

Estonian Rural Development Strategy 2007–2013

Ministry of Agriculture of the Republic of Estonia
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Introduction

Estonian Rural Development Strategy (RDS) covers the period 2007–2013. In view of the sustainable development of rural areas, RDS concentrates on the Community objectives concerning competitiveness of agriculture and forestry, land management and environment, quality of life and diversification of activities, at the same time taking into account the distinctive nature and diversity of Estonian rural areas. As a member of the European Union, Estonia has the opportunity to participate in the Community rural policy and receive its share of the EU budget foreseen as support for rural development. This document serves as a framework for the preparation of the Estonian Rural Development Plan 2007–2013.

RDS includes the analysis of the economic, social and environmental situation, the overall strategy with the translation of the Community priorities and national priorities, strategy by axes with quantified objectives, the internal and external consistency and complementarity with other Community financial instruments, the set up of the National Rural Network and the indicative budget.

In the preparation of the RDS, Council Regulation (EC) No. 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD), Council Decision of 20 February 2006 on Community strategic guidelines for rural development (programming period 2007 to 2013) and the Community National Strategy Plan Guidance Template have been taken into account. Rural development policy complements the Common Agricultural Policy (CAP), contributing to the Community objectives and integrating other policy priorities, thereby encouraging the synergy between different sectors. RDS is in conformity with the Community and national priorities and supplements other Community policies. In more detail, the complementarity and consistency of the Strategy with other Community policies is described in Chapter 5.

On the one hand, the general context of the RDS considers the decisions of CAP concerning competitiveness and sustainable development, which through decoupling of support are improving market orientation and by different environmental, food safety and animal welfare requirements increase the self-liability of agricultural producers, contributing to the sustainability of the environment and to consumer's satisfaction. On the other hand, pressure on CAP development, decrease in support payments and liberalisation of the world agricultural market caused by WTO negotiations is also taken into account.

The preparation and co-ordination of RDS was conducted by the Ministry of Agriculture. By ministerial order No. 240 of 1 September 2005, Steering Committee for the preparation of the Estonian Rural Development Plan 2007–2013 was established. In addition to the Ministry of Agriculture, representatives of the Ministry of Finance, the Ministry of Economic Affairs and Communications, the Ministry of the Interior, the Ministry of the Environment, the Estonian Agricultural Registers and Information Board, the Estonian Chamber of Agriculture and Commerce, the Estonian Agricultural Producers Central Union, the Estonian Chamber of Environmental Associations, the Estonian Farmers' Federation, the Estonian Private Forest Union, the Non-Profit Association Estonian Young Farmers, the Movement of Estonian Villages and Small Towns, the Estonian University of Life Sciences, the Non-Profit Association Etna in Estonia and the Non-Profit Association of Estonian Small and Medium-Sized Undertakings also belong to the Steering Committee. In the Steering Committee, basic work is done in wider axis-based working groups which involve even higher number of social partners. Overviews of the preparation of the Strategy have been made at the Agricultural and Rural Development Council and in the Rural Affairs Committee of the Parliament of Estonia. The Estonian Rural Development Strategy was co-ordinated with ministries and approved by the Estonian Government. The Strategy will be submitted to the European Commission for information.

1. Assessment of the present economic, social and environmental situation and basic indicators

1.1. General situation

1.1.1. Economic structure

In Estonia, the average economic growth of the last 10 years has been 6,4%. In the EU, only Ireland has been able for more – 7,8%. As at the same time the average economic growth of EU-25 has been approximately 2,3%, in Estonia GDP per person has increased from one third to about the half (50,4%) of the EU average level, considering the purchasing power parity. If the present development will continue, we can reach about 62–63% of the average of the EU by 2010. GDP at constant prices is given in Annex.

More than a half (59% in 2003) of economic growth has taken place in Northern Estonia, followed by Southern Estonia (17,6%). The relative importance of other regions remained between 7,2 and 8,5%. Regional differences in GDP have increased in the last years. Within 1998–2003, the share of Northern Estonia has increased by 2,2% and of Southern Estonia by 0,2%, the importance of other regions has decreased. During this period, GDP per capita has increased 1,7 times on an average, but growth between regions varies – Northern Estonia 1,72, Southern Estonia 1,68, Central Estonia 1,6, Western Estonia and Northeastern Estonia 1,5 times. In Northern Estonia, GDP per capita is 1,5 times higher than the average of Estonia, in Northeastern Estonia it is 59,4% of an average and in other regions 68–70% of an average.

According to preliminary data, in 2005, GDP at current prices was 164,9 billion kroons, and at the constant prices of 2000, GDP was 134,0 billion kroons or 9,8% higher than in 2004.

By fields of activity, in 2005, compared with the previous year, value added at constant prices increased most in financial intermediation (29,2%), hotels and restaurants (20,4%) and in construction (13,6%). Wholesale and retail trade (13,2%) and processing industry (12,1%) followed. In forest management, fishing and agriculture and hunting, value added decreased by 5,3%, 4,5% and 0,2% respectively.

Most of all, processing industry, real estate, leasing and business, transport, storage and communication, wholesale and retail business contributed to the increase in GDP. In all, the share of the value added of those fields of activity in gross value added was 61,9%.

1.1.2. Employment

In 2005, the number of people employed increased by 2,0% or by 11 900 persons. In 2005, employment mainly increased in transport, storage, immovables, lease and business, hotels, restaurants, energy and construction. Employment mainly decreased in the sectors of agriculture and processing industry.

As of 2005, employment rate was 64%, which is close to the EU-25 respective figure (63,3%). In 2005, the employment rate of 15–74 years old higher than the Estonian average (57,9%) could only be observed in Northern Estonia (64,3%). Employment rate was the lowest in Northeastern (50,9%) and in Southern Estonia (53,5%).

In rural areas, the number of people employed has decreased from 246 300 in 1989 to 172 800 in 2005 (-29,8%). The share of primary sector (agriculture, hunting, forestry, fishery) in employment has decreased more than three times (55,9–15,3%), compared with 1989, the share of tertiary sector (services) has increased 1,4 and the share of secondary sector (processing industry, mining

industry, construction, energy, gas and water supply) has increased 1,2 times. In all, employment in primary sector has decreased by 111 200 people employed, at the same time, increase in employment in secondary sector (10 000 persons) and in tertiary sector (27 600 persons) could only compensate for 33,8% of it.

During the last five years, continual decrease in the share of employment in primary sector (1–2% a year), growth of secondary sector (about 1% a year) and stabilisation of tertiary sector at 50–53% has been observed.

The basic sources to the increase of employment are still processing industry, rural tourism, extension of joint activity and partnership, education and trade but also the sectors of transport and construction.

1.1.3. Unemployment

Due to positive developments at labour market, unemployment rate decreased from 9,7% to 7,9% in 2005. In 2005, unemployment rate decreased from 8,6% to 7,0% in rural area. At the same time, small number of jobs causes problems in rural areas. The highest unemployment rate could be observed in Northeastern Estonia (16,2%) and the lowest in Central (5,1%) and in Western Estonia (5,7%).

In 2005, unemployment rate was higher among people with up to basic education – 14,5%, general secondary education, vocational education and vocational secondary education after basic education – 9,2%, vocational secondary education after general secondary education – 9,0% and among people with higher education and post-graduate training the relevant indicator was 3,9%. The share of labour force of the third educational level was higher than the average of the 4th quarter of 2005 only in Northern Estonia (44,4%). Southern Estonia (31,4%), Northeastern Estonia (28,5%) and Central Estonia (24,7%) followed.

In 2002, 11 900 people (9%) of 15–74 years old inactive rural inhabitants and 5800 people (2%) in cities were discouraged. In 2003 and 2004, the number of discouraged people decreased by 300 and 1500 respectively, making up 7,8% and 7,3% of inactive people. The growth of the number of discouraged people among rural inhabitants of lower educational level, in particular among men, is one of the biggest problems.

1.1.4. Population

Decrease in the size of Estonian population has been inhibited in the last years. As of 1 January 2001, there were 1 367 000 inhabitants in Estonia. At the beginning of 2005, the respective figure was 1 347 000 (decrease about 0,37% a year). The size of rural population has remained relatively stable: 446 800 in 1989, 437 566 in 1999 and 449 700 at the beginning of 2005.

1.2. Economic situation/competitiveness of agriculture, agricultural produce processing industry and forestry

1.2.1. Agricultural production

Agriculture is the branch of economy which has undergone the deepest changes during the transition period. Regardless of the decreased share of agriculture in Estonian economy, its

significant role in supplying rural population with food, in rural enterprise and in shaping cultural landscape has survived.

For nine successive years (1994–2002), value added of agriculture and hunting at constant prices decreased by 5% a year on an average. Only in 2003 and 2004, value added in the sectors mentioned started to increase, by 2,0% and 6,2% respectively. Negative real growth of value added in agriculture and hunting has also influenced their share in overall value added. If in 1997, agriculture made up about 3,9% of the value added of GDP, by 2004, it had decreased to 2,4%.

If in 1997, GDP growth per person engaged in agriculture was about 27% lower than in overall economy, in 2002, the growth of value added per person engaged in agriculture was already about 40% lower than in overall economy.

According to the Economic Accounts for Agriculture, in 2004, the value of agricultural production totalled to 7405 million kroons, of which subsidies on product in crop and livestock farming made up 5,3% (395,5 million kroons). Compared with the year 2003, agricultural production (at current prices) increased by 9,6% with subsidies and by 8,0% without subsidies. In 2004, the gross value added of agricultural producers increased by 15,2% and the net value added increased by 21,2%, compared with 2003. First of all, this was caused by the increased volume of subsidies on product and by bigger increase in product selling prices, compared with rise in input prices. Of producer prices, raw milk price advanced most (32,3%). Animal husbandry makes up the biggest part of production value (in 2004, about 58,5%).

According to the data of the structure survey made in 2003, there are about 37 000 agricultural holdings in Estonia. The share of agricultural holdings smaller than 1 European Size Unit (ESU) is relatively big in Estonia (about 62,5% of holdings). If the agricultural holdings who have applied for Single Area Payment for agricultural production or landscape maintenance are regarded as active agricultural holdings, there are about 19 000 applicants for SAPS in Estonia. At the same time, we have to consider that according to the FADN database we only have about 7000 professional commercial enterprises which receive most of their income from agricultural production (bigger than 2 ESU). The joint economic activity of agricultural producers is rather modest. In 2007, there were 67 agricultural commercial associations in Estonia with a total net turnover of 384 million kroons, which made up only 6,5% of the total agricultural net turnover.

Age structure of the Estonian agriculture can be compared with the EU-15 age structure. Sole holders less than 35 years old made up 10% of agricultural operators, holders older than 55 years made up 55% of agricultural operators. Compared with the EU-15 relevant indicators, the proportion of the people 35 years old to the people 55 years old is 0,12 in the EU and 0,19 in Estonia. Therefore, it is necessary to promote the participation of younger generation in agriculture.

1.2.1.1. Competitiveness of agricultural production

To understand the present status of the competitiveness of agricultural production, attention should be given to prolonged problems. In 1990ies, restructuring of agriculture was complicated by the disappearance of the former Soviet markets, rapid appreciation of production inputs and by the liberal trade policy implemented in Estonia. In such unequal competitive conditions, the competitiveness of agriculture as a sector fell and it was not possible to make necessary investments. The buying-in prices for agricultural products also fell and did not enable sufficient accumulation of capital for the modernisation of production and for making it more environment-friendly.

Besides, the need for investment has considerably increased due to bringing agricultural production into accordance with the commitments taken by Estonia in the Accession Treaty to apply the appropriate EU legal acts. After the accession to the EU, due to the increase in direct

payments, the self-financing capacity of the investments made by agricultural producers of Estonia as a new Member State has improved but the expenditure level has also increased.

Here, it has to be added that within the new programming period 2007–2013, new standards concerning agricultural producers and requiring additional investments (since 2007, the obligation for stock farmers to use best available techniques (BAT)) are expected. The application of BAT standards has to ensure better compliance with environmental requirements. In Estonia, local BAT instructions considering beside environmental protection also farm staff and animal welfare have been prepared for stock-farming. Technologies preventing the discharge or release of pollution into soil, air or water and enabling better utilization of waste are preferred. The optimal use of energy and water resource is also considered. The stock farmers who will have to meet the BAT requirements, are liable to have an integrated environmental permit providing all the investments necessary to bring stock farmers into conformity with the BAT requirements and laying down the time limits for meeting the requirements.

Besides, at the beginning of the new period, the necessary investments related to the cross-compliance requirements. For example, in the last years of the programming period new requirements concerning poultry and organic animals will enter into force resulting in considerable growth in the need for investments in poultry and organic farming. Attention should also be given to the additional requirements proceeding from the Community action plan 2006–2010 on animal protection and welfare.

From the survey on the need for investments in the sector of agriculture made by the Estonian University of Life Sciences it becomes evident that on the basis of different scenarios the sector of agriculture should invest 19,4–21,8 billion kroons within 2007–2013, of which 5,8–6,5 billion kroons are related to the new requirements while the remaining 13,6–15,3 billion kroons are the consequence of the above mentioned unmade investments of 1990ies, which have to be made up for now year by year. The survey also indicates that according to the Farm Accountancy Data Network (FADN) data bigger agricultural producers are relatively better furnished with usable machinery, equipment and buildings, compared with smaller agricultural producers. Of the fixed assets belonging to small and medium-sized agricultural producers, 64% and 58,6% respectively have completely depreciated. In case of bigger agricultural producers, the respective figure is 41,9%.

Considering big need for investment, much attention should also be given to the self-financing capacity of the investments to be made by agricultural producers. The FADN data are used to analyse the income (by types of production and size groups) received by agricultural producers. The analysis of sustainability based on net value added of agricultural holdings indicated that small agricultural holdings are not sustainable because of insufficient resources for investment and restructuring of production. Even medium-sized enterprises would need substantial restructuring. Their reinforcement and the improvement of their sustainability is extremely important, as regards rural development and competitive sector of agriculture. According to the FADN data, in agricultural holdings of more than 2 ESU, net value added per one labour unit was 58 870 kroons on an average in 2003. In 2004, the respective figure was 113 533 kroons, mainly due to the increase in support payments. At the same time, it is lower than the EU-15 respective figure – 341 925 kroons (in 2003).

Dairy sector is facing new challenges which are primarily related to the abolition of restrictions on production in 2015. Today, insufficient cooperation of milk producers is one of the biggest problems of the dairy sector, weakening producers' market position and capability to have influence on raw milk buying-in price. So far, milk producers have mainly concentrated on raw milk production and only about a quarter of the total amount of produced raw milk is processed by milk producers themselves or in processing industries belonging to producers.

Poor functioning of production-processing chain is the basic problem of organic farming. For this reason, in the course of processing, a big number of organic products dissolve in traditional

products and lose their singularity. This is the reason for the backwardness of organic products processing industry and this is why the availability of organic products in shops is not sufficient.

1.2.2. Agricultural produce processing industry

Food industry is the main buyer and increaser in value of domestic agricultural produce. Agricultural produce processing into non-food still makes up a very small part of the production of the Estonian agricultural produce processing industry.

In 2004, food industry yielded to 19% of the total processing industry output, about 4% of GDP and 4,6% of the total export. About 30% of the production of food industry is exported. However, agricultural produce trade balance has been negative since 1995. The sector employs about 3% (21 300 workers) of the employed and 14% of the total number of people working in processing industry. Though the share of food industry in the total output of processing industry indicates a downward trend, it is not thus much caused by the decrease in food industry output volume than by the increase in the share of other sectors, in particular of engineering and apparatuses industry and of timber industry. Food industry continues to be the biggest sector of processing industry but it can also be characterised by the lowest sales gain rate. In 2004, value added of food industry in real terms was about 2,6 billion kroons, which was about 13% higher than in 2000. Value added per one worker was bigger than in agriculture, 132 400 kroons as of 2003. Dairy industry forms the biggest part of the total output of food industry, which was 32% in 2004 and of which the share has been increasing from year to year.

The number of sector enterprises has been stable in recent years. As of 2005, 139 meat processing plants, 41 dairy plants, 162 bakeries, 15 enterprises producing products of the milling industry and some other fields of activity had been approved by the Veterinary and Food Board. The number of enterprises with up to 9 employees was the biggest (46%), in all, the enterprises employing up to 50 people make up more than 80% and the enterprises with up to 250 employees make up 96% of the total number of sector enterprises. As of the end of 2005, 10 organic processing enterprises had been entered in the Veterinary and Food Board register.

Food industry is the branch of industry most influenced by the accession to the EU. To bring enterprises into compliance with food safety requirements, big investments had to be made in a short period of time. To ensure conformity with requirements, the investments of the last years have mostly been directed at the reconstruction of production buildings and the replacement of depreciated equipment. According to the data provided by the Estonian Statistical Office, about 2,7 billion kroons were invested into food industry in 2002–2004. Biggest investments have been made in the purchase of machinery and equipment (49%) and in the reconstruction of buildings and facilities (34,5%). The gross fixed capital formation in food industry at constant prices was 1 004 800 000 kroons in 2004.

To date, the agricultural produce processing industry sector has already reached a certain investment level – enterprises have been brought into accordance with food safety requirements and the production has become more efficient. Low orientation at the products of higher value added and quality, low specialisation of industries and low efficiency are still problems. At the same time, obsolete production and packaging technologies are not able to ensure stable quality of products, required today.

Smallness of market and low purchase power of consumers (food and drinkable costs made up about 28% of the total costs of households in 2004) are the main problems at the domestic market. To keep the market share, it is necessary to react flexibly to the changing market demand and to ensure products' stable quality and competitive price. Both for the enterprises orientating at export and big trade and for small enterprises producing specific products (niche production, incl. organic products and processing of alternative crops) bigger specialisation and concentration

on the production of products of higher processing stage meant for final consumer is the way to ensure competitive price for products.

Inadequate attention to the introduction of new technologies and to the development of products due to the shortage of financial resources, caused by compulsory investments made in a relatively short period of time, is one of the biggest problems enterprises have to face. In comparison with the year 2000, the food sector investments into research and development activities have grown more than 42% according to the data provided by the Estonian Statistical Office. At the same time, the pilot and development activities of food industries made up only 0,013% (18 million kroons) of GDP in 2004. According to Eurostat, the investments of the whole Estonian sector of enterprise made in research and development in 2003, made up 0,28% of GDP, compared with the EU-25 average (1,23%). At the same time, the need to follow the new market demand, more attention should be given to the development of new products and technologies and to closer co-operation with different research establishments.

Training of specialists on international level for which undertakings have only small resources, remains lagging behind. At the moment, there are experienced people familiar with sector specificity at the labour market. However, the situation becomes more complicated when a highly qualified specialist is needed. In addition, due to the shortage of resources, agricultural produce processing enterprises have invested too little into the accomplishment of purposes related to environmental protection. In the nearest future, more attention should be given to this field.

To contribute to the mapping of the production, processing, marketing and consuming of the food typical of Estonia, to design the image of Estonian food, to increase the competitiveness of typical food products and consumers' satisfaction with Estonian food and food products, the development programme "Estonian food" has been prepared. The implementation of the programme should result in consumers' increased awareness of food safety, food quality, healthy nutrition and typical Estonian food. Through demand, consumers' increased awareness will also influence producers. If the processing industry activities of the Strategy are directed at investments into environment-friendly technologies, product development, quality and marketing, "Estonian food" complements those activities particularly in the fields of publicity and training.

1.2.3. Land improvement

The purposeful use of more than a half of agricultural land and of about a half of forest land is only possible ensuring the proper functioning of land improvement systems in those lands. It is caused by the Estonian climate conditions with the average annual rainfall of 550–700 mm, which considerably exceeds evaporation (400–450 mm). 420 000 ha or about a half of the Estonian usable agricultural area have been drained, in forest land, there are drainage networks on 600 000 ha. About 400 000 ha of forest (mostly private forest) still suffer from overmoisture. Most of the existing agricultural land drainage systems (more than 70%) were established more than 30 years ago and do not concur with the division of parcels emerged after the restitution and privatisation of land.

The size of land improvement systems is generally 60–400 ha and they are located in the land owned by several land owners. The recipients of land improvement systems can generally be maintained by co-operative work, which unfortunately has not developed. For land users, land improvement is an expensive additional commitment (in comparison with producers operating in adequately moist land), which without support goes beyond their power.

The results of the appraisal of drainage condition carried out in 2005 indicated that 11% of drained land is in good, 63% in fairly good and 26% in poor drainage condition. By estimates, insufficient investments reduce the share of lands in good and fairly good condition by approximately 2–3% a year.

The whole vegetation period of the year 2004 was particularly unfavourable for agricultural producers due to its climate. Harvesting period with its storms, hard showers and floods was most critical. According to the estimates of the relevant inspection board, bad condition of land improvement systems caused by undone maintenance conducted to the formation of damages.

The main objective is to maintain the operability of drainage systems in agricultural and forest land so that land as the basic resource will not become unfit for use. Regarding the future, climate change also has to be taken into consideration. Forecasts have indicated that climate will become more unstable, the excess water of spring will decrease and the excess water of autumn will increase. This means that although the vegetation period will be longer, the period of work in the fields does not have to become longer, if the drainage standard necessary for the autumn harvesting period is not guaranteed with the increase in drainage intensity. First of all, it is planned to support the reconstruction and renewal of the existing land improvement systems but in some cases it will also be possible to construct new systems. At the same time, it is planned to limit the construction of new systems by lower grading points in measure selection criteria.

Though the annual precipitation considerably exceeds evaporation, the distribution of precipitation is not uniform either during the vegetation period or for years. Shorter or longer drought periods may occur rather often, causing considerable harvest losses particularly in vegetable fields and orchards. To reduce weather risks and to ensure stable harvests, attention should be given to the establishment and work of irrigation systems. Due to climate change, the need for the two-way regulation of hydrological regime has arisen, as it enables the all-round and nature saving use of water resources in case of subsurface irrigation. Therefore, the construction, reconstruction or renewal of irrigation systems is also eligible, if necessary.

Soil acidification is a problem in many Estonian regions. Since 1990 liming of acid soils has been performed insufficiently and at present reacidification is taking place. To stop the reacidification, liming should be made on at least 25 000–30 000 ha a year.

1.2.3.1. Environmental impact of land improvement operations

The use of land improvement systems is concurrent with both positive and negative processes having impact on natural environment. Short negative environmental impacts mainly occur in the reconstruction of recipients (in excavation, downstream drift of mud and nutrients leaching from it). In the application of construction technology methods, impact does not go beyond 0,5–2,0 km, depending on the slope of water conduit. It is positive that in the course of recipient cleaning secondary pollution, which has deposited in water conduits, is removed. Compared with ditch drainage, drainage reduces ground erosion, but nitrate leaching increases, which is negative. A big part of the nutrient load leached from cultivated area is caused by insufficient drainage of land. The insufficient operation of drainage systems reduces the ability of plants to grow, which in its turn decreases nutrient consumption and increases surface runoff, finally increasing nutrient leaching into recipients, rivers and lakes. In the area of well-operating drainage systems, the porosity of soil is generally bigger, surface runoff is smaller and nutrient leaching into the hydrographic network decreases. To reduce negative environmental impacts caused by land improvement operations on recipients, the measures to localise the possible leaching of nutrients and to maintain ecological stability should be taken. The relevant reconstruction of drainage systems enables the considerable improvement of the status of water bodies.

In the construction, reconstruction and renewal of land improvement systems, environmental impact both inside and beyond the area of the system is considered. Under the measure implemented at present, the activities related to the improvement of environmental conditions and to environmental protection constructions are preferred in evaluation criteria.

The Estonian national law provides the initiation of environmental impact evaluation. Besides, the necessity to initiate environmental impact evaluation is considered in case of activities, which may considerably effect a nature protection object.

1.2.3.2. The socio-economic impacts of land improvement operations

In our climatic zone, well-operating land improvement systems provide an opportunity for agricultural and forest management operations. In case of a negative scenario, the land improvement systems not in good condition bring about land paludification and overgrowing with shrubs and lower recreational value of landscapes. In researchers' estimation, after 6–10 years, well drained arable land may disappear in the areas of land improvement systems not maintained and after 25–30 years the whole area of drained land may fall out of agricultural use, causing unemployment and bigger load on social sphere. Local floods and the access routes out of repair still reduce settlement in rural areas.

1.2.4. Research, education, advice

1.2.4.1. Research

Agricultural research and food-science are some of the instruments to realise national agricultural policy and to ensure the long-time competitiveness of the sector of agriculture and its ability to adapt itself to changes.

The research institutions in the area of government of the Ministry of Agriculture are engaged in the following: the Jõgeva Plant Breeding Institute – variety breeding of agricultural crops and the collection and preservation of plant genetic resources; the Estonian Research Institute of Agriculture – studies of the economic efficiency of crop growing, processing, preservation and production and of the suitability of agricultural machinery; the Estonian University of Life Sciences – agriculture and forest management, stock farming, veterinary medicine, rural life and rural economic activity, food-science, biological diversity, environmental protection, renewable natural resources and clean technologies.

Low volume of research and development in the sector of enterprise is considered to be the main reason for low intensity of research and development in most new EU Member States, including Estonia. In the line of the factors impeding innovation in innovative enterprises, shortage of money is the most important factor – either there are no financial resources or innovation costs are too high. The survey “Innovation in Estonian enterprises 1998–2000” indicated the relative indifference of Estonian enterprises towards the use of universities and non-profit research and development structures. Thus, the number of innovators and their intensity in Estonian economy has to be increased by better co-operation between the mentioned institutions.

The results of agricultural and food research are used in active agriculture through the medium of agricultural education and advisory system. As a result of this, the competitiveness of Estonian agricultural and food products increases both in internal and foreign market.

1.2.4.2. Education

Education in rural economy, incl. the implementation of the principles of lifelong learning – is becoming indispensable in the country as the access to the newest information and knowledge together with motivation and skill to use modern media has become more important than ever. The improvement of competitiveness and of adaptability to changes in labour market and breakthrough of workforce depend on this. As of 2005, it is possible to study the specialties related to agriculture, handling of food and rural life in 11 vocational educational institutions, at the Estonian University of Life Sciences and at the Tallinn University of Technology. According to the structure survey made in 2003, of the leaders of agricultural holdings, 11,6% have basic agricultural education and only 10,4% have full agricultural education. In EU-15, the share of leaders of agricultural holdings having basic education is 16,9%. It shows how important it is to promote education.

To improve the quality of vocational training in the field of rural economy and to extend the scope of vocational primary training and professional training, practical training centres have to be developed by vocational educational institutions, ensuring the existence of necessary modern equipment and the possibility to arrange practical training in all the fields related to agriculture.

It is important to develop in-service and retraining system for the people actively participating in labour market, incl. training for agricultural producers, the undertakings involved in food production, catering and tourism and for the persons and leaders involved in the elaboration and implementation of local development strategy.

1.2.4.3. Advice

The private advisory system applied in Estonia formally operates since 2005, when 15 advisory centres were approved under the CAP Implementation Act.

Advisory system has to be regarded as a link between research, organisation of studies and active agriculture, where through advisers the results of studies and research have to reach active farmers and food handlers. Through advisers, the problems of active agriculture also have to reach the organisers of research and training.

To ensure the quality of advice, certification of agricultural and rural development advisers has been organised and the system of the attribution of adviser's vocation is under organisation. At the moment, there are 185 agricultural advisers in Estonia who have professional title.

In 2004, the concept of county advisory centres was launched, in order to ensure better possibilities for the retraining of agricultural advisers, for the dissemination of information about research and national matters, for the collection and communication of producers' feedback, as well as for the quality of advice and the appearance of new advisers in the market. According to the framework regulations of the EU direct payments and Council Regulation (EC) No 1698/2005, the Member States are obliged to set up an advisory system, which has to guarantee advice for agricultural producers at least with regard to meeting statutory management requirements, good agricultural and environmental conditions and occupational safety standards based on Community legislation and to make use of this system. The advisory centres carry out the obligation of consulting agricultural producers and forest holders in these matters. This requires a strong network of advisory centres and the development and assistance to advisory centres in the promotion of their capability.

Producers will need the assistance of advisory system in the increase in the efficiency of production, thereby considering both social and environmental aspects and good management practice, in order to ensure the increase in the competitiveness of one's enterprise even in the long run and to manage in changing competitive situation after 2013.

It is planned to support individual advice and group advice (national and county information days) and the development of the advisory system and supporting structures (development support).

1.2.5. Forest management

Forest is one of the most important renewable natural resources, covering a half of the Estonian mainland (2,28 million ha). 38% of forest area (858 900 ha) is managed by the state and 39% (894 167 ha) is privately owned. The remaining part of forest land is still subject to land reform or managed by other owners (e.g. churches, local governments). As for the share of forest, Estonia occupies the fourth place, compared with the other EU Member States.

By counties, forest land area is not homogenous. In the counties of higher soil fertility than the Estonian average (about 43 evaluation points), there is less forest land and land is used for other purposes, in particular for agriculture. Though the percentage of forest coverage is low in those counties, the share of commercial forests is bigger there. In Estonia, commercial forests make up 69,1% (1,578 million ha) of the total forest area.

Forest provides work and timber industry is an important branch of the Estonian economy. The sector of wood makes up one fourth of the turnover of the Estonian industry, one fifth of export and one third of investments. Investments of enterprises into the fixed assets of forest management, logging and related service activities at current prices totalled to 389 445 000 kroons in 2004. Value added of GDP in forest management has decreased in the last years, but value added produced per one employed person is by 30% bigger than in other branches of economy together. In 2003, on the basis of value added, labour productivity per one employee was 230 000 kroons in forest management, logging and related service activities.

Though forest management has increased the total volume of cuttings, exceeding in 2003 3,1 times the cuttings volume of 1993, the resources of standing timber, which makes up 451 million m³, have increased just as much. The average forest stand reserves have increased twice, making up 212 m³/ha.

Due to cuttings, reforestation volumes have been growing from year to year, in particular in private forests. If in 2002 reforestation totalled to 10 004,4 ha, it was already 11 307,3 ha in 2003. Culture establishment (7724 ha) is the basic reforestation method and assisted forest regeneration was realised in 3151,6 ha. In 2004, 7,63 million m³ of timber altogether was cut in Estonian forests, thus, compared with the previous year, cutting decreased by 2,3%. The area of cuttings was 132 097 ha (122 594 ha in 2003). In 2004, regeneration cutting made up 69,8%, improvement cutting 28,2% and selection and other cuttings 1,9% of the total cutting volume.

In comparison with the other EU Member States, in Estonia, forest coverage is among the widest. Estonia is one of the four European countries, where the share of the sector of forestry in GDP is more than 10% (after Finland, Sweden and Slovenia). Resulting from the geographical location of Estonia, the Estonian forests belong to the taiga zone, characterised by the productive ecosystems of coniferous forests and mixed coniferous and broadleaf forests. After regeneration cutting, those areas mostly regenerate with broadleaf trees and as private forests have mostly not been regenerated with conifers, the share of economically inferior broadleaf forest stands is about 20% of forest land there. To get the forest stands of high quality, the activity of forest owners in the improvement of the economic, ecological and social value of forest, in the maintenance of forest resources and in the improvement of their status for their sustainable management is of big importance. The existence of forestry and servicing enterprises creates favourable conditions for the sustainable management and development of forests.

1.2.5.1. Private forestry

By estimates, there are about 70 000 private forest owners in Estonia. Though in Estonia the average privately owned forest covers 12 ha, it has to be underlined that in every county there are more cadaster units with 1–4,9 ha of forest area and in 80% of cadaster units forest covers less than 10 ha. The percentage of big forest owners with 100 ha and more of forest land is less than 1%. In the conditions of Estonia, it is important to develop and enhance joint forestry activity, otherwise it is not possible to manage forests in rational and efficient way and generate income from forest management.

According to the data of different surveys, attention should be given to the following problems of private forestry:

- physical persons reforest considerably less than legal persons. A big part of private forest regeneration is left to natural forest regeneration and the share of forest cultures in reforestation is too small; reforestation problems are mostly related to the regeneration of more fertile forest site types and to the improvement of economic value;
- the economic situation of private forest owners and the profitability of forest tending are not sufficient for investments into forest drainage and forest road construction and for entering into additional environmental commitments;
- forestry knowledge and skills are insufficient;
- insufficient attention is given to the different utilisation possibilities of forestry products, to the improvement of marketing and to the expansion of the multifunctional role of forest.

1.2.5.2. Forest health and protection

If in 2001, 2002 and 2005, storms were the reason for the biggest forest damages, root rot was the main forest damager in 2003. In addition to the above mentioned forest damagers, in different years there have been problems with unfavourable hydrological regime and with the increased number of damages caused by game. The summer drought of 2006 brought about the fire of about 1000 ha of private forests, which is three to four times more than in the last years.

Restoration of damaged forests, their protection and the implementation of relevant preventive actions against forest damages are of great importance for the EU and from year to year more attention is given to the efforts made by the Member States to improve forest protection and to avoid damages.

Support to the afforestation of agricultural lands left out of use, implemented under RDP 2004–2006 on the condition that afforestation is environment-friendly, has contributed to the improvement of the status of the environment. During the new period it is foreseen to avoid the risk of erosion by the protective belts to be established with the afforestation of agricultural lands and to maintain good status of water.

The strengths, weaknesses and opportunities of agriculture, agricultural produce processing industry and forestry:

- competitiveness of the sector of agriculture has been low since the beginning of 1990ies. Since then, there have been no possibilities to make necessary investments (incl. investments into environment). Therefore, 50% of the fixed assets of agricultural producers have exceeded their service life;
- to date, Estonian agricultural produce processing sector has already attained a certain investment level. Low orientation at the products of higher value added, low specialisation of industries and low efficiency are still problems;
- incompleteness of the production chain and weak joint activity are the weaknesses of the sector of agriculture. It is possible to develop the production chain in its entirety and to promote cooperation between producers, in view of new challenges particularly in the sectors of dairy and organic farming;
- for the purposeful use of more than a half of agricultural land and of about a half of forest land, proper functioning of land improvement systems should be ensured in those lands. Deteriorating infrastructure – more than 70% of the existing drainage systems in agricultural lands were established more than 30 years ago;
- small expenditure on innovation is a weakness, shortage of money is the most important innovation impeding factor. Estonian enterprises are not active to use the structures of universities and research establishments. The relatively slow development of advisory centres is a weakness;

- in Estonian conditions, it is important to develop co-operation in forestry, otherwise rational and efficient management of private forests as well as getting income from the management of one's own forest cannot be possible.

1.3. Agricultural environment and landscapes

Within the last decade, several changes have taken place in land use. Some lands have been abandoned, at the same time the use of agricultural land has become more intensive in some places.

Due to the more intensive agricultural production and small investment opportunities of agricultural holdings, environmental requirements and good agricultural practices are not sufficiently adhered to. To decrease the negative environmental impact related to those tendencies, additional rural development measures proceeding from the CAP objectives should be applied in Estonia to contribute to the general improvement of agri-environment.

On the one hand, with the help of the CAP rural development measures it is possible to ensure agricultural activity also in those areas of high nature value which can only survive in the conditions of agricultural activity. On the other hand, agricultural activity should not cause big load on the environment.

1.3.1. Land use

There are 801 800 ha of declared cultivated area, 335 124 ha of permanent grasslands and about 91 000 ha of natural grasslands in the Agricultural Registers and Information Board (ARIB) database. 2181 ha are under permanent crops. At the same time, some valuable landscapes have been left out of the ARIB database as their maintenance has not been very active up to now. In the programming period 2007–2013 it is planned to implement separate measure for the maintenance of such areas, at first in Natura 2000 area. With the mentioned measure it is planned to ensure the maintenance of 40 000 ha of semi-natural habitats. It is important to remember that the resources for the work with the lands out of use are limited.

In 2004, Single Area Payment was paid for 803 000 ha, of which 458 990 ha are related to the environment-friendly production commitment. The share of organically farmed land has increased from year to year. According to the data provided by the Estonian Plant Production Inspectorate, in 2004, 46 000 ha was farmed organically, of which 37 000 ha received support for organic farming. In 2005, the respective figures were 59 000 ha and 49 000 ha. In 2006 72 000 ha was under organic farming. At the moment, more than 80% of organically farmed land is under grasslands.

At the same time, the share of organic products in trade has not increased, particularly due to the backwardness of organic produce processing industry and market development. In addition to additional need for investment, need for advice on organic farming and processing results from this. At the moment, less than 15% of organically produced wheat and barley and only 0,4% of organically produced milk is sold as organic product. The condition of the sales of other organic products as organic products is somewhat better.

Due to the low quality rating of soil and considering the economic and social conditions of the region, less-favoured areas for agricultural production have been defined in Chapter 6 of RDP 2004–2006. In 2005, support for the continuation of land use and for the preservation of countryside was applied for about 325 000 ha in the above mentioned less-favoured areas.

The share of leased lands has increased as several smaller agricultural producers have restructured their economic activities. At the same time, several agricultural holdings have expanded their economic activities.

1.3.2. Biological (incl. genetic) and landscape diversity and rural cultural heritage

1.3.2.1. Landscape diversity and valuable habitats

In comparison with the other areas north of the 57th parallel, as for their diversity the Estonian fauna and flora are among the richest in the world.

Before 2004, 12% of the inland territory of Estonia was covered by nature conservation restrictions and 4% was added by Natura 2000 network areas. Natura 2000 network areas include 66 bird areas and 509 nature areas. Maintained assets which have high value in terms of nature conservation, are of big importance for the development of rural tourism.

The existing protection rules of protected areas ensure the sufficient protection of those areas and generally their conditions are preserved. The areas which now are located beyond protected areas but will be included in Natura network in the future, will become special conservation areas. In special conservation areas, strict restrictions will not be applied. However, the activities requiring environmental or some other permit, will be subject to the preceding environmental impact evaluation. The requirement to maintain the assets which have value in terms of nature conservation located in Natura areas should be considered even if an activity of considerable environmental impact is planned beyond the protected area or outside of the special protection area. The inclusion of an area in Natura network does not imply the prohibition of economic activity, it generally means the permissibility of natural resource utilisation so far or even its promotion (e.g. maintenance of coastal meadows). If a land unit is included in Natura area, it is possible to get the EU support for the work needed to maintain the assets which have value in terms of nature protection or to be compensated for something which has been left undone.

Thanks to long-time agricultural activities and in particular to mowing and grazing, valuable semi-natural habitats have developed, considering their value in terms of biological diversity and cultural heritage.

The inventory of habitats has indicated that the considerable decrease in the area of meadow habitats has been caused by the disappearance of traditional agricultural methods such as mowing and moderate grazing. Partly, moderate grazing is also related to traditional small farms and raising of local and indigenous breeds. Due to the reduction of agricultural activity, the former permanently attended areas may become overgrown with weeds and shrubs and turn into woods in the long run. In 2001 the area of agricultural land left out of use was 73 961 ha, in 2003 – 60 025 ha and in 2005 – 45 647 ha.

Stonewalls as landscape elements, of which the establishment is supported under RDP 2004–2006, give colour to agricultural landscapes. Several abandoned agricultural buildings/facilities, which are dilapidating and which have not been taken into use, impair the visual appearance of Estonian agricultural landscapes and villages.

Weed infestation of shores may cause additional economic damage to agricultural producers, as for the need of ordinary feeding places, birds go to feed in the fields with the crop just up. Coastal meadows are suitable for cattle (in particular, unpretentious beef cattle) grazing.

Under RDP 2004–2006, support for afforestation of agricultural lands unsuitable for agricultural production and out of use is applied. The objective of this measure is to support the establishment of 10 000 ha of valuable forest land typical of Estonia. The measure does not have any direct environment improving impact but thanks to the measure, the diversity of landscapes and the quality of forest resources will improve in time.

1.3.2.2. Genetic and population diversity

In agriculture, genetic diversity is related to plant and animal breeding. Most Estonian fruit and berry varieties were bred in the 20th century. In Estonia, there are two approved indigenous animal breeds – Estonian native horse and Estonian native cattle. Within centuries, those breeds have adjusted themselves to local flora and climate, being a part of our cultural heritage. Both indigenous breeds and local breeds – Tori horse, Estonian heavy draught and Estonian quail have been designated as endangered breeds as their numbers have decreased considerably. In Estonia, there are also several unique endangered plant varieties, valuable for their genetic and population diversity.

During the last decade, the number of Estonian native cattle was preserved thanks to the application of support payments. The number of Estonian native horses has even increased due to their active use for riding and farm tourism. To preserve cultural heritage and genetic diversity, it is significant to continue support payments for raising endangered breeds until the increase in their numbers and until the reduced risk of their extinction. At present, there are about 950 pure-bred Estonian native horses (about 450 mares), 450 Tori horses (about 330 mares), 80 Estonian heavy draughts (about 60 mares) and 700 heads of Estonian native cattle (about 500 cows) in Estonia. The identification system of local sheep population is under elaboration.

According to the data of 2004, the division of species is relatively homogeneous in Estonian forests: coniferous forests make up 33,4%, broadleaf forests 26,3% and mixed forests 40,3% of forests. In EU-15, the share of conifers is more than 50% and the share of broadleaf trees is more than 30%.

The list of monitored bird species (the basis for the abundance index for the population of birds nesting in agricultural land) is not suitable for Estonia and Nordic countries as it also includes the species which are rare guests in our conditions. Therefore, it is inexpedient to prepare abundance indices for them.

1.3.3. Water

1.3.3.1. Water quality

Compared with EU-15, water status is rather good in Estonia. In agriculture, the quality of water bodies and ground water is mostly influenced by animal farms and by the use of manure, mineral fertilizers and plant protection products. Within the last 15 years, the pollution load caused by agriculture has significantly decreased and the status of the Estonian aquatic environment has improved. However, problems are still encountered in certain areas, incl. nitrate vulnerable areas. The status of groundwater level near surface and of some local river basins is still bad in the areas of intensive agricultural production.

Under RDP 2004–2006, organic farming has been supported and support for environment-friendly farming has been paid to undertakings. Both measures have contributed to the improvement of water status.

The pollution caused by incomplete manure handling also causes problems. In general, lack of the required number of manure storage facilities, bad arrangement of manure spreading and the technical inadequacy of spreading equipment are the main causes of pollution.

Due to the shortage of financial resources, agricultural producers have not made sufficient investments into manure handling. Therefore, the inadequate capacity of manure storage facilities is still a problem. More than 80% of manure storage facilities are older than 10 years. Therefore, in the nearest future, the agricultural producers engaged in animal husbandry must continually make big investments into manure handling. In addition, the introduction of best available techniques should be considered. The support for meeting water protection requirements concerning manure storage facilities paid under RDP 2004–2006 partially helped to bring manure storage facilities into accordance with water protection requirements.

The Pandivere and Adavere-Põltsamaa nitrate vulnerable zone covers 3250 km² or about 8% of the Estonian mainland. According to the ARIB data of 2005, in nitrate vulnerable zone, support was applied for 8600 ha. Nitrate vulnerable zone covers soils of higher soil fertility and in those areas, the share of grasslands is smaller than in other areas. 35% of cattle, 30% of pigs and 12,5% of poultry are being raised in the nitrate vulnerable zone. As in the course of reforms, agricultural production has also considerably decreased in the nitrate vulnerable zone, the quality of groundwater has improved in those areas.

1.3.3.2. Plant protection

Use of pesticides also has its impact on the status of water, soil and biological diversity. The years 1981–1989 were the years of the most intensive use of pesticides in the Estonian agriculture. In those years, chemical plant protection was used in almost all fields. The total usage of pesticides per one hectare of growing area was 0,9–1,1 kg a year. Since 1990, the usage of pesticides has abruptly decreased. In recent years the use of plant protect products has increased in Estonia being 0,62 kg/ha (active substance) in 2005.

1.3.4. Soil

Soil buffers the possible harmful effect of agriculture on aquatic environment. Much attention must be given to the maintenance of the organic matter content of soil in order to avoid the exhaustion of soil.

In expert opinion, the decrease in organic matter reserves and nutrient supply in soil is one of the main soil related problems, caused by the lack of classical crop rotation as well as of nutrient balance data and fertilisation plans, monoculture cultivation and the decrease in the use of manure. The use of organic farming methods and other environment-friendly production methods makes it possible to solve the problem in the given areas.

Soil acidification is a problem which mainly occurs in Central and Southern Estonia. More than one third of Estonian agricultural land (more than 300 000 ha) is acid. The soil acidification process mainly resulting from rock type characteristics cannot be avoided as in Estonian climate calcium and magnesium carbonates leaching is an endless process. In Estonia, soil neutralization can maintain the favourable soil reaction level for plant growth and avoid the decrease in the quality of soils. In strongly or moderately acid mineral soils, the moving aluminium or manganese content may considerably increase. This has toxic effect on plant roots. Liming enables to reduce this harmful effect temporarily. Soil reaction considerably influences the intake of plant nutrients. In acid soil, the mobility and intake of basic nutrients is small. The structure of acid soil is bad and poor in humus. The calcium taken to the soil by liming promotes the formation of surface soil and improves the soil water and air regime and fertility. The elimination of excess acidity of soil is also important for useful micro-organisms as many of them cannot develop normally in acid soil and their numbers decrease. The legumes nitrogen-fixing bacteria are most vulnerable. In limed soil, the activity of micro-organisms and earthworms becomes more active, the humus content of soil increases and the release of plant nutrients bound in soil accelerates. Liming of agricultural lands is therefore environmentally important activity as it helps to improve soil environment which in its turn has significant impact on the growth plant growth and biological diversity.

The share of eroded soils is very small in Estonia. Eroded soils and the soils involving the risk of erosion make up 3,1% of total arable land in Estonia (17% in EU-15). The soils involving the risk of erosion make up 0,11 t/ha/a year (EU-25 – 1,64, EU-15 – 1,94).

Of former fields, just strongly eroded fields on steep slopes have been left to lie fallow. Due to their fall out of cultivated area, the share of strongly eroded soils has decreased a lot. Problems have been caused by the fact that in Otepää and Haanja uplands, which is the main zone of the occurrence of eroded soils, fields have been cultivated in the same way as elsewhere in Estonia. The afforestation of areas sensitive to erosion and the establishment of permanent grasslands are the possible measures to prevent erosion.

1.3.5. Climate change and renewable energy

In Estonia, energy, means of transport and agriculture to a smaller extent are the main air polluters. In recent years, emissions of pollutants into ambient air, including greenhouse gas emissions from agriculture, has decreased a lot. In 2002, greenhouse gas emissions from agriculture totalled to 702 Gg CO₂ eq, the relevant EU-15 indicator of the same year was 416 413,48 Gg CO₂ eq.

Of nitrogen compounds, nitrogen oxides (N₂O, NO, NO₂) and ammonia (NH₃) are the main atmosphere polluters. In Estonia, NH₃ emissions into air, originating from stock-farming, make up a bit less than 70% of total emissions. Emissions have decreased from the 27 000 t of 1990 to about 9600 t in 2000, in particular this was caused by the reduced number of animals. The implementation of the measure of meeting standards also has positive impact on the decrease in nitrogen compounds. The repair of manure storage facilities often brought about the improvement of manure handling and the need to keep manure in dunghills in the fields was also reduced. National legislation provides the requirement to cover liquid manure storage facilities to avoid ammonia volatilization.

The methane (CH₄) emission from agriculture has decreased over three times during the period 1990–2004. This is a result of the decrease in the number of farm animals of almost three times. The methane emission from agriculture makes about 30% of the total methane emission (the rest is from fuel burning and waste processing).

Long-term trends of climate change are more and more shaping agriculture and forestry models. In the development of renewable energy raw materials, agriculture and forestry are regarded as most important.

The importance of forests as CO₂ binders and air cleaners is well-known. In the course of photosynthesis, CO₂ is bound and oxygen emission takes place. The change of land use (incl. afforestation of agricultural land) has a direct impact on carbon balance. At the same time, in young growing forests carbon binding is more intensive as those forests grow more quickly.

In Estonia, electric energy is mostly produced from oil shale (95%), which is a rather burdensome solution for the environment. A part of electric energy could be produced from biomass, producing both heat and electricity. Biomass is mostly used for the production of heat, but its usage may even grow due to the recent liquid fuel and gas price increase. Estonia has resources for the production of all consumable heat from local biomass.

100% of transport fuel is imported. This causes total dependence on world market price fluctuations and on the related inflation. A big part of transport fuels could also be produced from biomass but the field has to be developed technically in order to get profitable technical solutions.

The share of Estonia in the production of renewable energy in agriculture (about 400 kton) and in forestry (606 kton) is small, compared with EU-25 (2424 kton and 53 996 kton respectively). The need for biomass is growing from year to year. 95% of the produced biomass is exported by Estonia. There is potential for the growth of biomass production in lands out of use in Estonia and with the implementation of rational support policy it will certainly find a realistic output. To

attain the EU objectives – the share of renewable energy 12%, the market share of biofuels 5,75% by 2010 – the existing potential should be used better than so far.

Considering the EC information notes “Biomass action plan” and “The EU biofuel strategy” and based on the decision of the Government of the Republic “Development plan for promoting the usage of biomass and bioenergy in 2007–2013” has been prepared. At the same time, the new draft Public Procurement Act provides the basis for the use in procurements of indicators and criteria related to environmental protection.

The expansion of the energy plants growing area is supported by the direct payment provided in Articles 88–92 and in paragraph 3 of Article 107 of Council Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers. In Estonia, this payment was introduced in 2007.

Up to now, it has generally been possible to apply for support for biofuel production under the NDP measure 4.2 “Development of environmental infrastructure”. Under this measure, the expansion of the use of renewable energy sources is promoted. In 2004–2005, the extended use of biofuels in the production of heat as well as the use of water and wind energy was supported.

Through rural development policy, it is possible to support investments into agricultural holdings but also the utilisation of unused biomass by forest owners. Estonian Rural Development Plan 2007–2013 provides investment support for the production of biomass and bioenergy.

The strengths, weaknesses and opportunities of agricultural environment and landscapes:

- in Estonia, there are favourable conditions for the development of environment-friendly agriculture and forestry and for the maintenance of biological diversity and of agricultural landscape typical of Estonia;
- agricultural undertakings do not have sufficient economic possibilities to make additional investments into environment, which is a weakness;
- in environment vulnerable regions, non-compliance with environmental requirements and decrease in biological (incl. genetic) and landscape diversity is one of the biggest threats encountered as undertakings lack the necessary financial resources for the maintenance of the existing assets;
- promotion of environment-friendly agriculture and sustainable forest management as well as more efficient integration of production and processing are opportunities;
- in Estonia, there is potential to produce renewable energy and to increase biomass production in unused lands. On the one hand, use of this potential contributes to the attainment of the EU objectives concerning renewable energy and biofuels, on the other hand, it helps to diversify rural enterprise.

1.4. Rural enterprise and quality of life

1.4.1. Rural enterprise

The development of rural area is mostly influenced by low population concentration and persistent decrease in the share of agriculture in enterprise. By now, the share of agriculture in the structure of rural enterprise has decreased to approximately 50%. More machine power is used in agriculture, therefore many people have had to find occupation elsewhere. At the same time, the jobs created in the secondary and tertiary sectors have compensated for less than one third (28,9%). Therefore, in the rural areas, employment rate is lower than in cities and the number of employed has also decreased. Of statistical indicators, only falling unemployment rate is positive

(7,7%) in rural area. At the same time, the small number of suitable jobs and unemployment are problems in rural area.

The diversity of enterprise, measured by the number of companies and sole proprietors registered in the territory of local governments, and the fields of activity represented by state and local authorities, also characterises the activity of enterprise in rural municipalities. Here, big difference between rural municipalities and towns can be noticed. In comparison with the average of Estonia (19,9 fields of activity), there is big difference between the average of a rural municipality (17,8) and a town (30,4). In comparison with the average of Estonia (52 enterprises per one thousand inhabitants), there is also big difference between the respective indicators of a rural municipality (32) and a town (61). As for rural municipalities, rural municipalities around Tallinn dominate. In remote areas far from big roads, the number of fields of activity is rather small and limited to public services and some companies. Thus, in most rural areas enterprise is of quite a small range and it is rather difficult to find a suitable job there.

The number of enterprises active in rural area has recently been stable. However, the number of rural enterprises is falling: the number of liquidated enterprises grows more rapidly than the number of new enterprises (in particular, regarding agricultural holdings). 3–5 years are usually critical for a rural enterprise. The less competitive salary fund (wage level about one fifth lower than in towns) also has its impact on business operators who have difficulties with the recruitment and keeping of skilled labour. It is well expressed in the comparison of the results of the Estonian labour surveys. If in 1998 30,2% of the employed rural inhabitants worked in towns and 62% in the same rural municipality, in 2004, the respective figures were 38,5% and 50,7%. The share of people working in another rural municipality has increased from 7,6% to 9,8%. Due to the above mentioned reasons, students do not wish to return to the country after their studies.

The survey “Need for support in the sector of rural enterprise” indicated that micro-enterprises have the biggest potential (considering the number of employees and the growth of equity capital) for the creation of suitable jobs as 7,9% of micro-enterprises have become small-scale enterprises. A bigger part of small-scale enterprises (17,9%) have reduced the number of jobs and only 3,9% of those enterprises have moved on to the next size group. Of medium-sized enterprises, 19,9% have fallen to the level of a small-scale enterprise as for the number of employees.

Considering the low competitiveness of agricultural producers and lack of enterprise promotion plans, the existence of ancillary activities, which enable to manage risk, to earn additional income and to move over into another field of activity, if necessary, is important. Of the approximately 37 000 agricultural holdings, 2746 holdings receive income from non-agricultural activities. They make up 7,5% of all agricultural holdings. The EU-25 respective indicator is about 10 percentage points higher (17%). Therefore, it is important to give more attention to the diversification of agricultural holdings, particularly in less-favourable areas. As 82,7% of people are employed in secondary and tertiary sectors in rural area (92,4% throughout Estonia, 94,9% in EU-25), those sectors have the biggest potential as regards the creation of new jobs. By the promotion of tertiary sector it is possible to alleviate the problem of the outflow of services from rural areas. At present, 66% of value added is already created in services sector.

Due to the changes, which have taken place in agriculture within the last decades, there are many buildings in rural area, which are unoccupied, undercharged and without purpose. To save resources, it would be important to find those buildings a new function either in production and services or as residential buildings. In particular, this provides an opportunity to find a solution to the scarcity of jobs caused by low density area, concentrating on traditional village structure and promoting settling down in the country. Modernisation of those buildings and finding new purpose and additional functions for their use create an opportunity for the improvement of the quality of life and help to increase the competitiveness of rural undertakings in the recruitment of new employees.

1.4.2. Quality of life

Within decades, the operators offering services have due to the lack of critical mass of consumers taken their services out of rural areas. This has an impact on physical and social environment as rural people have to cover much longer distances to get primary and support services. Rather poor transport conditions and road infrastructure still complicate the situation.

The survey “Need for support in the sector of rural enterprise” was made in 2001 and 2006 and according to this survey, services are estimated higher. In the opinion of residents of rural municipalities, communication (post, telephone), basic and secondary education and administration in rural municipality government are the best organised services in the country.

In rural areas, the availability of different services is a complicated problem as in rural municipalities, several consumer services are unavailable to most people. In case of 10 services of 19 consumer services indicated, at least a half of the questioned rural inhabitants answered that the mentioned services were missing. Undertakings are not interested in offering such services as washing of clothes, mending of shoes, equipment repair, tailoring, banking services, sale of industrial goods and repair services in rural municipalities with a small number of inhabitants or clients and the existence of undertakings offering such services in some rural municipalities is rather an exception. Inhabitants are mainly concerned about the lack, bad quality or unavailability of banking, sauna and shoemaker’s services and of a store of industrial goods or an equipment repair shop. Some repair services and personal services (hairdresser, sewer, etc.) are available in nearest cities but also in bigger cities.

Finding new solutions for the provision of services would be one way for the maintenance and improvement of the quality of life. Service providers could be concentrated under one roof or into the so called multifunctional buildings or mobile services could be provided. Wider spread of Internet will also improve access to the services provided by both public and private sector. Besides, the development of information technology contributes to the improvement of teleworking opportunities. According to the e-monitoring survey made by TNS Emor within March–May 2006, 39% of Estonian households have Internet access, in rural area the respective figure is 33%. The national programme “Küla tee 3” (Village Road 3) has been launched to provide the population of low density areas with Internet access under the conditions similar to high density area. In 2007, only 70% of the EU-27 rural areas and 98% of urban areas had access to broadband Internet services (in Estonia 73% and 90% respectively), while to stimulate the economy, the European Commission aims to guarantee general availability of broadband interconnection by 2010. With the county “Küla tee 3” (Village road 3) projects directed at the stimulation of service provision and realized within 2006–2007 and with making use of a new frequency range for the “Kõu” (“Thunder”) Internet service, Internet access satisfying immediate need at least has been achieved practically all over Estonia. At the same time, current technology is not able to go along with the development of future services and necessities. Unfortunately, the establishment of quick Internet connections (broadband network) meeting today’s requirements in rural areas is not profitable for service providers and necessary investments are not made without state support. Due to geographical isolation, the need for broadband interconnections is extra high in rural areas, considering better availability of public services (e-services) in particular. The broadband interconnections of new generation contribute to the development of enterprise and to the improvement of the quality of life in rural area. As regards preservation and growth of the number of rural inhabitants, the improvement of quality of life (incl. infrastructure, better access to services) is of big importance.

Participation in lifelong learning helps to adjust to the changes in labour market, makes workers more competitive and improves their quality of life. In 2005, the share of adult population participating in education and training was 6,7%, which had increased by 0,3%, compared with the previous year. The EU-25 respective indicators were 8,6% in 2004 and 9,4% in 2005. In order to make Estonian labour market more flexible, education and training should be promoted

among active labour force. In rural area, this will also help to solve the problem of inadequate qualified workforce.

1.4.3. Rural natural and cultural heritage

Wide cultural heritage is an important development resource to bring out regional speciality. In Estonia, there are 24 742 protected cultural monuments, 12 heritage conservation areas and some natural sacred places. 91% of archaeological monuments and 71% of architectural monuments are located outside cities. According to the data of environmental register, as of 1 January 2006, there are 391 protected areas (incl. 5 national parks), 543 parks and forest stands, 127 special conservation areas, 666 species protection sites, 1 natural object protected at the local government level, 301 areas with temporary restrictions and 1172 protected individual natural objects in Estonia. Estonia is characterised by villages in which houses are far apart or sited haphazardly. Farmhouses including a barn are only typical of Estonia and Northern Latvia. The former manors, which have survived up to now and which have heritage of agricultural production and some buildings of the Soviet time, in particular collective farm centres, should also be mentioned. In Estonian cultural landscape, many cultural objects already perished elsewhere in Europe have survived, such as ancient fields, historical villages, building traditions, handicraft. As a solution of the problem concerning the improvement of the living environment of villages and scarcity of labour, by the repair of different buildings it is possible to promote settling down in the country.

In particular, strong community ensures the survival of cultural landscape. Cultural monuments and valuable cultural objects serve as tourism magnets but their role as the determiner of the identity of a location is even more important. While giving them a new function and life, historical and traditional identity of a landscape, a village or a building should be considered first. It is important to guarantee the survival of the historical look of objects. The implementation of the potential of cultural and natural objects for local development is impeded by the poor technical condition of those objects, their bad accessibility and display, lack of supporting infrastructure, scarce additional services and weak links between objects. This can be improved in co-operation between the public and private sector, which has to be promoted. On the one hand, local cultural heritage is attractive for tourists, on the other hand, it offers an opportunity to develop tourism infrastructure. In rural area, the number of beds offered by tourism undertakings is about 15 000. Utilisation of the tourism potential of cultural heritage can contribute to the diversification of enterprise and to the creation of non-agricultural jobs in rural area.

The strengths, weaknesses and opportunities of rural enterprise and the quality of life:

- as regards rural enterprise and the quality of life, there is the risk of the decrease in the share of the sector of agriculture in enterprise and low population concentration there, as a result of which many enterprises have taken their services out of the country;
- broadband interconnection is an important tool of the economy, helping to integrate rural economy and the whole rural community into the economy as a whole and providing an opportunity to overcome the problems caused by geographical isolation;
- though the number of enterprises has remained stable in the country, low diversity of economic activity and slow increase in the number of enterprises is still a weakness there;
- pendulum migration is a danger to the rural area as rural inhabitants cannot find suitable jobs or the wages offered are not competitive;
- resource of the rural area – buildings, nature and the strengthening local community – can offer opportunities to find innovative solutions, and providing support to community actions it is possible to counterbalance differences between rural areas and towns.

1.5. Local initiative

In the situation where the number of people is small and enterprise is generally not profitable, the strength of local community is of big importance. Rural people have become concentrated – of more than 4000 villages about one fourth have elected village elders for the co-ordination of local activity. About 700 societies are involved in the development of villages.

Surveys indicate that relations between local governments, non-profit sector and business operators have improved and they trust one another. Thus, closer co-operation can contribute to the involvement of all local community parties in the decision-making process concerning local development. According to the survey “Development of local initiative – LEADER-type measure” 75,6% of non-profit associations, 77,5% of local governments, 62,7% of operators and 51,7% of inhabitants are willing to participate in the implementation of regional strategy. Awareness of LEADER is rather high – 59,3% of non-profit associations and 56,4% of the representatives of local governments are aware of LEADER.

At the moment, a LEADER-type measure is under elaboration. The measure will be applied as a pilot measure to prepare for the new period. Within 2004–2006, this measure will be applied in two fields of activity – acquisition of skills and integrated rural area development strategy. Under the first field of activity, the action groups to prepare local development strategies will be selected. Under the second field of activity, 3 action groups to implement the existing strategies will be selected. The measure will be applied in summer 2006. For the smooth introduction of LEADER-principles, seminars and information days have been organised. LEADER-information centre has been established as a support structure for potential local action groups. In Estonia, there is potential for about 25–30 action groups. Monitoring indicates that about 20 action groups will apply for support under the LEADER-type measure.

2. Overall strategy. Connection of the Community strategic aims with national strategy

2.1. Bases for the Strategy

Bases for the Estonian Rural Development Strategy:

- Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD), Community Strategic Guidelines 2007–2013, in particular the objectives set for improving the competitiveness of the agricultural and forestry sectors, for improving the environment and countryside and the quality of life in rural areas and for encouraging the diversification of business activity.
- The decisions made in the framework of the CAP reform, which reduce direct intervention in specific sectors of agricultural production (decoupling of direct payments) on the one hand, but increase agricultural producers' self-liability (reinforced market orientation and coupling of direct payments to different environmental, food safety etc. requirements) on the other hand.
- Continual pressure on the CAP development, resulting from the WTO negotiations in progress, of which the probable result is the decrease of the CAP I pillar impact on the income of the sector of agriculture and further liberalisation of agricultural market.
- The analysis of the competitiveness of Estonian agricultural holdings made by the Ministry of Agriculture.
- The analytical survey given in Chapter 1 and the development problems and potential of the Estonian rural areas.

- The activities provided in the Estonian State Budget Strategy, influencing the development of rural areas and particularly of agriculture out of Estonian own funds and from the resources co-financed from the Community budget (see Chapter 5).
- Different EU and Estonian strategies, including the Community Biomass Action Plan, the Estonian Action Plan for Growth and Jobs 2005–2007 for the implementation of Lisbon Strategy, the Estonian Action Plan for Organic Farming 2007–2013 (see Chapter 5).
- European Economic Recovery Plan.
- The experience gained within the periods 2001–2004 (SAPARD) and 2004–2006 (Estonian Rural Development Plan and National Development Plan, priority 3, measures concerning rural development and agriculture).

2.2. Rural Development Plan 2007–2013 target group

The main target groups and areas, at which the present Strategy and the measures of the Plan prepared will directly be targeted, are defined below. Target groups have been derived from Chapter 1 and baseline and context indicators.

The RDP measures are directed at the following groups:

- persons mainly engaged in agriculture (incl. the persons who may abandon agricultural enterprise within the period) and private forest owners (physical persons, self-employed persons, commercial associations, companies);
- persons and associations promoting co-operation;
- non-agricultural micro-enterprises, creating and retaining jobs in rural area (up to 9 employees);
- agricultural and forestry produce processing undertakings for their contribution to the general development of Estonian agriculture and rural area;
- persons engaged in agriculture and private forest owners, who use the Natura 2000 network agricultural and forest land where agricultural and forestry activity is advisable or the full or partial abandonment of management is necessary for the attainment of environmental objectives and for the maintenance of biological and landscape diversity;
- persons engaged in agriculture, promoting the fulfilment of voluntary environmental commitments taken in the interests of the society and local communities;
- local action groups and non-profit associations active in rural area;
- young people (to improve age structure) and women (to promote enterprise undertaken by women), creating favourable conditions for those groups.

Increase in subsidiarity, giving more decision-making power to the local level, is one of the RDP 2007–2013 principles. Therefore, the RDP 2007–2013 measures will be implemented at two basic levels:

- at the national level – measures to be implemented similarly throughout Estonian rural area (incl. the measures directed at less-favoured areas, areas of high environmental risk and areas of high nature value Natura 2000 areas);
- at the local level – LEADER-activity, in case of which the preparation and implementation of development strategies takes place at local level through common decisions made by the representatives of local private, non-profit and public sectors;
- integrated approach – using LEADER decision-making process in implementing certain measures, therefore contributing to the attainment of the objectives of other measures.

2.3. General balance between the axes, the EU and national priorities, the indicative breakdown of resources

Proceeding from the analysis of the present situation, the competitiveness of Estonian agricultural sector is low, compared with the average of the European Union. The status of the environment is relatively good but for its maintenance it is necessary to carry on the agri-environmental and other measures contributing to the sustainable development of agriculture. On the one hand, due to increase in the efficiency of agriculture, labour is freed in rural areas, on the other hand, the structure of enterprise is one-sided, employment possibilities are diminishing. Co-operation and confidence between different sectors has increased. This creates good basis for the promotion of local initiative and partnership.

Proceeding from the above mentioned, the main objective of axis 1 is to improve the competitiveness of the prevalent part of agricultural holdings and agricultural produce processing industry to such an extent that after the end of the programming period (after 2013) the farmers will manage in the conditions of market support and direct payment reduced by that time. In the sector of forestry, the objective is to raise the long-term competitiveness of forestry to the level ensuring the restoration of forest potential in forests damaged by natural disasters and fires, relevant preventive actions, the sustainable management of private forests and the maintenance of employment in rural area and supporting wider usage of forestry products and services.

In the context of axis 2, the applied farming practices should ensure the stable status of the environment and agricultural land use should also be guaranteed in the regions where it is important for shaping traditional landscapes and for the preservation of high nature value areas. In forest management and protection, the principle of sustainable forestry is considered and good status of the environment is ensured.

The main objective of axis 3 is the diversification of rural enterprise, in particular in less-favoured areas, and the improvement of the quality of life in rural areas. Those objectives will be approached in an integrated way, developing enterprise on the one hand and reinforcing the activity of local communities on the other hand.

To promote local initiative, wider decision-making power is given to the local level so that in 2009–2010 most rural municipalities could be covered by local action groups with prepared and applied strategies for the development of their region.

Considering the minimum funding rates for axes (10-25-10-5) provided in Council Regulation (EC) No. 1698/2005, the breakdown of resources for the present programming period by the RDP and NDP measures, the range of problems resulting from the present situation in comparison with the EU similar areas and the relevant objectives, the indicative breakdown of resources by axes is the following:

Axis	The share of funding from the whole programme 2004–2006*	The share of funding from EAFRD***
Improving the competitiveness of the agricultural and forestry sector	38,6%	40%
Improving the environment and the countryside	42,6%	39%
The quality of life in rural areas and diversification of the rural economy	5,4%	21%
LEADER**	0,6%	10%

* Activities coming to an end 12,8% (SAPARD payments, supplementary direct payments)

**LEADER is a horizontal axis, traversing other axes, therefore the activities realised through LEADER are included in the share of a relevant axis

*** Proportion is calculated for the part, from which technical aid (up to 4%) has been deducted

Thus, compared with the present programming period, the biggest increase in funding has been planned for axes 3 and 4. It is justified by the need to give more support to the creation of non-agricultural jobs in rural micro-enterprises and to the more intensive local initiative in the mobilisation of local development potential. The creation of non-agricultural jobs just for the undertakings giving up agricultural production is essential with regard to the increase in competitiveness of the whole sector of agriculture. In axis 1, more attention is given to the investments of long pay-back period into physical infrastructure and environment, to the diversification of agricultural production (particularly in the smallest part of the sector of the lowest value added) and to joint economic activity, human development, knowledge and innovation. Under axis 1, new activities in the field of bioenergy and innovation will be added. To increase the market share of organic products, their more active processing and marketing should be promoted. Within the first years of the new programming period, the resources of axis 2 are related to the commitments taken in 2004–2006. As regards agri-environmental support, the activities implemented within 2004–2006, should be continued in the new period. In addition to the implementation of the basic measure of agri-environmental support, special attention is given to solve specific environmental problems in the areas with high environmental risk, e.g. nitrate vulnerable zones, also the maintenance of semi-natural habitats beyond the ARIB register will be supported. Special measures will be foreseen for Natura 2000 network arable land and private forest land.

2.4. Contribution to the attainment of the Lisbon objectives and links with the Lisbon Action Plan

2.4.1. Contribution to the attainment of the Lisbon objectives

Against the background of the more enterprise-driven approach adopted by the new CAP, the importance of rural development instruments is growing. Rural life plays an important role in the restructuring of the sector of agriculture and in the promotion of innovation, in the improvement of human environment and in the diversification of enterprise. Through axes 1 and 3, RDS contributes to the attainment of the Lisbon objectives concerning competitiveness, economic growth and the creation of new jobs.

Under axis 1, competitiveness is particularly increased by giving attention to higher value added, innovation, training and advice, bioenergy and co-operation with research institutions. The environmental axis plays an important role in landscape shaping, which in its turn is related to tourism, an important income and employment opportunity in rural area. Under axis 3, new jobs will be created beyond agriculture, providing alternative income opportunities for rural area. Providing local level with power of decision, LEADER-approach contributes to the improvement of co-operation between all the sectors and to the consideration of local conditions in the attainment of objectives.

2.4.2. Relationship with Estonian Action Plan for Growth and Jobs

RDS is mainly related to the Lisbon Action Plan in the following fields – bigger investments in research and development and innovation, increase in enterprise potential, the solution of problems resulting from globalisation and demographic changes, the development of an efficient energy market.

Under axis 1, directing investments at quality, product development and new technologies and promoting more intensive co-operation with research establishments, increase in investments into research and development and innovation is promoted. By this, RDS supports the increase in the number of enterprises placing new products and services in the market and using new technologies. Training and advisory system which considers the needs of the sector contributes to the increase in the share of adult population participating in lifelong learning.

In the development of new products, processing of agricultural and forestry products into energy has great potential. Under axis 1, biofuels are one possibility to diversify enterprise and to improve the structure of production by that. The improvement of production structure plays an important role in the growth of labour productivity. At the same time, the promotion of the usage of biofuels also contributes to the development of an efficient energy market, increasing the relative importance of energy produced from renewable energy sources.

Particularly axis 3 is directed at the increase in enterprise potential through the diversification of enterprise and through support to micro-enterprises by the creation of jobs. As surveys indicate that micro-enterprises create most jobs, attention to those enterprises under axis 3 is the best way to increase the share of people planning the establishment of an enterprise or engaged in its start or to increase the number of enterprises. By creating preferential conditions for women and young people, it is possible to gain increase in population and decrease unemployment in the groups mentioned.

In addition to the above mentioned, there is intersection with the Lisbon Action Plan in view of the status of endangered breeds and habitats and as regards the status of water bodies. The sustainable use of agricultural land and the approach directed at biological and landscape diversity and high nature value areas ensure that the status of endangered breeds and habitats will not deteriorate.

2.5. Contribution to the attainment of the Gothenburg objectives

According to the conclusions of the Gothenburg European Council, economic performance has to go hand in hand with the sustainable use of natural resources, maintaining biological diversity. To meet those challenges, contribution is made to the attainment of sustainable development, emphasizing the promotion of healthy and high-quality products, clean methods of production, organic farming, renewable raw materials and biological diversity.

The measures of axis 2 are used for the integration of biological diversity, environment-friendly agricultural and forestry systems, maintenance and development of traditional agricultural landscapes and the objectives concerning water and climate change. Thus, those measures contribute to the commitment taken in Gothenburg to restrain the decrease in biological diversity by 2010.

2.6. Economic recovery

European Economic Recovery Plan provides support for broadband Internet infrastructure and the new challenges agreed upon under the CAP health check through the EAFRD under rural development programmes. Out of the opportunities provided by the economic recovery plan, Estonia contributes to broadband Internet access, restructuring of the dairy sector and biological diversity.

3. Strategy by axes, quantified objectives

3.1. Improving the competitiveness of the agricultural and forestry sector

Axis	2004–2006		2007–2013	
	Sum*	Share	Sum	Share
Axis 1	1677,1	38,59%	5725,1	40%
Restructuring/ modernisation	1582,1	94,34%	5152,6	90%
Innovation/ advice	51,6	3,08%	572,5	10%

* million kroons

In 2007–2013, in increasing the competitiveness of agriculture and forest management, more attention will be given to the increase in the share of the production of higher value added by product development and the assurance of stable quality. This will require more emphasis on the development of technology and closer co-operation with different research establishments. At the same time, considering the big need for investment accompanying agricultural production and agricultural produce processing since 1990ies and getting bigger due to the new additional requirements, modernisation of agriculture and processing industry will be of the greatest importance in the development of the competitiveness of agriculture and forest management in 2007–2013.

Specific objectives are identified below as follows:

Restructuring/modernisation of agriculture and agricultural produce processing industry

1. Considering that the value added produced in the sector of agriculture is lower predominantly among smaller agricultural producers, the increase in their competitiveness through the diversification and/or expansion of production is promoted in the sectors of normal market outlet. In the framework of this activity, particularly micro-enterprises are regarded as the target group.
2. Considering that underinvestment of the sector of agriculture will endanger the medium- and long-term competitiveness of agriculture and will require quick development in coming years, long-term investments in the infrastructure and buildings of long pay-back period are vital. Therefore, support for the development of agricultural and forest management infrastructure (land improvement, incl. liming and forest drainage, and access to agricultural and private forest land) as well as for the construction and reconstruction of agricultural buildings of

long pay-back period (cowsheds and the technological facilities serving common interests of different producer groups) is regarded as a priority. In case of land improvement systems, the objective is to have 85 000 ha of maintained land improvement systems by the end of the programming period of 2007–2013.

3. To give more attention to environmental aspect, usage of agricultural technologies is promoted, with a view to improve animal welfare and to apply environment-friendlier cultivation methods.
4. By promoting the participation of younger generation in agriculture, contribution is made to the change of generations and to the improvement of the age structure of agricultural operators.
5. Resulting from the additional economic burden caused by the use of BAT, the investments made by agricultural producers for the use of BAT will be supported by the public sector, if necessary.
6. Due to the low environmental sustainability of agricultural produce processing industry, introduction of clean technology, particularly targeted at the conformity with environmental requirements (waste management among others), require more attention. The objective is to attain the increase in the share of environmental investments in total investments of the sector. In case of bigger small and medium-sized enterprises (SME), investments are mainly directed at the increase in the share of products of higher processing stage meant for final consumer in undertaking's total production and export.
7. To develop agricultural production, it is important to use local raw material and to market it with higher value added. Therefore, in agricultural produce processing industry attention has to be given to the more active product development, in order to increase value added and to improve product quality. As placing products on the market is a problem in several niche sectors (e.g. organic agriculture), attention should be given to quality, product development and marketing there.
8. To make better use of the opportunities provided by agriculture and forestry in the production of renewable raw material (incl. bioenergy) for non-food and to create additional jobs in rural areas, the investments focused on the production of renewable non-food raw material (incl. bioenergy raw material) and of bioenergy from one's self-produced raw material are promoted in agriculture, forestry and agricultural produce processing industry.
9. Taking into account that private forestry has an important role to play in the economic activity of rural areas, priority is given to the improvement of the economic value of private forests, to the development of economic activities creating additional value to forestry products and to the attainment of the competitiveness of forest management in the long run.

Innovation and advice

10. To intensify the spread of new technologies and the use of renewable energy and particularly in order to apply new products and sustainable technologies in the production chain of agricultural and forestry products and to find out quality risks and improve the situation, co-operation of the sectors of agriculture and forestry management and agricultural and forestry products processing industry with research establishments is promoted. Co-operation between the sectors of research, production and processing in the development of new products competitive in the market (incl. bioenergy) is supported. It is also planned to promote innovation horizontally, providing certain preference in selection criteria.

11. Development of advisory and training system for agricultural producers, private forest owners and processors of agricultural and forestry products as a link between research and production sectors is important.
12. To strengthen the production chain (production-processing-commerce-consumer) and to improve the market access opportunities of agricultural producers, especially small-scale farmers and producers of organic and niche production by encouraging their joint economic activity (incl. marketing) it is planned to support the setting-up and development of producer groups (agricultural commercial associations) and investments into processing and marketing of agricultural products (incl. in dairy sector and organic farming).

3.2. Maintenance of agri-environment and countryside

Axis	2004–2006		2007–2013	
	Sum*	Share	Sum	Share
Axis 2	1849,8	42,56%	4940,7	39%
Agri-environment	1113	60,17%	3007,2	61%
Natura	19,4	1,05%	627,3	13%
LFA	410,6	22,20%	837,3	17%
Other			468,9	9%

* million kroons

For the period 2007–2013, the period 2004–2006 level of financial resources focused on the maintenance of agri-environment and countryside will generally be retained.

Considering that under RDP 2004–2006 agri-environmental support, support for less-favoured areas and support for afforestation of agricultural land five-year commitments have been taken, in current period those commitments should be financed until their termination to ensure the consistency of development plans.

Proceeding from the above mentioned, the priority activities are defined below.

Agri-environment

1. In 2007–2013, in addition to the development of the basic agri-environmental measure, in the implementation of new activities under agri-environmental support, the solution of specific environmental problems is focused on, particularly from the point of water environment and biological diversity thereby contributing to the objectives of the EU environmental policy. Considering that there are many landscapes of high biological and landscape diversity value in Estonia, the activities helping to preserve biological and landscape diversity, in particular maintenance of semi-natural habitats, which have high value in terms of nature conservation, are promoted under axis 2. It is also planned to contribute to meeting the requirements proceeding from Directive 2000/60/EC of the European Parliament and of the Council establishing a framework for Community action in the field of water policy. Considering that due to the soils of higher fertility, in some cases agricultural production has concentrated to the nitrate vulnerable zone but at the same time it concerns limestone and karst area of unprotected groundwater, additional measures should be taken to attain good status of the environment in the area. In the areas of acid soils, continuation of soil protection activities should be ensured

under nonproductive investments due to high environmental risk. Making use of BAT in agricultural production, the promotion of the basic agri-environment support measure and the promotion of organic farming contribute to water and soil protection activities.

2. As there are several endangered breeds important in view of cultural heritage and genetic diversity in Estonia, support for raising the above mentioned endangered breeds will be continued to lower the risk of their extinction. At the same time, attention is also given to the maintenance of endangered varieties.
3. To maintain cultural heritage, biological and landscape diversity, nonproductive investments, e.g. the restoration of stone walls is promoted. The establishment of mixed-species hedgerows and small forest groves on agricultural land which also has positive impact on biological and landscape diversity will also be supported in the programming period.
4. In 2004–2006, taking the agricultural lands less suitable for agricultural production out of use was applied by afforestation. If necessary, afforestation of protective belts will be concentrated on in the future, in order to prevent the risk of erosion and to maintain good status of water.
5. To contribute to the alleviation of climate change, energy crop growing is of great importance.

Less-favoured areas

6. Considering that less-favoured areas of low quality rating (LFA) make up 50% of agricultural land in Estonia, land use by the agricultural holdings active in those areas and maintenance of countryside are supported.

Natura 2000 network areas

7. Considering that Natura 2000 network areas cover ca 55 000 ha of agricultural lands, with a view to maintain biological and landscape diversity, it is necessary to ensure compensation for the income loss incurred by farmers due to the restrictions in the above mentioned agricultural lands and on certain conditions also in private forest lands covered by Natura 2000 network proceeding from the Nature Conservation Act and caused by meeting the requirements of Council Directive 79/409/EEC on the conservation of wild birds and Council Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora.

3.3. Quality of life in rural areas and diversification of rural economy

Axis	2004–2006		2007–2013	
	Sum*	Share	Sum	Share
Axis 3	236,3	5,44%	3005,7	20%
Diversification/ economic development	136,1	57,60%	1803,4	60%
Basic services/	100,2	42,40%	1202,3	40%

infrastructure/ renovation				
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* million kroons

Specific objectives are indicated in the following:

Diversification/economic development

1. To improve the situation of enterprise, in particular the development of micro-enterprises is promoted. Preference is given to non-agricultural production, using local resources, to rural tourism, handicraft and service enterprise, which are directly related to the improvement of the quality of life in rural area. This will improve employment in secondary and tertiary sector and the jobs freed from agriculture will be compensated for.
2. Diversification of the activity of particularly small agricultural holdings with other rural enterprise beyond agriculture is promoted. Diversification is primarily focused on micro-enterprises, in certain fields (bioenergy) also on small and medium-sized agricultural producers. The objective is the increase in the number of agricultural producers active in other profitable activities and the increase in their income from alternative activity.
3. Investments into making use (in production or services) of abandoned facilities and buildings, incl. manorial estates, are preferred, thus contributing to the creation of employment opportunities and to the development of tertiary sector.
4. Implementation of projects with larger volume of investments, where there's bigger likelihood that the effect of the investment on the development of the socio-economic situation of the rural area is larger and, in broader and wider sense positive: the increase in profits of the region's other enterprises, creating employment in other businesses or organizations, preserving biodiversity, increasing the safety of the region, is promoted.

Basic services/rural infrastructure/renovation

5. To ensure the availability and sustainability of services within a prolonged period, new solutions operating even during a longer period should be found, considering the sparse population typical of rural area. Those solutions may include the development of multifunctional services centres, finding mobile solutions to offer goods and services and the creation of prerequisites for the implementation of modern information technology through the establishment of broadband Internet connections, at the same time considering people with special needs.
6. In particular, investments for the preservation, restoration and quality improvement of the living environment of villages (historically developed meeting places, such as village squares, sacred groves, swinging places, public sporting facilities) are promoted. In the development of local action groups, more of the relevant activity will be directed through LEADER decision-making process. The improvement of the quality of life will contribute to the reduction of migration caused by the unavailability of services.

3.4. LEADER-axis

Axis	2004–2006	2007–2013
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	Sum*	Share	Sum	Share
Axis 4	28,9	0,66%	1341,7	10%**
Local capacity	20,23	70%	134,1	10%
Local strategies	8,6	30%	1207,6	90%

* million kroons

** will be attained depending on the development of local action groups

To contribute to the inhibition of the increase in regional differences and to promote local initiative in the improvement of the quality of life, it is planned to apply a focused LEADER-approach in the new period. Indicators of regional differences (incl. household income per capita) will serve as the basis for the allocation of resources and for the provision of the amount of co-financing and of selection criteria.

Local capacity

1. The aim of the formation of local action groups and the preparation of their strategies is to attain the functioning of local action groups in the biggest part of rural area.
2. Strength of rural community and co-operation between different parties play an important role in the development of rural area. Co-operation should be made closer as enterprise alone is not able to create new jobs or to reduce bottlenecks in the country. The role of non-profit sector in the creation of new jobs is also significant, therefore its development should be promoted.

Local strategies

3. Implementation of strategies comprising the utilisation of local specific character, including the sustainable use and introduction of rural and cultural heritage, the development of community activities, the improvement of employment, the use of the potential of domestic and outbound tourism, the valuation of individuality and traditions and the use of innovative approaches, directed at co-operation.
4. Activities primarily directed at the objectives of axis 3 are preferred in local strategies.

3.5. Quantified objectives

To monitor the movement towards the objectives of the Strategy and to estimate the performance of activities, indicators have been defined for each axis of the Strategy. By indicators, the expected impact of the implementation of the Strategy is measured. Considering the specific character of axes, the objective is the gradual improvement of the situation or the preservation of the present situation.

3.5.1. General socio-economic development

Indicator	Present situation	2007*	2010*	2013*
Economic development (EU-25=100)	50,6% (2004)	61,2%	66,7%	72%

Employment rate	64% (2005)	65,7%	66,7%	70%
Unemployment	7,9% (2005)	6,9%	6,2%	5,6%

3.5.2. Competitiveness

Training and education in agriculture	32,9%	39%	43%	47%
Age structure in agriculture (younger than 35/older than 55)	0,17 (2003)	0,18	0,19	0,20
Labour productivity in agriculture (thousand EUR)	5,59 (2004)	6,60	8,35	8,40
Gross fixed capital formation in agriculture (MEUR)	49,8 (2003)	77,3	82,4	85,4
Employment development of primary sector (thousand)	32,2 (2005)	30	27,5	25
Economic development of primary sector (MEUR)	346,4 (2004)	387	419,2	452,8
Labour productivity in food industry (thousand EUR)	9,91 (2004)	13	16,5	21
Gross fixed capital formation in food industry (MEUR)	53,1 (2004)	61	65	70
Employment development in food industry (thousand)	17,7 (2004)	16,2	14,7	13,5
Economic development in food industry (MEUR)	175,9 (2004)	190	197	203
Labour productivity in forestry (thousand EUR)	32,2 (2004)	37	51,5	66
Gross fixed capital formation in forestry (MEUR)	19,4 (2003)	22,3	31,1	39,7

Importance of semi-subsistence farming in NMS (less than 1 ESU)	23 043 (2003)	22 000	22 000	22 000
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3.5.3. Environment

Biodiversity: High Nature Value farmland (ha)	38 000 (2004/05)	38 000	38 000	38 000
Biodiversity: Tree species composition	coniferous	33,40%	33,40%	33,40%
	broadleaf	26,30%	26,30%	26,30%
	mixed	40,30%	40,30%	40,30%
Soil: Areas at risk of soil erosion (t/ha/year)	0,11 (2004)	0,11	0,11	0,11
Soil: Organic farming (thousand ha)	49 (2005)	60	70	70
Climate change: Production of renewable energy from agriculture and forestry (Gg CO ₂ eq)	606 (2003)	1000	1500	2000
Climate change: UAA devoted to renewable energy (1000 ha)	0 (2004)	25,2	72	100
Climate change: GHG emissions from agriculture (Gg CO ₂ eq)	702 (2004)	702	702	702

3.5.4. Wider rural development

Farmers with other gainful activity	6,8% (2005)	7,4%	8,3%	9,2%
Employment development of non-agricultural sector	82,7% (2004)	85%	88%	91%
Economic development of non-agricultural sector	6903,6 (2003)	8835	10 284	11 733

(MEUR)				
Self-employment development	9,6% (2004)	10,2%	10,8%	11,4%
Tourism infrastructure in rural area	15 000 (2005)	15 200	15 800	16 400
Internet take-up in rural areas	33% (2006)	38%	49%	60%
Development of services sector	66% (2003)	66,4%	66,7%	70%
Pendulum migration	50,7% (2004)	48%	45%	45%
Life-long learning in rural areas	6,7%	10%	12,5%	14%

3.5.5. LEADER

Development of Local Action Groups (population covered by LAGs)	0% (2005)	25%	35%	35%
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* reference level

4. Rural development plans and the indicative breakdown of resources

Rural Development Plan	EAFRD allocation, including amounts under Art 12(2) of R. 1290/2005	
	Convergence regions (Estonia – target 1 territory)	Other regions
Plan (Estonia – one region)	100%	-
TOTAL: (EUR)	723 736 855	-

5. Consistency of the Strategy with the Community Strategic Guidelines and complementarity with the other Community financial instruments

5.1. Consistency of the Strategy with the Community Strategic Guidelines and links with the other Community policies

5.1.1. Consistency of the Strategy with the Community Strategic Guidelines

Development of the sectors of agriculture, agricultural produce processing industry and forestry is compatible with the Guidelines, being particularly directed at improving the competitiveness of enterprises by investments into physical and human capital. Considering the need to restructure the dairy sector the restructuring of the dairy sector will be facilitated. At the same time, attention is given to the sustainability of the environment, biological diversity and to renewable energy, contributing to the improvement of the status of the environment by that.

The activities of axis 2 are particularly focused on the enhancement of the farming types ensuring stable status of the environment and land use in the regions where it plays an important role in shaping traditional landscapes and in Natura 2000 areas. Thus, the objectives of axis 2 are compatible with the Guidelines, giving main attention to the maintenance of biological diversity and traditional agricultural landscapes, water quality assurance and the alleviation of climate changes.

The activities of axis 3 are compatible with the Guidelines, being particularly focused on employment opportunities and on creating conditions for the improvement of employment by the diversification and development of business activities of rural micro-enterprises and by the development of primary rural services, which also contribute to the improvement of the quality of life in rural area. To improve the quality of life, the activities promoting village life renovation and improving the accessibility of broadband Internet connections are supported. Diversification of business activity contributes to the development of competitiveness, finding new solutions for abandoned buildings reduces environmental risks.

According to the Guidelines, axis 4 is focused on giving bigger decision-making power to the local level, enhancing private-public partnership and particularly supporting the preparation and implementation of local development strategies, preferring the activities directed at the objectives of axis 3.

Horizontally, preferential conditions for keeping young people in the country and for settling down in the country and for the development of female business operators are created.

5.1.2. Links of the Strategy with the other Community policies

5.1.2.1. The Community environmental policy

Estonian Rural Development Strategy (RDS) conforms to the objectives indicated in the Sixth Environment Action Programme of the European Community¹ in particular as regards the promotion of nature diversity, water and soil protection, the mitigation of climate changes and air pollution and the sustainable use of pesticides. In Estonia, the Ministry of Environment is responsible for the co-ordination of the implementation of environmental policy.

¹ <http://europa.eu.int/comm/environment/newprg/>

The establishment of Natura 2000 network facilitates the assurance of nature diversity and the attainment of the objectives laid down in Council Directive 79/409/EEC on the conservation of wild birds² and in Council Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora³. The Government has approved the national programme “Estonian Natura 2000”⁴ and under the leadership of the Ministry of Environment the National Nature Protection Plan until 2035⁵ is under elaboration. To ensure nature diversity, RDS supports the use of environmentally sustainable ways of production in agricultural lands located in Natura 2000 areas.

Directive 2000/60/EC of the European Parliament and of the Council establishing a framework for Community action in the field of water policy⁶. The general objectives of water protection and use and the main development objectives have been defined in the Estonian Environmental Strategy. In addition, international conventions and agreements are adhered to.

Directive 2000/60/EC provides the attainment of the objectives of water protection directives by the implementation of the water management plan.

According to a resolution of the Government of the Republic, there are three river basins and eight sub-basins in Estonia, of which the water management plans also include water protection and use measures. To protect ground and surface water in nitrate vulnerable area, Government Order No. 318-k, 30 April 2004, establishes an action plan for nitrate vulnerable zone for 2004–2008, of which the aim is to improve water quality or to prevent pollution. The efficiency of the plan is monitored on the basis of the results of national water monitoring.

RDS contributes to the implementation water policy by the promotion of clean ways of production, environmental awareness and active attitude towards life.

One part of the Sixth Environment Action Programme of the European Community is focused on soil protection⁷. RDS contributes to the Community Strategy of Soil Protection by the introduction of environment-friendly ways of production and by the introduction of environment-friendly ways of thinking to agricultural producers.

To implement the European Climate Change Programme (to attain the objectives resulting from the Kyoto Protocol), the National Greenhouse Gas Emissions Reduction Plan for 2003–2012⁸ was approved by the Government Regulation No. 317 of 30 April 2004. RDS contributes to the implementation of the European Climate Change Programme, supporting the obtainment of best available techniques.

RDS contributes to the implementation of the “Clean Air for Europe” Programme⁹ by the introduction of environment-friendly ways of production and by the introduction of environment-friendly ways of thinking to agricultural producers and by the support for the construction and reconstruction of manure and liquid manure storage facilities.

RDS contributes to the assurance of the sustainable use of pesticides¹⁰ by the introduction of environment-friendly ways of production and by the introduction of environment-friendly ways of thinking to agricultural producers.

² <http://europa.eu.int/eur-lex/lex/LexUriServ/LexUriServ.do?uri=CELEX:31979L0409:EN:HTML>

³ <http://europa.eu.int/eur-lex/lex/LexUriServ/LexUriServ.do?uri=CELEX:31992L0043:EN:HTML>

⁴ [http://trip.rk.ee/cgi-in/thw?\\${BASE}=akt&\\${OOHTML}=rtd&TA=2000&TO=5&AN=1337&KP=2000-07-25](http://trip.rk.ee/cgi-in/thw?${BASE}=akt&${OOHTML}=rtd&TA=2000&TO=5&AN=1337&KP=2000-07-25)

⁵ <http://www.hot.ee/looduskaitsearengukava/>

⁶ http://europa.eu.int/eur-lex/lex/Result.do?T1=V3&T2=2000&T3=60&RechType=RECH_naturel&Submit=Search

⁷ <http://europa.eu.int/comm/environment/soil/index.htm>

⁸ <http://www.envir.ee/983>

⁹ <http://europa.eu.int/comm/environment/air/cape/>

¹⁰ <http://europa.eu.int/comm/environment/ppps/home.htm>

5.1.2.2. The Community Forestry Strategy

RDS is in conformity with the EU Forestry Strategy¹¹ and with the Estonian Forestry Development Programme until 2010¹². According to the Forestry Strategy, sustainable management of forests has to be considered, at the same time ensuring forestry employment and other functions and values of forest. Rural development strategy helps to increase the competitiveness of forestry, contributing to the sustainable management of forests and ensuring preservation of the multifunctional role of forests.

5.1.2.3. Innovation

The Estonian Research and Development Strategy for the period 2002–2006 “Knowledge-Based Estonia I”¹³ has been completed, and the new Estonian Research and Development Strategy “Knowledge-Based Estonia II” for 2007–2013 will soon be completed. The Estonian National Action Plan for Economic Growth and Employment 2005–2007¹⁴, the Lifelong Learning Strategy 2005–2008¹⁵, the Higher Education Strategy 2005–2008¹⁶ and the Government strategy paper “Estonian Success 2014”¹⁷ are also targeted on innovation.

RDS contributes to the attainment of the objectives related to innovation by the promotion of co-operation between agriculture and processing industry and research institutions in the development of new products and technologies and in the increase in efficiency.

5.1.2.4. Information and communication (ITC)

RDS is in conformity with the EU Information Society Strategy¹⁸, with the Communication from the Commission to the Council and the European Parliament “Better access for rural areas to modern ICT”¹⁹ and with the information society part of the Competitiveness and Innovation Framework Programme. RDS contributes to the attainment of the EU objectives, in particular by the activities under axis 3 (opening of public Internet points in rural areas and improving general access to ITC services and also improving the availability of broadband Internet connections).

5.1.2.5. Organic farming

RDS is in conformity with the European Action Plan for Organic Food and Farming²⁰ and with the Estonian Action Plan for Organic Farming 2007–2013²¹. RDS contributes to the implementation of the above mentioned development plans particularly by the introduction of environment-friendly ways of production and by the introduction of environment-friendly ways of thinking to agricultural producers and by the development of organic produce processing and marketing.

¹¹ http://europa.eu.int/comm/agriculture/consultations/forestry/index_en.htm

¹² <http://www.envir.ee/2391>

¹³ <http://www.riigikantselei.ee/failid/TAstrateegia.pdf>

¹⁴ http://www.riigikantselei.ee/failid/2005_10_13_MTTK_L_pp.pdf

¹⁵ <http://www.hm.ee/uus/hm/client/download.php?id=1942>

¹⁶ <http://www.hm.ee/uus/hm/client/download.php?id=1938>

¹⁷ <http://www.riigikantselei.ee/?id=4270>

¹⁸ http://europa.eu.int/information_society/eeurope/i2010/index_en.htm

¹⁹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2009:0103:FIN:EN:PDF>

²⁰ http://europa.eu.int/comm/agriculture/qual/organic/plan/index_en.htm

²¹ <http://www.agri.ee/index.php/15589/>

5.1.2.6. Bioenergy

RDS is in conformity with the Community Biomass Action Plan²², contributing by the promotion of investments into bioenergy production (using the renewable resource potential of agriculture and forestry) to the diversification of energy supply, combat against climate changes, decrease in fossil fuel dependent relationship and to the creation of alternative jobs in rural area. At the same time, RDS contributes to the attainment of the objectives concerning the market share of biofuels provided in Directive 2003/30/EC of the European Parliament and of the Council on the promotion of the use of biofuels or other renewable fuels for transport²³. Support for renewable and alternative energy sources, incl. for the production of biomass, is an important priority of structural funds. Retraining of agricultural producers, purchase of equipment for biomass producers, investments into the production facilities of biofuels and other materials and switching electricity and district heat producers over to biomass can be supported from the above mentioned funds.

5.1.2.7. Common fisheries policy

The sustainable development of coastal areas is the main point where RDS comes into contact with the Fisheries Policy financed from the European Fisheries Fund (EFF). Most coastal fishermen live in rural settlements, where agriculture or other rural enterprise is part of local activities. Under the principle of demarcation, the support for diversification from agriculture to fisheries and contrariwise will be precluded, in particular considering the product groups lacking normal market outlet or having limited resource (catch and production quota). On administrative level, double project financing is precluded. The encouragement of sustainable development and the improvement of the quality of life in rural areas engaged in fisheries is one of the objectives of the Community fisheries policy. In those regions, fisheries and rural development are a part of an integrated local development approach. The essence of the approach is the strategies based on local development, developed and implemented by local action groups. If local action groups and coastal action groups overlap, preparation of different strategies for the administration of the resources of EFF and EAFRD is required.

5.2. Complementarity with CAP and the other Community financial instruments

5.2.1. Complementarity with CAP

In addition to the main objectives of agricultural policy concerning labour productivity in agriculture and the assurance of fair standard of living for agricultural producers, growing attention is given to the development of rural life, food quality, protection of the environment and animal welfare. Those objectives are in conformity with the objectives of both the EU and Estonian agricultural policy. By axis 1, RDS supplements agricultural policy, improving the competitiveness of agricultural holdings, by axis 2, it ensures the maintenance of stable status of the environment and agricultural land use in the areas where it is of great importance as regards shaping of traditional landscapes, and by axis 3, it also supplements agricultural policy through wider rural development, directed particularly at the promotion of village life. By the promotion of advisory service and dissemination of information, RDS also contributes to the implementation of the CAP reform.

²²http://europa.eu.int/comm/energy/res/biomass_action_plan/doc/2005_12_07_comm_biomass_action_plan_et.pdf

²³<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32003L0030:ET:HTML>

5.2.2. Complementarity with the other Community financial instruments

5.2.2.1. Co-ordination mechanism

For the use of the resources of the European Social Fund (ESF), the European Regional Development Fund (ERDF) and the Cohesion Fund, the National Strategic Reference Framework (NSRF) will be prepared under the co-ordination of the Ministry of Finance. The preparation of NSRF will be preceded by the preparation of the Estonian State Budget Strategy 2007–2013 (SBS), which comprises total planning of the state budget, incl. co-financing of the EU funds (ESF, ERDF, CF, EAFRD, EFF). SBS will include the principles of budgetary policy, the basic objectives of the activity of the Government of the Republic, the analysis of economic situation, the forecast of economic development and other information essential for financial management. SBS is prepared in close co-operation of all ministries, of which the aim is to ensure the unity of national policy and the complementarity of different financial sources. The principles agreed in SBS will serve as the basis for the development plans under preparation (incl. the three sectoral operational programmes for the implementation of structural funds and the rural development and fisheries strategies and development plans).

During the next EU budget period in 2007–2013, the EU funds foreseen to support agriculture and fisheries will no longer be under structural funds. Therefore, the use of those funds within the new period is planned from separate resources but still in the same general framework of the State Budget Strategy 2007–2010 preparations.

As regards supported activities, there are close links between the EU structural funds and the European Agricultural Fund for Rural Development and the European Fisheries Fund. While structural funds are targeted at several policy areas in the region (in case of Estonia in the whole country), the funds for rural development and fisheries are designed specifically to support the development of the sectors of agriculture and fisheries, respectively. However, similar activities are planned to be financed from different funds – e.g. activities to increase employment, to promote enterprise and to improve the living environment. Besides, the activities co-financed by structural funds support the improvement of socio-economic situation in rural and coastal regions and vice versa.

Due to this close connection, it is necessary to pay a lot of attention to mutual co-ordination of activities financed from those separate funds. Co-ordination is necessary both in the planning phase and in the later implementation phase to avoid duplication of activities and enable synergy between them to emerge.

Mechanisms of co-ordination in the planning phase are:

- cross-participation of representatives of the ministries responsible for the preparation of documents in planning other resources – representatives of the Ministry of Agriculture participate in the planning of structural assistance (incl. in the inter-ministerial working group) and representatives of the Ministry of Finance participate in the planning of the resources of the European Agricultural Fund for Rural Development and of the European Fisheries Fund;
- constant exchange of information between the responsible ministries, also between the Ministry of Agriculture and other ministries;
- integration of the planning of different foreign funds into the single and integrated process of State Budget Strategy preparations, which enables to treat all budget resources together and harmonise their use in the budgetary process.

Mechanisms of co-ordination during the implementation phase are:

- successive planning of funds for annual state budgets is performed in a uniform and integrated form within the framework of the budgetary process;

- all the related ministries and economic and social partners belong to the monitoring committees - the Ministry of Agriculture will be a member of the monitoring committee for operational programmes and the other related ministries as well as the Ministry of Finance are members of the monitoring committees of Rural Development Plan 2007–2013 and Operational Programme of the European Fisheries Fund 2007–2013;
- all ministries are granted access to draft legislation via the electronic legislation co-ordination system – this enables them to make proposals during the preparation of legislation;
- publication of the list of approved projects will provide an overview of real grants;
- organisation of evaluations covering different areas and strategies.

5.2.2.2. Complementarity with Community financial instruments

It is important to consider that other programmes co-financed from the EU budget and from the state budget are contributing more to the target groups of some axes. The RDP measures are not directed at all the problems indicated in the analysis of the present situation, of which the solution is the function of other EU funds or state budget funds.

The general economic space of agriculture as a branch of economy (export refunds, intervention measures, direct payments, publicity and promotion measures, veterinary measures, etc.) are supported from the European Agricultural Guarantee Fund (EAGF).

Enterprise, information society, transport infrastructure and energy development are supported under the Operational Programme for the Economic Environment Development prepared for the financing of the activities of the European Regional Development Fund (ERDF) and the Cohesion Fund. In rural enterprise, demarcation concerns the fact that under RDP start-up aid for enterprise is not supported, micro-enterprises are the target group of EAFRD and SMEs are the target group of ERDF and ESF.

Education, research and development and the development of health and welfare services infrastructure is supported from ERDF under the Operational Programme for the Living Environment Development as well as from the EU research programmes (incl. agricultural and forestry education, agricultural schools and field training centres). In the above mentioned field, RDP is concentrated on advisory system and training.

Education, research and development, the development of labour market (incl. broader employment in rural areas) and the increase in enterprise and administrative capacity are financed through the Operational Programme for the Development Human Resource, using the resources of the European Social Fund. As regards employment, RDP creates favourable conditions for the increase in employment.

Water economy, waste handling, nature diversity and the sustainable use of natural resources, environmental awareness, environmental monitoring, the enhancement of the competitiveness of different areas and the development of local public services are supported by the Cohesion Fund and ERDF under the Operational Programme for the Development of Living Environment. Nature diversity is also supported by specific nature protection programmes (e.g. LIFE). As regards local services, demarcation is ensured by directing the RDP support payments at the local level, while the above mentioned operational programme supports local living environment on the rural municipality and higher level. Besides, complementarity is ensured through target groups. The RDP measures are directed at private and non-profit sectors, the measures of the Operational Programme for the Development of Living Environment are mainly focused on local governments.

Broadband Internet access is supported under the priority direction “Information society development” of the Operational Programme for the Development of Economic Environment

in the context of information society, under the priority direction “Integral and Balanced Regional Development” of the Operational Programme for the Development of the Living Environment in the context of regional development and under the Rural Development Plan 2007–2013 in the context of rural development, ensuring demarcation of broadband interconnections. Accordingly, the Ministry of Economic Affairs and Communications is concentrated on the all-Estonian broadband network, the Ministry of the Interior on the elimination of inequalities in broadband access and the Ministry of Agriculture on settlements located in sparsely populated areas.

6. Rural network

According to Articles 66 and 68 of Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD), Estonia will establish its National Rural Network which will include the associations and organisations representing programme beneficiaries, and the organisations and authorities involved in rural development or in the implementation of rural development plan either on regional or national level and related to the objectives of the programme: Estonian Chamber of Agriculture and Commerce; associations of agricultural producers and farmers, incl. Estonian Young Farmers Organisation; associations of food quality network (e.g. Union of Organic Producers); associations of forest owners; associations of agricultural produce processing industries and forestry associations; associations of agricultural and forest management advisers; unions of land improvement associations; agricultural and forestry educational and training institutions; agricultural and forestry educational and research institutions; environmental protection organisations; Natura 2000 network agency etc.; rural small enterprise development associations; associations of rural tourism undertakings; cultural heritage protection associations; rural associations of village movement, young people and women and associations engaged in social inclusion; rural enterprise and development advisory, training, educational and research institutions etc.; local action groups and their voluntary networks.

Rural network management and administration takes place by the Rural Economy Research Centre – state authority within the area of government of the Ministry of Agriculture. Rural network operates in the form of interactive webenvironment and as meetings, seminars and workshops regularly organised for the participants in rural network.

At the Estonian level, the duties of rural network include the following: exchange of the relevant expertise, support for the implementation, monitoring and evaluation of rural development policy, co-ordination of information flow between the local, national and European level:

- identification and analysis of positive experience gained and innovative approaches applied in the implementation of RDS and RDP, exchange of information;
- organisation of rural network activity and of the exchange of experience and know-how;
- establishment of a training programme for local action groups;
- support for internal and trans-national co-operation (incl. the establishment and administration of a relevant website, organisation of seminars and other events, finding co-operation partners, the establishment of the database of experts, advice to local action groups, etc.).

In the performance of rural network tasks, the action plan mentioned in Article 68 (2b) of Council Regulation (EC) No 1698/2005 is considered. Rural network will be financed from the funds of RDP technical assistance. For the establishment of the network, one million kroons and for the first year of activity two million kroons have been provided. In the course of the establishment of the network, the above mentioned sums may be reviewed. In any case, the budget will not exceed five million kroons per year. It is planned to use 25% of the network budget for the administration of the network.