or generally beneficial companies according to the principles and methods of the EC Leader initiative. Their activities follow from the implementation of local development strategies, in which representatives of local government, the entrepreneurial sphere, non-governmental non-profit organisations, clubs and individuals participate in the framework of local partnerships.

**The Platform Rainbow for the Countryside** is a voluntary independent initiative which is focused on the resolution of concurrent actual problems of rural development with a representation to managers of local action groups (Leader), facilitators, municipal mayors, representatives of rural micro-regions, associations of municipalities and the entrepreneurial sphere and other actors from non-governmental non-profit organisations.

**The Association of Marginal Areas (SMO)** is an association of legal entities and individuals – farmers farming in mountain and foothill areas. Its main goal is to observe the development of the economic and social situation in LFA areas and support the development of multifunctional agriculture.

**The Association of Municipal and Private Forests Owners in the Czech Republic (SVOL)** is a voluntary organization associating community forest owners, corporate bodies established or formed by these subjects to manage this property, and by means of the “Private Forests Chamber” association private forests owners as well. The main objectives of SVOL are to defend common interests non-state forests owners in forming forestry policy and legislation, to assist methodically with forest management, to ensure advisory service and arrange seminars, trainings and excursions on professional topics for owners and managers of non-state forest properties of all ownership categories.

**The Rainbow movement** is an organisation involved in issues of handling waste, reducing toxic substance contamination of food and water, conserving the natural resources, preserving the regional character, avoiding risks of global climate change and other problems connected with the nature and landscape conservation. It works on a local, nationwide and international level. It meets with government offices and politicians, prepares and promotes legislative bills, comments on proposed government documents, works on consumers and industry, issues studies and media analyses, cooperates with experts, ensures taking of legal steps and cooperates with municipalities.

## **12.2 Results of consultations with partners**

### **12.2.1 Consultation activities**

Meetings with interested ministries proceeds on an inter-ministry level or in the framework of the Ministry of Agriculture’s Inter-ministry working group with the participation of non-governmental organisations in the framework of the preparation of basic documents for the implementation of the EAFRD (National strategic rural development plan of the Czech Republic for the period 2007 – 2013, Rural Development Programme of the Czech Republic for the period 2007 – 2013). Its goal is among others the exclusion of overlaps and elimination of “blind spots” in relation to rural development support, on the part of financial aid from both EU sources (FS, EFRR, ESF, ERF etc.) and national sources (state aid).

The partnership is also realised in the form of common meetings and seminars with representatives of non-governmental organisations, municipalities and other parties. On 14.7.2005 a working meeting lead by the Ministry of Agriculture and the AK ČR took place with representatives of non-governmental organisations and leaders of Programme and Strategy processing teams (Axes I – IV EAFRD) on the EAFRD, at which participants were invited to participate actively in the finalization of source documents in compliance with the time schedule of EAFRD preparations. In addition in the partnership framework there was a “National discussion on the countryside” from January to June 2005, as an initiative of the house of representatives of Parliament of the Czech Republic (agricultural committee) and the Senate. In its framework 13 working conferences were held under the auspices of the 13 county commissioners in individual regions. A total of 1,103 people participated in the conferences, with the most in the South Bohemian region, the least in the Karlovy Vary region, and an average of 84.8 participants at each conference. Outputs from these conferences were published in an on-going fashion for the general public on the website [www.narodnidiskuse.cz](http://www.narodnidiskuse.cz).

In connection with presentations in regions a cycle of expert seminars under the auspices of the Ministry of Agriculture and AK ČR was initiated on 30.8.2005 at the nationwide Earth – Food Provider exhibit in České Budějovice and continued throughout September 2005 in Olomouc, Pardubice, Most, Čejkovice, Plzeň and other regions in the Czech Republic in 2006.

The basic working document (Strategy, Programme) and outputs from ex-ante evaluation and SEA procedures are available to the public in the interest of general awareness, for comment and the creation of possible discussion forums on the website of the MA, ČZU and MoE.

### **12.2.2 Agrarian Chamber**

Pursuant to the recommendation of its economic commission the Agrarian Chamber delivered its proposals of priorities to the Ministry of Agriculture. The Agrarian Chamber's main demand was that the maximum amount of funds be allocated to Axis I measures with the concurrent preservation of payment levels in the LFA in the framework of Axis II. As for Axis III the Agrarian Chamber proposed reclassifying the larger part of the measures from EAFRD operation to other programmes, which, however, would not fulfil the goals of rural development policy, particularly concerning employment, nor the set proportion of individual axes.

#### **The Agrarian Chamber's priorities are the following in particular:**

**Axis I:** Modernisation of enterprises, increase of added value of agricultural and forestry production, support of producer groups.

**Axis II:** Agri-environmental measures, farming in less favoured areas and animal welfare.

**Axis III:** Diversification into non-agricultural activities.

**Axis IV:** Leader.

In the interest of developing expert discussion concerning priorities and strategic goals of the new instruments of EU Common Agricultural Policy (CAP), education on the EAFRD and receipt of feedback from all parties in the countryside to the proposed measures, the Agrarian Chamber in cooperation with the Ministry of Agriculture organised professional seminars in the regions in the form of roundtables. At these meetings EU CAP goals and proposed measures are confronted with actual problems and priorities of the Bohemian and Moravian countryside in current conditions. Particularly valuable outputs of these expert seminars are the comments from actual agricultural practice and the life of people in our countryside leading to proposals to modify the scope or goal of individual measures.

### **12.2.3 Specifics of individual regions**

**National discussion outputs** by type of measure in the framework of absolute order of priorities from EAFRD are the following:

Improving the quality of rural life and the environment.

Change in landscape structure and land consolidation.

Renewal and development of villages (small scale infrastructure).

Modernisation of agricultural holdings.

Compensation payments to farmers in non-mountain areas.

Non-productive investments and increased territory value for the public.



Support of the establishment of the smallest enterprises – strengthening entrepreneurial activities in the countryside.

As far as regional perspectives and specifications are concerned, these involve, for instance, recultivation solutions after mining in the Northwest and Moravian-Silesian regions, wine-industry development in Moravian, and conservation of sheep farming in the Zlín region. Current problems from the regional perspective must be solved in the area of budget designation of taxes on behalf of rural municipalities, improving village school systems, health care access, improving infrastructure on a small scale, expanding the Internet in the countryside and last but not least promoting local quality agricultural production and local specialties in commercial networks of chains present in the Czech Republic (problematic marketing our products as a result of unequal competitive conditions in relation to subsidized production from imports).

**From the conclusions of expert seminars under the auspices of the Ministry of Agriculture and the Agrarian Chamber** it follows that the limiting factor for economic rural development is the issue of accelerating the process of land consolidation. The significance of modernising agricultural enterprises and farms (emphasis on modern technology and innovation), creating connected chains from primary producers to finalisation of production (producer groups), and focusing on increasing added value of agricultural and forestry production were further emphasised. A necessary condition for increasing market competitiveness is engaging producers in quality programmes.

Besides the mentioned phenomena belonging primarily to Axis I, expert seminars also supported a significant orientation to agri-environmental measures in the framework of Axis II measures, and the creation of new job opportunities by diversification of agricultural economy activities in the countryside and the significance of non-agricultural activities in the countryside in Axis III. Further emphasis was placed on rural quality of life, which can be developed under the conditions of the Czech countryside by means of the already familiar Leader methods in the framework of local partnerships in implementing local development strategies of rural micro-regions connected to the SAPARD Programme and the Rural Renewal Programme.

A hierarchy of the importance of measures in the framework of individual axes was determined according to questionnaires:

**Axis I:** Modernisation of enterprises, increase of added value of agricultural and forestry production, support of producer groups.

**Axis II:** Farming in less favoured areas, agri-environmental measures, and first afforestation of agricultural land.

**Axis III:** Renewal and development of villages, basic services for farms and the rural population, diversification activities into non-agricultural nature for agricultural farm members (including use of renewable energy sources).

**APPENDIXES TO AXIS II (CHAPTER 5.2.2)**

## Recalculation coefficients

Species and category of farm animal	Recalculation coefficient to LU
Cattle more than 24 months old	1.0
Cattle from age of 6 to 24 months	0.6
Cattle from age of 1 to 6 months	0.2
Sheep more than 12 months old	0.15
Goats more than 12 months old	0.15
Horses more than 6 months old	1.0
Horses by 6 months	0.4

**Good agricultural and environmental conditions**

- 1) Conservation of landscape elements, particularly hedgerows, terraces, groves, lines of trees and grassed thalwegs,
- 2) Exclusion of cultivating corn, potatoes, beet, broad bean, soy beans and sunflowers on blocks of land or parts thereof with an average slope exceeding 12 degrees,
- 3) Working slurry or manure into soil at most 24 hours after its application, with the exception of supplementary row fertilising of growths using a hose applicator on blocks of land or parts thereof with registered type of arable land culture and with an average slope exceeding 3 degrees, if such an application is not disallowed by special legal regulations,
- 4) Not allowing culture changes of grassland on arable land culture,
- 5) Not burning herb remains on blocks of land or parts thereof,

### *Use of the assessment of agricultural land fund by the yield method for other LFA determination*

Accessible time series statistical data for agricultural production are available at the lowest level by county (NUTS IV). Counties, however, are not homogenous in the Czech Republic from the view of natural conditions and therefore they cannot be used as the basic unit for LFA demarcation.

For this reason the basic and initial criterion for classifying agricultural territories as less favoured areas has become agricultural soil yield as an economic category of land fund evaluation. Determination of agricultural soil yield follows from the integration of long-term information on the agricultural land fund using the valuated soil-ecological units (BPEJ).

The BPEJ system represents a characteristic combination of basic, stable over a long time period features of specific segments of an agricultural territory which are mutually distinct and provide different productive and economic effects.

BPEJ are labelled by a five local numerical code:

- 1. number expresses classification in a given climatic region by a sum of temperatures over 10°C, average annual aggregate of precipitation, probability of dry vegetation periods, rainfall certainty
- 2. and 3 numbers signifies the main soil unit which is characterised by the genetic soil type, grain composition, rainfall conditions etc.
- 4. number is the code for surface slope and exposure of the slope to light sides
- 5. number is a code for the soil depth and stoniness

The Research Institute of Ameliorations and Soil Conservation Prague Zbraslav administers and updates the database. The procedure setting point values of land yield is basically similar to the one used in Germany or Austria. BPEJ yield values as we use them are very similar to the soil fertility index (Ackerzahl) used in Germany.

For indication of soil production capability yields of the main agricultural crops cultivated in the Czech Republic were used (cereals, corn, sugar beet, potatoes, oilseed rape, feed crops, grasslands).

The yields of main agricultural crops, including grasses, were expressed for BPEJ suitable for their cultivation pursuant to the results of long-term observation of the impact of soil-climate conditions on crop yield. Information on long-term yields for given soil-climate conditions were provided by special plant production research offices. At the same time coefficients decreasing these basic yields were determined and applied for extremely stony soil, for slopes and their southern exposure in warm, dry regions or their northern exposure in cool, humid regions.

The share of individual crops in the crop structure for individual BPEJ groups corresponds to optimal agri-environmental principles (i.e. do not allow the cultivation of potatoes for several years running on a single parcel, sugar beet is represented in beet areas, potatoes in potato areas, only grasses are grown in shallow soil in mountain areas and in waterlogged heavy soils, etc.).

For the indication of soil yield from an economic perspective, production per hectare of specific BPEJ was expressed in main agricultural crop prices. The Research Institute of

Agricultural Economics determined prices for individual crops achievable in given regions, pursuant to long-term market price relations and taking into consideration the relation of prices in the EU. Volume feed prices were derived from market prices of feed wheat and barley. The useful value, i.e. the content of metabolised energy in individual feeds, was the coefficient. Production value per hectare for individual BPEJs was expressed using these prices and hectare crop yields. On the other hand, costs per hectare needed for achieving the given crop yield were expressed pursuant to long-term observation of actual costs for main agricultural crops. The correlation between average costs and hectare yields of a given crop were used. Volume of inputs (particular fertiliser dosing) corresponds to the tendency to decrease the negative impact of agriculture on the environment. Cost increases for farming on slopes and stony soil were taken into account with the assistance of coefficients determined for individual crops by the Research Institute of Agricultural Engineering.

The difference between the production value for 1 ha in CZK with a given crop structure and given ha yields and the summary of inputs for their production was called the gross annual profit effect.

The total range of the gross annual rent effect (from CZK 2,500 to +CZK 10,750) became the basis for determining agricultural land point (index) values. This meant transferring this range into a 100-point scale. Soil point value is expressed by an index from 6 to 100 points.

Grassland grown in cool, humid climate regions with an average annual temperature below 5°C, in deep ravines with very steep slopes exceeding 30 %, where soil is not suitable for agricultural production but should be forested, has the lowest value of 6 points.

Black earth on loess, which is medium heavy, more than 60 cm deep, with a favourable water regime, in warm, moderately humid climate regions with average annual temperatures of 8-9°C, on a completely flat plain without the possibility of surface water erosion has the highest value of 100 points. These are soils suitable for cultivating intense market crops, sugar beets, and vegetables.

The system described was approved in 1998 as the basis for evaluating relations of soil-climate conditions and economic conditions for farming on land. Representatives of the agricultural public, research institutes and affected ministries participated in discussions. The use of point soil evaluation was recommended as a basis for aid claims in less favoured areas. The system described has also been used for this purpose up to the present. In addition it is also used for tax purposes, for land appraisal during land consolidation etc.

### ***Use for determining LFA***

The method set out above was used for the demarcation of other LFA and areas with specific restrictions. The average point value of agricultural land on the territory of each cadastre or on the territory of each self-governing municipality in the Czech Republic was calculated pursuant to assessment maps and databases. The national average point value yield of all agricultural land in the Czech Republic is 42.2 points.

***Method of LFA demarcation***

The Arc View GIS geographical information system was used for the demarcation of less favoured areas. The basic territorial unit, to which geographical, soil-ecological, economic and demographic data was applied, is the territory of a self-governing municipality according to the codebook of CSO municipalities valid at 1.1.2005.

Basic input information classifying the territory of each municipality is the following:

- Referential elevation above sea-level of the territory was prepared and presented by the Land Measurement Office Prague.
- Slope of the municipality's territory - share of land with a slope exceeding 15 % - was prepared according to digital terrain models.
- Climate region of the municipality's territory (by representation of BPEJ on the municipality's territory).
- Average yield of agricultural land in points (by representation of BPEJ on the municipality's territory).
- Population density – number of inhabitants of the municipality (results of Census of people, houses and apartments 2001) divided by the area of the municipality's territory according to the Czech Office for Surveying, Mapping and Cadastre (ČÚZK).
- Share of workers in agriculture, forestry and fishing of economically productive population of the municipality in % (results of Census of people, houses and apartments 2001).
- Share of arable land of agricultural land in the territory of the municipality (ČÚZK).
- Share of permanent grasslands of agricultural land (ČÚZK).

The data set characterising a territory was assigned to each territory of the municipality designated on the map. Homogenous territorial units of mountain and other less favoured areas were then determined based on the map documentation.

**Mountain areas** (Art. 50 Para. 2, in compliance with Art. 93 of Council Regulation (EC) No. 1698/2005

Criteria

- average height above sea level of the municipality's territory greater than or equal to 600 m
- or average height above sea level of the municipality's territory equal to 500 m and less than 600 m and at the same time with a slope exceeding 15 % on an area of more than 50% of the total area of land in the municipality

***Technical determination of mountain areas:***

Using Arc View GIS territories of municipalities, whose criteria authorise their classification in mountain areas, were marked on the map. If a municipality's territory, possibly cadastral territory, inside a mountain area demarked in this way did not meet some of

the determined criteria it was also included in the mountain area.

If the municipality's territory along the perimeter of a mountain area defined this way does not meet one of the criteria, but significantly exceeds the other criterion it was also included in the mountain area.

Parts of municipalities (cadastral territories) were also included in mountain areas if they met the criteria for a mountain area.

**Other less favoured areas** (Art. 50 Para. 3a), in compliance with Art. 93 of Council Regulation (EC) No. 1698/2005)

#### Criteria

Integral territories which meet all the following criteria at the same time:

*in the county framework (NUTS IV):*

- average agricultural land yield less than 34 points (80 % of the average of the Czech Republic)

*in the region framework (NUTS III):*

- population density less than 75 inhabitants per km<sup>2</sup> (average of the Czech Republic is 130 inhabitants per km<sup>2</sup>)
- share of workers in agriculture, forestry and fishing of economically active population greater than 8 % (average of the Czech Republic is 4.37 % according to the 2001 census)

Parts of municipalities (cadastral territories) were included in other less favoured areas if their average agricultural land yield is less than 34 points and they are territorially connected with other less favoured areas\*<sup>1</sup>.

#### Technical determination of other LFA

Other less favoured areas were defined as integral territories in the county framework. In average these units meet the given natural, economic and demographic criteria. Territory of municipalities with an average yield of 34 points was labelled using the Arc View GIS geographical information system.

If inside areas designated in this way there is a municipality with an average territory yield above 34 points, the territory of this municipality was also included in the other less favoured area category in the interest of creating homogeneous units. If along the perimeter of an area defined in this way a municipality's territory is located with an average soil point value greater than or equal to 34 points but less than 38 points, it was also included in the other less favoured area category in the interest of creating homogeneous units.

Principles for including municipalities with yields greater than or equal to 34 points:

- they must neighbour the territory of a municipality with a point value of less than 34 points
- they cannot increase the average of the LFA county above 34 points.

The result is the creation of integral territorial units in the county framework with an



average point value of less than 34 points (80 % of the average of the Czech Republic), average population density in these territorial units in the framework of the region or county of less than 75 inhabitants per km<sup>2</sup> and share of farmers of the economically active population of greater than 8 %. County territories designated this way were included in the category of other LFA. Parts of municipalities not included in LFA were allocated to integral territorial units of other LFA determined in this way. These were cadastral territories with an average yield below 34 points, if these parts of the municipalities are connected with the LFA areas and form a homogeneous territorial unit with them. In this way the unfavourable impact of the administrative organisation of municipalities on agricultural enterprises in less favoured areas is eliminated.

**Areas with specific restrictions** (Art. 50 Para. 3b), in compliance with Art. 93 of Council Regulation (EC) No. 1698/2005)

#### Criteria

- Territories of municipalities or cadastral territories in foothill areas in the northwest and east of the Czech Republic, with an average soil yield of less than 34 points (80 % of the average of the Czech Republic). Agriculture in these border areas has had a special position within the Czech Republic for a long time and it is crucial to support it to preserve and renew the cultural character of the region as a recreational base of towns and for the development of tourism.
- Individual territories of municipalities and cadastral territories with soil yield below 34 points or cadastral territories with soil yield greater than or equal to 34 points and less than 38 points and at the same time with a slope above 7° (12.3 %) on an area of greater than 50 % of the area of agricultural land of the cadastral territory\*) which area located within favourable (not-classified) areas. In these territories it is necessary to preserve agricultural production for the purpose of maintaining the rural landscape, tourist potential and environmental protection.
- Territory of municipalities which were classified as LFA from 2004-2006 and due to updating of entry data already do not meet the criteria for LFA demarcation.

#### Technical determination of areas with specific restrictions

In areas in the north and west of Bohemia (the former Sudetenland) and in the foothills in the east of Moravia there is only a small proportion of the economically active population are farmers and at the same time (or besides this) the population density is greater than 75 inhabitants per km<sup>2</sup>. Here agricultural has always had a special character and it has a unique function here in preserving the viability of these areas. Territory of municipalities here with a soil yield of less than 34 points was classified as areas with specific restrictions. An exception is Nový Jičín county, where two different LFA areas were created. The specific restrictions in this county are on the east towards the specific areas of Vsetín and Frýdek Místek counties and territory of municipalities in the western part of the county matches the other Jeseník mountain municipalities classified as other LFA. Similarly, in the interest of creating natural regions those municipalities in Karlovy Vary and Cheb counties which are connected to the other LFA area in the Plzeň region were also classified as other LFA.

Territory of municipalities and cadastral territories of unclassified municipalities located within favourable areas were classified as areas with specific restrictions if their yield was below 34 points.

Cadastral territories of unclassified municipalities located within favourable areas were also classified as areas with specific restrictions if their yield was greater than or equal to 34 points and less than 38 points and at the same time with a slope above 7° (12.3 %) on an area of greater than 50 % of the area of agricultural land of the cadastral territory<sup>\*)</sup>. In these territories it is necessary to preserve agricultural production for the purpose of maintaining the rural landscape, tourist potential and environmental protection.

The territory of municipalities which no longer meet the criteria for LFA demarcation due to updating input data were also included in areas with specific restrictions. These territories will remain in the LFA classification until 2010 to keep the possibility of meeting the obligation of operating agricultural activities for a minimal period of 5 years from the first payment of the compensatory contribution to applicants farming in LFA areas demarked for the period of 2004-2006, which would be removed from the category as part of updating input data.

### *Notes*

For county and regional towns classified as parts of municipalities in LFA the land use planning bodies of the Ministry of Agricultural together with local farm representatives made a decision based on their character. Cadastral territories with a large share of improved land, and current or prepared industrial zone were not included in the LFA even if they had a yield value below 34 points. Cadastral territories of non-independent municipalities, territorially distant from the town centre and with worse transportation service, where agriculture provides work opportunities to inhabitants, were included in the classification. Farmers here farm with the support of LFA compensatory payments for mountain or other LFA type 1, 2 and 3 areas.

<sup>\*)</sup> This does not relate to cadastral areas of county and regional towns within less favoured areas or connected with demarked less favoured areas where land use planning of the Ministry of Agricultural together with local farm representatives made a decision on inclusion of part of the municipality into the LFA based on their character.

### ***Changes in area of LFAs in RDP in comparison with LFAs in HRDP***

From table set out below it is obvious that in comparison with the period 2004 – 2006 an increase in the extent of LFAs areas (by 71.5 thousand ha in total) occurred, particularly in H areas (by 101.9 thousand ha) and O (by 5.2 thousand ha), in contrast the extent of S areas decreased (by 35.6 thousand ha). Although the methodology to delimit LFAs from the previous programming period 2004 - 2006 has been preserved, certain input data have been updated:

1. change in the adjustment of administrative units in the Czech Republic as on 1 January 2005 when changes and of boundaries and territory sizes of individual municipalities occurred,
2. average slope data have been updated according to the digital model of a terrain. The slope of territories from BPEJ (4<sup>th</sup> number of five local numerical code, see Appendix No.3) has been determined for programming period 2004 – 2006. The Czech Republic has available the digital data at present and the slope calculated according to the digital model of a terrain is recognized as a method more suitable from the reason of wider

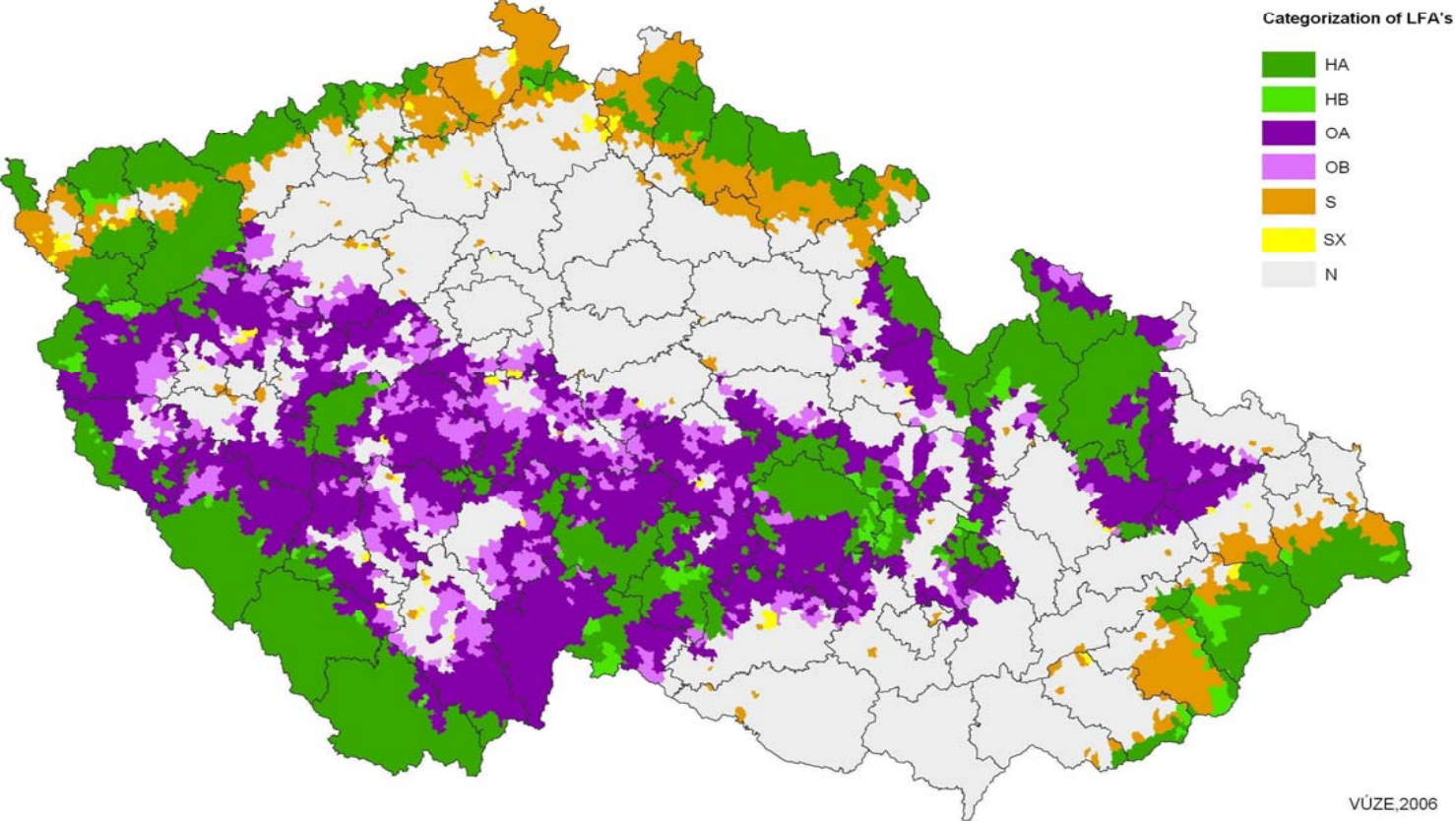
application in EU member states.

3. updating of municipalities' BPEJ by 17 May 2006, on which basis has been calculated average point value of agricultural land on the territory of each cadastre or on territory of each self-governing municipality in the Czech Republic (see Appendix No. 3).

### Comparison of the extent of LFAs

LFA type	Total area of territory (HRDP 2004-2006)		Total area of territory (RDP 2007-2010)	
	thousand ha	%	thousand ha	%
<i>Mountain</i>	1 762.50	22.30	1864.40	23.60
<i>Other</i>	2 204.40	28.00	2209.60	28.00
<i>Specific</i>	607.60	7.70	572.00	7.30
<b>Total LFAs</b>	<b>4 574.50</b>	<b>58.00</b>	<b>4 646.00</b>	<b>58.90</b>
Favoured area	3 312.30	42.00	3 240.70	41.10
Total Czech R.	<b>7 886.70</b>	<b>100</b>	<b>7 886.70</b>	<b>100</b>

**DELIMITATION OF LFA's FROM 2007**



**PAYMENTS - LFA**

<b>Results from FADN</b>	<b>outside LFA</b>	<b>of S - LFA</b>	<b>O - LFA</b>	<b>H - LFA</b>
Disadvantage – GAV difference without grants	55.8	49 %	47 %	64 %
Cost saving factor		78 %	78 %	51 %
<b>Compensation calculation</b>	Compensation level			100 %
<b>MOUNTAIN</b>	CZK/ha	CZK/ha		
Percentage of lower economic yield		64 %		
Computation base (difference of yield as GAV difference)		7431		
Cost saving factor due to lower intensity (according to FADN)		2972	in %	40% (51%)
Compensation base		4458		
Proposed average compensation per ha of agricultural land	(2590)	4458		
Compensation per ha of arable land	<b>0</b>	0	Arable land	42%
Compensation per ha of permanent grassland	<b>4460</b>	4458	Proportion of permanent grassland	0% payment %
<b>OTHER LFAs</b>				
Percentage of lower economic yield		47%		
Computation base		5526		
Cost saving factor due to lower intensity		2210	in %	40 % (78%)
Compensation base		3316		
Proposed average compensation per ha of agricultural land.	(833)	3316		
Compensation per ha of arable land	<b>0</b>	0	Arable land	75%
Compensation per ha of permanent grassland	<b>3320</b>	3316	Proportion of permanent grassland	0% payment %
<b>SPECIFIC LFAs</b>				
Percentage of lower economic yield		49%		
Computation base		5693		
Cost saving factor		2277	in %	40% (78%)
Compensation base		3416		
Proposed average compensation per ha of agricultural land	(1599)	3416		
Compensation per ha of arable land	<b>0</b>	0	Arable land	53%

Compensation per ha of permanent grassland

3420

3416

Proportion of 0%  
payments %  
permanent  
grassland

*PAYMENTS – Natura 2000 for agric. land***Compensation in areas that are Natura 200 and at the same time 1 zone NP and PLA**

<b>Income foregone from decreased production CZK/ha</b>	<b>CZK/ha</b>
Income with typical fertilisation level (80 kg N/ha)	6,517
Income with decreased fertilisation level (0 kg N/ha)	3,163
<b>Total income foregone</b>	<b>3,354</b>
<b>Proposed amount of support (100% income foregone)</b>	<b>3,355</b>

## ***PAYMENTS – AGR-ENVIRONMENTAL MEASURES***

The calculations set out have been prepared as a base for the determination of payments with the participation in individual agri-environmental measures proposed in the framework of the newly prepared “***Rural development programme of the Czech Republic for the period 2007-2013.***”

The goal of calculations is to substantiate the final support payment amount for agricultural parties during their participation in individual agri-environmental measures by accessible real data and long-term averages.

The payment calculation method follows from the concept defined by Council Regulation (EC) No. 1698/2005. Payment covers:

- income foregone resulting from decreased production intensity or the preservation of a certain extent of production,
- additional increased costs resulting from the performance of activities beyond the framework of typical agricultural practice,
- transaction costs, if needed.

Agri-environmental payments apply only to those obligations which are beyond the framework of applicable obligatory norms and requirements introduced by state legal regulations.

### **Payment calculation methodology and database**

The payment calculation methodology is based on the determination of income foregone and additional costs resulting from the agri-environmental obligation.

The income foregone calculation proceeds from comparing contributions for the compensation of fixed costs and profit (gross margin) for individual farming methods. Income foregone/reduction occurs mainly due to reduced production intensity or the maintenance of an already existing favourable level of extensification. The additional cost calculation is founded on the determination of costs additionally needed to meet the conditions provided by a specific agri-environmental obligation.

***Payment contribution*** is generally defined as the difference between market production and the variable costs of individual commodities. The market production value is calculated from the natural amount of a manufactured product multiplied by the average realization price generally attained on the market or achieved from sampling study. Variable costs change depending on changes in production volume, for plant production these involves items such as costs for seeds, fertilisers, plant protection products, external services, direct salary costs etc. An advantage of using a payment contribution for fixed costs and profit is that the benefit from a specific commodity is matched without including the impact of fixed costs, i.e. independent of the level of the enterprise’s technical equipment (depreciation) and administration size (overhead).



The database for payment calculation proceeds from all published sources, where the main sources of information are:

- Data on the costs of agricultural products from following FADN<sup>22</sup>; the Research Institute of Agricultural Economics (VÚZE) publishes annually the publication “*Costs of agricultural products in the Czech Republic*”
- Data on typical silvicultural and breeding technologies in the Czech Republic; the Institute on Agricultural and Food Information (ÚZPI) publishes the publication “*Agricultural production technology norms*” biannually.
- Norms for agriculture; the Institute on Agricultural and Food Information (ÚZPI) publishes the publication “*Agricultural and food production norms*” biannually

At the same time other suitable information sources were used such as information from the Czech Statistical Office (CSO), the Situation and Overview Reports of the Ministry of Agriculture, consultations with advisors and experts, our own findings, results of assigned studies or related projects etc.

For most calculations of the payment contribution for fixed costs and profit contribution data particularly for the time period 2001 – 2004 according to FADN examinations was used. If data for 2005 was also available, this was used (for instance average agricultural product prices published by CSO etc.).

Data on costs based on information published in the publications set out above, or current data, if it was acquired in the form of market research. Information related to the prices of material input, expenditures for agrotechnical operations on agricultural land etc. were updated and correspond to the situation for 2005. Payment calculations for specific managements also use materials related to local conditions. Data was secured both by research of a given area as well as by consultation with local nature preservation authorities or other organisations acting in a given region.

The following overview describes in detail basic calculation items setting out the methodology by which they were calculated and their source.

#### 1) **Payment contribution for fixed costs and profit – production on arable land**

The value of the payment contribution in the amount of **CZK 8,750/ha** is determined as the weighted average of payment contribution of three selected crops for legal and natural persons according to FADN examination for the period 2001-2004 (*source: VÚZE<sup>23</sup> in Costs of agricultural products in agricultural enterprises of the Czech Republic for 2001 to 2004.*) For calculation three main market crops were selected, specifically winter wheat, spring barley and winter oilseed rape in a ratio

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22 FADN = Farm Accountancy Data Network

23 Research Institute of Agricultural Economics in Prague, Mánesova 75, 120 58 Prague 2

corresponding to their joint share in sown area in the Czech Republic (*source: CSO<sup>24</sup> crop areas*).

- 2) **Payment contribution for fixed costs and profit – production on grasslands** The calculation proceeds from the payment contribution for fixed costs and profit of cattle production. The cattle category comprised 96 % of the total number of LU ruminators during the studied period of 2001 – 2005. The contribution indicator for reimbursement is calculated from results for market production (milk, meat), i.e. for categories of dairy cows and cattle for fattening, during the period 2001 – 2004. The value of the payment contribution in the amount of **CZK 12,560/LU** has been determined again as the weighted average of payment contribution of the given two categories for legal and natural persons, where the weight was the number of feeding days in the examined FADN. (*source: VÚZE Costs of agricultural products in agricultural enterprises of the Czech Republic for 2001 to 2004*). The resulting payment contribution for cattle corresponds to the average payment contribution for dairy cows and fattening of cattle in the ratio which corresponds to the number of DJ of the given category in the conditions of the Czech Republic (*source: CSO number of farm animals*).

3) **Payment contribution for fixed costs and profit - meadows**

The computation proceeds from the payment contribution for fixed costs and profit of the production of hay on meadows. The value of the payment contribution is determined as the weighted average of payment contribution of the production of hay for legal and natural persons according to FADN examination for the period 2001-2004 (*source: VÚZE - Costs of agricultural products in agricultural enterprises of the Czech Republic for 2001 to 2004*). The material for the designation of the yield amount of fodder/hay with the reduced fertilisation level was data from the NAZV project (*QC 0067/2000 Agricultural economy in fragile areas*) as well as the results of our own study of hectare of fodder yields in 1 zones of Specially Protected Areas, where a complete ban on fertiliser application applies.

4) **Payment calculation for organic farming**

Calculations partially proceed from the results of the NAZV project (*QF 3278 Objectivisation of supply and demand for organic products and the possibility of influencing that*) in the framework of which a collection of organic farmers was created and the collection of economic data was ensured according to FADN methodology for the period 2001 – 2004. Part of the data could also be drawn directly from the FADN database, which contains several organic farmers under study, but this continues to be a small respondent sample.

Additional information, particularly material for payment calculations for vegetables, fruit and wine, was necessary to ensure by agreement as part of assigned studies (*Zdražil, V.: Study – payment calculations for organic farming for growing types of vegetable, fruit and vineyard, 12/2002 and newly Škeřík, J.: Study for payment calculation for organic farming in the framework of agri-environmental measures for growing types of vegetable, fruit and vineyard, 12/2005*).

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<sup>24</sup> Czech Statistical Office, Sokolovská 142, 186 04 Prague 8

## 5) Payment calculation for integrated production

Calculations for the most part proceed from materials supplied by individual associations (SISPO<sup>25</sup>, Association of integrated grape and wine production and Vegetable-grower union for integrated vegetable production) according to the methodology worked out at VÚZE. Part of the information also could be drawn directly from the FADN database, which contains several small parties running integrated fruit and wine production.

## 6) Additional cost calculation for equipment

For the designation of costs for typical agrotechnical operations on agricultural land the handbooks *Norms of agricultural production technologies and Norms for agricultural and food production (2003 and updated edition 2006)* were used.

## 7) Additional cost calculation for manual labour

To designate costs for manual labour we proceeded from our own findings - market research - information provided by agricultural consultants, from existing agreements with farmers on specific activities in the framework of the Landscape management programme (PPK) as well as from prices set out in the *Catalogue of individual prices and description of labour* (published 2x annually by ÚRS<sup>26</sup> Prague).

Labour costs are derived according to values of hourly labour costs classified by industry for the period 2001 – 2004, i.e. for agriculture, hunting and related activities in the amount of roughly CZK 110/hour (*source: CSO hourly labour costs by industry*).

From the perspective of methodology it was necessary to first perform a computation of basic information for the following calculations. The following table contains this information.

### Basic information for calculations

Payment contribution for fixed costs and profit – arable land (winter wheat : spring barley : winter oilseed rape)	<b>8,750 CZK/ha</b>
Payment contribution for fixed costs and profit – winter wheat	8,774 CZK/ha
Payment contribution for fixed costs and profit – spring barley	9,398 CZK/ha
Payment contribution for fixed costs and profit – winter oilseed rape	7,973 CZK/ha
Payment contribution for fixed costs and profit – cattle (dairy : meat cattle)	<b>12,560 CZK/DJ</b>
Payment contribution for fixed costs and profit – dairy cattle	16,155 CZK/DJ
Payment contribution for fixed costs and profit – meat cattle	4,997 CZK/DJ
Payment contribution for fixed costs and profit – meadows (80kgN/ha)	6,517 CZK/ha
Payment contribution for fixed costs and profit – meadows (40kgN/ha)	4,289 CZK/ha
Payment contribution for fixed costs and profit – meadows (0kgN/ha)	3,163 CZK/ha
Average intensity of animal rearing on permanent grassland	1.5 LU/ha
Costs for nitrate fertilisers (kg č.ž)	20 CZK/kgN

<sup>25</sup> Association for integrated fruit cultivation systems, VŠÚO Holovousy 1, 508 01 Hořice

<sup>26</sup> ÚRS = Office of rationalization in building Prague

Costs for fuels (diesel)	27 CZK/1
Labour costs	110 CZK/h

Deduction for 1<sup>st</sup> zone NP and PLA for AEM is the amount of 3,355 CZK/ha.

## Calculations

### 1 Environmentally friendly approaches

#### 1.1 Organic farming

##### A. Arable land

##### Calculation starting point

The payment is built on the difference between the payment contribution for fixed costs and profit of organic and conventional production on arable land. Other factors at work in organic farming, such as the greater share of catch crops use in crop rotation and more intensive use of farmyard manures, the application of which is costlier, also enter into the payment calculation.

	CZK/ha	CZK/ha
<b>Income foregone</b>		
Payment contribution for fixed costs and profit for organic production on arable land	5,406	
Payment contribution for fixed costs and profit for conventional production on arable land	8,750	
Total income foregone (difference between payment contributions)		3,344
<b>Additional costs</b>		
Additional costs for catch crops <sup>27</sup>	349	

<sup>27</sup> In organic farming the representation of intermediary crops on arable land is higher by approximately 11.25% according to examination by questionnaire. The sowing of intermediary crops means additional costs for farmers, therefore. additional costs equal 11.25% of costs for intermediary crops, i.e.  $0.1125 \cdot 3100$

Total additional costs	1,275
<b>Total income foregone and additional costs</b>	<b>4,619</b>
<b>Proposed amount of support (100 %)</b>	<b>4,619</b>
<b>Proposed amount of support - rounded</b>	<b>4,620</b>
<i>Current payment in HRDP</i>	3,520
<i>Difference</i>	+1,100

## B. Grasslands

### Calculation starting point

The payment is built on the difference between the contributions for the payment contribution for fixed costs and profit of organic and conventional production of cattle. The difference in income of animal production is then used as a basis for the calculation of payments on grasslands, which proceed from average use of pasturing grasslands by cattle in organic farming. Income foregone in organic farming is caused primarily by the lower utility of raised animals related to the application of a different system of animal rearing.

	CZK/LU	CZK/ha
<b>Income foregone</b>		
Payment contribution for fixed costs and profit for organic cattle rearing	8,147	
Payment contribution for fixed costs and profit for conventional cattle rearing	12,560	
Difference between payment contribution for fixed costs and profit	4,413	
Total income foregone – recalculation <sup>29</sup>		2,648
<b>Total income foregone</b>		<b>2,648</b>
<b>Proposed amount of support (100 %)</b>		<b>2,648</b>

CZK/ha.

<sup>28</sup> According to examination by questionnaire the use of farmyard manures is more frequent in OF (1x every 3 to 4 years) than for similar conventional farm enterprises (1x every 5 years). The difference (1/3.5 and 1/5) equals approximately 8.6 % and means higher costs for fertility maintenance for organic production on arable land ( $0.086 \cdot 10,800$  CZK/ha).

<sup>29</sup> The calculated difference between payment contribution for fixed costs and profit for organic and conventional production of cattle has to be recalculated per hectare of grasslands using the corresponding burden, i.e. number of LU/ha of grassland. For the recalculation the value corresponding to the average between actual burden in organic farming (0.35 LU/ha grasslands) and the median value of burden determined for this management (i.e.  $(0.2+1.5)/2=0.85$  LU/ha) was chosen. Income loss is thus 0.6 LU/ha\* 4413 CZK/LU.

<b>Proposed amount of support - rounded</b>	<b>2,650</b>
<i>Current payment in HRDP</i>	<i>1,100</i>
<i>Difference</i>	<i>+1,550</i>

### **C. Permanent cultures**

#### **Calculation starting point**

The payment is built on the difference between the payment contribution for fixed costs and profit of organic and conventional production of orchards and vineyards. For calculating the payment contribution in the case of organic production higher labour costs, lower realized hectare yield, savings resulting from lower consumption of plant protection products and higher realized sales price of organic production were taken into account.

	<b>CZK/ha</b>	<b>CZK/ha</b>
<b>Income foregone</b>		
Difference between payment contribution for fixed costs and profit - orchards	38,560	
Difference between payment contribution for fixed costs and profit - vineyards	43,006	
<b>Total income foregone <sup>30</sup></b>		<b>40,783</b>
<b>Proposed amount of support (62 %)</b>		<b>25,285</b>
<b>Proposed amount of support - rounded</b>		<b>25,285</b>
<i>Current payment in HRDP (30 %)</i>		<i>12,235</i>
<i>Difference</i>		<i>+13,050</i>

### **D. Vegetables and special herbs on arable land**

#### **Calculation starting point**

The payment is built on the difference between the payment contribution for fixed costs and profit of organic and conventional vegetable production on arable land, specifically for three main crops – carrots, onions and cabbage. The cultivation of herbs on arable land in the framework of organic farming can be ignored due to its minimal extent and the same payment as for cultivating vegetables can be used.

For calculating the payment contribution in the case of organic production higher labour costs and seeds, cost savings resulting from lower consumption of plant protection products, as well as lower realized hectare yield due to the use of specific agrotechnical measures, and higher realized sales price of organic production were taken into account.

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<sup>30</sup> *The resulting income loss is calculated as the arithmetic mean of the difference between payment contribution for fixed costs and profit for orchards and vineyards.*

	CZK/ha	CZK/ha
<b>Income foregone</b>		
Difference between payment contribution for fixed costs and profit - carrots	32,755	
Difference between payment contribution for fixed costs and profit - onions	13,382	
Difference between payment contribution for fixed costs and profit - cabbage	4,337	
<b>Total income foregone <sup>31</sup></b>		<b>30,531</b>
<b>Proposed amount of support (55 %)</b>		<b>16,792</b>
<b>Proposed amount of support - rounded</b>		<b>16,790</b>
<i>Current payment in HRDP (30 %)</i>		<i>11,050</i>
<i>Difference</i>		<i>+5,740</i>

## 1.2 Integrated production

### A. Integrated production of fruit

#### Calculation starting point

The payment is built on the difference between the contributions for the payment contribution for fixed costs and profit of integrated and conventional production of fruit. In the calculation of the payment contribution for fixed costs and profit for integrated products higher labour costs, lower realized sales prices due to lower quality of part of production as well as the difference between costs for more expensive agents in IP compared with regular agents were all taken into account.

At the same time in the use of integrated production additional costs arise for obligatory soil analysis and production as well as regular signalling and monitoring of harmful factors.

	CZK/ha	CZK/ha
<b>Income foregone</b>		
Payment contribution for fixed costs and profit for integrated production - orchards	19,609	
Payment contribution for fixed costs and profit for conventional production - orchards	31,495	
Total income foregone (difference between payment contributions)		11,886
<b>Additional costs</b>		

<sup>31</sup> The resulting income loss is calculated as the weighted average of the difference between payment contribution for fixed costs and profit for the three main crops, where the weight is the size of their cultivated area in organic farming.

Costs of signalisation and monitoring <sup>32</sup>	850
Costs for obligatory analysis <sup>33</sup>	217
Total additional costs	1,067
<b>Total income foregone and additional costs</b>	<b>12,953</b>
<b>Proposed amount of support (100 %)</b>	<b>12,953</b>
<b>Proposed amount of support - rounded</b>	<b>12,955</b>
<i>Current payment in HRDP (100 %)</i>	<i>9,857</i>
<i>Difference</i>	<i>+3,098</i>

## **B. Integrated production of grapes**

### **Calculation starting point**

The payment is built on the difference between the contributions for the payment contribution for fixed costs and profit of integrated and conventional production of grapes. In the calculation of the payment contribution for fixed costs and profit for integrated products higher labour costs, lower hectare yields due to the use of specific agrotechnical measures as well as the difference between costs for more expensive agents in IP compared with regular ones were all taken into account. No additional costs were identified for the calculation.

	CZK/ha	CZK/ha
<b>Income foregone</b>		
Payment contribution for fixed costs and profit for integrated production - vineyards	15,742	
Payment contribution for fixed costs and profit for conventional production - vineyards	30,852	
<b>Total income foregone (difference between payment contributions)</b>		<b>15,110</b>
<b>Proposed amount of support (100 %)</b>		<b>15,110</b>
<b>Proposed amount of support - rounded</b>		<b>15,110</b>
<i>Current payment in HRDP (100 %)</i>		<i>11,642</i>
<i>Difference</i>		<i>+3,468</i>

<sup>32</sup> Acquisition of a signalisation station at a cost of CZK 47,100 with a useful life of 6 years and average enterprise area of 21 ha totals (47100/6/21) CZK 374/ha. In addition average annual costs for monitoring and training are calculated in the amount of CZK 10,000 per enterprise, i.e. (10000\* 21) CZK 476/ha. Total costs for signalisation and monitoring of harmful factors thus equals (374+476) CZK 850/ha.

<sup>33</sup> Soil analysis is performed from three sites with a validity of 6 years and crop analysis is performed 3x each year. At an average analysis price of CZK 1,300/sample and average enterprise area of 21 ha, costs equal CZK 217/ha. ((costs for soil analysis – 3\*1,300/6) + (costs for crop analysis – 3\*1,300))/21 ha.



## C. Integrated production of vegetables

### Calculation starting point

The payment is built on the difference between the payment contribution for fixed costs and profit of organic and conventional vegetable production on arable land, specifically for four main crops – carrots, onions, cauliflower and iceberg lettuce. In the calculation of the payment contribution for fixed costs and profit for integrated products higher labour and seed costs, lower hectare yields due to the use of specific agrotechnical measures as well as the difference between costs for more expensive agents in IP compared with regular ones were all taken into account.

At the same time in the use of integrated production additional costs arise for obligatory produce analysis and monitoring of harmful factors.

	CZK/ha	CZK/ha
<b>Income foregone</b>		
Difference between payment contribution for fixed costs and profit - carrots	17,404	
Difference between payment contribution for fixed costs and profit - onions	10,040	
Difference between payment contribution for fixed costs and profit - cauliflower	21,758,	
Difference between payment contribution for fixed costs and profit – iceberg lettuce	40,781,	
Total income foregone <sup>34</sup>		15,788
<b>Additional costs</b>		
Monitoring costs (catchers)	250	
Obligatory produce analysis costs	350	
Total additional costs		600
<b>Total income foregone and additional costs</b>		<b>16,388</b>
<b>Proposed amount of support (80%)</b>		<b>13,110</b>
<b>Proposed amount of support - rounded</b>		<b>13,110</b>
<i>Current payment in HRDP</i>		<i>None</i>
<i>Difference</i>		<i>X</i>

## 2 Grassland management

### 2.1 Meadows

#### Calculation starting point

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<sup>34</sup> The resulting income loss is calculated as the weighted average of the difference between payment contribution for fixed costs and profit for the four main crops, where the weight is the size of their cultivated area in integrated production.

On these areas primarily the production of hay/haylage for farm animal feeds is considered. The requirement for extensive meadow use thus may mean loss of production of grass mass. The payment is built on the difference between the payment contribution for fixed costs and profit on meadows with typical application of fertilisers and farmyard manures and with the required reduced levels of application of fertilisers and manures. The introduction of N on the basis of allowing meadow regrowth (approximately 20 kg N/ha) is not counted in the contribution calculation. In addition income foregone occurs due to worsened quality of hay production caused by limiting or delaying the term of mowing.

For the managements Fertilised mesophilic and hydrophilic meadows and Fertilised mountain and xerophilic meadows additional costs are created at the same time by application of manures or compost. Further additional costs are counted for cutting growth in connection with the condition of carrying out mowing from the middle to edges, where increased costs due to the number of trips is anticipated.

### **B1 Meadows – basic management**

	CZK/ha	CZK/ha
<b>Income foregone</b>		
Payment contribution for fixed costs and profit on meadows with typical level of fertilising (80 kg N/ha)	6,517	
Payment contribution for fixed costs and profit on meadows with reduced level of fertilising (40 kg N/ha)	4,289	
<b>Total income foregone (difference between payment contributions)</b>		<b>2,228</b>
<b>Proposed amount of support (100 %)</b>		<b>2,228</b>
<b>Proposed amount of support - rounded</b>		<b>2,230</b>
<i>Current payment in HRDP</i>		<i>1,920</i>
<i>Difference</i>		<i>+310</i>

### **B2.1 Fertilised mesophilic and hydrophilic meadows**

	CZK/ha	CZK/ha
<b>Income foregone</b>		
Payment contribution for fixed costs and profit on meadows with typical level of fertilising (80 kg N/ha)	6,517	
Payment contribution for fixed costs and profit on meadows with reduced level of fertilising (40 kg N/ha)	4,289	
Total income foregone (difference between payment contributions)		2,228
<b>Additional costs</b>		
Additional costs for the application of manure or compost		655

Additional costs due to more difficult mowing <sup>35</sup>	98
<b>Total income foregone and additional costs</b>	<b>2,981</b>
<b>Proposed amount of support (100 %)</b>	<b>2,981</b>
<b>Proposed amount of support - rounded</b>	<b>2,980,</b>
<i>Current payment in HRDP</i>	<i>None</i>
<i>Difference</i>	<i>X</i>

### **B2.2 Unfertilised mesophilic and hydrophilic meadows**

	CZK/ha	CZK/ha
<b>Income foregone</b>		
Payment contribution for fixed costs and profit on meadows with typical level of fertilising (80 kg N/ha)	6,517	
Payment contribution for fixed costs and profit on meadows with reduced level of fertilising (0 kg N/ha)	3,163	
Total income foregone (difference between payment contributions)		3,354
<b>Additional costs</b>		
Additional costs due to more difficult mowing <sup>36</sup>		98
<b>Total income foregone and additional costs</b>		<b>3,452</b>
<b>Proposed amount of support (100 %)</b>		<b>3,452</b>
<b>Proposed amount of support - rounded</b>		<b>3,450</b>
<i>Current payment in HRDP</i>		<i>None</i>
<i>Difference</i>		<i>X</i>

### **B2.3 Mesophilic and hydrophilic meadows with unmowed belts**

	CZK/ha	CZK/ha
<b>Income foregone</b>		
Payment contribution for fixed costs and profit on meadows with typical level of fertilising (80 kg N/ha)	6,517	
Payment contribution for fixed costs and profit on meadows with reduced level of fertilising (0 kg N/ha)	3,163	

<sup>35</sup> Increased costs for mowing of approximately 10% are assumed as a result of the condition of mowing from the middle to the edges. Under the assumption of two mowings on these meadows total increased costs equal (2\*490\*0.1).

<sup>36</sup> Increased costs for mowing of approximately 10% are assumed as a result of the condition of mowing from the middle to the edges. Under the assumption of two mowings on these meadows total increased costs equal (2\*490\*0.1).

Total income foregone (difference between payment contributions) <sup>37</sup>	3,354
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Loss of production from unmowed belt (10 % of area) in a given year <sup>38</sup> 316

Loss of production from the unmowed belt due to mowing in the spring of the following year 189

Total income foregone	3,859
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**Additional costs**

Additional costs for removing the unmowed belt (10 % of area)<sup>39</sup> 116

Additional costs for equipment <sup>40</sup>	29
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Total additional costs	145
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<b>Total income foregone and additional costs</b>	<b>4,004</b>
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<b>Proposed amount of support (100 %)</b>	<b>4,004</b>
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<b>Proposed amount of support - rounded</b>	<b>4,005,</b>
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<i>Current payment in HRDP</i>	<i>None</i>
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<i>Difference</i>	<i>X</i>
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**B3.1 Fertilised mountain and xerophilic meadows**

	CZK/ha	CZK/ha
<b>Income foregone</b>		
Payment contribution for fixed costs and profit on meadows with typical level of fertilising (80 kg N/ha)	6,517	
Payment contribution for fixed costs and profit on meadows with reduced level of fertilising (40 kg N/ha)	4,289	
Income foregone (difference between payment contributions)		2,228
Loss of production caused by limiting the mowing term <sup>41</sup>	643	

<sup>37</sup> The payment contribution for reduced consumption of fertilisers and manures (0 kg/ha) is deducted from the payment contribution for fixed costs and profit with long-term typical level of fertilisation (80 kg N/ha), whereby a loss is created, i.e. 6517 – 3163 = CZK 3354

<sup>38</sup> On the area of the belt there is a loss of production for the entire year (CZK 3,163) and with 10 % of the area this is CZK 316 per 1 ha of meadow.

<sup>39</sup> Mowing the left belt (old growth) represents an additional cost, meaning the following operations are compensated: mowing, raking, hay collection and removal for 10 % of the meadow area (490+325+348) = CZK 1,163/ha, 10% of this amount equals CZK 116.

<sup>40</sup> Increased costs for equipment due to dissimilarity in work connected with mowing the main area and the area of the left belt equals 25 % of variable cost for removing the unmowed belts, i.e. (0,25\*116)= 29.

Total income foregone	2,871
<b>Additional costs</b>	
Additional costs for the application of manure or compost	655
Additional costs due to more difficult mowing <sup>42</sup>	49
<b>Total income foregone and additional costs</b>	<b>3,575</b>
<b>Proposed amount of support (100 %)</b>	<b>3,575</b>
<b>Proposed amount of support - rounded</b>	<b>3,575</b>
<i>Current payment in HRDP</i>	<i>None</i>
<i>Difference</i>	<i>X</i>

### **B3.2 Unfertilised mountain and xerophilic meadows**

	CZK/ha	CZK/ha
<b>Income foregone</b>		
Payment contribution for fixed costs and profit on meadows with typical level of fertilising (80 kg N/ha)	6,517	
Payment contribution for fixed costs and profit on meadows with reduced level of fertilising (0 kg N/ha)	3,163	
Income foregone (difference between payment contributions)		3,354
Loss of production caused by limiting the mowing term <sup>43</sup>	474	
Total income foregone		3,828
<b>Additional costs</b>		
Additional costs due to more difficult mowing <sup>44</sup>		49
<b>Total income foregone and additional costs</b>		<b>3,877</b>
<b>Proposed amount of support (100 %)</b>		<b>3,877</b>
<b>Proposed amount of support - rounded</b>		<b>3,880</b>
<i>Current payment in HRDP</i>		<i>None</i>

<sup>41</sup> Determination of the mowing term leads to devaluation of fodder. This loss represents roughly 15 % of the value of total annual production of fodder, i.e. 15 % of the value of the payment contribution for fixed costs and profit on meadows with reduced level of fertilising (0,15\*4289 Kč/ha).

<sup>42</sup> Increased costs for mowing of approximately 10 % are assumed as a result of the condition of mowing from the middle to the edges. Under the assumption of one mowing on these meadows total increased costs equal (490\*0.1).

<sup>43</sup> Determination of the mowing term leads to devaluation of fodder. This loss represents roughly 15 % of the value of total annual production of fodder, i.e. 15 % of the value of the payment contribution for fixed costs and profit on meadows with reduced level of fertilising (0,15\*3163 CZK/ha).

<sup>44</sup> Increased costs for mowing of approximately 10 % are assumed as a result of the condition of mowing from the middle to the edges. Under the assumption of one mowing on these meadows total increased costs equal (490\*0.1).

**B3.3 Mountain and xerophilic meadows with unmowed belts**

	CZK/ha	CZK/ha
<b>Income foregone</b>		
Payment contribution for fixed costs and profit on meadows with typical level of fertilising (80 kg N/ha)	6,517	
Payment contribution for fixed costs and profit on meadows with reduced level of fertilising (0 kg N/ha)	3,163	
Total income foregone (difference between payment contributions) <sup>45</sup>		3,354
Loss of production from unmowed belt (10% of area) in a given year <sup>46</sup>	316	
Loss of production from the unmowed belt due to mowing in the spring of the following year	189	
Loss of production caused by limiting the mowing term <sup>47</sup>	474	
Total income foregone		4,333
<b>Additional costs</b>		
Additional costs for removing the unmowed belt (10% of area) <sup>48</sup>	116	
Additional costs for equipment <sup>49</sup>	29	
Total additional costs		145
<b>Total income foregone and additional costs</b>		<b>4,478</b>
<b>Proposed amount of support (100 %)</b>		<b>4,478</b>
<b>Proposed amount of support - rounded</b>		<b>4,480</b>

<sup>45</sup> The payment contribution for reduced consumption of fertilisers and manures (0 kg/ha) is deducted from the payment contribution for fixed costs and profit with long-term typical level of fertilisation (80 kg N/ha), whereby a loss is created, i.e.  $6,517 - 3,163 = \text{CZK } 3,354$

<sup>46</sup> On the area of the belt there is a loss of production for the entire year (CZK 3,163) and with 10 % of the area this is CZK 316 per 1 ha of meadow.

<sup>47</sup> Determination of the mowing term leads to devaluation of fodder. This loss represents roughly 15 % of the value of total annual production of fodder, i.e. 15 % of the value of the payment contribution for fixed costs and profit on meadows with reduced level of fertilising ( $0,15 \cdot 3163 \text{ Kč/ha}$ ).

<sup>48</sup> Mowing the left belt (old growth) represents an additional cost, meaning the following operations are compensated: mowing, raking, hay collection and removal for 10 % of the meadow area ( $490 + 325 + 348$ ) = CZK 1,163/ha, 10 % of this amount equals CZK 116.

<sup>49</sup> Increased costs for equipment due to dissimilarity in work connected with mowing the main area and the area of the left belt equals 25 % of variable cost for removing the unmowed belts, i.e.  $(0,25 \cdot 116) = 29$ .

Current payment in HRDP  
Difference

None  
X

#### **B4 Permanently submerged and peat meadows**

##### **Calculation starting point**

Permanently submerged and peat meadows currently provide production which is not suitable for feed, due as well to the requirements of the given sub-measure (e.g. ban on draining, not allowing fertilising and late mowing). Since farmers do not use it for producing feeds, all costs connected with its maintenance are considered additional costs (manual mowing and light mechanized removal of matter).

	CZK/ha	CZK/ha
<b>Additional costs</b>		
Additional costs for manual mowing <sup>50</sup>	5,707	
Additional costs for raking and removal of matter <sup>51</sup>	8,100	
<b>Total additional costs</b>		<b>13,807</b>
<b>Proposed amount of support (100 %)</b>		<b>13,810</b>
<b>Proposed support amount – according to the limit of EUR 450/ha (90%)</b>		<b>12,430</b>
Current payment in HRDP		12,100
Difference		+330

#### **B5 Bird habitats on grassland – waders' nesting sites**

##### **Calculation starting point**

The payment is built on the difference between contributions for the payment contribution for fixed costs and profit on meadows with typical level of fertilisation and with the required reduced levels of fertilisation (0 kg N/ha). In additional income foregone is caused by the worsened quality of production hay. Additional costs are currently created for mowing growth in connection with the condition of performing mowing from the middle to the edges, where a cost increase is anticipated from an increased number of trips.

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<sup>50</sup> The cost for manual mowing represent salary costs and cost for PHM for mowing with a weed cutter. Ascertained information derives from PPK programme material and our own examination.

<sup>51</sup> Costs include salary costs for raking and collecting of mown matter (approximately 60 hours/ha) and removal using light mechanisation. Ascertained date derives from PPK programme material and our own examination.

	CZK/ha	CZK/ha
<b>Income foregone</b>		
Payment contribution for fixed costs and profit on meadows with typical level of fertilising (80 kg N/ha)	6 517	
Payment contribution for fixed costs and profit on meadows with reduced level of fertilising (0 kg N/ha)	3 163	
Total income foregone (difference between payment contributions)		3 354
Loss of production caused by limiting the shift in mowing <sup>52</sup>		2 056
<b>Additional costs</b>		
Costs for autumn mowing <sup>53</sup>	490	
Additional costs due to more difficult mowing <sup>54</sup>	98	
Total additional costs		588
<b>Total income foregone and additional costs</b>		<b>5,998</b>
<b>Proposed amount of support (100 %)</b>		<b>5,998</b>
<b>Proposed amount of support - rounded</b>		<b>6,000</b>
<i>Current payment in HRDP</i>		5,550
<i>Difference</i>		+450

### **B6 Bird habitats on grasslands – corncrake's nesting sites**

	CZK/ha	CZK/ha
<b>Income foregone</b>		
Payment contribution for fixed costs and profit on meadows with typical level of fertilising (80 kg N/ha)	6,517	
Payment contribution for fixed costs and profit on meadows with reduced level of fertilising (0 kg N/ha)	3,163	
Total income foregone (difference between payment contributions)		3,354
Loss of production caused by limiting the shift in mowing <sup>55</sup>		2,056

<sup>52</sup> Shift of the first mowing after 15.7 leads to devaluation of fodder. This loss represents roughly 65 % of the value of total annual production of fodder, i.e. 65 % of the value of the payment contribution for fixed costs and profit on meadows with reduced level of fertilising (0.65\*3163 CZK/ha).

<sup>53</sup> The additional cost proceeds from total costs of mowing in the amount of CZK 490/ha.

<sup>54</sup> Increased costs for mowing of approximately 10 % are assumed as a result of the condition of mowing from the middle to the edges. Under the assumption of two mowings on these meadows total increased costs equal (2\*490)\*0.1.

<sup>55</sup> Shift of the first mowing after 15.8 leads to devaluation of fodder. This loss represents roughly 65 % of the



### Additional costs

Additional costs due to more difficult mowing<sup>56</sup> 49

**Total income foregone and additional costs 5,459**

**Proposed amount of support (100 %) 5,459**

**Proposed amount of support - rounded 5,460**

*Current payment in HRDP 5,180*

*Difference +280*

## 2.2 Pastures

### Calculation starting point

This involves areas intended only for pasturing animals. Limitation of the pasture impact means production loss (approximately 0.25 LU/ha, or 0.45 LU/ha) in the amount of payment contribution for fixed costs and profit per LU. Requirements for removal of perennial weeds and mowing of ungrazed patches are beyond the framework of common practice and thus mean additional costs. Reduction of the impact caused by farm animals (for B. 7 and B. 9 by 0.25 LU/ha, for B. 8 by 0.45 LU/ha) used for payment calculation was introduced in the text of the sub-measure for N production. This reduced farm animal intensity represents admission of N 55 kg N/ha for B. 7, for B.8 admission of 45 kg N/ha and B. 9 admission of N 30 kg N/ha. For B.

### B7 Pastures

	CZK/ha	CZK/ha
<b>Income foregone</b>		
Payment contribution for fixed costs and profit cattle	12,560	
Income foregone from reduced production <sup>57</sup>	3,140	
Cost savings for fertilisers <sup>58</sup>	400	

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*value of total annual production of fodder, i.e. 65 % of the value of the payment contribution for fixed costs and profit on meadows with reduced level of fertilising (0.65\*3163 CZK/ha).*

<sup>56</sup> Increased costs for mowing of approximately 10 % are assumed as a result of the condition of mowing from the middle to the edges. Under the assumption of one mowing on these meadows total increased costs equal 490\*0.1.

<sup>57</sup> A reduction in production intensity is presumed of 0.25 LU/ha (on max. 1.25 LU/ha) which is evaluation by the payment contribution: 0.25 LU/ha \* CZK 12,560 /LU, i.e. CZK 3,140 /ha (1.25 LU/ha – production 55 kg N/ha annually).

<sup>58</sup> Cost savings for mineral fertilisers in the amount of 20 kg N/ha are anticipated compared to the current average consumption of mineral fertilisers in pastures, which is approximately 60 kg N/ha, i.e. 20 kg

Total income foregone	2,740
<b>Additional costs</b>	
Additional costs for weed removal by spot application of herbicides <sup>59</sup>	240
Additional costs for mowing of ungrazed patches after end of the grazing period <sup>60</sup>	343
Total additional costs	583
<b>Total income foregone and additional costs</b>	<b>3,323</b>
<b>Proposed amount of support (100 %)</b>	<b>3,323</b>
<b>Proposed amount of support - rounded</b>	<b>3,325</b>
<i>Current payment in HRDP</i>	2,890
<i>Difference</i>	+435

### **B8 Species rich pastures**

	<b>CZK/ha</b>	<b>CZK/ha</b>
<b>Income foregone</b>		
Payment contribution for fixed costs and profit cattle	12,560	
Income foregone from reduced production <sup>61</sup>	5,652	
Cost savings for fertilisers <sup>62</sup>	1,200	
Total income foregone		4,452
<b>Additional costs</b>		
Additional costs for weed removal by spot application of herbicides <sup>63</sup>	240	
Additional costs for mowing of ungrazed patches after end of the grazing period <sup>64</sup>	343	

*N/ha \* CZK 20/kg N.*

<sup>59</sup> The occurrence of approximately 30 instances/ha is presumed. The cost for spot application of herbicides total CZK 8/instance, a total of CZK 240/ha (30 instances \* CZK 8/instance).

<sup>60</sup> Corresponds to variable costs for mowing grassland.

<sup>61</sup> A reduction in production intensity is presumed of 0.45 LU/ha (on max. 1.05 LU/ha) which is evaluation by the payment contribution: 0.45 LU/ha \* CZK 12,560 /LU, i.e. CZK 5652 /ha (1.05 LU/ha – production 45 kg N/ha annually).

<sup>62</sup> Due to the ban on fertiliser application cost savings for mineral fertilisers is anticipated at least in the amount of the current average fertilisation on pastures, which equals approximately 60 kg N/ha, i.e. 60 kg N/ha \* CZK 20/kg N.

<sup>63</sup> The occurrence of approximately 30 instances/ha is presumed. The cost for spot application of herbicides total CZK 8/instance, a total of CZK 240/ha (30 instances \* CZK 8/instance).

Total additional costs	583
<b>Total income foregone and additional costs</b>	<b>5,035</b>
<b>Proposed amount of support (100 %)</b>	<b>5,035,</b>
<b>Proposed amount of support - rounded</b>	<b>5,035</b>
<i>Current payment in HRDP</i>	4,330
<i>Difference</i>	+705

### **B9 Dry steppe grasslands and moors**

#### **Calculation starting point**

These involve areas which were traditionally pastured by sheep and goats in the past. Limitation of pasturing impact means production loss of (0.25 LU/ha) in the amount of payment contribution for fixed costs and profit per LU.

Requirements for removal of perennial weeds are beyond the framework of common practice and thus mean additional costs.

	<b>CZK/ha</b>	<b>CZK/ha</b>
<b>Income foregone</b>		
Payment contribution for fixed costs and profit cattle	12,560	
Income foregone from reduced production <sup>65</sup>	3,140	
Cost savings for fertilisers <sup>66</sup>	1,200	
Total income foregone		1,940
<b>Additional costs</b>		
Additional costs for acquisition of fencing <sup>67</sup>	2,510	
Additional salary costs <sup>68</sup>	2,640	

<sup>64</sup> Corresponds to variable costs for mowing grass.

<sup>65</sup> A reduction in production intensity is presumed of 0.25 LU/ha (on max. 1.25 LU/ha) which is evaluation by the payment contribution: 0.25 LU/ha \* CZK 12,560 /LU, i.e. CZK 3,140 /ha (1.25 LU/ha – production 30 kg N/ha).

<sup>66</sup> Due to the ban on fertiliser application cost savings for mineral fertilisers is anticipated at least in the amount of the current average fertilisation on pastures, which equals approximately 60 kg N/ha, i.e. 60 kg N/ha \* CZK 20/kg N.

<sup>67</sup> The calculation proceeds from an average acquisition cost of 1 km electronic fencing (CZK 40,175), which is recalculated for usable pasture area (4 ha) and the useful life of fencing (4 years), i.e. 40,175/4/4 = CZK 2,510 /ha and year.

<sup>68</sup> Additional salary costs include particularly working with fencing and inspecting pastured animals. On

Additional costs for mowing of plant species after the end of grazing period<sup>69</sup> 2,072

Total additional costs	7,222
<b>Total income foregone and additional costs</b>	<b>9,162</b>
<b>Proposed amount of support (100 %)</b>	<b>9,162</b>
<b>Proposed amount of support - rounded</b>	<b>9,160</b>
<i>Current payment in HRDP</i>	<i>None</i>
<i>Difference</i>	<i>X</i>

### 3 Landscape management

#### C1 Conversion of arable land to grassland

##### Calculation starting point

Conversion of arable land to grassland means additional expended variable costs for farmers in sowing grassland as well as income foregone from production on arable land in the amount of the payment contribution for fixed costs and profit. At the same time it is presumed that the grassed land will be used in farming for the production of grass mass. For this reason income foregone from arable land is reduced by the specific income from hay production (full-value hay production is not presumed until the second year). One off additional costs for sowing grassland are recalculated for the year of duration of the subcategory.

In the event of the establishment of grassland along water bodies additional costs are anticipated for equipment as a result of the dissimilarity in work connected with the main crop on the given parcel and grassland area.

##### C1. 1 Conversion of arable land to grassland

	CZK/ha	CZK/ha
<b>Income foregone</b>		
Payment contribution for fixed costs and profit – arable land	8,750	
Payment contribution for fixed costs and profit – grassland	3,163	
Payment contribution for fixed costs and profit – grassland – recalculation <sup>70</sup>	2,531	

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*average this involves 24 hours/ha and year, i.e. CZK 2,640/ha (24 hours./ha\*CZK 110/hour).*

<sup>69</sup> *Costs for mowing of determined plant species were taken from cost for mowing of submerged and peat meadows due to the fact that these steppe sites occur primarily in hard-to-access locations. According to expert estimate, the area of plant species equals 15% of pastured area, i.e. 15 % of ha \* CZK 13,810/ha = CZK 2,072/ha.*

Total income foregone <sup>71</sup>		6,219
<b>Additional costs</b>		
Additional costs for grassing <sup>72</sup>	2,750	
Additional costs for grass seed	4,570	
Additional costs for grassing - recalculation <sup>73</sup>		1,464
Additional costs for supplemental sowing <sup>74</sup>	366	
Total additional costs		1,830
<b>Total income foregone and additional costs</b>		<b>8,049</b>
<b>Proposed amount of support (100 %)</b>		<b>8,049</b>
<b>Proposed amount of support - rounded</b>		<b>8,050</b>
<i>Current payment in HRDP</i>		7,265
<i>Difference</i>		+785

## C1. 2 Conversion of arable land to grassland along water bodies

	CZK/ha	CZK/ha
Total income foregone and additional costs – calculation of payment similar as for subcategory C1.1		8,049
Additional costs for equipment <sup>75</sup>	724	
<b>Proposed amount of support (100 %)</b>		<b>8,773</b>
<b>Proposed amount of support - rounded</b>		<b>8,770</b>
<i>Current payment in HRDP</i>		None
<i>Difference</i>		X

<sup>70</sup> The payment contribution for fixed costs and profit for grass corresponds to the condition of the ban on application of nitrate fertilisers on seeded areas and equals CZK 3,163/ha. Full use of grass mass in the second year of the duration of the subcategory is presumed, i.e. income is presumed after years. The calculation has been made per year of duration of the category:  $(3163 \cdot 4) / 5$ .

<sup>71</sup> Income loss from production on arable land is reduced by income from grassland, i.e. 8750 – 2531.

<sup>72</sup> The information corresponds to the amount of variable costs for the establishment of grassland.

<sup>73</sup> Additional cost for grassing were divided by the number of years of duration of the subcategory, i.e. five.

<sup>74</sup> The need for supplemental sowing according to expert evaluation equals on average 25% of grassed area during the 5-year obligation, i.e. recalculated per year of obligation  $(0.25 \cdot 7,320) / 5 = 366$ .

<sup>75</sup> Increased costs for equipment as a result of dissimilarity in work connected with the main crop on arable land and seeded area along water bodies equals 25% of variable costs for the extensive variant of cultivation technology on meadows, i.e.  $(0.25 \cdot 2895) = 724$ .

### C1. 3 Conversion of arable land to grassland with regional grass mixes

	CZK/ha	CZK/ha
<b>Income foregone</b>		
Payment contribution for fixed costs and profit – arable land	8,750	
Payment contribution for fixed costs and profit – grassland	3,163	
Payment contribution for fixed costs and profit – grassland – recalculation <sup>76</sup>	2,531	
Total income foregone <sup>77</sup>		6,219
<b>Additional costs</b>		
Additional costs for grassing <sup>78</sup>	2,750	
Additional costs for grass seed - regional	14,000	
Additional costs for grassing - recalculation <sup>79</sup>		3,350
Additional costs for supplemental sowing <sup>80</sup>	838	
Total additional costs		4,189
<b>Total income foregone and additional costs</b>		<b>10,407</b>
<b>Proposed amount of support (100 %)</b>		<b>10,407</b>
<b>Proposed amount of support - rounded</b>		<b>10 410</b>
<i>Current payment in HRDP</i>		<i>9, 210</i>
<i>Difference</i>		<i>+1, 200</i>

### C1. 4 Conversion of arable land to grassland along water bodies along water bodies

CZK/ha CZK/ha

<sup>76</sup> The payment contribution for fixed costs and profit for grass corresponds to the condition of the ban on application of nitrate fertilisers on seeded areas and equals CZK 3,163/ha. Full use of grass mass in the second year of the duration of the subcategory is presumed, i.e. income is presumed after four years. The calculation has been made per year of duration of the category:  $(3163 \cdot 4) / 5$ .

<sup>77</sup> Income loss from production on arable land is reduced by income from grass, i.e.  $8750 - 2531$ .

<sup>78</sup> The information corresponds to the amount of variable costs for the establishment of grass.

<sup>79</sup> Additional cost for grassing were divided by the number of years of duration of the subcategory, i.e. five.

<sup>80</sup> The need for supplemental sowing according to expert evaluation equals on average 25 % of seeded area during the 5-year obligation, i.e. recalculated per year of obligation  $(0.25 \cdot 16750) / 5 = 838$ .

Total income foregone and additional costs – calculation of payment similar as for C1.3 management	10,407
Additional costs for equipment <sup>81</sup>	724

<b>Proposed amount of support (100 %)</b>	<b>11,131</b>
<b>Proposed amount of support - rounded</b>	<b>11,130</b>
<i>Current payment in HRDP</i>	<i>None</i>
<i>Difference</i>	<i>X</i>

## C2 Growing of catch crops

### Calculation starting point

The sowing of catch crops means additional costs for farmers. Payment thus contains cost items related to the acquisition of suitable seed, sowing and destruction of the growth in spring so that the land can be sowed with a spring crop.

	CZK/ha	CZK/ha
<b>Additional costs</b>		
Additional costs for seed <sup>82</sup>	966	
Additional costs for grassing <sup>83</sup>	1,575	
Additional costs for removal of catch crops	560	
<b>Total additional costs</b>		<b>3,101</b>
<b>Proposed amount of support (100 %)</b>		<b>3,101</b>
<b>Proposed amount of support - rounded</b>		<b>3,100</b>
<i>Current payment in HRDP</i>		<i>4,580</i>
<i>Difference</i>		<i>-1,480</i>

## C3 Bio-belts

<sup>81</sup> Increased costs for equipment as a result of dissimilarity in work connected with the main crop on arable land and seeded area along water bodies equals 25 % of variable costs for the extensive variant of cultivation technology on meadows, i.e.  $(0,25 \cdot 2895) = 724$ .

<sup>82</sup> Includes costs for material (seed), cost of seed. The size of grassing corresponds to general recommendations and cost for grassing was calculated as the average ascertained costs of intermediary crops.

<sup>83</sup> Seeding of catch crops is considered an additional cost, i.e. the following costs connected with seeding are compensated: stubble ploughing, ploughless sowing and rolling  $(465+870+240)$ .

## Calculation starting point

The sowing of a strip with feed crops for wild animals on arable land means income foregone from production of these areas in the amount of the payment contribution for fixed costs and profit. At the same time use of matter from these belts for farm animal feed is not presumed. In addition to loss of production additional costs are anticipated in the sowing of a strip with feed crops (seed), and for equipment connected with sowing and harvesting due to dissimilarity of work with the main crop on the given parcel.

	CZK/ha of belt	CZK/ha of belt
<b>Income foregone</b>		
Payment contribution for fixed costs and profit – arable land	8,750	
Total income foregone		8,750
<b>Additional costs</b>		
Additional costs for seed <sup>84</sup>	1,467	
Additional costs for sowing <sup>85</sup>	1,710	
Total additional costs		3,102
<b>Total income foregone and additional costs</b>		<b>11,927</b>
<b>Proposed amount of support (100 %)</b>		<b>11,927</b>
<b>Proposed amount of support - rounded</b>		<b>11,930</b>
<i>Current payment in HRDP</i>		<i>10,630</i>
<i>Difference</i>		<i>+1,220</i>

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<sup>84</sup> Total value of sowing is the sum of costs for individual sowings (CZK/ha).

<sup>85</sup> Differing cultivation of bio-belts means higher cost of mechanised work. For 20 ha of land during sowing of the whole edge (as much as possible) with feed crops its area will equal 1.1 ha (1800 circuit around the land \* 6 m wide belt). For individual operations (min.: 2x tilling, care of ploughed field, sowing) the size of increase may be up to 50%. Thus total increase equals CZK 1710/ha ((2\*1160 + 235 + 865)\*0.5).



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**Combinability***Combinability of payments AEM – RDP with AEM - HRDP*

	HRDP-A	HRDP-B	HRDP-C1	HRDP-C2	HRDP-C3	HRDP-C4	HRDP-C5	HRDP-C6	HRDP-D	HRDP-E
RDP-A1	N	Y	Y	Y	Y	Y	Y	N	Y	N
RDP-A2.1	N	N	N	N	N	N	N	N	N	N
RDP-A2.2	N	N	N	N	N	N	N	N	N	N
RDP-A2.3	N	N	N	N	N	N	N	N	N	N
RDP-B.1	Y	N	N	N	N	N	N	N	N	N
RDP-B.2	Y	N	N	N	N	N	N	N	N	N
RDP-B.3	Y	N	N	N	N	N	N	N	N	N
RDP-B.4	Y	N	N	N	N	N	N	N	N	N
RDP-B.5	Y	N	N	N	N	N	N	N	N	N
RDP-B.6	Y	N	N	N	N	N	N	N	N	N
RDP-B.7	Y	N	N	N	N	N	N	N	N	N
RDP-B.8	Y	N	N	N	N	N	N	N	N	N
RDP-B.9	Y	N	N	N	N	N	N	N	N	N
RDP-C1	Y	N	N	N	N	N	N	N	N	N
RDP-C2	Y	N	N	N	N	N	N	N	Y	N
RDP-C3	N	N	N	N	N	N	N	N	N	N

Legend:

RDP-A1 – Organic farming

HRDP-A – Organic farming

RDP-A2.1 - Integrated production of fruit

HRDP-B - Grassland maintenance

RDP-A2.2 - Integrated production of grapes

HRDP-C1 - Conversion of arable land to grassland

RDP-A2.3 - Integrated production of vegetables

HRDP-C2 – Creation of grassy corridors on sloped terrain

RDP-B.1 – Meadows basic management

HRDP - C3 - Growing of catch crops

RDP-B.2 – Mesophilic and hydrophilic meadows

HRDP-C4 – Permanently submerged and peat meadows

RDP-B.3 – Mountain and xerophilic meadows

HRDP-C5 – Bird habitats on grasslands

RDP-B.4 – Permanently submerged and peat meadows

HRDP-C6 – Bio-belts

RDP-B.5- Bird habitats on grasslands – waders' bird nesting sites

HRDP-D - Crop rotation in cave prot. zones

RDP-B.6- Bird habitats on grasslands – corncrake's nesting sites  
cult. fruit and grape

HRDP-E – Integrated production systems of

Corncrake

RDP-B.7 – Pastures basic management

RDP-B.8 - Species rich pastures

RDP-B.9 - Dry steppe grasslands and moors

RDP-C1 - Conversion of arable land to grassland

RDP - C2 - Growing of catch crops

RDP-C3 – Bio-belts

*Combinability AEM – RDP with AEM – HRDP for one unit PB*

	HRDP-A	HRDP-B	HRDP-C1	HRDP-C2	HRDP-C3	HRDP-C4	HRDP-C5	HRDP-C6	HRDP-D	HRDP-E
RDP-A1	N	Y	Y	Y	Y	Y	Y	Y	Y	N
RDP-A2.1	N	N	N	N	N	N	N	N	N	N
RDP-A2.2	N	N	N	N	N	N	N	N	N	N
RDP-A2.3	N	N	N	N	Y	N	N	Y	N	N
RDP-B.1	Y	N	N	N	N	N	N	N	N	N
RDP-B.2	Y	N	N	N	N	N	N	N	N	N
RDP-B.3	Y	N	N	N	N	N	N	N	N	N
RDP-B.4	Y	N	N	N	N	N	N	N	N	N
RDP-B.5	Y	N	N	N	N	N	N	N	N	N
RDP-B.6	Y	N	N	N	N	N	N	N	N	N
RDP-B.7	Y	N	N	N	N	N	N	N	N	N
RDP-B.8	Y	N	N	N	N	N	N	N	N	N
RDP-B.9	Y	N	N	N	N	N	N	N	N	N
RDP-C1	Y	N	N	N	N	N	N	N	N	N
RDP-C2	Y	N	N	N	N	N	N	Y	Y	N
RDP-C3	Y	N	N	N	Y	N	N	N	Y	N

Legend:

RDP-A1 – Organic farming

HRDP-A – Organic farming

RDP-A2.1 - Integrated fruit production

HRDP-B - Grassland maintenance

RDP-A2.2 - Integrated grape production

HRDP-C1 - Conversion of arable land to grassland

RDP-A2.3 - Integrated production of vegetables

HRDP-C2 – Creation of grassy corridors on sloped land

RDP-B.1 – Meadows basic management

HRDP - C3 - Growing of catch crops

RDP-B.2 – Mesophilic and hydrophilic meadows

HRDP-C4 – Permanently submerged and peat meadows

RDP-B.3 – Mountain and xerophilic meadows

HRDP-C5 – Bird localities on grasslands

RDP-B.4 – Permanently submerged and peat meadows

HRDP-C6 – Bio-belts

RDP-B.5- Bird habitats on grasslands – waders’ bird nesting sites

HRDP-D - Crop rotation in cave prot. zones

RDP-B.6- Bird habitats on grasslands – corncrake’s nesting sites  
cult. fruit and grape

HRDP-E – Integrated production systems of

Corncrake

RDP-B.7 – Pastures basic management

RDP-B.8 - Species rich pastures

RDP-B.9 - Dry steppe grasslands and moors

RDP-C1 - Conversion of arable land to grassland

RDP - C2 - Growing of catch crops

RDP-C3 – Bio-belts

*Combinability of payments in RDP*

	A1	A2.1	A2.2	A2.3	B.1	B.2	B.3	B.4	B.5	B.6	B.7	B.8	B.9	C1	C2	C3
A1	N	N	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
A2.1	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
A2.2	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
A2.3	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
B.1	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
B.2	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
B.3	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
B.4	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
B.5	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
B.6	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
B.7	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
B.8	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
B.9	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
C1	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
C2	Y	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
C3	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N

Legend:

RDP-A1 – Organic farming

RDP-C1 - Conversion of arable land to grassland

RDP-A2.1 - Integrated fruit production

RDP - C2 - Growing of catch crops

RDP-A2.2 - Integrated grape production

RDP-C3 – Bio-belts

RDP-A2.3 - Integrated production of vegetables

RDP-B.1 – Meadows basic management

RDP-B.2 – Mesophilic and hydrophilic meadows

RDP-B.3 – Mountain and xerophilic meadows

RDP-B.4 – Submerged and peat meadows

RDP-B.5- Bird habitats on grasslands – waders’ bird nesting sites

RDP-B.6- Bird habitats on grasslands – corncrake’s nesting sites

RDP-B.7 – Pastures basic management

RDP-B.8 - Species rich pastures

RDP-B.9 - Dry steppe grasslands and moors

*Combinability in one unit PB in RDP*

	A1	A2.1	A2.2	A2.3	B.1	B.2	B.3	B.4	B.5	B.6	B.7	B.8	B.9	C1	C2	C3
A1	N	N	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
A2.1	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
A2.2	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N

A2.3	N	N	N		N	N	N	N	N	N	N	N	N	N	Y	Y
B.1	Y	N	N	N		N	N	Y	N	N	N	N	Y	N	N	N
B.2	Y	N	N	N	N		N	Y	N	N	N	N	Y	N	N	N
B.3	Y	N	N	N	N	N		Y	N	N	N	N	Y	N	N	N
B.4	Y	N	N	N	Y	Y	Y		Y	Y	Y	Y	N	N	N	N
B.5	Y	N	N	N	N	N	N	Y		N	N	N	N	N	N	N
B.6	Y	N	N	N	N	N	N	Y	N		N	N	N	N	N	N
B.7	Y	N	N	N	N	N	N	Y	N	N		N	Y	N	N	N
B.8	Y	N	N	N	N	N	N	Y	N	N	N		Y	N	N	N
B.9	Y	N	N	N	Y	Y	Y	N	N	N	Y	Y		N	N	N
C1	Y	N	N	N	N	N	N	N	N	N	N	N	N		N	N
C2	Y	N	N	Y	N	N	N	N	N	N	N	N	N	N		Y
C3	Y	N	N	Y	N	N	N	N	N	N	N	N	N	N	Y	

Legend:

RDP-A1 – Organic farming

RDP-C1 - Conversion of arable land to grassland

RDP-A2.1 - Integrated fruit production

RDP - C2 - Growing of catch crops

RDP-A2.2 - Integrated grape production

RDP-C3 – Bio-belts

RDP-A2.3 - Integrated production of vegetables

RDP-B.1 – Meadows basic management

RDP-B.2 – Mesophilic and hydrophilic meadows

RDP-B.3 – Mountain and xerophilic meadows

RDP-B.4 – Submerged and peat meadows

RDP-B.5- Bird habitats on grasslands – waders’ bird nesting sites

RDP-B.6- Bird habitats on grasslands – corncrake’s nesting sites

RDP-B.7 – Pastures basic management

RDP-B.8 - Species rich pastures

RDP-B.9 - Dry steppe grasslands and moors

## Controllability

Conditions of AEO from RDP	Possibilities of inspections
<b>Basic conditions:</b>	
Implementation of sub-measures in the shape of five-year obligation	Cross-compliance controls with database IACS (LPIS)
Applicants shall observe minimum requirements related to the use of fertilisers and farmyard manure, and namely by keeping and retaining for at least 7 years records about the quantity, type and period of application of fertilisers, farmyard manure, supplementary substances and treated sludge by individual parcels, crops and years in conformity with a special legal regulation (the Fertiliser Act)	Visual inspection (inspection on site) – administrative inspection
An applicant who manages out of vulnerable areas according to Council Directive No. 91/676/EEC and keeps Code on Water Protection against Nitrate Pollution from agriculture sources	Visual inspection (inspection on site)
Applicants shall meet the minimum requirements concerning the use of plant protection preparations, namely by observing the rules for storage and handling of chemical substances resulting from applicable legislation (the Phytosanitary Act) so as to avoid contamination of the environment	a) Fertiliser register, register of plant protection preparations (inspections of storied substances) + checks of invoices/accountancy
	b) Visual inspections by means of check-list
Minimum area of land managed by an applicant required for entrance in agri-environmental measure shall be:	
1. 5 ha of agricultural land registered in LPIS, if it not concerns the management according to points 2 to 7,	
2. 2 ha of agricultural land registered in LPIS, if it concerns the management in national parks or Protected Landscape Area territories,	
3. 1 ha of agricultural land registered in LPIS, if it concerns the management in system of organic farming,	
4. 0,5 ha of agricultural land registered in LPIS, if it concerns vegetable or special herbs growing in system of organic farming or vegetable growing in system of integrated production,	a) Cross-compliance controls with database IACS (LPIS)
5. 0,25 ha of vineyards, orchards or hop gardens registered in LPIS, if it concerns the management in organic farming,	b) Visual inspection with measuring (only during 5% of inspections on site "inspection on site")
6. 1 ha of orchards registered in LPIS, if it concerns the management in integrated production of fruit,	
7. 0,5 ha vineyards registered in LPIS, if it concerns the management of integrated production of vine grapes,	
The applicant shall according to Article 51 (3) of Council Regulation (EC) No. 1698/2005 fill in the entire enterprise binding requirements according to Article 5 and Annex IV of Council Regulation (EC) No. 1782/2003 (see Annex No.	Visual inspection (inspection on site)



2 – GAEC)	
<b>Sub-measure Environmentally friendly farming methods</b>	
<b><i>Scheme Organic farming</i></b>	
The applicant complies with conditions of Council Regulation (EC) No. 2092/1991, and namely at entire land area of agriculture enterprise introduced in the system of organic farming for whole period of obligation validity (5 years)	Inspections by accredited authorities (KEZ o.p.s., ABCERT, Biokont)
Applicant can apply for support of grassland in case that intensity of herbivore livestock production reaches minimally 0.2 LU/ha of grassland, however, maximally 1.5 LU/ha of agricultural land. The applicant shall comply with this intensity requirement on a set day of the given calendar year within the five-year period. Coefficients to convert herbivores to LUs are shown in Annex 1. The applicant shall assure that grasslands are grazed or mowed at least twice a year (in justified cases once a year) within fixed deadlines. The mowed biomass shall be removed from the parcel.	a) Cross-compliance inspection in database IACS
	b) Visual inspection (only inspections on site)
<b><i>Scheme Integrated production</i></b>	
<b>Management Integrated production of fruit</b>	
The applicant shall meet at least the following conditions of required management:	
Simultaneous growing of fruit in the system of conventional and integrated production by the same grower shall be excluded.	a) SW inspection b) Visual inspections (inspections on site)
Chemical plant protection products introduced in the list shall not be used.	a) Register of plant protection preparations (inspections of storied substances) + checks of invoices/accountancy
	b) Visual inspections (inspections on site)
Approved biological plant protection means shall be used.	a) Register of plant protection preparations (inspections of storied substances + checks of invoices/accountancy
	b) Visual inspections (inspections on site)
Samples of soil and fruit shall be taken in order to analyse the content of selected chemical agents.	Records of accredited laboratory
Values of monitored chemical agents may not exceed the limits set by the Ministry of Agriculture, or by a special legal regulation.	Records of accredited laboratory

The minimum intensity of integrated production is determined by the average intensity of trees (bushes) per hectare of orchard at concerned land, for which support is to be granted. It shall be 500 pieces for pomaceous fruit trees, 200 pieces for stone fruit trees and 2 000 pieces for berry plants.	Visual inspections (inspections on site)
<b>Management of integrated production of grapes</b>	
The applicant shall meet at least the following conditions of required management:	
Simultaneous growing of grapes in the system of conventional and integrated production by the same grower shall be excluded.	a) SW inspection
	b) Visual inspections (inspections on site)
Chemical plant protection products introduced in the list shall not be used.	a) Register of plant protection preparations (inspections of storied substances + checks of invoices/accountancy)
	b) Visual inspections (inspections on site)
Approved biological plant protection means shall be used.	a) Register of plant protection preparations (inspections of storied substances + checks of invoices/accountancy)
	b) Visual inspections (inspections on site)
Preparations containing copper (Cu <sup>2+</sup> ) may be applied only in a total annual dose not exceeding a set limit.	a) Register of plant protection preparations (inspections of storied substances + checks of invoices/accountancy)
	b) Visual inspections (inspections on site)
Fertilisers and farmyard manure may be applied at a maximum rate of 50 kg N/ha.	a) Register of fertiliser application (checks of storied substances + checks of invoices/accountancy)
	b) Visual inspection of vegetation status in certain growth stage (only inspections on site)
At least every second area between rows must be covered by permanent grassland within 3 years of completion of the planting of the vineyard.	Visual inspections (inspections on site)
The minimum intensity of integrated production shall amount to an average intensity of 1 800 bushes per hectare of vineyards of concerned land, for which support is to be granted.	Visual inspections (inspections on site)
<b>Management of integrated vegetable production</b>	
The applicant shall meet at least the following conditions of required management:	

Simultaneous growing of vegetable in the system of conventional and integrated production by the same grower shall be excluded.	a) SW inspection b) Visual inspections (inspections on site)
Chemical plant protection products introduced in the list shall not be used.	a) Register of plant protection preparations (inspections of storied substances + checks of invoices/accountancy) b) Visual inspections (inspections on site)
Approved biological plant protection means shall be used.	a) Register of plant protection preparations (inspections of storied substances + checks of invoices/accountancy) b) Visual inspections (inspections on site)
Certified seed shall be used.	Checks of invoices/accountancy (purchase of seed and seedlings, phytosanitary passport)
Samples of soil and fruit shall be taken in order to analyse the content of selected chemical agents.	Records of accredited laboratory
Values of monitored chemical agents may not exceed the limits set by the Ministry of Agriculture, or by a special legal regulation.	Records of accredited laboratory
Nitrogen fertilisers and farmyard manure may be applied accordingly to limits set by the Ministry of Agriculture.	a) Register of fertiliser application (checks of storied substances + checks of invoices/accountancy) b) Visual inspection of vegetation status in certain growth stage (only inspection on site )
<b>Sub-measure grassland maintenance</b>	
Applicant can apply for support of grassland in case that intensity of herbivore livestock production reaches minimally 0.2 LU/ha of grassland, however, maximally 1.5 LU/ha of agricultural land. The applicant shall comply with this intensity requirement on a set day of the given calendar year within the five-year period. Coefficients to convert herbivores to LUs are shown in Annex 1. In the case that an The applicant shall have included only schemes B.4, B.5 or B.6, he does not need to observe the above intensity requirements.	a) Cross-compliance controls in database IACS b) Visual inspection (only inspection on site)
The applicant is obliged all grasslands by him managed with the exception of land blocks/parts, on which some of	a) Cross-compliance controls in database IACS

the Ministry of Environment Programme is applied or are included in the framework of the scheme “Conversion of arable land to grassland” to include in this sub-measure and choice appropriate management. If none of the managements is suitable for a given land block due to nature and landscape conservation considerations, it is possible, upon recommendation of a nature conservation authority, not to include such land block into the sub-measure.	b) Visual inspection (inspection on site) + administrative inspection (check of the compliance with nature conservation authority)
Applicants may not use treated sludge and waste water for fertilisation.	a) Register of fertiliser application (checks of storied substances + checks of invoices/accountancy) b) Visual inspections (inspections on site)
In a calendar year, applicants have the possibility to leave up to 10 % of a land block unmowed in specifically substantiated cases on an area delimited by a nature conservation authority.	Visual inspection (inspection on site) + administrative inspection (check of the compliance with nature conservation authority, kontrola map)
<b><i>Scheme B. 1 – Meadows (Basic management)</i></b>	
The applicant shall meet at least the following conditions of required management:	
The average annual application of fertilisers and farmyard manure on the total area of these meadows may be at most 60 kg N/ha (the limit encompasses application of fertilisers, farmyard manure and possible livestock grazing). Application of slurry shall be prohibited, with the exception of cattle slurry.	a) Register of fertiliser application (checks of storied substances + checks of invoices/accountancy) b) Visual inspection of vegetation status in certain growth stage (only inspection on site)
The grassland shall be mowed at least twice a year (once a year in justified cases) within set deadlines. The grassland may be grazed by livestock.	Visual inspection (only inspection on site)
The mowed biomass shall be removed from the parcel.	Visual inspection (only inspection on site)
In specially protected territories, protective zones of NPs and in Natura 2000 areas – bird habitats declared according to Council Directive No. 79/409/EEC, mulching, rapid grassland restoration, grassland restoration and supplementary sowing may not be carried out without approval of a nature conservation authority.	Visual inspection (inspection on site) + administrative inspection (check of the compliance with nature conservation authority)
In specially protected territories, Natura 2000 – bird habitats declared according to Council Directive No. 79/409/EEC and protective zones of NPs, the applicant shall have this scheme approved by a nature conservation authority.	Administrative inspection (check of the compliance with nature conservation authority, check of application for introduction with LPIS)
<b><i>Scheme B. 2 – Mesophilic and hygrophilic meadows</i></b>	

<b>(MHM)</b>	
<b>Management B. 2. 1 – Fertilised mesophilic and hygrophilic meadows</b>	
The applicant shall meet at least the following conditions of required management:	
The average annual application of fertilisers and farmyard manure on the total area of these meadows may be at most 60 kg N/ha (the limit encompasses application of fertilisers, farmyard manure and possible livestock grazing). Only farmyard manure or compost may be used for fertilisation.	<p>a) Register of fertiliser application (checks of storied substances + checks of invoices/accountancy)</p> <p>b) Visual inspection of vegetation status in certain growth stage (only inspection on site)</p>
The grassland shall be mowed at least twice a year (once a year in justified cases) within set deadlines. The grassland may be grazed by livestock with the exception of grassland that is declared unsuitable for grazing by a nature conservation authority.	Visual inspection (only inspection on site)
The mowed biomass shall be removed from the parcel.	Visual inspection (only inspection on site)
On a grazed mesophilic and hygrophilic meadow it shall not be allowed to give supplementary feeding to livestock.	Visual inspection (only inspection on site)
Mulching, rapid grassland restoration, grassland restoration and supplementary sowing may be carried out only with a prior approval of a nature conservation authority.	Visual inspection (inspection on site)+ administrative inspection (check of the compliance with nature conservation authority)
The grasslands shall be mowed always from the centre to the edges or from one side of the parcel to another.	Visual inspection (only inspection on site)
<b>Management B. 2. 2 – Non-fertilised mesophilic and hygrophilic meadows</b>	
The applicant shall meet at least the following conditions of required management:	
No fertilisers or farmyard manure may be applied.	<p>a) Register of fertiliser application (checks of storied substances + checks of invoices/accountancy)</p> <p>b) Visual inspection of vegetation status in certain growth stage (only inspection on site)</p>
The grassland shall be mowed at least twice a year (once a year in justified cases) within set deadlines. The grassland It may not be grazed after mowing.	Visual inspection (only inspection on site)
The mowed biomass shall be removed from the parcel.	Visual inspection (only inspection on site)
Mulching rapid grassland restoration grassland restoration	Visual inspection (inspection

and supplementary sowing may be carried out only with a prior approval of a nature conservation authority.	on site)+ administrative inspection (check of the compliance with nature conservation authority)
The grasslands shall be mowed always from the centre to the edges or from one side of the parcel to another.	Visual inspection (only inspection on site)
<b>Management B. 2. 3 – Mesophilic and hygrophilic meadows with unmowed belts</b>	
The applicant shall meet at least the following conditions of required management:	
No fertilisers or farmyard manure may be applied.	a) Register of fertiliser application (checks of storied substances + checks of invoices/accountancy b) Visual inspection of vegetation status in certain growth stage (only inspection on site)
The grassland shall be mowed at least twice a year (once a year in justified cases) within set deadlines. It may not be grazed after the mowing. During the first mowing, the farmer shall leave unmowed belts of a set width on the meadow. The unmowed belts shall cover 5-10% of the area of the land block/part of land block concerned and shall be mowed in the next spring, at the latest during the first mowing.	Visual inspection (only inspection on site)
The mowed biomass shall be removed from the parcel.	Visual inspection (only inspection on site)
Mulching, rapid grassland restoration, grassland restoration and supplementary sowing may be carried out only with a prior approval of a nature conservation authority.	Visual inspection (inspection on site)+ administrative inspection (check of the compliance with nature conservation authority)
<b><i>Scheme B. 3 – Mountain and xerophilous meadows (MXM)</i></b>	
<b>Management B. 3. 1 – Fertilised Mountain and xerophilous meadows</b>	
The applicant shall meet at least the following conditions of required management:	
The average annual application of fertilisers and farmyard manure on the total area of these meadows may be at most 60 kg N/ha (the limit encompasses application of fertilisers, farmyard manure and possible livestock grazing). Only farmyard manure or compost may be used for fertilisation.	a) Register of fertiliser application (checks of storied substances + checks of invoices/accountancy b) Visual inspection of vegetation status in certain growth stage (only inspection on site)

The grassland shall be mowed at least once a year within a set deadline. After the first mowing, the grassland may be grazed by livestock, with the exception of grassland that is declared unsuitable for grazing by a nature conservation authority.	Visual inspection (only inspection on site)
The mowed biomass shall be removed from the parcel.	Visual inspection (only inspection on site)
On a grazed mesophilic and hygrophilic meadow it shall not be allowed to give supplementary feeding to livestock.	Visual inspection (only inspection on site)
Mulching, rapid grassland restoration, grassland restoration and supplementary sowing may be carried out only with a prior approval of a nature conservation authority.	Visual inspection (inspection on site) + administrative inspection (check of the compliance with nature conservation authority)
The grasslands shall be mowed always from the centre to the edges or from one side of the parcel to another.	Visual inspection (only inspection on site)
<b>Management B. 3. 2 –Non-fertilised Mountain and xerophilous meadows</b>	
The applicant shall meet at least the following conditions of required management:	
No fertilisers or farmyard manure may be applied.	a) Register of fertiliser application (checks of storied substances + checks of invoices/accountancy)
	b) Visual inspection of vegetation status in certain growth stage (only inspection on site)
The grassland shall be mowed at least once a year within a set deadline. It may not be grazed after the mowing.	Visual inspection (only inspection on site)
The mowed biomass shall be removed from the parcel.	Visual inspection (only inspection on site)
Mulching, rapid grassland restoration, grassland restoration and supplementary sowing may be carried out only with a prior approval of a nature conservation authority.	Visual inspection (KNM)+ administrative inspection (check of the compliance with nature conservation authority)
The grasslands shall be mowed always from the centre to the edges or from one side of the parcel to another.	Visual inspection (only inspection on site)
<b>Management B. 3. 3 – Mountain and xerophilous meadows with unmowed belts</b>	
The applicant shall meet at least the following conditions of required management:	
No fertilisers or farmyard manure may be applied.	a) Register of fertiliser application (checks of storied substances + checks of invoices/accountancy)

	b) Visual inspection of vegetation status in certain growth stage (only inspection on site)
The grassland shall be mowed at least once a year within a set deadline. It may not be grazed after the mowing. During the first mowing, the farmer shall leave unmowed belts of a set width on the meadow. The unmowed belts shall cover 5-10% of the area of the land block/part of land block concerned and shall be mowed in the next spring, at the latest during the first mowing.	Visual inspection (only inspection on site)
The mowed biomass shall be removed from the parcel.	Visual inspection (only inspection on site)
Mulching, rapid grassland restoration, grassland restoration and supplementary sowing may be carried out only with a prior approval of a nature conservation authority.	Visual inspection (KNM)+ administrative inspection (check of the compliance with nature conservation authority)
<b><i>Scheme B. 4 – Permanently waterlogged and peatland meadows</i></b>	
The applicant shall meet at least the following conditions of required management:	
No fertilisers or farmyard manure may be applied.	a) Register of fertiliser application (checks of storied substances + checks of invoices/accountancy)
	b) Visual inspection of vegetation status in certain growth stage (only inspection on site)
The grassland shall be mowed at least once a year within a set deadline. The mowing shall be carried out by light machinery. The grassland may not be grazed after the mowing.	Visual inspection (only inspection on site)
The mowed biomass shall be removed from the parcel.	Visual inspection (only inspection on site)
Mulching, rapid grassland restoration, grassland restoration, supplementary sowing, liming and draining of the grassland may not be carried out. Rolling and dragging may be carried out only with a prior approval of a nature conservation authority.	Visual inspection (KNM)+ administrative inspection (check of the compliance with nature conservation authority)
<b><i>B. 5 – Bird habitats on grassland – waders' nesting site</i></b>	
The applicant shall meet at least the following conditions of required management:	
No fertilisers or farmyard manure may be applied.	a) Register of fertiliser application (checks of storied substances + checks of invoices/accountancy)



	b) Visual inspection of vegetation status in certain growth stage (only inspection on site)
The grassland shall be mowed at least twice a year within set deadlines. The mowing shall not be carried out by a group of mowers. The grassland may not be grazed after the mowing.	Visual inspection (only inspection on site)
The mowed biomass shall be removed from the parcel.	Visual inspection (only inspection on site)
Mulching, rapid grassland restoration, grassland restoration and supplementary sowing may be carried out only with a prior approval of a nature conservation authority. Rolling and dragging may be carried out only with a prior approval of a nature conservation authority.	Visual inspection (KNM)+ administrative inspection (check of the compliance with nature conservation authority)
The grasslands shall be mowed always from the centre to the edges or from one side of the parcel to another.	Visual inspection (only inspection on site)
<b><i>B. 6 – Bird habitats on grassland – corncrake’s nesting site</i></b>	
The applicant shall meet at least the following conditions of required management:	
No fertilisers or farmyard manure may be applied.	a) Register of fertiliser application (checks of storied substances + checks of invoices/accountancy b) Visual inspection of vegetation status in certain growth stage (only inspection on site)
The grassland shall be mowed at least once a year within a set deadline. The mowing shall not be carried out by a group of mowers. The grassland may not be grazed after the mowing.	Visual inspection (only inspection on site)
The mowed biomass shall be removed from the parcel.	Visual inspection (only inspection on site)
Mulching, rapid grassland restoration, grassland restoration and supplementary sowing may be carried out only with a prior approval of a nature conservation authority. Rolling and dragging may be carried out only with a prior approval of a nature conservation authority.	Visual inspection (KNM)+ administrative inspection (check of the compliance with nature conservation authority)
The grasslands shall be mowed always from the centre to the edges or from one side of the parcel to another.	Visual inspection (only inspection on site)
<b><i>Scheme B. 7 – Pastures (Basic management)</i></b>	
The applicant shall meet at least the following conditions of required management:	

<p>The average annual application of fertilisers and farmyard manure on the total area of these pastures may be at most 80 kg N/ha (the limit encompasses application of fertilisers, farmyard manure and livestock grazing). Application of slurry shall be prohibited, with the exception of cattle slurry. At least 5 kg N/ha of each land block/part of land block need to be supplied annually by grazing livestock (in their excrements).</p>	<p>a) Register of fertiliser application (checks of storied substances + checks of invoices/accountancy)</p> <p>b) Visual inspection of vegetation status in certain growth stage (only inspection on site)</p>
<p>The grassland shall be grazed at least once a year within a set deadline. After the end of the grazing period, ungrazed patches shall be mowed, with the exception of parcels with a medium slope of 10° and more. The obligation to mow the ungrazed patches may be altered with a previous approval of a nature conservation authority</p>	<p>Visual inspection (only inspection on site)</p>
<p>In the event of chemical weed control, only a spot application of herbicides shall be used.</p>	<p>a) Register of plant protection preparations (inspections of storied substances + checks of invoices/accountancy)</p> <p>b) Visual inspection of vegetation status in certain growth stage (only inspection on site)</p>
<p>In specially protected territories, protective zones of NPs and in Natura 2000 areas – bird habitats declared according to Council Directive No. 79/409/EEC, mulching, rapid grassland restoration, grassland restoration and supplementary sowing may not be carried out without approval of a nature conservation authority.</p>	<p>Visual inspection (INSPECTION ON SITE) + administrative inspection (check of the compliance with nature conservation authority)</p>
<p>Watering shall be provided for the animals and technical or organisational arrangements shall be made on the pastures to prevent the animals from escaping</p>	<p>Visual inspection (only inspection on site)</p>
<p>In specially protected territories, Natura 2000 – bird habitats declared according to Council Directive No. 79/409/EEC and protective zones of NPs, the applicant shall have this scheme approved by a nature conservation authority.</p>	<p>Administrative inspection (check of the compliance with nature conservation authority, check of application for introduction with LPIS)</p>
<p><b>B. 8 – Species rich pastures</b></p>	
<p>The applicant shall meet at least the following conditions of required management:</p>	
<p>No fertilisers or farmyard manure may be applied. At least 5 kg N/ha of each land block/part of land block and at most 45 kg N/ha of the total area of these pastures shall be supplied annually by grazing livestock (in their excrements).</p>	<p>a) Register of fertiliser application (checks of storied substances + checks of invoices/accountancy)</p> <p>b) Visual inspection of vegetation status in certain growth stage (only inspection on site)</p>

<p>The grassland shall be grazed at least once a year within a set deadline. After the end of the grazing period, ungrazed patches shall be mowed, with the exception of parcels with a medium slope of 10° and more. The obligation to mow the ungrazed patches may be altered with a previous approval of a nature conservation authority</p>	<p>Visual inspection (only inspection on site)</p>
<p>In the event of chemical weed control, only a spot application of herbicides shall be used.</p>	<p>a) Register of plant protection preparations (inspections of storied substances + checks of invoices/accountancy) b) Visual inspection of vegetation status in certain growth stage (only inspection on site)</p>
<p>Mulching of ungrazed patches, rapid grassland restoration, grassland restoration and supplementary sowing may be carried out only with a prior approval of a nature conservation authority</p>	<p>Visual inspection (inspection on site) + administrative inspection (check of the compliance with nature conservation authority)</p>
<p>Watering shall be provided for the animals and technical or organisational arrangements shall be made on the pastures to prevent the animals from escaping.</p>	<p>Visual inspection (only inspection on site)</p>
<p><b>B. 9 – Dry steppe grasslands and heathlands</b></p>	
<p>The applicant shall meet at least the following conditions of required management:</p>	
<p>No fertilisers or farmyard manure may be applied. At least 5 kg N/ha of each land block/part of land block and at most 30 kg N/ha of the total area of these pastures shall be supplied annually by grazing livestock (in their excrements).</p>	<p>a) Register of fertiliser application (checks of storied substances + checks of invoices/accountancy) b) Visual inspection of vegetation status in certain growth stage (only inspection on site)</p>
<p>The grassland shall be grazed at least once a year within a set deadline. The grazing shall be made by sheep and goats only. After the end of the grazing period, ungrazed specified undesirable expansive weeds shall be mowed. The mowing of other ungrazed vegetation shall not be obligatory, unless a nature conservation authority stipulates otherwise.</p>	<p>Visual inspection (only inspection on site)</p>
<p>Herbicides may not be used for chemical weed control.</p>	<p>a) Register of plant protection preparations (inspections of storied substances + checks of invoices/accountancy)</p>

	b) Visual inspection of vegetation status in certain growth stage (only inspection on site)
Mulching of ungrazed patches, rapid grassland restoration, grassland restoration and supplementary sowing may not be carried out.	Visual inspection (only inspection on site)
Watering shall be provided for the animals and technical or organisational arrangements shall be made on the pastures to prevent the animals from escaping.	Visual inspection (only inspection on site)
<b>Sub-measure Landscape management</b>	
<b><i>Scheme Conversion of arable land to grassland</i></b>	
A land block used as arable land, which meets at least one of the following criteria, may be entered into this scheme:	
More than 50 % of the land block are covered by soils that are shallow, sandy, waterlogged, very heavy, difficult to cultivate or	
At least 50 % of the land block's area are located in vulnerable zones according to Council Directive 91/676/EEC or	
Any part of the land block falls under an LFA or	
The land block's medium slope is greater than 10°.	Cross-compliance controls with database IACS (LPIS)
Land block is adjacent to water body (only the management C. 1. 2 and C. 1. 4).	
In case of the management C. 1. 3 and C. 1. 4, a land block with the culture arable land can be included that is in conformity with at least one of the above listed criteria, and at the same time, at least 50% of its area is located on the territory of PPA.	
In the title Conversion of arable land into grassland, a land block with the culture arable land can be included on which applicant complies minimally with the procedures of required management:	
The conversion to grassland shall concern the whole land block or its part of a minimum area of 0.1 ha. In case of the management C. 1. 2 and C. 1. 4, applicant is obliged to convert into grassland at least 15-metre wide belt along the boundary with water body.	a) Cross-compliance controls with database IACS (LPIS) b) Visual inspection with measuring (only during 5% of inspections on site "inspections on site")
The conversion to grassland can take place through sowing into prepared seedbed or through undersowing into a cover crop within fixed deadlines. In case of the management C. 1. 3 and C. 1. 4, applicant is obliged to use a regional grass seed mixture that is approved by a nature conservation body (OOP).	a) Cross-compliance controls with database IACS (LPIS) b) Visual inspection with measuring (only during 5% of inspections on site " inspections on site")

In the first year after the grassing, the area concerned shall not be fertilised or grazed, but it shall be mowed at least twice a year (in justified cases only once a year) and the mowed biomass shall be removed from the parcel.	Visual inspection (only inspection on site)
Weeds shall be controlled through cutting. Herbicides may be used only in the first two years and only a spot application shall be possible (especially in the event of an occurrence of persistent and invasive species). Farmers operating in the organic farming system may not use even a spot application of herbicides.	a) Register of plant protection preparations (inspections of storied substances + checks of invoices/accountancy)
	b) Visual inspection of vegetation status in certain growth stage (only inspection on site)
Starting from the second year the area shall be managed by mowing at least twice a year within set deadlines or by grazing within a set deadline. Application of nitrogen containing fertilisers, livestock manure and treated sludge shall be prohibited.	a) Register of fertiliser application (checks of storied substances + checks of invoices/accountancy)
	b) Visual inspection of vegetation status in certain growth stage (only inspection on site)
Arable areas that had in the past been registered as grassland in the LPIS may not be entered into this scheme.	Cross-compliance controls with database IACS (LPIS)
<b><i>Scheme Growing of catch crops</i></b>	
A specified area of arable land, on which the applicant observes the following minimum procedures of required management, may be entered into this scheme:	
During the five-year commitment, the applicant shall assure within the crop rotation that every year a specified catch crop is sown on a specified area.	a) Checks of invoices/accountancy (purchase of seed)
	b) Visual inspection with measuring (only during 5% of inspections on site "inspection on site")
The farmer shall sow the catch crop within a set deadline. Specified overwintering crops as well as crops vulnerable to frost kill can be used.	Visual inspection with measuring (only during 5% of inspections on site "inspection on site")
No chemical or mechanical operations leading to a liquidation of the catch crop or to a reduction of the area under the catch crop shall be made before a set date. After that date a main crop shall be established.	Visual inspection (only inspection on site)
<b><i>Scheme Bio-belts</i></b>	
A land block used as arable land, on which the applicant observes the following minimum procedures of required management, may be entered into this scheme.	
To create bio-belts at least 6-metre wide that will be situated at the edges of arable land plots or inside the fields. Bio-belt	Visual inspection with measuring (only during 5% of

must not be directly adjacent to the boundary of land block that is directly adjacent to a highway, road of the 1st and 2 <sup>nd</sup> category in conformity with the Act on Ground Communications.	inspections on site "inspection on site")
The distance between individual bio-belts inside fields shall be at least 50 metres.	Visual inspection with measuring (only during 5% of inspections on site "inspection on site")
The applicant shall sow the bio-belts with a mixture of recognised seed of specified crops within a set deadline.	a) Checks of invoices/accountancy (purchase of seed)
	b) Visual inspection (only inspection on site)
The applicant shall leave the bio-belts without any management until next spring and then the bio-belts shall be ploughed-in.	b) Visual inspection (only inspection on site)
It shall be prohibited to apply pesticides on the bio-belts.	a) Register of plant protection preparations (inspections of storied substances + checks of invoices/accountancy)
	b) Visual inspection of vegetation status in certain growth stage (only inspection on site)
The bio-belts may not be used for machinery crossing or as headlands.	Visual inspection (only inspection on site)
The location of bio-belts may be altered during the five-year period depending on the crop rotation.	a) Administrative inspection (map of bio-belts)
	b) Visual inspection (only inspection on site)

***Cross-compliance and agri-environmental obligations***

## A1: Organic farming

<b>Management</b>	<b>C-C (current legal regulations)</b>	<b>AEM-conditions</b>
Fertiliser application	C-C does not prohibit an application of farmyard manure which do not originate from the organic farming. An application of mineral fertilisers in the framework of C-C is not prohibited. (Organic farming may use only listed fertilisers).	The applicant shall comply with conditions of Council Regulation (EC) No. 2092/1991, particularly: <ul style="list-style-type: none"> <li>▪ Use only farmyard manure which has origin in organic animal production,</li> <li>▪ Use fertilisers and auxiliary soil material listed in Annex II, part A.</li> </ul>
Plant protection preparation application (PPP)	Lists of approved plant protection preparations in organic farming and in the framework of legal regulations which are included in C-C differ. Regulations for organic farming significantly limit an application of plant protection preparations (PPP).	The applicant shall comply with conditions of Council Regulation (EC) No. 2092/1991, particularly: use only preparations listed in Annex II part B and other.
Growing of agriculture crops, rotation of crops	Such conditions are not regulated in the framework of C-C.	The applicant shall comply with conditions of Council Regulation (EC) No. 2092/1991, for example to maintain the fertility and biological soil activity (particularly by growing leguminous), may not grow nor use in production GMO, etc.
Impact of livestock	Such conditions are not regulated in the framework of C-C.	<ul style="list-style-type: none"> <li>▪ Minimum impact 0.2 LU/ha OF GRASSLAND, maximum 1.5 LU/ha of arable land. The applicant shall comply with this density requirement on a set day of the given calendar year within the five-year period.</li> </ul>
Breeding of livestock	Lists of approved treatment preparations for livestock bred in organic farming and in the framework of legal regulations which are incorporated in C-C differ in the Czech Republic, regulations concerning organic farming are more strict. In the framework of regulations included in C-C the livestock need not be feed by feedstuffs originated from the organic farming. In the framework of regulations included in C-C the livestock may be kept in binding housing.	The applicant shall comply conditions of Council Regulation (EC) No. 2092/1991, for example: <ul style="list-style-type: none"> <li>▪ Livestock shall be feed with feedstuffs originated from organic farming,</li> <li>▪ Feeding of youngs – preferentially by breast milk,</li> <li>▪ Leaving animals tied up is prohibited,</li> <li>▪ For feedstuffs or feed mixtures etc. production may not be used GMO or their derivatives,</li> <li>▪ For the reason disease prevention and a veterinary care breeding of suitable breeds, good breeding methods, feedstuffs and appropriate number of animals are required,</li> <li>▪ Use of veterinary drugs shall be according to laid down regulations and principles (plant preparation shall have priority),</li> <li>▪ Breeding methods such as reproduction, surgery, castration, transportation etc. Shall be in compliance with principles of organic farming.</li> </ul>

A2: Integrated production (fruit, grapes, vegetable)

Management	C-C (current legal regulations)	AEM-conditions
Plant protection preparation application (PPP)	Legal regulations in the framework of C-C (91/414/EEC) modify chemical plant protection preparation application but do not exclude their use.	<ul style="list-style-type: none"> <li>▪ Significant elimination of chemical plant protection preparations related to the protection of basic elements of the environment.</li> <li>▪ Use of biological plant protection preparations.</li> <li>▪ Copper may be applied (vine grapes) only in a total annual dose not exceeding a set limit.</li> </ul>
signalisation, monitoring pests, sampling	Demands for pests signalisation and monitoring are not required, required soil and fruit sampling are not regulated in the framework of C-C.	<ul style="list-style-type: none"> <li>▪ Ensuring of signalisation, monitoring.</li> <li>▪ Ensuring of required soil, fruit and vegetable sampling.</li> </ul>
Fertiliser application	Maximum approved dosage issuing from Council Regulation No. 91/676/EEC (Nitrate Directive) is 170 kg N per ha of arable land in vulnerable areas	<ul style="list-style-type: none"> <li>▪ The nitrogen from fertilisers and farmyard manure is applicable in maximum dose of 50 kg N/ha in the system of grapes growing.</li> </ul>
Growing of agriculture crops	Such conditions are not regulated in the framework of C-C.	<ul style="list-style-type: none"> <li>▪ In vine grapes production at least every second area between rows must be covered by permanent grassland within 3 years of completion of the establishment of the vineyard.</li> <li>▪ Minimum intensity of integrated fruit and vine grapes production is 1 individual / ha (number of individuals / ha).</li> </ul>

B1: Meadows (Basic management)

Management	C-C (current legal regulations)	AEM – conditions
Fertiliser application	Total dosage of nitrogen at grassland is not in the framework of C-C regulated.	<ul style="list-style-type: none"> <li>▪ Elimination of nitrogen dose from fertilisers and farmyard manure on permanent grassland to 60 kg N/ha of permanent grassland – the limit includes also possible grazing of grassland after the mowing.</li> </ul> <p><i>(A payment shall be by appropriate way decreased in areas where an application of fertiliser is prohibited according to legal regulations)</i></p>

B2: Mesophilic and hydrophilic meadows (fertilised, non-fertilised, with unmowed belts)

Management	C-C (current legal regulations)	AEM – conditions
Fertiliser application	Total dosage of nitrogen at grassland is not in the framework of C-C regulated or it is not laid down that farmyard manure or compost shall be exclusively used as fertiliser.	<ul style="list-style-type: none"> <li>▪ Farmyard manure or compost shall be only used as fertiliser in maximum dose of 60 kg N/ha of grassland - the limit includes also possible grazing of grassland after the mowing.</li> <li>▪ Any application of fertiliser is prohibited.</li> </ul> <p><i>(A payment shall be by appropriate way decreased in areas where an application of fertiliser is prohibited according to legal regulations)</i></p>
Meadows management	Method and period of grassland mowing or leaving of unmowed belts at grassland (hereinafter „meadow management “) it is not regulated in the framework of C-C.	<ul style="list-style-type: none"> <li>▪ The grasslands shall be mowed always from the centre to the edges of the parcel one side of the parcel to another including removal of biomass.</li> </ul>



		<ul style="list-style-type: none"> <li>The unmowed belts (shall cover 5-10% of the area of the land block/land block concerned) and shall be mowed in the next spring, at the beginning of the next spring, during the first mowing.</li> </ul>
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B3: Mountain and xerophilic meadows (fertilised, non-fertilised, with unmowed belts)

Management	C-C (current legal regulations)	AEM - conditions
Fertiliser application	Total dosage of nitrogen at grassland is not in the framework of C-C regulated or it is not laid down that farmyard manure or compost shall be exclusively used as fertiliser.	<ul style="list-style-type: none"> <li>Farmyard manure or compost shall be only used as fertiliser in maximum dose of 60 kg N/ha of grassland - the limit includes also possible grassland after the mowing.</li> <li>Any application of fertiliser is prohibited.</li> </ul> <i>(A payment shall be by appropriate way decreased in areas where an application of fertiliser is prohibited according to legal regulations)</i>
Meadows management	Meadows management is not in the framework of C-C regulated.	<ul style="list-style-type: none"> <li>The mowing at least once a year within fixed deadlines including a removal of biomass.</li> <li>The grasslands shall be mowed always from the centre to the edges of one side of the parcel to another.</li> <li>The unmowed belts (shall cover 5-10% of the area of the land block/land block concerned) and shall be mowed in the next spring, at the beginning of the next spring, during the first mowing.</li> </ul>

B4: Permanently submerged and peat meadows

Management	C-C (current legal regulations)	AEM - conditions
meadows management	Meadows management is not in the framework of C-C regulated.	<ul style="list-style-type: none"> <li>Mowing with light mechanisation.</li> <li>Removal of mowed biomass.</li> </ul>

B5: Bird habitats on grassland – waders' breeding site

Management	C-C (current legal regulations)	AEM - conditions
Fertiliser application	Fertilisation is not excluded in the framework of C-C.	<ul style="list-style-type: none"> <li>Any application of fertiliser is prohibited.</li> </ul> <i>(A payment shall be by appropriate way decreased in areas where an application of fertiliser is prohibited according to legal regulations)</i>
meadows management	Meadows management is not in the framework of C-C regulated.	<ul style="list-style-type: none"> <li>The mowing at least twice a year within fixed deadlines including a removal of biomass.</li> <li>The grasslands shall be mowed always from the centre to the edges of one side of the parcel to another.</li> </ul>

B6: Bird habitats on grassland – corncrake's breeding site

Management	C-C (current legal regulations)	AEM - conditions
Fertiliser application	Fertilisation is not excluded in the framework of C-C.	<ul style="list-style-type: none"> <li>Any application of fertiliser is prohibited. <i>(A payment shall be by appropriate way decreased in areas where an application of fertiliser is prohibited according to legal regulations)</i></li> </ul>
meadows management	Meadows management is not in the framework of C-C regulated.	<ul style="list-style-type: none"> <li>The mowing at least once a year within fixed deadlines including a reduction of biomass.</li> <li>The grasslands shall be mowed always from the centre to the edges of the parcel from one side of the parcel to another.</li> </ul>

B7: Pastures (Basic management)

Management	C-C (current legal regulations)	AEM - conditions
Fertiliser application /Impact of livestock	Minimum pasture impact of livestock, limitation of fertiliser application on pastures or requirement to mow ungrazed patches (hereinafter „pastures management“) is not regulated in the framework of C-C.	<ul style="list-style-type: none"> <li>Limitation of pasture impact of livestock</li> <li>Elimination of applied dose of mineral fertilisers <i>(A payment shall be by appropriate way decreased in areas where an application of fertiliser is prohibited according to legal regulations)</i></li> </ul>
pastures management	Pastures management is not in the framework of C-C regulated.	<ul style="list-style-type: none"> <li>After the end of the grazing period, ungrazed patches shall be mowed with the exception of parcels with a medium slope of 10° and more.</li> </ul>
plant protection preparation applications (PPP)	Only a spot application of herbicides shall not be in the framework of C-C regulated	<p>In the event of chemical weed control, only a spot application of herbicides shall be used.</p> <ul style="list-style-type: none"> <li></li> </ul>

B8: Species rich pastures

Management	C-C (current legal regulations)	AEM - obligations
Fertiliser application /Impact of livestock	Pastures management is not in the framework of C-C regulated.	<ul style="list-style-type: none"> <li>Any application of fertilisers shall be excluded with the exception of farmyard manure supplied by grazed animals in excrements: 5 – 45 kg/ha of pasture. <i>(A payment shall be by appropriate way decreased in areas where an application of fertiliser is prohibited according to legal regulations)</i></li> </ul>
pastures management	Pastures management is not in the framework of C-C regulated.	<ul style="list-style-type: none"> <li>After the end of the grazing period, ungrazed patches shall be mowed with the exception of parcels with a medium slope of 10° and more.</li> </ul>
plant protection preparation applications (PPP)	Only a spot application of herbicides shall not be in the framework of C-C regulated	<ul style="list-style-type: none"> <li>In the event of chemical weed control, only a spot application of herbicides shall be used.</li> </ul>

B9: Dry steppe grasslands and moors

Management	C-C (current legal regulations)	AEM – conditions
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Fertiliser application /Impact of livestock	Pastures management is not in the framework of C-C regulated.	<ul style="list-style-type: none"> <li>Any application of fertilisers shall be excluded with the exception of farmyard manure supplied by grazed animals in excrements: 5 – 30 kg of pasture.</li> </ul> <p><i>(A payment shall be by appropriate way decreased in areas where an application of fertiliser is prohibited according to legal regulations)</i></p>
pastures management	Pastures management is not in the framework of C-C regulated.	<ul style="list-style-type: none"> <li>The mowing of determined plant species after the end of the grazing</li> <li>Technical or organisational arrangements shall be made on the pasture to prevent the animals from escaping.</li> </ul>

C1: Conversion of arable land to grassland (basic, along water body, with regional seed mixture, regional seed mixture along water body)

Management	C-C (current legal regulations)	AEM – conditions
Conversion of culture	Seeding arable land is not regulated in the framework of C-C, only a conversion of permanent grassland to arable land is excluded.	<ul style="list-style-type: none"> <li>Conversion arable land to grassland.</li> <li>Conversion arable land to grassland along water body.</li> <li>Conversion arable land to grassland by a regional seed mixture in specially protected territories.</li> <li>Conversion arable land to grassland by a regional seed mixture along water body in specially protected territories.</li> <li>Any application of fertiliser is prohibited.</li> </ul> <p><i>(A payment shall be by appropriate way decreased in areas where an application of fertiliser is prohibited according to legal regulations)</i></p>

C2: Growing of catch crops

Management	C-C (current legal regulations)	AEM - conditions
catch crop	Management is not in the framework of C-C regulated. <i>An interval without any growth during annual crops cultivation is required to be limited because of the elimination of increased risk of nutrient elutriation according to Nitrate Directive (see Article 10 (1) of Government Regulation No. 103/2003 Coll. – an inspection in the framework of C-C is not required – it issues from Annex No. IIB of Nitrate Directive).</i>	<ul style="list-style-type: none"> <li>catch crop of determined species shall be sown at specified area within a set deadline.</li> </ul>

C3: Bio-belts

Management	C-C (current legal regulations)	AEM - conditions
Bio-belt	Management of bio-belts or fodder belts is not regulated in the framework of C-C.	<ul style="list-style-type: none"> <li>The bio-belts shall be sown with a mixture of recognised seed of specified crops within a set deadline.</li> </ul>

***PAYMENTS - Afforestation of agricultural land***

**(Note: in all instances which address costs, determination of so-called “eligible costs” – the rate of aid must be derived in compliance with Appendix I of Council Regulation (EC) No. 1698/2005)**

***II.2.1.1 First afforestation of agricultural land***

In compliance with Council Regulation (EC) No.1698/2005 aid is set for:

- a) costs for establishment
- b) annual premium as a contribution to cover costs for resources
- c) annual premium as a contribution to cover costs for foregone income

ad a)

The following items were used in the computation of costs for establishment of growth:

**for coniferous trees**

	<b>Direct costs (CZK/ha)</b>
soil preparation	3 336
seedlings	31 522
labour	25 885
transportation	3 178
improvement	<u>19 176</u>
Total	83 097

**for deciduous trees**

	<b>Direct costs (CZK/ha)</b>
soil preparation	3 336
seedlings	46 412
labour	31 893
transportation	3 178
improvement	<u>25 427</u>
Total	110 246

The amount of aid provided to farmers or other natural persons and legal persons of a private right is limited by Appendix I of the Regulation – 70% of eligible costs (80% LFA and Natura 2000 and 85% in the most remote regions)

ad b)

the following were included in the calculation of costs for resources:

	<b>Direct costs (CZK/ha)</b>
Weed control	8,000
Protection against animals	3,500
Protection against rodents	1,000
Other protection	500
<b>Total</b>	<b>13,000</b>

ad c)

### **Afforestation of arable land**

For farmers afforestation of arable land means income foregone from arable soil production in the amount of fixed costs payment contribution. The payment contribution was determined on the basis of the weighted average of market crops on arable land in the Czech Republic.

Income foregone from arable land  
CZK/ha 8,750

**Proposed amount of support (100 % income foregone)**  
**CZK/ha 8,750**

### **Afforestation of grasslands**

#### **Calculation starting point**

For farmers afforestation of grasslands means income foregone from production on grasslands in the amount of payment contribution for fixed costs and profit. The payment contribution was determined based on the computation for hay production.

Income foregone from grasslands (the cost takes into account baling)  
CZK/ha 4,425

**Proposed amount of support (100 % income foregone)**  
**CZK/ha 4,425**

## ***II.2.1.2 Establishment of stands of fast growing trees for energy use***

### **Costs for establishment of the production of FGT stands in an area of 1 ha**

<b>Items</b>	<b>Costs per 1 ha in CZK</b>
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Property tax	300
Lease of property	1,000
Purchase of cuttings, 10,000 pcs.	30,000
Transportation of cuttings	2,600
Planting of cuttings	10,500
Preparation of land	7,500
Project	3,000
Fertilising including spreading	7,800
Weed control	38,400
Management	8,000
<b>Total</b>	<b>109,100</b>

### **Costs for establishment of reproduction FGT stands**

<b>Items</b>	<b>Costs per 1 ha in CZK</b>
Property tax	300
Lease of property	1,000
Purchase of cuttings, 10,000 pcs.	30,000
Transportation of cuttings	2,600
Planting of cuttings	10,500
Preparation of land	7,500
Project	3,000
Fertilising including spreading	7,800
Weed control	32,500
Management	8,000
Fencing	20,000
<b>Total</b>	<b>123,200</b>

The amount of aid provided to farmers or other natural persons and legal persons of a private right is limited by Appendix I of the Regulation – 70 % of eligible costs (80 % LFA and Natura 2000 and 85 % in the most remote regions)

*Payments in the framework of Natura 2000 in forests***Calculation of payment proposal for sub-measure management system of retention of forest stand from the previous production cycle**

In the case of the negotiated management system of retention of forest stands from the previous production cycle losses are created for forest from reduced economic utilisation of the forest, as a result of lower average felling increment (PMP) of forest stands compared to possible PMP. In the period of the of new forest management plan creation (FMP) for clearings or current fellable stands the forest owner has the option in compliance with Decree No. 83/1996 Coll. to decide whether trees with higher PMP will be planted where currently there are trees with a favourable environmental impact but low PMP. Thus for CHS No. 41, 43, 45, 47, 51, 53, 55, 57 and 73 after felling current beech stands, it is possible to establish a subsequent stand with a predominance of spruce. Similarly for CHS No. 19, 21, 23 and 25 currently low forest systems (created by shoots from stumps) can be replaced by high forest systems (created from seeds and seedlings).

A significant economic factor for forest owners are the costs of establishing the subsequent forest stand, which are significantly higher for deciduous trees due to the necessity of making fencing significantly higher than for coniferous trees (for instance for beech twice as much as compared to spruce). Paying additional costs for the establishment of deciduous stands would be very stimulating, but it could collide with contributions for forest management provided by regional offices. For shoot regeneration, in contrast, there are much lower afforestation costs, which are for oak the highest for all trees.

The payment calculation has been performed according to the formula:

$$P = (Hlp_{u1} / u1 - Hlp_{u2} / u2) \cdot u1/d$$

Where:

P = the annual payment for sub-measure management system of retention of forest stands from the previous production cycle in CZK/ha,

$Hlp_{u1} / u1$  = value of PMP composition of wood or form of forest in the previous production cycle in CZK/ha,







*Payments in the framework of forest-environmental measures***Calculation of the proposed payment for the sub-measure Improving the species composition of forest stands**

For the agreed conservation or increase in the share of soil ameliorative and reinforcing wood species (ARWS), loss incurs to forest owners during pruning and thinning from reduced economic utilisation of the forest, since the PMP of forest stands decrease with the increased share of deciduous trees (with the exception of oak vs. pine).

The payment calculation has been performed according to the formula:

$$P = Hlp_{u1} / u1 - Hlp_{u2} / u2$$

Where:

P = the annual payment for the sub-measure Improving the species composition of forest stands in CZK/ha

$Hlp_{u1} / u1$  = value of PMP composition of wood with a minimal share of ARWS in CZK/ha,

$Hlp_{u2} / u2$  = value of PMP with the share of ARWS increased by 10, 20, 30 and 40% compared to the minimal share in CZK/ha.

	Excess of min. share of ARWS by 5 to 15 %	Excess of min. share of ARWS by 16 to 25 %	Excess of min. share of ARWS by 26 to 35 %	Excess of min. share of ARWS by more than 36 %
	577	1,155	1,732	2,310
<b>Resulting annual payment in CZK</b>	<b>600</b>	<b>1,200</b>	<b>1,800</b>	<b>2,400</b>

Density of 0.9 was applied to the calculation, which typical for density of stands of fellable mature stands, and a deduction from the value of the growth due to decomposition of core stock proportionate to age and assessment level of the wood. The interest coefficient of 0.0612 has not been applied to the payment since the loss does not occur only in the first year of the period, but in the whole rotation period. The payment is provided in the amount of loss only during the agreed period, since after its expiry the forest owner still has the ability to change the ARWS in a negative way.

***INSTANCES OF HIGHER POWER***

The following events are considered intervention by higher power for the purposes of this programme document:

- a) death of grant beneficiary;
- b) long-term inability to work of grant beneficiary;
- c) the exercise of eminent domain on a large part of the enterprise, if this could not have been foreseen on the day of accepting the obligation;
- d) grave natural disaster which affects the farmed enterprise in a significant way;
- e) destruction of farm buildings caused by accident or natural disaster;
- f) epizootic infection infecting all of the aid beneficiary's farm animals or part thereof.

Written notification must be made of interventions of a higher power within 10 days from the day when the grant beneficiary can so act, to the payment agency, together with corresponding proof acknowledged by it.

**Ex ante evaluation of Rural Development Programme of the  
Czech Republic for the period 2007 - 2013**

František Střeleček  
Magdalena Hrabánková  
Consultant: Morten Kvistgaard

26. May 2006

# Ex ante evaluation of Rural Development Programme of the Czech Republic for the period 2007 - 2013

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Magdalena Hrabánková

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## INTRODUCTION

### What is the purpose of this report?

Under Article 85 of Council Regulation (EC) 1698/2005 an ex ante evaluation of the Rural Development Programme must be drawn up before its final approval.

The ex ante evaluation has been prepared in compliance:

- With Article 84 and 85 of the Council Regulation on Rural Support (hereinafter just the Regulation on Rural Support) with the goal:
  - to improve the quality, effectiveness and efficiency of implementation of rural development programmes,
  - to assess the impact of the programmes from the perspective of strategic community guidelines,
  - to analyse difficulties in the area of rural development characteristic for the Czech Republic taking into consideration the requirements of sustainable development and impact on the environment,
  - to optimise the allocation of budgetary resources.
  
- With key interventions in the Proposed Council Decision on strategic guidelines for rural development (diagnosed period 2007 – 2013) (hereinafter just the Strategic guidelines for rural development).

In the ex ante evaluation, attention is dedicated to:

- the medium and long term needs,
- the goals to be achieved,
- the results expected and the quantified targets particularly in terms of impact in relation to the baseline situation,
- the Community value-added,
- the extent to which the Community's priorities have been taken into account,
- the lessons drawn from previous programming and the quality of the procedures for implementation,
- monitoring, evaluation and financial management.

Under Article 16 of the Council Regulation on rural support each rural development programme shall contain:

- a) Strengths and weaknesses analysis of the situation, chosen strategy for their resolution and evaluation ex-ante under Article 85.
- b) Justification of the chosen priorities taking into consideration Community and National Strategy Plan strategic aims, as well as anticipated impact according to the Ex ante evaluation.
- c) Information on axes and the proposed measures for each axis and its description, including specific, verifiable goals and indicators set out in Article 81, which enable precise determination of progress, effectiveness and efficiency of the programme.
- d) A financing plan comprising two tables:
  - a table setting out the total EAFRD contribution for each year and
  - a table determining the contribution for the entire programming period.
- e) An indicative breakdown of the initial amounts by individual measures in terms of public and private expenditure.
- f) Summary table with supplementary in-state financing of individual axes
- g) The elements needed for the appraisal under competition rules.
- h) Information on the complementarity with the measures financed by other CAP instruments through cohesion policy as well as by the Community support for fisheries.
- i) Programme implementation measures, including:
  - the designation of all the authorities provided for in Article 74 Para. 2 and for information a summary description of the management and control structure,
  - a description of the monitoring and evaluation systems, as well as the composition of the Monitoring Committee,
  - the provisions to ensure that the programme is publicised,
  - the designation of the partners set out in Article 6 and the results of the consultations of the partners.

In its structure the Rural Development Programme of the Czech Republic fulfils all the conditions of Article 16 Council Directive on rural development support. The content Rural Development Programme follows from the rural development policy which should complement the market and income support policies of the Common Agricultural Policy. In accordance with the Strategic guidelines for rural development the future rural development policy will focus on:

- the agricultural and food industries,
- the environment and
- the population and economy of the countryside in the wider meaning of the word.

Rural development support should contribute to the achievement of the following goals:

- a) Improving the competitiveness of agriculture and forestry by supporting for restructuring, development and innovation.
- b) Improving the environment and the countryside by supporting land management.
- c) Improving the quality of life in rural areas and diversification of economic activities.

The ex ante evaluation is based on the Czech version of the following documents:

1. National strategy plan for Rural Development of the Czech Republic for the period 2007 – 2013. Prague, April 2006.

2. Rural Development Programme of the Czech Republic for the period 2007 – 2013. Prague, April 2006.
3. Appendices to the National strategy plan for Rural Development of the Czech Republic for the period 2007 – 2013.

These documents will be commented individually and in their mutual interrelationships.

### **What is the structure of this report?**

The report has been prepared under the Guidelines for ex-ante evaluation and preserves the outline recommended in this document.

The report structure is divided into the following chapters:

#### **1. Introduction**

- 1.1. What is the purpose of this report?
- 1.2. What is the structure of this report?
- 1.3. What are the main information sources?
- 1.4. What evaluations, audits, studies or reports of similar interventions (steps) are available?

#### **2. What are the prepared Rural Development Programme's problems?**

- 2.1. What are the problems, risks and needs in terms of social, economic and environmental criteria?
- 2.2. What are driving forces, strength and opportunities in the programme area concerned?
- 2.3. What causes of disparities can be identified?
- 2.4. What are the specific target groups and what are their needs?
- 2.5. What problems cannot be addressed by the implementation of the programme?

#### **3. This point is not set out in the document.**

#### **4. What are the objectives that the draft programme is expected to achieve?**

- 4.1. What are the overall policy objective in terms of expected impacts?
- 4.2. What are the general, specific and operational objectives and expected results?
- 4.3. Which baseline and impact indicators are proposed for measurement of the concept?
- 4.4. What is the degree of coherency between programme objectives and National Strategy Plan?
- 4.5. What are the baseline and impact indicators proposed for measuring the programme's success and are these indicators applied in a significant (sufficient) manner?

## **5. What are the measures proposed?**

- 5.1. What lessons were learned and evidence taken into account in designing the programme?
- 5.2. What are the baseline needs and objectives for the interventions envisaged?
- 5.3. What measures will be applied to in view of achieving the programme's objectives?
- 5.4. What is the intervention logic of each measure applied?
- 5.5. What is the balance among the measure applied in view of objectives pursued?

## **6. What positive and negative impacts are expected from the measures to be applied?**

- 6.1. What are the expected impacts of the measures to be applied (social, economic and environmental)?
- 6.2. What impacts can be expected to appear over time?
- 6.3. What are potential conflicts between different impacts?
- 6.4. Who are stakeholders (positively or negatively) affected by the programme?

## **7. Summary added value of Community involvement**

- 7.1. How are subsidiarity and proportionality taken into account in the proposal?
- 7.2. To what degree does the draft programme make reference to Community objectives?
- 7.3. What is the degree of complementarity and synergies of draft programme with other interventions (supports)?
- 7.4. To what degree does the draft programme complement other supports?
- 7.5. How is synergy with other supports supported?
- 7.6. What is the degree of additional ("marginal") effects that can be attributed to the draft programme

## **8. Helping to achieve cost-effectiveness**

- 8.1. On what assumptions are the expenditures of the draft programme based?
- 8.2. What are the financial and human resource costs of the draft programme?
- 8.3. Can it be anticipated that expected results will be achieved at lower cost?

## **9. Monitoring and evaluation**

- 9.1. How will the monitoring and evaluation system be implemented?
- 9.2. Which indicators are to be used for measuring inputs, outputs, results and impacts?
- 9.3. What system will be in place for collecting, storing and processing monitoring data?

## **10. Output of the Environmental Report**

- 10.1. What environmental considerations should be taken into account?
- 10.2. What is the main output of the environmental evaluation?
- 10.3. Which measures are proposed to ensure integration of environmental plans with programme preparation?



## **What are the main information sources?**

Annual Report on the SAPARD programme in the Czech Republic. Sapard Agency 2001.

EUROSTAT: General and Regional Statistics. Regions: Statistical Yearbook 2005, [on-line]. <http://epp.eurostat.cec.eu.int/>

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Rural Development 2007 – 2013. Common Monitoring and Evaluation Framework. Draft Measure Fiches. Directorate General for Agriculture and Rural Development. November 2005.

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Rural Development 2007 – 2013. Common Monitoring and Evaluation Framework. Draft Fiches for impact Related Baseline Indicators. Directorate General for Agriculture and Rural Development. November 2005.

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Statistical Environmental Yearbook of the Czech Republic 2004. MoE. Prague, 2004.

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Agriculture 2004. Ministry of Agriculture of the Czech Republic [on-line] <http://www.mze.cz/>

**What evaluations, audits, studies or reports of similar interventions (steps) are available?**

Annual Report on the SAPARD programme in the Czech Republic. Sapard Agency 2001.

Mid-term evaluation of the SAPARD programme in the Czech Republic, Agrotec SpA Consortium, 2004.

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On-going evaluation of the Horizontal Rural Development Plan for the Czech Republic 2004 – 2006. IEEP. Prague, 2003.

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STŘELEČEK F., ZDENĚK R.: Issues of financing small municipalities from EU programmes. Proceedings from the international scientific conference held 2-3.2.2006 in Lučenc (SK). SPU Nitra 2006.

Annual report on the SAPARD programme in the Czech Republic for 2004. Ministry of Agriculture 2005.

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Green report – report on the condition of agriculture in the Czech Republic for 2002. Ministry of Agriculture of the Czech Republic [on-line] <http://www.mze.cz/>

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# PROBLEMS OF THE PREPARED RURAL DEVELOPMENT PROGRAMME

**What are the problems, risks and needs in terms of social, economic and environmental criteria?**

The Rural Development Plan contains a very detailed analysis of the economic and social situation, condition of the environment and potential for development. It is founded on extensive statistical information from Eurostat, the Czech Statistical Office, FADN, studies by MZE, VÚZE, the Ministry of Agriculture, Research Institute of Agricultural Economics, universities and studies by a variety interest groups. Information from these studies can be considered representative.

We consider the introduction to the evaluation of the present situation to be good. In terms of methodology it is useful to note that it would be useful to present the influence of dual demarcation of rural municipalities for demarking rural space.

Demarcation of rural municipalities is performed according to two criteria – the number of inhabitants in a rural municipality and population density in km<sup>2</sup>. Under the first criterion a municipality is considered rural if its number of inhabitants is lower than 2000. Under the second criterion a municipality is considered rural if its population density is lower than 150 inhabitants per km<sup>2</sup>. This definition comes from OECD methodology.

The use of only one criterion could lead to the failure to include small municipalities which certainly should be numbered among rural municipalities. The varied inclusion of individual municipalities favours a two-tier division of counting. Municipalities are divided by density into two groups – up to 150 and above 150 inhabitants per km<sup>2</sup> – and by number of inhabitants into groups of up to 2000 and above 2000 inhabitants. The numbers of municipalities highlighted in bold indicate a match by both criteria – a total to 5,276 municipalities, which is 84.4 %. The remaining municipalities (973, i.e. 15.6 % of the total number) did not report a correspondence with the division. These include 340 municipalities of under 2,000 inhabitants with a population density above 150 inhabitants per km<sup>2</sup> and 218 municipalities with a number of inhabitants above 2000, but with a density of under 150 inhabitants per km<sup>2</sup>.

**Tab. 1 Two-tier division of municipalities in the Czech Republic**

Number of inhabitants	Population density									Total
	0 - 50	50 - 100	100 - 150	150 - 200	200 - 250	250 - 300	300 - 350	350 - 400	above 400	
0 - 200	<b>1,460</b>	<b>167</b>	<b>16</b>	2		1	1		1	1,648
201 - 400	<b>973</b>	<b>479</b>	<b>71</b>	12	7	2	1		1	1,546
401 - 600	<b>375</b>	<b>361</b>	<b>100</b>	29	14	7			4	890
601 - 800	<b>171</b>	<b>243</b>	<b>79</b>	31	9	2	3		2	540
801 - 1,000	<b>82</b>	<b>146</b>	<b>59</b>	28	7	4	2	1	1	330

1001 – 1,200	<b>50</b>	<b>74</b>	<b>49</b>	20	10	2		3	3	211
1201 – 1,400	<b>38</b>	<b>50</b>	<b>39</b>	21	14	6	1	1	1	171
1401 – 1,600	<b>25</b>	<b>33</b>	<b>24</b>	14	6	5	2	1	4	114
1601 – 1,800	<b>14</b>	<b>34</b>	<b>17</b>	19	7	6	1		1	99
1801 – 2,000	<b>8</b>	<b>21</b>	<b>18</b>	7	6	2	1	1	3	67
above 2,000	25	96	97	88	56	59	44	28	140	633
Total	3,221	1,704	569	271	136	96	56	35	161	6,249

Source: Malý lexikon obcí 2004 (Small lexicon of municipalities 2004)

Therefore we propose that the 340 municipalities of up to 2,000 inhabitants with a density exceeding 150 inhabitants per km<sup>2</sup> be included in the group of rural municipalities, with the ability to utilise the Rural Development Programme. More than 50 % of these municipalities have fewer than 1,000 inhabitants. These municipalities have a high degree of unemployment, high percentage of inhabitants commuting to work and a neglected infrastructure.

The description in Chapter 3 presents a lot of interesting information and statistical data as well as certain comparisons with EU numbers.

Comments on the analysis cited are on methodology and also in the form of practical notes. The intent of the methodological evaluation is to contribute to rationale of the entire analytical part as a good foundation for formulating strategic goals in the National Strategic Plan and the Rural Development Programme.

It is necessary to recommend this approach to the presentation of statistical data. First of all the reader should be informed about the current level or scope of a given indicator. For judging whether this situation is good or bad it is necessary to use a quantitative comparison of a given indicator with a certain standard. This standard can be the value of the indicator in EU countries, the set norm (for environmental indicators for instance), or information from scientific findings. The development tendency, which leads to an improvement or worsening of a given indicator, should follow thereafter. From the relationships set forth it is then possible to deduce how harmful or good the condition is, what the significance of change is and what values it would be suitable to achieve in the future. This approach is rarely applied to its full extent. In a number of cases only the development in 2004 is compared with the previous year, without the reader being informed about the current level.

## **SWOT analysis**

To evaluate the SWOT analysis, it is appropriate to note several theoretical foundations, the adherence to which provides the rationale for this method.

- A SWOT analysis should respect a certain systematisation of indicators in terms of their aggregation and immediacy. From this perspective the primary factors in agricultural competitiveness are product price, costs per product unit, its quality, degree of innovation, publicity and marketing. Other factors have a mediated impact through certain of these factors. Applying this system in the SWOT analysis, we can express individual conditionality of factors.

- It is always necessary to conform the SWOT analysis to its goal. If we are making a SWOT analysis in view of competitiveness, then, it is necessary to only include in it those factors which influence such competitiveness, and no others.
- The SWOT analysis proceeds from an analysis of the given status and leads to a quantifiable evaluation of the significance of individual factors. This is where its synthesising effect lies.
- While strengths and weaknesses relate to internal factors, opportunities and threats are dependent on the external environment.

The quantification of goals must follow from the quantification of conditions. If the conditions are not sufficiently quantified, then it is difficult to quantify goals. It is necessary to evaluate significance of individual SWOT analysis elements by the change in costs which follow from the level of indicators. If this analysis is not performed it is not possible to objectively judge the significance of individual SWOT analysis elements.

If we do not apply these main SWOT analysis principles as a rule we do not arrive at an objective result. Therefore it would be very useful for a similar approach to be used in the SWOT analysis in this work.

In the SWOT analysis individual elements of strength and weakness, opportunity and threat are included without consideration of their significance. An evaluation of their significance is not possible without a quantitative analysis among quantitative indicia, or without evaluation by experts among quantitative indicia. The quality of the SWOT analysis also influences the degree of objectivity of needs determined.

The SWOT analysis presented does not follow from objective information contained in the first part and thereby, in our opinion, it lacks objectivity and quantifiability. It is prepared as an intersection of partial analyses of expert teams along individual axes. It is based on the answers of 28 respondents (representatives) of state administration, ministry research offices and non-governmental organisations, to whom 106 questions were posed from four SWOT analysis domains (21 questions on strengths, 45 on weaknesses, 17 on opportunities and 23 on threats). Answers were evaluated statistically. The degree of weight of individual questions was evaluated by a point evaluation scale from one to five. To select decisive answers correlation analysis and factor analysis with right angle varimax rotation were used.

In conclusion it is necessary to state that the expert estimates, if they were correctly evaluated, could serve as a support of the evaluation of objective information. The work, however, lacks cohesion between the analytical part presented in the National Strategic Plan – Appendix 1: “Evaluation of economic and social situation, state of environment and potential rural development with individual SWOT analysis quadrants.” National priorities are not the result of objective SWOT analysis, and there is not sufficient cohesion between strengths and weaknesses on the one hand and opportunities and threats on the other. As a result it is not possible to determine a clear order of national priorities.

Individual priorities are not determined in the decision-making matrix of the SWOT analysis, but follow from the opinions of experts. For this reason it will be difficult to determine the effectiveness of funds expended pursuant to the Rural Development Programme..

*Recommendation:*

*To more clearly apply principles of SWOT analysis in its practical application. To compare strengths and weaknesses with opportunities and threats.*

## Competitiveness

The competitiveness of Czech agriculture can be judged using the import/export indicator in individual states. The following table presents size of this indicator in the EU 25 for SITC 0 – foods and live animals.

**Tab. 2 Share of import and export in EU countries**

Country	Import from EU25 (EUR)	Export to EU25 (EUR)	Area of AL (ha)	Import/Export
Netherlands	13,658,423,790	27,964,670,670	1,924,965	0.49
Belgium	10,907,927,774	16,239,882,180	1,393,789	0.67
Luxembourg	919,058,147	449,151,049	128,079	2.05
Denmark	3,543,973,277	7,446,939,028	2,664,017	0.48
Malta	238,080,785	14,045,836	10,500	16.95
Germany	24,542,814,422	20,215,086,420	17,020,449	1.21
Ireland	2,751,269,142	4,796,718,714	4,297,000	0.57
Austria	4,173,103,243	3,104,115,182	3,374,461	1.34
Cyprus	298,077,311	107,271,780	136,000	2.78
France	18,351,417,606	21,325,292,293	29,630,399	0.86
Italy	15,495,778,134	9,744,685,462	15,097,171	1.59
Sweden	3,553,306,656	1,876,772,705	3,177,041	1.89
Spain	8,505,247,201	13,968,357,657	25,238,746	0.61
Great Britain	17,880,393,599	7,071,766,163	15,517,868	2.53
Czech Republic	1,899,708,808	1,243,262,304	3,631,423	1.53
Estonia	362,789,414	230,151,827	698,300	1.58
Greece	2,927,012,141	1,255,605,061	3,905,685	2.33
Portugal	3,372,823,519	1,089,057,474	3,716,065	3.10
Hungary	1,170,449,974	1,632,938,921	5,776,730	0.72
Slovakia	831,686,175	535,983,848	1,934,660	1.55
Poland	2,412,968,762	3,356,234,843	16,300,820	0.72
Finland	1,504,000,493	456,995,789	2,253,400	3.29
Lithuania	488,415,181	515,332,648	2,604,300	0.95
Slovenia	518,097,281	90,213,301	490,518	5.74
Latvia	401,102,182	143,789,183	1,642,140	2.79
Average	5,628,317,001	5,794,972,814	6,502,581	0.97

Source: Eurostat 2004

From the table shown it follows that the Czech Republic in view of share of import/export indicators is a significant importer of agricultural products. While in the EU countries the

average ratio of import and export is relatively equal (average 0.97), the Czech Republic has 58 percentage points higher import with respect to the EU.

EU 15 Member States were also evidently better prepared for enlargement of the Union, or of the internal agrarian market, than the Czech agrarian sector. This showed up in the unequal growth of Czech export and import and the connected increase in the budget deficit of agrarian foreign trade. The passive agrarian foreign trade imbalance in 1999-2003 represented CZK 21,302.2 million annually. In 2004, it was 50.3 % higher compared with this average. While Czech agricultural-food import was on average 68 % covered by export in the past five-year period, in 2004 the cover level reached a mere 66 %.

The competitiveness of the main plant and animal products differs greatly.

In 2004 compared with 2000 production of main animal products decreased. (For milk to 96.1 %, for beef to 88.7 % and for pork to 93.7 %.) Meanwhile the position of these commodities on the foreign market improved at the expense of domestic consumption. The share of export for production increased as compared to 2000 by 114.9 % for milk, 437.9 % for beef and 600.4 % for pork. The share of production for domestic consumption decreased to 97.5 % for milk, 79.1 % for beef and 98.2 % for pork. Furthermore stocks of these products decreased.

Under the influence of the fertile year 2004 compared to 2000 the production of plant products increased. Production growth for wheat equalled 123.5 %, for barley 143 %, for corn 181 % and for oilseed rape 110.7 %. Growth in the volume of exports did not cover the significant decrease in consumption on the domestic market, and so for wheat and corn stocks increased and interventional purchase grew as well.

**Tab. 3 Comparison of the competitiveness of the main plant and animal products of the Czech Republic**

Animal product commodity		Product			Difference	Export volume			Difference
		2000	2004	Index		2000	2004	Index	
Milk mil. l	Czech Republic	2,514.3	2,496.8	99.3	-17.5	668.80	739.05	110.50	70.25
Beef	Czech Republic	208	184.5	88.7	-23.5	12.06	47.05	389.98	34.98
thous. ton live weight	EU 25	7,499	8,077	107.7	578	164.98	347.31	210.52	182.33
Pork	Czech Republic	583.9	547	93.7	-36.9	8.17	44.85	548.70	36.68
thous. ton live weight	25	17,596	21,200	120.5	3,604	52.79	1,356.80	2,570.28	1,304.01
Animal product commodity		Volume of domestic consumption - import			Difference	Change in condition of stocks			Difference
		2000	2004	Index		2000	2004	?	
Milk mil. l	Czech Republic	1,832.92	1,782.72	97.26	-50.21	12.07	-22.72	-88.26	-34.79
Beef	Czech Republic	197.81	138.74	70.14	-59.06	-2.00	-1.29	164.68	0.71

thous. ton live weight	EU 25	7,334.02	7,729.69	105.39	395.67	,	,	,	,	
Pork	Czech Republic	576.89	505.98	87.71	-70.92	-0.99	-3.88	491.25	-2.89	
thous. ton live weight	EU 25	16,170.72	19,906.80	123.10	3,736.08	1,374,25	-50,88	96,30	-1,425,13	
<b>Animal product commodity</b>		<b>Import/Export</b>								
		<b>2000</b>	<b>2004</b>	<b>Index</b>	<b>Difference</b>					
Milk mil. l	Czech Republic	0.28	0.45	158.55	0.16					
Beef	Czech Republic	1.04	0.40	38.20	-0.64					
	EU 25	0.53	1.39	261.22	0.85					
Pork	Czech Republic	2.40	2.08	86.69	-0.32					
thous. ton live weight	EU 25	0.82								
thous. ton live weight	EU 25	0.53	1.39	261.22	0.85					
Pork	Czech Republic	2.40	2.08	86.69	-0.32					
thous. ton live weight	EU 25	0.82								

<b>Crops (thous. tons)</b>		<b>Product</b>			<b>Export/Production</b>			<b>Domestic consumption – import/production</b>		
		<b>2000/2001</b>	<b>2004/2005</b>	<b>Index</b>	<b>00/01</b>	<b>04/05</b>	<b>Index</b>	<b>00/01</b>	<b>04/05</b>	<b>Index</b>
Wheat	Czech Republic	4,084.1	4,846.3	118.7	0.08	0.02	20.7	0.895	0.706	78.9
	EU 25		124,000.0			0.12			0.803	
Barley	Czech Republic	1,629.4	2,356.5	144.6	0.01	0.04	437.6	1.086	0.800	73.7
	EU 25		61,100.0			0.07			0.792	
Corn	Czech Republic	303.9	551.6	181.5	0.05	0.09	165.9	1.071	0.847	79.1
	EU 25		51,500.0			0.05			0.944	
Oilseed rape	Czech Republic	844.4	934.7	110.7	0.32	0.16	50.4	0.681	0.481	70.7



Potatoes.	Czech Republic	1,476.0	660.5	44.7	0.01	0.08	821.6	0.991	0.924	93.3
<b>Crops (thous. tons)</b>		<b>Change in condition of stocks/production</b>			<b>Export/Import</b>			<b>Intervention purchase/production</b>		
		<b>00/01</b>	<b>04/05</b>	<b>Index</b>	<b>00/01</b>	<b>04/05</b>	<b>Index</b>	<b>00/01</b>	<b>04/05</b>	<b>Index</b>
Wheat	Czech Republic	0.026	0.051	197.6	43.41	3.20	7.4	-	0.227	-
	EU 25		0.049			2.90		-	0.031	-
Barley	Czech Republic	-0.095	-0.012	12.7	0.165	10.0	6 069.6	-	0.170	-
	EU 25		0.046			13.3		-	0.097	-
Corn	Czech Republic	-0.125	-0.064	51.2	0.943	5.0	530.1	-	0.127	-
	EU 25		0.006			0.926		-	0.002	-
Oilseed rape	Czech Republic	0	0.358		53.8	3.0	5.6	-	-	-
Potatoes .	Czech Republic	0	0		0.781	0.275	35.2	-	-	-

Source: Ministry of Agriculture, Eurostat

Improving competitiveness is thus a key problem in Czech agricultural policy. The achievement of a comparable competitive ability with the EU average should be made an objective of fulfilling the first axis.

Because an evaluation of the determinate matrix was not performed the needs were not individually formulated. From the context of the Rural Development Programme, particularly Chapter 3 (Analysis of the situation in view of the strengths and weaknesses of Czech

agriculture and countryside using a SWOT analysis, chosen strategy, their solution and Ex ante evaluation) these needs and their relationship to goals can be derived.

#### AXIS 1 – Improving the competitiveness of agriculture

The need to improve the competitiveness of agriculture on a general level was already stated above. Improving competitiveness means addressing primarily these needs:

- Reducing product prices. Reducing the prices of individual commodities is a significant element in increasing their competitiveness.

**Tab. 4 Agricultural commodity prices – comparison with the EU 15 (2004)**

	Wheat €/100 kg		Rye €/100 kg		Barley €/100 kg		Oats €/100 kg		Corn €/100 kg		Potatoes €/100 kg		Sugar beet €/1,000 kg		Oil kg
	EU 15	Czech Republic	Czech Republic	EU 15	Czech Republic	EU 15	Czech Republic	EU 15	EU 15	Czech Republic	EU 15	Czech Republic	EU 15	Czech Republic	EU
2001	12.39	11.54	11.18	10.64	11.65	11.02	13.56	11.71	12.86	11.42	16.47	10.98	42.22	28.59	23.
2002	11.39	11.04	12.01	9.97	13.08	9.91	14.90	10.73	12.55	10.55	14.30	16.10	43.93	31.49	24.
2003	12.29	10.61	11.05	11.45	11.12	10.94	15.04	11.04	12.63	9.07	17.63	15.10	48.10	29.45	26.
2004	12.28	12.23	11.04	8.84	11.45	11.06	12.51	11.48	12.77	11.82	20.22	17.47	44.49	35.25	27.
	Calves €/100 kg live weight		Cows €/100 kg live weight		Bulls €/100 kg live weight		Pigs €/100 kg live weight		Sheep €/100 kg live weight		Chicks €/100 kg live weight		Milk €/100 kg		Eg
	EU 15	Czech Republic	EU 15	Czech Republic	EU 15	Czech Republic	EU 15	Czech Republic	EU 15	Czech Republic	EU 15	Czech Republic	EU 15	Czech Republic	EU
2001	251.08	132.65	97.15	64.20	137.49	99.86	135.09	127.36	82.50	52.84	80.99	75.79	32.62	22.72	5.7
2002	259.70	130.99	94.24	67.85	145.85	122.45	114.09	107.13	88.86	57.04	76.62	72.65	31.17	26.18	5.7
2003	265.45	125.26	113.65	59.72	153.19	115.43	112.75	93.70	99.67	60.70	85.39	65.79	30.31	24.43	6.9
2004	243.78	155.09	99.90	69.71	153.38	119.06	120.65	100.09	96.57	56.66	92.09	69.17	29.89	24.97	7.7

Source: EUROSTAT

As is apparent from the table, prices of agricultural grain products are, with the exception of wheat and corn, on a higher level than the average in the EU 15, the prices of tubers and oilseed rape are below the EU average.

The price of wheat and barley is the lowest in Austria, reaching in 2004 73 % (wheat) and 70 % (barley) of prices in the Czech Republic. The prices of rye and oats are on the lowest level in Luxembourg, reaching 62 % (rye) and 59 % (oats). Austria achieves the lowest price level of corn and oilseed rape, specifically 76 % (corn) and 79 % (oilseed rape) of the average prices in the Czech Republic. For potatoes and sugar beets the prices of agricultural producers are the lowest in Great Britain, specifically 41 % (potatoes) and 66 % (sugar beets) of the prices in the Czech Republic.

The situation is different for animal product commodities, where the prices of Czech farmers are far below the average in the EU 15, and with the exception of slaughter sheep and eggs they are the lowest compared with the countries in the EU 15. The prices of slaughter calves in the Czech Republic reaches a mere 63 % of the EU 15 average, of slaughter cows just under 70 % of the EU 15 average, of slaughter bulls 78 % of the EU 15 average. The situation is the same for slaughter pigs (83 % of the EU 15), chickens (75 % of the EU 15) and milk (83 % of the EU 15). Prices for animal product commodities that are lower than in the Czech

Republic can only be found for slaughter sheep (Spain 55 % of Czech Republic prices) and eggs (Ireland 95 % and Great Britain 88 % of Czech Republic prices).

A permanently sustainable process of agricultural competitiveness requires simple or expanded reproduction of the production potential at given prices. This presumes an appropriate profitability of the enterprise. From the perspective of return on property of agricultural enterprises it is necessary to increase the profitability of Czech agricultural enterprises. Agricultural enterprises have been losing ventures for a long time. This created insufficient conditions for return on property.

**Tab. 5 Overview of agricultural enterprise losses**

	Production area								
	1996	1997	1998	1999	2000	2001	2002	2003	2004
Assets total (in CZK thous.)	86,420	100,340	101,690	111,690	103,370	109,650	113,298	122,577	135,105
Profit rate (in %)	-0.25	-1.20	0.12	-0.69	2.16	1.92	-0.93	-0.94	4.46
	Marginal area								
	1996	1997	1998	1999	2000	2001	2002	2003	2004
Assets total (in CZK thous.)				81,620	88,380	85,524	81,650	80,806	82,347
Profit rate (in %)				0.03	1.99	0.78	-1.09	-2.08	3.92

Source: own study

The reduction in unit costs per product is the solution of both the above mentioned issues. Increasing labour productivity, primarily with more effective mechanisation, is related to the reduction of unit costs.

**Tab. 6 Gross added value per worker in individual industries in the Czech Republic (in EUR)**

	2000	2001	2002	2003	2004
Agriculture, forestry and hunting	11,900	13,700	14,800	13,900	16,500
Food industry	15,400	13,400	15,200	18,900	19,200
Energy	31,500	36,700	46,500	45,200	49,100
Building	14,700	16,000	18,600	20,200	21,300
Transportation and communication	16,900	22,400	26,200	27,700	28,400

Source: Eurostat

From Table 6 it follows that labour productivity in agriculture in the Czech Republic is significantly lower than in other national economy industries.

**Tab. 7 Gross added value in current prices in EUR per worker in agriculture, forestry and hunting**

	<b>2003</b>	<b>2004</b>
EU 25	58,200	59,600
EU 15	68,100	67,600
Czech Republic	13,900	16,500
Germany	47,400	:
Hungary	15,200	21,300
Austria	122,500	122,400
Poland	50,200	:
Slovakia	13,900	17,000

Source: Eurostat

We can reach a similar conclusion by comparing productivity in agricultures with the EU 25 countries. Primarily besides labour organisation there is a low level of mechanised performance, which is caused by the design obsolescence of agricultural equipment.

**Tab. 8 Average age of long-term material property (LMP)**

<b>Year</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Number of enterprises	100	145	129	149	141
LMP gross	97,179.5	98,668.2	103,732.8	115,509.9	117,455.7
Repairs	42,841.4	44,614.7	48,182.7	56,276.1	57,901.0
Average age of LMP	2.268	2.212	2.153	2.053	2.029

Source: own study

Note: LMP – long-term material property

This design obsolescence appeared primarily by the opening of Western European markets. Agricultural equipment offered by Western European companies has a much higher productivity, lower PHM consumption and lower harvesting losses in comparison with equipment used from the former Socialist countries. The purchase of this equipment significantly impacts labour productivity and production costs in agriculture. Design obsolescence and the motivation for its exclusion can be demonstrated using the examples of equipment output and efficiency.

For example, in making haylage of fodder (alfalfa, clover) using a self-cutting JUMBO haylage truck, the costs for 1 ton of silage mass using traditional methods is 7.22 EURO, using the self-cutting JUMBO haylage truck they are 4.33 EURO. The difference in costs is thus almost 40 %. Use of the JOHN DEERE forage harvester means a 61.7 % cost savings per 1 ha of harvested area. There is saving in machine demand as well. Per 1000 ha with a traditional forage harvester 30 harvesting days 5.5 pieces are needed, for a JOHN DEERE forage harvester 1 piece.

The level of management is also low. Let's compare the variability of the indicator "Economic result for the accounting period per CZK 1000 output" between individual agricultural production areas and within areas.

**Tab. 9 Economic result during the accounting period per CZK 1000 output**

Agricultural production area	Number of enterprises n	Average $\bar{x}$	Spread $s^2$	Directional deviation s
potato	58	56.7	1,442.4	38.0
corn	5	41.7	1,875.2	43.3
grain	26	46.4	1,056.6	32.5
fodder	27	61.9	2,764.8	52.6
oilseed rape	25	55.8	2,147.2	46.3
<b>Total</b>	<b>141</b>	<b>54.0</b>	<b>1,754.2</b>	<b>41.9</b>

Source: own study

$$\begin{aligned} \text{Total spread} & \quad s_c = 1754.2 & \quad \sqrt{s_c} = 41,9 \\ \text{Spread between production areas} & \quad s_s = 31.9 & \quad \sqrt{s_s} = 5,6 \\ \text{Dispersal within the area} & \quad s_r = 1722.3 & \quad \sqrt{s_r} = 41,5 \end{aligned}$$

The average variability of the economic result within the area is more than 8 times higher than the variability between areas. The management level has an 8 times greater impact on economic result than varying natural conditions.

From what was stated it follows that modernisation of agricultural holdings in the Czech Republic and management level are significant factors in competitiveness in agriculture. The amount of national quotas and limits also influences the competitiveness of agriculture.

**Tab. 10 National production quotas**

Commodity	Unit	National production quotas	State of production in 2004	Fulfilment of quota in % in 2004
milk	thous. tons	2,682.143	2602	97

sugar A	thous. tons	441.2	553.9	122
sugar B	thous. tons	13.6		
starch	thous. tons	33.66	33.644	99.9

Source: Ministry of Agriculture

**Tab. 11 National limits**

<b>Commodity</b>	<b>Unit</b>	<b>National production limits</b>	<b>State production of in 2004</b>	<b>Fulfilment of limit in % in 2004</b>
flax – long fibre	t	1,923	2,932	152.5
flax – short fibre	t	2,866	2,855	99.6
BTPM cows	units	90,300	136,081	150.7
sheep (ewes)	units	66,733	64,530	96.7
slaughter bonus – adult cattle	units	483,082	151,704	31.4
slaughter bonus - calves	units	27,380	12,519	45.7
special bonus for bulls	units	244,349	131,577	53.8
additional payments for cattle	ton live weight	270,031	184,500	68.3

Source: Ministry of Agriculture, CSO

Setting national quotas and limits the achieving improved competitiveness by increasing the volume of primary agricultural raw materials; in this instance it is necessary to concentrate primarily on higher added value and innovation in production and trade. A significant role in this process falls primarily on the processing industry.

The following change the solution procedures:

1. It is not possible to achieve a dominant market position for a number of commodities by increasing production volume. These involve primarily commodities in the areas of quotas and national limits. For this reason it is not possible either to apply standard strategic procedures, according to which it is possible to infer income flexibility on the selection of agricultural products, for instance.
2. The non-food use of agricultural products will continue to have an ever greater impact on competitiveness. In comparison with market saturation by traditional agricultural products, innovation in the non-food use of agricultural products opens new opportunities for the success of these products on national and international market.
3. The size of added value influences innovation process level primarily in the processing industry (food and non-food).

4. An unfavourable added value amount influences the adherence to European standards, which are dependent on declaring direct payments. Adherence to such standard increases the costs of agricultural enterprises without a corresponding increase in revenues.
5. Low equivalent production subvention, which according to estimates varies from 17 – 20 % of the EU average, also has an unfavourable impact on the level of prices.
6. Low labour productivity calls for immediate fixing of the modernisation of the agricultural economy. Higher labour productivity will influence the profitability of individual products as well as production volume and reduction of the number of workers in agriculture.
7. Long-term maintenance of competitiveness also requires appropriate return on production factors in agricultural enterprises. Here it is possible to achieve greater effectiveness of management, among other things. If we compare the variability of economic results among production areas and within individual production areas, then it is apparent that the variability within production areas is eight times higher than the variability among these areas.

### **What are driving forces, strength and opportunities in the programme area concerned?**

Strengths and opportunities are conditions of successful rural development. Definitive strengths in individual axes include in particular the following:

#### Axis 1 – strengths:

- Appropriate size structure of agricultural enterprises producing primary production volume. This group enables achieving the needed accumulation of capital, implementing needed modernisation of agricultural equipment and using modern management methods.
- The temporarily low price of agricultural land and lower rent. Low rent enables entrepreneurs to appropriately expand their manufacturing base with appropriate costs. This is decisive primarily for new entrepreneurs.
- Good relative prices particularly for animal products.
- The high degree of adaptability of agricultural enterprises to changing market conditions for agricultural products. A wider production portfolio of agricultural products decreases the risk of changing demand for agricultural products.

#### Axis 1 – opportunities:

- Development programmes, which enable the modernisation of the agricultural economy.

- Non-food use of agricultural production. The utilisation of this opportunity depends primarily on processing industry activities. Presently this opportunity is not being sufficiently utilised.
- Good conditions for marketing certain agricultural products (milk, meat products, technical crops) on the foreign market.
- The sale of agricultural products from the farmyard connected with weekend farm visits primarily for enterprises closer to larger towns. The difference between sale prices from the farmyard and prices in towns allows visitors to pay for part of the weekend visit and makes it interesting for them.

#### Axis 2 – strengths:

- A good nature protection system primarily in protected areas and national parks.
- Secured administration of watercourses.
- Increased share in grassing of agricultural land primarily in mountain areas.
- Good groundwater quality.
- Reduced fertilising with mineral fertilisers.
- Higher share of extensive agriculture particularly in highland and mountain areas.

#### Axis 2 – opportunities:

- Development programmes enable financing of measures to improve the environment.
- Increasing society interest in the protection of nature, landscapes and the environment.
- Increased interest in the use of alternative energy sources.

#### Axis 3 – strengths:

- Equipping of larger municipalities with basic infrastructure.
- Landscape intactness in protected landscape areas and national parks.
- Stopping migration of the rural population to towns.
- Good marking of tourist routes and cycle routes.
- High degree of organisability of the rural population.

#### Axis 3 – opportunities:

- Increasing interest of the population in rural tourism.
- Development programmes enabling basic changes in small rural municipalities. An example is support from the SAPARD project compared with the budgets of small municipalities.



**Tab. 12 Average income after consolidation by size of municipality.**

Number of inhabitants in the municipality	Average income after consolidation 2002 (thous. CZK)	
	Czech Republic	SAPARD
1 - 200	1,418	5,412
201 - 400	3,245	9,265
401 - 600	5,834	8,957
601 - 800	8,755	13,283
801 - 1,000	11,844	13,435
1,001 - 1,200	14,717	14,892
1,201 - 1,400	19,073	21,806
1,401 - 1,600	23,027	29,840
1,601 - 1,800	24,312	32,386
1,801 - 2,000	26,390	23,373
Countryside	6,116	15,467
above 2,000	271,319	87,770
Czech Republic	33,006	33,543

Source: ARIS - RARIS

Financing, particularly of small municipalities, from the SAPARD programme increased by several fold the annual financing of such municipalities from the state budget. The SAPARD programme enabled these municipalities to carry out investments which would not have been accessible for several years if financed from the state budget. The number of such municipalities, however, was relatively small.

- Capacity of unutilised agricultural and military buildings.
- Visitor interest in cultural heritage.

Significant driving forces include primarily the organisation Union of Towns and Municipalities of the Czech Republic, local action groups, municipal associations. Larger agricultural enterprises, which sponsor the development of a number of municipal activities, also comprise a significant element. The privatisation of agricultural enterprises renewed the relationship of farmers to the land and solidarity with rural settlements. The creation of action groups, which bring together workers from municipal offices, entrepreneurs and significant

persons in a fundamental manner influences primarily the development of municipal associations. A free labour force in rural municipalities motivate small and mid-size entrepreneurs to set up their offices in these municipalities.

### **What causes of disparities can be identified?**

One of the significant causes of disparities is an insufficient basis of the SWOT analysis on quantified data. The SWOT analysis also lacks completeness. These problems are discussed in more detail in Chapter 2.1.

The low level of data quantification means that goals are set in an unquantified level, and then the level of fulfilment of such goals cannot be evaluated. Failure to differentiate individual goals into long-term and short-term does not enable the inclusion on individual measures into the long-term framework strategy.

### **What are the specific target groups and what are their needs?**

The target groups include:

- Agricultural entrepreneurs (natural and legal persons) – Their main objective is achieving a favourable economic result for return on production forces and appropriate entrepreneurial compensation.
- Agricultural workers – Their main objective is to achieve a comparable salary level compares with compensation in other national economy industries. Compensation in agriculture is significantly lower.

**Tab. 13 Net total financial income (per person and year in CZK)**

	2000	2001	2002	2003
Average household	83,422	90,167	93,153	98,102
Farmer household	73,002	79,617	83,622	85,144

Source: CSO

- Natural and legal persons working in forests or providing services in forestry activities – The objective of these groups is to achieve managed restoration of forests and using appropriate harvesting to make a business profit.
- Land offices – The mission of land offices is to prepare and identify parcels for land consolidation and thereby ensure their functional use for new owners.

- Municipalities and associations of municipalities – Their objective is to secure administration of the municipality, necessary infrastructure, social and cultural life.

### **What problems cannot be addressed by the implementation of the programme?**

Conditions for a number of impacts are created by programme implementation. Nevertheless, it is up to support beneficiaries to properly adhere to the goals declared by the Rural Development Programme. For many goals conflicts between personal entrepreneurial interest and the municipal interest, which is supported by the Rural Development Programme, can probably occur.

For instance, the impact of modernising the economy will create an increase in labour productivity and thereby create favourable conditions for increasing employee wages. The level of increase of such wages depends on beneficiaries and it is not possible to influence it directly by programme implementation. It will therefore be very important that a common awareness for take individual programmes to their desired effect be created during implementation of the Rural Development Programme. For this reason besides the preparation of a number of incentives, the engagement of the Agrarian Chamber of the Czech Republic, Entrepreneurial associations and Local action groups is also needed.

The following problems can be randomly mentioned:

- salary level and price level,
- marketing initiative,
- comprehensive understanding of nature conservation,
- preservation and development of comparative advantages of own resources,
- application of acquired knowledge in practice and a number of others.

### **POINT 3 IS NOT ELABORATED IN THE GUIDELINES FOR EX ANTE EVALUATION**

#### 4. WHAT ARE THE OBJECTIVES THAT THE DRAFT PROGRAMME IS EXPECTED TO ACHIEVE?

##### What are the overall policy objective in terms of expected impacts?

In this section the relationship between development vision, global objectives of the strategy and expression of expected impacts in the National Strategic Plan and Rural Development Programme is analysed.

The Rural Development Strategy of the Czech Republic follows from the National Rural Development Plan (p. 14) from this vision:

“By 2013 the shape and economic structure of the Czech countryside will change to an extent that leads to a distinct improvement in the environment, standard of living and living conditions of its inhabitants, to strengthening the supporting occupations and diversifying the economic activities of agriculture, forest and water management, tourism and other branches that ensure the economic and social stability of the countryside and to achieving a standard of living comparable to the rural regions in the developed countries of the European Union.”

The vision set out is divided into global objective groups:

##### AXIS I

AXIS I Impact indicator	Corresponds to global objective
GDP per one worker (AWU) Growth in GDP per worker of CZK 70 – 80 thous. for the period 2007 - 2013	Increasing GPD per inhabitant of the countryside Increasing income of the rural population Increasing share of production of foreign markets
Export of agricultural products / total domestic agricultural production Increase the share of agricultural product export by 3 %.	Competitiveness in basic food commodities
Domestic consumption of agricultural products / domestic agricultural production Increase the share of domestic consumption by 3 – 4 %.	

##### AXIS II

AXIS II Impact indicator	Corresponds to global targets
Changes in areas with a high natural value Increasing management of territory contributing to biodiversity and preservation of areas with a high natural value by 83,000 ha.	Systematic improvement in the state of the environment, Reduction in the negative impact of intensive farming

<p>Increasing the share of organic and extensive farming primarily in marginal areas. Increasing the share of farming by these methods by 5 %.</p> <p>Changes in nutrient balance (value and trends)</p> <p>Increasing production of energy from renewable sources by 7 %</p>	Nature and landscape management
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### AXIS III

<b>AXIS III Impact indicator</b>	<b>Corresponds to global targets</b>
<p>For the period 2007 – 2013 to create 22,000 jobs</p> <p>To reduce the rate of unemployment among the rural population by 1.2 percentage points</p> <p>To increase the average income of a rural household member by 17 %</p> <p>Basic infrastructure equipment</p> <p>To increase the number of persons using quality services by 350,000</p> <p>To increase the number of inhabitants connected to public sewage with water treatment by 20 percentage points.</p>	<p>The creation of new jobs</p> <p>Reduction in the unemployment rate in the countryside</p> <p>Increasing income of the rural population,</p> <p>Improving the standard of living</p> <p>Living conditions</p> <p>Social structure of the countryside</p> <p>Improving basic services for the rural population</p>

Standard of living and living conditions are not included in the global objectives but they follow from the vision and are fundamental elements for life in the countryside. The global objectives cited are consistent with the four strategic Community objectives as well. Total economic growth for the rural population is characterised by the Indicator of impact GDP per one rural inhabitant.

### **What are the general, specific and operational objectives and expected results?**

In determining the indicators and their use in the monitoring system it is necessary to emphasise the requirement of objectives and indicators to which the inputs are linked.

As follows from the Guidelines overall objectives are determined verbally as a rule. Their quantification is expressing using impacts. From the logic of the matter it follows that a similar system should be maintained in the relationship between specific objectives and results and operational objectives and outputs.

Expected results and indicators of outputs can be observed on three levels – agriculture – countryside – national economy. For indicator systematisation it would be useful to include the indicator structures, which would express the share of an indicator of a lower aggregate level on an indicator of a higher order. For instance, inclusion of an indicator of the share of gross domestic product created in agriculture out of the total gross domestic product in the country would logically and mathematically connect both monitored levels. This system would be useful to apply for both impact indicators as well as for results indicators. For instance in evaluating the results of the young farmers measure it would be useful to fill in the share of young farmers of total agricultural production. Difficulties in content completion show up for certain indicators on the rural level, such as the indicator of the gross domestic product created by the rural population, for instance, which can be completed only with difficulty with current statistical methods.

Operational objectives are expressed for individual measures and as a rule follow from the Council recommendations taking into account the Czech environment. Given the impact of insufficient agricultural policy management and rural development policies in the previous political regime, the size of needs greatly exceeds the ability for solutions. From this perspective the problem is not so much definition of needs, but rather their prioritisation in terms of maximum impact of funds expended. In this sense it is necessary to give preference to measures leading in Axis I to improved labour productivity and agricultural product quality, in Axis II to improved water and soil quality and in Axis III to the creation of new jobs in the countryside, improving the income situation of the rural population and improved civic facilities.

In our opinion the relationships among overall impact and specific objective indicators and indicators tied to individual measures are not sufficiently worked out. For instance for the global objective of improving the competitiveness of Czech agriculture and with respect to individual Axis I measures it would be useful to fill in these specific objectives and result indicators.

Specific objectives:

1. level of innovation of agricultural products.
2. quality of agricultural products,
3. quality of marketing,
4. relative cost.

Specific objectives, which express the level of determinative factors influencing the competitiveness of agricultural enterprises should have these results indicators.

1. share of new agricultural products of total sales,
2. share of registered products consistent with the certified standard for foods of total sales,
3. volume of resources dedicated to product marketing,
4. development of price indexes.

For evaluating the range of the amount of the above mentioned indicators and global impacts it is possible to use price flexibility coefficients. Using these coefficients it is possible to judge the sensitivity of a change in global impacts to given indicators. Based on a comparison of the level of flexibility coefficients for individual EU Member States it is possible to make further recommendations.

The following table expresses the relationship of specific objectives and results.

<b>AXIS I Result indicators</b>	<b>Corresponds to specific objectives</b>
Share of registered products of total sales	Quality of agricultural products
Volume of resources dedicated to product marketing	Marketing improvements
Development price indexes	Improving price level

Results indicators are consistent with the following:

- gross added value per worker
- gross added value / investment property
- intensity of production (ha yield, utility).

### **Which baseline and impact indicators are proposed for measurement of the concept?**

Baseline indicators are shown in the Rural Development Programme Section 5.3. These indicators properly follow from the Fiches for Impact Related Baseline Indicators. The following table presents their values. The draft indicators were consulted on with the Czech Statistical Office and this Office's methodology was accepted for their determination and allocation. The indicator methodology for Axis 2 is still not sufficiently worked out.

**Tab. 14 Impact-related baseline indicators and estimate of objective values in 2013**

<b>Axis</b>	<b>Indicator</b>	<b>Measurement</b>	<b>Unit</b>	<b>Estimated baseline value 2007</b>	<b>Estimated objective value 2013</b>	<b>Source</b>
Horizontal (Programme level)	Economic development	GDP/inhabitant (PPS, EU-25 = 100)	%	68	90	CSO, Eurostat
	Employment rate	Level of economic activity share of employed persons of 15-64 years of age for total population of the same age class	%	65	68	CSO
	Unemployment	Rate of unemployment	%	8.2	8	CSO
Axis I Improving the competitiveness of the	Training and education in agriculture	Percentage of farmers with completed primary education	%	43	40	CSO
	Age structure in agriculture	Share of farmers of up to 30 year of age / above 55 years of age	%	10,1/21,7	12/20	CSO

Axis	Indicator	Measurement	Unit	Estimated baseline value 2007	Estimated objective value 2013	Source
	Labour productivity in agriculture	Gross value added per worker in agriculture in c. p.	CZK thousand/ AWU Index (EU = 100%)	225 35	310	CSO 03
	Labour productivity in the food industry	Gross value added per worker in the food industry	CZK thousand/ worker Index (EU = 100%)	495	540	CSO
	Labour productivity in forestry	Gross value added per worker in forestry	CZK thousand/ worker Index (EU = 100%)	810	890	CSO, ÚHÚL
Axis II Improving the environment and landscape	Biodiversity: Bird populations in agricultural landscape	Development of populations of selected bird species (corn bunting, field sparrow, common starling) change in numbers (JPSP – relative index of population trend compared to 1982)	%	107	112	Czech Society for Ornithology, SOP MoE CR
	Biodiversity: High nature value areas of agricultural land	Use of agricultural land in high nature value areas in % of agricultural land	ha	550,000	560,000	MoE CR, MA (LPIS)
	Biodiversity: Species composition of trees	Distribution of groups of trees spruce, oak, beech	%	53 6.5 6.7	52 6.8 7.1	ÚHÚL
	Water quality: Nutrient balance	Consumption of pure N in kg/ha of agricultural land	kg/ha	68	70	VÚRV
	Land: Organic farming	Total agricultural land under organic farming	ha	263,299	310,000	MoA (LPIS)
	Climate change: Production of renewable energy from agriculture and forestry	Production of renewable energy sources from agriculture (kt). Production of renewable energy sources from wood and waste wood (purposefully cultivated plants – poplar, shrubs...), wood mass (ktoe)	kt ktoe (1000t on equivalent)	83 1,007	99.6 1,208	CSO
Axis III Quality of life in rural areas and diversification of rural economy	Farmers with a different gainful activity	Percentage of farmers with a gainful activity different than agriculture	%	19	24	CSO 03
	Employment development of non-agricultural sector	Employment in secondary and tertiary sectors in rural areas	number of persons in thousand	3,905	4,120	CSO 03
	Economic development of non-agricultural sector	Gross value added in secondary and tertiary sectors (in rural regions)	bil. CZK	1,830	1,940	CSO, Eurostat
	Self-employment development	Number of self-employed persons in rural regions (OSVČ)	persons	638,000	662,000	CSO



Axis	Indicator	Measurement	Unit	Estimated baseline value 2007	Estimated objective value 2013	Source
	Internet development in rural areas	Share of persons in the countryside (< 100 inhab./km <sup>2</sup> ) utilising ADSL Internet of the total population	%	3.9	4.5	CSO, DG INFSO
	Development of the services sector	Gross value added in services as percentage of total GVA	%	59	63	CSO, Eurostat
	Life-long learning in rural areas	Percentage of population of adults (25-64 years) participating in life-long learning and training (in rural regions)	%	5.4	7.3	MoA, DG AGRI
Axis IV Leader	Development of local action groups	Share of population on the territory where the LAG is active	%	15	17	MoA, DG AGRI

Note: AWU - Annual Work Units

PPS – Purchasing Power Standard

UHUL – Institute of Forest Management

VURV – Research Institute of Crop Production

### **What is the extent of coherency between programme objectives and National Strategy Plan?**

The National Strategic Plan is implemented in the Czech Republic via the Rural Development Programme for the period 2007 – 2013, which is valid for rural areas for the entire Czech Republic.

It is completely understandable that the National Strategic Rural Development Plan will be very closely connected in terms of content with the Rural Development Programme. Nevertheless, the National Strategic Rural Development Plan should contain certain other areas as well which are important in view of the integration of agriculture, nature protection and rural development into the overall context of the national economy. The questions for discussion in this section should include certain relative relationships, such as the position of agriculture in the national economy system, definition of the countryside in relation to regional programmes, urban planning and rural space, rural settlement development planning, the distribution of economic activities and a number of others.

The Rural Development Programme and the National Strategic Rural Development Plan overhauled other documents and were primarily prepared under the sponsorship of the Ministry of Agriculture. It is therefore necessary for the National Strategic Plan design be integrated into the wider framework of the overall development strategy of the Czech Republic.

**What are the baseline and impact indicators proposed for measuring the programme's success and are these indicators applied in a significant (sufficient) manner?**

Baseline indicators proposed for measuring the results of Rural Development Programme measures follow duly from the Fiches for Impact Related Baseline Indicators. A list of them is shown in Table 15.

**Tab. 15 Result indicators**

<b>o.</b>	<b>Indicator</b>	<b>Axis</b>	<b>Measurement</b>	<b>Unit</b>	<b>Objective during the period 2007 - 2013</b>	<b>Source</b>
	Economic growth	I, III, IV	Net added value	mil. CZK	500	CSO
	Job creation	III, IV	Net number of jobs created	Number of	22,000	CSO
	Labour productivity	I	Change in GAV per worker (AWU, FTE)	thous. CZK agriculture food industry forestry	30 100 150	CSO
	Reverse trend in biodiversity decline	II	Change in the decline of biodiversity measured by population developments of selected bird species	p. b. (year 2000 = 100)	7	MOE, CSO
	Preserving agricultural and forestry areas with a high natural value	II	Changes in areas with a high natural value	ha	0 qualitative changes shall be made, however	MOE, MA (LPIS)
	Improving water quality (caused by reducing the amount of fertilisers)	II	Changes in nutrient balance – N (value and trends)	kg/ha p. b.	+3 increase by 2 % compared to 2005	MOE
	Contribution to fight against climate change	II	Increasing production of energy from renewable sources (agriculture/forestry)	kt/oil equivalent kt/oil equivalent	1 000 10 000	CSO

The indicators cited reflect in a summary way the impact of Rural Development Programme measures. The following comments can be made as to their application.

**Comment**

In the horizontal area for characteristics of economic growth the indicator of GDP per inhabitant is expressed in purchasing power parity. The indicator cited fully characterises

economic development of the entire Czech Republic. If we are, however, to judge the impact of the Rural Development Programme on this indicator, then it is necessary to remember that GDP per inhabitant expressed in purchase power parity in agriculture equals only 4 - 7 %. If we are to presume a certain pace of growth in this indicator, then, because of the small share of agriculture, the indicator cited insignificantly influences GDP per inhabitant expressed in purchasing power parity. Therefore as a supplementary indicator it would be useful to also monitor GDP in agriculture and forestry, which would more significantly reflect the Rural Development Programme impact in primary industries.

## **WHAT ARE THE MEASURES PROPOSED?**

### **What lessons were learned and evidence taken into account in designing the programme?**

The presented Rural Development Programme of the Czech Republic is the result of a number of analytical studies, coordinated by the Ministry of Agriculture and the Research Institute of Agricultural Economics in Prague. For its composition, analytical studies, agricultural development concepts and the experience of individual departments of the Ministry of Agriculture were fully utilised.

The Rural Development Programme builds on previous programmes (SAPARD, Operational Programme Rural Development and Multifunctional Agriculture, Horizontal Rural Development Plan of the Czech Republic for the period 2004 – 2006).

### **What are the baseline needs and objectives for the interventions envisaged?**

Increasing marketing problems of agricultural commodities, long-term unprofitability of agricultural enterprises, prevailing farming on leased land results in a lower salary level and is connected with the abandonment of agriculture by young, qualified workers. From these weaknesses of Czech agriculture there arose the need to achieve stabilisation of agricultural enterprises, improve labour productivity, improve technical work equipment and in this way to prevent agricultural enterprise size reduction. Pursuant to these requirements the global objective *“To create the conditions for the Czech Republic to be competitive in the basic agricultural and food commodities prioritising products with quality labelling, increase the proportion of production that can be sold on foreign markets and increase GDP per capita and the rural population revenues”* was set in the National Strategic Rural Development Plan. The individual measures in Axis I are consistent with the stated goal. The allocated amount of EAFRD support is not sufficient to cover these objectives and therefore it is necessary to effectively coordinate support from European and national sources.

Unfavourable human interventions due to collectivisation of agriculture and resulting excessive intensification caused soil degradation, water pollution and together with the influence of other factors worsening of air quality as well. The requirement to improve the environment and landscape has become an imperative of this time. Pursuant to this in the National Strategic Rural Development Plan the global objective was set *“To base the development of the Czech Republic’s rural areas on upholding the principles of sustainable development, a systematic improvement of the environment, landscape and nature management and reducing the negative effects of intensive agricultural and forestry management.”* Measures in Axis III are consistent with this objective. Systematic improvement of the environment instigates the thought that this is not a one-time process, which requires time coordination of individual measures.

Rural municipalities are not able to satisfy basic needs to their inhabitants particularly in job opportunities, average earnings, housing, needed infrastructure and last but not least cultural and social interests. The basic requirement (need) for the rural population is to improve the

quality of life in the countryside and limit the need to commute to work. On the basis of these needs the National Strategic Plan has set the strategic objective “*To expand and diversify the economic activities in the Czech Republic’s rural areas so as to lead to development of business, the creation of new jobs, economic growth and reducing the level of unemployment in the countryside. To strengthen the rural population cohesion and to stabilise its social structure.*” The recital and contents of the measures cover the above stated objective. The amount of support is open to discussion, since rural requirements exceed the proposed volume of support. Resolution of this situation is on one hand the requirement already discussed above of the coordination of support from individual European and national funds, and on the other hand the time differentiation of the fulfilment of individual requirements.

### **What measures will be applied to in view of achieving the programme’s objectives?**

#### **For Axis I the following measures have been determined:**

	Measure code
I.1.1. Modernisation of agricultural holdings	121,125
I.1.2. Investment in forests	122,123,125
I.1.3. Added value of agricultural and food products	123
I.1.4. Land consolidation	125
I.2.1. Associations of producers	142
I.3.1. Other vocational training and information activities	111
I.3.2. Setting up of young farmers	112
I.3.3. Early retirement from farming	113
I.3.4. Use of advisory services	114,115

#### **For Axis II the following measures have been determined:**

II.1.1. Payments for natural handicap provided in mountain areas and payments provided in other less favoured areas (LFA)	211,212
II.1.2. Payments in the framework of Natura 2000 and the water framework directive (WFD)	213
II.1.3. Agri-environmental measures	214
II.2.1. Afforestation of agricultural land	221
II.2.2. Payments in the framework of Natura 2000 in forests	224
II. 2.3 Forest environmental payments	225
II.2.4. Restoring forestry potential after disasters and supporting social function of forests	226,227

#### **Measures for Axis III**

III.1.1. Diversification into non-agricultural activities	311
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III.1.2. Support for the creation and development of enterprises	312
III.1.3. Support of tourism activities	
III.2.1. Village renewal and development, public amenities and services	321,322
III.2.2. Conservation and upgrading of the rural heritage	323
III.3.1. Training and information	331
III.4.1. Basic skills, animation, implementation	341

### Measures for Axis IV - Leader

- IV.1. Local action group
- IV.2. Implementation of local development strategy
- IV.3. Implementation of co-operation projects

### What is the intervention logic of each measure applied?

Before we judge the significance of individual measures, we would like to make the following comments.

For the entire Czech Republic as well as for rural municipalities it is typical for a high proportion of workers to commute to work. Out of the total number of economically active inhabitants in the Czech Republic, 81.6 % commute to work and in rural municipalities this is 81.5 %. For inhabitants of rural municipalities it is characteristic for almost half of rural inhabitants (44.2 %) to commute within the county. Unemployment in towns influences unemployment among the rural population. The correlation coefficient between these two indicators is 0.94.

The high share of commuting rural population influences the division of the economically active population living in the countryside by individual industries of the national economy.

**Tab. 16 Division of the economically active population living in the countryside according to individual branches of the national economy**

NE Branch	Percentage of employed of the economically active population
Industry	40
Building	10
Agriculture	11
Commerce	8.9

Source: Census of people, houses and apartments 2001

Agriculture in the countryside is not dominant, but it is an employment which stabilises workers in the countryside. For the greater stabilisation of workers in the countryside it is necessary in connection with the instructions of Article 3.3 of the Strategic guidelines for rural development to promote the development of other sectors of manufacturing, processing and services, in particular crafts and tourism, including expansion of non-agricultural activities of agricultural enterprises.

To resolve transportation service it is necessary to use the Transport infrastructure fund.

The resolution of rural population issues requires the common resolution of economic and social problems of the countryside in connection with urban settlement. In compliance with Article 5, Chapter III of the Regulation on rural support it is necessary for this problem to be solved in coordination with other Community funds – the European Social Fund, Cohesion Fund and other instruments. The dependence between the economic situation in the countryside and in towns should be part of Regional Development Plans.

In this part it is necessary to use national rules and practices set out in Art. 6 Partnerships. “The Member State shall designate the most representative partners at national, regional and local level and in the economic, social, environmental or other spheres. It shall create the conditions for a broad and effective involvement of all appropriate bodies, consistent with national rules and practices, taking into account the need to promote equality between men and women and sustainable development through integration of environmental protection and improvement requirements.”

The Strategic guidelines for rural development evaluate these relationships in a similar way in Article 3.6 Complementarity between Community instruments.

#### Guideline

“The synergy between structural, employment and rural development policies needs to be encouraged. In this context, Member States should ensure complementarity and coherence between actions to be financed by the European Regional Development Fund, the Cohesion Fund, the European Social Fund, the European Fisheries Fund and the EAFRD on a given territory and in a given field of activity. The main guiding principles as regards the demarcation line and the coordination mechanisms between actions supported by the different funds should be defined in the national strategic reference framework and the national strategy plan.”

It is necessary to call attention to the unequal model between agriculture and the food industry. Most of the measure is dedicated to agricultural enterprises, and a relationship to the food industry is lacking. While basic agricultural products are relatively competitive abroad, the same cannot be said about food industry products. Relatively high costs and low level of innovation in food products lowers the competitiveness of agriculture as a whole. The high adaptability of the production structure of agricultural enterprises to changes in demands for agricultural raw materials challenges the food industry directly to introduce new and innovative products.

#### **Axis I measures**

The measures cited will be supported by 90.14 % of Axis I resources.

We consider basic measures in Axis I to be those measures to which more than 5 % of the Axis I budget is dedicated. These measures include:

- Modernisation of agricultural holdings (share from Axis I is 38.72 %)
- Adding value to agricultural and food products (share from Axis I is 15.92 %)
- Investment in forests (share from Axis I is 11.94 %)
- Land consolidation (share from Axis I is 23.61%)

These measures react to the basic requirements of agricultural policy in the Czech Republic discussed above, specifically:

- To increase labour productivity in the agricultural sector, thereby contributing to production cost reduction and achieving greater competitiveness,
- To resolve the incongruousness between the achievement of a stable condition on the agricultural and food commodity market and the preservation of a suitable size of agricultural production,
- To settle the impact of restitution and privatisation of agricultural land in relation to its rational maintenance,
- To improve the competitiveness of forestry, increase the performance of agricultural enterprises, improve environmental protection in forestry.

These tasks are clearly among determinative ones for the permanent sustainable development of agriculture. It is useful to make the following comments to these main measures.

Measure I.1.1. Modernisation of agricultural holdings must be considered the most significant measure.

The technical and technological level of Czech agriculture was negatively influence by the following factors:

- Lower performance and efficiency of agricultural equipment of Eastern European origin.
- Fifteen-year insufficiency of investment resources in agriculture, which often afforded only small return on investment property.
- Design obsolescence of agricultural equipment. This design obsolescence appeared primarily by the opening of Western European markets.

Investment grants in agriculture were CZK 1.476 billion in 2003 and CZK 1.891 billion in 2004. The proposed grant in Measure I.1.1 Modernisation of agricultural holdings is 63.61 % compared with investment grants in 2004.

For the mentioned grant including the applicant's contribution it would be possible annually to do, for instance, the following:

- To build 96 barns for dairy cows with a capacity of 500 cows, at an investment cost of CZK 25 million for one barn,
- Or to rebuild 370 barns for cattle with a capacity of 500 cows, at an investment cost of CZK 6.5 million for one barn,



- Or to purchase 289 equipment lines for dairy cow barns with a capacity of 500 cows, including a milking house, at an investment cost of CZK 8.3 million for one barn,
- Or to purchase 404 units for soil tilling at an investment cost of CZK 5.95 million for one unit
- Or to purchase 372 haylage units at an investment cost of CZK 6.46 million for one unit.

The scope of financial resources in measure I.1.1 enables starting extensive modernisation of agricultural holdings. Its success however requires the mobilisation to a greater extent our own enterprise resources.

#### Measure I.1.3. Added value of agricultural and food products

Increasing the agricultural enterprise income, as was already stated above, is not possible by expanding production volume of certain basic agricultural products, but primarily by the route of quality improvement and the innovation of new products. In the Czech Republic the food and processing industry should play a significant role in this measure. Due to its capacity and relatively high concentration it is not likely that agricultural primary producers would become involved in this process. On the other hand the high degree of flexibility of the production structure of agricultural enterprises provides a guarantee that producer requirements will be flexibly satisfied in view of this measure.

Under the Competence Act the Ministry of Agriculture is responsible for the food industry as a whole. The Ministry of Agriculture, however, cannot finance the total scope of the food industry from national sources. Therefore it is necessary to negotiate with the Ministry of Industry and Trade complementary aid of the processing industry from national sources in the category of second stage processing. It is clear that the most effective innovations in the food industry are precisely in the category of second stage processing. From this perspective the success of the given measure will primarily depend on the synergistic effect of these two ministries.

#### Measure I.1.4. Land consolidation

The process of land consolidation has been underway in the Czech Republic since 1991. In the framework of land consolidation ownership rights to parcels are taken care of, there occur area and functional changes to parcels which are combined or divided, access to them is secured and their borders are determined. Land consolidation mitigate the nonsensical Socialist decision-making of unifying parcels without consideration for ownership rights. Land consolidation are actually in the final phase of finishing the restitution and privatisation process. Its implementation in the required amount in the Rural Development Programme enables new owners or tenants access to parcels, the construction of anti-erosion measures, bio-corridors and other technical measures which are necessary for rational farming of new entrepreneurs.

Land consolidation have been implemented on 340,00 ha to the present, and 480,000 ha are in process. For land consolidation CZK 733,563 million have been allocated. Anticipated costs for land consolidation per ha of (design and implementation) are CZK 9,000. With these

proportions we are able to implement land consolidation on 81,506 ha annually. The 480,000 ha in process will be financed in 5.88 years. The remaining CZK 811 million will allow opening up land consolidation for another 90,120 ha.

It is necessary to give consultation and organisation of advisory centres a more prominent location in national priorities. The following arguments can be made for this:

- Since 1997 the majority of agricultural enterprises have experienced a loss or insufficient profit (see Tab. 17).

**Tab. 17 Pre-tax economic result of average agricultural enterprise (CZK thousand/enterprise)**

Area	1997	1998	1999	2000	2001	2002	2003	2004
Productive	-1207	118	-774	2232	2106	-1050	-1157	6135
Marginal	-574	1122	26	1755	666	-891	-1679	3058

Source: own study

- The variability between economic results within production areas is greater than variability between these areas. Thus agricultural enterprise management has a greater impact on economic results of enterprises than natural conditions.
- Most of the rural population has a primary school level of education; in the countryside there is a low proportion of people with high school and university education. According to CSO statistics in rural municipalities 43.7% of inhabitants have primary school education, 19.9 % have completed high school education and 4.2 % university education.
- A number of starting farmers do not have sufficient education.

Rural Development Programme reasoning No. 15 requests expanding education to all adults who are involved in issues of agriculture, food and forestry. For these reasons we consider it necessary to give higher priority to this measure.

### Comments on measures for Axis II

One of the principles for resource distribution must be distribution to those main measures which are able to influence the environment in the countryside and increase added value in a substantial way. From this it follows as a correlation that it is necessary to limit those measures, or parts thereof, which lead to meting out resources with a low impact. We think that this principle was fulfilled in Axis II. **More than 96% of the budget for this Axis is dedicated to two basic measures, specifically:**

**Most of Axis II funds are dedicated to these three measures:**

- II.1.1. Payments for natural handicap provided in mountain areas and payments provided in other less favoured areas (LFA) (38 %)

II.1.3. Agri-environmental measures (50.76 %)

II.2.1 Afforestation of agricultural land (4.1%)

The cited measures draw almost 93 % of all resources dedicated to this Axis.

Measure II.1.1. Payments for natural handicap provided in mountain areas and payments provided in other less favoured areas (LFA)

The significance of the cited payments is on the one hand in the scope of the area to which they are related. In the Czech Republic less favoured areas comprise 58.7 % of total agricultural land. Thus roughly speaking they relate to more than half of agricultural holdings. The objectives of these payments are to secure appropriate income to agricultural enterprises farming in more difficult conditions, contribute to the sustainable use of agricultural land and the conservation of natural resources, contribute to the stabilisation of the rural population and preserve environmentally friendly farming practices. The cited payments build on the support from the Horizontal Rural Development Plan and the fulfilment of goals can be clearly documented. Without these payments in the past years a number of farmers farming in LFA would have found themselves in financial trouble often ending in bankruptcy. These payments are proposed on the same level as in the previous programmes and fully cover the higher costs and lower results following from worsened production conditions.

**Tab. 18 Evaluation of payment level for natural handicaps in Measure II.1.1**

*New proposal under Measure II.1.1*

Area	Agr. Land (ha)	Permanent grassland (ha)	Rate (CZK/ha)	Total CZK	Support per ha of agricultural land (CZK)
Mountain	1,587,000	333,400	4,686	1,562,312,400	984.44
Other	2,204,000	274,400	3,490	957,656,000	434.51
Specific	640,000	126,400	3,420	432,288,000	675.45
Total	4,431,000	734,200		2,952,256,400	

*Existing support*

Area	Agr. Land (ha)	Permanent grassland (ha)	Rate (CZK/ha)	Total CZK	Support per ha of agricultural land (CZK)
Mountain	1,587,000	333,400	4,460	1,486,964,000	936.97
Other	2,204,000	274,400	3,320	911,008,000	413.34
Specific	640,000	126,400	3,420	432,288,000	675.45
Total	4,431,000	734,200		2,830,260,000	

			Difference in CZK/ha of permanent		Difference in CZK/ha of agricultural land

			<b>grassland</b>		
Mountain			226		47.48
Other			170		21.17
Specific			0		0.00

Source: Horizontal Rural Development Plan, own calculations

### Measure II.1.3 Agri-environmental payments

In terms of financing these payments are the most significant payments made in Axis II. They include: Environmentally friendly approaches, Grassland maintenance, Landscape management etc. The objective of Grassland maintenance is to support and conserve a favourable extent of grasslands used for agricultural production in the framework of total agricultural enterprise. With the extensive method of farming it is necessary to connect, in terms of investment, non-demanding technology which it is necessary to build. The grassing of arable land decreases the high degree of ploughing (72 %). The high degree of ploughing, particularly in foothill and mountain areas, causes accelerated flow of water from the landscape, related to the washing out of nutrients and danger of erosion. It is estimated that the cited payments will be made for an area larger than 1,160 thousand ha.

### Measure II.1.2 First afforestation of agricultural land

The increased intensity of agricultural production together with the market saturation by agricultural products has decreased the demand for the utilisation of agricultural land. This has led to the failure to utilise less favourable land for agricultural production. Therefore the Ministry of Agriculture decided for afforestation of parts of such parcels. According to the Ministry of Agriculture's estimate in 2004 18,618 ha were artificially forested and 3,401 ha naturally, i.e. 94.5 % of forested land was forested artificially and 5.5 % naturally. For the required afforestation of 15,000 ha the total cost for afforestation will be CZK 2.4 billion, which is 1.2 billion more than is planned in the given measure. It follows from this that the expected scope of afforestation cannot be met with the given grants.

## Measures for Axis III

The budgetary resources for Axis III are relatively evenly divided among six measures, specifically:

Measure III.1.1. Diversification into non-agricultural activities (8.5 %)

Measure III.1.2 Support for the creation and development of enterprises (15 %)

Measure III.1.3. Support of tourism (12.5 %)

Measure III.2.1. Village renewal and development, public amenities and services (45 %)

Measure III.2.2. Conservation and upgrading of the rural heritage (12.5 %)

Measure III.3.1. Training and information (2 %)

Measure III.4.1. Acquisition of skills, animation, implementation (4.5 %)

The decisive needs of the countryside clearly include increasing the number of jobs. Primarily the first three measures share in this task and the total amount of support represents 36 % of Axis III budgetary resources. Other significant measures are Village renewal and development, public amenities and services (45%) and Conservation and upgrading of the rural heritage (12.5 %). We consider these measures to be decisive and they comprise almost 90 % of all Axis III support. Given rural development needs it would be useful to complement them with even more funds.

Measure III.1.1. Diversification activity into non-agricultural production has as one of its goals the building of decentralized facilities for innovative use of renewable fuel and energy sources (biomass and biogas). Total accepted costs for the project are from CZK 50,000. The attempt of agricultural enterprises (particularly cooperatives and joint stock companies) is to build larger biogas stations with an investment cost of CZK 20 – 40 million, an output of 500 kW per hour and a consumption of 30 – 40 m<sup>3</sup> of slurry, 20 tons of corn silage and 10 tons of haylage daily. These stations mean the creation of one new job. The support in Measure III.1.1. would afford the building of 40 such stations. The significance of non-food use of agricultural production is so great that it would be useful to increase the overall volume of such support by at least one third.

From the overview of measures which are included in Axis III it is clear that within it are concentrated those measures which are not directly connected with agriculture and forestry, but which are a basic condition for maintaining and improving quality of life in rural areas.

From the analysis of the rural environment in the Czech Republic it follows that these areas have sufficient potential not only to improve life in the countryside, but also to improve quality of life of the entire society by providing a healthy environment, cultural landscape, sufficient degree of social integration and safety. The proper development of these advantages will become the starting point of their economic prosperity.

At the same time it will be necessary to analyse conditions of financing from EU funds, because a number of activities for measures belonging to this Axis III could be covered by other EU funds, particularly the European Fund for Regional Development, European Social Fund, and for more extensive projects, the Cohesion Fund as well.

We make the following comments on individual measures:

#### 1. Measure III.1.1. Diversification into non-agricultural activities

Measures related to diversification of activities in the countryside are oriented to strengthening local development initiatives and mobilising rural municipal inhabitants to secure alternative incomes for members of agricultural farms. Rural space, where there occurred the significant labour force reduction from more than 500,000 in 1989 to approximately 145,000 in 2004, is presently creating almost no new jobs because interest in employment on the side of agricultural enterprises is very low. With the reduction in agricultural production, primarily certain products with high a manual labour demand (hops, fruit, vegetables etc.), the need for seasonal workers is declining as well. This process will be accelerated by the implementation of Measure I.1.1. – Modernisation of agricultural holdings – which will release other workers from agricultural enterprises with the impact of increased productivity. Expanding activities of a non-agricultural character is one of the significant solutions, although the decisive incentive will be the size of summary income from agricultural families, which, however, is influenced by the low

price of labour in agriculture and its disparity with respect to other industries in the national economy. On average this disparity in agriculture is approximately 70 % against the average national economy, it is 72.2% against industry, meaning that the average monthly salary is approximately CZK 5,200 less than the average salary in the national economy and CZK 4,550 less than in industry. It is expected that increased labour productivity in agriculture will free up other workers, for which it will be necessary to create new jobs through new non-agricultural activities.

## 2. Measure III.1.2 Support for the creation and development of enterprises

The cited measure is extraordinarily significant for rural development, by means of it, it will be possible to ensure a quality market of labour forces and stop the depopulation of rural, primarily problem areas, by qualified workers. Meeting the goals of this measure will contribute to the decentralisation of entrepreneurial activities and will assist in the faster development of municipalities. It is, however, necessary to differentiate projects by socio-economic environment, which the success of the enterprise depends. The significance of this measure is also highlighted by EAFRD's global objective to increase employment in rural areas.

## 3. Measure III.1.3. Support of tourism

This is a significant measure, which can in its dynamic character greatly contribute to rural development. It is most of all an opportunity for the development of structurally handicapped regions, regions with a high proportion of LFA and with a low population density. It gives a lot of space for partnerships and diversification of activities in the countryside, particularly in the services area.

For the given measure it will be necessary to clarify connection with regional programmes, so that overlap of individual activities will not occur. It would be necessary to more closely specify appropriate regions in compliance with Act No. 248/99 Coll., on the support of regional development. To enable sufficient utilisation of rural tourism products (hiking, cyclo-tourism, equi-tourism, eco-tourism and others) it will be necessary to plan for them in municipal policy so that tourism in a rural environment as implemented differs significantly from that in an urban one.

## 4. Measure III.2.1. Village renewal and development, public amenities and services

The cited measure is supposed to mitigate, through related projects, the difficult situation characterised in the countryside by an absence of technical and civil facilities.

Approximately 80 % of rural municipalities are connected to a public water main, gas is delivered to approximately 49 % and approximately 23 % of rural municipalities are connected to sewage with water treatment plants. There are school facilities for only 33 % of rural municipalities, post offices for 36 %, healthcare facilities in 27 % of rural municipalities.

For this measure it is necessary to emphasize the need to analyse conditions in rural municipalities, because the scope and quality of civil facilities varies significantly, and particularly for municipalities with up to 1,000 inhabitants this infrastructure is largely lacking. It is necessary to differentiate support of basic civil facilities which is a condition for an adequate life in a municipality and higher civil facilities, which serve multiple

municipalities. A basic condition for the existence of a municipality, or settlement, is technical and transportation infrastructure. Resources which can be drawn from EAFRD will be insufficient due to the number of applicants for support, therefore it is necessary to differentiate for these measures, what it is necessary to require in the framework of other EU funds, primarily the European Fund for Regional Development.

#### 5. Measure III.2.2. Conservation and upgrading of the rural heritage

The measure is focused on improving quality of life by increasing awareness of natural and cultural values of the environment and their renewal and rehabilitation. The attempt to industrialise agriculture supported by the former Socialist state was focused at the maximum performance of agriculture and a number of non-conservationist interventions in the landscape (ploughing over of hedgerows, excessive application of industrial fertilisers, inappropriate ameliorative interventions and others) significantly disturbed its ecological stability.

It is stated that 42.1 % of agricultural land is threatened by water erosion and by 1.1 % of agricultural land is threatened by insufficient available moisture. The aim of the mentioned measure should contribute to the increased interest of municipalities, non-profit organisations and entrepreneurs to prepare landscape evaluation studies, conceptual projects and investment measures connected with the creation of infrastructure related to the presentation of natural heritage. It can be expected that this measure will generate great interest primarily among municipalities and non-profit organisations by the influence of increasing awareness of the population about protection of the landscape and the environment.

### Measures for Axis IV - Leader

Leader programme financing is by individual priorities, not by individual measures. Decisive resources are dedicated to the priority of the local development strategy implementation. To this priority 65 % of all Leader resources are dedicated. The priority “Implementation of cooperation projects” 10 %.

**The aim of the Leader programme** complies with the Rural Development Programme goal and will be exercised in Axes I and II by means of demarcation of areas of support (measures). In its activities it builds on measures 2.1.4. Leader +Operational Programme Rural Development and Multifunctional Agriculture.

The objective set out for Axis IV – Implementation of local development strategy and cooperation of local partnerships – needs to be **complemented** by the statement that the purpose for which the Leader programme is implemented is primarily improvement of the quality of life in rural areas, or micro-regions, strengthening of economic potential and evaluation of natural heritage in the areas involved in the Leader programme.

Individual support (measure) areas are consistent with this goal and build on the experiences which 29 local action groups have gained in implementing the sub-measure Leader + in the Operational Rural Development Programme and Multifunctional Agriculture.

The aim of selected areas of support respects requirements that the Leader method be used to secure the possibility to create common development strategies and goals for rural micro-

regions and their organisational and legal structures and for local parties to implement specific projects.

The first and primary area of support is **Running local action groups**. This is a significant element of the above-mentioned measure on which the success of Leader strategy implementation into the system of Rural Development Programmes depends. This measure contains, beside the partnership principle, the subsidiarity principle or the approach connected with the preparation and implementation of strategies by decision-making and management from below, realised by local action groups. This measure supports the activities of local action groups, which consist in application and project administration, in their control, monitoring and evaluation. The necessity for communication and cooperation with the State Agricultural Intervention Fund and the Management Organ of the EAFRD follows from these activities.

The second support area is **Implementing local development strategies**, the starting point of which are the measures offered in Axes I and III. In these areas of support what is important is the realised size of the partnership, particularly between the public and private sector, because the success of implementation of projects will depend on the cooperation of individual parties from different industries of the national economy.

The third support area is **Implementing cooperation projects**, which will represent the best achieved results of mutual cooperation, meet the set conditions and will be in compliance with valid legal regulations. It must be emphasized that the success of this measure presumes the performance of socio-economic analysis on the condition of the territory, both on the basis of demographical data as well as economic development and conditions for the exercise of innovative approaches.

All areas of support complement each other in connection with the requirements of permanent sustainable development of the territory of the selected micro-region. Achievement of the set goals of the measure presumes good cooperation of local action groups with the public administration, or local authorities, and monitoring links, on other operational programmes, particularly the Ministry of Industry and Trade (Innovation and Enterprise), Ministry of Labour and Social Affairs (Development of human resources), the operational programme of the Ministry of the Environment and others. Cooperation with the Ministry of Local Development will be significant in view of technical cooperation and the implementation of regional programmes. From the position of local action groups, the cultural and natural heritage of micro-regions should be promoted more with the goal of increasing the attractiveness of their territory for stable settlement and tourism.

### **What is the balance among the measures applied in view of objectives pursued?**

Pursuit of balance among applied measures in view of objectives pursued can be seen in these points:

- Whether the volume of demarked measures corresponds to the objectives pursued.

A total of 25 measures are demarked in the Rural Development Programme. (Axis I – 9 measures, Axis II – 7 measures, Axis III – 7 measures and Axis IV – 2 measures.) The cited measures are consistent with the objectives pursued in their scope. Neither are there any



fundamental problems in the demarcation of their content. It would be necessary to devote greater attention in Axis I to the food and processing industry, which should become a significant guarantor of innovative approaches. It is possible, however, that this requirement will be fulfilled in another sector programme.

- Whether the demarcation of funds is appropriate in view of required objectives.

In general it is necessary to note that resources in EAFRD are not sufficient for complete fulfilment of objectives and therefore it is necessary to utilise other financing from European and national sources.

The percentage distribution of resources from European and national resources is as follows:

Axis I	23.26 %
Axis II	53.83 %
Axis III	17.59 %
Axis IV	4.87 %
Technical assistance	0.45 %.

# WHAT POSITIVE AND NEGATIVE IMPACTS ARE EXPECTED FROM THE MEASURES TO BE APPLIED?

What are the expected impacts of the measures to be applied (social, economic and environmental)?

## HORIZONTAL

### 1 Economic development

GDP per capita, expressed in PPS, as % of EU-25 = 100 (in %)

	2000	2001	2002	2003	2004	2007	2013
Estimate by CSO	63.7	65.0	66.2	67.5	68.8	72.9	81.8
Estimate by Eurostat	63.7	65.4	67.0	68.8	70.5	76.1	88.6
Estimate by Economic growth strategy of the Czech Republic 2005-2013	63.7	65.4	67.0	68.8	70.5	76.1	100.0

Source: CSO, Eurostat

### 2 - Employment rate

Employed persons aged 15-64 as a percentage of the population of the same age group (in %)

2000	2001	2002	2003	2004	2007*	2013*
65.0	65.0	65.4	64.7	64.2	63.91	62.80

Source: Eurostat

Employed females aged 15-64 as a percentage of the population of the same age group (in %)

2000	2001	2002	2003	2004	2007*	2013*
56.9	56.9	57.0	56.3	56.0	55.43	54.03

Source: Eurostat

Employed persons aged 15-24 as a percentage of the population of the same age group (in %)

2000	2001	2002	2003	2004	2007*	2013*
36.4	34.2	32.2	30.0	27.8	22.87	15.30

Source: Eurostat

### 3 - Unemployment

Rate of unemployment i.e. unemployed persons as a percentage of economically active population (in %)

2000	2001	2002	2003	2004	2007*	2013*
8.8	8.2	7.3	7.8	8.3	7.42	6.71

Source: Eurostat

Rate of unemployment i.e. unemployed persons as a percentage of economically active population

Female unemployment rate (in %)

2000	2001	2002	2003	2004	2007*	2013*
10.5	9.9	9.0	9.9	9.9	9.27	8.63

Source: Eurostat

Rate of unemployment i.e. unemployed persons as a percentage of economically active population

Young people (aged 15-24) unemployment rate (in %)

2000	2001	2002	2003	2004	2007*	2013*
18.1	17.6	16.9	18.6	21.0	21.93	27.10

Source: Eurostat

## AXIS 1

### 4 - Training and education in agriculture

Availability: *EU-15 except SE*

### 5 - Age structure in agriculture

Ratio between percentage of farmers less than 35 years old and percentage of farmers of 55 years old or more

In the Czech Republic the given indicator is not monitored.

### 6 - Labour productivity in agriculture

Gross Value Added per annual work unit (GVA/AWU) (Euro/AWU)Index (EU 25 = 100)

Czech Republic	2000	2001	2002	2003	2004	2007*	2013*
Gross Value Added – value at basic price, in mio. €	1124.106	924.811	952.732	866.324	1254.807	1096.48	1113.57
Annual Work Unit – in 1000	165.514	157.6	152.2	150.6	144.7	131.58	127.51
GVA/AWU – in € per AWU	6791.6	5868.1	6259.7	5752.5	8671.8	8333.25	11040.65

Source: Eurostat

EU25	2000	2001	2002	2003	2004	2007*	2013*
Gross Value Added – value at basic price, in mio. €				157406.17	166967.64		
Annual Work Unit – in		10009.8	9773.0	9469.6	99314.9		

<b>1000</b>							
<b>GVA/AWU – in € per AWU</b>				16622.3			

Source: Eurostat

Note: For the prediction for 2007 and 2013 the amount of information is insufficient.

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2007</b>	<b>2013</b>
<b>Index (EU 25 = 100)</b>				34.6 %			

Note: For the prediction for 2007 and 2013 the amount of information is insufficient.

## 7 - Gross fixed capital formation in agriculture

Gross fixed capital formation in agriculture (in mil. €)

<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2007*</b>	<b>2013*</b>
244.1557	306.4694	338.8456	309.1613	310.2117	382.887	513.025

Source: Eurostat

## 8 - Employment development of primary sector

Employment in primary sector (in 1000 persons)

<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2007*</b>	<b>2013*</b>
225	206	187	203	201	181	157

Source: Eurostat

## 9 - Economic development of primary sector

Gross Value Added in primary sector (in mil. €)

<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2007*</b>	<b>2013*</b>
2166.0	2294.8	2209.9	2238.7	2606.3	2731.2	3360.0

Source: Eurostat

## 10 - Labour productivity in food industry

Gross Value Added per employee in food industry (Euro per employee in the branch)

<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2007*</b>	<b>2013*</b>
15400	13400	15200	18900	19200	24083	38571

Source: Eurostat

## 11 - Gross fixed capital formation in food industry

Gross fixed capital formation in food industry (in Millions of euro)

<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2007*</b>	<b>2013*</b>
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467.0	429.2	554.7	620.9	508.5	670	926
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Source: Eurostat

## 12 - Employment development in food industry

Employment in food industry (in 1000 persons)

2000	2001	2002	2003	2004	2007*	2013*
147	143	151	145	142	142	137

Source: Eurostat

## 13 - Economic development of food industry

Gross value added in the food industry (in Millions of euro)

2000	2001	2002	2003	2004	2007*	2013*
2082.4	1807.6	2162.4	2557.3	2534.0	3199.0	4985.6

Source: Eurostat

## 14 - Labour productivity in forestry

Gross Value Added per employee in forestry

	2000	2001	2002	2003	2004	2007	2013
<b>GWA in mil. of euro</b>			471.5102				

Source: Eurostat

Note: For the prediction for 2007 and 2013 the amount of information is insufficient.

## 15 - Gross fixed capital formation in forestry

Gross fixed capital formation in forestry (in Millions of euro)

2000	2001	2002	2003	2004	2007	2013
		285.7648				

Source: Eurostat

Note: For the prediction for 2007 and 2013 the amount of information is insufficient.

## AXIS 2

### 17 – Biodiversity: Population of farmland birds

Note: For the prediction for 2013 the amount of information is insufficient.

Indicator	Measurement	Unit	Baseline value	2007	2013	Source
			<u>Trend in quantity development for the period 1982 to 2003</u>	<u>Trend in further quantity development for the period 2003 to 2007</u>		

<b>Biodiversity: Bird populations in agricultural landscape</b>	common screech owl	%	not furnished	stagnation		CSO
	jackdaw	%	-10,0	-2.3		CSO
	forest hawk	%	not furnished	stagnation		CSO
	blue-headed wagtail	%	-6.53	-1.48		CSO
	swallow	%	-0.87	-0.2		CSO
	red-backed shrike	%	3.66	0.83		CSO
	whinchat	%	3.82	0.87		CSO
	field lark	%	-2.33	-0.53		CSO
	common linnet	%	-1.98	-0.45		CSO
	yellow finch	%	0.55	0.13		CSO
	green finch	%	-4.15	-0.94		CSO
	ringdove	%	-1.71	-0.39		CSO
	common crow	%	-2.2	0.5		CSO
	yellow hammer	%	-1.33	-0.3		CSO
	reed bunting	%	0.27	0.06		CSO
	kestrel	%	0.51	0.12		CSO
	corn bunting	%	-10 (estimate)	-2.27		CSO
	field sparrow	%	-1.09	-0.25		CSO
	common magpie	%	1.6	0.36		CSO
	wild turtle dove	%	-2.13	-0.48		CSO
	common starling	%	1.83	0.42		CSO
	golden-winged warbler	%	31	0.07		CSO
	green plover	%	-10.69	-2.43		CSO

Indicator	Measurement	Unit	Baseline value	2007	2013	Source
			<u>Trend in quantity development for the period 1982 to 2003</u>	<u>Trend in further quantity development for the period 2003 to 2007</u>		
<b>Biodiversity: High nature value areas of agricultural land</b>	<b>Ecological stability coefficient by Biogeographic classification of the Czech Republic</b>	%	33.87	34		CSO

### 18 – Biodiversity: High Nature Value farmland areas

Note: For the prediction for 2013 the amount of information is insufficient.

### 19 – Biodiversity: tree species composition

Indicator	Measurement	Unit	2000	2001	2002	2003	2007	2013*	Source
						-	-		
<b>Biodiversity: Tree species composition</b>	Spruce	%	17.714	17.693	17.693	17.563		17.15	CSO
	Fir	%	0.293	0.292	0.292	0.296	1.02	2.67	CSO
	Pine	%	5.746	5.73	5.75	5.694	17.38	40.54	CSO
	Larch	%	1.232	1.243	1.243	1.259	3.82	9.14	CSO
	Other needle-leaved trees	%	0.058	0.057	0.057	0.065	0.27	0.92	CSO
	Oak	%	2.076	2.091	2.091	2.134	6.58	16.05	CSO
	Beech	%	1.963	1.996	1.996	2.09	6.79	17.86	CSO
	Birch	%	0.945	0.946	0.946	0.948	2.83	6.57	CSO
	Other deciduous trees	%	2.361	2.528	2.528	2.477		2.92	CSO
	Hornbeam	%					1.19		CSO
	Ash	%					1.18		CSO
	Maple	%					1.02		CSO
	Elm	%					0.01		CSO
	Lime	%					1.07		CSO
	Alder	%					1.47		CSO
	Clearing	%					0.97		CSO

### 20 - Water quality: Gross Nutrient Balances

Indicator	Measurement	Unit	2000	2001	2002	2003	2007	2013*	Source
	Nitrogen fertilisers	%	58.9	72	72.2	60.6	70	74.71	CSO

**Water quality:**

<b>Nutrient balance</b>	Phosphate fertilisers	%	10.8	12.3	12.3	11.7	12	12.72	CSO
	Potassium fertilisers	%	6.2	7.3	7.7	7.3	7.5	8.61	CSO

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2007	2013*
<b>Consumption of pure N in kg/ha of agricultural land</b>	97.1	103.2	86.3	46.1	50	40	5706	55.6	61.3	55.1	53.3	51.1	58.9	72	72.2	72.2	56.88

Source: CSO

## 21 - Water quality: Pollution by nitrates and pesticides

Indicator	Measurement	Unit	2000	2001	2002	2003	2007	2013*	Source
						-	-		
<b>Water quality: Impairment by nitrates and pesticides</b>	<b>Nitrous ions</b>	Mg/l							
	Labe Děčín	Mg/l	4.1	4.2	4.1	3.9	3.9	3.66	CSO
	Odra Bohumín	Mg/l	2.8	2.6	2.7	3.6	3.6	4.89	CSO
	Morava Lanžhot	Mg/l	2.9	2.9	2.6	2	2	1.33	CSO
	<b>Ammonia ions</b>	Mg/l							
	Labe Děčín	Mg/l	0.3	0.3	0.2	0.2	0.2	0.13	CSO
	Odra Bohumín	Mg/l	0.6	0.4	0.4	0.5	3.6	15.62	CSO
	Morava Lanžhot	Mg/l	0.3	0.2	0.2	0.2	2	8.72	CSO
	<b>Pesticide consumption</b>	Mg/l							
	Zoocides + mordants	Mg/l	158.398	169.467	184.928	154	160	155.42	CSO
	Herbicides dessicants	Mg/l	2598.852	2584.384	2601.909	2564	2600	2594.19	CSO
	Fungicides mordants	Mg/l	1004.855	1052.452	1217.13	1040	1100	1169.69	CSO
	Growth regulators	Mg/l	465.173	523.554	626.198	490	500	512.86	CSO
Rodenticides	Mg/l	8.178	7.849	3.36	0.05	0.05	0.44	CSO	
Others	Mg/l	65.53	50.653	55.254	61	60	60.33	CSO	

Indicator	Measurement	Unit	2000	2001	2002	2003	2007	2013*
<b>Soil: Areas at risk of</b>	Not at risk	ha			1106743	1105671	1134000	1169707
	Susceptible	ha			780699	779098	782000	793469
<b>risk of</b>					4192876	4169061	4190000	4180433



	Most at risk	ha			595250	593391	585000	572871
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## 22 - Soil: Areas at risk of soil erosion

## 23 - Soil: Organic farming

	1996	1997	1998	1999	2000	2001	2002	2003	2007	2013*
<b>Soil farmed organically (ha)</b>	17022	20238	71621	110756	165699	218114	235136	254900	283000	324073
<b>Number of farmers</b>	182	211	358	473	563	654	717	810	900	3295

Source: CSO

## 24 - Climate change: Production of renewable energy from agriculture and forestry

	1990	1995	1996	1997	1998	1999	2000	2001	2007	2013*
<b>% domestic consumption of primary energy sources</b>	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.4	0.45	0.60

Source: CSO

## 25 - Climate change: UAA devoted to renewable energy

	2000	2001	2002	2003	2004	2005	2006	2007	2013
<b>Agricultural and forest land for the production of renewable energy sources (ha)</b>		490853						500000	

Source: CSO

Note: For the prediction for 2013 the amount of information is insufficient.

## 26 - Climate change: GHG emissions from agriculture

	1996	1997	1998	1999	2000	2001	2007	2013*
<b>Emission of greenhouse gases 1000t (CO<sub>2</sub> eq.)</b>	150900	154600	145100	137600	144000	144100	140000	132298

Source: CSO

## AXIS 3

## 27 – Farmers with other gainful activity

Sole holders-managers with other gainful activity as percentage of total number of farm holders (sole holders-managers) (in %)

2000	2001	2002	2003	2004	2007	2013

			2.98			
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Source: Eurostat

Note: For the prediction for 2013 the amount of information is insufficient.

## 28 - Employment development of non-agricultural sector

Employment in secondary and tertiary sectors (in 1000 persons employed)

	2000	2001	2002	2003	2004	2007*	2013*
Secondary sector	1574.85	1597.40	1600.81	1590.81	1510	1404	1371
Tertiary sector	2188.58	2175.22	2280.06	2247.72	2179	2138	2125

Source: Eurostat

## 29 - Economic development of non-agricultural sector

Employment in secondary and tertiary sectors (in Millions of Euro)

	2000	2001	2002	2003	2004	2007*	2013*
Secondary sector	21421.2	23519.7	27440.8	28219.9	29541.2	36181	38710.4
Tertiary sector	31981.1	36990.0	42777.0	43703.1	48074.9	62695	68496.4

Source: Eurostat

## 30 – Self-employment development

Self-employed persons (in Thousands of people self-employed)

2000	2001	2002	2003	2004	2007*	2013*
682.3	685.6	733	778	760.6	859.88	889.17

Source: Eurostat

## 31 - Tourism infrastructure in rural areas

Total number of bedplaces in all forms of tourist accommodation (in number of Bed-Places)

	2000	2001	2002	2003	2004	2007*	2013*
Hotels and similar establishments	217664	218645	223392	226770	229689	311856	336245
Tourist campsites	24116	24985	25623	26274	26203	17580	14846
Holiday dwellings	27118	27514	29238	28454	27173	45740	51240
Other collective accommodation n.e.s.	168542	169170	167358	164598	150149	243374	264434
Total	437440	440314	445611	446096	433214	618549	666765

Source: Eurostat

## 32 - Internet take-up in rural areas

Persons having subscribed to DSL internet as a percentage of total population

	2000	2001	2002	2003	2004	2007	2013
Number of households connected to high-speed Internet (in Thousands)				60			
Total share of households in %				1.5			

Source: CSO

Note: For the prediction for 2013 the amount of information is insufficient.

### 33 – Development of services sector

GVA in services as percentage of total GVA (in %)

2000	2001	2002	2003	2004	2007*	2013*
58.6	60.1	60.2	60.2	61.02	62.54	65.72

Source: Eurostat

### 34 - Net migration

Annual crude rate of net migration (Rate per 1000 inhabitants)

2000	2001	2002	2003	2004	2007*	2013*
0.6	-4.2	1.2	2.5	1.8	13.14	17.50

Source: Eurostat

### 35 – Life-long learning in rural areas

% of adults (25-64 y. o.) participating in education and training (in %)

2000	2001	2002	2003	2004	2007	2013
		5.10	4.86	5.44		

Source: Eurostat

Note: For the prediction for 2013 the amount of information is insufficient.

### What impacts can be expected to appear over time?

Individual measures can be evaluated from the viewpoint of the temporality of their impacts (whether a given measure will operate only in the short term or whether in contrast its impact will be long term). Among measures acting in the long term clearly belong measures of an investment character, such as modernisation of the agricultural economy, and support of biomass processing and utilisation.

Measures increasing the economic value of land, forests and the environment also have a long-term character. These measures definitely include land consolidation, improving the economic value of forests, first afforestation of agricultural land, changing the species composition of forests etc.

In the area of rural development impacts acting in the long term can be considered measures of village renewal and development, public amenities and services, diversification into non-agricultural activities etc. It is clear that each of these measures has its timeframe and to attempt for complete timelessness is probably not reasonable. It is, however, important that these measures create a solid foundation for long-term positive development.

### **What are potential conflicts between different impacts?**

Potential conflicts between different impacts were already discussed in various parts of this work. If we are to understand the term conflict to mean that individual measures will act at odds with one another through their impacts, then the following conflict situations can be anticipated.

1. Modernisation of agricultural holdings will create better conditions for labour productivity, which with a limited increase in production volume will lead to a reduction in the number of employees. This tendency is at variance with increasing the number of jobs in the countryside. The resolution is in the measure Support for the creation and development of enterprises.
2. Measures leading towards increased energy production from renewable sources may not win out in the price competition with classic fuels. At the present time this problem is appearing between the prices of refined fuels (gas, electrical energy) and fuels which pollute the environment (coal, wood). The price development of individual types of fuel may significantly influence the impact of this measure.
3. The system of payments in the SAPARD programme has clearly shown that primarily better situated enterprises and municipal offices participated in individual programmes. This unfavourable impact can be resolved by distributing total grants for individual phases so that financially weaker applicants have the ability to participate in these programmes. This relates primarily to small farms and small municipal offices.
4. The modernisation of agricultural holdings will lead to the attempt to increase production volume primarily in classic agricultural products. This tendency will be influenced primarily by technical equipment and errant technologies. This is at variance with the production limitations by the influence of national quotas and national limits.
5. The attempt of farmers to diversify their production concentration may not be in agreement with processors. A primary activity among processors is the non-agricultural utilisation of agricultural production in view of this.

6. A similar comment also applies to the food industry. Innovative approaches should be implemented primarily by processors. Due to a certain concentration of food industry enterprises there is a question as to whether limitation of production among these producers would not be as effective as the introducing the innovation of new products.

**Who are stakeholders (positively or negatively) affected by the programme?**

The Rural Development Programme provides great opportunities to all potential beneficiaries. The circle of potential beneficiaries is very wide. A positive impact can be expected from every programme which will be successfully implemented and proceeds from a good entrepreneurial purpose. The implemented programmes will widen the gap between successful applicants and those who did not get to the programme. In this preparatory period we should make more efforts to remove conditions which would prevent individual target groups from enrolling in the programme. Here the evaluator sees only groups of economically weak or small entrepreneurs and other applicants, which will have difficulty covering necessary costs connected with fulfilling individual programmes.

## **SUMMARY ADDED VALUE OF COMMUNITY INVOLVEMENT**

### **How are subsidiarity and proportionality taken into account in the proposal?**

The subsidiarity principle is anchored in the Treaty on the EU and its purpose is to ensure that all decisions are accepted on the lowest possible level. The subsidiarity principle was already respected in the preparation of the Rural Development Programme. During programme preparation many regional conferences were held, where this programme was discussed with agricultural primary producers, regional and local authorities and with non-governmental organisations. Participation at these discussions was organised on two levels.

The first level was related to the municipal sphere. Here there were 13 meetings, where primarily the content of individual measures and their effectiveness were discussed.

The Agrarian Chamber of the Czech Republic organised the second activity. The Rural Development Programme was discussed on the level of individual County agrarian chambers and their economic commissions. Five meetings were organised for this purpose.

The third group was related to local action groups, which contributed through independent proposals. Different opinions were related primarily to the priorities of individual measures and the amount of support. In the questionnaire organised by the Agrarian Chamber preference was given for Axis I primarily to measures leading to modernisation of holdings, increasing added value of agricultural and forest production, and for Axis II to agri-environmental measures, farming in less favoured areas and animal welfare. In national discussions preference was given primarily to measures related to improving the quality of life and environment in rural areas, change in landscape structure, land consolidation and basic services for inhabitants. After this came agricultural and forest programmes. These differences were caused by the different structure of participants at individual meetings. National discussions were addressed primarily by workers from the municipal sphere, while meetings organised by the Agrarian Chamber were completely professional. After additional mutual discussions a consensus was reached that the major part will be dedicated to measures related to modernisation of agriculture.

Respect of the proportionality principle is discussed on two levels. The first level should secure proportionality between insistence of need and significance of objectives on one hand and the amount of support and significance of impact on the other hand. It is plain enough that decisive measures should influence results in a fundamental way. This principles should appear both in the methodological elaboration of individual relationships as well as in the quantitative expression of needs, financing and significance of results or impacts.

We think that these commitments are fulfilled in the programme and that the proportions among individual axes and measures are balanced.

### **To what extent does the draft programme make reference to Community objectives?**

The Rural Development Programme positively reacts primarily to Community norms related to environmental protection.

## **What is the extent of complementarity and synergies of draft programme with other interventions (supports)?**

### **To what degree does the draft programme complement other supports?**

The relationship of the Rural Development Programme to other supports can be evaluated on the following levels:

- a) Complementarity of the Programme to measures of Common Agricultural Policy instruments. Here the relationship to single area payment, to complementary top-up payments and to common market measures (national quotas, national limits, export grants etc.) are involved. The goal of these instruments is to ensure a standard level of competitiveness of Czech agriculture. The Rural Development Programme has a complementary relationship to these payments and to a large extent contributes to the greater effectiveness of the Common Agricultural Policy primarily by measures of improved agricultural production quality, improved marketing, higher labour productivity, better level of management and other results.
- b) Complementarity of the Programme with the Cohesion policy The needs of the food industry, environmental protection and rural development exceed financing possibilities from the EAFRD. Therefore it is very important to utilise other funds. For the realisation of set objectives it will be necessary to address complementarity of individual funds with far greater intensity to completely ensure rural development.

In this respect it is necessary to take into account that the current level of work in progress of ministry Operational programmes and Regional operational programmes on the level of counties is lower than the National Strategic Rural Development Plan and the Rural Development Programme under the auspices of the Ministry of Agriculture. For this reason coordination among individual funds will be shaped at working discussions among interested partners (MoA, MIT, MoE, MLD, MD and MC, the Association for Rural Renewal of the Czech Republic and the Association of Counties of the Czech Republic). In the Rural Development Programme therefore coordination among individual funds is not resolved. From the suggestions of the Ministry of Agriculture it follows that discussions will be based on the following principles.

#### **Co-financing of the food industry**

Under the Competence Act the Ministry of Agriculture is responsible for the food industry as a whole. The MIT is responsible for the support of small and mid-size entrepreneurial activities and trades (besides agriculture and forestry). The EAFRD does not include food industry besides Appendix 1. The MA also cannot finance the entire scope of the food industry from national resources. Complementary support of the processing industry in the category of second-level processing will be negotiated with the MIT.

#### **Co-financing of measures improving the economic value of forests and water management investments in the landscape**

Under the Competence Act the Ministry of Agriculture is responsible for forest and water management with the exception of the protection of natural water accumulation, protection of

water sources and protection of surface water and groundwater quality. The MoE is responsible for these. For this reason it is proposed that the Cohesion Fund and the ERDF address investment in the landscape in excess of CZK 20 million for the above-mentioned measures. The agreement of deputies of the affected ministries is presumed.

#### Co-financing of small and mid-size entrepreneurial activities

It is proposed that the EAFRD encompass support of rural micro-enterprises up to 10 employees and investment and ERDF support of small and mid-size entrepreneurial activity above 10 employees or investments above CZK 10 million.

#### Co-financing of rural tourism and upgrade of the rural heritage

It is proposed that the EAFRD encompass rural tourism, small capacity facilities (up to 45 bed capacity), upgrade of monuments, if they are located in the countryside, and that ERDF encompass tourism, including information centres, marketing on a national and regional level, larger-scale services (above 45 bed capacity) and renewal of monuments of a larger scale or investments above CZK 10 million.

#### Co-financing of local infrastructure and civic facilities

It is proposed that EAFRD encompass only investments in infrastructure and basic civic facilities in municipalities of up to 2000 inhabitants. CF and ERDF will encompass water management infrastructure in municipalities above 2000 inhabitants. For sewage and water treatment plants small municipalities of up to 2000 inhabitants will be included in specially protected areas.

#### Co-financing of general training and requalification courses

EAFRD resources will be used to finance training for local development - diversification, micro-enterprises, rural tourism, crafts, local services and rural heritage. ESF (MLSA) will finance general training in the countryside, requalification courses above CZK 3 million. The cited proposals are the subject of inter-ministry negotiation. Its realisation will certainly contribute to the comprehensive resolution of the Rural Development Programme and will also secure synergistic effects following from common financing.

The question of the volume of resources the above-mentioned ministries will dedicate to this programme still remains open.

### **What are the supported synergies with other supports?**

Common financing enables addressing the environment and rural development comprehensively. Mutual cooperation of the affected ministries enables conceptual resolution of entire areas. Basic synergistic effects can be perceived in the following points:

- Increasing labour productivity through the influence of modernisation of agricultural holdings will mean an additional decrease in workers from agriculture. This negative synergistic effect will need to be addressed by the creation of new jobs, particularly in small and mid-size entrepreneurial activities.
- Support of the non-food processing of agricultural products will enable increasing the sales volume agricultural enterprises and will support market equilibrium of food commodities.



- Support of the processing and utilisation of biomass and the production of fuels from renewable sources will not only decrease air pollution, but will also contribute to making fuel cheaper in rural households.
- Measures leading to the afforestation of agricultural land, and planting new trees will create new work opportunities in the countryside.

Similar effects will be created by other measures. Greater coordination is, however, necessary on the part of state and municipal organisations in harmonising individual measures. It would be useful to create an inter-ministry commission for such coordination.

### **What is the degree of additional (“marginal”) effects that can be attributed to the draft programme**

The following can be considered additional effects:

- The influx of capital into rural areas, accelerated co-financing from the EAFRD and other funds.
- Development of cultural and community life in the countryside with the influence of increased agrotourism.
- Reduction of commuting to work from rural municipalities to county seats.
- Overall stabilisation of the rural population.

## **HELPING TO ACHIEVE COST-EFFECTIVENESS**

### **On what assumptions are the expenditures of the draft programme based?**

Upon accession to the EU, the Czech Republic espoused the European model of multifunctional agriculture, which contemplates intensive resolution of problems related to the implementation of non-productive functions of agriculture, primarily those which are connected to contributions to improving the environment and maintaining the landscape in a cultured condition. This is related at the same time to the creation of conditions for adhering to nitrate guidelines, reducing erosion and seeding grass in areas which are not suitable for efficient plant production. It is also connected to improving the quality of products as one of the directions of improving competitiveness of Czech agriculture.

A condition for rural development is securing the stability of its habitation, meaning the creation of appropriate civil and technical infrastructures and securing “starting” conditions for diversification of agricultural production and non-agricultural activities, which will provide a stable and constant income to rural inhabitants. Another condition is the improvement of cooperation with municipalities in the integration of entrepreneurial activities and the introduction of new activities. These conditions are already secured from the resources of the Czech Rural Development Programme and through the SAPARD project, Agriculture Operational Programme and HRDP, on which the Rural Development Programme will build and the resources of which will contribute to continuing the rural

development initiated. This mutual harmonisation and sequence of programmes is a condition of effective programme expenditures.

It is a certain shortage in the evaluation of the SAPARD projects that the effectiveness of unit costs for projects were not evaluated. Fulfilment of these conditions would have contributed to a more objective evaluation of the accuracy of proposed costs for individual projects. At the present time no study concerned with this issue is available.

### **What are the financial and human resource costs of the draft programme?**

The specific volumes of financial costs to achieve expected objectives in the Rural Development Programme are contained in the financing table. For these costs it is necessary to secure funds for project administration and the creation of authorities connected with the implementation of results. These primarily include costs for material technical and personnel securing of SAIF activity performing the payment agency function of the regulatory body for the MA and compensation of costs connected with Monitoring committee activities. This concerns management, implementation, monitoring and control of EAFRD operations. Ongoing training of all workers in the process of creation, administration and implementation of the programme will comprise a significant part of costs, because this involves getting familiar with new legislature, significant administrative burdens and the implementation of financially demanding projects. Set indicators exist to control the effectiveness of expended costs (Number of registered projects, number of realised events).

### **Can it be anticipated that expected results will be achieved at lower cost?**

The attempt to reduce costs constantly accompanies attempts for the effective utilisation of available resources, also including public resources from EAFRD and co-financing.

It can be expected that if investment requirements for modernisation of agricultural equipment and technologies are fully covered, then increased labour productivity, savings primarily in expended costs will occur, and with this improved competitiveness. Further savings can be expected with the rationalisation of farm management in LFA areas, primarily by increasing the area of permanent grasslands, ensuring raising of cattle, and landscape management which is attractive for tourism. The cost reduction opportunities will depend on the resources for quality training of managers and their acting for businesses.

## **MONITORING AND EVALUATION**

### **How will the monitoring and evaluation system be implemented?**

The Rural Development Programme in its 4 Axis structure and the measurements connected therewith is sufficiently clearly defined and useable for practical monitoring and evaluation. This means that it enables the monitoring of implementation of Programme objectives, for each Axis according to set indicators of results and impacts.

It is possible to state that the Rural Development Programme is sufficient for ex post project management.

I am lacking a demarcation of specific risks signalling problems in Programme implementation, if objectives are at risk.

In addition it would be appropriate to draw attention to possible anti-corruption measures, which the monitoring system should include. This requirement should be incorporated particularly with issuing public tenders.

From the overall Rural Development Programme evaluation with respect to monitoring it is possible to state that Programme results for sustainability of the countryside can be evaluated from the perspective of social impacts and environmental impacts as well as from the position of its technical implementation. At the same time it will be possible to evaluate undesirable changes from the perspective of meeting the objectives of individual priorities and measures.

### **Which indicators are to be used for measuring inputs, outputs, results and impacts?**

The Rural Development Programme monitoring system follows from the needs of effective fund expenditure, from the EAFRD as well as from other public and private resources in the Czech Republic intended for co-financing.

#### **It follows from the need:**

- To expend funds so that they secure implementation of objectives pursued as effectively as possible,
- To affect the condition of implementing these measure by means of indicators and
- To evaluate outputs, results and impacts of implemented measures.

In connection with the fulfilment of these needs it can be stated that the monitoring and evaluation system is implemented in compliance with the principles valid for the use of structural funds. It makes use of experience from implementation of the operational programme “Rural Development and Multifunctional Agriculture.”

The monitoring committee, which will be established on the MA, will have representation of a proportionate number of women and its proposed members represent a spectrum not only of governmental and non-governmental institutions, but also

representatives of public administration, which will influence other rural development by their decision-making.

Ministry partners, who have a relationship with and the possibility to influence rural development, participated in preparation of the monitoring system. These will be represented in the EAFRD Monitoring committee and in working groups. This primarily includes representatives from the Ministry of Agriculture, Ministry of Local Development, Ministry of the Environment, Ministry of Industry and Trade, Ministry of Finance, Ministry of Labour and Social Affairs and Ministry of Culture. Representatives of public administration will participate together with them, specifically regional (for cohesion regions) and regional self-government, for Axis IV – LEADER+ representatives of local action groups, who know the issues of rural micro-regions.

In selecting the composition of the Monitoring committee the **partnership principle** was maintained, which is not sufficiently emphasised in the materials.

The structure of indicators is appropriate to the need to affect inputs; it contains baseline indicators to express the significance of rural areas in the context of demarking the countryside under the OECD methodology and groups of indicators for Axis I, II and III.

In the group of indicators for Axis III expansion of socio-economic (share of economically active inhabitants of the total number of inhabitants, structure of inhabitants by employment in individual industries, share of agriculture per GDP, labour forces, average salary etc.) and demographic (migration of labour force etc.) indicators would be needed.

For individual Axes I – IV (including LEADER+) there are descriptions of impact indicators, where it would be necessary to place a greater emphasis on socio-economic impacts of measures for rural development and its sustainable development (tax revenue in the region, tourism indicators, regional share of investments in the Czech Republic, share of entrepreneurs in services, increase in number of small and mid-size enterprises).

Indicators for monitoring and evaluation of EAFRD priorities and measures should be more precisely formulated with a view to permanent sustainable rural development, should contain environmental, economic and selected social indicators for the purpose of evaluating the socio-economic relations between sector activities and the environment.

For the indicators it is necessary to state not only the number of events, but also the number of ha with compensation, number of compensation beneficiaries (for LFA), for instance, but also the average payment size (per ha, per enterprise), the average size of support, total public costs (and, of this, the EAFRD resources), % of area of agricultural land with compensations, average payment per unit and total costs (requested by beneficiaries, authorised costs).

### **What system will be in place for collecting, storing and processing monitoring data?**

The system for the collection, storage, monitoring and evaluation is connected in its technical functions (software and hardware) with the MA's information system and its operation. This follows from needs of the SAIF as the payment agency and ensures information obligations with respect to bodies which participate in utilisation of EAFRD resources.

It further secures and transmits information required by the European Commission, Government of the Czech Republic and presentation for the public, particularly via web pages. Data sources are provided by databases of the Czech Statistical Office, Eurostat, the Czech Surveying Office, Mapping and Cadastre, LPIS (Land Parcel Identification System) and applicable ministry databases.

Indicators of inputs, outputs and results will be filled in by data acquired from forms on project initiation and termination and from regular reports of mediating parties, end beneficiaries, and additional data acquired from monitored studies and specific examinations.

The data collection cycle duration will observe the needs of monitoring as well as the opportunities to acquire relevant information during the short duration of the programme. The bearer of most information will be the information system of the State Agricultural Intervention Fund and the Regulatory body.

## **RESULTS OF THE ENVIRONMENTAL REPORT**

**What environmental considerations should be taken into account?**

**What is the main output of the environmental evaluation?**

**Which measures are proposed to ensure integration of environmental considerations into programme preparation?**

These are prepared separately from the ex ante evaluation. The process of SEA to the Rural Development Programme was carried out in compliance with applicable legislation. Public hearing of the SEA took place 3.7. 2006. A positive standpoint to the