

## **New Hungary Rural Development Programme**

# Table of Contents

<b>1. MEMBER STATE AND ADMINISTRATIVE REGION.....</b>	<b>8</b>
<b>1.1. The geographical region involved in the programme:.....</b>	<b>8</b>
<b>1.2. Regions classified as “Convergence” objective.....</b>	<b>8</b>
<b>2. SITUATION ANALYSIS, SWOT, STRATEGY AND THE EX-ANTE EVALUATION .....</b>	<b>9</b>
<b>2.1. Analysis of the situation in terms of strengths and weaknesses.....</b>	<b>9</b>
2.1.1. The general socio-economic background of the geographical area .....	9
2.1.2. Performance of the agricultural, forestry and food sectors .....	11
2.1.3. Environment and land use .....	18
2.1.4. Rural economy and quality of life.....	26
2.1.5. LEADER .....	31
<b>2.2. The strategy chosen to meet strengths and weaknesses.....</b>	<b>32</b>
2.2.1. National priorities and main actions.....	32
2.2.2. Indicative distribution of resources between groups of measures (axes).....	34
<b>2.3. Ex ante evaluation .....</b>	<b>36</b>
2.3.1. Evaluation of medium- and long-term needs .....	36
2.3.2. Evaluation of the strategy chosen.....	40
2.3.3. Assessment of proposed implementation procedures, including monitoring, evaluation and financial management .....	45
<b>2.4. Impact from the previous programming period and other information ..</b>	<b>47</b>
2.4.1. The SAPARD programme .....	47
2.4.2. Agriculture and Rural Development Operational Programme (ARDOP).....	49
2.4.3. National Rural Development Plan (NRDP) .....	53
<b>3. PRIORITIES AND THEIR JUSTIFICATION.....</b>	<b>57</b>
<b>3.1. Justification of the priorities chosen having regard to the Community strategic guidelines and the national strategy plan.....</b>	<b>57</b>
3.1.1. Agriculture and food processing .....	57
3.1.2. Environmental conditions .....	59
3.1.3. Rural economy .....	61
<b>3.2. Expected impacts deriving from the ex ante evaluation with regard to the priorities chosen.....</b>	<b>64</b>
<b>4. INFORMATION ON THE AXES AND MEASURES PROPOSED FOR EACH AXIS AND THEIR DESCRIPTION.....</b>	<b>65</b>
<b>4.1. Axis 1: Improving the competitiveness of the agricultural and forestry sector.....</b>	<b>65</b>
1.1.1. Training, information and diffusion of knowledge .....	65
1.1.2. Setting up of young farmers .....	69
1.1.3. Early retirement of farmers and farm workers .....	72
1.1.4. Use of farm advisory services .....	75

1.1.5. Setting up farm management, farm relief and farm advisory services, as well as forestry advisory services.....	78
1.2.1. Modernization of agricultural holdings.....	81
1.2.2. Improving the economic value of the forest.....	85
1.2.3. Adding value to agricultural and forestry products.....	87
1.2.4. Cooperation for development of new products, processes and technologies in the agriculture and food sector and in the forestry sector .....	94
1.2.5. Infrastructure related to the development and adaptation of agriculture and forestry .....	97
1.3.1. Meeting standards based on Community legislation.....	101
1.3.2. Participation of farmers in food quality schemes.....	105
1.3.3. Information and promotion activities on food quality schemes .....	108
1.4.1. Semi-subsistence farming .....	111
1.4.2. Setting up producer groups .....	114
<b>4.2. Axis 2: Improving the environment and the countryside.....</b>	<b>117</b>
2.1.2. Payments to farmers in areas with handicaps, other than mountain areas .....	117
2.1.3. Natura 2000 payments and payments linked to the implementation of Directive 2000/60/EC.....	121
2.1.4. Agri-environmental payments.....	126
2.1.4.B. Preservation of genetic resources .....	131
2.1.5. Animal welfare payments.....	135
2.1.6. Assistance provided to non-productive investments.....	139
2.2.1. First afforestation of agricultural lands .....	143
2.2.2. First establishment of agro forestry systems .....	149
2.2.3. First afforestation of non-agricultural land .....	153
2.2.4. Natura 2000 payments.....	157
2.2.5. Forest-environment payments .....	160
2.2.6. Restoring forestry potential and prevention actions.....	165
2.2.7. Non productive investments.....	168
<b>4.3. Axis 3: Quality of life in rural areas and diversification of the rural economy .....</b>	<b>172</b>
3.1.1. Diversification into non-agricultural activities.....	172
3.1.2. Support for business creation and development.....	176
3.1.3. Encouragement of tourism activities.....	180
3.2.1. Basic services for the economy and rural population .....	184
3.2.2. Village renewal and development .....	191
3.2.3.1. Conservation and upgrading of the rural heritage .....	194
3.2.3.2. Conservation and upgrading of the rural heritage – preparation of Natura 2000 maintenance/development plans .....	198
3.4.1. Skill acquisition, animation and implementation .....	201
<b>Axis 4: LEADER .....</b>	<b>205</b>
4.1.1. Implementation of the local development strategies.....	205
4.2.1. International and transnational cooperation .....	208
4.3.1. Running costs, acquisition of skills and animation .....	209
<b>5. FINANCING PLAN.....</b>	<b>210</b>
<b>5.1. Annual contribution from the EAFRD (in EUR).....</b>	<b>210</b>
<b>5.2. Financial plan per axis (in EUR total period).....</b>	<b>210</b>

<b>6. INDICATIVE BREAKDOWN BY RURAL DEVELOPMENT MEASURE.</b>	<b>211</b>
<b>7. ADDITIONAL NATIONAL FINANCING PER AXIS .....</b>	<b>213</b>
<b>8. THE ELEMENTS NEEDED FOR THE APPRAISAL UNDER COMPETITION RULES .....</b>	<b>214</b>
<b>9. COMPLEMENTARITY WITH OTHER PROGRAMMES .....</b>	<b>218</b>
<b>9.1. Connection of NHRDSP with other operative programmes in Hungary</b>	<b>218</b>
<b>10. DESIGNATION OF COMPETENT AUTHORITIES AND BODIES RESPONSIBLE.....</b>	<b>222</b>
<b>10.1. The Competent Authority.....</b>	<b>222</b>
<b>10.2. The Certification Body.....</b>	<b>222</b>
<b>10.3. The Managing Authority .....</b>	<b>223</b>
<b>10.4. The Paying Authority.....</b>	<b>226</b>
<b>11. A DESCRIPTION OF THE MONITORING AND EVALUATION SYSTEMS .....</b>	<b>229</b>
<b>11.1. A description of the monitoring and evaluation systems.....</b>	<b>229</b>
11.1.1. Monitoring.....	229
Strategic monitoring .....	229
Annual Progress Report .....	229
11.1.2. Evaluation.....	230
11.1.3. System of monitoring and evaluation reports .....	230
<b>11.2. The envisaged composition of the Monitoring Committee.....</b>	<b>231</b>
<b>12. PROVISIONS TO ENSURE THAT THE PROGRAMME IS PUBLICISED .....</b>	<b>234</b>
<b>12.1. Actions ensuring the publicity of the NHRDP.....</b>	<b>234</b>
<b>12.2. Actions foreseen to inform potential and existing beneficiaries .....</b>	<b>234</b>
12.2.1. Supply of information for future beneficiaries.....	234
12.2.2. Information provided for the beneficiaries.....	234
<b>12.3. Informing the general public.....</b>	<b>235</b>
12.3.1. Obligations of the Managing Authority .....	235
<b>12.4. Technical features of information supply activities .....</b>	<b>235</b>
12.4.1. Slogan and logo .....	235
12.4.2. Available information and communication tools .....	235
<b>12.5. Communication Plan.....</b>	<b>236</b>
12.5.1. Objectives and target groups .....	236
12.5.2. Phases of communication.....	236
12.5.3. Introduction to measures aimed at the supply of information, the content of communication .....	237
12.5.4. Indicative budget .....	238

12.5.5. Organizations responsible for the communication .....	239
12.5.6. Evaluation of the efficiency and impact of the communication plan and supply of information .....	239
<b>13. THE DESIGNATION OF THE PARTNERS CONSULTED AND THE RESULTS OF THE CONSULTATION.....</b>	<b>240</b>
<b>14. EQUALITY BETWEEN MEN AND WOMEN AND NON-DISCRIMINATION .....</b>	<b>241</b>
<b>15. TECHNICAL ASSISTANCE OPERATIONS.....</b>	<b>242</b>
<b>15.1. Objective.....</b>	<b>242</b>
<b>15.2. Description of the measure .....</b>	<b>242</b>
<b>15.3. Setting up the National Rural Network (NRN) .....</b>	<b>243</b>
15.3.1. Structure of NRN .....	243
15.3.2. The process and timeline of creating the NRN .....	243
15.3.3. Main categories of activities to be performed by the NRN.....	244
15.3.4. Planned budget of NRN (Euro) .....	245
<b>15.4. Technical Assistance.....</b>	<b>245</b>
<b>ANNEXES .....</b>	<b>247</b>
<b>ANNEX I .....</b>	<b>248</b>
<b>ANNEX II: List of endangered vegetable species in respect of cultural history and genetics (measure 214) .....</b>	<b>256</b>
<b>ANNEX III: List of rare endangered arable species in respect of cultural history and genetics (measure 214).....</b>	<b>258</b>
<b>Annex IV: Participants of the socio-economic consultation.....</b>	<b>261</b>
Participants of the thematic discussion forums .....	261
Participants of macro-forums .....	265
Participants of the Roma Civil Forum.....	267

## Abbreviations

ARDA	Agricultural and Rural Development Agency
ARDOP	Agriculture and Rural Development Operational Programme
BÉSZ	Procurement and Sales Partnership
CAP	Common Agricultural Policy
CF	Cohesion Fund
EAFRD	European Agricultural Fund for Rural Development
EAGGF	European Agricultural Guidance and Guarantee Fund
EC	European Community
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
FÖVÉT	Agricultural and Rural Development Interest Reconciliation Council
GC	Golden Crown
GDP	Gross Domestic Product
HCSO	Hungarian Central Statistical Office
LAG	Local Action Group
LEADER	Links between actions for the development of the rural economy
LFAs	Less Favoured Areas
LPIS	Land Parcel Identification System
LRDC	Local Rural Development Community
LRDO	Local Rural Development Office
MARD	Ministry of Agriculture and Rural Development
MEW	Ministry of Environment and Water
NAPP	National Agri-Environment Protection Programme
NDP	National Development Plan
NDPC	National Development Policy Concept
NHDP	New Hungary Development Plan
NHRDC	New Hungary Rural Development Centre
NHRDP	New Hungary Rural Development Programme
NHRDSP	New Hungary Rural Development Strategic Plan
NRDC	National Regional Development Concept
NRDN	National Rural Development Network

NRDP	National Rural Development Plan
NVP	New Vásárhelyi Plan
R&D	Research and development
ROP	Regional Operational Programme
SAPARD	Special Accession Programme for Agriculture and Rural Development
TA	Technical Assistance
TÉSZ	Partnership of Production and Sales
WFD	Water Framework Directive

# **1. Member State and Administrative Region**

## **1.1. The geographical region involved in the programme:**

The “New Hungary Rural Development Programme 2007-2013” (the “Programme”) has been prepared by Ministry of Agriculture and Rural Development, in accordance with Article 15 (2) of Council Regulation (EC) No 1698/2005, as a single programme for Hungary, and applies to the entire territory of the country, covering all 7 administrative regions on NUTS 2 level.

## **1.2. Regions classified as “Convergence” objective**

Pursuant to Commission Decision No 2006/595/EC, the regions eligible for funding under the Convergence objective for the period 2007-2013 are:

- Central Transdanubia (Közép-Dunántúl, HU21)
- Western Transdanubia (Nyugat-Dunántúl, HU22)
- Southern Transdanubia (Dél-Dunántúl, HU23)
- Northern Hungary (Észak-Magyarország, HU31)
- Northern Great Plains (Észak-Alföld, HU32)
- Southern Great Plains (Dél-Alföld, HU33)

The region of Central Hungary (Közép-Magyarország, HU11), exceeding 75% of the average GDP of the EU-25, falls under the scope of the Regional competitiveness and employment objective, and is, according to Commission Decision 2006/597/EC, eligible for support on a transitional and specific basis (“phasing in”).



## **2. Situation Analysis, SWOT, Strategy and the ex-ante evaluation**

### **2.1. Analysis of the situation in terms of strengths and weaknesses**

#### ***2.1.1. The general socio-economic background of the geographical area***

##### *Physical context and demarcation of rural areas*

Hungary occupies a surface area of 93,030 km<sup>2</sup>. As of January 1, 2006, the country's population was 10,077 thousand, continuing a tendency of steady decline whereby the population decreased by 146,000, or 1.4%, from 2000 to 2006. Population density is at 108.5 per km<sup>2</sup>.

The conditions for agriculture, including soil quality, climate, and terrain, are favourable in international comparison. Depending on the fertility of local soils, 89% of the country's surface area of roughly 9.3 million hectares is suitable for exploitation for various agricultural crops and forests.

Farmlands therefore represent a vitally important resource of the country, and thus one of the fundamental factors of production. The 63% of the country's lands actually under agricultural cultivation in 2004 and 2005 was divided between various sectors as follows: 48.5% – farmlands; 11.4% – fields and meadows; 3.1% – orchards and vineyards. 19.1% of the total area is covered by forests. The distribution of agricultural- and cultivated land is uneven among the Hungarian regions, with the Northern- and Southern Great Plains having the largest share (20-20%), and Central Hungary the smallest (6-7%). Between 2000 and 2005, no significant change occurred in cultivation methods or the distribution of acreage among the different sectors.

According to criteria of demarcation already applied in previous programmes (unfavourable demographical situation and age structure, and underdeveloped economy and infrastructure), 87% of Hungary in 2003 qualified as rural areas, which include 96% of the country's settlements, and provide a home for 47% of the total participation. These rural areas comprise the specific type of region, characterized by lower population densities, heavy reliance on the land for livelihood, and a settlement structure of low urbanization (typified by villages, small towns, and, in certain regions, isolated farms). Rural areas also include the outskirt territories of non-eligible settlements with population above 2% in outskirt territories. Adjusted to the specific target groups and to the specialities of each measure of Axis III., the demarcation of rural areas differ measure by measure.

##### *The demographic situation*

Demographically, the population of these rural areas – to a regionally different extent – have low rates of growth and an unfavourable composition marked by progressive senescence. The decreasing count of younger generations and the otherwise welcome improvement in life expectancy have resulted in a situation in which younger people reaching employment age find it increasingly difficult to produce sufficient resources to provide for the pension of the older generations. The imbalance between the genders has also become constant, with males dominating age groups under 40-45, and women taking over beyond that age.

The last decade has seen an intense rise in migration from the rural areas, with most of those leaving presumably doing so in the hopes of better livelihood and employment. Changes for the better in this regard have been limited to Central Hungary, and the Western- and Central Transdanubia regions, while Northern Hungary continues to have the highest rate of emigration. If current tendencies remain unchanged, all the regions will look ahead to an unfavourable modification of age structure, the gradual decrease of active population, and the concomitant rise in the number of inactive citizens.

### *Economic drivers, productivity and growth*

As an indicator of economic performance, the GDP shows significant variation by main sectors. Growth in industry and services exceed the average of the national economy, while the contribution of agriculture to the GDP lags behind both in terms of volume and direction. As a result, the GDP growth on the branch level reflects a trend of economic restructuring characterized by the gradual displacement of agriculture, while regional differences show the growing disadvantage of agricultural areas. In addition, development has been geographically uneven and focused primarily on the more dynamic regions and regional centres. This has in turn led to the handicap of rural areas predominantly relying on agriculture.

The striking difference in the structure of the economy is that agriculture, including forestry, game and fisheries management, claims a significantly higher share in the economy of rural areas than the national average. Although agriculture accommodates the smallest number of ventures, it plays a decisive role in the living of rural population, and is in fact the exclusive livelihood in many settlements. Agricultural activities in rural areas carry an appreciably greater weight, both economically and socially, than their quantifiable contribution to the GDP. The enterprise density here lags behind the national average, with rural, and particularly disadvantaged areas having high rates of forced enterprise, which refers to the limited employment opportunities. The handicap of rural areas is also evident in the lower willingness to enterprise and the reduced ability to attract capital. Services account for approximately 10% less in the total economy than the national average. In other words, the losing ground of agriculture did not go hand in hand with the gaining ground of the tertiary sector, and this discrepancy is causing severe problems for the employment and income of the rural population. The transformation of the economic structure in rural areas is an ongoing but slow process, with traditional productive sectors – industry and agriculture – retaining their importance, although slowly declining. Non-agricultural activities in the rural areas are spreading relatively slowly.

### *Labour market tendencies*

The gradual displacement of agriculture as a major source of employment is apparent in each of the regions. The smaller the population of a village, the narrower the job opportunities locally available. In villages numbering fewer than 500-1000 residents, inactive citizens in need of social or family support often account for more than 70% of the local population. There are, on the other hand, those regions where agriculture continues to be decisive owing to favourable natural conditions, long-standing traditions of production, and certain comparative economic benefits. These areas include the Southern Great Plain (where the share of agriculture is 150-250% of the national average), Southern Transdanubia, and the moderately industrialized Northern Great Plain, where individual counties show an unusually high degree of differentiation. The critical employment conditions, and the lack of jobs in the economically disadvantaged Northern Hungarian areas stress the importance of subsistence farming and the social role of agriculture. Overall, the association of villages with agriculture outstrips that of the urban areas by a factor of three to four.

The segment of the population relying on agriculture for a living can be divided into two groups, remarkably distinct in size and composition. One of them, and this is the majority, consists of individuals engaged in one sort of agricultural activity or another with a variety of aims, and with looser ties to the sector. The much smaller minority comprises actual employees in the sector who are dedicated to agriculture with a life-long sense of vocation.

From 1991 to 2004, the rate of individuals variously connected to agriculture was cut by more than half. In 2003, those engaged in actual agricultural production (counting age groups over 15 only) (1.3 million people) accounted for 15.9% of the total population, compared to 32.8% (2.7 million) in 1991. The population engaged in farming operations declined considerably in 2000-2003 by about 30% (from 1.98 million to 1.35 million). The number of people employed in agriculture fell from 9% to below 5% in the last decade.

One of the major obstacles to rural economic restructuring is the discrepancy between the actual needs of economy and the structure of education and (vocational) training. There is a shortage of labour

force with an education and training background as required by the prospering branches of the economy.

Rural areas have a much lower rate of college or university graduates and even high school graduates than the national average, with vocational secondary school or plain elementary school representing the highest completed education for most residents.

### *Land use and ownership structure*

Large and small holdings are present in Hungary at the same time. Agri-businesses are typically on large land areas, while the individual farmers typically work in small and inefficient farms. The average size of farmland used by the individual farms grew more than sevenfold in Hungary in 1991-2005 (from 0.5 hectare to 3.5 hectares). However, a much more dynamic land consolidation would be required in order to reach the markets. Large agricultural holdings play an important role in integrating local actors and creating social cohesion in rural areas (corporate social responsibility).

In the wake of privatization and compensation, as the most striking change of the past decade and a half, private ownership of agricultural lands had become prevalent (83%) by 2005, while land ownership and use by the state and various cooperatives had dwindled. Following the privatization of farmlands, the average size of a tract of land in individual ownership has been 2.3 hectares, which is hardly enough to provide secure livelihood for an entire family, except for plantations and intensive horticultural farms.

Slightly more than 40% of the population engaged in agricultural activities participate, to variable extent, in producing commodities sold in the markets.

58.1% engaged in production for strictly household consumption, while one third found work in surplus sales. Those producing mainly for the commodity markets accounted for 8.4% (166,000 individuals working at 76,000 farm units), leaving a mere 0.2% providing services. As a welcome change, the number and labour absorbing capacity of commodity-producing farms have increased, while a setback was noted with all the other types of farming enterprise that make up the sector. Individuals in this rather numerous latter camp have looser ties to agriculture, most of them pursuing production on the side as part and parcel of the rural way of life, out of respect for traditions, as a means of frugal subsistence farming, or simply as a source of extra income.

These statistics all show that the number of semi-sustaining farms, which can develop into commodity production agri-businesses as a result of the supports, is estimated at about 20,000.

## ***2.1.2. Performance of the agricultural, forestry and food sectors***

### *Natural context*

The natural conditions of Hungary are very favourable compare to the European average, with overall agriculture and farmlands in particular claiming an appreciably high share of the total surface area at 63% and 48.5%, respectively. The various regions each have a different share in the total acreage of agricultural and croplands in turn, with the Southern Great Plain and the Northern Great Plain in the lead (20-20%), and Central Hungary bringing up the rear (6-7%).

### *Economic weight and core development tendencies*

In line with international tendencies, the agrarian sector in Hungary is losing significance within the national economy in terms of quantifiable performance.

The contribution of agriculture to the gross added value dropped by roughly half (declining from 6.7% to 3.1%) between 1995 and 2004. The rate of decline varies depending on the region between 40% and 55%. The drop in production was the lowest in the naturally well-endowed Southern Great Plain

(40%) and most of the decrease occurred in Central and Western Transdanubia. Between them, the two regions of the Great Plain produce more than 40% of the sector's gross added value, followed by Southern Transdanubia with 15.2%, and then the remaining regions each claiming roughly the same percentage of the balance of the sectoral output.

Within the country's total export, the share of agriculture plus food industry has plummeted over the past decade (from 22.7% to 6.1%), although agriculture attracted more national investment between 1994 and 2005, mainly as a result of technical development and new equipment purchases.

The sector plays different roles in the employment situation and living of each sector. Regions naturally less conducive to agriculture but with better conditions to support industry and services (such as Central Hungary, Central Transdanubia, and Western Transdanubia), expect to see agriculture lose further ground. By contrast, in the Great Plain and Southern Transdanubia, where production has good natural conditions and farming is a historic tradition, the sector will continue to play a major role, particularly in small settlements. In the economically disadvantaged northern regions, the critical unemployment rates endow agricultural production with a special social mission mainly as a source of subsistence farming.

### *Sectoral structure*

Crop farming continues to lead the other agricultural sectors, with stock-raising losing more ground and non-agricultural ancillary businesses remaining relatively insignificant.

### **Gross output of Hungary's agriculture by main activity**

Item	Gross output at current prices (in bn HUF)		Share in gross output (%)	
	2003	2004	2003	2004
Crop farming	700.8	963.9	9.5	58.3
Stock raising	587.3	541.7	41.5	32.8
Non-agricultural ancillary activities	51.9	50.5	3.6	3.1
Agricultural services	76.7	96.5	5.4	5.8
<b>Agricultural output total</b>	<b>1416.7</b>	<b>1652.6</b>	<b>100.0</b>	<b>100.0</b>

*Source: Agricultural Statistics Almanac 2004, KSH [Hungarian Central Statistical Office] 2005*

Crop farming in Hungary is concentrated in the Northern and Southern Great Plain. These two regions together account for over 40% of the arable land under grain varieties and oil crops, with Southern Transdanubia coming in a close second.

The production volume of crops and produce from 1994 to 2004 means an extra performance of 44.5% (owing to the already mentioned extraordinary harvest volumes in 2004).

The crop structure has remained essentially unchanged for the past ten years, with grains retaining their traditional leading role at nearly 70%. 2004 and 2005 data speak of a 2-3% growth in the acreage devoted to grains and corn, as well as an unusually abundant harvest. Average wheat harvests doubled from 2003 to 2004, and even in 2005 it is 1.7-times as high as in 2003. A similar growth was observable in the corn harvest, which was up 90.9% from 2003. The considerable surplus has caused sales difficulties and ensuing problems with storage.

Livestock raising volume is down by 42% from the 1990's. Among the livestock species the cattle stock continued to decline also between 1994 and 2005. This drop is alarming also in view of the

drastic reduction of stock (by 42%) between 1990 and 1994. Since 1994, the cattle sector has shrunk by an additional 22.2%. Pig populations fluctuated significantly between 1994 and 2005, with alternating tendencies much in evidence, though recent years have been clearly characterized by a downward turn. The inventory of not quite 4 million pigs in 2005 represents an 11.5% decline compared to 1994, accounting for about 40% of the average recorded in the 80's. However, the count of sows dropped by 33% over the subject period. By contrast, the stock of sheep has seen a welcome increase since 1994 (by 48.8%). This brought up the share of ruminant species in the total animal sector, and thereby contributing to the preservation in active cultural use of grasslands unsuited to crop farming. Poultry inventories rose in the 1990's despite adverse market positions and low to fluctuating profitability. This trend reversed in 2004, and by 2005, the number of poultry count and layer hens specifically dropped respectively by 5% and nearly 12%. Animal density – the number of animals per 100 ha of agricultural land – declined from 1994 to 2005 in respect of both cattle and pigs. This index rose exclusively in the sheep farming sector.

Pork, beef cattle, and poultry farming is mainly concentrated in the two regions of the Great Plain, beef production being also very significant in Western Transdanubia. Sheep farming plays a major role in the Great Plain as well as in Northern Hungary. Dairy cow breeding is typical in the Great Plain and across Transdanubia, while Central Transdanubia is the leading egg producing region of the country.

21.41% (1.97 million hectares) of the country's surface area is under forestry management, including 19.8% (1.84 million hectares) actually forested. Naturally, the distribution of forests is uneven across the country, with 9.4% in the Great Plain and 27% in the mountainous and hilly regions.

The forest area per 1000 citizens is 181.5 ha. In 2004 64.2% of the country's forests served primary purposes of economy, 34.4% of defense, 1.2% of health, recreation, and tourism, and 0.2% of other purposes.

The total area of privately held forests is 787,000 ha (41% of the total, while 58% are owned by the state and 1% is owned by communities), of which 555,000 ha (or 71.5%) is managed by individual and associated operators.

The number of forested hectares has grown steadily. Almost 100,000 hectares have been planted since 1995, resulting a 1% increase in the total forested area in Hungary. Most of the afforestation (90%) is performed on privately held areas, so the ratio of private forests is steadily growing. The number of private forest proprietors in the operative segment of the forestry area is close to 250,000, which refers to the fragmentation of the property. The average area of the operating private forest holdings is approximately 2.2 ha.

Building on the national agriculture, the food processing sector ensures self-sufficiency for Hungary in respect of staple foods, and to produce surplus in excess of domestic demand. With most products, the level of self-sufficiency is around 120-130%. The significance in the national economy of the Hungarian food industry has not declined after the turn of the millennium either, its share in the GDP has been around 3% for a prolonged period of time. The gross production value of food industry exceeds 2210 billion HUF, which means the 2nd or 3rd place among the 14 sectors in the processing industry, accounting for 5.0% of the total national output in recent times.

The participation of companies employing more than 250 people and producing revenues over 100 million Ft has remained virtually the same. Within this segment, truly large companies with more than 500 employees that are fully competitive in the European arena remain the exception to the rule at 0.6%. Equipped with the latest technology and largely in foreign ownership, these large companies have the trade and corporate connections to be reckoned with as an integral part of the food supply network of the European Union. There is much less reassurance in the position of small and medium-sized food companies producing mainly for local markets, as they find their business opportunities severely limited by low capitalization and work efficiencies. The food processing sector is dominated by small and medium-sized ventures, 89.6% of them have fewer than 20 employees. The overwhelming majority – especially the small and medium size companies - struggle with market handicaps due to low capitalization and a lack of funds to implement quality assurance, food safety

and environmental schemes in compliance with EU regulations. These companies leave a lot to be desired in terms of their standards of profitability, innovation, and marketing.

### *Machinery and equipment, the technological development of holdings*

Due to the lack of capital, the majority of farms in Hungary cannot on their own resources invest in the technical background they would need to be competitive in the marketplace. The call for modernization is particularly urgent in the post-harvest phase. The average age of equipment and machinery is 12-15 years, and they need to be renewed in the interest of environmental protection, the standards of production and energy conservation. The tractors and combine harvesters maintained by privately owned farms are 4-6 years older than those operated by business organizations. Indices such as engine power and number of machines per area are lower than European standards. While in the EU, each hectare is served by 5.2 kW of mechanical power, this figure in Hungary is 2.1 kW/ha. In Hungary, a single tractor is used to cultivate 48.7 ha, compared to the EU average of 19,6 ha.

National investment subsidies prior to accession, and the subsequent SAPARD and AVOP (ARDOP) measures helped to renew assets, particularly the fleets of power machinery, in the field crop sector, in thousands of farms, however, the funds were not sufficient for the refurbishment of important farm facilities (e.g. fertilizer and pesticide stores, produce driers, feed mixers, manure silos and infrastructure elements) and machinery connected to the fulfilment of environmental standards. The enterprises have displayed a strong impetus to develop and absorb funding, particularly with respect to their mechanical assets. Hungary has an excellent machine retail network, which is clearly an indispensable condition for technical revival. The investment demand of viable small farms with a development potential is expected to remain significant for the foreseeable future.

Essential technical conditions to define forest management include the appropriate infrastructure and the available forestry machinery inventory. The standard of supply with forestry machinery in the state owned forest areas is satisfactory, while the age of the machinery fleet is high. Capital and equipment supply of privately held forest holdings is particularly poor, so the inventory of machinery and equipment, the technologies applied and the IT background all need to be modernised and enlarged.

Modernisation and enlargement are necessary with respect to forestry timber processing and the exploration of technological possibilities. The complex processing of timber gained from the forest stands means further sales possibilities for the operator, i.e. enhancing the safety of forest management.

The food industry, particularly small and mid-size companies and even some of the large corporations responsible for primary processing, uses obsolete technologies and product structures, and the product quality is unreliable. The modernisation of the sector is required to be able to produce goods meeting the market requirements. Sale of products and, therefore, market uncertainties represent some of the major problems for the sector of primary producers. The aim is that the producers have a share of the profits of processing, they should retain a significant part of the resulting income.

From 1995 to 2003, the food industry attracted a steadily decreasing share of investments on the national level, down from 5% to 2.8%. Then its participation rose again in 2004, partly as a result of adjusting to the criteria for EU accession. 70% of the investment involves technical modernization, while the construction and renovation of ancillary buildings consumed more than a quarter (27.4%) of the available resources. The sector has yet to complete, particularly for facilities responsible for primary processing, the work of restructuring to become competitive in European and global markets. This will take achieving the concentration required for scale efficiency, as well as specialization and overall modernization.

### *Basic infrastructure and water management facilities*

Certain infrastructure elements of agriculture and forestry operations (roads, service facilities, water management systems, instruments of post-harvest phases, storage facilities, inventory of equipment of forest owners) are missing or outdated. The accessibility of approach to various agricultural areas is not satisfactory. The agricultural road network and the related ditches, slopes, bridges, culverts, and

other facilities for the drainage of rainwater are missing, neglected or in poor condition. The standard of energy, road and other public utility supply of agricultural enterprises is not satisfactory.

The building out of water management facilities (water supply, water storage, water retention), which would ensure the stability and predictability of agricultural production is not solved. No coordination exists in handling cases of abundance or lack of water.

The network of access roads, water management structures and IT background devices are the most important infrastructure elements of forestry operations. The rate of exploration and road network of the forests in Hungary require considerable development. The network of access roads consists of 3555 km paved, weatherproof roads and 4000 km earth roads, with 90% in state-owned forests. The specific index of exploration (average length of access road per hectare) is 3.5 running metre/ha. This figure comes to 7.2 rm/ha in state owned forests, while the comparable rate in private forests is 0.9 rm/ha. Ideal conditions would require 10 to 30 rm/ha access road network for the sustainable, multipurpose forest management.

Forests play a significant role in maintaining water management conditions. The most important tasks of water management in forests are the retention and improvement of water household of forests and the protection against water erosion. At this stage no sufficient attention is devoted to the deliberate management and control of water conditions in the forest areas.

Although Hungary is rich in surface waters, the size of licensed irrigated area under water law is small. As against the 3.9% in Hungary, the ratio of irrigated areas within the total farmland area is 11% in the EU 15 member states. In this regard Hungary ranks 24<sup>th</sup> among the EU 25 member states. Owing to the basin type layout of the country the security of farming is threatened regularly either by flood and excess surface waters caused by huge amounts of water accumulated or by droughts. Lands threatened by floods and excess surface waters make up 52% of the country's area. At the same time, in three of each ten years plant production is threatened by drought. Most of the public hydrological structures amounting to about 37,000 km and of the 312 public purpose pump stations are in poor condition and require refurbishment.

### *Vertical integration, partnerships and co-operation of producers*

A fundamental factor of the competitiveness of agrarian economy is, to what extent it is capable of meeting the fast changing consumer requirements and wide-ranging social expectations. For the sake of staying in competition, it is indispensable to develop new and higher quality products, searching solutions and applying the most up-to-date scientific-technical achievements. The capital shortage of small- and medium-scale food-processing enterprises, forestry operators and agricultural producers as well as the high intellectual and financial funding requirements required for the employment of the research results makes the cooperation of the single players necessary. In rural regions the measure contributes to the production of partly locally sought after goods, and partly of those marketable at more distant markets.

Operation of processing integration systems is an efficient tool of improving the market situation. There are already a few established integrations, which may become competitive, in the fields of winemaking, grape processing, feed production and processing of honey. In addition to the Partnerships of Production and Sales (TÉSZ) representing 12% of the horticultural production output, the majority of the sectoral production is provided by producers outside the integration having weak bargaining position in the market, variable product quality and technologies requiring modernisation. Further enhancement of the role of processing integration is also required by the vegetable-fruit sector. Despite indications of stronger producer partnerships over the recent years, one of the greatest problems of the Hungarian food economy is still the low level of organisation (weak market posture) of the growers, the lack of harmonised relations among the growers, processing and trading organisations.

For the time being the market organisation of the farmers is of low level, there are few partnerships set up for joint sales, procurement, storage and eventually processing. Granting support to producer

groups is justified also because the organisation of the Hungarian growers is low, when compared to the related EU figures.

By the end of 2006 about 200 producer groups will be established with recognition by the state, and a membership of about 12,000 to 15,000. Furthermore, close to 650 Procurement and Sales Partnerships (BÉSZ) have also been set up in Hungary.

The partnerships integrating the forest proprietors get organised very slowly, therefore, they integrate forest operations on a relatively small acreage. TÉSZ partnerships provide only 12% of the output of the horticultural sector. The level of organisation and therefore the bargaining powers of the producers accounting for the vast majority of the production in the sector is rather poor. Only 18% of the livestock products is generated in the framework of producer partnerships. In order reinforce the producer associations it is necessary to recognise the network nature of the modern economy. The number of farmers organised in producer groups is small. Their representation powers are particularly weak along the sensitive product lines (pig, poultry). There is a general lack of market attitude.

### *Human capital, age structure and professional education*

Similarly to international trends, the age structure of farming population is becoming increasingly unfavourable also in Hungary. As much as 62.2% of agricultural manpower belongs to the middle-age and older generations (40 years and older). Nearly one-third of the employed is over 50. The commitment of the youngest generation to agriculture is clearly weaker and the ratio of this generation is low - even when compared to other sectors of the national economy.

The age structure of farm owners and their family manpower is, besides those of agricultural employees, also showing unfavourable tendencies. 60% of the family manpower engaged in agricultural operations is over 50 years of age (the ratio of this generation rose by 10 percentage points in 2000-2003). The average age of male farming population is 53 years, while that is the female farmers is 60 years.

The family manpower of individual farms decreased by a total of 32 percentage points in 2000-2003, however, the rate of decrease was much more pronounced in the younger generations (at about 50%), than the decline by about 20 percentage points in the senior age brackets. The average age of the family manpower employed in the individual farms is 47 years, while the ratio of persons retired to pension is close to 40%. Of the 198,735 registered self-employed farmers 54.1% is below 55 years, while 17.7% are 55-62 years of age and 28.1 % are older than 62 years. The number of self-employed farmers younger than 35 years is smaller than 16,000.

The breakdown of farmers according to genders in Hungary is as follows: 76% are men and 24% are women. Non-farming family members are women in 74%, while the balance of 26% are men. Non-farming male family members have an average age of 32 years, while the female non-farming family members feature an average of 46 years.

Women working in agriculture have an average age higher than that of men, therefore, with the steps to be taken to transform great attention must be paid to women, with special regard to female farmers. Among the elderly farmers many are unable to conduct competitive production, meeting the requirements of the European Union, due to the loss-making, fragmented holding structure. Most of these businesses can be regarded as forced enterprises.

In the case of farmers below the retiring age, however, struggling with permanent difficulties, the aims include the improvement of the age mix of the farmers and the achievement of a more favourable holding structure.

In 2003 4.8% of the heads of individual farms (in 2005 4.9%-a) had primary agricultural training, while 7.6% of them (in 2005 7.4%) had secondary or higher agricultural education (the joint share of „subsistent farmers” and „semi-subsistent farmers” was 88%). Close to a quarter of individual farmers are women, they feature a less favourable age structure than men (women have an average age higher by seven years than the 53 years typical of men) and a lower standard of vocational training. In 2005



only 9.2% of those employed in agriculture have a college or university degree; 57.4% and 33.4% completed secondary school and elementary school, respectively.

While in 2003 2.6% of men and 0.7% of women have college or university degree in agricultural education, in 2005 this is true for 2.2% of men and only 0.6% of women. Self-employed farmers are insufficiently familiar with European Union functions (including market and production regulation, support systems, quality standards of products, the rules of animal keeping, and environmental requirements) and have serious gaps in their knowledge and skills of farm management, partially in consequence of shortcomings in the consultancy system and adult education outside the regular school network. As a cumulative result of these circumstances, farmers find it difficult to adapt to the new market situation and to take initiative. This is one area that badly needs EU support for urgent improvement.

### *Potentials for innovation and knowledge transfer*

Hungary has a well-established institutional basis of agricultural vocational training, yet the self-employed farmers have a low level of professional education. One major impediment to economic restructuring is the gap between actual economic demand and the structure of education and training. As a general phenomenon in rural areas, very few highly qualified professionals with up-to-date knowledge are determined to settle down in their native land. Most of them migrate to other regions, leaving very few individuals in place with the qualifications needed for the flourishing sectors.

From among the obstacles of food-industry innovation at present in Hungary the first place can be ascribed to its high costs and the lack of such project management services which could secure the introduction of research achievements in practice. There is an absence of the so-called “bridging organisations”, which would convey the innovative processes and reinforce them for all the participants of the vertical integration, while maintaining a constant cohesive contact with them.

Modernisation of knowledge and the support of use and development of the consulting services contribute to the competitive, environmentally conscious and sustainable operations by farmers and forestry managers. In the development of advisory services special emphasis is attached to their contribution to the sustainable development of the rural areas. It is particularly important for the agricultural producers and forest owners to acquire such information and knowledge, which are related to the plant management requirements specified in Regulation (EC) No. 1782/2003, the maintenance of good agricultural and ecological status as well as the Community requirements of labour safety. Owing to the diversity of information sources and the complexity of relations, many farmers are unable to access information without outside assistance.

The system of special advisory services is well established in Hungary. The agricultural advisory system with state support and legal regulation has been functioning in its current form since 1999. The system of special advisory services consists of three elements in this country.

Special advisory services are provided for the farmers in 24 specialised areas by consultants registered in the official roster. Entry in and remaining on the roster of special advisors are tied to requirements specified by law (e.g. specialised degree, 5 years of practice, evaluation of performance, annual compulsory continuing education and examination etc.). Most of the currently 560 registered consultants work as self-employed entrepreneurs. The MARD is responsible for the national supervision of the specialised advisory services. The related tasks of organisation, administration and coordination are carried out at the national level by the MARD Institute of Training and Consulting in cooperation with the 7 Regional Special Advisory Centres in charge of regional tasks.

In addition to this system about 400 consultants carry out public-benefit advisory tasks related to the National Rural Development Plan in 2004-2006.

From among the civil servants of the Ministry's Agriculture Offices in the counties the village agri-economists (650) – related to their public administration tasks, also provide general, informative advices to the farmers.

The aim is to increase the number of farmers making use of the special advisory services by 35,000 in 2007-2013.

### *Quality and compliance with Community standards*

The extensive infrastructure, professional legacy, highly organized system of institutions, the high standards of veterinary services, and reliable feed base confer an appreciable production potential upon stock raising in the country. Additionally, Hungary has the up-to-date genetic supply of both crops and livestock.

Private animal farms in particular tend to lag far behind EU norms regarding environmental protection, animal welfare, and quality assurance. Among the largest stock raising operations, 299 pig and 247 poultry farms are in bad need of renovation, while the smaller farms to be modernized to meet EU standards number approximately 3300 across the country. Investments in recent years have not exceeded 20 billion Ft annually. The average age of animal farm buildings and associated equipment is 30-35 years.

After the accession the observation of several new regulations became or will become compulsory for the farmers in the fields of environmental protection, veterinary hygiene, animal welfare, labour safety and plant hygiene. As a result of the development subsidies of the recent years, the renewal of the technical background of agri-economy has started, with the replacement of the stock of equipment depreciated, or of not satisfactory composition, modernity or which fail to satisfy other requirements of environmental protection. It is necessary to provide interim compensation for the operational costs in order to ensure that the agricultural producers start operations for the benefit of the environment, public hygiene and nature, as soon as possible.

The quality of products is low in many cases due to the outdated facilities. The growing demands for safe food and quality also necessitate that the rural areas also keep abreast of the higher consumer requirements. Promoting this is a high priority task through joining food quality systems.

The agricultural producers who participate in quality assurance systems, due to their undertaking of additional obligations and excess costs, cannot dedicate sufficient attention to the promotion of their products and the information of the consumers. At the same time, it is necessary that the consumers are better informed about the availability and features of the products made in the framework of the quality systems noted above. The producer partnerships must be supported in providing information for the consumers and in promoting the sales of products made in the framework of quality systems supported under Article 32 of Regulation (EC) No. 1698/2005.

## ***2.1.3. Environment and land use***

### *General context*

The diversity of Hungary's geographical conditions (the richness of surface water reserves, soil types and climatic endowments) has resulted in a richly varied living environment. The wide-ranging biodiversity wonderfully complements the variegated landscapes of the country. Although variable among regions, the environmental stress of domestic agriculture, especially following the political transformation, can altogether be classified as low. All this has greatly contributed to the survival and retention of our environmental and natural values.

The indigenous species of genetically valuable livestock, such as the Hungarian grey longhorn cattle or Mangalica pigs, along with a fine stock of game (including deer and hare), and rare crop varieties combined supply a great genetic diversity that has been maintained rather successfully due to the operation of true and tried mechanisms for protecting genetic bases.

Forests occupy a considerable part of the country and are in good natural health. Forestry is becoming increasingly important in water management and in the fight against erosion and the harmful

consequences of climatic change. The acreage of nature conservatories is considerable, and additional areas have been designated as parts of the Natura 2000 network.

Certain environmental problems have been created by soil degradation and imbalances in nutrient composition (unfavourable trends of nutrient ratios). The acreage treated with organic manure declined by 21.5% from 1994 to 2005, and the quantity of manure used dropped by nearly 25.5%.

Agricultural production does not cause appreciable stress on the environment, mostly because of the declining concentration and intensity of cultivation, and the scaling back of environmentally harmful inputs (chemicals). More hazard is posed by the excessive fragmentation of production and, occasionally, the lack of professional know-how and agrotechnical interventions is oblivious to environmental consideration. There are still a few scattered areas where environmental resources are being used excessively and recklessly. The most severe agro-environmental problems in Hungary are caused by wind and water erosion, abandonment of cultivation, the suppression of biodiversity, and soil compaction. Of all the arable land in the country, died-out plantations, waste lands, and fallows accounted for 143,000 ha or 1.9% in 2005

#### Agro-environmental problems

Agro-environmental problem	Size of affected area	Environmental significance	Total
Wind and water erosion	+++	+++	6+
Reduced biodiversity due to abandonment of cultivation in lands of great natural potential	++	+++	5+
Soil compaction	+++	++	5+
Devastation of natural assets due to intensive farming	+	+++	4+
Landscape damage due to change in land use	++	++	4+
Water contamination due to nitrate and phosphate seepage from farming	+	++	3+

*Hazard level: + moderate; ++intense; +++very intense*

*Source: Ministry of Agriculture and Rural Development: National Plan of Rural Development in response to the Measures of the Guarantee Section of the European Agricultural Guidance and Guarantee Fund (EAGGF) – Budapest, July 19, 2004.*

#### Soil endowments, soil conditions

According to indices used to gauge soil quality prior to the Hungary's accession to the EU – indices that can serve as a rough guide at best to gauging current ecological conditions – 1.76 million ha or 37.7% of all arable lands outside city limits were classified as “less favourable to farming.”

The following processes of degradation associated with agriculture are significant in Hungary:

- erosion by wind and water;
- compaction;
- acidification of soil;
- risk of excess surface water;
- generation of sodic spots,
- structural damage; topsoil crusting and cracking.

The greatest damage is caused by wind and water erosion and the appearance of strata impervious to water in cultivated soil sections.

## *Erosion*

One of the major forces responsible for soil degradation in Hungary, water erosion affects more than a third (33.5%) of farmlands, a total of 2,307 million ha in the hills and mountainous areas. Lands exposed to wind erosion are also quite extensive, totaling some 1.4 million ha. All in all, various forms and degrees of erosion hold sway over 40% of the country's territory. It has been estimated that these damaged surfaces annually lose 80-100 million m<sup>3</sup> of soil, together with 1.5 million tons of organic matter that goes with it.

### **Erosion in Hungary**

Measures of erosion	Total	Intensely eroded areas	Moderately eroded areas	Weakly eroded areas
Area affected by water erosion (million ha)	2.31	0.56	0.89	0.86
Average annual soil loss (t/ha)	-	70	40	20
Total annual soil loss (million t)	100			
Total annual loss of organic matter (million t)	1.5			
Area affected by wind erosion (million ha)	1.4			

*Source: MTA-TAKI, 1999*

The devastating effect of wind (wind erosion or deflation) primarily affect sandy soils and, if cultivated unfittingly, also black soils (Chernozym). Careless land use – typically involving the neglect of crop rotation and organic manure, the clear-cutting of protective forest belts, leaving soil surfaces uncovered, the use of heavy machinery, and the bad timing of soil works – renders 50% of the country's arable lands, mainly those cultivated by industrial methods, particularly vulnerable to wind erosion (deflation). Due to a combination of physical soil properties and habits of land use, classic wind erosion exerts the most powerful influence in the Kiskunság and Nyírség regions, but it has begun to make itself felt in the form of sandstorms in ill-cultivated lands with black earth soils. Forests play a major role in soil formation and soil protection. Where the soil is under tress – this means nearly one fifth of the country – erosion is minimal or nonexistent. At the current level of forestation, woods prevent the degradation of 32 million tons of fertile soil each year. The 465,000 ha of woods in the loose soils of the Great Hungarian Plain are instrumental in the fight against deflation and desertification.

## *Soil compaction*

According to former studies, some 1.4 million hectares of croplands in Hungary were subject to interference by the presence of dense, water-tight strata in the soil. Recent tests have shown that this situation has deteriorated further over the years, to the point that, since 2000, compaction has been a problem in roughly half of the country's arable lands.

## *Acidification of soils*

13% of Hungary's soils have an intensely acid balance, while 42% is moderately or weakly acidified. This harmful phenomenon has caused a shortage of lime and reduced levels of fertility in 50% of the country's soils. Acidification has intensified over the past two decades, although it has not expanded considerably. Factors contributing to acidification include the reckless use of agrochemicals, atmospheric acid deposition, the dumping of acid industrial by-products and waste, and the neglect of reasonable soil amelioration measures (lime application). Acidification can be fought quite

successfully by environment-friendly nutrient management, green manuring, the boosting of the soil's organic content, the rejection of acid fertilizers, and periodic lime application.

### *Generation of sodic spots*

Sodic spots (salinisation) affect 946,000 hectares – this is 10% of the country's surface area and 15% of the land suitable for cultivation –, reducing the fertility and productivity of our soils. An additional 245,000 ha of land is subject to salinisation in the deeper strata.

### *Water reserves and water management*

With its 93,000 km<sup>2</sup> of surface area, Hungary occupies the lowest part of the Carpathian Basin. Two thirds of its territory consists of plains or flat or nearly flat basins 150 m below sea level; most of the remaining third comprises hills and mountains. Lands threatened by floods and excess surface waters make up 52% of the country, or two thirds of the land under cultivation. Drought affects areas similar in size to those subject to excess surface waters and flooding, and it causes damage on a comparable scale.

Hungary is rich in surface waters resources, 96% of which arrive from outside the country. Public utilities source over 90% of their water needs from works tapping subsurface reservoirs. As a result, the pollution of surface rivers and streams may cause environmental problems to the ecosystem and drinking water supplies. About two thirds of the country's water supplies are located in a fragile geological environment, which sooner or later allows surface pollutants to reach and potentially contaminate the aquifer.

### *Floods*

The flow rate of the country's rivers is to a large extent dependent on the water management of countries upstream. Inside the national boundaries, flood plains along the rivers and smaller streams total 35,000 km<sup>2</sup>. Between 1994 and 2004, floods occurred in each year except 1997, 2003, and 2004, triggering the appropriate level of alert. The two major rivers, the Danube and the Tisza, overflow their banks every 2-3 and, every 1.5-2 years, respectively. Nearly one-half (43.6%) of the length of principal levees (4180 km) do not meet the regulations. Former flood plains accommodate one third of all arable land in the country, as well as 32% of railroads, 15% of roads, and over 700 settlements with 2.5 million inhabitants. Excess surface waters often accompany flooding, particularly in the Tisza Valley. Changes in land use (e.g. clear-cutting) in gathering grounds and the neglect of catchment areas, particularly upstream of the country, flood levels have been up, especially along the Tisza and its tributaries, to the point where it no longer makes sense economically to defend against floods by raising the levees even higher. Excess surface water is frequently accumulated especially simultaneously with floods in the Tisza-valley. Instead of raising the levees it is proposed to spread and support land-use adjusted to the natural endowments (e.g.: the areas involved in the VÁSÁRHÉLYI Plan Plus – VTT – once they are definitely demarcated).

### *Excess surface waters*

Roughly one fourth of Hungary consists of lowlands with no natural outlet for water. 10-15% of the 5 million ha of farmlands in active cultivation is subject to recurrent – often annual – excess surface water damage. The average of many years running is 13,000 ha of land under inland waters for a period of 2-4 months annually. A notoriously bad year was 2000, with 343,000 ha flooded by inland waters early in the year. By the 1990s a 46,700 km long canal network was constructed in the flat watershed of 43,700 km<sup>2</sup>, of which a total length of 8,500 km is managed by KÖVIZIG Water Management Authority, 3,100 km is operated by the agriculture offices and 20,300 km is supervised by the water supply partnerships. Local governments oversee 2,100 km long canals, while about 12,700 km long service canals (held by farms and private individuals) add up to the total excess water drainage system of the country. This system is complemented by 235 reservoirs with a total capacity

of 259 million m<sup>3</sup> are in place to channel off and store excess surface waters. The highest risk areas in the country are the low-lying sections of the Tisza Valley and the valley of the Danube.

### *Droughts*

Recent years have seen a distinct rise in the possibility of a moderate drought to occur in every season and within this trend, the likelihood of extraordinary spring and winter droughts has also increased. Extraordinary droughts are to be expected, particularly - in patches of variable intensity - in the Great Plain and, to a lesser degree and involving only moderate droughts, in Transdanubia. Arid conditions may set in every other year, while the average recurrence cycle of very severe droughts in the Great Plain has been between 10 and 20 years. Considering the typical precipitation levels during the vegetative period, rainfall alone is insufficient to supply the water needs of crops.

The national average of the Drought Index (PAI) fluctuates widely year to year, with a steady overall climb from 3.6°C/100 mm in 1997 to 9.2°C/100 mm in 2003 – a rate comparable to moderate drought.

### *Quality of surface and underground water supplies*

The environmentally critical, nitrate-sensitive areas in Hungary total 4,337,500 ha, including 2,788,800 ha in agricultural use. Organizations and self-employed farmers cultivating nitrate-sensitive lands number 450,700. According to farm census data by the Hungarian Central Statistical Office, the farmers breeding livestock in nitrate-sensitive lands number 320,700. From the point of view of protecting water supplies, the greatest problems are presented by the liquid manure and waste water discharges of large, industrialized livestock farms raising pigs, cattle, and poultry.

### *Nitrate directive*

Hungary's Government Decree 27/2006 (II. 7.) lists nitrate-sensitive areas specifying the settlements (1779 settlements) and makes reference to "sound agricultural practices" whereby farmers will be able to meet the criteria articulated in Directive 91/676/EC, known as the Nitrate Directive. The rules of these "sound agricultural practices" are set forth in Appendix I to Government Decree 49/2001 (IV. 3.) as amended by Section 14 paragraph (2) of the Government Decree first mentioned above. The action programme includes the pursuit and enforcement of "sound agricultural practices," with aid and funding allocated for this purpose in the National Plan for Rural Development and under the ARDOP. The measures introduced by the Government Decree were designed based on nationwide surveys of nitrate pollution and associated data from the Hungarian Central Statistical Office's Census of Agriculture, conducted in 2000. The surveys and tests examined surface and underground water supplies and their gathering grounds, the eutrophic state of waters, and the extent to which agricultural activities impacted nitrate concentrations. The analysis of this nitrate concentration of waters led to the designation of nitrate-sensitive areas and the compilation of an Action Programme for the period 2002-2012.

The nitrate-sensitive areas with respect to underground water supplies were designated, tracing the administrative limits of individual settlements, on the basis of sensitivity categories established by Government Decree 33/2000 (II.17.) "on certain tasks associated with activities with an impact on the quality of underground water supplies." In respect of surface waters, the "highly nitrate-sensitive" designation was reserved for areas subject to Government Decree 240/2000 (XII. 23.) "on the designation of surface waters and their catchment areas that are sensitive to settlement waste water treatment." (Essentially, this means the watershed areas of larger lakes and drinking water reservoirs.) The action programme is divided into four-year phases by enabling revision every four years based on data reported regularly by farmers and on the findings of periodic site inspections. The nitrate pollution of underground water supplies from agriculture is primarily associated with large, industrialized stock farms, notably those using liquid manure methods. (According to a survey conducted in 1996-1998, Hungary produced some 11 million m<sup>3</sup> of liquid manure annually, requiring approximately 80,000 ha of farmland to be spread on. Nitrate-sensitive areas generate 3.4 million m<sup>3</sup> of farmyard manure annually.) The most urgent task is to reduce harmful nitrate discharge. Harmful

nitrate discharge in this country comes partly from inadequate manure storage at livestock farms as noted above and partly from the disposal of untreated sewage from settlements, neighborhoods, and buildings without drain canals. The “Nitrate Directive” of the EU (Directive No. 91/676/EEC) had to specifically provide for the highly intensive livestock raising schemes. These measures were implemented in Hungarian law by Government Decree 49/2001 (IV. 3.) on the protection of waters against pollutions of agricultural origin.

### *Water protection programme*

Hungary’s public drinking water supply is provided by drinking water reservoirs based on subsurface aquifers. About two thirds of these are located in a fragile geological environment, which sooner or later allows surface pollutants to reach and potentially contaminate the water table.

As part of a drinking water supply protection programme launched by the government in 1997, replenishment areas will be identified for vulnerable supplies that are either active or designated for long-term strategic use. Protection areas with access times of 20 days, 6 months, 5 years, and 50 years will be designated, pollution sources and processes explored, and water supplies subjected to complex analysis. (This programme is expected to be concluded in 2009.) The protection areas of the 700 vulnerable water supplies cover some 8% of the country. The water protection programme – among others - introduces measures motivating the conversion of farms within protection zones to agricultural activities less stressful on the environment.

### *Air quality*

Air pollution caused by agricultural activities in Hungary is in line with the EU average. Within domestic total emission, agriculture’s share is most significant in ammonia (98.8%), nitrous-oxide (74.9%) and methane (52.6%). Significant efforts to reduce air pollution have been already made in the past, accounting for more than a quarter of all agricultural investments aimed at protecting the environment. National initiatives, however, concentrated mostly on reductions in manufacturing, transportation and the energy sector; agriculture’s share accounts only for 3.6% of the total expenditure on investments targeting the reduction of air pollution. Reducing ammonia, nitrous oxide and methane emissions originating in the inadequate storage and use of manure and dung, is therefore still an objective.

Forests make a vital contribution to improving air quality, particularly by filtering dust. Forests located near harmful emissions from pointiform or linear sources can be very useful in minimizing the pollution reaching settlements in the vicinity. For this reason, it is desirable to increase forest acreage and particularly forest belts along roads and industrial objects.

### *Features of wildlife, biodiversity*

A significant portion of Hungary’s natural assets is associated with forested areas, extensive agricultural production, and the agricultural habitats that serve as the stage for that traditional production. Hungary’s colourful biodiversity owes a great deal to the multiple uses of the land always well-adapted to local environmental conditions, and particularly to the presence of extensive native forests managed by natural methods. The agro-biodiversity of the Hungarian countryside shelters many species whose effective protection would be unimaginable without integrating the values of nature conservancy within large-scale agricultural and forest management schemes.

More than 9% of the country is under natural conservation, totaling 867.900 hectares according to year 2004 data. The 828,500 ha under national protection includes 484,100 ha shared by the 10 national parks, 317,700 ha among 36 “landscape protection districts,” and 27,700 ha among 144 “nature protection areas.” The approximately 40% of the nationally protected acreage that is under agricultural cultivation is characterized by less fertile soils and conditions generally less amenable to farming. In such areas, extensive forms of agriculture coupled with respect to environmental assets could be a solution for local farmers.

Certain transitional or vestigial forms of extensive farming that survive here and there in the country include sheep raising in the saline waste lands of the Great Plain, fruit growing, meadow management and small-scale single tree felling in the Órség region in Western Transdanubia, the use of Transdanubia's pastures scattered with groves of trees as grazing ground for cattle, the system of small and isolated farms in the Kiskunság region, or the extensive uses of the Aggtelek Karst in Northern Hungary. Grasslands and vast fieldlands survive only in patches, mainly along the flood plains of major rivers predating river regulation. The interconnected patches of grassland are considered indispensable for the survival of endangered species.

Special importance is accorded to reed harvesting and fish-farming facilities, both of which are on a large enough scale to have European significance. Extensive systems have but negligible participation in the country's vineyards and orchards, but the few that are cultivated by such extensive methods certainly deserve preservation, if only for considerations of nature conservancy. Beyond these farming schemes already mentioned, the rich biodiversity of Hungary's lands that is outstanding in the European comparison would justify the introduction of more extensive farming schemes.

18.9% of the country's forests are under natural protection (KÖM 2002), which is significantly higher than the EU average. 47% of all protected areas in the country are forest. They include 49 reserves with 9,731 ha of seed area, on which no logging or any forestry interventions are allowed.

### *Purpose and state of health of forests*

In terms of core function, 64.2% of the country's forests serve economic purposes, while 34.4% is utilized for protection purposes and 1.4% for public recreation and miscellaneous other uses. Approximately 30% of the forests were planted after 1945, so 68% of the forests are less than 50 years old. Forestation policies over the past 50 years have favored - due mainly to the peculiarities of habitats - non-native species, but indigenous species have gained significant ground of late.

The health of the trees has declined in recent years, with diseased, damaged, and atrophied trees claiming an ever larger percentage. Examined on the basis of lost foliage, in 2003 35.6% of all deciduous and coniferous forests were declared symptom-free, with 41.9% mildly damaged, 17.1% moderately damaged, 2.8% severely damaged, and 2.6% dead. Leaf discoloration over the past three years has not worsened; in fact, a positive trend compared to 1990 has asserted itself.

Based on 2002 data reported by ICP Forests, the European forest condition monitoring network, collectively for all tree species based on analysis of lost foliage, 38% of forests were symptom-free, 41% endangered, and 21% considerably damaged. In the European context, the damage level of Hungary's forests is about average. Measures proposed to minimize such damage include the plantation and cultivation of multicultural, ecologically stable forests and the restructuring of existing, suitably sited forests into nature-oriented, low-intervention forest associations.

### *Areas of nature values to be protected (Natura 2000)*

Hungary's accession to the European Union has entailed new, special responsibilities in nature protection. The greatest challenge of all is perhaps presented by the construction of the Natura 2000 network. Government Decree 275/2004 (X. 8.) "on the designation of nature protection areas with European interest" announced a list of recommended Natura 2000 sites.

The designated Natura 2000 sites amount to a total of 1.91 million hectares, or 21% of the country. In the Hungarian sites of this European ecological network, 467 special nature conservation areas were designated on a total of 1.41 million ha, as well as 55 special bird refuges on 1.38 million ha. The overlap between these two types of conservation areas is nearly 42%. The Natura 2000 network in Hungary relies heavily on existing areas under natural protection, (37% of the designated areas), however, it involves hitherto unprotected areas as well.

As another official measure, the Agro-environmental Management Programme and the Forest Environmental Protection Programme have also targeted, in addition to the preservation of the rural population, the minimization of environmental stress of agricultural origin as described in the



foregoing, as well as the preservation and protection of biodiversity and constitutive elements of landscapes. The measure has been necessitated by the ongoing displacement of distinctive and traditional methods of extensive farming unique to Hungary, and the attendant shrinkage of low-intervention habitats and species originally fashioned and supported by them. The larger portion of the country's territory requires the restructuring of land use in accordance with national priorities (including the abandonment of lands with low productivity that only produce losses, and the research of alternative uses) as well as regional priorities (new uses of areas prone to flood and excess surface water damage, and the restoration of low-intervention farming schemes).

The total area cultivated by the 24,100 enterprises and farmers awarded agro-environmental support totalled 1.8 million hectares. The areas covered by the Programmenow make up more than 25% of all agricultural land in active cultivation – a high rate even in the EU comparison.

Forestry environmental programmes had previous examples only in the local system of subsidies, where typically support was given to convert forest stands of non-native tree species or deteriorated structure into forests with indigenous tree species adequate to the habitat and appropriate structure. The size of this measure, however, was just slightly over 10,000 ha, due to the scarcity of funds. Based upon the experience gained over the past years a steadily growing demand presents itself in this area, therefore, the programmes have to be worked out with an ever wider scope, adjusted to the specific regional features.

### *No-chemicals, organic farming*

Recent years in Hungary have seen the rapid rise of organic farming, although domestic demand for fresh and processed organic produce has increased at a slower pace. One reason is the higher consumer price of organic products; another is the lack of organization in the internal markets. Most of the country's organic farms continue to focus on exports, with 95-97% of their certified and branded organic products landing in markets in Western Europe, particularly Germany, Switzerland, the Netherlands, Austria and, to a lesser degree, France and the UK. In addition to their core production business, a minority of organic farms also pursue certain supplementary activities, first and foremost in other food industry areas, primarily food processing. Organic production and trading in Hungary has so far concentrated on wine, fruits, vegetables, dairy and meat – sectors allowing the producers to process an increasing portion of their products in their own facilities, under strictly supervised conditions. Across the country, 31 organic farms also offer visitor facilities and accommodation under the "rural tourism" scheme, naturally exploiting the gastronomic attraction of their organic products. The support of processing of organic products – establishing the product line "from the farm to the table" also has a peculiar significance for us, as most of the products grown in Hungary, still in a ratio above 70 %, are sold as unprocessed products in foreign markets.

The number of organic ventures has shown a significant, almost six fold growth, from 281 in 1997 to 1610 in 2004. The acreage under certified organic cultivation increased by a factor of more than 10, from 11,400 ha in 1996 to 133,000 ha in 2004, amounting to 2.2% of all agriculture lands in the country. In 2004, 45% of this area consisted of grasslands, meadows, and pastures, all essential for raising free-range livestock, while 47.6% were croplands. Stock raising relying strictly on estate-grown feed has encouraged a growth in the cultivation of fodder plants, including corn, lucerne, and rough fodder. The number of animals kept by certified organic stock farms increased nine fold from 1,400 in 1997 to 12,800 in 2004. The number of bee families grew by a factor of five, from 2,200 in 1997 to 10,800 in 2002, with an additional 4,500 families being at that time converted to organic apiculture.

### *Renewable energy, biomass production*

At present, renewable energy sources provide only 5.3% of the country's energy needs according to data of 2005. Considerations of environmental security and sustainable regional systems have increasingly urged the identification and preferred application of renewable sources. The criteria of

environmental protection, over and above the energy conservation aspects, demand the increase of ratio of renewable energy sources.

At present bio-fuels have a share of 0.4% in the total fuel consumption in Hungary, about a tenth of the comparable EU figure.

Hungary has a good potential for biomass production, owing in part to the country's outstanding natural conditions and in part to the centuries-old traditions of agricultural production. The country's annual biomass energy potential is nearly 60 petajoule, a figure that can be boosted significantly by the introduction and cultivation of energy crops. This will essentially take the plantation of fast-maturing energy plants, both herbaceous and ligneous, as and slow-maturing forests, as well as improving the ratio of agricultural and forestry waste and by-products among energy sources.

But the country has only a minimum processing capacity for the generation of renewable energy. Only 8-10% of the total biomass produced is used for energy purposes. The construction of a decentralized energy structure relying heavily on biomass utilization may make a vital contribution to reducing Hungary's unhealthy dependence on energy imports, which supply over 70% of the country's energy needs.

Increased reliance on renewable sources within energy production would be particularly beneficial for the diversification of agriculture and forestry production, and thus for boosting the inherent earning security. To exploit synergies it is justified that the role players of agriculture and of the rural areas have an intensive participation in the biomass based renewable energy (bio-energy) industry scheduled to build up dynamically in the near future.

The production and utilization of biomass help reduce fallow acreage and provide farmers with alternative income. Production focused on renewable resources and the use of biomass as fuel can be instrumental in fighting climatic changes as well.

Under the national development plans for renewable energy, the share of green electricity within the total electricity consumption needs to be increased to 3.6% by 2010. With respect to bio-fuels the aim is to achieve a share of 5.74% by 2010. The ongoing developments in Hungary in this area have been harmonized with EU objectives in the exploitation of biomass for energy purposes (Biomass Action Plan, EU Strategy for Biofuels).

#### ***2.1.4. Rural economy and quality of life***

The disparity of development between the country's regions and settlements, notably the falling behind of rural areas, has worsened over the past decade and a half, despite the efforts of regional and rural development policies.

The **micro-regions in Hungary can be categorised along the core economic activity** and/or the key features of the economy, society and specialities of the micro-region. This way, **four main categories of micro-regions** can be identified:

- peri-urban (type) micro-regions;
- agricultural micro-regions;
- micro-regions with touristic potential;
- industrial areas.

The rural areas are characterized by rich natural and scenic assets, healthy living environments, and a wealth of cultural and architectural heritage. Local communities and initiatives are heard from more often than ever before. The economic transformation is perhaps best illustrated by the rising popularity of "rural tourism." As agriculture continues to provide ever fewer jobs, the rural areas struggle with higher rates of unemployment. Enterprise density is low, and there is a general shortage of capital and professional know-how. The participation of the service sector is weak, and productivity levels lag

behind. Many residents migrate to other areas. The hardship of the Roma minority is especially severe in the rural areas.

### *Economic structure of rural areas*

Density in rural settlements is significantly lower; at the same time, agriculture is much more decisive in the rural areas than the national average, causing hardship due to the sector's lower profits, declining share in the GDP, and growing unemployment. Beyond improving the profitability of agriculture, therefore, it is critical to support economic diversification and promotion of new enterprises in order to provide the rural population with alternative and/or supplementary sources of income.

Regional imbalances are manifest between settlement types, with villages, particularly the smaller ones, increasingly falling behind the towns and cities in terms of development, i.e. villages, especially the smaller ones dropped back remarkably. Staring in 1990, village residents have had to take the greatest cut in their income and job opportunities, in a process largely defined by the diminishing significance of agriculture nationwide and the collapse of the majority of industries in the counties that used to employ masses of workers commuting from rural areas. The discrepancy between settlement types is also noted in the higher incomes and concentration of enterprise in the urban areas. In smaller settlements, the number of enterprises per resident is one half to one third of that in larger settlements. Similarly, differences between incomes can be as great as 150%-200%.

In rural regions the ratio of employees is 49.9% as opposed to the national ratio of 56.8%. Due to the scarce local employment possibilities only 39% of the employees in villages can find a job locally, and 61% are daily commuters.

### *Situation of local human resources*

As in the rural areas – and particularly in the smaller communities – there is a greater ratio of manual workers and people of lower level of schooling due to the character of the economic structure, the income handicaps are also manifest in this regard. (In villages the ratio of inhabitants having completed only the elementary school (as the highest level of education) or not even that (24 and 19 %, respectively). Thus 43% of the population of villages has no qualification at all.) The difference is further aggravated by the generally smaller ratio of population in the active age bracket, the higher rate of unemployment and the smaller proportion of the employed. These conditions remarkable influence the demographic processes and tendencies taking place in the smaller communities, the migration of the population able to work, thereby speeding up the senescence of these settlements and the abandonment over the longer term. The smaller is the settlement, the higher is the rate of unemployment and the worse are the conditions of living, too. The employment opportunities are particularly restricted in case of people of low qualification standards, middle or senior age and even more so with respect to women raising their children on their own. However, in terms of employment the Roma accounting for 5 to 6% of the population are the least favoured, and their ratio within the population is considerably higher than the national average in smaller communities and in the country's regions suffering from permanently critical conditions, with a significant representation among the long-term unemployed.

For the use of rural development funds with appropriate efficiency and increasing fund-absorption powers, it is inevitably necessary to organise training programmes, which enhance innovation and entrepreneurial skills and willingness, and demonstrate the market opportunities and the expected trends.

The handicaps with respect to economy, infrastructure and services result in the unfavourable quantitative and qualitative changes of human resources in rural areas, resulting from the migration of young and qualified population and from the concomitant senescence and the growth of inactive strata. The differences of human resources are very important in the present imbalances, i.e. what ratio of the local population has proper school education, are they open to innovation, can they adjust, internalise

and accept innovations and changes, to what extent are they demanding with respect to culture and services, can they cooperate, and what are their value preferences and identity.

The employment position of rural regions less favourable than the national average (higher unemployment) can be improved by the utilization of their advantageous landscape, natural attractions and cultural heritage features for tourism activities. The majority of accommodation sites in villages can be characterized by the low standard of quality of services and use of capacities. The income from tourism strengthens the local economy, and thus it contributes to the improvement of the quality of life and the elimination of regional economic disadvantages.

The socio-economic handicaps observed in the rural areas are increasingly manifest with respect to the less favoured social strata and groups. The most important area here includes the handicaps in the labour market, which equally affect women, people with altered work ability and the Roma population.

The emigration of population of active age and work ability from the villages suffering from poor employment opportunities, and therefore, the growing ratio of the inactive and unemployed population are further aggravated by the immigration of the unemployed population of low status – in many cases of the Roma – displaced from towns and cities, who have lost their jobs and could no longer shoulder the higher costs of living and are forced to move into impoverishing villages.

### *Special regional-territorial features of the rural areas*

At small-regional/agro-regional levels easily identifiable development needs exist. Paragraph substantiating the LEA (local enterprise agency).

In regional terms these handicaps are mainly applicable to the agrarian regions of the Great Plains and the socio-economically underprivileged regions (North Hungary and the North Great Plains), and from a settlement perspective, first a foremost to the areas with small villages (North Hungary, South and South Western Transdanubia) and the small communities.

Based upon the trends of both GDP, number of enterprises and the average earning of the employed the disadvantaged conditions of the regions of North Hungary, North Great Plains, South Transdanubia and South Great Plains, i.e. of the southern and south-eastern part of the country can be observed. The economic restructuring which started to unfold in the 1990s was feeding the regional imbalances, with one projection being the east-west polarisation, and the other being the divide between the centre and the periphery, bearing more powerfully on the rural areas (interpreted with respect to the central region of the country versus the other parts of the country, the dynamic towns/regions versus the regions, communities and especially the small villages located on the external/internal peripheries). Regarding regional differences the eastern part of the country (especially Szabolcs-Szatmár-Bereg and Békés counties), as well as the small village areas of South Transdanubia and North Hungary and the regions along the southern and eastern frontiers are permanently least favoured, and most of these regions are rural areas. The income disparities provide a summary of the regional differences, which represent remarkable differences between the rural areas and the other parts of the country – not counting the suburbia around the capital and the economically more favoured regions of North Transdanubia.

It is necessary to treat the problems of the settlements and areas densely populated by the Roma (the ratio of the Roma population in rural regions was 3.2% as opposed to the national average of 2% (2001, Census) through complex, integrated programmes in view of the special traits of the situation of the Roma, inevitably including measures to reduce the spatial segregation on an ethnic basis, the building up of an adequate educational system and the creation of jobs. The proportion of the Roma in the population displays substantial regional differences. Northern Hungary and Southern Transdanubia – two regions dominated by small, scattered villages – have led the country in terms of Roma segregation and the emergence of ghettos. The infrastructure of education and services is largely unable to adapt to the needs and chances of minorities with a distinctive culture of their own. Unskilled and untrained individuals have little chance to find a job, and what they do find will not provide them with the income needed to meaningfully change their lives. The volume of training

programmes adapted to the possibilities of the Roma is insufficient to assist the integration of this minority group within the country's job markets. Unemployment and inactivity represent particularly powerful threats for the Roma population, whose displacement from the cities is therefore even more precarious. On the other hand, the increasing concentration of this endangered Roma minority in the rural areas intensifies the motivation of non-Roma residents to move out of their villages. These processes of segregation – the physical and social erosion of settlements – hasten the surrender of villages to inactivity. Because the phenomenon often affects several adjacent villages simultaneously, the problem has assumed regional dimensions.

Roma programming office needs to be established: the project building capacity is failing, but this will be helpful.

### *Situation analysis along the various measures*

Both the number of the enterprises (at 30% of the national average) and the entrepreneurship (two-thirds of the national figure) are smaller than the national average in the rural areas. The number of enterprises per 1000 residents (enterprise density) at 56 pcs is typically small in the rural areas as against the national figure of 86 pcs (2004). This ratio hardly improved over the figure of 2000 at 52 pcs/1000 residents. Micro-enterprises are predominant in the entrepreneurial structure. The ratio of individual (self-employed) enterprises in the rural areas is 66%, in contrast to the national figure of 52% (2004), and the proportion of enterprises employing a staff from 1 to 9 is 74% (207,301 pcs, 2004), while this ratio is 70% in the whole country (608,535 pcs, 2004).

The rural settlements feature a higher proportion of micro-enterprises resulting from the great number of self-employing “forced enterprises” and the “smaller market”, and these have a competitive situation in the market much more difficult than the large enterprises. Economic diversification and economic development must pay special attention at this stratum of entrepreneurs.

The ratio of industrial and commercial enterprises is roughly the same, however, the number of service enterprises have a much smaller share, as low as 45% in the rural areas, as against the national figure of 54%, and a small decline is shown from 46% in 2000.

The practice of manufacturing one-off or small volume handicraft products of high quality, using the traditional production modes is still alive in the rural areas, i.e. the traditional small crafts, folk crafts, naïve arts and applied folk art. The heritage includes low-intervention farming methods preserving the landscape, several local and regional specialty food products and a number of Hungaricums. Leveraging on these items of heritage will contribute to the conservation of the related proficiencies, farming culture and regional, popular and ethnic values, while generating alternative sources of revenue.

Treasuring traditions, collection and conservation of popular, ethnographic, ethnic and local traditions as cultural values will provide cultural resources for the communities in the rural areas. Especially in the backward regions, the exploration of the cultural heritage means one element of activating their inherent resources, which – as a tourism attraction – may also boost the economic sector and contribute to the increased employment and the retention of the population.

The decisive factors of rural tourism, typical of the rural areas, include the trends in the availability of local accommodation for visitors, represented by the capacity and guest night numbers partly in village (private) houses and partly in commercial lodgings. The structural transformation of local economies is illustrated by the rising number of rural accommodation and establishments catering to tourists, as well as a growing selection of programs and events. The boom in letting rooms in rural areas virtually started in 1997. By its very nature, this business is concentrated in the villages (with 7222 active hosts accounting for 99% of the sector in 2003), although it also crops up here and there at farmhouses on the fringes of urban areas (85 hosts). Commercial accommodation in hotels, pensions, and campgrounds tends to be concentrated in the cities, resort belts, and settlements with thermal bath facilities. The lodging potential of rural tourism is roughly one quarter of the accommodation capacities available in commercial outfits. Comparing guest numbers reveals that, in 2003, 16 times as many tourists (2,117,620) chose commercial accommodation as did village lodging (130,377).

Compared to 1994, the total capacity of commercial lodging establishments increased by 21%. The number of “guest nights” at commercial establishments shows an improving tendency as well, up by nearly 20% in 2003 alone. The lodging capacity in the context of rural tourism increased by 29% between 1999 and 2003, although the number of guest nights grew at the slower rate of 20% during the same period.

New restaurants and “csárda”, a traditional Hungarian type of roadside inn, crop up in increasing numbers in rural areas – a tendency clearly beneficial for the turnover of lodging establishments. During the period under review, there was a welcome diversification of programs offered to visitors, including cultural and traditional events, fairs, and thematic tours (wine trails and apple orchard roads). Concurrently, these offerings were advertised in tourism markets, including nationwide and county-level tourism fairs and expos. Aspects needing further development include complex agrotouristic packages of programme and accommodation facilities, designed in collaboration with the regions, as well as touristic micro-enterprises to sell local farm products on the spot, the networks performing marketing and management functions, and the skills and proficiency of service personnel. The establishment and improvement of the basics of agro-tourism, along with the encouragement of enterprise deliberately building on the rich cultural heritage and natural potential of the country, may go a long way in helping rural entrepreneurs to catch up.

The rural areas traditionally have the economic (arable land and productive infrastructure) and human resources (skills and qualification of the citizens) required for the primary and secondary sectors of the economy, while towns and cities are dominant service providers.

Access to basic residential services is key to ensuring adequate living standards and the proper socio-economic development of any region. Operating such services is an exceptionally daunting task in rural settlements, particularly in remote and scarcely populated areas, where the promotion of unique solutions tailored to local needs and circumstances is therefore of strategic importance.

The lack of cultural and recreational services, along with the absence of the infrastructure that could support such services, contribute to the impetus of younger generations to migrate to the cities. The job opportunities of women and single parents in rural areas are massively impaired by the lack of childcare services.

In rural areas, the emergence of truly competitive agriculture and processing industry is impeded by the underdevelopment of commercial and logistics networks aiding the sale of agricultural and food products, and the lack of marketing services. There are very few organizations promoting unique local produce and food products, and their networks – such as they are – demand urgent development. The same is true for services integrating market information and regional productive potentials.

Access to public services is naturally most difficult in those areas of Transdanubia and Northern Hungary that have a shortage of larger cities and are dominated by tiny, isolated villages. In the Great Plains, more of the settlements consist of larger villages or towns with an adequate supply of public functions, and the terrain here is also more conducive to easy access.

While the Economy Development Operational Programme supports access to broadband services, the Regional Operative Programmes support development of local governmental information and communication technology, therefore in the framework of the New Hungary Rural Development Programme these measures are not eligible for support.

Cultural heritage – incorporating the material-historic heritage – is directly or indirectly a “value-added” spiritual, cultural or tangible-material resource. Its protection is important also for rural development (so that it remains a resource over the long run) allowing its sustainable development (i.e. to exploit its inherent resources, to fully realise its heritage values and to generate further heritage values, respectively).

Most of the archaeological treasures, forts, castles and historic manor houses are located in the rural areas, in several small communities of peripheral location, offering to be resources also for rural development. The treasures of popular architecture represent a specific rural built heritage. In their case, in order to preserve the tangible treasures of culture and the spiritual heritage, it is important to ensure the survival of the architectural and cultural values, the development of cultural collections, the

enhancement of the society's level of education, the reinforcement of their role in mediating and creating culture and enhancing the tourism potential in an effort to radiate all these to their wider environment. Creating community spaces suitable for the modern historical and cultural values has a general significance with regard to the development of communities.

### **2.1.5. LEADER**

#### *LEADER Pilot Programme*

In 2001, the Ministry of Agriculture and Rural Development launched a LEADER+ Pilot Programme with the aim of preparing the ground for the introduction and implementation of the LEADER+ Community Initiative by creating the appropriate documents and procedures, and by acquiring the hands-on experience that will be essential for the implementation on the local, regional, and national levels. Financed from national rural development funds, the Pilot Programme focuses on three target areas: introductory training, the implementation of a limited number of local strategies, and network construction.

The Pilot Programme has 14 local action groups active in 182 settlements, affecting a total area of 3,686 km<sup>2</sup> and 285,088 residents. The Programme finances 272 distinct projects in 91 settlements.

#### *The ARDOP LEADER+ measure*

The implementation of the AVOP (ARDOP) LEADER+ measure started in May, 2005 by holding briefings and preparatory training sessions at county and regional levels. The preliminary tender was called in June, 2005 in the selection procedure of two rounds of the LEADER local action groups. The preliminary tender attracted applications by 187 local hopeful action groups, representing 2,362 settlements (75% of the total) and 3,434,818 residents (34% of the Hungarian population).

On the average about 12 settlements and 18,000 residents belong to one applicant action group. Of the 186 action groups 149 qualified for the second round of applications. After the second round of applications launched in November, 2005 70 LEADER action groups were selected, owing to the support totalling 6.3 billion HUF. There are 920 communities located on the territory of the winning action groups, where about 1.5 million people live.

In the framework of the LEADER+ measure the Hungarian LEADER Association is providing information and experience exchange and building international relations for the Hungarian Local Action Groups was selected in April, 2006. The winning action groups started the implementation of their local rural development programmes in the summer of 2006. The action groups are characterized by underpopulatedness and low number of settlements – as compared with the European practice, as well as the dominance of local self-governments – resulting from the national settlement structure.

## 2.2. The strategy chosen to meet strengths and weaknesses

For the implementation of the New Hungary Rural Development Strategic Plan, Hungary shall submit one single rural development program, named the New Hungary Rural Development Programme. This Programme shall be applied on the whole territory of Hungary.

By eliminating the shortcomings revealed by the situation report and exploiting available potentials, the strategy serves the advancement of the country and the reinforcement of competitive edge in the international context.

### 2.2.1. National priorities and main actions

With respect to the identified needs and development potentials, and further in view of Community priorities, Hungary has defined its national priorities in agriculture and rural development as follows:

The overarching national priority, in line with the Community Strategic Guidelines and the general objective is the following: Improving outlets for arable production by modernising the livestock and processing sector and diversification into energy crops and horticulture.

#### *Axis I*

As for the financial allocation of resources among the main actions within **Axis I.**, the following main statements can be made:

Priority will be given to the main action „Farm and production restructuring”, allocated the highest percent of all the resources for Axis I. to this main action. It is justified by the need of mitigating the imbalances of the production structure. The „Support for investment and quality measures” has the second largest financial share in the total resources. The „Support for infrastructure” main action has a medium financial weight, while „Promoting information dissemination” and „Age-restructuring” has the smallest financial envelope.

In the development of human potential, the indicative breakdown of resources are as follows: ICT will take up half of the resources for human development, around one-third of these resources will be spent on trainings, while the rest (some 15-20 percent) of the resources on the advisory system. In the field of physical investment, around two-third of the resources will be spent on quality improvement, while one-third of the resources for infrastructural development.

In line with the objectives of the EU Strategic Guideline “Improving the competitiveness of the agricultural and forestry sectors”, the general objective of **Axis I.** of the Strategy will be realised through the following main actions:

- Promoting information dissemination
- Age-restructuring
- Farm and production restructuring
- Support for investment and quality measures
- Support for infrastructure

#### *Axis II*

The general objective of **Axis II.** is to improve the environment and the countryside by supporting land management.

The overarching national priorities in line with the Community Strategic Guidelines and the general objective are the following:

- Conservation of Natura 2000 agricultural and forestry areas and other high nature value areas;



- LFA
- Water management in quantity and quality;
- The increase and sustainable management of forest resources;
- Biomass for energy production;
- Protection of soils.

The EU Strategic Guideline “Improving the environment and countryside” is in harmony with the general objective of **Axis II.** of the Strategy, which will be served by the following main actions:

- Support for agri-environment, Natura 2000 and forest environment
- Preserving LFA territories and the traditional agricultural landscape
- Investment support for environmental standards and water management
- Support for afforestation and fast growing species
- Ensuring the balanced quantity of high quality water
- Strengthening the protection of soils
- Ensuring the animal welfare payments

As for the financial allocation of resources among the main actions within **Axis II.**, the following main statements can be made:

The biggest share in the financial frames of Axis II. has the „Support for agri-environment, Natura 2000 and forest environment” main action. The support for afforestation and fast growing species will have a significant part of the resources. Investments for water management and the main action aimed at „Ensuring the balanced quantity of high quality water” are at the same level concerning the allocated resources. The main action on LFA and animal welfare have the lowest share of resources, deriving from the good environmental conditions experienced on LFA territories and on the demand for the investments to reach animal welfare standards.

### *Axis III*

The general objective of **Axis III.** is to improve the quality of life in rural areas and encouraging diversification of economic activity. The development of the rural economy appears with an increased weight within the frame of Axis 3 as the most significant area to be developed.

The overarching national priorities in line with the Community Strategic Guidelines and the general objective are the following:

- enhancing economic development and quality of life in rural areas and safeguarding the natural and cultural heritage;
- enhancing micro-regional governance;
- consolidating and reinforcing the LEADER groups.

There are three main actions serving the implementation of the national priorities.

- Support for diversification, micro-businesses and tourism
- Improving access to basic services and preserving natural and cultural heritage (village renewal)
- Support for local capacity building

As for the financial allocation of resources among the main actions within **Axis III.**, the following main statements can be made:

The majority of resources (appr. 60%) is intended to be spent on enterprise development, fostering growth and employment in rural areas. Within the frameworks of enterprise development, the support

for micro-enterprises will have a key role as the most significant tool for the diversification of rural economy. Improving access to basic services and preserving the natural and cultural heritage (village renewal) will have still a significant share of resources (appr.30%), which is reasonable if taking into account the investment need of these objectives on one side and the current financial situation of local municipalities (the potential beneficiaries) on the other. Around 10% of the total budget for Axis III.-IV. will be spent on local capacity building and establishing local partnerships with the involvement of Rural Development Offices.

Farmers and agricultural holdings complying with the requirements of the environment-friendly and conscious farming methods will be prioritised in the implementation of the measures of Axis I. and III.

#### *Axis IV*

The general objective of **Axis IV.** of the Strategy, which has the same objectives as the EU Strategic Guideline “Building local capacity for employment and diversification”, will be realised by the application of LEADER approach in case of all four axes. The objectives of Axis III. will be present still with the greatest emphasis in the LEADER programme, but efforts have to be made to orient LAGs towards the objectives of Axis I. and II.

### ***2.2.2. Indicative distribution of resources between groups of measures (axes)***

In line with the inherent objectives of the Strategy and the Programme, the indicative allocation of resources is based on the main characteristics of the Hungarian agriculture – the need for increasing the competitiveness of agricultural production through technological modernisation, human capacity building and creating more added value –, the state of environment in rural areas – the low environmental load connected to agriculture and the need for the increased protection of territories with high nature value – and on the development potential – focusing on enhancing the competitiveness of rural enterprises in order to create jobs and improve the access to services – of rural territories. Other national and regional policies will also contribute to the improvement of rural world and to the diversification of its economy.

The experiences of the former and present development programmes also largely influenced the allocation of resources in order to use the whole budget available for Hungary in the period 2007-2013 and to best utilise it for the development of agriculture, rural areas and for sustaining the favourable state of environment of rural territories.

The **table of the indicative financial resources** of the programme are as follows:

<b>Axes/TA</b>	<b>Financial weight (of total EARDF contribution*)</b>
Axis 1	47%
Axis 2	32%
Axis 3	17%
Technical Assistance	4%

*\*Including amounts available pursuant to Article 12 (2) of Regulation (EC) 1290/2005.*

The resources of Axis IV. – 5.5 % – will be deducted from the amount allocated for Axis I-III, following the ratios 25-10-65 percent, accordingly. Out of the resources allocated for Axis I., approximately more than 10 percentage points of the resources serve the objectives of Axis II. The detailed financial tables will be the parts of the Rural Development Programme.

The above figures clearly express key findings of analysis of the current situation and the need stemming from it.

**Hungarian agriculture has the potential of becoming a competitive sector** if structural problems can be overcome and innovative and marketing-oriented philosophy can be introduced and disseminated. **The main strengths** of agriculture, food industry and forestry are the traditions and good natural and climatic conditions for agricultural production, therefore significant production potential in agriculture. Among the **weaknesses** the imbalanced structure of agriculture, the overproduction of crops, and the lack of capital have to be mentioned first. The low level of skills and innovation, the obsolete technology used, the lack of market-orientation, the bad age-structure of farmers, the fragmented farm structure typical for certain groups of producers and the low level of organisation of producers and poor cooperation along the product chains are also among the weaknesses and problems that need to be tackled.

In order to handle the structural problems of the Hungarian agriculture, diversified approach is needed. To mitigate the market tensions caused by the **overproduction of cereals**, there can be **five ways of facilitating restructuring**:

The **production of bio-energy** could provide a solution for the overproduction on two sides. On the production side, the plantation of fast growing species decrease the land used for cereal production, while on the market side, the use of cereals for bio-ethanol production decreases the surplus that was produced.

**Investments in animal husbandry** also diminish the production surplus of cereals using it as input for animal breeding. This significantly increases the creation of added value along the production chain.

**Forestry – more precisely afforestation** – decreases the area used for crop production, therefore results in a potential decrease of the total amount of cereals. This way it contributes to the change of the production structure.

**Horticulture** – based on the favourable conditions for agricultural production – can be an alternative solution for the diversification of agricultural activities and for the income generating of producers.

Development of infrastructure, especially **investment in logistics**, could largely help to improve market access of agricultural products and commodities.

The above-mentioned ways of development of physical resources shall be accompanied by the introduction of innovative technologies and a wide-range of services for information, knowledge and competency dissemination.

**Environmental load** caused by agriculture is **low** in European comparison. Resources shall be used for the long-term preservation of this condition and for the raising of awareness among producers towards the importance of the principle of sustainable farming. **The strengths** of the environmental situation in rural Hungary consist of several elements: the rich bio-diversity, the significant size of territories falling under natural protection, the extent and importance of forests and the low environmental load of agricultural origin. Among the **weaknesses** of the state of environment, the increasing water and wind erosion, the soil compaction and salinification, the challenges posed by the climate change and global warming, the structural water quantity imbalance and the nitrate load in the area of animal keeping sites shall be mentioned.

The challenges that rural society is facing can be tackled by **creating and retaining workplaces and fostering entrepreneurship** in rural areas. The quality of life shall be increased by providing a better access to basic services on one side and by renewing settlements and protecting cultural heritage. **The strengths** of rural areas and communities, the rich cultural and natural heritage and also the experiences of the diversification – with main focus on rural tourism – that has already started in the rural economy can be mentioned. **The main strengths** of rural communities are the increasingly important partnerships and local initiatives. On the other hand, **the weaknesses** of rural society and economy include the low level of skills and education, the low density and income-producing ability of rural enterprises, the lack of jobs and the limited access of inhabitants to basic services. Rural territories face even more with challenges, like the special problems of rural women and disadvantaged social groups (Roma population) and also the special situation of people living in

outskirt areas. Local communities are still **weak** in capacity building and in the implementation of integrated development strategies.

## 2.3. Ex ante evaluation

The ex-ante evaluation of the Programme is being undertaken in accordance with Article 85 of Council Regulation (EC) No. 1698/2005, and with the relevant CMEF guideline on ex ante evaluation within the scope of the Community's rural development policy.

The evaluation is done by independent evaluators appointed by the Ministry of Agriculture and Rural Development, selected through an open tender public procurement procedure. Led by PricewaterhouseCoopers, Budapest, the consortium includes Agrár-Európa, Budapest, Fitzpatrick Associates, Economic Consultants, Dublin, and local independent experts from the academic sector.

As required under the Commission's guidelines, the ex-ante evaluation is being carried out on an interactive basis between the consultancy team and the Ministry responsible for the planning of the Programme. The process started in May 2006, focusing first on the Strategic Plan under elaboration, and is going to last until the closing of negotiations with the Commission services on the Rural Development Programme. It has involved a series of meetings, workshops and other interaction, iterative exchanges and working papers. The Ministry has grabbed up a number of evaluator comments in the course of preparing current draft Programme.

The evaluators' main comments, referring to this January version of the Programme, are given in the following sections.

### 2.3.1. Evaluation of medium- and long-term needs

#### *Overall assessment*

The evaluators broadly agree with, and can affirm the main factors influencing the development of agriculture, the environment and rural areas, including their strengths and weaknesses, as described in the situation analysis.

The overall problems of the rural areas in Hungary is the social degradation, the community meeting possibilities are getting rare, the lifestyle is changing into that direction which does not help to maintain the traditional rural values, that is why the people do not want to stay in rural areas, in particular in the areas lagging behind, which further worsen its present problems.

The basic problem of uttermost significance is the absence or scarcity of rural employment possibilities. The rural population has weak initiative skills, and, sometimes, the absence of sound demand blocks starting new businesses (e.g. based on some tradition).

The services are weak in rural areas, in general, understanding the services itself and the access to those (travel, ICT, etc.).

There are unsolved problems with romas (living conditions, working, cultural differences)..

The mainstream CAP rural development measures (Axes I-II-III) cannot target some of those activities, which influence basically the result and effectiveness of the CAP-measures (e.g. central regulations for post offices, schools, health care, etc.).

We have extremely good natural conditions for agricultural production, we have to utilise this. However, the good natural conditions are not enough nowadays to achieve good revenue-situation, among other things, marketing, post harvest handling, warehousing, processing is also needed.

The reasonable support for agriculture can help battling with rural poverty.

Regional differences are considerable in Hungary, but these mainly cannot attach to statistical regions.

The homesteads cover large areas in some part of Hungary, maintaining this is partly question of rural heritage. To get these homesteads fallen into line with other living places costs relatively more (workplaces, services, social contacts, infrastructure), but the maintenance of these has economical, social and environmental effects (cutting the places for illegal activities).

The effectiveness of the CAP rural development measures can be accompanied with other policies, which have effects on rural population, taking into account the rural interests during the policy formulation. It is not part of the CAP rural development, but we have to raise this, in order to improve latter evaluations.

### *Axis 1 – Improving the competitiveness of the agricultural and forestry sector*

We give and use the following definition for competitiveness:

- good quality product
- at a reasonable price
- able to deliver the products to the consumers.

Improving these elements can increase the competitiveness of the agricultural and forestry producers and sector.

Great problem of Hungarian agriculture is the relative overproduction of grains, considering the inland consumption. The market position depends on export markets, and, until the last times, the intervention. The export market is based on strongly the weather.

Significantly decreasing the grain production cannot be a real objective in short run, we need to utilise our natural resources, we have to support in a reasonable way the agriculture (which has a positive multiplying effect), that is why the stable market should be created, supported. These markets can be the use as feed, as well as for energy purposes. In a long run, the land utilisation change can be investigated (other crops, recreation, set aside, afforestation, etc.).

Although Hungary experienced during the ARDOP a significant improvement in machinery, our falling into line with the competitors is not full; we need further improvement in this field. As evaluators we think that, concerning machinery, those special and machines and post harvest technologies are needed, which influences the quality of the products. The supported machine size must fit with the size and market possibilities of the applicant farmer.

There are improductive investments in the animal husbandry, which requires preferential attention and subsidy, like animal welfare, environmental protection, and other, meeting standards subsidies.

The age structure is unfavourable in the agricultural sector, young people should be attracted. Furthermore, the knowledge and the skills of the people working in the agricultural sector are not suitable for a quick adaptation to the changing market and other influences.

There is a great potential for improving profitability in decreasing the costs, which can be helped by cooperation, establishing producer groups.

The workplace maintenance and the creation should be taken into consideration during the agricultural development.

The infrastructure serving the agricultural production also requires improvement.

Identifying target groups, independently of the products, as evaluators, we see the followings:

- big producers, staying in the same business
- big producers, willing to change

- small producers, staying in the same business
- small producers, willing to change

Characteristics and development needs of the groups:

- **big producers, staying in the same business:** unambiguous market orientation, the agricultural production is their main activity, work on economy of scale, willing to get bigger, mainly produce bulk products, main aim is profit maximalisation; main development objective is prepare them to more difficult market situations in order to survive those periods, improving the competitiveness with product delivery to the customers (mainly logistics), as well as cost reduction investments
- **big producers, willing to change:** agricultural production is their main activity, willingness to co-operate, higher environmental sensibility, flexible way of thinking on diversification; main objective can be to use all of the possible income-compensations (agri-environment, higher animal welfare commitments, etc.), this group is able to produce energy crops (energy plantations, SRC<sup>1</sup>); this should be the main target group for investments
- **small producers, staying in the same business:** part time farmers, the product they produce has a buffer role, balancing the market changes, in terms of quantity and quality; objective: keep them in production, with income compensation, maintaining the countryside, producing public goods and remunerate them, strong co-operation in order to decrease costs, maintaining traditional ways of agricultural production, ancient races, producing for local markets
- **small producers, willing to change:** part time farmers, utilises free times to produce for own consumption and partly for market; objective: staying at the present level, if improvement, in that case activity diversification, product diversification, smaller processing, approaching niche markets, local markets. Or leave the agricultural production.

## *Axis 2 – Improving the environment and the countryside*

The situation of the Hungarian agriculture, in terms of environmental load, is favourable. This situation is a result of the lower profitability of agricultural production; the producers cannot afford to use more, from financial point of view. But, with land consolidation, the increase of use of agrochemicals can be observed.

Within the animal husbandry, in the present situation the meeting the obligatory standard can be the main environmental aim for the animal breeders. Of course, the possibility to compensate for higher animal welfare commitment should be ensured.

Hungary is a continentally located country, the weather is extremely changing. In order to ensure the safe yield, the producers need irrigation in certain areas, this requires improvement, investments. It has definitely environmental effects, but as evaluators, we suggest to make coordination between the Axes I-II, and make the support system in case of irrigation infrastructure, which is maximal environmental friendly.

The bio-production has particular importance in Hungary, partly for those who use the unique market possibilities, partly, who has strong environmental commitment, and perhaps fights with lower profitability in conventional production. The bio-production has a special feature to integrate the Axes I-II-III objectives.

The precision farming has a unique opportunity within the environmental protection, because it can be applied by a totally conventional farm, no administrative requirements, and, in the same time, safe production with lower environmental load. It requires investment, training, from Axis I, and serves the objectives of Axis II, as well.

---

<sup>1</sup> Short Rotation Coppice

The measures intended to help soil protection should have attract more attention, since the erosion and deflation are the two main environmental problems, which can be solved with reasonable agricultural production.

The water quality also should have more attention, since the drinking water will be a bottleneck in shorter or longer run.

Natura2000 areas protection is important, but the Natura2000 management plans should be made earlier.

### *Axis 3 – The quality of life in rural areas and diversification of the rural economy*

Main problems of the rural areas: income generation, services, infrastructure, social degradation.

Due to these issues, the out migration and the ageing population can be observed. This is not homogenous, taking into consideration the area approach. The population (that share, which is able) migrate out from areas lagging behind. This cannot be seen at the least favoured areas, because on one hand the people has no financial background to move, on the other hand these areas are mostly the places for romas, and, among them, there is not real ageing phenomena nor the population does not decreases.

Settlements with increasing population are the rural small towns, where the neighbouring village-population moves. Furthermore, the agglomeration settlements are also in same situation, although the population migrating into sourced from the cities. These people mean strong demand towards services that is why these agglomeration villages do not battle with typical rural problems. On the other hand, these urban people cannot stand the normal rural effects (animals, sometimes manure on the road, smell, etc.), and try to coordinate with the local government. It is spreading, as the urban people move to rural settlements, and sometimes block the traditional animal breeding practice.

The agriculture is getting smaller in importance of income generating activities. However, the agricultural activities should be kept in at least the present situation, ensuring the local people the possibility to work, for self-supplying, utilising the possibilities of local markets, the employment structure should be improved. Mechanising the agricultural production does not meet this need, only at significantly higher output, which is not an objective. A moderate output-increase with machinery means less workplace, in general.

The tourism has high importance among the rural income sources, but it should have a certain framework:

- in those areas, where is an active tourism, the support is reasonable
- in those areas, where is a tourism potential, the support can start the development
- in those areas, where has no present tourism potential, only complex projects, aiming at creating new potential, accompanied with the relevant accommodation, services, programs, etc. is reasonable to be supported.

The traditional crafts are also can have great importance, but it should be supported with strong marketing, because the present sound demand is limited.

The income diversification requires the training of the rural people possible concerned.

The income generation can be supported by incubator-houses, in the centres of the small rural development areas.

In the fields of services on the one hand the services should be developed (with service centres), on the other hand the access to those services, which is not reasonable to offer in a certain small village or in a homestead. It requires infrastructural development, which enables the people to be in contact with the “outside” world (travel, ICT, etc.)

For fighting against social degradation the meeting places are extremely important, and those kinds of improvements which reinforce the feeling of belonging a stable local community. Village renewal, maintaining rural heritage, traditional rural values, as well as development in the field of social economy.

The maintenance of the built heritage can be accompanied with some economic activity.

Solving the problems of romas, it is possible only in the way of taking into consideration of the cultural differences, their traditions, aiming at – through a complex approach – several issues in a complex project. In Hungary we have positive experiences with social land programs.

#### *Axis 4 – Leader*

There is a great interest towards development possibilities and ways, based on the local problems and needs.

The LAGs (even the approved) need further capacity building and training. Beside this, professional assistance is also needed, in order to draw and implement local development plans.

The present implementation system is rather difficult, bureaucratic, centrally managed, beside the local management. This should be changed; the system should be more locally.

The leader is a good place to solve, or to contribute to solving those kinds of problems in rural areas, which are not covered by the EAFRD-measures. These problems also fall under the Axes I-II-III objectives (e.g. certain services, education), therefore can be targeted with Leader, but not part any of the aforementioned measures.

The results of the Leader are influenced by the effective work of Rural Network, which can be a place for experience-change.

### ***2.3.2. Evaluation of the strategy chosen***

#### *Overall strategy*

The strategy identifies 3 Measure Groups, along the Axes I-II-III, while the Leader serves as an implementation approach of the 3 Measure Groups.

The intervention actions cover the needs of the agriculture, the environment and the rural areas. The weight of the Measure Groups, taking into consideration the number of the intervention actions, reflects the possibilities of the EAFRD-measures. The rural development without the agricultural related measures (Axes I-II) has fewer possibilities on terms of intervention actions. Beside this, there are those kinds of circumstances, which influence the results of this strategy, mainly in the fields of services and enterprise-development, which are the two main areas of the present strategy's Measure Group III intervention actions.

The fund allocation answers the structural and employment problems should be solved within agriculture and forestry.

The horizontal issues and the need of meeting the Lisbon and Gothenburg principles, are handled well in the strategy, despite the fact of in some cases, in principle, improving competitiveness does not contribute to the increase of employment.

#### *Axis I – Improving the competitiveness of the agricultural and forestry sector*

In case of Axis I there the justification of the strategy chosen is not organised along one, broadly approved competitiveness definition, while the national priority refers some of the competitiveness elements. We suggest analysing market situation and impact of suggested measures on different commodity markets in more details. The Measure Group's strategy contains different, really important



measures, but it is not clear enough how it will contribute to the competitiveness of the agricultural sector. It needs more explanation and analyse.

The goals are the followings (by intervention actions):

- spreading information and knowledge: increasing knowledge, ensure possibility for tailor-made extension
- improving age structure: encourage young farmers to start, through this lowering the average age in agricultural production
- change in production structure: adjustment of grain-production, change the structure, along changing market possibilities, enhancement of role of agriculture and forestry in raw material production for renewable energy, change in structure of land use towards products with more added value
  - renewable energy use and production
  - strengthen the viability of animal husbandry
  - more added value in horticulture
  - forestry
- supporting quality: increase in added value of agricultural products through processing for food; strengthen the producer groups
- infrastructural improvements: increase in irrigated land, as well as the farms' infrastructural development

The intervention actions cover the national priority, while the intervention actions contain the relevant EAFRD-measures. There is a need, which is mentioned in Axis II, to take into account the environmental effects of the investments, during the implementation. We see that here in Axis I would have a better place to express this.

Among the result we expect high interest in machinery development, since this measure has been "closed" almost two years ago. The same is valid for investments in buildings, technology. That is why we suggest strong market orientation and screening for deadweight, in the application procedure. The same situation is expected in the forestry measure.

The trainings need strong proactive steps, without it this measure will not attract many farmers. The extension service will be popular, since this is based on the obligatory established farm advisory system.

Setting up young farmers will also be popular; in particular if the farms transfer measure also will run. There is a large interest in transferring farms. So, finally there will be more young farmers.

Since the processing is limited, the large factories are not eligible; there will be more, much smaller projects in food. The non food sub-measures are not supported with market analysis however could be good way to decrease the grain market disorder, in case of proven market possibilities.

In case of infrastructural investments the irrigation will attract relative high interest, as well as the amelioration. In both cases the private investments will be more popular. But, since the common improvement is at least important, strong proactive steps are needed to enhance those.

The meeting standards seem to be very popular, all of the farmers concerned are expected to join.

Concerning food quality systems, we expect not too high interest, although the fund allocated can be covered. The marketing support of producer groups will not be a real attractive measure, except they will have outside contribution besides the subsidy (proactivity).

The semi-subsistence farm measure will be of high interest, if the implementation will be simple enough. As it is stated, it requires strong capacity building support.

The producer group measure is really important, because there is strong potential in cost-decreasing with co-operation among farmers, mainly on the purchase side. The farmers in Hungary are not really willing to co-operate, strong animation is needed.

Among the measure indicators, there is no reference to workplaces (maintained or created) in Axis I. As the competitiveness in Hungary goes almost hand in hand with the increasing unemployment, we suggest referring in the description of the measures the expected increase of unemployment, or, at least, which measures will help the people getting unemployed by the effect of the investments.

The Program does not identify target groups, based on structural features, only gives legal form, as well as statistical numbering of the activities. The structural change is not measurable on this basis. If the Program aims at structural change, we suggest the measures to be complemented these target groups.

With the help of EAFRD Hungary's natural potential remains as a resource in rural areas for maintaining and creating workplaces, helps to maintain the countryside and ensures good quality raw material for potential markets. If, during the implementation, there will be intention from the management side to take into consideration and prefer broad rural development objectives (e.g. employment, rural services, environment, local products), the EAFRD-support to the agricultural sector will be of a great help for the rural areas.

In the previous programming period the Priority 1 Investment in agricultural holding was the most popular group of measures and sub-measures. The possibility of submitting applications was left in abeyance relatively early, in the spring/summer of 2004, which shows an extreme strong interest. More than half of the applications have been supported, which resulted a significant improvement of basic machinery in arable, and also a strong improvement of grain warehouse capacity.

The agricultural investments implemented with help of subsidy during the ARDOP were almost the same as the total agricultural investment. It shows a strong interest towards EU resources.

## *Axis 2 – Improving the environment and the countryside*

In terms of Axis II, the strategy aims at the special national needs, as well as contributes to maintain the agricultural production's low environmental load. The agri-environmental intervention action goes further than the soil-protection, which is the relevant national priority. We agree with the intervention action. The strategy contains cross references with Axis I measures in case of investment for keeping the environmental requirements, we agree with this. We highly agree with the water-protection strategy.

The LFA targets are realistic, in 2004-2005 the number of the supported claims was 5137, the planned area is also realistic. The figures for agri-environmental measures also realistic, corresponds to the number of the 2004-2006 claimants. However, it should be noted, that the 2004-2006 figure was based on a system with relative low requirements, the 2007-2013 system will be based on higher standards.

In case of animal welfare commitments we do not have experience. The 3000 farmers is a realistic target, although a strong monitoring system will be needed to assess the improvements in this field.

In case of non productive investments the target is one third of the agri-environmental claimants, if we see the higher requirements, this figure should be revised.

The targets of afforestation of agricultural land also reflects to the previous period results, it is realistic to support 1000 claimants a year, with 10 000 ha afforested agricultural land the agro-forestry systems targets 300 claimants with 3000 ha. It is also realistic, it is a new measure in Hungary, but means good possibilities for some of the target groups. In case of afforestation of non agricultural land the target seems a bit low, since the subsidy rate is relative high, main part of the costs will be covered by this measure, and it will be more attractive for the forestry sector. It should be revised. Furthermore, it is a really important measure in terms of activity, production and income diversification, environment protection.

Natura2000 areas are designated. Since the requirements will be obligatory, most of the farmers/foresters will claim the possible subsidy. The targets can be given in area, but the number of claimants depends on the land and owner structure. The forest-environmental protection systems also expected to be a popular measure, with high number of claimants and involved area. The non productive investments in forestry targets 10 000 claimants, much less than the supported foresters in the forest-environmental measure, although this non productive investment goes further the forest-environmental related investments. We suggest checking this target.

Hungary has a large agricultural potential in terms of natural resources. We do have to utilise it, and, based on our market possibilities, will do. It can be managed in an environmental friendly way, introducing Axes II measures. It results healthier food, maintained countryside, as well as protected environment. In the implementation of land consolidation the environmental aspects should seriously be taken into consideration. Maintaining the countryside means more rural workplaces, while supporting higher level animal welfare also means higher quality food.

The Measure Group takes into account the Community's priorities. Which is not present in the strategy is the plan for introducing higher standards than the cross-compliance rules in case of agri-environment measures. Organic farming is not present with enough weight in the strategy. Later on, the description of the measure contains these issues.

We experienced an extreme high interest in agri-environmental basic schemes in Hungary. The burden of the subsidy was only the fund allocated for this measure; lots of good claims have been refused due to this fact. The bio-production is increasing in Hungary.

The LFA measure was not a real success in Hungary, because the strong requirements towards applicants (e.g. not possible grain production).

We do not have experiences with Natura2000, although the Natura2000 areas have been designated. There are no Natura2000 management plans for these areas, except the areas located in Natural Protection Areas, but those management plans not for Natura2000.

The afforestation of agricultural lands was also a popular measure.

### *Axis 3 – The quality of life in rural areas and diversification of the rural economy*

In terms of Axis III the national priorities take into account partly the needs of rural areas and to some extent handle the social, and partly the infrastructural issues. The three actions do not cover the national priorities, although the actions lie closer to the needs. In case of micro enterprises one of the most important fact, the market has not been taken into account as strategic importance. In terms of services, the access to the services in those areas, where the presentation of these services is not reasonable (very small villages, outskirt areas, homesteads), taking into consideration the nature of the service (e.g. employment consultation, post office, healthcare, education) is not present in the strategy. Measure Group III has 17% of EAFRD, 13.425% without the Leader share (5.5%x65%).

The services centres can result significant improvement of the quality of rural life.

The diversification differs from the ARDOP diversification measure; the one presented in the Program needs strong proactive steps.

The trainings based on the statistical areas, intended to prepare the areas to the Leader. These areas are not homogeneous, concerning Leader requirements, therefore are not suitable for this objective.

The diversification and the rural enterprise development almost the same measure, the target group differs. There are exclusions concerning subsidised activities, which are not explained.

The tourism is expected to be a popular measure.

Improving rural services is really important, we expect high interest.

The target for employment maintenance and workplace creation is 16,000 at Measure Group level, which is a significant improvement in the field of rural unemployment, subsidising 4500 micro-enterprises and 400-500 farmers, it means 3-4 workplaces per enterprise.

The rural tourism guest night target is 600,000 per 7 years. It will be achievable, if complex projects will be implemented, attracting more tourists.

300-400 Rural Service Centres will be supported. It will have a significant effect on rural services. There are buildings which are suitable to be a basis for this improvement, thanks to the latest institution closes (e.g. rural post offices).

The Community's financial contribution is 437.6 million euro, which is 11.5% of the EAFRD.

These measures help to improve the quality of life and the income generation possibilities in rural areas, which contribute to the maintenance of the rural heritage, and help to improve the age, education situation of the rural areas. Some of these measures require a local development plan, which gives a coordinated approach to these instruments.

The Measure Group takes into account the Community's priorities almost completely. Which is missing the ICT take-up and diffusion, and upgrading local infrastructure, which help to access the services as well as make the "outside world" accessible.

The problems with these measures in general are the market of local products and the absorption capacity of some of the target group. These issues in some cases came from the low training situation, resulting lower flexibility and market orientation.

In case of rural tourism part of the project aimed at improving family houses, without real tourism activities. In some cases, tourism projects (mainly infrastructural) without real local tourism potential of a particular micro region have been supported. In the future more attention should be paid to complex development programmes.

Great interest could be observed in case of improving rural road, local built heritage and local marketplaces.

There were no possibilities to apply the ARDOP to the outskirts areas of the towns, although those areas are typical rural, with all the problems of the rural areas (workplaces, services, infrastructure, etc.)

In the ARDOP we did not have measures for local services, nor for outskirts areas.

#### *Axis 4 – Leader*

In terms of Leader, the strategy takes into account this approach rather weakly, it is not taken as a specific "Measure group", it is only part of the Measure group III. The main aim is to strengthen the present Leader system, which has now implementation problems. In the case of Leader the strategy does not show the intention of contributing to the objectives of the 1-2-3 Axes. On this basis the results are expected to be less, comparing to a stronger Leader-like strategy. In Hungary there are those kinds of rural issues (economic, environmental and social) which can be handled effectively with Leader, but the present system does not meet fully with this. The Leader allocation, 5,5%, it is distributed between the Axes I-II-III.

The approving procedure of a LAG is based on an Article 59 development plan, which has a "sub-plan" for Leader. This does not meet with the rules of the EAFRD Regulation.

Based on the description there will be around 200 local development groups, of which the LAGs will be approved, which mean a less number of LAGs. Comparing to this the indicator table contains 200 approved LAGs. The 200 approved LAGs is a realistic plan (we have 187 applying LAGs in ARDOP, 70 approved), covering 60-70% of the area of Hungary. The size of the LAGs should be different, based on the features of the key area planned to improve locally.

In case of number of projects the target means 15-20 projects a LAG in 7 years, which is 2-3 projects a year. It is not really ambitious, and does not show significant effect. The same is valid for the workplaces, 2 workplaces per LAG in 7 year.

The community added value can be identified in case of Leader as local answers to local problems. The fund allocated is two times more in one year than it was in the ARDOP for the whole period. If

the decisions will be made at the local level, there can be real improvement in solving the problems based on the local resources. It requires strong capacity building. Since the rural development issues are typical and special in a given area, the more the fund used along the Leader approach the more the adequate answers to the local problems. Therefore we suggest examining the broader application of Leader approach in the measures which influences local employment and quality of life, mainly in case of services.

The objectives of the Measure Group meet the Community requirements towards Leader application. The Program does not contain information about the management of the LAGs, the decision making procedure, which is basically influences the implementation of the Community's priorities. The Program should detail deeper the LAG approval procedure.

The ARDOP Leader has a strong central management beside the local one. It makes the procedures more difficult, more bureaucratic. This situation is result of the fact the Leader was part of the ARDOP; the same procedure had to be applied. The smaller applications needed the same documentation as the rather big investments. There were human capacity problems at the beginning, within the administrative body of the central management (ARDA). There were uncertainties with the local tendering, too short application periods, and changing documentation.. There were no official manual, helping documentation, guidelines.

The tendering LAGs cover rather big part of the country, which shows a real interest towards this bottom-up approach, the number of the supported ones is a result of the fund allocated in the ARDOP.

There is no experience with implementation of Leader projects in the 2004-2006 period, due to the late introduction.

The LAGs need more and detailed training. The rural network is needed to have place to change ideas, good practice, etc.

### ***2.3.3. Assessment of proposed implementation procedures, including monitoring, evaluation and financial management***

The **setting up of the implementation system**, including the designation of competent authorities and bodies responsible, the description of their management and control structure, the monitoring and evaluation systems, as well as arrangements for information and publicity, was under finalisation at the time the ex ante evaluation was undertaken.

#### *Designation of competent authorities and bodies responsible*

The designation of the competent authorities, as required by Council Regulation (EC) No. 1698/2005, has been already set in first instance in Government Decree No. 275/2005. (XII. 20.) on the establishment of the Hungarian institutional system of the European Agricultural Rural Development Fund. Correspondingly,

- the Ministry of Agriculture and Rural Development has been devised as the **Managing Authority** of the Programme, with operational tasks to be performed by the "Agricultural and Rural Development Main Division" (ARDMD)
- the Agricultural and Rural Development Office (ARDO) will be the **accredited Paying Agency** within the meaning of Article 6 of Regulation (EC) No 1290/2005.

This is in accordance with the Commission's position, as ARDO was the agency responsible for payments from EAGGF Guarantee Section in the period 2004-2006, as well as for payments from EAGF from 2007 on.

- as concerning the tasks of the **Certifying Body**, the audit company KPMG has been appointed to perform these, following an open tender public procurement process.

KPMG will perform its tasks independently, However, the Ministry, as the procurer, remains in charge of supervising the quality and accuracy of its work.

The Monitoring Committee will be established mainly on the basis of the past Monitoring Committees of the ARDOP and NRDP (for the programming period of 2004 to 2006).

The description of the **roles and responsibilities** of the competent authorities, as provided in the Programme, originates in Government Decree No. 275/2005. (XII. 20.) on the establishment of the Hungarian institutional system of the European Agricultural Rural Development Fund. This is broadly seen as compliant with the relevant Council Regulations (1698/2005, 1290/2005, 1974/2006), however, some details (concerning the tasks and responsibilities of the Certifying Body) may need a revision.

Detailed information regarding specific implementing arrangements (e.g. co-operation with, and among ARDO and KPMG as the Certifying Body, ARDMD's as Managing Authority's steering and supervisory powers over the operations of ARDO) were not fully available at the time of concluding the evaluation. These are still subject to negotiations with ARDO, as well as with the Commission services.

No serious **capacity shortages** can be identified at this time. As the Implementing Body of SAPARD, ARDOP and NRDP, ARDO has acquired the necessary expertise, organisational knowledge and skills to successfully implement the Programme. The agency disposes over sufficiently skilled labour in its central and regional offices, including all project selection and management, financial management and control activities.

However, the training and skills development of new labour, the setting up of effective and efficient intra- and inter-agency processes and information flows require special attention, as these were regarded as serious institutional bottlenecks in the implementation of past programmes.

### *Monitoring and evaluation arrangements*

As regards **monitoring arrangements**, the Programme identifies the roles and responsibilities of the Monitoring Committee. This is compliant with Article 78 of Regulation 1698/2005. The list of participants has been supplemented in the last version of the programme.

The Programme provides a picture on the allocation of responsibilities, but the evaluators feel the need for a detailed review of previous, as well as newly planned monitoring structures and processes. Implementation experience of ARDOP and NRDP showed that there is room for development in devising an effective and efficient monitoring system (EMIR), providing reliable data on a timely basis (covering both physical and financial progress), and comprehensible reports that are understood and actually used by the people responsible.

The evaluators think that some **indicators**, required by the Commission in the CMEF (and some additional national indicators), would not score well, when compared against the SMART criteria: being very hard and expensive to obtain, and not sufficiently reliable or controllable. In addition, the link is not always clear between the outcomes of Programme actions, and the change in indicators. The evaluators made overall comments on this, while their detailed comments and recommendations are under finalisation.

New policy and regulatory requirements on strategic leadership directed at the Managing Authority and Monitoring Committee, focusing on the "strategic monitoring" function, may necessitate further development of corresponding knowledge and skills of the responsible people within the Ministry, ARDO and the Monitoring Committee. Only a limited number of members of the Monitoring Committee were intensely participating in surveying and debating the strategic, as well as the operational issues of programme implementation in the past. A better back-office support, more comprehensible reporting may help the Committee to more effectively exert its powers to monitor progress.

In relation to planned **evaluation** of the New Hungary Rural Development Programme, the actions foreseen are compliant with the Common Monitoring and Evaluation Framework. Given the lack of knowledge and on-the-ground experience as concerning the actual needs of target groups, and effects

of interventions, there might be a need for going beyond the scope of CMEF and devise a small-scale, but effective ongoing evaluation function within the Ministry and ARDO.

### *Financial management*

The Programme does not specifically provide a description of the **financial implementation and control arrangements**, but these are sufficiently elaborated by the responsible authorities (most notably ARDO). Previous experience shows that ARDO's operations are consistent with the Commission's requirements and the relevant national regulation. Financial control seems to be up to standards, but delays – as in the implementation of ARDOP – are likely, due to extensive checking and bureaucratic procedures, a high workload, and possible co-ordination flaws.

### *Partnership consultations*

Extensive **partnership consultations** have taken place in the course of preparing the Programme. The list of main social and economic partners have been provided in the Annex, and constitute a broad range of stakeholders.

The partners were mostly involved in terms of commenting on the draft Strategic Plan and Programme, rather than participating proactively at the design stage. Their comments were registered and reviewed by the Ministry, and decided upon acceptance or rejection. Some concerns regarding the effectiveness of the organisation of the partnership procedure, and the adequacy of feedback still remain with the evaluators.

## **2.4. Impact from the previous programming period and other information**

The design of the objectives and specific content of NDP II, the National Development Plan for the period of 2007-2013, was preceded by several programs launched in preparation for accession that are still in progress. In what follows, we will review the major features, development priorities, and points of connections of these programs from the perspective of the upcoming plan period.

The funds available under the SAPARD, ARDOP, and National Rural Development Plan programs were used to start the restructuring and modernization of Hungarian agriculture and rural economy, but soon proved to be too modest to implement the much-needed changes. Experiences with these programs nevertheless proved wrong the scepticism regarding the use of development funds, as the resource needs of submitted tenders more than once massively outstripped the funds allocated for the purpose. Whereas most of the major objectives and priorities were accomplished, the projects frequently revealed imbalances that demanded the revision of certain measures in the course of implementation. The objectives of these former programs for the most part remain valid as strategic goals for the next project period of 2007-2013.

### **2.4.1. The SAPARD programme**

As part of the country's preparation for accession, EU criteria, directives and objectives were gradually integrated within Hungarian law and public administration. The process of legal harmonization was aided effectively by pre-accession programs, such as Phare and SAPARD. The agriculture sector has been a beneficiary of Phare programs since 1990, and seven such programs were concluded until 2003. As a result of these programs, the most spectacular development was noted in the system of institutions, with great advances in the establishment of EU institutions and the construction of information and filing systems supporting their operation.

In terms of its objectives, tools of implementation, and institutional background, the SAPARD was instrumental in gearing up for the implementation of the Common Agricultural Policy, and may essentially be regarded as the "training programme" for the ARDOP and NRDP currently being

implemented. The Plan for SAPARD for the period of 2000-2006 was compiled by the Government of the Republic of Hungary on the basis of a July 21, 1999 decree of the European Council. The final version of the SAPARD Plan, reworked in view of the observations of the European Commission was approved by the STAR Committee on September 13, 2000.

Through the Committee Resolution of the European Commission No. 18/10/2000, Hungary's SAPARD Plan became an approved programme for agriculture and rural development and this made co-financing possible for the measures of the Plan from the Community budget.

Applications could be submitted for support under the SAPARD Programme from the end of November, 2002 until the end of April, 2004.

Of the proposed measures of the Programme, the following were accredited:

#### *Agri-structure development measures*

- Support of investments by agricultural enterprises
- Development of processing and marketing of agricultural and fish-farming products
- Vocational training
- Dissemination of production methods serving agri-environmental protection and land sustainability
- Setting up and operation of producer groups

#### *Rural development measures*

- Village development and renewal, protection and conservation of the material and spiritual heritage of rural areas
- Diversification of activities, development of business activities ensuring alternative revenue sources
- Development and improvement of rural infrastructure

Technical assistance (the amount allocated to this measure could finance the promotion of the programme, the production of information literature, organisation of presentation and courses about the SAPARD Programme)

Most of the tenders (39.7% of all applications submitted) were filed for the titles "Support for investments by agricultural enterprises" and "Village development and preservation of material and spiritual cultural heritage in rural areas" (37.6% of applications). The title attracting the least interest (with 4.2% of the applications) was "Diversification of activities, development of economic pursuits providing alternative income." Development intentions and applications for funding were registered in a proportion corresponding to the financial plan, demonstrating the well established grounds for the objectives identified in the program, the careful delineation of proportions and, despite the initial difficulties, the ultimate success of the SAPARD.

When the Programme was closed, more than three quarters of the original 7-year budget could be committed by contracts in the less than two years available.

The number and project costs of the applications received for the SAPARD Programme justify the large funding requirement of the sector. The final deadline for committing the support frameworks was August 31, 2004 and by that deadline the full, increased, amount of 65.5 billion HUF was contracted for.

*The experience gained through SAPARD offered a major help to make the procedures of ARDOP and the NRDP simpler and more logical. Agriculture and rural development benefited most from the preparatory process.*



### ***2.4.2. Agriculture and Rural Development Operational Programme (ARDOP)***

The ARDOP covers measures that can be funded from the Orientation Section of the European Agricultural Guidance and Guarantee Fund and the Financial Instrument for Fishing Orientation. The ARDOP defines three major development priorities, associated with eight measures (and corresponding Technical Assistance with their implementation):

#### *Priority 1: Laying the foundations for producing competitive raw materials in agriculture*

- Support agricultural investment
- Provide structural support for the fishing industry
- Support for setting-up young farmers
- Support professional and cross-training

#### *Priority 2: Modernisation of food processing*

- Development of processing and sale of agricultural products

#### *Priority 3: Development of rural areas*

- Enlargement of rural income generation possibilities
- Development of infrastructure linked to agriculture
- Village development and renewal, protection and conservation of the material and spiritual heritage of rural areas
- LEADER+

#### *Technical assistance*

The national and Community funds available to implement the ARDOP total 107.8 billion HUF or 442.8 million EUR, of which amount 36 billion HUF (141.1 million EUR) was available in 2005. Applications were received on an ongoing basis starting May 3, 2004, and were processed and evaluated after October 1, 2004, when SAPARD had concluded. The eight tenders announced under the Operative Programmemet with lively interest. The funding requirement of applications submitted by the end of 2005 reached 171.7 billion HUF, exceeding by over 60% the funds available during 2004-2006. The funding (guarantee) approved by the Managing Authority was 89.5 billion HUF, or 83% of the three-year budget.

67%, that is the decisive majority of the applications, with a combined claim of 99.7 billion HUF in support, was submitted for the first priority listed (“Laying the foundations for producing competitive raw materials in agriculture”). Although the number of applications for the second priority (“Modernization of food processing”) was much smaller at 360, they still registered a high 34.4 billion HUF funding requirement due to the objective of the measure and its system of criteria. The third priority, aimed at developing rural areas, mobilized very significant development intentions and demand for funding. Nearly one fourth of the applications (1554 in number) targeted this third priority, and specifically “Village development” within this measure.

By and large, the distribution of the submitted applications among the various priorities adequately reflects the advance orientations identified by the ARDOP and the magnitude proportions of the objectives. The amounts applied for demonstrate the absorption capacity of the proposed developments.

### *Progress of ARDOP*

Until 31 December 2005 a total of 6054 applications had been submitted for the measures of the Operational Programme, the total support need of which amounted to 673,542,059 EUR (171,753,225,045 HUF), out of these 2097 applications were submitted in 2005, the total support need of which was 311,463,323 EUR (79,423,147,365 HUF). Therefore, earlier doubts concerning the capacities to absorb development funds were not justified, as the support need of the applications submitted during the whole period exceeded the public expenditure available between 2004 and 2006 by 60 percentage points.

### *Quality of projects*

Based on the experience of the officers of the county offices of regional competence of ARDA it can be stated that the formal and documental quality of applications and the professional quality have palpably improved. This can partly be attributed to the changes in legislation aimed at the simplification of the application process and the information activity of the Intermediate Body, and partly to the improving skills of the applicants.

Until the end of 2005, 16.7% of the applications submitted for ARDOP (1011 applications) had been rejected on the ground of illegibility and/or formal insufficiencies. The most insufficiencies occurred in the filling of the forms and the failures to submit the compulsory attachments and the certificates issued by specialised authorities.

### *Distribution of applications among priorities*

During the whole period the majority of applications, 67% i.e. 4081 applications (in 2005 56% i.e. 1185 applications) have been submitted for the measures under Priority 1 “Establishment of competitive basic material production in agriculture”. There was a more modest interest in Priority 2 („Modernisation of Food Processing”) due to the objective and set of criteria of the measure. 6% (360 pcs, in 2005 11%, 236 pcs) of the received applications are connected with the modernisation of food-processing. Priority 3, aiming at the development of rural areas, has raised an enormous amount of intentions for development and need for support. A quarter of applications, i.e. 1554 applications (in 2005 30%, i.e. 6221 pcs) are associated with priority 3. The two sub-measures of “Technical Assistance” represent a mere 1% of the received applications (59 pcs).

The distribution of the received applications justifies the previously determined development directions and the ratios of the objectives of ARDOP. However, the distribution of the support needs of applications among priorities reveal a resource requirement larger than it was projected in the case of Priority 1 and a smaller one in the case of Priority 3.

### *Regional dimensions of the implementation of the programme*

The regional coverage and distribution of the submitted and approved applications firmly indicate the differences and particular features of development resulting from regional differentiation. ARDOP objectives connected with varying intensity to agriculture have raised the greatest interest in regions with favourable potentials and an agricultural character.

This is also confirmed by the fact that most of the applications (46% of all applications received) have arrived from the Southern and Northern Great Plain regions possessing significantly more favourable producing characteristics, and here is the highest the number of approved applications as well. Although due to various reasons and objectives, but the same ratio of applications (about 14.3% each) are connected to the Southern Transdanubian and the Northern Hungarian regions, and 12.2% to Western Transdanubia. Willingness to apply has been more modest compared to the above-mentioned regions in Central Transdanubia (8.4%) and Central Hungary (5.2%). The reason for this should be

searched in a more powerful industrialisation, less favourable endowments of agriculture and traditionally more modest role agriculture has always had in these regions. It can also be partly ascribed to the fact that in the regions discussed individual farms represent a lower share than the national average, which in itself reduces the number of applicants and beneficiaries.

### *Main beneficiaries*

Nearly half (43%) of the approved applications under the Programme have been submitted by micro-enterprises. 15% of the approved applications were submitted by domestic natural persons. Nearly the same number of applications (around 400) were submitted by small and medium size enterprises, natural persons and non-profit organisations within public finance. The share of micro-enterprises (33%) and natural persons in the amount of support is smaller than their numerical proportion, which are rather interested in smaller projects with a smaller amount of own reserves.

It is obvious that medium size enterprises and big companies, which apply for projects of greater value, have a significantly larger share in the support sources than the ratio of their applications submitted and approved.

### *Description of the progress of priorities and measures*

#### **Priority 1: Establishment of competitive basic material production in agriculture**

The performance of Priority 1 in 2005 can be regarded as successful, because more than half (56%), during the whole period (2004-2005) 67% of the total number of applications were submitted for the measures of Priority 1. The aim of the support is to modernise the conditions and the structure of producing agricultural, forestry and fishery products, to improve the age composition and professional qualification of the farmers, and as a whole to improve the competitiveness of farming. It is to be noted, however, that regarding the interest of applicants there are significant differences between the individual measures and sub-measures.

#### *Measure 1.1 "Assistance to Investments in Agriculture"*

From among the measures of Priority 1 the most popular was measure 1.1 "Assistance to investments in agriculture" under which 3670 applications had been submitted (60.6% of all applications submitted under the Programme) by 31 December 2005. According to the results up to present, the objectives of the measure have been in the aggregate implemented to a satisfactory extent.

#### *Measure 1.2 "Structural Assistance in the Fisheries Sector"*

Compared to the other ARDOP applications, this measure affects a relatively small group of applicants. This is indicated by that in 2005 only 24 applications were received, which make up only 1.1% of the total number of the applications received, and the support need of which is 3,468,012 EUR (884,342,060 HUF). In spite of this, the support measure can be regarded as successful, because after opening the measure for applicants with a national share in ownership, i.e. the widening of the group of prospective applicants the number of applications increased, thus, by the end of 2005 the resource requirement of fisheries developments had reached 60.5% of the sum available for the three-year period.

#### *Measure 1.3 "Setting Up of Young Farmers"*

This measure is the second most popular measure of Priority 1, which is indicated by that the resource requirement of applications received in 2005 exhausts 100% of the support budget allocated for the three-year period. Because of the relatively large number of unsuccessful applications, the efficiency of the support is slightly below the planned level; however, this is expected to improve due to the information and preparation activities launched since then.

#### *Measure 1.4 “Assistance to vocational training and retraining”*

Owing to the novelty and relative comprehensiveness of the measure, there is a very modest interest in it among applicants. The support need of the applications submitted until 31 December 2005 (28 pcs) is 4,930,905 EUR (1,257,380,775 HUF).

#### **Priority 2: Modernisation of food processing**

The applications contracted under the Priority generally serve the objectives of several priorities. The largest ratio, 62% of the contracted applications aim at modernisation and the abatement of the environmental load (67-67 applications, respectively), but it is also favourable that the ratio of projects aimed at innovation and introduction of new products comes up to 40% as well. Thus, the reduction of the environmental load is an important aim of the investments even today, which is expected to increase in the future. By the time the production efficiency reaches through modernisation the level necessary for competitiveness, the applications aimed at innovation and the development of new products are expected to be given even more emphasis.

Measure “2.1 Improvement of processing and marketing of agricultural products” is the only measure to be applied under Priority 2. Until 31 December 2005 a total of 360 applications were received under measure 2.1 with a support need of 177,431,424 EUR (45,245,013,120 HUF), which makes up 5.9% of the applications submitted under the Programme.

#### **Priority 3: Development of rural areas**

Four measures serve the implementation of the general objective of the Priority. In addition to the popular measures (“Renovation and development of villages and protection and conservation of the rural heritage” and “Development of infrastructure connected with agriculture”), in 2005 more interest was shown in the measure “Expansion of rural income earning possibilities”, mainly in connection with rural tourism developments. At the same time, the implementation of the LEADER+ measure was launched, which excited extraordinary interest and activity nationwide. This way, in 2005 the proportions of the measures within the priority became more balanced.

30% of the applications submitted in 2005 (621 pcs), and 26% of the applications submitted during the whole period under ARDOP (1554 pcs) were submitted under Priority 3.

#### *Measure 3.1 “Expansion of rural income earning opportunities”*

The measure facilitates the expansion of non-agricultural (rural tourism, handicrafts) and agricultural activities, the production of unique foodstuffs of outstanding quality, the improvement of non-food purpose cultivation and processing (collection, growing, preparation for sale of herbs, spices, aromatic plants), and the improvement of the marketing possibilities of the products produced. In 2005 the measure became more widely known and more popular (219 submitted applications). The calls for applications under the measure were first published in January 2004. In 2004 no commitments were made under the measure. Until 31 December 2005, altogether 382 applications were received (6.3 % of the total number of applications received under the Programme). Out of the four sub-measures under this measure the highest interest was shown in the encouragement of tourism activities (3.1.3), although the ratio of applications received under this sub-measure reduced from 83% in 2004 to 69% in 2005. The main reasons of the great interest are the gradual expansion of rural tourism, the strengthening marketing activity and the increase of solvent demand.

#### *Measure 3.2.” Development and improvement of infrastructure related to agriculture”*

The measure is intended to support the establishment of infrastructure missing for the production and marketing of agricultural products, or the development of existing infrastructure. The support provides help for the population involved in agriculture (to reach a higher standard of product quality, larger crop security, production, movement and sale at lower costs, parallel to the reduction of the environmental load).

From among the six eligible activities the largest interest was shown in the development of outskirts roads, and, besides the development of local markets, the other four sub-measures did not show measurable progress or palpable effect during the examined period.

*Measure 3.3. “Renovation and development of villages and protection and conservation of rural heritage”*

The measure supports in the first place the development and preservation of the living environment, the physical condition and image of villages, and the reuse of natural and man-built values while acknowledging and preserving them, occasionally parallel to the creation of new functions. In spite of the shortness of time, the remarkably large amount of applications prove that the measure is based upon real needs. The specific targets of the measure, i.e. to improve rural settlements and the environment and to preserve and renew man-built, natural and cultural heritage and local identity, are expected to get fulfilled.

In 2004 no commitments were made under the measure, therefore the total sum allocated for 2004 (3,421,078 EUR) was available in 2005. On 16 June 2005 the ARDOP Monitoring Committee adopted a decision on the reallocation of sources in an amount of 7,843,184 EUR, on the reallocation of 1,372,549 EUR for the measure from the budget of measure 3.1 “Expansion of rural income earning opportunities” (i.e. a total of 9,215,686 EUR). The reallocation of sources is justified by the considerable support need (49,469,731 EUR) of the large number of applications (466 pcs) received under the measure “Renovation and development of villages”, which is more than twice as much (207%) as the sum allocated for the three-year period.

*Measure 3.4. LEADER+*

The early and thorough preparation and introduction of the LEADER+ measure is justified by that 187 local initiatives submitted applications for the first round of the selection of local action groups, covering 2332 settlements (75% of all settlements of Hungary) and 3,434,818 people, (34% of the total population). These ratios indicate an extraordinary local interest and activity in the LEADER+ .

### ***2.4.3. National Rural Development Plan (NRDP)***

Hungary’s National Rural Development Plan contains the rural development measures financed by the Guarantee Section of the European Agricultural Guidance and Guarantee Fund. It designates the objectives ensuring the sustainable development of rural areas, the measures serving their implementation and the activities which can be supported in their frameworks. Furthermore, it determines the conditions for making use of the supports as well as the detailed rules of implementation. NRDP supports the environmentally friendly agricultural production, provides assistance for farming in less favoured areas and for increasing the forest cover in the country. Furthermore, the measures of the plan contribute to the improvement of economic viability of semi-subsistent farms, and the setting up and operation of producer groups. Starting the autumn of 2004, applications were received for the following six measures:

- Support of agri-environmental farming,
- Compensation support of less favoured areas,
- Support of afforestation of agricultural lands,
- Support of compliance with the environmental, animal welfare and hygiene stipulations of the European Union,
- Support of restructuring of semi-subsistent farms,
- Support of setting up and operation of producer groups.

*Brief description of the various measures and the summary of the support data under the various legal titles:*

### **Agro-environmental farming**

The supports provided in the framework of the agro-environmental farming measure recognise the additional performance of the environmentally conscious agricultural production and land management or compensate for the losses of income incurred (and may also include a max. 20% surplus as an incentive). The supports in the form of non-refundable grants based upon area or number of animals apply for a period of 5 years at least.

The 32 685 farmers applying for the legal title of Agro-environmental farming exhausted the 3-year fund already in the submission period of 2004. After deducting the revoked and rejected applications from the number of application submitted, 23 671 customers were supported, with the total funding requirement being 176 million euro/year, which represents a support of about 44.5 billion HUF/year, using the official rate of exchange for year 2005, at 252.87 HUF/euro. In proportion of the disbursements with respect to all the NRDP legal titles so far, it can be stated that the agro-environmental farming accounts for about 80% of all the supports paid out so far.

### **Afforestation of agricultural areas**

The aim of the support with the afforestation of agricultural areas includes the promotion of agricultural restructuring, the enlargement of rural employment and income generation opportunities, the increase of the country's forest cover over the long term, and the development of protection functions of the forest for the public good (environmental protection, economic, social, public welfare). Eligible agricultural areas are the ones classified as supportable under its MePAR (Agricultural Land Identification System) classification and which were cultivated at least over two subsequent years directly preceding the submission of the support request.

The measure includes three different types of supports: supports granted for forest plantation and the related complementary measures, the support granted for nurturing the forest plantation and the income substitution support of forest plantation, in the form of non-refundable normative support. The smallest area eligible for support is 1 ha, it can be smaller (0.3 ha at least) in case of an agricultural area directly adjacent to a forest area (of 30 ha at least).

The extent of support changes depending on the tree variety, the type and gradient of the area (protected or not protected) and can range from 842 to 2 780 €/ha (212,916-702,978 HUF/ha). Support for nurturing forest plantations may be available in the five years after setting up the plantation. The extent of support changes depending on the tree variety, the type and gradient of the area ranges from 126 to 463 €/ha/year (31,861-117,078 HUF/ha/year). The substitution of income lost due to the afforestation of agricultural areas is possible over a period of maximum 20 years. The amount of support may vary in the range of 13.86 to 281.90 €/ha/year (3,504-71,284 HUF/ha/year), depending on the cultivation branch and the ownership status of the area.

The support amount disbursed so far under the legal title of afforestation of agricultural areas is about 27.3 million €, which is close to 7 billion HUF. This legal title was last open from June 1 until July 31, 2006, when 1 989 applications were received, they are now being evaluated and processed. The support has been disbursed in case of 2 064 applications from the total of 2 583 disbursement applications lodged. The disbursements of the afforestation legal title account for 8.2% in the total of supports disbursed so far.

### **Compliance with the environmental protection, animal welfare and hygienic requirements of the European Union (Meeting Standards)**

The farmers may apply for investment supports for the purposes of environmental protection, animal welfare and hygiene in livestock farms which do not meet the standards of environmental protection, animal welfare and hygiene. If the livestock keeping place fully meets the standards pertaining to the keeping place of the animals, the livestock keeping farmer is eligible for income substitution support for animal welfare and hygiene, for the partial compensation of the resulting additional costs.

The investment supports can be used in each keeping place to a maximum annual value of 25 000 euro, i.e. 6.3 million HUF for three years at the most. Income substitution support can be applied for in five consecutive years, to a maximum annual amount of 10 000 euro, i.e. 2.5 million HUF per keeping place, which amount will be uniformly reduced each year.

The possibility for submitting applications was reopened in 2006 in the framework of the legal title for meeting the EU standards of environmental protection, animal welfare and hygiene, and in this period 1050 applications for support were received by the MVH. These applications are being processed and evaluated now. Of the 1021 applications processed so far 776 applications were approved by resolutions. The related funding requirement for the first year is 6.1 million euro, i.e. 1.5 million HUF, of which 1.51 million euro (318 million HUF) was already remitted. Applicants filing support applications for the MS legal title were funded by 0.5% of the total NRDP disbursements.

### **Support of semi-self-sustaining farms under restructuring**

The aim of the measure “Support of semi-self-sustaining farms under restructuring” is to promote the conversion of only partly commodity producing farms to market oriented commodity production through providing income substitution support.

The typical handicaps in the way of development of the semi-self-sustaining farms include the lack of capital necessary for development, the professional qualification, the up to date knowledge and market information as well as the risks related to the restricted production structures. The recipients of the support may receive supports under this measure to the amount of 1000 euro, i.e. 252,870 HUF, annually, to help remove these obstacles.

Those self-employed farmers and full-time primary growers operating in Hungary are eligible for this support, who had a farm output of 2 to 5 EUMU in the year before the application and the applicant has a professional qualification or three years of professional experience. The further conditions include the drawing up of a business plan for 5 years, which envisages at least an output of 5 EUMU or a growth by 50% by the end of the 5<sup>th</sup> year. When awarding the grants preference is given to the applicants from less favoured areas as well as the young farmers.

The support amounts paid so far to the semi-self-sustaining farms were 1.35 million euro, i.e. 341 million HUF. A total of 1 926 applications for support have been received for this legal title, and the MVH issued approval resolution for 885 of them. 486 applications received this year are under processing. 1 443 payment applications were received by MVH by mid-2006. The amounts remitted so far to the semi-self-sustaining farms within the total paid out under the NRDP is similar to the payments effect under Meeting Standards (MS), i.e. hardly half a percent.

### **Support of establishment and operation of producer groups**

The measure provides support for the remedy of structural deficiencies resulting from the inadequate standard of organisation of producers and for the reinforcement of market bargaining powers of the producers to establish and operate producer groups.

Exclusively producer groups officially recognised by the minister of agriculture and rural development are eligible for the support. A further condition of the support is that the producer groups are active in one of the following sectors: grains, rice, potato, oil plants, sugar beet, textile industry plants, cut flowers and propagating materials, grapes and vine, spice and medicinal herbs, nursery products, fresh cow milk, other fresh milk, cattle, pig, rabbit, sheep and goat, fish, fur animals, poultry and egg, honey. Under the measure the producer groups recognised in the vegetable-fruit and tobacco sectors cannot be supported.

For the support of the producer groups most of the applications – 155 pcs – were received in the submission period of 2005. A total of 209 applications have been submitted so far, of which 45 applications lodged in August, 2006 are being processed and evaluated at this stage. The number of applications approved so far is 151 pcs. With regard to data of disbursements a total of 9.42 million euro, that is 2.3 billion HUF, was remitted to the farmers. In the proportion of the total NRDP disbursements the support remitted to the producer groups account for 2.8%.

### **Support of less favoured areas**

The aim of the measure is to provide partial compensation – subject to the fulfilment of specific conditions – of economic, social and natural factors having unfavourable impact on the efficiency of production, thereby to sustain production in areas designated as less favoured areas and to stop the increasing migration therefrom.

The support of Less Favoured Areas was announced three times in 2004-2006. A total of 6,555 applications for support were received in 2004-2005, of which 5,556 pcs were supported after evaluation, with funding requirements amounting to 9.22 million euro, that is 2.3 billion HUF. On the basis of the payment requests received an amount of 7.98 million euro, which is equivalent to 2 billion HUF, was disbursed. The evaluation of 1146 applications received in 2006 is under way at present. Supports under the LFA title account for 2.4% in the total disbursed.

### **Early retirement**

The primary objective of the support is to allow the discontinuation of agricultural production under equitable conditions by senior farmers (who were engaged in agricultural activities for at least 10 years or worked as farm managers for at least 5 years before submitting their request). Regular income substitution funds are provided by the measure “Early retirement” (from the age of 55 until the official retiring age is reached, however, up to 15 years maximum).

The legal title was not opened in 2005 either, due to the applicable regulations of taxation and social insurance and the unclear regulation of the tasks to be performed by the Paying Authority with respect to the measure – the Authority of Agriculture and Rural Development (MVH).



### **3. Priorities and Their Justification**

#### **3.1. Justification of the priorities chosen having regard to the Community strategic guidelines and the national strategy plan**

##### ***3.1.1. Agriculture and food processing***

The competitiveness of agriculture and food processing and the retention of the markets must be assisted, therefore, it is justified to convert the system of investment and development supports. It is of essential importance that the supports give preference to innovation, developments, high quality production, energy and cost saving, protection of the environment and to establishing the conditions for animal welfare. The increase of competitiveness is impossible without technical and technological renewal. Catching up by producers so far left out of the technical-technological development is inevitable. Special attention must be given in this regard to the development projects serving the interests of producer communities. Within the homogeneous agrarian areas it is necessary to create harmony among the development programs aiming at competitiveness – covering all the measures in general, however, focusing on the measures increasing the competitiveness. During the implementation of the Programme all these requirements shall be in the centre. This will allow the management of criteria of the regional specific features along the implementation of the various objectives.

In order to observe the EU stipulations for the production of renewable energy and to promote restructuring it is necessary to establish the capacities for the generation and utilisation of renewable energy and to lay the foundations of a new industry. The setting up of a bio-energy centre – mainly related to biomass production – may contribute to the foundation of „alternative” ventures based upon renewable energy.

The enhanced role of livestock keeping is regarded as a high priority development direction (the development direction is defined by the terminology applied in the European Union as priority) with the strict observation of requirements prohibiting environmental load (ammonia discharge, sewage drainage). Competitiveness and the enhanced quality of products can be achieved by supporting environmental protection and animal welfare projects and the new production processes.

It is justified to develop the horticulture sector as it has a high significance with respect to rural development and employment policy. Basic and supplemental income is provided by this sector for a substantial proportion of the population in about half of the microregions. The meaningful increase of market-oriented organisation of the sector requires the development of production, manipulation and processing technologies, the reinforcement of marketing activities of the sector and the establishment of the training-advisory programmes.

In the food industry, where low-cost and relatively well qualified labour is at the disposal of the enterprises, training (continuing education) must emphasize learning skills to promote the competitiveness of enterprises (including entrepreneurship, marketing, quality assurance, and proficiency in preparing applications). Furthermore, the refreshment of knowledge of food safety must be provided on a continuous basis. Important tasks include the enhancement of advisory-consulting service, particularly highlighting the areas of survey of market opportunities, using the possibilities of applications, employing the R&D results and innovation as well as the elaboration of corporate business / strategic plans.

Measures are also about to improve the age-structure of farmers and of the manpower working in the agriculture and forestries.

The **needs** following from the above description and the facts consist of the restructuring of production by a shift towards an increased market orientation, the need for technological

modernisation **to increase competitiveness** and creating added value, steps to focus on capacity building and efforts to balance the age structure of farmers. Initiating the cooperation among the participants of product chains and encouraging innovation is also of particular importance.

**Competitiveness of agriculture and food processing** and the maintenance of markets should be promoted by investments. It is fundamental that the supports should give preference to **innovation, high quality production**, the application of energy and cost-saving methods, the protection of the environment. The improvement of competitiveness cannot be achieved without **technical-technological renewal** also in the field of crop production.

As the market tensions on the crop markets could increase, the change in production and market structure is needed to preserve the income-producing possibilities of producers. One of the market-compliant methods to achieve this is to increase the **crop production for energy purposes**. Since the production structure should be adjusted to the market needs, in addition to the production of commodity cereals for human consumption and for livestock feeding, the establishment of the conditions for the **use of cereals for energy purposes** is also indispensable.

In order to comply with the EU regulations on the **production of renewable energy** and to promote the restructuring, it is necessary to develop the capacities of the production and utilisation of renewable energy sources.

In the field of **animal husbandry, the increase of competitiveness and product quality** can be achieved through the promotion of investments in the field of environment protection and animal welfare, modernisation of production and of the introduction of new production methods.

In branches producing basic foodstuffs, there is a substantial need for investments in the field of environment protection, **food safety, quality improvement**, brand development and sales.

In order to exploit the market opportunities, the **cooperation between producers, processors and traders** should be harmonised and strengthened. Producers should be encouraged to appear jointly in the market and to establish **producer organisations**. A fundamental precondition of competitiveness is the integration of production, processing and sales. The developments serving the interests of producers communities should be given special attention.

Development of **horticulture** has special importance because it represents a potential way of **diversification** and also from **employment** aspects. In order to improve the market-orientation of the sector, the technology of production, product manipulation and processing should be developed, the marketing activity should be improved and training and advisory programmes should be launched.

It is important to improve the readiness of the economic actors of the sector to apply the achievements of **innovation**. The background for this is ensured by research and development, the establishment of the system and infrastructure of innovation services, the development of the IT network and the application of **information and communication technologies**.

It is also of high importance to promote and motivate the **use of advisory, information and farm management services** by agricultural producers and forest holders. Targeted professional trainings are needed, mainly regarding animal welfare, use of alternative energy sources, agri-environmental issues, up-to-date farm management and forestry skills and economic-legal knowledge for the sake of the improvement of the qualification level of farmers, and the farm management skills of young agricultural entrepreneurs.

For the sake of the improvement of the efficiency of farming, it is necessary to improve the quality of arable land, to preserve and use the water resources in a rational way. For all this, there is a need for complex water management including infrastructural developments.

In the field of logistics, the integration of the existing storage capacities has to be given more weight in the coming programming period. Besides, the **accompanying logistic services** shall be developed. The connection points of agri-logistics to the general logistic centres and capacities shall be ensured.

**Based on the characteristics of the Hungarian agriculture and the needs deriving from it, the following main actions and measures in the Programme are aimed at realising the objectives set up in the Strategy:**

Main actions	Measures
Promoting information dissemination	Vocational training, information activities and innovation
	Establishment of special advisory services for plant management
	Use of advisory services
Age-restructuring	Setting up of young farmers
	Support for farm-transfer (early retirement)
Farm and production restructuring	
Promoting the use and production of renewable energy resources	Modernisation of agricultural plants
	Increasing the economic value of forests
	Increasing the value of agricultural and forestry products
	First afforestation of agricultural land
Utilising the potential and strengthening the viability of the animal husbandry sector	Modernisation of agricultural plants
	Compliance with EU regulations
	Animal welfare payments
Creating more added value in horticulture	Modernisation of agricultural plants
	Increasing the values of agricultural and forestry products
	Support for setting up of producers' groups
Forestry	Increasing the values of agricultural and forestry products
	Increasing the economic value of forests
	First afforestation of agricultural land
Support for investment and quality measures	Increasing the value of agricultural and forestry products
	Cooperation for the development of new products, processes and technologies in the agriculture, food-industry and forestry sector
	Support for producer groups in the field of information and promotional activities pertaining to products belonging to food-quality systems
	Support of agricultural producers participating in food quality schemes
	Support for setting up of producers' groups
	Support for semi-subsistence farms
Support for infrastructure	Improvement and development of infrastructure related to the development and modernisation of agriculture and forestry

### **3.1.2. Environmental conditions**

The magnitude of measures to improve the sustainability of natural assets is in harmony with Hungary's relatively low environmental load, however, it is still necessary to promote the application

of farming methods friendly to nature and the environment. Capitalising on the country's favourable endowments the land-use implemented through the wide-ranging dissemination of low-intervention land management (use of nature and environment-friendly, low-intervention methods), adjusted to the area's agro-ecological conditions both from economic and environmental aspects, will reduce the production risks, contribute to the sustainability of natural values, the improvement of the environmental status and the safeguarding of the richness of biological and scenic diversity (e.g.: agro-environmental farming, Sensitive Natural Areas [ÉTT], forest – environmental protection and the Natura 2000).

Motivation for the dissemination of the environmentally conscious and farming methods adjusted to the habitat's endowments - agro-environmental farming, Sensitive Natural Areas [ÉTT], and the Natura 2000 - can be achieved through continuing the existing rural development supports, their quality-focused improvement and the expeditious and scheduled introduction of new support measures.

The current state of environment in rural areas **needs** to be further strengthened by the increased **protection of** territories with **high natural values**, by concerted actions for the mitigation wind and water erosion and by the dissemination of environment-friendly farming practices **to sustain the favourable environmental conditions**, the low level of environmental load.

It is necessary to encourage the **utilisation of natural- and environmental friendly agricultural methods**.

By exploiting the favourable endowments, by spreading **environment-conscious landscape management, land use** that adjusts both in the economic and environmental aspects to the agro-ecological endowments contributes to the sustainability of environmental values, to the improvement of the environmental conditions and to the preservation of the biological and landscape diversity. Hence, the increased promotion of such methods remains to be an important task. In areas and regions less suitable for competitive production, land use that serves nature protection (e.g. afforestation, usage for bio-energetic purposes, grassing, creation of water habitats) are alternative possibilities.

For the **environmentally sound soil use**, in areas intensely exposed to water and wind erosion, the proper soil cultivation, the management of organic matters and also the appropriate crop structure should also be given attention. The effective protection against deflation can be facilitated by forest management, which, at the same time, abate the erosive effect of water as well. With the improvement of forest management a favourable water management situation can be established. The soil degradation caused by harmful processes can be reduced by soil protective/sound agrotechnical methods. **Afforestation in harmony with environmental considerations** and the quality of forests are also important objectives. Besides abating erosion and deflation, proper **forest management** also has a role in the maintenance of the diversity of the natural environment and in the protection of soils. The establishment of agri-forestry systems is considered a new potential development area in terms of diversification. Spreading of the environment-conscious farming methods and of those adapted to the habitat features - agri-environmental protection, Natura 2000 - may be promoted by continuing the existing rural development support and the soonest scheduled introduction of new support titles.

To **protect the nitrate sensitive areas**, to reduce ammonia emission and to protect waters, the use of artificial fertilizers and plant protection chemicals shall be reduced. In order to protect waters and to diminish the existing nitrate pollution, the rules of good farming practice have to be observed in the affected agricultural areas.

Particular emphasis shall be put on **integrated water management** in order to ensure the appropriate quality and quantity of waters. In order to achieve the good condition of waters by 2015 as it is prescribed in the **Water Framework Directive** (Directive 60/2000/EC), restrictions determined in the integrated water management plans have to be applied in the catchment areas. Changing of land use, creation of aquatic habitats and afforestation can reduce the risk of floods and excess surface water. One of the most successful methods to prevent excess surface water is to use proper agricultural techniques and to create appropriate crop structure

Introducing **environmental friendly nutrient management**, increasing the organic matter content of soil, and utilising green manure can significantly reverse the increasing acidity of soils. In order to avoid the worsening of the current state of salinification, the application of strict regulations for land use and water management is necessary. In order to avoid soil compaction, appropriate agricultural techniques should be applied. Amelioration methods have to be used to prevent the compaction of deeper soil layers and this must be done in conjunction with water planning as required.

**Based on the characteristics of the Hungarian agriculture and the needs deriving from it, the following main actions and measures in the Programme are aimed at realising the objectives set up in the Strategy:**

Main actions	Measures
Support for agri-environment, Natura 2000 and forest environment	Agri-environment payments
	Natura 2000 payments and payments linked to the implementation of Directive 2000/60/EC
	Natura 2000 payments
	Forest environment payments
Preserving LFA territories and the traditional agricultural landscape	Payments to agricultural producers of less favoured areas, other than mountain areas
Investment support for environmental standards and water management	Compliance with EU regulations
	Modernisation of agricultural plants
	Infrastructure related to the development and adaptation of agriculture and forestry
	Animal welfare payments
Support for afforestation and fast growing species	First afforestation of agricultural land
	First establishment of agroforestry systems on agricultural land
	First afforestation of non-agricultural land
	Forest-environment payments
	Restoring forestry potential and introducing prevention actions
Ensuring the balanced quantity of high quality water	Support for non-productive investments
	First afforestation of non-agricultural land
	Agri-environment payments
Strengthening the protection of soils	Agri-environment payments
	Infrastructure related to the development and adaptation of agriculture and forestry
	First afforestation of non-agricultural land
Ensuring the animal welfare payments	Animal welfare payments

### **3.1.3. Rural economy**

The improvement of low-level of employment, economic and entrepreneurial activity and the amelioration of the income conditions can be attained through economic restructuring conducive to a greater number of ventures with higher competitiveness, more jobs and better profitability. This requires development programmes focusing on incentives for entrepreneurship, the improvement of situation of the micro-enterprises, economic diversification leading the way out of agricultural production and enlargement of operations. Efforts must be made to create a diversified economy supported by a multitude of pillars, which is environmentally friendly and provides jobs also for the people with lower levels of education.

Safeguarding and programmed development of the natural and cultural heritage, particularly treasuring the traditions and the architectural heritage provide foundations both for raising the quality of life and the diversification of the economy. The utilisation of these internal resources are predicated upon the quality improvement of the appearance of the settlement and of the built environment, as well as the creation and improvement of community spaces geared to accommodate one part of the spontaneous local organisation and the basic services provided for the business and the resident population. On the other hand, it is necessary to continue the discovery of values and raising the concomitant awareness to reinforce thereby the identity of the local community.

Key elements of the socio-economic development of rural settlements include the incentives for and institutionalisation of the local development initiatives, the promotion of self-organisation, the enlargement of local partnership, the creation and helping of typically local solutions.

Therefore, the most important **needs** of rural territories are the development of rural micro-enterprises and encouragement of diversification in order to create jobs, the improvement of skills and education and providing a wider access to basic services of high level. The needs of the outskirt territories, the rural women and the Roma population shall be handled by the use of special programmes.

The low level of employment, the insufficient economic and entrepreneurial activity, as well as the income situation can be improved by **economic restructuring**, which results in an increasing number of and more competitive enterprises, higher level of employment and better income conditions. This requires fostering the entrepreneurship, the improvement of the situation of micro enterprises, developments aiming at economic diversification and expansion of activities as a way out of agricultural production

The employment situation of rural areas can be improved by the **touristic usage** of their favourable landscape, environmental and cultural amenities and values. A condition of this is to create authentic, high-quality touristic services and regional touristic products that represent the rural lifestyle and rural culture in an authentic way.

For the improvement of the human capital it is essential to **improve the quality and the accessibility of the human infrastructure in rural areas**. This requires the unified and target-oriented utilisation of the national and Community co-financed programmes and supports. Educational and skill improving programmes and the promotion of advisory services can contribute to the improvement of the human potential and the capability of the rural areas. Development of human conditions through the promotion of the acquisition of the missing skills in the framework of out-of-school adult education is especially important in the segregating and falling behind regions.

Preservation and programmed development of the **natural and cultural heritage**, especially of the traditions and the built heritage provides basis both for the improvement of the quality of life and the diversification of the economy. A condition for the utilisation of these inherent resources is to improve the appearance of the settlements and the quality of the built environment, to form and develop community places giving room for local self-organisation, and for a part of the basic services provided for the economy and local residents. On the other hand, it is also necessary to continue to explore and communicate the values and, this way, to strengthen the identity of local communities.

Local partnerships **needs** improvement and support in the field of increasing animation and human capacity, strategy formulation and implementation. There is a need for strengthening the flow of information at micro-regional level with the help of trained personnel and setting up of infrastructure (Local Rural Development Office). There is **need for capacities for the preparation and elaboration of local rural development strategies in micro-regions**.

**Based on the characteristics of the Hungarian agriculture and the needs deriving from it, the following main actions and measures in the Programme are aimed at realising the objectives set up in the Strategy:**

Main actions	Measures
Support for diversification, micro-businesses and tourism	Diversification into non-agricultural activities
	Promotion of tourism activities
	Supporting the establishment and development of micro-enterprises
Improving access to basic services and preserving natural and cultural heritage (village renewal)	Basic services for the rural economy and population
	Conservation and modernisation of the rural heritage
Support for local capacity building	LEADER
	Skills-acquisition, animation and implementation with a view to preparing and implementing a local development strategy

### **3.2. Expected impacts deriving from the ex ante evaluation with regard to the priorities chosen**



## **4. Information on the axes and measures proposed for each axis and their description**

### **4.1. Axis 1: Improving the competitiveness of the agricultural and forestry sector**

#### ***1.1.1. Training, information and diffusion of knowledge***

##### **Article (and paragraph) which covers the measure:**

Article 21 and Section c) of Article 52 of Regulation 1698/2005/EC

Point 5.3.1.1. of Annex II. of Regulation (EC) No 1974/2006.

**Measure code: (111.)**

##### **Rationale for intervention:**

To enhancement of knowledge of those working in agricultural and forestry – particularly that of farm managers, Farmers –, especially in the field of such professional knowledge that they have not had the opportunity to attain in the course of their former education: primarily with respect to the sustainable management of natural resources, including cross-compliance requirements, entrepreneurial, business and management skills, as well as new, innovative production technologies, the production of biomass for energetic purposes. The build-up and development of the ability to acquire knowledge independently is of outstanding importance, as well as the training of the producers in the methods and significance of attaining information. Towards the improvement of the population retention ability of rural areas, as well as the subsistence potentials in the countryside, training opportunities are to be offered to prospective applicants planning to be involved in non-agricultural activities representing alternative sources of income (measure group 3) in order to enable them to select the activity that can be tuned to their individual opportunities the most smoothly, as well as to attend the same efficiently.

##### **Objectives of the measures:**

The general objective of the measure is to increase the professional knowledge of those working in the agricultural sector towards the enhancement of their competitiveness and the promotion of the sustainability of their farming activities, as well as to offer knowledge required for the attendance of non-agricultural activities representing alternative sources of income to the rural population in order to improve their subsistence potentials.

##### **Scope and actions:**

Within the framework of the measure, such professional trainings, courses, information sessions involving practical demonstration and client information events as beyond the formal institutional system of education can be offered to the rural population, agricultural producers and forest farmers that potentially contribute to the enhancement of the competitiveness of these people, the betterment of the performance of their enterprises, the attainment of knowledge on cross-compliance requirements, and on other requirements and requirements, as well as the compliance therewith, the start-up of new enterprises, the diversification of activities within and outside agriculture. The preferred applicants of

the individual measures in Measure Group I and II of NHRDP will be involved in retraining on a mandatory basis.

**Definition of beneficiaries:**

In the case of Action 4.1.1.1., 4.1.1.2., 4.1.1.3. and 4.1.1.4. . the beneficiaries to participate in supported trainings and information sessions will be agricultural producers and forest farmers. For the trainings described in Section c) of action 4.1.1.2 above, the scope of beneficiaries will involve rural inhabitants over the age of 18 who have completed the 8<sup>th</sup> grade of the primary school.

**Description of the operations:**

*1.1.1.1 Dissemination of innovative technologies by means of demonstrative–informative programmes in plants*

Support can be granted for the organization and management of one-day demonstrative–informative programmes in plants wherein the participants can have an insight into the novel technologies implemented in the plant at high standards, farming practices, as well as environmental and animal welfare procedures.

Such sessions are to be offered by demonstration plants that are acknowledged on the basis of national legal regulations, and have approved programmes.

*1.1.1.2 Trainings related to Axis I, II and III of NHRDP and other professional courses*

Support can be granted for training fees and costs connected to:

- training courses offering information on cross-compliance requirements, the production, utilization and primary processing of biomass for energetic purposes, as well as providing theoretical and practical knowledge serving the ends of competitive and sustainable farming,
- obligatory training sessions in association with the individual measures of Measure Group I and II of NHRDP, and
- training courses for rural inhabitant for the purposes of developing entrepreneurial skills, and activities connected with village tourism and demonstrating traditional handicrafts, as well as of preparing for diversification activities
- publishing booklets/training materials

*1.1.1.3. Demonstrative and informative programmes in connection with the measures of Measure Group III of NHRDP*

Supports can be granted for the organization and management of one-day informative programmes wherein the rural inhabitants, the potential applicants of the measures of Measure Group III of NHRDP can have an insight into implemented enterprise development, diversification and village tourism projects (innovative rural initiatives) by means of practical demonstration and consultation.

*1.1.1.4. General client service information on agricultural policy*

General client service information covers the provision of a permanent information action. Supports can be granted to agricultural producers and forest farmers for the purposes of SPS and cross-compliance requirements, the preparation of grant applications and tenders, as well as for the regular provision of information within the framework of client services as pertaining to other current issues of the agricultural policy.

**Definition of bodies providing training and information actions**

In the case of action 1.1.1.1, organizations being eligible for the submission of tenders/grant applications are those entities holding the title of “Demonstration Plant” as specified in the associated national legal regulations, whereas in the case of action 1.1.1.2. they organizations having been qualified as eligible in the framework of the preliminary tendering procedure for the implementation of such training courses, and for action 1.1.1.3. they are such natural or legal entities, as well as business entities with no legal personality operating national and/or EU-supported projects of enterprise development, diversification or village tourism that have been awarded with the title of innovative rural initiative in the framework of the preliminary tendering procedure, while in the case of action 1.1.1.4. the Hungarian Chamber of Agriculture.

**Type of support:**

Non-repayable support.

**Intensity of support:**

In the case of Action 1.1.1.1, Section a) and c) of Action 1.1.1.2 and 1.1.1.3, 90% of the eligible costs. For Section b) of Action 1.1.1.2 and 1.1.1.4, 100% of the eligible costs.

**Financing**

Public expenditure: EUR 86,529,809

EU contribution: EUR 60,651,735

**Complementarity and demarcation of the measure:***Complementarity to the other measures of the Programme*

The measure supports the measure on the set-up of young agricultural producers as described on Article 22 of Regulation 1698/2005/EC in the attainment of the qualification required for the attendance of the associated activities in the framework of adult educations, and facilitates the implementation of the measures for the development of physical resources (Article 26–30), as well as for the improvement of agricultural production and product quality (Article 31–33). By way of the obligatory retraining sessions, the measure directly supports the efficient implementation of the measures described in Article 22, 26, 27, 31, 34 and 39.

The professional training is important for the farmers who attend agricultural and forestry activities requiring special knowledge, and receive agro-environmental and NATURA 2000 payments, and thus the measure entitled “Professional training and information activities” is connected with the measures described under Article 38, 39, 46 and 47 of the Regulation.

The measure also incorporates the training and information (Article 58) as pertaining to the business stakeholders being active in the areas belonging to Measure Group 3 and supporting the diversification of rural economy (Article 53–55).

*Complementarity to other Operative Programmes:*

The professional training supported in the framework of the measures, including the retraining of teachers, cannot be incorporated into formal school education, and is not eligible for the supports to be furnished from the European Social Fund, or those furnished in the framework of the human Resource Development Operative Programme, the Social Renewal Operational Programme or the Regional Development Operative Programme.

**Quantified targets for EU common indicators:**

In the period between 2007 and 2013, at least 100,000 agricultural producers and rural inhabitants will attend the retraining sessions.

Type of the indicator	Indicator	Target
<b>Output</b>	Number of participants to training <ul style="list-style-type: none"><li>▪ retraining sessions</li><li>▪ client service</li><li>▪ demonstrative plant</li></ul>	min. 100.000
	Number of training days received	min. 300.000
<b>Result</b>	Number of farmers or forest holders that successfully ended a training activity	min. 80.000
<b>Impact</b>	Change in gross value added per full time equivalent	(no quantified target)

**Additional programme-specific indicators and quantified targets:**

Type of the indicator	Indicator	Target
<b>Output</b>	Number of participants to demonstrative plant programmes	min. 35.000 persons
	Number of programme days of demonstrative plant information sessions organized	min. 1500

### ***1.1.2. Setting up of young farmers***

#### **Article which covers the measure:**

Article 22 of Regulation 1698/2005/EC

Article 13 and 14, Annex II. point 5.3.1.1.2. of Regulation (EC) No 1974/2006.

#### **Measure code: (112.)**

#### **Rationale for intervention:**

In Hungary, the financial positions of a significant proportion of agricultural enterprises can be characterized by underfinancing and liquidity problems. With a view to the approach of financial institutions, the readiness to finance these enterprises is hindered by the insufficiency of collaterals, low risk-bearing capabilities, as well as high risks. Consequently, now, start-up enterprises have very few opportunities to obtain credits, that is to establish the enterprise in terms of finances. In the case of the farmers concerned, for a while production expenditures reach up to or even exceed sales revenues. Any expansion of production, the supply of adequate fixed and current assets call for accumulated capital instruments or credits.

Operating enterprises can be enlarged to viable plant sizes by means of new developments, the acquisition of technological equipment, which also require financial resources.

The improvement of the age structure of agricultural production, the enhancement of the population retention ability of rural areas, as well as the betterment of income-generation capabilities are basic objectives within the framework of economic and rural development policy.

The situation having evolved by today can be changed only if start-up enterprises are sufficiently capitalized and/or provided with credits with preferential interests.

#### **Objective of the measure:**

The measures aims to facilitate the initial establishment of farms for young farmers, as well as the restructuring of the farm holdings, improve the age structure of the agricultural labour force, enhance the population retention ability of the countryside, and the long-term subsistence of agricultural activities. The measure is foreseen to contribute to the start-up of enterprises by young farmers who intend to be involved in plant growing, animal breeding or mixed farming activities, as well as production operations.

#### **Scope and actions:**

Supports can be granted to the establishment of the conditions of agricultural production activities, the coverage of costs incurred in such agricultural production activities, as well as to the purchase of farms from farmers involved in the farmer-transfer programme initiated for agricultural producers and employees.

#### **Definition of beneficiaries:**

Any agricultural producer under the age of 40 holding any agricultural qualification of at least vocational school level who is in the process of establishing an own farm for the first time or – from

any farmer participating in the measure as concerning the support of the transfer of farms (Article 23) – is in the process of taking over a farm preparing a business plan for the purpose of developing farming operations.

**Definition of setting up used by the Member State/region:**

Any farm shall be deemed as a start-up farm if more than one year prior to the submission of the application it did not utilized any area-based or stock-based supports, the viability of the respective farm does not reach up to 3 EUME, and the farm has not utilized any developmental support in excess of HUF 1 million.

**Summary of the requirements of the business plan, including in case of investments to comply with existing Community standards within a 36 months grace period, and details on frequency and treatment of reviews of the business plan:**

The business plan shall describe the initial situation of the agricultural holding and specific milestones and targets for the development of the farming activities , details of investments, training, advice or any other action required for the development of the activities, – with the associated financial fundamentals –, as well as an overview that upon the expiry of the 36-month grace period the investments will comply with the relevant community requirements.

The fulfillment of the business plan will be supervised within 5 years as from the support award. The non-fulfillment of the critical financial indicators undertaken will result in the full or partial withdrawal of the support with the associated conditions to be specified in a decree by the Ministry.

**Mode of the utilization of such other, potentially combinable measures described in the business plan that can be relied on by young farmers:**

Young agricultural producers have the opportunity to rely on other support forms, because this subsidy is a premium, which can be used freely.

**Type of support:**

Non-repayable premium or interest subsidy , or the combination of the two,

**Amount of support:**

In the form of a non-repayable premium of maximum 40,000 €, In the form of a interest subsidy with the corresponding capitalized value being 40,000 €; As a combination of a non-recurrent capital grant and interest subsidy with the upper limit being 55,000 €

**Complementarity and demarcation of the measure:**

Within the framework of the programme, the measure is directly complementary to the measure on the transfer of farms by agricultural producers and agricultural employees so that start-up farmers can take over or acquire farms from the beneficiaries of such farm transfers for operating purposes.

The measure is complementary to the measure under code 111 aiming at the support of the attainment of knowledge within the framework of the Measure Group EAFRD I. Young producers awarded with the support are required to participate in a training course within two years as from the date of the support award.

**Financing:**

Public expenditure: EUR 34,661,797

EU contribution: EUR 24,295,652

**Quantified targets for EU common indicators:**

Type of the indicator	Indicator	Target
<b>Output</b>	Number of assisted young farmers	800
	Total volume of investment	
<b>Result</b>	Increase in agricultural gross value added in supported farms	
<b>Impact</b>	Net additional value added expressed in PPS (Purchasing Power Standard)	(no quantified target)

### ***1.1.3. Early retirement of farmers and farm workers***

#### **Article which covers the measure:**

Articles 20 (a) (iii) and 23 of Regulation 1698/2005/EC

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

#### **Measure code: (113.)**

#### **Rationale for intervention:**

The age composition of agricultural labour force, including that of private farmers, is becoming less favourable, aging is intensifying. 52% of agricultural producers belong to the age group over 56. Between 2000 and 2003, the family labour force of private farms has dropped by 32%, and the extent of such a decrease has been significantly larger in the younger age groups (nearly 50%) in comparison to the more moderate, cc. 20% decrease in the headcount of the older age groups. Such shifts in the age structure obviously indicate that the headcount of the age group under 40 being eligible for the supported take-over of farms is fairly moderate, and even diminishing. The majority of the farmers aged between 55 and 62 and holding lands over three hectares (90.6%, 19,722 persons) are active in farms under 3–50 hectares. The total area of the agricultural lands cultivated by these people is 230,000 hectares. The introduction of the measure is justified by the joint aims of improving the age composition of farmers and the formulation a more favourable holding structure in the case of farmers who have not reached their retiring age, but are subject to permanent hardships.

#### **Objectives of the measures:**

With the introduction of the measure, the age composition of agricultural producers can be improved, the domestic agricultural holding structure can be optimized, i.e. the viability and competitiveness of farms can be bettered.

#### **Scope and actions:**

Within the framework of this farm transfer programme, farmers and employees over the age of 55, but still under their retiring age will have the opportunity to transfer the farms in their ownership to young farmers, and apart from the incomes having been derived from the farms to receive regular support for a pre-defined period of time. The form of transfer: purchase or gift.

#### **Definition of beneficiaries:**

Those private farmers involved in agricultural production as core activity shall be eligible for the support, who comply with the conditions hereunder:

- he is not less than 55 years of age, but at the time of the transfer has not reached the normal retirement age,
- he does not receive any old-age pension on his own rights,
- he has practiced agricultural activities for the 10 years preceding transfer,



- he cultivates agricultural lands of at least 3 hectares; undertakes that upon the transfer - he shall quit all and any agricultural activities,
- has an economic scale of 3 .EUME.

Those employees involved in agricultural production activities at the transferor of the farm who:

- is not less than 55 years of age, but at the time of the transfer has not reached the normal retirement age,
- does not receive any old-age pension on his own rights,
- for 5 year prior to the transfer has spent at least half of his working hours with agricultural activities as an assisting family member or agricultural employee in the transferring farm,
- is finally quitting all and any agricultural activities, and is deemed as insured in the social insurance system.

#### **Description of the link with national retirement schemes:**

The measure is of support type, and thus is not a part of the current Hungarian old-age pension system, the status of the beneficiaries of such supports is not identical to that of the old-age pensioners in the social insurance system. People receiving old-age pensions on their own rights are not eligible for farm transfer supports.

#### **Duration of support:**

For any farm transferor and his employee, the entire term of the support may not exceed 7 years. In case of any beneficiary transferring a farm, the provision of the support is terminated when the beneficiary reaches his normal retirement age, or if he has been granted with any old-age pension on his own rights.

#### **Type of support:**

Non-repayable support.

#### **Amount of payments:**

The support to be provided to the transferring farmer shall be calculated on the basis of lands and livestock in his own holding, and correspond to 50% of the minimum wage per month as specified from time to time from 3 EUME value of the economic viability indicator, and after each additional EUME value it shall be increased by 10% of the minimum wage, until the payable amount reaches up to 200% of the minimum wage as specified from time to time, but may not be more than EUR 18,000 p.a.

To an agricultural employee, a support in an equivalent of 50% of the support amount granted to the transferor can be given on a monthly basis. Nevertheless, the amount of supports to be furnished may not exceed EUR 4,000 per employee on an annual basis.

#### **Financing:**

Public expenditure: EUR 26,931,468

EU contribution: EUR 18,877,197

**Complementarity of the measure to the measure as pertaining to the set-up of young agricultural producers (112):**

This measure supports the target group of the measure as pertaining to the set-up of young agricultural producers described in Article 22 of Council Regulation 1698/2005/EC. In fact, persons entitled to take-over farms correspond to the persons being eligible for the support as pertaining to the set-up of young agricultural producers in case their respective applications provide for the take-over of the agricultural plant of any farmer applying for a farm transfer support.

**Quantified targets for EU common indicators:**

<b>Type of the indicator</b>	<b>Indicator</b>	<b>Target</b>
<b>Output</b>	Number of farmers transferring their farms	3500
	Number of employees of the transferring farmers	
	Total number of farms transferred (hectare)	
<b>Result</b>	Increase in agricultural gross value added in supported farms	
<b>Impact</b>	Net additional value added expressed in PPS (Purchasing Power Standard)	(no quantified target)
	Change in gross value added per full time equivalent	(no quantified target)

### ***1.1.4. Use of farm advisory services***

#### **Article which covers the measure:**

Articles 20 (a) (iii) and 24 of Regulation 1698/2005/EC

Article 15, Annex II, point 5.3.1.1.4. of Regulation (EC) No 1974/2006

#### **Measure code: (114.)**

#### **Rationale for intervention:**

Due to the large diversity of information sources, a lot of farmers are not able to obtain the information required for their farming operations without external support. Agricultural producer, forest holders, and forest farmers are particularly in the need of obtaining such information and knowledge that are connected with the farm management requirements stipulated in Regulation 1782/2003/EC, the preservation of the good agricultural and ecological conditions, as well as the community regulations on work safety.

#### **Objectives of the measures:**

The general objective of the measure is to enhance the competitiveness, performance of agricultural enterprises, promote the sustainability of agricultural developments, as well as facilitate the adaptation capabilities and population retention abilities of rural areas.

#### **Scope and actions:**

In the framework of the measure, supports can be granted to agricultural producers, producer groups, forest holders and forest farmers for the purpose of covering the utilization of professional advisory services that are aimed at the improvement of the performance of their farms, as well as the obtainment of proper knowledge on the farm management requirements stipulated in Regulation 1782/2003/EC, as well as the community regulations on work safety.

Actions within the measure:

Support can be granted to

- any agricultural producer or forest farmer who relies on professional advisory services on the basis of an agreement made with any accredited Regional Advisory Centre (RAC) for a maximum term of 1 year,
- any producer group that relies on group professional advisory services furnished to its own members on the basis of an agreement made with any accredited Regional Advisory Centre (RAC) for a maximum term of 1 year,
- any local government that relies on group professional advisory services furnished to farmers participating in the social land programme in the area of such a local government on the basis of an agreement made with any accredited Regional Advisory Centre (RAC) for a maximum term of 1 year.

**Definition of beneficiaries:**

- In the case of Action f) 1, the beneficiaries shall be agricultural producers and forest farmers.
- In the case of Action f) 2, the beneficiaries shall be members of agricultural producer groups having legal personality.
- In the case of Action f) 3, the beneficiaries shall be farmers participating in the special land programme.

**Professional advisory system and organizations acting as service-providers**

The organizational structure and operation of the agricultural professional advisory system (Farm Advisory System) have been regulated in the relevant national legal regulations. Organizations providing professional advisement (Regional Advisory Centres, hereinafter referred to as RAC) comply with the requirements posed against the Farm Advisory System described in Regulation 1782/2003/EC. RACs are such organizations accredited by the national authorities that upon the related orders by the farmers and on the basis of the agreements made with the farmers provide professional advisory services to agricultural producers and forest farmer in a manner being eligible for the associated supports specified in the national and EU legal regulations. Any RAC may furnish professional advisory services only by means of its professional advisors registered in the Register of Professional Advisors. The principal condition of having admission to the Register of Professional Advisors shall be professional qualification of higher education, at least 3 years of professional experience, as well as the passing of the basic examination of professional advisors. Any RAC shall be selected by means of an open tendering procedure with the most important conditions being:

- ability to provide complex professional advisement at least in the fields of cross-compliance requirements, the proper agricultural and environmental conditions, as well as work safety,
- possession of the human resources and technical equipment required for the above purposes,
- no involvement in input material distribution in association with agricultural activities, or in any other agency operations.

**Type of support:**

Non-repayable support.

**Amount and intensity of support:**

80% of the eligible costs with an upper limit of EUR 1,500 p.a. in the case of Action f) 2 and 3 with respect to the following upper limit values: (20% of the costs shall be paid by the users of the services to the RAC furnishing the respective services.)

Annual gross turnover of agricultural producers (HUF million)	Annual gross turnover of horticultural producers (HUF million)	Size of the operating area of forest farmers (ha)	Upper limit of the support amount (HUF th / farmer p.a.)
2-5	1-2	1-50	25
6-11	3-8	51-100	50
12-39	9-20	101-500	100
40-149	21-100	501-1000	190
150<	101<	1001<	350

**Financing:**

Public expenditure: EUR 37,903,547

EU contribution: EUR 26,567,907

**Complementarity and demarcation of the measure:***Complementarity to the other measures of the Programme*

The measure facilitates the implementation of the measures in Measure Group I and II.

*Complementarity to other Operative Programmes*

The measures only includes the professional advisement connected to the measures of the Rural Development Programme, and thus is not a part of the training, advisement measures of any other OPs.

**Quantified targets for EU common indicators:**

Type of the indicator	Indicator	Target
<b>Output</b>	Number of agricultural producers supported	min. 32.000
	Number of forest farmers supported	min. 3000
<b>Result</b>	Increase in agricultural gross value added in supported farms	(no quantified target)
<b>Impact</b>	Change in gross value added per full time equivalent	(no quantified target)

**Additional program-specific indicators:**

Type of the indicator	Indicator	Target
<b>Output</b>	Number of agricultural enterprises, forest holders, forest farmers, producer groups using professional advisory services	
<b>Result</b>	Proportion of agricultural enterprises relying on professional advisory services as related to the total number of those belonging to the target group	
<b>Impact</b>	Improvement of the performance by agricultural enterprises participating in the support	

### ***1.1.5. Setting up farm management, farm relief and farm advisory services, as well as forestry advisory services***

#### **Article which covers the measure:**

Articles 20 (a) (iv) and 25 of Regulation 1698/2005/EC

Article 16 and point 5.3.1.1.5. of Annex II. of Regulation No 1974/2006

#### **Measure code: (115.)**

#### **Rationale for intervention:**

With respect to the current number of professional advisors kept in the Register (550) and the estimated size of the target group relying on such professional advisory services (cc. 100,000 persons), the necessity to broaden professional advisory capacities is foreseen with the increase of the demand for these services. In Hungary, farm management and farm relief services have not been set up, yet. Their introduction is anticipated to facilitate the recovery of farms facing farm management difficulties, and by substituting the farmer being absent for recreational or medical reasons it potentially contributes to the improvement of the safety of farming and the life quality of agricultural producers.

#### **Objectives of the measures:**

The objective of the measure is to enhance the competitiveness, performance of agricultural enterprises, promote the sustainability of agricultural developments, facilitate the adaptation capabilities and population retention abilities of rural areas, as well as improve the life quality of agricultural producers and agricultural entrepreneurs by the provision of farm management, farm relief and farming advisory services.

#### **Scope and actions:**

Within the framework of the measure, organizations, institutions, enterprises holding Regional Advisory Center accreditations can rely on the support in case they undertake to supply professional advisory, farm management and farm relief services.

#### **Definition of beneficiaries:**

Regional Advisory Centres accredited in the framework of the Farm Advisory System, or organizations undertaking to obtain such accreditation within 1 year.

#### **Description of the status of service providers**

The organizational structure and operation of the agricultural professional advisory system (Farm Advisory System) have been regulated in the relevant national legal regulations. Organizations providing professional advisement (Regional Advisory Centres, hereinafter referred to as RAC) comply with the requirements posed against the Farm Advisory System described in Regulation 1782/2003/EC. RACs are such organizations accredited by the national authorities that upon the related orders by the farmers and on the basis of the agreements made with the farmers provide

professional advisory services to agricultural producers and forest farmer in a manner being eligible for the associated supports specified in the national and EU legal regulations. Any RAC may furnish professional advisory services only by means of its professional advisors registered in the Register of Professional Advisors.

The principal condition of having admission to the Register of Professional Advisors shall be professional qualification of higher education, at least 3 years of professional experience, as well as the passing of the basic examination of professional advisors. Any RAC shall be selected by means of an open tendering procedure with the most important conditions being:

- ability to provide complex professional advisement at least in the fields of cross-compliance requirements, the proper agricultural and environmental conditions, as well as work safety,
- possession of the human resources and technical equipment required for the above purposes,
- no involvement in input material distribution in association with agricultural activities, or in any other agency operations.

**Type of support:**

Non-repayable support

**Intensity of support (according to state aid rules):**

80% of eligible costs.

The support shall be disbursed in annual installments for a maximum term of 5 years, and after the first year the respective amounts shall be reduced **degressively** from year to year, in equal proportions. Thus, the support shall be

- in Year 2 80 of the support for Year 1
- in Year 3 60 of the support for Year 1
- in Year 4 40 of the support for Year 1
- in Year 5 20 of the support for Year 1

**Description of the type of eligible expenditures:**

Investment and current asset costs in association with the establishment of the services, and operating costs in association with the establishment of the services.

**Financing:**

Public expenditure: EUR 748,096

EU contribution: EUR 524,367

**Complementarity and limits of the measure:**

Within the framework of this measure, only costs and expenses incurred in connection with the establishment of the services shall be deemed as eligible costs. Costs incurred in the course of the provision of services shall be deemed as non-eligible costs.

*Complementarity to the other measures of the Programme*

Within the scope of the enhancement of competitiveness (Measure Group 1), the use of professional advisement can be efficiently utilized in the implementation of the measures of land use and environmental protection (Measure Group 2). The support for the new, extensive techniques of land use, as well as for the preservation of biodiversity (Measure Group 2) offers an opportunity for the diversification of rural economy, the establishment of various services, as well as the improvement of employment (Measure Group 3). Whereas, Measure Group IV (LEADER) will create links among the various stakeholders of rural economy via local communities.

**Quantified targets for EU common indicators:**

In the period between 2009 and 2013, 150 profession



### ***1.2.1. Modernization of agricultural holdings***

#### **Article which covers the measure:**

Articles 20 (b) (i) and 26 of Regulation 1698/2005/EC

Article 17 and point 5.3.1.2.1. of Annex II. of Regulation (EC) 1974/2006

**Measure code: (121.)**

#### **Rationale for intervention:**

Due to the considerable developmental supports in recent years, the technological background of agricultural operations has witnessed the start of renewal, the replacement of depreciated or not adequately structured, outdated machinery and equipment. The current technological standard in agriculture necessitates the continuous modernization of agricultural holdings at a pace being faster than the rate of changes that have occurred lately. The production phase after harvesting poses a particularly significant modernization demand in all the sectors of farming. The reliance on AVOP resources, as well as the developments, interventions being in the process of implementation have contributed to the modernization of the structure of agricultural production, the improvement of the prevailing conditions and the protection of the environment. On an annual basis, the total expenditure on agricultural investments implemented as relying on AVOP's grant support schemes and resource potentials amounts to HUF 50–55 billion, which at the farthest just one-third of the HUF 180–200 billion expenditure in the years directly preceding the country's accession to the European Union. Only a small proportion of animal breeders – partly due to the lack of sufficient capital resources, and

information systems facilitating production and sales, promotion of the use of information and communication technologies. As a novel opportunity, implementation and development of the equipment of alternative energy generation. Another essential aim is that domestic agricultural holdings should comply with the high consumer and social expectations, as well as with those imposed by EU legal regulations in the fields of environmental protection, animal welfare and food hygiene.

### **Scope and actions:**

On the one hand, the measure targets the support for construction investments to improve the efficiency of basic agricultural activities in plant farming, horticulture (including the post-harvesting phase) and animal breeding. On the other hand, it involves the modernization of the machinery used and technological equipment, the improvement of the age structure of the same, changing the machinery for machines having a better environmental performance as well as developments serving the ends of bettering the prevailing agrotechnical, technological and genetic standards. In addition, it is to offer support to the introduction of new technologies, as well as information systems facilitating production and sales.

### **Actions within the measure:**

#### *1.2.1.1. Investments in plant farming and horticulture:*

Within the framework of this action, supports can be granted to the establishment of the facilities and technological equipment of storage and drying, the development of the facilities and technological equipment of horticultural production, as well as the foundation of infrastructural and social facilities within the sites. Equipment connected to geothermic heating of horticultural holdings can be supported.

#### *1.2.1.2. Investments in animal husbandry:*

Within the framework of this action, supports can be granted to investments aiming at the establishment of new accommodation for livestock and the improvement of the quality thereof, investments ensuring the production and use of feeding materials, investments facilitating the storage and use of manure, including biogas facilities, investments to improve the quality of the performance working processes associated with animal-breeding activities, investments in connection with the improvement of the genetic quality livestock, as well as investments to improve animal health conditions and traceability and to offer preventive solutions for the emergence and spread of animal diseases.

#### *1.2.1.3. Supports granted for the purchase of machinery and technological equipment used in plant farming, horticulture, animal breeding and forestry – independent machinery and equipment not involving any construction work:*

Improvement of the technological facilities of agriculture, increase of the rate of mechanization, optimization of the machinery demand of production technologies. Within this scheme, it is preferred to buy machinery having a better environmental performance (e.g.: lower consumption of energy), and to buy specialised machinery, mainly for the animal breeding sector. But due to the changes in the cereal CMO, which leads to decreasing income, it is also important to purchase more cost-efficient machinery for the cereal sector.

#### *1.2.1.4. „GAZDA”Net Programme:*

Within the framework of this programme, agricultural producers are granted with supports for the purchase of IT equipment. Any producer with a farm size exceeding 2 EUME will have the opportunity to purchase small IT equipment (hardware), while larger stakeholders of agriculture (over 20 EUME, as well as RACs and PSC [producer sales cooperatives]) can rely on the introduction of ERP systems and associated services.

#### *1.2.1.5. Plantation of orchards:*

Within the framework of the action, supports can be granted to supplementary planting operations, changes in the breed structure of plantations, replantation for modernization purposes, the establishment of new plantations including energy crops/plantations.

#### **Definition of the type of beneficiaries:**

Agricultural producers, PSCs formulated by them, producer groups, training farms, training plants, RACs

#### **Type of the investments:**

Tangible investments: buildings, machinery, as well as technological and IT equipment serving the improvement of competitiveness in animal breeding, plant farming and horticulture.

Intangible investments: computer software and intangible investments in association with the implementation of tangible investments.

#### **Type of support:**

Non-repayable capital grant, as well as interest subsidy, guarantee fee.

#### **Intensity of support:**

In relation to the eligible costs of any investment, the aggregate amount of the capital grant, the capitalized value of the interest subsidy and the guarantee fee may not exceed (the requested proportion of support can be less than the fixed rate of support, based on the applicants' needs):

- 1.2.1.1. In the case of investments in plant farming and horticulture: max. 40 %
- 1.2.1.2. Investments in animal breeding: 40 % (75% for the execution of Council Directive 91/676/ECC within a maximum term of four years)
- 1.2.1.3. In the case of supports granted for the purchase of machinery and technological equipment used in plant farming, horticulture, animal breeding and forestry – independent machinery and equipment not involving any construction work: 40%
- 1.2.1.4. For the GAZDANet Programme: max. 40%, based on the need of the applicant
- 1.2.1.5. For the plantation of orchards: max. 40%, based on the need of the applicant

In the case of young agricultural producers, as well as investments implemented in areas enclosed on accordance with Point ii, iii of Section a) of Article 36 of EMVA, (+)10% supports can be granted.

#### **Financing:**

Public expenditure: EUR 1,616,885,538

EU contribution: EUR 1,133,330,985

**Complementarity and demarcation of the measure:***Coherence with the first pillar:*

Within Measure Group I, the measure facilitates the implementation of the measure for the set-up of young agricultural producers (Article 22), as well as the observation of the requirements based on community legal regulations (Article 31), and contributes to the implementation of Article 35: Measures for the support of producer groups (Article 35).

**Quantified targets for EU common indicators:**

Type of the indicator	Indicator	Target
<b>Output</b>	Number of farm holdings supported	7000
	Total volume of investment (HUF bn)	1000
<b>Result</b>	Number of holdings introducing new products or technologies	1500
<b>Impact</b>	Net additional value expressed in PPS	900
	Change in gross value added per full time equivalent	

### ***1.2.2. Improving the economic value of the forest***

#### **Article which covers the measure:**

Articles 20 (b) (ii) and 27 of Regulation 1698/2005/EC

Article 18 and point 5.3.1.2.2. of Annex II. of Regulation (EC) 1974/2006

#### **Measure code: (122.)**

#### **Rationale for intervention:**

In addition to sustainable forestry and the preservation of the multifunctional role of forests, important aspects include the increase of the economic values of these areas, the enhanced diversification of production, as well as the improvement of market opportunities, because forested areas have an essential part in the economic activities of the countryside.

In recent decades, 40% of the forest areas have been privatized, and in particular these areas suffer from especially inadequate capital supply and the lack of appropriate assets, the state of these forests has deteriorated, the existing machinery and other facilities, the applied technology and the IT background call for modernization and enlargement.

Reflecting the size and use of the respective forest areas, forestry plans are required to be based on the relevant national legal regulations, as well as the available land use schemes, which are to consider properly the existing forest resources.

#### **Objectives of the measures:**

On the one hand, the measure aims at the development of the machinery used for forestry purposes, including the purchase of additional machinery and equipment, and a key role is attributed to the establishment of an IT background to support private forestry operations (purchase of IT equipment and software).

Beyond investments in machinery and equipment, another important direction of development is the foundation, maintenance and development of reproduction-material generation bases that are connected with the establishment, preservation and enlargement of biological foundations.

#### **Scope and actions:**

The measure is to support the purchase and development of forestry machinery and supplementary equipment, the establishment of the associated IT background, as well as the generation of reproduction materials.

Actions within the measure:

- Purchase of machinery for forestry purposes
- Support for the generation of forest reproduction materials

**Type of beneficiaries:**

Forest farmers who legally use forests owned by private persons or municipalities, or any partnership of these two, and have been registered by the forestry authorities, as well as farmers involved in nursery-garden production.

**Type of support:**

Non-repayable capital grant, interest subsidy and guarantee fee.

**Aid intensities:**

Supports may not exceed:

- 60% of the amount of investments in mountain areas, any other LFAs and NATURA 2000 areas;
- 50% of the amount of investments implemented in other areas;

**Financing:**

Public expenditure: EUR 7,730,329

EU contribution: EUR 5,418,455

**Complementarity and limits of the measure:****Quantified targets for EU common indicators:**

Type of the indicator	Indicator	Target
<b>Output</b>	Number of forest holdings receiving investment support	300 p.a.
	Total volume of investment	
<b>Result</b>	Number of holdings introducing new products or technologies	100 p.a.
<b>Impact</b>	Net additional value expressed in PPS	
	Change in gross value added per full time equivalent	

### ***1.2.3. Adding value to agricultural and forestry products***

#### **Article which covers the measure:**

Articles 20 (b) (iii) and 28 of Regulation 1698/2005/EC

Article 19 and point 5.3.1.2.3. of Annex II. of Regulation No 1974/2006

#### **Measure code: (123.)**

#### **Rationale for intervention:**

Food industry is the main market for the base-material production by agriculture. It enables Hungary to be self-reliant as concerning all the major food materials. It has a strategic role in the employment opportunities of rural Hungary, as well as in nutrition and public health. For the primary production sector, the most significant problem is posed by the sales of their products, and thereby the uncertainty of the market. Their products are in general base material for processing industry. Therefore, for agricultural and forestry producers, the development of the processing industry is of high importance, as well. The competitiveness of small and medium-sized enterprises processing agricultural products, as well as several large companies involved in primary processing is negatively impacted by the insufficiency capital resources, the low efficiency of live labour, the fact that no real restructuring has been implemented in the sector, as well as the lack of concentration, specialization and modernization that would be required for the accomplishment of proper economies of scale. The profitability of these enterprises is also unsatisfactory. The level of innovation, the application of the results produced by R&D, as well as the standards of marketing activities remains low.

Another option for the elimination of uncertainties in sales is the alternative utilization of the base materials produced. This end is potentially served by the utilization for energetic purposes.

The assets used by forestry woodworking, as well as the identification of the related technological potential – especially in the private sector – call for modernization and enlargement. For the producer, the complex processing of wood exploited from the available stock represents an additional sale opportunity, and thus the betterment of the safety of farming.

From among the various sectors of the national economy, added value tends to be lowest in agricultural production, and therefore alongside the product course the weight of activities generating larger added value should be increased by all means.

#### **Objectives of the measures:**

The objective of the measure is to promote the increase of the value of agricultural products by means of supporting the restructuring, technological–technical development of enterprises involved in food-oriented processing activities, as well as fostering developments that aim at the generation of novel, innovative, quality products satisfying special consumer demands, as well as at the enhancement of food safety and hygiene.

An additional objective is to improve the technological standards and income position of forestry, encourage the primary processing of the generated biomass for energetic purposes, develop high-quality products featuring considerable added values.

**Scope and actions:**

Within the framework of the development, such developments can be supported that – apart from fishery and tobacco products – are connected with the processing of the products listed in Annex I of the Contract, and correspond to the objectives of the measure.

As concerning forestry products, the aim is the promotion of tangible and/or intangible investments that improve the general performance of the given enterprise by means of processing and/or distributing forestry products, as well as new products, techniques and technologies in relation to such forestry products.

**Actions within the measure (actions, activities):**

- Action no. 1231: Added value to agricultural products
- Action no. 1232: Added value to forestry products
- Action no. 1233: Added value to agricultural products by means of generating semi-finished products for the purpose of producing bioethanol
- Action no. 1234: Added value to agricultural products by means of generating semi-finished products for the purpose of producing biodiesel

**Type and size of beneficiary enterprise:**

Beneficiaries of action no. 1231 are private entrepreneurs, private companies, legal entities and business entities with no legal personality, as well as the partnerships of the foregoing, that plan to implement their investments in Hungary.

Beneficiaries of action no. 1232 are forest farmers who plans to implement their investments in Hungary, and operate as micro-enterprises.

Beneficiaries of action 1233 and 1234 are legal entities and business entities with no legal personality that are deemed as micro-, small or medium-sized enterprises, as well as producer groups that plans to implement their respective investments in Hungary.

For all the actions, investments made by producers' groups or agricultural holdings are preferred.

**Description of the requirements and targets with regard to the improvement of the overall performance of the enterprises:**

Towards the improvement of the competitiveness of the sector and the individual food-industry enterprises, developments aiming at the establishment of efficient plant sizes and expedient product structures are to be fostered. In addition to the technological, technical developments that are to reduce specific costs, material and energy consumption, as well as waste and hazardous material emission loading the environment, more emphasis should be paid to the generation of novel, innovative products that are flexible in satisfying the consumers' differentiated demands. Still, a key aspect is to enhance food safety, and ensure traceability.

A basic condition of the long-term competitiveness of the enterprises, and thus the sector as a whole, is the closest possible cooperation among the stakeholders being active alongside the product course.

**Primary production sectors:***1. Meat and poultry industry**1.1. Meat processing and conservation*



Meat industry is traditionally an export-oriented sector. As concerning the supply of pig, cattle and sheep meat in Hungary, the rate of self-supply is 135% on the average. Due to the decreasing real incomes and the unfavourable consumer preferences in connection with red meat products, the domestic demand for the products of the meat industry considerably dropped in the 1990s. At the present, the domestic market is well-balanced, but the structure of consumption is apparently in a state of transition towards products featuring higher rates of processing. From among the domestic channels of the meat market, the role of large retail chains gradually strengthens.

In the oncoming years, an increase of real incomes is foreseen to occur in Hungary, and therefore the volume of pig and cattle consumption are likely to rise according to the associated economic forecasts.

The export of meat industry is made up of three major product groups: livestock, meats and meat products – a categorization that at the same time reflects the respective rates of processing. Within the structure of Hungarian export, the proportion of products featuring higher rates of processing has not increased in recent years.

### 1.2. Poultry processing and conservation, poultry meat products

Hungary's poultry meat production is export-oriented, the level of self-supply is 130–160%. Export is regarded as an important aspect for broilers, while in the case of the other poultry types (turkey, goose, duck) it is rather a determinant factor. The majority of processed poultry-industry products are marketed in the countries of the European Union. A distinctive feature of the Hungarian poultry industry is that the product range of processing is fairly broad in global comparison. Most of the poultry-processing plants handle two or more poultry types, which can also be regarded as a Hungarian peculiarity.

In comparison to other countries of the world, it can be ascertained that Hungary does not only have an outstanding position in the specific production of processed poultry, but also in the light of consumption figures. When considering per capita consumption, it can be seen that the related Hungarian figures exceed the EU average being around 20 kg, and are rather identical to the corresponding data of the leading countries. In addition, the 1990s reflected a rising tendency. From the 20–24 kg/ps level as characteristic of the early 1990s, poultry meat consumption has risen to the current 30 kg/ps.

With a view to market factors, poultry industry is in a favourable position, its export is not anticipated to decrease even after the country's accession to the EU.

### 1.3. Major developments

Modernization of the slaughtering, cutting and processing technologies. Development of the conditions of traceability, improvement of quality and the safety of product manufacture. Enhancement of competitiveness by means of increasing efficiency and moderating prime costs. Preservation of the domestic and export markets. Increase in the range and proportion of products being subject to voluntary product certification. Reduction of environmental loading, improvement of the conditions of the management of by-products and wastes.

## 2. Dairy products

The Hungarian dairy farm is typically (net) self-subsistent, while the base-material surplus occurring year by year in variable quantities, yet around 5–10 percent in general, is put to export. The role of foreign trade is rather marginal: most of the export operations are used as buffer activities, while import has a 6–8 percent share in the domestic market on the aggregate. Nevertheless, in the market of certain products featuring large added values the share of import can be fairly large, and thus, for instance, the import of dairy products totaled up to 4,000 t in 2003, and then boosted to an annual amount of 54,000 t in 2005.

Until the middle of the 1990s, the demand for dairy products was continuously decreasing, and as a consequence of the rising consumer prices and the deterioration of life standards consumption dropped altogether by 20%. Since the middle of the 1990s, demands have tended to intensify slowly, yet the consumption of dairy products still significantly lags behind the volume registered at the beginning of

the decade. As a result of the prospective increase of incomes, the domestic market of dairy products is anticipated to see the rise of consumption, but in the case of core products no increase in the share of import has been taken into consideration.

#### 2.1. Major developments

Improvement of efficiency and competitiveness in order to preserve positions on the domestic market. Increase in the supply of traditional and organic products. Increase in the supply of products featuring higher rates of processing. Reduction of environmental loading by means of disseminating good production practices.

#### 3. *Milling products*

In Hungary, over 1 million tons of grains are milled for the purpose of human consumption each year. Milling industry has a key role in the base-material supply of certain re-processing food-industry sectors, as well as in the processing of domestic base materials with adequate efficiency.

Milling companies sell around 10% of the domestic turnover to the neighbouring, primarily CEFTA countries, and this volume has been more or less steadily imported in recent years. They do not import milling products to more remote EU member states. The domestic flour market is not threatened by Romania's accession to the EU in 2007, and in the border regions rather a slight increase in export is anticipated. The export-import volumes of milling products is nearly balanced with a slight export surplus. The production of milling enterprises can be characterized by low capacity utilization, and thus the competition among the companies concerned is sharp.

#### 3.1. Major developments

Consolidation of the outdated, small-volume capacities. Establishment of a small number, modern, highly efficient mills featuring state-of-the-art technologies. Strengthening of integration for the improvement of quality and the availability of steady base-material supply. Manufacture of special target products.

#### 4. *Feed mixes*

The output of the specialized sector manufacturing mixed feeds is largely dependent from the performance of product courses generating animal products. The competition among feed manufacturers are outstandingly sharp. 50 percent of the production output comprise pig feeds with poultry feeds and cattle feeds in the forms of pre-mixes and concentrates having a share of 40 percent and 10 percent, respectively. The relatively large number of small feed-mixing plants results from the fact that this activity is mostly integrated with animal-breeding and grain-storing operations. The average rate of capacity utilization is low, yet tends to enhance with the growing number of livestock.

#### 4.1. Major developments

Establishment of the conditions of traceability, the separation of the feeds made for ruminants from the other feed types. Improvement of the quality, regulation and standardization of feed constituents and the respective contents of the various substances, development of special products. Reduction of environmental loading.

#### 5. *Fruits and vegetables*

As concerning fruit and vegetable production, the rate of self-supply is 135% in Hungary. The fruit and vegetable sector comprises traditionally export-oriented activities, as related to the production value the rate of export is 40% on the average. At the present, deep-frozen products have a stable market, more than 50% of the total output are exported. In EU markets, the expansion of deliveries can be achieved only with special and seasonally differing products. The aggregate volume of the consumption of fresh and processed fruits and vegetables has not changed in the past decade.

The specialized processing sectors of fruit and vegetable production, canning industry and refrigeration industry have witnessed a similar situation. The volume of the marketed products has decreased in the past few years, and this market tendency can only be turned over with the introduction of innovative, novel products. The export markets for the refrigeration and canning

industry are located mainly in the continent, yet there is a significant difference: while the exported products of the refrigeration industry are almost exclusively marketed in the member states of the European Union, the 60% of the export volume of the canning industry is realized outside the European Union, in the markets of third countries.

Small and medium-sized enterprises can find their feet in the market of canned and conserved products. These enterprises are able to manufacture such products typically demanding substantial rates of manual work that are popular in the high-added-value segments of the market. At the present, the share of imported canned and conserved products is around 10 percent, but from next year it is foreseen to increase.

The export orientation of vegetable and fruit processing will further strengthen both to the East and West. Benefiting from the country's agro-ecological and economic-geographical situation, the vegetable and fruit sector offers the potential to have comparative advantages provided that permanent vertical interests can be established.

#### 5.1. Major developments

Strengthening of supplier relations. Introduction of modern conserving technologies. Development of the manufacture of special products.

#### 6. Wine

Hungary is a **traditional, European wine-growing country**, which as a result of her accession to the EU in 2004 efficiently integrated among the wine-producing countries of Europe. As concerning winery products, Hungary is **fully self-subsistent**, 95% of the grapes produced are utilized as wine.

In the past 15 years, the domestic market has become extremely polarized. There have occurred "top-end" wines of protected origins, primeur wines, endemic wines have been widely recognized, while quality wines originating from specific wine-growing regions have reached up to European standards. By satisfying diverse consumer demands, the domestic per capita annual average consumption of cc. 30 l seems to be stable. In the past decade, specialized wine shops have been opened, sales via supermarkets have become dominant, while the direct turnover of producers has also remained significant.

Starting out from the a depression in 1992, export sales dynamically grew until 1995, and then due to a process of gradual decrease it has dropped to under 600,000 hl by today. Grapes are exported as products of various rates of processing (e.g. fresh grapes, wine mash, bulk wine and bottled wine). **81.9% of the export output are marketed in EU member states.**

In the light of the sharpening market competition, in the future only white and red wines of good or rather excellent quality can be sold in bottled volumes in excess of the current quantities. The added values of the products are to be increased (e.g. guaranteed origin, packaging, sales services, gastronomic recommendations).

The pressure of import wines on the domestic market has been aggravating. This process can be perceived in consumer habits, rather than the volumes sold. With the oversized capacities, supermarkets prefer to offer cheap or medium-category, bottled wines of foreign origin. On the other hand, Hungarian wineries have the opportunity to maintain their share in the domestic market, as well as to seize back some of the former foreign markets (e.g. Russia, the Ukraine), or enter the markets of the Baltic states and Scandinavia only by means of further improving the quality.

In Hungary, the annual average of wine production (with a single decantation) is 4 million hectoliters, the country – unlike the large wine-growers of the EU – **has not structural surpluses**. Wine-growing and wine-processing is remarkably fractioned, there are too many coercive enterprises.

#### 6.1. Major developments

Both in the fields of vine cultivation and processing, there is a **need for technological developments and concentration**. Integration, the cooperation and collaboration of producers are to be encouraged towards the supply of uniformly good quality in marketable volumes. By facilitating the restructuring

of the sector, ecological endowments, as well as the tangible (plantations, cellars, storage facilities, bottling facilities) and intangible (professional skills, research, training) infrastructure could be better utilized. By improving quality and the conditions of entering the market, as well as the retention of domestic consumers and the regaining of the trust of foreign customers, **Hungarian wine** – similarly to market-leading wine-producing countries – **can be made competitive, an important factor of the establishment of a positive country image**. Apart from the opportunities, an important aspect of employment policy is that in certain regions **vine cultivation and wine production have no real alternatives**.

**Type of investments (tangible-intangible):**

Tangible investments: construction and modernization of real-estate properties, purchase and commissioning of new machinery and equipment to be started up for the first time.

Intangible assets: costs of the intangible assets and procedures in connection with the implementation of the investments.

**Type of support:**

Non-repayable capital grant, interest subsidy, guarantee fee.

**Intensity of support:**

40% of eligible costs of the investments.

In the case of actions 1231, 1233 and 1234, 20% for enterprises engaging more than 249, but less than 750 employees.

**Amount of support:**

Maximum amount of the support as per projects: HUF 450 million

Minimum amount of the support as per projects:

In the case of action 1231, HUF 500,000

In the case of action 1232, HUF 2,000,000

**Financing:**

Public expenditure: EUR 207,472,049

EU contribution: EUR 145,424,334

**Complementarity and demarcation of the measure:**

*Coherence with the first pillar*

Article 29 of Council Regulation 1698/2005: In the framework of the supports granted under the said Article, the application of the new products and processes having been developed on the basis of this measure by enterprises is preferred.

Article 32 of Council Regulation 1698/2005: Support for the development required for the processing of products that are generated by agricultural producers participating in food quality schemes.

### *Complementarity*

The measure is closely linked to the priority of KEOP serving the ends of supporting renewable energy resources. Primary processing facilities owned by the producers (crude alcohol, crude oil) are to be implemented with EMVA support, while the central manufacturing facilities of bio-fuel finished products based on the former plants (esterifiers, dehydrators) will be granted with KEOP supports.

The measure is connected with the Environmental Operative Programme, as the own environmental investments of the enterprises will be backed by KOP supports.

The measure has links with the Economic Development Operative Program, because developments for the manufacture of food products not listed in Appendix 1 of the Rome Convention are to be implemented with the support of GOP.

### **Quantified targets for EU common indicators:**

<b>Type of the indicator</b>	<b>Indicator</b>	<b>Target</b>
<b>Output</b>	Number of farms supported	900
	Total volume of investments	
<b>Result</b>	Number of holdings introducing new products or technologies	
<b>Impact</b>	Net additional value expressed in PPS	
	Change in gross value added per full time equivalent	

#### ***1.2.4. Cooperation for development of new products, processes and technologies in the agriculture and food sector and in the forestry sector***

##### **Article which covers the measure:**

Articles 20 (b) (iv) and 29 of Regulation 1698/2005/EC

Article 20 and point 5.3.1.2.4. of Annex II. of Regulation (EC) 1974/2006

##### **Measure code: (124.)**

##### **Rationale for intervention:**

The competitiveness of any agricultural production entity is basically conditioned by the fact to what extent it is able to meet quickly changing consumer demands and wide-ranging special expectations. In order to remain competitive, it is indispensable to develop novel products with continuously improved quality, to be in the quest for innovative solutions, as well as to apply the most recent scientific/technological achievements. The insufficient capital resources being available to small and medium-sized enterprises in food industry, forest farmers and agricultural producers, as well as the high intellectual and material resource demand of the application of research results necessitate the cooperation among the different stakeholders. In rural areas, the measure contributes to the generation of products that are partly demand locally, and partly can be distributed in more remote markets. The generation of quality products, as well as the implementation of developments in food safety, environmental protection and marketing potentially better sales opportunities, strengthen the relationship, concentration of production and processing. The application of the technologies and know-how based on the results of R&D activities facilitates the acquisition of new markets and the retention of the existing ones.

At the present, in Hungary innovation in food industry primarily hindered by the high volume of associated costs,, as well as the lack of such project management services that would ensure the practical adoption of research results. There are no so-called bridging organizations that are to forward and strengthen innovational processes to all the stakeholders, as maintaining a permanent relationship of cohesion among them.

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

The objective of the measure is the application of the results of innovation and R&D in order to generate more competitive products, as well as the promotion of cooperation among primary producers, the processing industry, forestry and/or third parties towards the development of new products, processes and technologies.

##### **Scope and actions:**

Within the framework of the measure, cooperative efforts aiming at the development of new products, procedures and technologies can be supported in the fields of agriculture, forestry and the processing industry.

**Definition of sectors covered:**

Professional sectors producing and processing the products that are listed in Annex I of the Contract, as well as private entrepreneurs, (micro-) small and medium-sized enterprises involved in the generation and processing of forestry products, consortia of organizations/institutions taking part in developments.

**Definition of types of the partners involved in the cooperation projects:**

- agricultural producers
- stakeholders of the processing industry
- organizations involved in research, development and innovation activities
- bridging organizations
- sales organizations, distributors

**Description of any distinction between cooperation projects in the fields of new products/new processes/new technologies:**

Any project will be preferred wherein all the partner types are involved in the innovation project, and where after the market introduction of the respective product, technology or service the partners are willing to work jointly on the long run towards the development of market successes. Priority supports are to be provided to developments wherein the participants of the partnership cover a determinant proportion of the given product course.

**Types of eligible costs:**

Costs of planning, development and examination activities prior to the actual application of new products, procedures and technologies, as well as the costs of intellectual (intangible assets) and physical investments connected with the cooperation.

**Type of support:**

Non-repayable support.

**Intensity of support (according to state aid rules on research, development and innovation):**

Rate of the support: 75%

**Amount of support:**

Upper limit of the support value as per projects: 500.000.000 HUF

Minimal amount of the support as per projects: HUF 5 million

**Financing:**

Public expenditure: EUR 42,392,125

EU contribution: EUR 29,714,107

**Complementarity and demarcation of the measure:***Within the programme*

This measure is complementary to the measure entitled “Added value to agricultural and forestry products” so that the new processes, procedures and technologies developed with the support of the measure can contribute to the generation of added values to agricultural and forestry products. It is also linked to the measure entitled “Modernization of agricultural holdings” (Article 26), because the investment supports furnished to those ends can contribute to the introduction of the new process, as well as the adoption of the new technology. In the framework of the supports granted under this measure, the application of the new products and processes having been developed on the basis of this measure by enterprises is preferred.

**Quantified targets for EU common indicators:**

<b>Type of the indicator</b>	<b>Indicator</b>	<b>Target</b>
<b>Output</b>	Number of cooperation initiatives supported	100
<b>Result</b>	Number of holdings introducing new products or technologies	
<b>Impact</b>	Net additional value expressed in PPS	(no quantified target)
	Change in gross value added per full time equivalent	(no quantified target)



### ***1.2.5. Infrastructure related to the development and adaptation of agriculture and forestry***

#### **Article which covers the measure:**

Articles 20 (b) (v) and 30 of Regulation 1698/2005 EC

Point 5.3.1.2.5. of Annex II. of Regulation (EC) No 1974/2006

#### **Measure code: (125.)**

#### **Rationale for intervention:**

The agricultural infrastructure has not followed changes in the conditions of land ownership and land use. By today, most of the former investments in amelioration and the development of irrigation have become outdated.

The proportion of irrigated and ameliorated areas is still low, the ratio of actually irrigated areas is some 2% of the total agricultural lands. The rate of development of water-management facilities (water supply, water storage for irrigation purposes, water retention) ensuring the stability and foreseeability of agricultural production is not adequate

The management of temporary excess water and water shortage are not aligned.

The infrastructural background of domestic forestry calls for considerable developments. With the modernization of forestry, the profitability of farming will be on the rise with a smaller rate of environmental loading.

The prevailing standards of the energy supply, as well as the availability of roads and other public utilities to agricultural enterprises are not appropriate.

Due to the measures having been taken by AVOP, the tackling of the above problems has been commenced, yet their full-scale solution requires further investments, and therefore the continuation of the facility with some shifted emphasis is well justified.

#### **Objectives of the measures:**

The objective of the measure is to improve the conditions and capacity utilization of the facilities required for the provision of irrigation water towards the economical use of water and energy, as well as to protect agricultural lands by means of ameliorative interventions. To improve the efficiency of damage elimination, as well as the retaining and storing potentialities of water reserves.

An additional objective of the measure is to promote the biomass generated in agricultural plants for energetic purposes. Besides, the measure aims at the facilitation of the concentration of fractioned agricultural lands in outer areas.

#### **Scope and actions:**

Within the framework of the measure, supports can be granted to the development of agricultural access roads and exploration roads, the facilities of energy and water supply, as well as temporary wastewater storage, irrigation sites and ameliorative interventions within the sites, and moreover to community investment (to serve several plants at the same time) required for the operation of such facilities and works for the proper arrangement of agricultural holdings. In the course of the

implementation of the measure, supports can be provided for the establishment and reconstruction of exploration road networks in forests and forestry loading sites, the construction of constructed structures serving the protection of forest soils, the construction and reconstruction narrow-gauge railways, the establishment of private forestry information centers.

*Action 1.2.5.1: Development of the agricultural plant and communal facilities of irrigation:*

- Establishment and reconstruction of water- and energy-saving irrigation plants within the holdings. Development of new water-management equipment and facilities ensuring the water- and energy-saving irrigation of agricultural lands, the delivery, distribution and control of water, as well as the reconstruction of the existing facilities.
- Communal investments in the development of irrigation. Establishment of irrigation-service work(s) serving the irrigation-developmental needs of several producers.

*Action 1.2.5.2: Development of the agricultural plant and communal facilities of amelioration:*

- Investments in amelioration within the plants. Performance of ameliorative and soil-protection interventions aiming at the protection of agricultural lands against erosion, deflation, leaching and the improvement of water balance, as well as the construction and reconstruction of related facilities.
- Development of the communal facilities of amelioration. Construction and reconstruction of facilities for ameliorative and soil-protection interventions aiming at the protection of agricultural lands against erosion, deflation, leaching and the improvement of water balance as to be implemented as cooperative efforts of several producers to cover the areas of more than one producers for each facility.

*Action 1.2.5.3: Collective investments in water-flow regulations, elimination of water damages, regulation of excess surface waters:*

Prevention and reduction of damages caused by excess surface water and local water damages towards the safety of agricultural production with proper respect to the establishment and preservation of good ecological conditions in waters and wetlands, establishment, development and reconstruction of water bodies of agricultural purposes and other water-management facilities.

Those project of the above described three actions can be preferred which are in line with micro-regional water-management and development plans.

*Action 1.2.5.4: Development of the forestry infrastructure:*

- Improvement of forestry by means of constructing exploration roads in forests.
- Construction of engineering structures for the protection of forest soils.
- Promotion of forest farming by means of the application of ameliorative interventions, protection of forest areas.

*Action 1.2.5.5: Development of agricultural access roads and exploration roads:*

Construction, reconstruction of only such dust-free or paved roads in outer areas that have proper lot numbers.

*Action 1.2.5.6: Water- and energy-supply of agricultural plants:*

Delivery, connection of network-based energy resources to business sites, agricultural farms . Connection to other heat-supplying networks. Buildings and facilities directly linked to such investments, facilities and equipment of technological and communal water supply, as well as of the temporary storage of the generated wastewater.

Application of the wind-wheel energy-supply technology to ensure the required energy supply of sites. The use of geothermic heat as a renewable energy resource – among others – can also be supported.

The energy supply of small-scale farmers and other persons living in outskirts farmsteads can be supported.

*Action 1.2.5.7: Proper arrangement of holdings:*

Concentration of the fractioned agricultural lands of the owners in the outer areas wherein activities to be supported include the performance of land survey works serving the ends of the arrangement of holdings, preparation of the layouts of any division, plot unification, changes, etc. Following the effective date of the Act on the arrangement of holdings (and the associated executive decree), activities connected with the full-scale arrangement of holdings will be incorporated.

*Action 1.2.5.8: Energy supply within business sites by means of using renewable energy resources:*

Energy supply of agricultural plants within the respective business sites (except for energetic unit associated with the production of crude alcohol) by means of burning biomass.

**Definition of beneficiaries:**

Agricultural producers, the PSCs established by them, producer groups, legal entities and partnerships of business entities with no legal personality, registered water-management associations operating public-utility water-management works, as well as forest farmers and local governments.

**Type of support:**

Non-repayable capital grant, as well as interest subsidy, guarantee fee.

No pre-payment shall be made.

**Intensity of support:**

- within the framework of Action 1251 max. 60% of the communal investments in irrigation development
- within the framework of Action 1252 max. 60% of the development of the communal facilities of amelioration
- and within the framework of Action 1253 “Collective investments in water-flow regulations, elimination of water damages, regulation of excess surface waters” max. 70%.
- for Action 1254 max. 80%
- for Action 1255 and 1257 40%
- for Action 1256 max. 70%

**Financing:**

Public expenditure: EUR 226,673,189

EU contribution: EUR 158,883,076

**Complementarity and demacration of the measure:***Complementarity within the programme*

In the framework of Measure Group I, the measure promotes the infrastructural connection of investments implemented under the measure entitled “Modernization of agricultural holdings” to the existing investments of the region having been implemented.

Subject to the measure, pipelined energy resources, as well as the connection of the same up to the technological and communal sites can be supported, developments inside the sites are to be supported by measure under code 121.

**Quantified targets for EU common indicators:**

Type of the indicator	Indicator	Target
Output	Number of investments supported	2000
	Total volume of investments	
Result	Increase in gross value added in supported farms	
Impact	Net additional value expressed in PPS	(no quantified target)
	Change in gross value added per full time equivalent	(no quantified target)

### ***1.3.1. Meeting standards based on Community legislation***

#### **Article which covers the measure:**

Articles 20 (c) (i) and 31 of Regulation 1698/2005 EC

Article 21 and point 5.3.1.3.1. of Annex II. of Regulation (EC) No 1974/2006

#### **Measure code: (131.)**

#### **Rationale for intervention:**

After the country's accession to the EU, the observation of a number of new environmental protection, animal health, animal welfare, work safety and plant health regulations has become and will become obligatory for parties involved in agricultural production. Due to the developmental supports furnished in recent years, the technological background of agricultural activities has been subject to the commencement of renewal, the assets ensuring compliance with other environmental requirements is in the process of replacement. Compliance with such regulations represents extra costs and lost revenues for producers. The compensation of the considerable expenditure incurred in connection with the observation of such requirements is necessary in order to promote the competitiveness of the sector with special respect to the fact that in certain cases compliance with the standards involves the loss of incomes. The compensation of costs and the make-up of lost incomes are foreseen to result in the effectuation of the activities by agricultural producers as soon as possible towards environmental protection, proper public health and the preservation of the natural environment.

#### **Objectives of the measures:**

The general objective of the measure is to improve the competitiveness of animal-breeding and horticultural sectors, as well as to compensate the additional costs arising from the observation of certain regulations as concerning environmental protection, public health, plant health, animal welfare and work safety.

The accomplishment of the above objectives potential contributes to the preservation of the current employment opportunities, the improvement of the income position of the farms, the early and wide-ranging dissemination of soil- and environmental-friendly production procedures, technological solutions serving the ends of sustainable production and land use.

#### **Scope and actions:**

The measure is aimed at the compensation of the additional costs arising from the observation of certain regulations as concerning environmental protection, public health, plant health, animal welfare and work safety.

#### **Actions within the measure:**

- Compliance with environmental requirements serving the ends of animal breeding
- Compliance with animal welfare and animal health requirements serving the ends of animal breeding
- Compliance with the requirements serving the ends of horticulture

- Compliance with work safety requirements

#### Definition of beneficiaries:

Agricultural producers, parties involved in animal-breeding and horticultural activities.

With respect to environmental requirements, certain support titles are open only for parties involved in animal breeding in nitrate-sensitive areas or IPPC sites.

List of standards based on Community legislation eligible for support, date from which the standard is mandatory in accordance with Community legislation and justification of choice:

Standard	Regulation	As from	As to
Operation of soil monitoring wells	219/2004. (VII. 21.) Gov. Decree § 41 Directive 80/68/ECC Directive 2000/60/ECC	Oct. 31 2007	Oct 31 2012
Damage elimination monitoring	219/2004. (VII. 21.) Gov. Decree § 41 Directive 80/68/ECC Directive 2000/60/ECC	Oct. 31 2007	Oct 31 2012
Review	219/2004. (VII. 21.) Gov. Decree § 41 Directive 80/68/ECC Directive 2000/60/ECC	Dec. 31 2005	Dec. 31 2009
Costs incurred with the establishment of oil-trapping engineering structures for own machinery	219/2004. (VII. 21.) Gov. Decree		
Liquid manure handling, transportation and application in nitrate-sensitive areas	Gov. Decree 27/2006 (03/04) § 8; § 16 Gov. Decree 49/2001 (03/04) Directive 91/676/ECC	Oct. 31 2009 and Dec. 31 2012	Oct. 31 2014 and Dec. 31 2017
Livestock manure handling, transportation and application in nitrate-sensitive areas	Gov. Decree 27/2006 (03/04) § 8; § 16 49/2001. Gov. Decree 49/2001 (03/04) Directive 91/676/ECC	Dec. 31 2012 and Dec. 31 2013	Dec. 31 2017 and Dec. 31 2018
Compliance of IPPC animal farms (Pig, sow, hen, broiler)	314/2005. (25/12) Gov. Decree § 27 Gov. Decree 27/2006 (03/04) § 16; § 17 Directive 96/61/ECC Directive 85/337/ECC	Oct 31 2007	Oct. 31 2012
ENAR registration obligation (pig, sheep, goat)	47/2005. Decree by the Min. of Agric. and Rural Dev. 116/2003. Decree by the Min. of Agric. and Rural Dev.	Sheep, goat July 09 2005 Pig Febr. 10 2004	Sheep, goat July 09 2010 Pig Febr. 10 2009
Animal welfare (over 6 calves), accommodation needs	32/1999. App. 1 of Decree by the Min. of Agric. and Rural Dev. Article 3 of Regulation 91/629/EC	Jan. 01 2007	Jan. 01 2012
Establishment of accommodation for sows and young sows (over 10 sows) kept in groups after the development of platforms and grid platforms from concrete,	32/1999. App. 2 of Decree by the Min. of Agric. and Rural Dev. Directives 2001/88/EC, 2001/93/EC, 91/630/ECC	Jan. 01 2013	Jan. 01 2018

as well as separated spaces			
Boar kept for natural reproduction (at least 6 pigs)	32/1999. App. 2 of Decree by the Min. of Agric. and Rural Dev. Directives 2001/88/EC, 2001/93/EC, 91/630/ECC	Oct. 31 2005	Jan. 01 2009
Hens in alternative breeding (reconstructed prior to 1999 or after 2003 ??) after the implementation of feeding-drinking facilities, net spaces, platforms, littered areas, perches and other complementary investments) Accommodation needs with earthy platforms	32/1999. App. 3 of Decree by the Min. of Agric. and Rural Dev. Directive 1999/74/EC Article 4–5	Jan. 01 2007  Jan. 01 2012	Jan. 01 2012  Jan. 01 2007
For unimproved caged hen breeding, after the transition to alternative or improved hen breeding	32/1999. App. 3 of Decree by the Min. of Agric. and Rural Dev. Directive 1999/74/EC Article 4–5	Jan. 01 2012	Jan. 01 2007
Animal health Salmonella, etc., costs related to protection in the case of domestic hens	Directive 2160/2003/EC	Jan. 01 2007	Jan. 01 2012
Work safety - preliminary survey, engagement of professional under the relevant legal regulations programme, safety equipment	1993. Act XCIII, § 34 Directive 89/391/ECC	May 01 2004	May 01 2009
Plant health	Directive 68/196/ECC Directive 2005/43/EC		

**Type of support:**

Non-repayable, normative, degressive compensation payment.

**Total amount of support:**

Furnished for a maximum term of five years in a maximum amount of 10,000 EUR/year/holding.

**Financing:**

Public expenditure: EUR 50,122,454

EU contribution: EUR 35,132,561

**Complementarity and demarcation of the measure:**

*Complementarity within the programme*

Within the framework of Measure Group I, the measure facilitates the implementation of the measure entitled “Setting up young agricultural producers”, and is further linked to the measure entitled

“Modernization of agricultural holdings”, and contributes to the accomplishment of the objectives of Natura 2000 as concerning agro-environmental and animal-welfare payments.

**Quantified targets in EU common indicators:**

<b>Type of the indicator</b>	<b>Indicator</b>	<b>Target</b>
<b>Output</b>	Number of farms supported; Environmental protection; Animal welfare, health; Horticulture;	5.000
<b>Result</b>	Number of farms meeting the new standards	
<b>Impact</b>	Net additional value expressed in PPS	
	Change in gross value added per full time equivalent	



### ***1.3.2. Participation of farmers in food quality schemes***

**Article which covers the measure:**

Articles 20 (c) (ii) and 32 of Regulation 1698/2005 EC

Article 21 and point 5.3.1.3.2. of Annex II. of Regulation (EC) No 1974/2006

**Measure code: (132.)**

**Rationale for intervention:**

In rural areas, job opportunities beyond agricultural activities are limited, as impacted by the employment rate being characteristics of such regions and not reaching up to the national average in general. The income-generation ability of agricultural activities and the return of capital expenditure therein are much worse than in other sectors of the national economy. This low income level of the rural population is largely affected by the fact that products are not processed locally, while the th

To the parties involved in processing activities and complying with the requirements of EU

**Type of support:**

Non-repayable support with cost reimbursement, incentive payment on an annual basis for a maximum term of five years during the seven-year tenor of the measure with the associated extent to be established on the basis of the level of fixed costs arising from the participation in the supported schemes.

**Financing:**

Public expenditure: EUR 21,196,063

EU contribution: EUR 14,857,053

**Complementarities of the measure:**

The measure is complementary to the measures entitled “Modernization of agricultural holdings” and “Added value to agricultural and forestry products”, because the investments aimed at the manufacture or processing of the products concerned are prioritized.

The measure is also linked to the development objectives of the Southern Transdanubian Region and the North Great Plain Region where the complex development programme of the region is – inter alia – based on the attractions of the given wine-growing area, as well as the manufacture of quality wines, similarly to the development programme of the North Great Plain Region that relies on the manufacture of products being special in the region as a main pillar. Regional operative programmes, on the other hand, do not support agricultural producers participating in food quality schemes, and thus there is no overlapping among the various programmes.

**Quantified targets for EU common indicators:**

Type of the indicator	Indicator	Target
<b>Output</b>	Number of supported farm holdings participating in a quality scheme.	7000
<b>Result</b>	Added value of agricultural production under recognized quality scheme.	
<b>Impact</b>	Net additional value expressed in PPS	
	Change in gross value added per full time equivalent	

### ***1.3.3. Information and promotion activities on food quality schemes***

#### **Article which covers the measure:**

Articles 20 (c) (iii) and 33 of Regulation 1698/2005/EC

Article 23 and point 5.3.1.3.3. of Annex II. of Regulation (EC) No 1974/2006

#### **Measure code: (133.)**

#### **Rationale for intervention:**

Due to their undertaking additional obligations and incurring extra costs, agricultural producers who participate in any quality assurance scheme cannot pay appropriate attention to the promotion of their products and the provision of information to the consumers. At the same time, consumers should be kept more informed on the existence and properties of the products manufactured within the framework of the said quality schemes. Producer groups are to be supported in their effort to inform the consumers, as well as encouraged in the sales of the products manufactured within the framework of quality systems supported under Article 32 of Regulation 1698/2005/EC.

#### **Objectives of the measures:**

The objective of the measure is to encourage consumers to purchase products belonging to the scope of quality schemes, promote the establishment of channels serving the ends of the popularization of products that are manufactured in such quality schemes, as well as to strengthen the existing promotional channels.

#### **Scope and actions:**

Activities to be effectuated within the framework of the measure are to call the consumers' attention to the specific or favourable properties of the products concerned, with particular respect to quality, special production techniques, the compliance of the related quality schemes with the strict animal-welfare and environmental requirements, and they are to serve the dissemination of the scientific and technological information connected with the products concerned. These supports can be granted exclusively for information, promotional and advertising activities in the internal markets. No information and/or promotional activity may focus on a specific brand name, and any reference to the origins of the products should be subordinated to the main message of the campaign.

#### **Actions within the measure (actions, activities):**

The measure involves PR activities encouraging the purchase of products belonging to any of the quality schemes, promotion and advertisement, information campaigns, as well as participation at regional, national, international and European-level events, fairs and exhibitions. Within the information and/or promotional programme, activities can be combined.

#### **Definition of beneficiaries:**

"Producer groups". As irrespective of the actual legal form, a "producer group" can be any organization that in relation to a given product embraces the market players that actively participate in a quality system specified in Article 32 of Regulation 1698/2005/EC. Professional and/or intersectoral organizations representing one or more sectors may not be deemed as "producer groups".

**Mode of the ex-ante evaluation of information and promotional materials:****Summary description of the types of eligible costs:**

Eligible costs: general expenses of these activities, honorariums, traveling costs, daily allowances, participation fees for fair(s), costs of advertisements, costs of various media appearances, costs of meetings and group travels, IT costs of equipment and facilities, publications and circulation costs.

**Type of support:**

Non-repayable support.

**Intensity of support:**

70% of eligible costs of the activities.

**Financing:**

Total public expenditure: EUR 38,402,278

EU contribution: EUR 26,917,485

**Complementarity and demarcation of the measure:***Complementarity within the programme*

The measure is directly linked with the measure entitled “Support to agricultural producers participating in food quality schemes”. In order to avoid the risks of double financing – in accordance with Section (4) of Article 10 of Commission Regulation 1071/2005/EC providing for the establishment of detailed rules on the adoption of Council Regulation 2826/2000/EC on the measures connected with the dissemination and promotion of agricultural products in the internal markets –, under the above-mentioned Regulation these information and promotional activities can be financed solely from one of the financial resources – EMVA or EMGA fund – under the title of Community financial contribution.

*Complementarity among the programmes to be implemented from EU resources*

From among regional operative programmes, this measure has links to the operative programmes of the South Transdanubian Region, the North Hungarian Region and the Central Transdanubian Region, as in the historical wine-growing areas the development of quality wine production is a key aspect. The actual limits are to be clarified prior to the finalization of the regional operative programmes.

**Quantified targets for EU common indicators:**

Type of the indicator	Indicator	Target
Output	Number of supported actions	500
Result	Value of agricultural production under recognized quality label	

<b>Impact</b>	Net additional value expressed in PPS	
	Change in gross value added per full time equivalent	

### ***1.4.1. Semi-subsistence farming***

#### **Article which covers the measure:**

Article 34 of Regulation 1698/2005/EC

Article 34 and point 5.3.1.4.1. of Annex II. of Regulation (EC) No 1974/2006

#### **Measure code: (141.)**

#### **Rationale for intervention:**

Semi-subsistence farms are defined to be in between market-oriented farms with full-time employment potentials and full-subsistence rural households, they do not generate products in larger volumes to cover the subsistence of one or more persons, yet produce a considerable part of marketed agricultural products. Both in terms of size and performance, and with respect to their role taken in the employment of the rural population, this group of farms is highly diversified. The related statistical estimates indicate that the number of semi-subsistence farms having the capabilities of developing into market-oriented entities with sufficient support is somewhere around 20,000.

#### **Objectives:**

The provision of assistance to small farms that are capable of market-oriented production and to comply with the requirements posed by market challenges, but suffering from insufficient capital resources, the subsistence and development of agricultural activities performed by such farms, the improvement of their income-generation opportunities, as well as the facilitation of their transition to market-oriented production.

#### **Scope and actions:**

The objective of the support is to assist farms partially involved in market-oriented production (semi-subsistence farms) in their transition to market-oriented production by means of the provision of supplementary supports.

#### **Definition of beneficiaries:**

The beneficiaries of these supports are those prime producers, private entrepreneurs and family farmers who apart from self-subsistence sell a part of their agricultural products in commercial turnover.

#### **Definition of semi-subsistence farm taking into account of the minimum and/or maximum size of the farm, the proportion of production marketed, and/or the level of income of the eligible farm:**

The semi-subsistence farm:

- Is involved in agricultural activities
- Minimum 50% of its total revenues arises from agricultural activities
- In the year prior to the disbursement of the support its total sales revenues from agricultural activities came to be 2–4 EUME.

**Definition of future economic viability:**

In terms of economy, any farm can be deemed as viable if by the end of the 5<sup>th</sup> year it is able to meet the economic viability criteria measured in EUME and estimated on the basis of the standard margin. The economic performance with respect to the gross revenues (realized on agricultural activities and other related operations as specified in the business plan) reaches up to 5 EUME. After the third year, any support can be disbursed only if at the time of the review the semi-subsistence agricultural holding fulfills the undertakings described in the business plan, and by the end of the third year the applicant has realized 80% of the annual sales revenues targeted by the end of the 5<sup>th</sup> year, unless with proper reasons, such as some unavoidable obstacle, it can confirm the unfeasibility of the same.

If the revenues of the application realized on agricultural activities should exceed 6 EUME, then for the oncoming years supports may be disbursed only if it does not apply for any other, investment-type measure.

**Summary of the requirements of the business plan:**

- It guarantees that the agricultural holding has the potential to become economically viable with proper respect to the supplementary nature of the other income sources of the agricultural household;
- It contains the details of the necessary investments;
- It describes the actual milestones and objectives.

**Type of support:**

Non-repayable, flat-rate support, for a maximum term of five years.

**Amount of support:**

Upper limit of the support value as per holdings: 1,500 €/year.

**Duration of support:**

For a maximum term of five years

**Intensity of support:****Financing:**

Public expenditure: EUR 19,201,139

EU contribution: EUR 13,458,742

**Complementarity and limits of the measure:***Complementarity within the programme*

Only such farmers shall qualify for the support of semi-subsistence farms who hold appropriate agricultural qualifications. The transition of the farms being eligible for the support into viable,



market-oriented enterprises invariably calls for the expansion of the professional knowledge and information of the farmers, and thus the measure is closely linked to the measure entitled “Professional training and information actions”, as well as the measure entitled “Use of farm advisory services”.

*Quantified targets for EU common indicators:*

<b>Type of the indicator</b>	<b>Number of semi-subsistence farms supported</b>	<b>Target for 2013</b>
<b>Output</b>	Number of beneficiaries (ps)	10000
<b>Result</b>	Number of farms entering the market	5000
<b>Impact</b>	Net additional value expressed in PPS	no quantified target
	Change in gross value added per full time equivalent	no quantified target

### ***1.4.2. Setting up producer groups***

#### **Article which covers the measure:**

Articles 20 (d) (ii) and 35 of Regulation 1698/2005/EC

Article 25 point 5.3.1.4.2. of Annex II. and Annex III. of Regulation (EC) No 1974/2006

#### **Measure code: (142.)**

#### **Rationale for intervention:**

After the change of the political regime in Hungary, the plant system of the Hungarian agriculture witnessed a transformation process, and as parallel **the subordinated standing of the producers, and in particular private entrepreneurs strengthened** against the other stakeholders of the various product courses. The organization system of agriculture now can be characterized by the dominance of micro-enterprises that can become competitive only with proper market cooperation. In spite of the incentive supports provided for the encouragement of cooperative efforts, at the present the **rate of market organization of farmers** is still **low**, there are just a few partnerships established for the purposes of joint purchases, sales, storage activities and sometimes processing operations. Supports for organizations of producers, forest farmers, and producer groups is also justified by the fact that with the country's becoming a member of the EU domestic producers are forced to compete with the producers of the old member states in the common market, with these latter ones being in general more organized as a result of a development process of several decades.

#### **Objectives of the measures:**

The objective of the measure is to facilitate the steady marketing of the products of agricultural producers by means of supporting the establishment, operation and enlargement of producer groups.

#### **Scope and actions:**

The support intends to contribute to the costs of the establishment and operations of producer groups that hold proper governmental recognition resolutions.

#### **Definition of beneficiaries:**

Under Decree 81/2004 (04/05) by the Ministry of Agriculture and Rural Development on producer groups, those producer groups are eligible to apply for such supports that have been granted with governmental recognition by the Minister of Agriculture and Rural Development for a term until December 31 2013, and established with the purposes of adjusting the production outputs of the members to the prevailing market demands, marketing their products jointly, serving the customers in large quantities, as well as determining and adopting joint rules.

In the framework of this measure – in order to avoid parallel supports –, no support may be granted to producer sales groups involved in the fruit and vegetable sector, or producer groups being active in the tobacco and fish sector.

**Type of support:**

Non-repayable, flat-rate support that can be disbursed for the first five years after the date of the recognition of the group.

**Intensity of support:**

The rate of the support corresponds to the extent of support specified in the Annex of Regulation 1698/2005/EC.

Accordingly, the upper limit of the support value:

- to producer groups with an maximum aggregate production value of EUR 1 million:
  - 5% of the marketed production value for each of the first and second year,
  - 4% in the third year,
  - 3% in the fourth year,
  - 2% in the fifth year;
- to producer groups with their aggregate production value exceeding EUR 1 million, in accordance with Section 1 above up to EUR 1 million, and for the part of the aggregate production in excess of EUR 1 million the extent of support shall be:
  - 2,5% of the marketed production value in excess of EUR 1 million for each of the first and second year,
  - 2% in the third year,
  - 1.5 in each of the fourth and fifth year;
- for any group the actual amount of the support may not exceed:
  - EUR 100,000 for each of the first and second year,
  - EUR 80,000 in the third year,
  - EUR 60,000 in the fourth year,
  - EUR 50,000 in the fifth year;

**Financing:**

Public expenditure: EUR 76,804,557

EU contribution: EUR 53,834,970

**Complementarity and limits of the measure:***Consistency with first pillar*

Owing to their economic and social functions, established producer groups, as well as agricultural producers acting as the members of such producer groups may as well be preferred entitled parties, beneficiaries of measures aiming at the restructuring and development of physical resources, and the promotion of innovation, and in addition may be subject to the measure encouraging participation of food quality schemes. A part of the memberships of producer groups are constituted by semi-subsistence farms.

The measure is directly linked with the measure entitled “Use of farm advisory services”, as the beneficiaries of action 4.1.4.2 entitled “Group professional advisement to the members of agricultural producer groups” are in fact these producer groups. Apart from the enhancement of the efficiency of

support, the potential to be beneficiaries under other titles can represent further encouragement for the establishment of the groups, as well as for active participation therein.

**Quantified targets for EU common indicators:**

<b>Type of the indicator</b>	<b>Indicator</b>	<b>Target</b>
<b>Output</b>	Number of producer groups supported	250-300
	Turnover of supported producer groups	HUF 150 billion
<b>Result</b>	Gross value added by supported producer groups	no quantified target
<b>Impact</b>	Net additional value expressed in PPS	no quantified target
	Change in gross value added per full time equivalent	no quantified target

## **4.2. Axis 2: Improving the environment and the countryside**

### ***2.1.2. Payments to farmers in areas with handicaps, other than mountain areas***

#### **Article (and paragraph) which covers the measure:**

Section 9.3.V.A.1 of Annex II of Regulation 817/2004EC and Subsections 9.V.B.1, 2 and 3 of Section 9.3.V.B., second indent shall apply until December 31, 2009. But the distinction between A and B – main characteristics/ other information – shall be repealed.

#### **Code of the measure: (212)**

#### **Rationale for intervention:**

The measure contributes to the maintenance of grassland areas, the utilisation of abandoned land areas, provides supplementary income for the producers maintaining agricultural activities in areas with unfavourable conditions. Indirectly, it stimulates a transformation of the production structure, with the farming of livestock adapted to the unfavourable conditions, representing market significance and a special character (being often endangered species). In the concerned areas, compensation payments may contribute to the maintenance of farming activities, an improvement in the viability and situation of the agricultural holdings.

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

The main purposes of the measure are: development of a production pattern in accordance with the specificities of the production area, environment-conscious management and sustainable landscape use; expansion and improvement of rural employment and income generation opportunities, development of a new, alternative rural economic environment, complying with the requirements of environmental protection, and ensuring the continuation of agricultural activities and the maintenance of agricultural land use on less favoured areas, as well as contribution to the preservation of viable rural communities.

#### **Scope and actions:**

Hungary implements the programme of “Assistance to less favoured areas” in line with the terms provided for in Articles 19 and 20 of Regulation No. 1257/1999/EC. It shall be implemented as a follow-up of the measure in Chapter 4.2 of the National Rural Development Plan, approved by the EU Commission on July 20 (hereafter: LFA), with further development thereof, at least until December 31, 2009.

Hungary did not make use of the possibility ensured in Article 18, because there are no such areas in the country that would meet the criteria set by the above-mentioned article of the EU regulation.

Areas falling under the scope of Article 19 are areas homogeneous from the point of view of natural conditions for production, fulfilling all three criteria determined in that Article (areas with poor productivity, difficult cultivation; lower-than-average production; low density of the population with high share of agricultural workers). The total area of such territories is 395,402 ha, representing 6.3% of the total cultivated land (in terms of effective land use), and 4.25% of the country's territory.

According to Article 20, LFAs are areas with special disadvantages, where farming shall continue, according to the needs and subject to certain conditions, in order to conserve and improve the

environment, maintain the area and keep the tourism potential of that territory. With reference to Article 20, Hungarian areas were selected on the basis of 2 out of a total of 4 specific handicaps (agronomic limiting factors), appearing simultaneously: severe acidity, extreme salt content, water management (inundations, wetland) and extreme physical parameters. The total area of such territories is 488,156 ha, representing 7.77% of the total cultivated land (in terms of effective land use), and 5.24% of the country's territory. The total area of less favoured area territories is 883,558 ha, representing 9.5% of the country's total territory and 14% of the total cultivated land (in terms of effective land use).

#### **Beneficiaries and eligible areas:**

Assistance can be provided to each registered agricultural producer (natural and legal persons), carrying out agricultural activities in an area, eligible for assistance, taking account of the following criteria:

- Doing business in an area specified in Articles 19 or 20 of Regulation No. 1257/1999/EC;
- The beneficiary shall be a land user;
- The minimum size of eligible area is: 1 hectare of forage producing area (pasture or arable land);
- The minimum size of the lot shall be 0.3 ha;
- No payment can be made, if the following crops are grown: autumn or spring wheat, rice, sunflower, sugar beet, potato, industrial purpose crops and vegetables;
- The farming activities shall continue in the LFA areas for at least 5 years from the first payment of the compensatory allowance;
- From 2009 onwards, the rules of the cross-compliance, relating to the introduction of SPS shall be complied with on the whole territory of the agricultural holding;
- Compliance with the Directives No. 96/22/EEC and No. 96/23/EEC (hormone);
- Recording of a Farming Diary.
- Business associations, budgetary organisations are not eligible for this assistance, if state ownership in these exceeds 50%

#### **Confirmation that the cross-compliance requirements are identical to those provided for by the Regulation (EC) num. 1782/2003:**

From 2009 onwards, the rules of the cross-compliance, relating to the introduction of SPS, shall be followed on the whole territory of the farm. Between 2007 and 2009, compliance with the rules of Good Agricultural and Environmental Condition is compulsory for the beneficiaries, and the requirements included in the national legislation shall be followed. (e.g. in nitrate-sensitive areas, the rules of Good Agricultural Practice)

#### **Provisions of support:**

Normative, area-based, unit price, non-reimbursable compensatory allowance, with a joint and several guarantee of the Rural Credit Guarantee Foundation.

#### **Level of Support:**

100% (EU funds 80%, national funds 20%)

**Amounts of Support:**

- The payment due to other less favoured areas shall be at least 25 euro for each hectare of the used agricultural territory (in terms of effective land use). In areas with other disadvantages, the payment shall not exceed 150 euro per effective land use.
- The payment levels of the compensatory allowance were calculated on the basis of reference data for the gross production income (GPI). The national GPI average for forage crops producing areas (arable and pasture) is 88,841 HUF / 374,13 euro. In a next step, 80% of the national average figure was calculated, equal to 71,073 HUF / 299.31 euro.
- On the areas specified by Article 19: the average of the GPI values for the respective communities was calculated, the result is: 50,736 HUF / 213.66 euro. The size of the payment is the difference to 80% of the national average figure (rounded up): 20,400 HUF / 85.9 euro/ha.
- On the areas specified by Article 20: the average of the GPI values for the respective communities was calculated, the result is: 68,563 HUF / 288.74 euro. The size of the payment is the difference (to 80% of the national average figure): 2600 HUF / 10.94 euro/ha (rounded up). In accordance with Art. 37, paragraph (3) of Council Regulation 1698/2005/EC, payments shall be fixed within the boundaries of minimum and maximum amounts, determined in the Annex of the Regulation. In accordance with that, we increased the amount of 20.94 euro, calculated in respect of Article 20, to the minimum amount of the allowance, 25 euro, in line with Article 37 of the said Annex.
- In the case of a territorial overlap, the payment level under Article 19 applies.

**In order to avoid overcompensation, the degressivity level applicable to the different sizes of land shall be as follows:**

**Degressivity of payments, subject to the size of the farms (total use of arable and grassland)**

<b>Farm area (ha)</b>	<b>Degressivity (payment level)</b>
1-50	100%
51-100	90%
101-300	80%
301-500	70%
501-	50%

Degressivity is connected with the economic factors of the farming casemaps, to the economies of scale, availability of funds and judgment about viability. On the basis of the factors referred to, above a certain size of the holdings, the effects of the natural and economic disadvantages are gradually reduced.

**Financing:**

Public expenditure: 24 618 206 EUR

EU contribution: 18 516 257 EUR

**Transitional arrangements:**

In 2010, parallel to the introduction of a new demarcation methodology of the EU for LFAs, Hungary also intends to review its present demarcation method. As a result, a significant modification can be

expected in the methodology of the demarcation, in the demarcated areas, in the range of crops allowed for production and in the determination of the amounts of the compensatory allowance.

### **Complementarity and demarcation criteria:**

#### *Within the Programme*

The measure and the other measures of the Measure Group II are interrelated in terms of their goals and effects, therefore, consideration shall be given to the interrelation of the individual measures, eventual additional consequences of the funding and determination originating from the previous programming period.

The LFA measure is closely connected with the comprehensive system of agro-environmental measure and with the assistance provided for grassland development within the framework of the Natura 2000 measure.

The measure is connected with the “Training and information activities” measure, within the framework of which a professional training of ensured for potential beneficiaries in respect of conformity with cross-compliance, relating to the introduction of SPS.

The maintenance of the cultivated landscape, prevention of an increase in uncultivated land and assistance provided to operations shall contribute to an improvement in the quality of rural life and shall increase the effect of the measures included in the Measure Group III.

### **Quantified targets for EU common indicators:**

<b>Type of the indicator</b>	<b>Indicator</b>	<b>Target</b>
<b>Output</b>	Number of the beneficiaries of the allowance <ul style="list-style-type: none"> <li>▪ number of beneficiaries under Art. 19</li> <li>▪ number of beneficiaries under Art. 20</li> </ul>	7,800 pcs
	Size of the agricultural area concerned by the programme <ul style="list-style-type: none"> <li>▪ size of the area under Art. 19 (ha)</li> <li>▪ size of the area under Art. 20 (ha)</li> </ul>	350,000 ha
	Size of the livestock affected by the programme	130,000 LU
	Contribution of the agricultural area used (effective land use) affected by the compensatory allowances in order to avoid an abandonment of the cultivation	0,5%
<b>Result</b>	Within the agricultural area used (effective land use), the size of the area used for arable farming, where the quantity of the useful nitrogene administered (organic and artificial fertilizers together) is less ri5%	



### ***2.1.3. Natura 2000 payments and payments linked to the implementation of Directive 2000/60/EC***

#### **Article (and paragraph) which covers the measure:**

Article 36 a) iii. and Art. 38 of Regulation No. 1698/2005/EC

Article 26 and Section 5.3.2.1.3 in Annex II of Regulation 1974/2006/EC

#### **Code of the measure: (213)**

#### **Rationale for intervention**

The unique landscape features, natural conditions, natural capital, the size of the protected areas in Hungary represent a very high rate in a European comparison. The areas demarcated or proposed for demarcation in Natura 2000 represent about 1.96 million hectares, or 21% of the country's territory. In the areas of the European ecology network located in Hungary, 467 areas have been selected as special nature reserves – a total of 1.41 million ha –, and 55 special bird protection areas were specified, with a total area of 1.36 million ha. The overlap of the two types of areas is almost 41%. The annual compensation provided for the private farmers concerned ensures the long-term sustainability of the Natura 2000 network over the long term, it provides a farming prospect for those involved and also has a substantial educative effect.

In accordance with the purpose of the Water Framework Directive No. 2000/60/EC of the Council and of the European Parliament, having entered into force on December 22, 2000, the deterioration in the condition of waters shall be prevented and a "good condition" of waters in Europe shall be achieved by 2015. For the water-basins of the EU and their subsystems, a water-basin management plan shall be prepared by December 31, 2009. An elemental part of this plan represent the implementation programmes developed, including the implementation of development projects for small-area water rotation, promoting the use of territory and landscape, the protection of surface and subsurface waters. In Hungary, such projects cover four partial water-basins (Danube, Tisza, Drava and Lake Balaton water-basins) and their 17 subunits. In order preserve the good condition of waters, it is necessary to provide an environmentally sound use of the territory. A significant part of the water-basin territories, for which the water-basin management plan shall be prepared, is identical with the areas of vulnerable water-basin areas or the nitrate-sensitive areas, for which compulsory provisions apply, on the one hand, and within assistance given to agro-environmental management measures, priority is given to producers operating in such areas, on the other.

Hungary intends to achieve the objectives determined in the Water Framework Directive by the existing means, that is, by giving compensatory allowances to the Less Favoured Areas, rules applicable to land use, with compulsory character in the Natura 2000 areas and with the respective compensatory allowances, as well as a dissemination of voluntary environmentally sound methods for land use. E.g., assistance to agro-environmental management, to forestry-environment and afforestation.

Based on the above, this Chapter of the programme covers only the measure relating to the payment of compensatory allowances for the Natura 2000 areas.

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

Assistance shall be provided to agricultural producers for the purpose of their farming in the Natura 2000 areas, in order to allow them to manage the disadvantages resulting from the implementation of

Council Directive 79/409/EEC of April 2, 1979, on the conservation of wild birds and of Directive 92/43/EEC of May 21, 1992, on the conservation of natural habitats and of wild fauna and flora.

The main objective of the measure is to preserve and sustain, by way of upkeeping environmentally sound cultivation methods, the favourable conservation situation of the indicative species and selected habitats listed in the respective EU legislation; ensuring the settings for the natural condition and for a management of creating and sustaining such a condition, protection of the species and of habitats in the indicated areas (with particular regard to grasslands with high levels of biodiversity and waterside habitats), as well as the enforcement of compliance with the rules of land use, in line with the provisions.

### **Scope and actions**

In the Natura 2000 areas, the payment of the compensatory allowance is a compensation for the compliance with the compulsory provisions determined in the Regulation on the provisions for land use, it is differentiated by directions of use and determined in function of additional costs and lost income. It is payable in an annual order, to the agricultural producers, subject to certain eligibility criteria.

Land uses implemented in the different cultivation sectors contribute to different extents to the sustainability of the species and of the flora/fauna in the Natura 2000 areas, the conservation of biodiversity, therefore, when the compensatory allowance is paid, the conservation of the grassland and of the waterside habitats shall have priority. (Conservation of forests is also of outstanding importance, still, it is supported in accordance with Art. 46.) The allowances regarding the different cultivation sectors shall be introduced gradually, in the case of grassland in 2007, while in the case of reeds and ponds, in 2009, on the basis of professional reasons, established in cooperation with the Ministry of Environment and Water.

Protection shall be ensured exclusively for indicative species and types of habitats that had been used for the specification of the area. In order to maintain the favourable natural condition of the Natura 2000 areas, it is necessary to apply certain minimum provisions for land use that are compulsory for producers in the Natura 2000 areas. On the basis of Art. 38, a compensatory allowance can be paid for this reason. The rules for land use are determined by national legislation. Another precondition for the payment of compensatory allowances is the provision of active participation in the recording to the habitat's data.

We plan to implement a two-level system that shall bring adequate results both in terms of the conservation of diversity in agriculture, in accordance with the Göteborg objectives and a social acceptance of the Natura 2000 network.

- due to the compulsory provisions, the preservation of the values to be conserved, that also served as a basis of the demarcation of the Natura 2000 areas, can be ensured
- programmes including further voluntary commitments (these are the provisions of the agri-environmental programmes, in the case of forest areas, the provisions of the forest-environmental programmes), resulting, in addition to the preservation of the protected species, habitats, in the development of the habitats

The determination of the methodology and of the agronomic requirements, serving as points of reference for the calculations to justify the additional costs, as well as for the calculations of foreseeable income from disparities, in the areas concerned in connection with the implementation of Directives No. 79/409/EEC and No. 92/43/EEC.

The rate of the compensation is established by cultivation sectors, on the basis of the additional costs of complying with the provisions set by the national legislation and lost revenues connected therewith.

**Beneficiaries and eligible areas:**

Any registered agricultural producer (natural or legal person carrying out agricultural activities) who

- carries out their business in Natura 2000 areas indicated in MePAR (the agricultural parcel identification system);
- the beneficiary shall be a land user;
- business associations, budgetary organisations are not eligible for this assistance, if there is state ownership in these
- eligibility is valid only as long as the Commission of the European Union does not make a different decision.
- the minimum size of eligible area is: 0.3 hectare of arable, grassland, reed and pond
- the minimum size of the lot shall be 0.3 ha;
- in case of Natura 2000 no payment can be granted, for energy plantation purposes ;
- If the area is subsidised under the Guarantee unit of EAGGF – within the NRDP AKG measure (*agro-environmental training in the framework of the National Rural Development Plan*) (Regulation No. 150/2004.(X.12.) MARD.), or the EAFRD measure (Art. 39), it is no longer eligible for the present assistance.

**Provisions of support**

Normative, non-reimbursable, area-based compensatory allowance

**Level of Support**

100% (EU funds 80%, national funds 20%)

**Amount of support**

Basis level Natura 2000 payments

- In the case of grassland (under development, subject to provisions therefor, an expected 25€/ha)
- In the case of waterside habitats (under development, subject to provisions therefore, an expected 40€/ha)
- In the case of ponds ... €/ha (under development)

**Financing**

Public expenditure: 36 842 418 EUR

Member State contribution: 27 710 537 EUR

**Avoidance of double funding**

No assistance can be provided in respect of the areas subsidised under this title of assistance, if an assistance to that same area is provided simultaneously (under Art. 31), regarding a measure aimed at serving compliance with Community legislation, and in connection with the implementation of the voluntary agri-environmental commitments, determined in Art. 39.

Respect of standards – reduction or cancellation of payments

### **Verifiability and controllability**

Control of the assistance is carried out by the Paying Agency, with the involvement of the competent professional authority.

### **Complementarity and demarcation criteria**

#### *Within the Programme*

In the course of designing the domestic assistance system for the Natura 2000 areas, a two-level system was developed, and so, the measure is connected with the assistance given to the agri-environmental payments (Regulation No. 1698/2005/EC, Art. 39). In addition, commitments regarding further Natura 2000 and WFD programme elements can be made, in order to promote activities aimed at habitat development, in addition to the preservation of nature's values.

The measure is related to the Natura 2000 (forest) payments (Art. 46), as well as to the measures of voluntary assistance under the forest-environmental specific programme (Art 47). Through the investments connected with the elaboration of sustainability/ development plans regarding locations with high natural values, actions aimed at environmental awareness, sustainability, recovery and modernisation of natural heritage, as well as the development of areas representing high natural values, the goal of the measure is to preserve and modernise rural heritage (Art. 57). This latter will allow to prepare the sustainability/development plans for the Natura 2000 areas. Through the increase in public welfare, it is also directly connected with the measure of assistance to non-productive investments (Art. 41).

The measure shall exercise a favourable effect on the stimulation of tourism-related activities (Art. 55), by the assistance of environment-conscious use of the landscape and for the preservation of rural heritage.

#### *Link to other Operative Programmes*

The measure's link to the Environment and Energy Operational Programme (EEOP) is marked primarily in the scope of the eligible activities and of the beneficiaries. Within EEOP, activities foreseen for assistance are serving primarily the rehabilitation goals of the habitat development, habitat rehabilitation goals of the Natura 2000 areas, furthermore, they assist asset acquisitions necessary to implement nature-friendly agricultural cultivation. The beneficiaries of the projects supported within EEOP are the local municipalities, non-profit organisations and the government organisations in charge of area management.

The measure is closely related with the integrated water-basin priority in the Environment and Energy Operative Programme, designed basically to develop a water management infrastructure serving the implementation of an integrated water and area use. In several cases, these developments make possible the creation of a sustainable agricultural and forestry management, and this facilitates the proper arrangement of water household conditions and of the appropriate water quality. The objective of the measures included in the New Hungary Rural Development Programme is the promotion of business forms, adapted to these nature-related, recovered water household conditions, on the one hand, and contribution to the water quality protection targets of EEOP, with assistance to the dissemination of environmentally sound agricultural business.

### **Transition arrangements (including estimated amount)**

In the case of this measure, no provisional measures are required.

## Quantified targets for EU common indicators

Type of the indicator	Indicator	Target
<b>Output</b>	The number of subsidised farms in the Natura 2000 area/	10,000 pcs
	Subsidised effective land use, Natura 2000 area	400,000 ha
<b>Result</b>	Effective agricultural use under Natura 2000 (effective land use)	1 million ha*
<b>Impact</b>	Reversal of the reduction in biodiversity	(KvVM)
	Change in high natural value areas	(KvVM)
	Change in the gross nutrient balance	(KvVM)
	Increase in the production of renewable energy	(KvVM)
	Increase in the headcount of indicative species	(KvVM)

### ***2.1.4. Agri-environmental payments***

#### **Article (and paragraph) which covers the measure**

Art. 36 a) iv. and Art. 39 of Regulation No. 1698/2005/EC

Article 27 and Section 5.3.2.1.4 in Annex II of Regulation 1974/2006/EC

#### **Code of the measure: (214)**

#### **Rationale for intervention**

In a significant portion of the country, there will be need to identify new directions in land use, countrywide and to determine regional priorities (transformation of the land use of territories threatened by flood and surface waters, restoration of the nature-linked management systems). Arable land is still endangered by the processes that deteriorate the quality and productivity of soil (erosion, acidification, salinification and compaction), the negative nutrient balance, the unreasonably low rate of environment-saving animal husbandry relying on grazing ground and the lack of environment-conscious nutrient management, which hinder sustainability.

The agri-environmental programmes contribute to the development of rural areas and provide environmental services for the whole of the society. They encourage farmers to apply production methods that are compatible with the sustainable use of the environment, the landscape and the natural resources and the conservation of genetic sources on agricultural lands.

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

The main objectives of the measure are: assistance to sustainable development of rural areas, preservation and improvement of the environment's condition, reduction of environment load originating from agriculture, provision of environmental services, strengthening of agricultural practices based on a sustainable development of natural resources, environmentally sound and The intention is to provide special assistance to the preservation of the genetic diversity, protection of nature, of the waters, of soil, with the development of a production structure adapted to the characteristics of the production site.

The agri-environmental programmes contribute to the development of rural areas and provide environmental services for the whole of the society. They encourage farmers to apply production methods that are compatible with the sustainable use of the environment, the landscape and the natural resources and the conservation of genetic sources on agricultural lands.

#### **Scope and actions:**

In the framework of the measure, agricultural producers and other land users who take voluntary agri-environmental commitments for a period of at least five years are eligible for assistance. In addition to a compliance with liabilities originating from environmental cross-compliance, to be respected on the whole territory of the farm, the commitments shall exceed the minimum requirements specified in Articles 4 and 5 of 1782/2003/EC and its Annexes III and IV, as well as the requirements applicable to the use of fertilizers and pesticides and commitments shall exceed the provisions created by national legislation and other provisions determined in the programme. Payments for the fulfillment of provisions determined in the measure shall be made on an annual basis, per hectare, to the agricultural

producers, with the aim to compensate for the increase in costs in connection with the fulfillment of the provisions and for the revenues lost.

*Subareas of the measure (submeasures, actions):*

The assistance system is built from horizontal and zonal elements.

Certain agri-environmental provisions can be obtained anywhere in the eligible area of the country for the present cultivation method, that is, the payment is of a horizontal character.

Within agri-environmental payments, for farmers active within the demarcated areas, in addition to the horizontal provisions, special provisions are also required. Provisions that can be paid in these areas are called zonal provisions. A zonal provision can be assumed only by farmers within a demarcated area, set at the level of physical blocks.

3 different zonal programme groups were determined: programmes for the protection of nature, the protection of the soil and the protection of waters.

Furthermore, the measure can be divided, on the basis of the agricultural cultivation sectors, into 4 submeasures: arable crops production, grassland management, plantation management (fruit and grapes), farming at waterside habitats.

In the case of the arable and grassland submeasure, provisions of horizontal and zonal scope have been developed, in the case of the other submeasures (plantation, waterside habitats), the implementation of the provisions takes place horizontally.

Cultivation/ Activity sector	Assistance system	Name of the programme
arable crops production	horizontal	Integrated (IPM) arable crops production (including arable vegetable production)
		Ecological approach of arable crops production (including arable vegetable production)
	zonal	Arable land farming aimed at the protection of nature
		Arable land farming aimed at the protection of waters
		Arable land farming aimed at the protection of soils
grassland management	horizontal	Grassland management on natural grasslands
		Grassland management on deployed grasslands
	zonal	Grassland management aimed at the protection of nature
plantations	horizontal	Integrated (IPM) cultivation of fruits and grapes
		Ecological cultivation of fruits and grapes
		Scattered orchards
waterside habitat	horizontal	Environment-friendly management, maintenance of watercourses
		Extensive ponds
		Reed farming

#### **Ensuring that the expectations regarding cross-compliance correspond to the provisions of Regulation 1782/2003/EC:**

Guidelines set forth in Articles 4 and 5 of Regulation 1782/2003/EC and its Annexes III and IV, as well as the sustainability of “good agricultural and ecological condition” shall be determined in national legislation.

Minimum requirements in respect of nutrient management and use, as well as in respect of the use of pesticides are included in the national legislation. For instance: Act XXXV of the year 2000 on the system of provisions for good farming practice, promoting the implementation of the nitrate directive.

#### **Preservation of plant genetic resources on farm**

In addition to compliance with the provisions of land use in the different programmes, in the case of producing arable crops or vegetables indicated in the attached list of rare plant species, agricultural producers are entitled to a priority amount of assistance.

#### **Calculation of the assistance and agronomic evaluation:**

(under development, subject to the provisions of the individual programmes and to the crops to be produced and the livestock)

#### **Agri-environmental commitments**

In the framework of the measure, agricultural producers who take voluntary agro-environmental commitments exceeding the minimum requirements to nutrient management and plant production specified in national legislation, are eligible for assistance for a period of at least five years.

#### **Beneficiaries:**

Any registered agricultural producer (natural or legal person carrying out agricultural activities) who

- has a land area of a minimum of 1 ha, in the case of a plantation, 0.3 ha
- the land involved is held or rented throughout the whole of the technical assistance period
- meets the eligibility criteria of the programmes.

#### **Criteria for the selection of subsidised entities:**

In this case, the selection of the subsidised entities shall be made on the basis of horizontal, as well as measure-specific economic and environmental criteria.

Evaluation criteria include first of all, the environmental sensitivity of the area to be included in the programme, as well as the agricultural character of the area in question, and the expertise of the applicant in environmentally sound farming, as well as the criteria for rural development.

#### **Provisions of support:**

Normative, area-based, non-reimbursable assistance

#### **Level of support:**

100% (EU funds 80%, national funds 20%)

#### **Amount of support:**

The amounts of the assistance shall be determined subject to the provisions of the programmes selected, taking into account the species/types of crops to be produced and the availability of livestock,



in connection with grassland management. Payments, to be made on an annual basis, shall cover the additional costs related to commitments and the loss of revenues. If necessary, transaction costs can be also covered.

The size of the assistance cannot exceed the maximum amounts set in the Annex to Regulation No. 1698/2005/EC. In the case of annual plants, 600 euro, in the case of specialised perennial crops, 900 euro, in the case of other uses of land, 450 euro per hectare.

The planned value of the assistance in Hungary, by programmes:

A) In the case of arable land programmes:

- Integrated farming programme (arable crops, arable vegetables and, in the case of rare crops, the amount of the premium)
- Ecology-oriented farming programme (arable crops, arable vegetables and, in the case of rare crops, the amount of the premium)
- Programme for the protection of nature
- Bustard, corncrake, habitat development programmes
- Programme for the protection of soil
- Programme for the protection of waters

B) In the case of grassland management programmes:

- Programme for natural grassland (meadow, pasture)
- Programme for deployed grassland (meadow, pasture)
- Programme for protected area grassland (meadow, pasture)
- Bustard, corncrake, habitat development programmes

C) In the case of plantation programmes:

- Integrated farming programme (stonefruits, apple production, berries, grapes)
- Ecology-oriented integrated farming programme (stonefruits, apple production, berries, grapes)
- Scattered orchards

D) In the case of programmes for waterside habitat utilisation:

- Reed farming
- Extensive ponds
- Environment-friendly management, maintenance of watercourses

#### **List of rare species of crops:**

(in the Annex)

#### **Financing:**

Public expenditure: 655 862 951 EUR

EU contribution: 493 298 630 EUR

**Transaction costs.**

The costs required for the application for assistance (e.g. the costs of obtaining certificates) are eligible, as transactions costs.

**Complementarity and demarcation criteria**

During the technical assistance period (the period of the commitment) there is a possibility to shift between programmes, but only within the same direction of utilisation, exclusively in order to move to a higher-level programme. Permeability between programmes does not have an impact on the period of the initial commitment.

**Adjustment of the commitments**

Subject to justification, during the assistance period, there is a possibility to reduce the areas involved by the commitment, but solely in the case if no on-site inspections apply to the area to be reduced and no irregularity occurred.

**See Measure fiche, Section 11** (Changes in national and community legislation)

### **2.1.4.B. Preservation of genetic resources**

#### **Article (and paragraph) which covers the measure:**

Art. 39 paragraph (5) of Regulation No. 1698/2005/EC, Art. 28 of Regulation 1974/2006/EC and Section 5.3.2.1.4 of Annex II

#### **Code of the measure: (214.B)**

#### **Rationale for intervention:**

Preservation of the genetic resources in agriculture, in accordance with the Göteborg declaration, is an activity with priority assistance, because it plays a major role in the preservation of the native and the rare species of the fauna and flora.

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

Preservation of the genetic resources of agriculture, *ex situ* and *in situ*, their characterization, measures for their collection and utilisation, including Internet-based records of genetic resources preserved *in situ* – including preservation in situ/ farming – and the *ex situ* collections (gene banks), as well as databases, furthermore, assistance to the information, knowledge dissemination and consulting activities as well.

#### **Scope and actions:**

##### *Submeasures:*

- a) Ex situ (varieties of plants and fungi, and animal species) – gene banks
- b) In situ/ on farm (animal species)
- c) Repatriation of partridges (*Perdix perdix*)

Priority gene preservation assistance is provided in the case of native animal species, referred to in Joint Regulation No. 36/1994 (VI.28.) FM-KTM, as amended, as well as the plant and animal species determined in the Annex, and the birds in the partridge repatriation. In respect of all species, gene preservation assistance covers a defined seed population, to ensure an adequate level of genetic diversity for all species.

- With regard to animal species: The basis for payments shall be the conditions set for each of the *ex situ* and *in situ*/ on farm locations, determined in the gene preservation programme by the competent species preservation organisations. An *in situ* or *ex situ* breeding location, beneficiary of the assistance, shall take a commitment to ensure the conditions prescribed in the gene preservation programme for at least 5 years, as well as the selection, to be performed on the basis of the breeding organisation, ensuring the conditions for the implementation of performance checks for the stock and the progeniture. Furthermore, the headcount of livestock shall be also ensured, throughout 5 years. Livestock involved in gene preservation assistance is not eligible for agro-environmental payments, based on headcount.
- In the case of rare species of plants and fungi: in *ex situ* collections and in the case of the production of well-defined and identifiable species of plants and fungi – taking account of the requirements of crop rotation in the case of arable crops – a commitment shall be made for 5 years to sustain the race/species, together with the storage of a seed quantity prescribed by the gene

preservation programme. Plant species involved in gene preservation assistance are not eligible for agro-environmental payments.

- It is compulsory to keep records on gene preservation activities (the contents will be prescribed, with mandatory effect, by the gene bank council or the breeding organisation)
- Partridge repatriation: the purpose of the programme for the preservation of the races is repatriate the partridges (*Perdix perdix*), native in Hungary, to create a self-sustaining population, maintain a core site, implement and maintain model areas, organise presentations on the positive impacts that the programme might exercise on partridge and other races of small game.

### **Beneficiaries:**

Organisations engaged in gene preservation, agricultural producers

### **Financing:**

Public expenditure: 12 224 212 EUR

EU contribution: 9 194 279 EUR

### **Complementarity and demarcation criteria**

#### *Within the Programme*

Activities connected with the agro-environmental commitments are not eligible for assistance under Art. 39, paragraph (5) of Regulation 1698/2005/EC, that is, any assistance for native animal species can take place according to one of the two headings only.

We intend to implement on farm assistance to rare plant species through the agro-environmental assistance, by way of ensuring a premium level of assistance to agricultural producers for the production of species in the list attached, subject to compliance with the provisions for land use.

Gene preservation of forestry species shall receive assistance in the form of a priority programme of forest-environment (Art. 47).

#### *Link to other Operative Programmes*

No assistance shall be granted on the basis of Art. 39, paragraph (5) of Regulation No. 1698/2005/EC to activities eligible for assistance under the technology development and demonstration activities framework programme of the European Community.

### **Zonal demarcations in agri-environmental payments:**

Within agri-environmental payments, for farmers active within areas, demarcated for considerations of protection of the nature or of the environment, in addition to the horizontal provisions, special provisions are also required. Provisions that can be paid in these areas are called zonal provisions. A zonal provision can be assumed only by farmers within a demarcated area, set at the level of physical blocks. Zonal programmes can be oriented towards the protection of nature, of the soil and of the waters (Water Framework Directive).

## **Complementarity and demarcation criteria**

### *Within the Programme*

The measure is directly connected with the “NATURA 2000” measure (Art. 38.), these are the areas that make one of the territorial categories of the measure.

The measure “Non-productive investments” (Art. 41) promotes the introduction of agri-environmental farming and the implementation of its provisions, with the implementation of the required non-productive investments (such as the deployment of enclosures and of grassland).

The measure is closely related to the “Vocational training and information activities” measure (Art. 21), in the framework of which, the professional training of the beneficiaries, the creation of model farms is a basic requirement. In the framework of the “Use of consulting services” measure (Art. 24), an Agricultural Advisory Council shall be set up, ensuring advisory services for the beneficiaries of the measure.

A prime role is played by the assistance granted to agricultural producers participating in the food quality systems, under Art. 32, to implement, inter alia, the assistance granted to ecoproducts, in line with Regulation No. 2092/91/EEC, assistance granted to the audit of ecological farming and of the certification process of the products.

The measure shall exercise a favourable effect on the “Stimulation of tourism-related activities” measure (Art. 55), by increasing the attraction of the region from the point of view of tourism. With a motivation to environment-conscious use of the landscape and the preservation of biodiversity, it enhances the effect of the “Conservation and modernisation of rural heritage” measure on the living standards of rural life.

Participants of the measure and participants of the agri-environmental measure within the National Rural Development Plan shall have priority, primarily in the evaluation of applications/ proposals submitted in connection with investments under Art. 26.

### *Link to other Operative Programmes*

The implementation of the “Agri-environmental farming” measure is a basic condition for a change of landscape use, indispensable for the implementation of other regional priority programmes (such as the Enhanced Vásárhely Plan).

Beneficiaries of agri-environmental payments cannot receive assistance for the same activity, in the framework of the technology development and demonstration activities measure of the Research Framework Programme.

## **Minimum requirements**

Guidelines set forth in Articles 4 and 5 of Regulation 1782/2003/EC and its Annexes III and IV, as well as the sustainability of “good agricultural and ecological condition” shall be determined in national legislation.

**See Measure fiche, Section 16** (Respect of standards – reduction or cancellation of payments)

## **Verifiability and controlability**

Control of the support is carried out by the Paying Agency, with the involvement of the competent professional authority.

## **Transition arrangements (including estimated amount):**

In the framework of the agri-environmental programmes for the year 2004, the expenses of the commitments made for 5 years remain in force in the EAFRD programming period, on the basis of Art. 5 of 1320/2006/EC (for the period 2007-2009, the determination of the National Rural Development Plan shall be financed (2-3 x 44 bn HUF).

**Quantified targets for EU common indicators:**

<b>Type of the indicator</b>	<b>Indicator</b>	<b>Target</b>
<b>Output</b>	Number of farms and land users obtaining assistance	30,000 pcs
	total area covered by the agri-environmental allowance	2.1 million ha
	Total number of contracts	30,000 pcs
	Gene presevation activities, number	150
<b>Result</b>	Area covered by successful agri-environmental intervention	2.1 million ha
<b>Impact</b>	Mitigation of the decrease in biodiversity	
	Sustainability of HNVA areas	245,000 ha
	Change in high natural value areas	
	Change in the gross nutrient balance	
	Increase in the production of renewable energy	

### ***2.1.5. Animal welfare payments***

#### **Article (and paragraph) which covers the measure:**

Art. 36 a) v. and Art. 40 of Regulation No. 1698/2005/EC, Art. 27 of Regulation 1974/2006/EC and Section 5.3.2.1.5 of Annex II

#### **Code of the measure: (215)**

#### **Rationale for intervention:**

In the field of animal breeding and husbandry, several technologies or procedures are known that exceed the minimum standards of the prescribed rules and can face the new challenges (animal welfare, food safety, changes in consumer needs). However, their practical application implies, almost in each case, additional costs, and that deteriorates the profitability of production, ensuring the income for animal breeders.

The Hungarian animal breeding culture has long-standing traditions, and due to our excellent capabilities, it can adapt to the market needs. But the difficulties in the change of approaches slow down the transition process. In Hungary, the measure 4.3, assistance granted for compliance with the environmental, animal welfare and hygienic provisions of the European Union created a good basis for the acceptance of this approach. This is shown by the fact that by the ending stage of the programme, an ever-increasing interest was experienced among animal breeders.

With this new approach, with the fulfillment of commitments exceeding the compulsory provisions, due to compliance at a higher level with provisions of animal welfare, animal health safety and food safety, it is appropriate to motivate for extra costs connected with animal products by way of assistance.

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

- d) Compensation for the lost of revenues and for the additional costs occurred in the course of the implementation of requirements exceeding the levels required by the basic animal breeding rules.
- e) Popularisation of animal husbandry practices better adapted to sustainable development, minimisation of unfavourable environmental effects and higher-level job activities and expansion of their acceptance.
- f) Prediction of the expected further developments in the present regulations, improvement of the producers' adaptability to follow the directions of a developing regulatory approach.
- g) Stable improvement in the economic situation of the animal breeders, subject to an increase in animal welfare, parallel to developments in animal healthcare, anti-epidemy measures and food safety, subject to the selection of the appropriate species and the provision of adequate quality forage.

#### **Scope and actions:**

Animal welfare payments will be made to agricultural producers who make voluntary commitments in the field of animal welfare. Animal welfare payments cover commitments, exceeding the mandatory provisions determined in Art. 4 of Regulation No. 1782/2003/EC and its Annex III and the other mandatory requirements determined in the national legislation and defined in the programme.

*Subareas of the measure:*

- Commitments relating to animal husbandry in connection with climatic and air cleanness conditions
- Commitments relating to site use, typical for animal husbandry
- Commitments connected with the quality of forage and water provided in case of animal husbandry
- Commitments regarding the maintenance of records connected with animal husbandry and provision of regular information
- Commitments to apply preventive measures against animal illnesses

In respect of the different animal species, special standards were set up for the possible commitments. From these different packages of provisions for commitments, animal breeders may select more than one, subject to the possibilities for compliance on their animal husbandry sites.

**Animal welfare contracts:**

In the framework of the measure, assistance can be granted to those agricultural producers who make animal welfare commitments, exceeding the mandatory provisions determined in Art. 4 of Regulation No. 1782/2003/EC and its Annex III and the respective mandatory requirements determined in the national legislation.

**Animal welfare commitments:**

The provisions of the measure exceed the following mandatory requirements in the national legislation:

- Act XCI of the year 1995, on animal healthcare
- Act XXVIII of the year 1998, on the protection of and indulgence to animals
- Regulation No. 32/1999 (III. 31) FVM, on the animal protection rules of livestock in agriculture
- Regulation No. 210/2002 (I. 23.) FVM, on the monitoring control over the residual harmful material content of animal-origin foodstuffs
- Regulation No. 35/2002 (IV. 27) FVM, on the rules of defence against the bluetongue illness
- Regulation No. 99/2002. (XI. 5.) FVM on the marking of certain cattle species and a Uniform Recording and Identification System for that purpose (amended: 12/2004. (I.31.) FVM.)
- Regulation No. 99/2002. (XI. 5.) FVM on the marking of certain cattle species and a Uniform Recording and Identification System for that purpose
- Regulation No. 116/2003. (XI. 18.) FVM on the marking of pigs and a Uniform Recording and Identification System for that purpose
- Regulation No. 24/2004. (III. 2.) FVM on the prohibition of the use of some ingredients with hormone or tyreostatic effects and of beta-agonists in the use of animal breeding
- Regulation No. 88/2004 (V. 15) FVM, on the veterinary products
- Regulation No. 23/2005 (III. 23) FVM, on defence against the contagious foot-and-mouth disease Art. 5 contains the respective rules
- Regulation No. 47/2005. (V. 23.) FVM on the marking of sheep and goat species and a Uniform Recording and Identification System for that purpose



**Beneficiaries:**

Registered agricultural producers engaged in animal husbandry.

**Requirements and the scope of the eligible activities:**

The site shall fulfil the additional commitments under the provisions selected in the subareas of the measure.

The farm shall be appropriately operated for at least 5 years.

The rate of the assistance shall be established each year, on the basis of the livestock headcount the animal breeder agreed to hold.

Any assistance shall be paid to the animal breeder subsequent to the sale, taking into consideration the period for holding the livestock.

**Provisions of support:**

Non-reimbursable, normative, livestock-based assistance.

**Level of support:**

100% (EU funds 80%, national funds 20%)

**Amount of support:**

Subject to the provisions, 15–140 €/LLU/year

**Financing:**

Public expenditure: 52 122 683 EUR

EU contribution: 39 203 386 EUR

**Eligible costs:**

- Additional costs related to commitments and loss of revenues
- Transaction costs.

**Complementarity and demarcation criteria:***Within the programme*

The assistance provided under this measure promote the implementation of the applicable provisions regarding the protection of the environment and animal welfare. Their implementation is closely connected with Regulation No. 1698/2005/EC regarding measures to improve the quality of agricultural production and products (Articles 31 to 33), modernisation of the agricultural sites (Art. 26), as well as the use of consulting services (Art. 24).

**Shifts between subareas:**

During the technical assistance period (the period of the commitment) there is a possibility to shift between subareas, but exclusively in order to move to a higher-level subarea. Permeability between programmes does not have an impact on the period of the initial commitment.

**Adjustment of the commitments:**

Subject to justification, during the assistance period, there is a possibility to reduce the livestock headcount involved by the commitment, but solely in the case if no on-site inspections apply to the livestock to be reduced and no irregularity occurred.

**See Measure fiche, Section 12** (Changes in national and community legislation)

**See Measure fiche, Section 13** (Respect of standards – reduction or cancellation of payments)

**Verifiability and controllability:**

Control of the support is carried out by the Paying Agency, with the involvement of the competent professional authority.

**Quantified targets for EU common indicators:**

Type of the indicator	Indicator	Target
Output	Subsidised farms and the number of other subsidised farms, managed by a player in agriculture	3,000 pcs
Result	Accommodation created with high-level breeding technology	2,200 thous. LU

### ***2.1.6. Assistance provided to non-productive investments***

#### **Article (and paragraph) which covers the measure:**

Art. 36 a) vi. and Art. 41 of Regulation No. 1698/2005/EC, Art. 29 of Regulation 1974/2006/EC and Section 5.3.2.1.6 of Annex II

#### **Code of the measure: (216)**

#### **Rationale for intervention:**

With the changes in landscape use, a wide-range utilisation of intensive farming, the block-level landscape elements (homesteads, alleys, groves, wells, roads, balks) disappeared in several places. In order to preserve the species, to increase the richness of species in the habitats and the restoration of the diversity of landscape elements, measures shall be taken. In the course of the recovery of traditional habitats, no profits are made that could have an impact on the value, the productivity of the farm, on the contrary, the maintenance of elements, decisive for the landscape imply many times additional work and costs for the farmer. Non-productive investments promote, to a significant degree, the proper use of landscape, in line with the local conditions, in an environmentally sound way, when these provide an assistance for those types of investments that are indispensable for the introduction of certain agri-environmental provisions and the fulfillment of the provisions, increasing at the same time, the public welfare in the areas of high natural value, specified in Natura 2000 and in the programme.

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

The main objective of the measure is to conserve the rural landscape, to promote the sustainability of the individual value of the landscape, increase the biodiversity of the fauna and flora, an improvement of the environment's condition, facilitation of the fulfillment of the commitments made on a voluntary basis and increase in public welfare in the areas of high natural value, specified in Natura 2000 and in the programme.

#### **Scope and actions:**

In the framework of the measure, eligible investments are investments that refer to agri-environmental payments and obligations relating to other measures in connection with agri-environmental objectives or a facilitation thereof and investments increasing the public welfare value of in the areas of high natural value, specified in Natura 2000 and in the programme.

#### *Subareas of the measure (submeasures, activities):*

Non-productive investments represent asset allocations that do not have a significant impact on the value of the farms and their income generation capacities, but they do contribute to an increase in its natural and public welfare value.

- Non-productive investments required for voluntary commitments to agri-environmental provisions and for liabilities connected with mandatory provisions prescribed in the Natura 2000 areas and their implementation:
  - Asset acquisitions (e.g. pest control forecasting systems, fences)
  - Activities connected with area use (such as grass rands, winter refuge for insects)

- Assistance to model farms
- Non-productive investments implemented on the territory of the farms, increasing the public welfare value of the Natura 2000 areas or other high natural value areas. Restoration of small-size erections, image elements, landscape elements in the grassland, ploughland, cultivation sector territories of the farm.
  - Asset acquisitions (e.g. bird refuges, fences)
  - Activities connected with area use (such as the deployment of hedgerows, alleys)

**Presentation of links to the requirements of Art. 36, a) iv. of Regulation No. 1698/2005 and other agro-environmental objectives:**

Non-productive investments required for voluntary commitments to agri-environmental provisions and for liabilities connected with mandatory provisions prescribed in the Natura 2000 areas and their implementation: 2

**Presentation of the Community values in the Natura 2000 areas or other high natural value areas, in order to enhance these:**

Non-productive investments implemented on the territory of the farms, increasing the public welfare value of the Natura 2000 areas or other high natural value areas. Restoration of small-size erections, image elements, landscape elements in the grassland, ploughland, cultivation sector territories of the farm.

**Beneficiaries:**

Farmers participating in the “Agri-environmental payments” or the “agri-environmental payments under the National Rural Development Plan” or “Natura 2000 payments and payments under Directive No. 2000/60/EC, and farmers operating in high natural value areas.

(Local municipalities and government organisations are not eligible, because assistance is granted to them via EEOP.)

**Provisions of support:**

In the case of activities relating to the use of territories, the assistance is per hectare or per running meter, while in the case of asset acquisitions, it is non-repayable assistance, with a price ceiling.

The rate of the assistance shall be determined in each case on the basis of adequate expert opinions, taking into consideration the local conditions and the current methods of land use.

**Level of support:**

100% (EU funds 80 %, national funds 20%)

**Number of the projects per beneficiary:**

Not more than one application may be submitted every year.

**Financing:**

Public expenditure: 11.714.870 EUR

EU contribution: 8.811.184 EUR

**Transition arrangements (including estimated amount):**

In view of the fact that the new, EAFRD-based “agro-environmental payments” shall be launched only from September 1, 2009, applicants for non-productive investments can be farmers who are, in the period from January 1, 2007 and September 1, 2009, beneficiaries of the agro-environmental measure in the National Rural Development Plan and those who are established in a Natura 2000 area.

**Complementarity and demarcation criteria:***Within the Programme*

In terms of its scope of eligibility of the areas and beneficiaries, the measure is directly connected with the “Natura 2000 payments and payments linked to the implementation of Directive 2000/60/EC” measure (Art. 38.). If necessary, non-productive investments create the appropriate condition of the Natura 2000 areas or other high natural value areas, and increase, through auxiliary investments, their public welfare value. A similar link exists to the “Agro-environmental payments” measure (Art. 39).

In respect of investments eligible under this measure, within the framework of “Modernisation of agricultural facilities” (Art. 26) and “Improvement and development of infrastructure related to the development and modernisation of agriculture and forestry” (Art. 30) the beneficiaries of the measure cannot apply under the same title, for asset acquisitions (on the basis of the territorial demarcations and commitments).

The measure has a positive impact on the implementation of the “Stimulation of tourism-related activities” (Art. 55), because by promoting environment-conscious landscape use, the increase of the public welfare value of the areas, it both serves as a basis for the above measure (natural value, as regional attraction from the point of view of tourism) and it enhances the impact of the “Conservation of rural heritage and its modernisation” measure (Art. 57) on the quality of life in the countryside.

*Link to other Operative Programmes*

The measure’s link to the Environmental and Energy Operational Programme (EEOP) is marked primarily in the scope of the eligible activities and of the beneficiaries. Within EEOP, activities foreseen for assistance are very similar, serving primarily the rehabilitation goals of the habitat development, habitat rehabilitation goals of the Natura 2000 areas, furthermore, they support asset acquisitions necessary to implement nature-friendly agricultural cultivation. The beneficiaries of this measure are farms and farmers, with no shareholdings of local municipalities and no state ownership.

**Quantified targets for EU common indicators:**

Type of the indicator	Indicator	Target
<b>Output</b>	Subsidised farms and the number of other subsidised farms, managed by a player in agriculture	10,000 pcs
	Total size of the investment	
<b>Result</b>	Area successfully involved in farming	
<b>Impact</b>	Reversal of the reduction in biodiversity	

	Change in high natural value areas	
	Change in the gross nutrient balance	
	Increase in the production of renewable energy	

### ***2.2.1. First afforestation of agricultural lands***

#### **Article (and paragraph) which covers the measure**

Articles 36 (b) (i) and 43 of Regulation (EC) No 1698/2005

Articles 30 and 31 and point 5.3.2.2.1. of Annex II. of Regulation (EC) No 1974/2006

#### **Code of the measure: (221.)**

#### **Rationale for intervention:**

Nearly 20 % of the country's territory is utilized for forestry. The rate of forestation of the country is improving, however it is still low compared in an international context to the 15 of the EU, that is 35,1 %. In long term, the rate of forestation of the country could be increased to the optimal 27 %. In the frame of the measure the multifunctional sustainable utilization and the strengthening of the social and welfare function of the forests could be further continued. The importance of and the need for the afforestation are justified by the economic benefits, as well as by their positive effects on the environmental conditions, i.e. the soil, the waters, the air and the biodiversity.

The EU expects from every member state the utilization of the renewable energy resources. According to the Directive 2001/77/EC by 2010 the proportion of electricity produced of renewable resources should reach a Community average of 22.1 % compared to the gross consumption. The enhanced utilization of biomass in energy production is encouraged by the Biomass Action Plan (COM(2005)623), the Green Paper on the new Community energy policy and it is integrated in the Sustainable Development Strategy of the EU.

For meeting the anticipated EU requirements, the extension of the biomass offer with the tools of the purposeful production of energy. Due to the lack of capital of the farmers and the high installation costs, providing an installation support is reasonable. The plantation of tree energy crops could contribute to ensuring an income opportunity in rural areas for thousands of farmers.

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

The main objectives of the measure are to increase the rate of forestation of the country, to promote the agricultural structural transformation, the alternative utilisation of lands, to develop the environmental, economic, social and welfare function of the forests and forest areas and to improve the employment conditions through the development of the forestry sector. Another objective is the creation of natural forests with high biodiversity through the increase of the proportion of indigenous tree species, especially in protected areas. A further objective of the measure is to fulfil the relevant EU requirements (green power renewable energy resources), the diversification of the energy provision.

#### **Scope and actions:**

In the frame of the measure support can be given for the first afforestation of lands which are planned to be withdrawn from agricultural production. Within this a support can be given for the installation costs, for the costs of maintenance for a period of maximum 5 years or for partially covering the revenue losses due to the afforestation per hectare and per year for a period of maximum 15 years.

In the frame of the measure a support can be given for the plantation of tree energy crops of short rotation length.

Those protected natural areas or NATURA 2000 areas, where the current landscape structure, branch of cultivation is to protect and which are beneficial from the point of view of the biodiversity protection, can not be designated and their afforestation should not be supported.

#### *Subareas of the measure*

2.1.1. Support of afforestation;

2.1.2. Support for plantation of tree energy crops of short rotation length;

#### **Definition of agricultural land**

Eligible agricultural land: qualified as eligible on the basis of the MePAR (Hungarian Agricultural Parcels Identifier System) at the acquisition of the Single Area Payment Scheme financed by the Guarantee Section of the European Agriculture Guidance and Guarantee Fund and by the European Agricultural Guarantee Fund

#### **Definition of farmer**

A private person or an association of private persons carrying out agricultural activity. It has to be justifiable that he/she spends more than 25 % of the working hours with agricultural activities and that at least 25% his/her revenue is produced by agricultural activities in the year of the application for the support.

#### **Provisions and criteria for the selection of the areas to be afforested ensuring that the planned measures are suited to local conditions and compatible with the environmental requirements, particularly biodiversity, in accordance with Article 50(6) of Regulation 1698/2005 and article 34 of implementing rules**

Accordance with the local and environmental conditions is ensured by:

- The beneficiary shall respect the dispositions - concerning the afforestation, planting – of the regulation (FM) No 29/1997 (IV.30.) disposing of Chapter IV of Act LIV (1996) on the forests and the protection of forests and of the enforcement of the Act LIV (1996) on the forests and the protection of forests.
- The beneficiary shall dispose of an afforestation permission approved by the forestry authority in a decision and issued to the name of the beneficiary (the decision on the approval of the afforestation implementation plan);
- The specie of afforestation has to match with the stand planned for the given forestry landscape.

#### **Evidence as referred to in article 48(2) of the implementing rules allowing the Commission to check consistency and plausibility of the calculations**

The calculation of the amount of support was effected by the Forest Authority.

#### **Aid intensity for establishment support and amounts and duration of annual premiums contributing to covering maintenance costs and loss of income.**

Under construction.



**Linkage of proposed measures with national/sub-national forest programmes or equivalent instruments and with the Community Forestry Strategy**

- National Forestry Program, or OTRT (National Area Regulatory Plan)
- Reference to the forest protection plans for areas classified as high or medium risk for forest fires and the elements ensuring conformity of proposed measures with these protection plans.
- In accordance with the Regulation No 12/1997 BM every forest area is classified according to its fire resistance, and accordingly an emergency fire plan has to be elaborated for each of them.

**Minimal Community requirements concerning afforestation of Natura 2000 sites:**

In the course of the evaluation of the project documentation of the afforestation, that is a basic requirement of the eligibility for support, the licences of special authorities has to be acquired.

**Beneficiaries and eligible areas:**

The legal user of the entitled agricultural land can benefit of the support given for the first execution of afforestation.

The legal user of the eligible land can benefit of the support for the maintenance of the plantation, if a) he is the owner of it, or b) the legal utilisation is based on a contract of lease for at least 25 years, or c) or has a usufructuary right.

If the eligible agricultural land is owned by the Hungarian state, the entirely state-owned economic entity or the user considered as budgetary institution can only be granted the support for the first execution of afforestation.

The income loss support of afforestation can be granted for those who are eligible for the plantation maintenance support as well.

Eligible agricultural area: eligible on the basis of the MePAR (Hungarian Agricultural Parcels Identifier System) at the acquisition of the Single Area Payment Scheme financed by the Guarantee Section of the European Agriculture Guidance and Guarantee Fund and by the European Agricultural Guarantee Fund;

**Provisions of support:**

Non-refundable territory based support.

**Level of support:**

Aid intensity of first forest plantation is 80% of the support allowance for costs on the highland areas, on the less favoured territories outside the highland areas and on the Natura 2000 sites. It is 70% in other areas.

**Amount of support:**

*The amounts of aid are under elaboration.*

The upper limit of the support aiming to partially cover the income loss due to afforestation is determined to be 700 euro/ha for agricultural farmers and associations and 150 euro/ha for any other natural person or private legal person.

Description of the methodology for the calculation of establishment and maintenance cost as well as income foregone to be compensated. Where relevant for the latter, this methodology should take into account aid granted under Regulation (EC) 1782/2003

The calculation of the costs was based on a national-scale survey carried out by regional bodies of the Forestry Authority focusing on different groups of beneficiaries differentiated on the basis of support and natural conditions, and during the processing of the data the average initial costs were determined by the calculation of averages weighted by the territories of the so far afforested areas.

**Exclusion of support:**

Support can not be granted for:

- a) the establishment of Christmas tree plantation;
- b) crops planted for one rotation;
- c) for plantation of tree crops with an expected rotation age of less than 15 years;
- d) for a specie that does not match with the planned stand in the forestry landscape, the area of the afforestation.

For the same area during the support period:

- a) the yearly single area payment out of the EAGF (hereunder the EAFG);
- b) the supplementary national support joint with the single area payment financed out of the EAGF;
- c) any sort agricultural or forestry type area based support in accordance with a special legislation.

Income supplementing support can not be granted for territories where mixed cultivation is being carried out.

Those who are granted the support for the transfer of holdings in accordance with the Article 23 of the Regulation No 1698/2005/EC on the rural development support out of the European Agricultural Fund for Rural Development, are not eligible for the support.

**Financing:**

Total public expenditure: 169,780,728 EUR

EU contribution: 127,698,325 EUR

**Respect of standards – reduction or cancellation of payments:**

The support granted is considered unrightful, if:

- a) if the afforestation fails because of the beneficiary;
- b) the beneficiary does not apply the support to the implementation of the approved objective;
- c) the beneficiary modifies the original objective of the support after the implementation;
- d) the beneficiary carries out a modification regarding the given part of the forest without giving a notice or in a way that is different of the notice, and despite the objection of the forestry authority;
- e) the beneficiary utilises the area or a part of the area of the plantation for other purposes without a permission within 5 years from the last payment received.

If the beneficiary gives a notice about the entire or a partial delay of the first afforestation until the day of the application for the payment, he remains eligible for another one year if requested in written form.

If the beneficiary gives a written notice saying he does not want to realise the first afforestation, his eligibility and further obligations will cease on his request.

In case of a partial default of the first afforestation, the beneficiary is obliged to initiate the division of the part of the forest at the Forestry Authority.

If the beneficiary fails to give a notice about the default of the first plantation in the first year of afforestation until the application for the payment, he loses his eligibility for support according to this regulation, and his further obligations will be ceased.

Shall the conditions of the maintenance support not be respected, the maintenance support for that given part of the forest can not be paid for that year, the previously granted maintenance support has to be reimbursed charged with the double of the central bank interest rate.

The forestation can be considered successful in the fifth year, if:

a) the number of the minimum 3-years-old specimen of prevailing tree specie has to reach 70 % of the number of specimen planned for the first afforestation. This rate has reach 50% in case of protective forests, and

b) species composition complies with the type of the approved planned stand, and

c) compensation on the territory was carried out not later than in the previous vegetation period.

The amount of the unrightfully acquired first afforestation and maintenance support has to be reimbursed charged by the double of the central bank interest rate, and the part of the forest loses its eligibility for the support in the future.

If the default of fulfilling the support conditions in any phase of the support period due to the severe carelessness of deliberate conduct of the beneficiary, he:

a) is obliged to reimburse in accordance with this regulation the support granted on the basis of his application according to the regulations concerning the unrightful acquisition of the support, and

b) he is not eligible for a support for two years.

#### **Standard costs:**

Under construction.

#### **Verifiability and controllability:**

Administrative and physical checks before the payments.

#### **Transition arrangements (including estimated amount):**

The payments due to the obligations taken with the afforestations in 2004, 2005 and 2006 will be continued in the ERDF programming period in accordance with the Article 7 of the Regulation No 1320/2006/EC (depending on the dimension of the plantation in 2006 the payment of 80-100 million euros will be needed)

#### **Linkages of the measure:**

##### *Within the Program*

The measure is closely related to the implementation of the afforestation of non-agricultural lands, of the first creation of agro-forestry systems on agricultural lands, and of the Natura 2000 measure and

the forest and environment protection measure. The measure relates closely also to the I. group of measures „The increase of value of the agricultural and silvicultural products”.

**Quantified targets for EU common indicators:**

<b>Type of indicator</b>	<b>Indicator</b>	<b>Objective</b>
Output	Number of beneficiaries of afforestation support	1.000/year in average
	Beneficiaries of tree crop plantation support	500/year in average
	Territory of afforested areas (ha)	10.000 ha/year in average
	Tree energy crops	7.000 ha/year in average
Result	Successfully afforested area	70.000 ha
	Total area of tree crops	49.000 ha
Impact	Reversal of biodiversity decrease	0
	Improved water quality	
	Contribution to combating climate change	

### ***2.2.2. First establishment of agro forestry systems***

#### **Article (and paragraph) which covers the measure:**

Articles 36 (b) (ii) and 44 of the Regulation No 1698/2005/EC

Articles 30 and 32 and point 5.3.2.2.2. of Annex II of Regulation (EC) No 1974/2006

#### **Code of the measure: (222.)**

#### **Rationale for intervention**

The agro-forestry systems are extensive land use systems, where on the same land trees are cultivated and agricultural activity is carried out, thus creating the mosaic of the agricultural lands and forest areas. With the combination of extensive agricultural and forestry systems aiming to produce superior quality wood and other silvicultural products, the agro-forestry systems are of a high ecological, landscape, and social value. The creation of agro-forestry systems is a relatively new phenomena in Hungary, in this regard only the utilisation of arboreous grazing-lands and the maintenance of field protecting forestations were known. The traditional mixed forestry cultivation does not belong to this system, thus can not be supported in the frame of this measure.

The measure – because of its multifunctional characteristic - extends the income opportunities of the inhabitants, it can assure the continuation of the farming especially in the case of Natura 2000 sites and agricultural lands situated in less favoured regions where the intensive utilization prevailed. This measure can be applied on the areas that are integrated in the landscape management. With the creation and maintenance of agricultural and forestry systems the environmental condition of the relating areas improves and the biodiversity increases due to the mosaic-like structure, and the erosion is significantly reduced by the continuous plant cover.

The measure contributes to the protection of the natural resources and landscapes situated in the rural areas, to the development of their situation. It also plays an important role in the implementation of environmental objectives namely by the protection of soil and by hindering the decrease of the biodiversity.

Agro-forestry systems are outstandingly suitable for making the countryside more attractive, for maintaining the workplaces, creating new job opportunities and therefore for improving the quality of life of the rural population.

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

The main objective of the measure is the conservation of the rural landscape and the biodiversity, to increase the biodiversity, the creation of a mosaic-landscape structure, the fulfilment of the environment protection objectives. The measure also aims to diversify the activities of the rural population, the alternative utilisation of the agricultural lands, the increase of the indigenous tree specie stand and the security of forestry.

#### **Scope and actions:**

In the frame of the measure the applicants benefit of the support in order to promote the agro-forestry systems that unify the extensive agricultural and silvicultural systems. The support covers the installation costs and the maintenance costs in the first 5 years.

When agro-forestry systems are created, the multifunctional utilisation of the given land is ensured by livestock raising, arable crop production, plantation of bushes of cultivation of medicinal herbs besides the plantation of spacious network-form or narrower row-form afforestations. The selection of the appropriate species that respond to the needs and conditions of the habitat, with the creation of the arboreous grazing lands, field protecting rows of bush, tree or group of trees, with extensive grazing, energy and traditional cultivation, with a tree stand aiming to produce industrial wood, the cultivation of forest fruits, medical herbs and plants suitable for honey production will be possible, thus ensuring the continuation of the agricultural land utilisation.

*Subareas of the measure (sub measures, activities):*

The measure can be divided into four sub measures on the basis of the agro-forestry systems to be created:

- Agro-forestry system for grazing
- Agro-forestry system for cultivation
- Agro-forestry system created for the cultivation of forest fruits
- Agro-forestry system created for the cultivation of earth-nut

**Definition of agro-forestry systems to be supported:**

- Agro-forestry system for grazing
- Agro-forestry system for arable crop production
- Agro- forestry system created for the cultivation of forest fruits and berries
- Agro- forestry system created for the cultivation of earth-nut

**Densities of planting**

- At least 100 tree-size plants have to be planted per hectare, their size should be at least 50 cm from the roots to the top.
- In case of an agro-forestry system created for the cultivation of berries and forest fruit, the minimal number of bushes/hectare is 400.
- In case of agro-forestry system created for the cultivation of earth-nuts at least 800 standers with mychorriza have to be planted including the 100 standers determined in the general regulations.

**Description of the methodology for the calculation of the establishment cost**

Under construction

**Aid intensities for establishment support**

Under construction

**Linkage of proposed measures with national/sub-national forest programmes or equivalent instruments and with the Community Forestry Strategy**

Not relevant.

**Reference to the forest protection plans for areas classified as high or medium risk for forest fires and the elements ensuring conformity of proposed measures with these protection plans.**

Not relevant.

**Beneficiaries and eligible areas**

Private owners, their association, municipalities and their association registered in the IIER

The applicant has to be the user, the owner, or the leaseholder of the area. The duration of the lease should be at least 15 years from the date of the application.

No bankruptcy, liquidation, dissolution or liability proceedings were initiated against the applicant and in case of a natural person, no economic activity-related executing proceeding was initiated against him.

**Provisions of support:**

Non-refundable, area based support.

**Level of support:**

**Amount of support:**

Aid intensity of first forest plantation is 80% of the support allowance for costs on the highland areas, on the less favoured territories outside the highland areas (Article 37) and on the Natura 2000 sites (Article 38). It is 70% in other areas.

**Exclusion of support**

Everyone who does not meet the requirements of the program.

**Financing:**

Total public expenditure: 848 904 EUR

EU contribution: 638492 EUR

**Linkages of the measure:**

*Within the Program*

The measure is closely related to the implementation of the payment for the agricultural producers on the less favoured territories outside the highland areas (Article 37), the first afforestation of the agricultural and non-agricultural lands (Article 34 and 45), the implementation of the Natura 2000 (forest) measure (Article 46) and of the forest and environment protection measure (Article 47). It also relates to the measures of Improving the economic value of forests (Article 27), and the Increasing of the value of the agricultural and sylvicultural products (Article 28).

## Quantified targets for EU common indicators

Type of indicator	Indicator	Objectives
<b>Output</b>	Number of beneficiaries <ul style="list-style-type: none"> <li>agro-forestry systems for grazing</li> <li>agro-forestry systems for cultivation</li> <li>agro-forestry systems created for the cultivation of forest fruits</li> <li>Agro-forestry system created for the cultivation of earth-nut</li> </ul>	300
	Territory of new areas in agro-forestry system (ha) <ul style="list-style-type: none"> <li>agro-forestry systems for grazing</li> <li>agro-forestry systems for cultivation</li> <li>agro-forestry systems created for the cultivation of forest fruits</li> <li>Agro-forestry system created for the cultivation of earth-nut in less favoured regions</li> <li>on Natura 2000 sites</li> </ul>	3,000 ha
<b>Result</b>	Areas successfully integrated in agro-forestry activity	3,000 ha
<b>Impact</b>	Reversal of biodiversity degradation	
	Improved water quality	
	Contribution to the combating climate change	

## Additional programme-specific indicators and quantified targets:

Type of indicator	Indicator	Objectives
<b>Result</b>	Number of new products produced on the territory of agro-forestry systems	
	Physical quantity of new products produced on the territory of agro-forestry systems	
	Contribution of agro-forestry systems to the elimination of abandoning agricultural activity	
<b>Impact</b>	Composition of tree species (biodiversity)	
	Proportion of transformed agro-forestry systems <ul style="list-style-type: none"> <li>in less favoured regions</li> <li>on Natura 2000 sites</li> </ul>	



### ***2.2.3. First afforestation of non-agricultural land***

#### **Legal basis of the support:**

Articles 36 (b) (iii) and 45 of Regulation (EC) No 1698/2005.

Article 30 and point 5.3.2.3.3 of Annex II of Regulation (EC) No 1974/2006.

#### **Code of the measure: (223.)**

#### **Rationale for intervention:**

Nearly 20 % of the country's territory is utilised in forestry. The forest area is continuously growing, since 1990 forest plantations of more than 90,000 hectares have been realised. The country's rate of forestation is growing, however it is still low compared in an international context to the 15 of the EU,

**Provisions and criteria for the selection of the areas to be afforested ensuring that the planned measures are suited to local conditions and compatible with the environmental requirements, particularly biodiversity,**

Respecting the local and environmental conditions ensures:

- The beneficiary shall respect the dispositions - concerning the afforestation, planting – of the regulation (FM) No 29/1997 (IV.30.) disposing of Chapter IV of Act LIV (1996) on the forests and the protection of forests and of the enforcement of the Act LIV (1996) on the forests and the protection of forests.
- The beneficiary shall dispose of an afforestation permission approved by the forestry authority in a decision and issued to the name of the beneficiary (the decision on the approval of the afforestation implementation plan);
- The specie of afforestation has to match with the stand planned for the given forestry landscape.

**Description of the methodology for the calculation of establishment and maintenance cost**

The calculation of the costs was based on a national-scale survey carried out by regional bodies of the Forestry Authority focusing on different groups of beneficiaries differentiated on the basis of support and natural conditions, and during the processing of the data the average initial costs were determined by the calculation of averages weighted by the territories of the so far afforested areas.

**Evidence as referred to in article 48(2) of the implementing rules allowing the Commission to check consistency and plausibility of the calculations**

The calculation of the support amounts was carried out by the Forestry Authority.

**Aid intensity for establishment support:**

*Under construction.*

**Linkage of proposed measures with national/sub-national forest programmes or equivalent instruments and with the Community Forestry Strategy**

National Afforestation Programme and OTRT (National Area Regulatory Plan) (LAPOS TAMÁS)

**Reference to the forest protection plans for areas classified as high or medium risk for forest fires and the elements ensuring conformity of proposed measures with these protection plans.**

In accordance with the Regulation No 12/1997 BM every forest area is classified according to its fire resistance, and accordingly an emergency fire plan has to be elaborated for each of them.

**Beneficiaries and eligible areas:**

The support for the first afforestation can be granted for the legal user of the eligible area, if

- he disposes of a registration number issued on the basis of the Government Regulation No 141/2003 (IX.9.) on the creation of a comprehensive registry of clients relating to Hungarian enforcement of the CAP of EU, and to national agricultural support system, or if he applies for it at the same time as handing in the application for support.

- No bankruptcy, liquidation, dissolution or liability proceedings were initiated against the applicant and in case of a natural person, no economic activity-related executing proceeding was initiated against him.
- He applied for a support for the afforestation of agricultural land during the 2 years preceding the application for support, and the default of meeting the support requirements was due to severe carelessness or deliberate conduct, and therefore he was excluded.

The legal user of the eligible land can benefit of the support for the maintenance of the plantation, if

- he is the owner of it, or
- the legal utilisation is based on a contract of lease for at least 15 years, or
- or has a usufructuary right.

If the eligible agricultural land is owned by the Hungarian state, the entirely state-owned economic entity or the user considered as budgetary institution can only be granted the support for the first execution of afforestation.

Eligible non-agricultural land: qualified as non-eligible for the support on the basis of the MePAR (Hungarian Agricultural Parcels Identifier System) in case of acquisition of the Single Area Payment Scheme financed by the Guarantee Section of the European Agriculture Guidance and Guarantee Fund and by the European Agricultural Guarantee Fund;

Fallow eligible for maintenance support: an eligible non-agricultural land that is qualified as fallow by the remote sensing test of the Institute of Geodesy, Cartography and Remote Sensing after the application for the support.

### **Provisions of support:**

Non-refundable, area based support.

### **Level of support:**

Aid intensity of first forest plantation is 80% of the support allowance for costs on the highland areas, on the less favoured territories outside the highland areas and on the Natura 2000 sites. It is 70% in other areas.

### **Amount of support:**

*Under construction.*

### **The upper limit of the support per project:**

### **Exclusion of support:**

Those who benefit of the EAFRD support for farm transmission EMVA, is not eligible for the support.

### **Financing:**

Total public expenditure: 2,037,369 EUR

EU contribution: 1,532,380 EUR

**Standard Costs:**

*Under construction.*

**Linkages of the measure:**

*Linkage with the other measures of the Program*

The measure is closely related to the First afforestation of agricultural lands, the Creation of the first agro-forestry systems on agricultural lands, implementation of the Natura 2000 measure and the forest and environment protection measure.

**Quantified targets for EU common indicators:**

Type of indicator	Indicator	Objective
<b>Output</b>	Number of beneficiaries granted an afforestation support	200
	Territory of afforested areas (ha)	2,000 ha
<b>Result</b>	Successfully afforested areas	2,000 ha
<b>Impact</b>	Reversal of biodiversity degradation	
	Improved water quality	
	Contribution to combating climate change	

#### **2.2.4. Natura 2000 payments**

##### **Article (and paragraph) which covers the measure:**

Article 46 of Regulation 1698/2005/EC

##### **Code of the measure: (224)**

##### **Rationale for intervention:**

The areas designated and proposed for designation for Natura 2000 constitute approximately 1.96 hectare, which is 21% of the territory of the country. The Hungarian territories of the European ecological network – totally 1.41 million hectares – 468 special nature protection areas are going to be designated, while 55 special bird protection areas are going to be designated in the on 1.38 hectares. Hungary started the process of designate the areas of Natura 2000 in 2004. During this 744 thousand hectare forest was defined. Because of natural geographic reasons and of the long cycle of the forest management the biodiversity of the forest ecosystems is the highest among the natural habitats. This is exemplified by the fact that contrary to the worse ecological features of the private forests compared to the state forests, 207,000 hectares were designated for Natura 2000 area from the private forests. On these areas results can be achieved only with the appropriate motivation of the farmers of the forests.

On the basis of the management according to a forest plan and preserving the current use of the area the long term maintenance of the natural condition forming the basis of the designation can be preserved.

The habitats injured because of different reasons the restoration and the formation of a better forest status may be formed with the help of such development assistances like forest environmental protection payments.

The farming possibilities of the person farming on a Natura 2000 area is limited in order to achieve the aims of Natura 2000, which are to be defined in the decree of the regulation of the use of the fields, in the regional forest plans and in the yearly forest management plans. The forest farming conducted in this way provides a guarantee for the achievement of the proposed Natura 2000 aim and thus it is to be supported.

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

The objective of the measure is the maintenance of the good natural conditions of the designated Natura 2000 areas, the assurance of the protection of the natural values forming the basis of the designation, the fostering, supporting of the farming activities sustaining the natural conditions forming the basis of the designation.

##### **Scope and actions:**

Yearly assistance have to be provided on a hectare basis after the affected forest area to the private owners and to their associations a consideration for the extra costs and loss of income on the area resulting from the restrictions related to the implementation of the directives 79/409/EEC and 92/43/EEC on the use of the forests and other wooded areas.

The compensation payment on the Natura 2000 areas may be paid yearly as a consideration for complying with the rules defined in the valid law on the use of lands and the valid regional forest plans and forest management plans for the farmers complying with the eligibility criteria.

**Beneficiaries:**

Support shall be granted only for forests and wooded areas owned by private owners or by their associations or by municipalities or their associations.

The following forests and wooded areas shall be excluded from the scope of assistance:

- forest or other wooded land owned by central or regional governments, or by government-owned corporations; forests owned by legal persons at least 50% of whose capital is held by one of the institutions referred to in points (a) and (b). According to the rules of the measure wooded area is as defined in Section 6 (1) of Act LIV of 1996 6. and forest as defined in Section 5 of Act LIV of 1996 and in Section 3 (1) point b) of the decree of the Ministry of Agriculture Nr. 29/1997 (IV. 30.) on its implementation. 5. 30.)

**Description of the methodology for the calculations justifying costs incurred and lost income resulting from the restrictions on the use of forests and other wooded land due to implementation of Directives 79/409/EEC and 92/43/EEC in the area concerned:**

The rules on the use of the lands forming the basis of the assistances will be issued in the form of law until the latest of 1 September 2009, thus the punctual calculation may be made only knowing these, after the issuance of the law. The basis for the definition of the costs will be the National Forest Registry working as a public registry, which contains the forest management possibilities of the single forest farmers for 10 years and the natural conditions of the given forest area.

**Form of assistance:**

A area-based non-refundable standard cost.

**Amount of assistance:**

100%

**Value and upper limit of the assistance:**

Yearly Natura 2000 payment:

- minimal payment of 40 euros per hectare,
- maximal payment of 200 euros per hectare,

Eligible costs:

- Compensation for the extra cost emerging because of the restriction and/or for the lost income.

**Linkage of proposed measures with national/sub-national forest programmes or equivalent instruments and with the Community Forestry Strategy:**

The government accepted the National Forest Programme for the period of 2006-2015 by the resolution of 1110/2004 (X.27.), in which the aim programme 4 has the title "nature protection in the forests". The measure is linked to this aim programme.

The measure is linked to the aims taken in the Forestry Strategy of the EU related to the protection of the biodiversity of the forests.

**Reference to the forest protection plans for areas classified as high or medium risk for forest fires and the elements ensuring conformity of proposed measures with these protection plans:**

The classification of the forests in the Natura 2000 areas was made according to their risks of fire, this is indicated in the forest plans and the forest management rules were defined knowing these.

**Financing:**

Total public expenditure: HUF

EU contribution: HUF

**Linkages to other programmes:**

*Linkages to the other measures of the Programme*

The measure is tightly linked to the achievement of the measures “First forestation of non-agricultural areas”, “First forestation of agricultural areas”, “First formation of agro-forestation systems on agricultural areas” and “Forest-environmental protection payments”.

**Quantified targets for EU common indicators:**

Type of indicator	Indicator	Target 2007-2013
<b>Output</b>	Number of forest holdings receiving aid in Natura 2000 areas	50,000 pcs
	Supported forest (ha) in Natura 2000 areas	207,000 ha
<b>Result</b>	Natura 2000 area taken to forest management	207,000 ha
<b>Impact</b>	Change in the maintenance of the forest areas with high natural values	207,000 ha
	Improvement in the quality of the water	
	Increase in production of renewable energy	
	Contribution to the fight against the climate change	

### **2.2.5. Forest-environment payments**

#### **Article (and paragraph) which covers the measure:**

Article 47 of Regulation 1698/2005/EC

#### **Code of the measure: (225)**

#### **Rationale for intervention:**

The private forests form almost 9 % of the territory of the country, thus according to their scope, site features, they have a determining impact on the environmental condition of the country, and the quality of forest management there determine the nature potential of the area and the quality of life. 41 % of the Hungarian forests, totally 787 000 hectares are in private ownership, which do not have the best features according to their profitability. As a result of this, the forest management has been started on 555 000 hectares almost 71 %, of the private forests, with an average size of land of 2.2 hectares, but typically only for maintaining the current status and led by the short-term profits. On the remaining 232 thousand hectares the ownership conditions (big fragmentation, joint ownership), and the circumstances of the forestry are so unfavourable that practically there is no forestry activity at all, which results that their condition - ecological and economical status too- constantly deteriorates.

Because of the increasing appearance of the non-native tree species - mainly black locust- and the short term business interest, the decrease of the biodiversity and the lessening of the soil protection, social, public services of the forests are real problems in private forests. The partial reason of this is that the profit producing ability of black locust is higher on the short-term as the one which could be provided by the native tree species.

35% of the forest area has a primary function for protection, 1.1% for health, social, and public welfare.. The needs of society are increasing for the health, public, ecological services of the forests. In accordance with this, the aim is the multi-functional forest management be dominant, and the protective function of forests has to be developed increasingly.

The measure contributes to the fulfilment of the obligation undertaken in Göteborg in relation with the reversal of the decrease of biodiversity until 2010, to the aims of the so-called Water Framework Directive and for the aims related to the ease of the climate change defined in the Kyoto Protocol.

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

The main aim of the measure is to form and secure the ecological basis of the sustainable forest management. Among these, it is expressly important to increase the preservation of the biodiversity, the protection of the forest habitats with high nature value, the protective role of forests in the fight against the soil erosion, the water supplies, and the water quality, Additional aim is the spreading of the nature conscious forest management which means the implementation of the forestry practice suited to the site features and assuring , the multifunctional role of the forests in the same time. Promotion of the creation of rural workplaces and the employment is essential to secure the economical basis for the sustainable forest management.

#### **Objectives:**

- reduction the area of the aggressively expanding non native tree and shrub species
- conversion of the forest with run-down structure
- nursing based on manual work that ensures development of the forests suited to the site



- reservation of forest coverage to prevent soil erosion and to protect waterside habitat
- maintenance of forests designated for public welfare
- reducing the area of after-forest regeneration in native forest associations
- spontaneous regeneration of native forest in agricultural land
- developing and maintenance of forest clearings
- management of selection forest
- maintenance of forestry genetic resources in forestry gene reserve (ex situ) as a stock or individual tree
- maintenance of special forest habitats and ensuring the possibility of natural regeneration

### **Scope and actions:**

Fruition of sustainability regarding ecological and economical needs in the forests can be achieved if appropriate measures are going to be applied for the maintenance and improvement of the natural conditions in forests together with the improvement of the competitiveness of the forestry. .

Beneficiaries may get forest-environment payments after the forest hectares, who undertake forest-environment obligations voluntarily.

The payments cover only the obligations exceeding the applicable mandatory obligations, which have to be undertaken as a general rule for a period of five to seven years. The payments cover the extra costs and lost profit emerging from the obligations.

Taking into consideration the diverse features of the privately and community owned forests 11 different submeasure were defined in the frame of this measure. The realization of these results in coincidence of the forest management interests and the improvement of the environmental conditions .

### **Beneficiaries:**

Support shall be granted only for forests and wooded areas owned by private owners or by their associations or by local municipalities or their associations.

The following forests and wooded areas shall be excluded from the scope of support:

- forest or other wooded land owned by central or regional governments, or by government-owned corporations;
- forests owned by legal persons at least 50% of whose capital is held by one of the institutions referred to in points (a) and (b).

For the purposes of the measure, wooded land means area under Article 6 (1) of Act LIV of 1996 on Forests and the Protection of Forests' and forest means area under Article 5 of Act LIV of 1996 and Article 3 (1) b) of Ministerial Decree No. 29/1997 (IV. 30.) issued for the execution of the Act .

### **Justification for the commitments, based on their expected environmental impact in relation to environmental needs and priorities:**

- Reducing area of non native tree species and the conservation of forest structure serving the maintenance and improving of biodiversity.
- Protection against development of gullies, erosion on steeply sloping areas, promotion of **spontaneous regeneration of native forest** maintenance of permanent forest coverage and selection cutting execute the effective soil protection.

- The two most important purposes of the protection of waterside habitats in forests are the preservation of water quality and protected species.
- The maintenance of low-land forests, serves the preservation of forest association consists of pedunculate oak as a main tree species which has a special value for nature conservation and situated in the area of the forest steppe climate.
- Selection forests' area will be the standard for sustainable forest management.

**Description of the methodology and of the assumptions and parameters used as reference point for the calculations justifying additional costs and income foregone resulting from the commitment given:**

**The inventory of Hungarian forests based on official data of the National Forest Data Base, which includes the sites' features too, and on this data base the authorities can determine the directions of possible developments for environment protection and they can control also the fulfilment.**

The development of the calculation method and the relevant data processing is in progress.

**Amount of support:**

Normative, non-reimbursable, area-based compensatory allowance

Support shall be granted only for the fulfilment of commitments undertaken voluntarily by the forest manager where such commitments are beyond those included in the legal regulations in force.

**Terms of assistance:**

Commitments should be undertaken for a period of 5-7 years, however, in the case of certain programmes, the time-span can be longer. Such commitments include the conversion of forest structure and the support for management selection forests. During the conversion period of forest structure, a native forest association suited to the site is regenerated instead of a forest in unfavourable natural conditions. According to Article 57 (4) of Ministerial Decree No. 29/1997 (IV. 30.), the forest manager is allowed to complete such kind of regeneration for 10 years, so this period should be taken into consideration as a basis for the period of the allowance. In case of management of selection forests it is reasonable to take into consideration the same - 10-years long - period because it is a well-known fact that it requires decades to develop the natural structure of selection forest.

**Aid intensity:**

100%

**Level of support:**

The payments shall cover additional costs and income foregone resulting from the commitment made.

Support shall be fixed between the minimum and maximum amount laid down in the Annex of Regulation 1698/2005:

- Minimum payment: 40 EUR per hectare
- Maximum payment: 200 EUR per hectare. This amount may be increased in exceptional cases taking account of specific circumstances to be justified in the rural development programmes.

The specific extent of the allowances is being calculated in respect of each programme. During this process we take into consideration the following aspects:

- they contain only elements that are verifiable;
- they are based on figures established by appropriate expertise;
- they indicate clearly the source of the figures;
- they are differentiated to take into account regional or local site conditions and actual land use as appropriate;
- they do not contain elements linked to fixed investment costs.

Eligible costs: Payments, to be made on an annual basis, shall cover the additional costs related to commitments and the loss of revenues

**Linkage of proposed measures with national/sub-national forest programmes or equivalent instruments and with the Community Forestry Strategy:**

In Resolution No. 1110/2004 (X. 27.), the government adopted the National Forest Programme for the period between 2006 and 2015, including programmes No. 2-5:: „Development of private forest management”, „Rural and territorial development, forestation, transformation of forest structures”, „Nature conservation in forests” and „Modern forest preservation”. The measure is connected to each of these programmes.

The measure is connected to the objectives set in respect of sustainable forest management, the preservation of biological diversity of forests and climate change in the Forestry Strategy of the EU.

**Reference to the forest protection plans for areas classified as high or medium risk for forest fires and the elements ensuring conformity of proposed measures with these protection plans:**

The fire hazard classifications have been carried out in respect of forests located on the forest areas in question, it was indicated in regional forest plans

#### *Link to other Operative Programmes*

The measure is linked to the measure called “the preservation of natural values and resources” in the Environment and Energy Operative Programme.

#### **Quantified targets for EU common indicators:**

<b>Type of indicator</b>	<b>Indicator</b>	<b>Target 2007-2013</b>
<b>Output</b>	Number of forest holdings receiving support	45,000 pcs
	Forest area under support	160,000 ha
	Number of contracts	45,000 pcs
	Physical forest area under support	
<b>Result</b>	Areas under successful area management	160,000 ha
<b>Impact</b>	Maintenance of forests with high natural value	100,000 ha
	Improvement of water quality	
	Contribution to the fight against climate change	

#### **Additional programme-specific indicators and quantified targets:**

<b>Type of indicator</b>	<b>Indicator</b>	<b>Target 2007-2013</b>
	According to programmes No. 2-4, 7-11, the contribution of the forest-environmental special programme to the enhancement of biological diversity.	
	According to programmes 4 and 9, the contribution of the forest-environmental special programme to the improvement of water quality.	
	According to programmes 4, 7, 9 and 11 A and B, the contribution of the forest-environmental special programme to the mitigation of the impacts of climate change.	
	According to programmes 4, 6, 7 and 9 the contribution of the forest-environmental special programme to the improvement of soil quality.	
	According to programmes 7-8, the contribution of the forest-environmental special programme to the avoidance of abandoning cultivation.	
	Change to the composition of tree species, increased spreading of native major and mixed tree species	
	Change to the size of forest areas with maintained high natural value	
	Increase in the number of protected species in the area	
	Area saved from erosion (area/ha/a)	
	Climate preservation	
	Quantity of coal tied up in the forest section (based on area/ha value, in tons)	
	Quantity of woods usable for energy production (m3)	

### ***2.2.6. Restoring forestry potential and prevention actions***

#### **Article (and paragraph) which covers the measure:**

Article 48 of Regulation No 1698/2005/EC

#### **Code of the measure: (226.)**

#### **Rationale for intervention:**

In forest management, in the row of natural disasters, in addition to abiotic factors, in our country, a major role is played by biotic damages (especially damages caused by insects). In the last 5 years in average 100 hectares/year were hit by forest fires, the other abiotic damages (drought, water, frost, snow, wind) affected more than 5,000 hectares, while the insects caused the death of 200 hectares per year. Forest damage mitigation payments have been paid on an ad hoc basis so far.

The implementation of the natural catastrophe preventive measures are made difficult by the private forest management with an incoherent structure and suffering from lack of capital as well as the lack of interest. With the help of the damage mitigation measure the emerging natural damages can be prevented and decreased. The forest fire data will be registered in the monitoring system operated by the forestry management.

The application of the measure facilitates the forest management security, the protective belts can be created as a result of the prevention, the size of the area damaged by the fire can be reduced. The increase of the proportion of the multi-species forests, that is needed for the forest fire protection, has a positive effect on biodiversity as well.

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

The objective of the measure is to mitigate and cease the factors threatening the success of meeting the society's welfare, leisure time and environmental needs, which contributes to the conservation and increase of biodiversity. An other objective is to decrease the risks related to forest management, to prevent and cease the damages that threaten the ecologic and welfare functions of the forests.

#### **Scope and actions:**

Support can be granted for the reconstitution of the forestry potential of forests hit by natural catastrophes and fire, and for the introduction of preventive measures. The measures taken against the forest fires have to cover the high or medium fire frequency areas that are defined in the national forest protection plan of the member states.

The measure includes:

- The establishment of protective infrastructure and protective forestry management measures;
- The creation and development of forest fire monitoring establishments and communicational tools.

#### **Nature of the measures to be implemented**

Support can be granted for:

- creation and maintenance of fire break in the medium and high fire frequency areas,

- controlled elimination (chipping) of thin precommercial cleaning material (wood remaining from cleaning), ;
- for the creation of water source in coherent forest area of at least 100 hectares;
- chemical protection;
- the data provision for the Forest Measuring and Monitoring System.

**Prevention plans:**

Fire emergency plan of the Regulation No 12/1997 BM

**Linkage of proposed actions with national/sub-national forest programmes or equivalent instruments and with the Community Forestry Strategy:**

**Reference to the forest protection plans for areas classified as high or medium risk for forest fires and the elements ensuring conformity of proposed measures with these protection plans:**

Fire emergency plan of the Regulation No 12/1997 BM

**Entitled areas:**

In case of forest fire: the low and medium fire frequency forests. Areas damaged by biotic and abiotic impact.

**Beneficiaries:**

In case of damage all the forest managers. In case of fire prevention measures the forest managers of the medium and high fire frequency forest areas

**Type of support:**

Non-refundable, normative, area based support depending on the protective methods.

**Rate of support:**

100%

**Amount of support:**

Under construction.

**Eligible costs:**

- After the natural catastrophes and fire disasters a support for recovery, recreation and reforestation can be granted.
- In case of planting a fire brake, the approvable costs include the maintenance costs of the given territory besides the plantation costs.

- In case where the scope of ordinary foresting is exceeded, a support for the direct costs of the

### **2.2.7. Non productive investments**

#### **Article (and paragraph) which covers the measure:**

Article 49 of the Regulation No 1698/2005/EC

#### **Code of the measure: (227.)**

#### **Rationale for intervention:**

Private forest management is characterised by incoherent ownership structure, lack of capital and consequently low willingness of cooperation. Therefore the environmental conditions of the private forests are not improving, and a situation is being conserved where the non-native tree species are slowly gaining territories over the indigenous forest associations.

Transforming the forest associations with run-down stand structure, or composed of non-indigenous tree species into forest association consisted of indigenous species suited to the site is an investment into the forest aiming the future, and the private forestry could start a sustainable way on this bases. Recognising its importance the measure was introduced earlier on national level as well, thus the conservation of stand structure was carried out in more than 2000 hectares yearly supported by national resources.

In our country, the habitats of indigenous forest associations are in danger due to the increasing share of non-native tree species, coppice, and pure stand without suitable structure as a consequence of schematic forest-tending and other forest management activities, where priority was given to the short-term profit. According to data from the National Forest Data Base, today in our country, the potential impact area of conversion of the forest structure is about 420,000 hectares, in private forests alone.

The main objective is to separate the areas where, the aggressively expanding non-native tree species are spreading.

Another important aim is the improvement of the multifunctional role of the forests. Social welfare and, within that, the increase in ecotourism creates the need for an increase in the public welfare value of the forests. For public welfare, a significant portion of forests located close to the communities might deserve attention. Appropriate levels of forest-based public welfare institutions and of the so-called forest schools, natural resources offered by forest environment could be properly used, but this implies in many cases an expansion, renovation of these facilities. The measure shall contribute, primarily in the younger generations, to a better awareness of forest environment, and so, to an increase in the feeling of social responsibility for the preservation of natural resources.

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

The aim of the objective is to provide an appropriate rate of mixture, the creation of multilevel stand structure in the forest, to improve the natural character, the biodiversity, the health of the forests, to encourage and support the transformation of the forest associations with degraded structure or non-indigenous species into indigenous forest associations.

#### **Scope and actions:**

In the frame of the measure investments can be supported if they are related to the fulfilment a self-imposed obligations for the forest-environment or other environmental objective, or if it increases the



public welfare value of the given forest or wooded land. The non-producing investments can be investments that do not significantly influence the value of the forestry holdings or its earning power.

*Subfields of the measure (submeasures, activities):*

A) Conversion of the forest structure with plantation under the stand-level

A forest association, unsuited to the site, because the tree species included are different from the natural mix, but not from non-native tree species, or the stand mainly consists of Beech, and Sessile oak coppice, shall be transformed into forest suited to the site, with close-to-nature conditions.

B) Conversion of the forest structure after clear cutting

If the site allows the development of a nature-like forest, it makes sense to transform

- the forest with an incomplete structure, consisting of a tree mix that is unsuited to the site, but not from non-native tree species, or
- a forest with non-native -origin tree species

into a forest consisting of indigenous tree species. Such forests will be able to meet the expectation of public welfare and provide the services required at a higher level, in a comparison with the situation prior to the transformation.

C) Conversion of the forest structure with stand complementation

At present, typically non-mixed, one-level forest combinations are sown, deployed to the existing forests or natural mix can be implemented (for instance, into niches).

Improvement of the forest structure with tending in groups in forest stands consisted of indigenous species suited to the site. It is relatively easy to accentuate the natural character of the forest structure by improving the quantitative and qualitative characteristics of the stand, enhancement of the diversity of dimensional elements. One of the simplest ways to do so is the group-oriented tending, where special attention shall be given to old, large-size and large-crown trees, with irregular shapes.

D) Creation of forest edges

Next to clearings, at the cross-section of areas with different cultivation purposes or non-productive use, along the roads, forest rands shall be implemented that, due to their structures, are able to protect the climate of the forest, provide a habitat for the animal species important for the protection of environment and of the forest, to increase biodiversity and can substantially improve the landscape.

E) Creation and renewal of public welfare establishments in the forest.

Support for the implementation of public welfare touristic establishments in the forests classified according to the multilevel public welfare planning (regional touristic programs for public welfare, detailed utilisation plans for highlighted objects), and for the renovation, extension and maintenance of the existing establishments.

#### **Definition of operations to be supported:**

- conversion of the forest structure with forestation beyond the stand-level,
- conversion of the forest structure after clear cutting,
- conversion of the forest structure with supplementation of the stand,
- creation of forest edges,
- application of environment-friendly methods of material handling,
- improving the forest structure with tending in groups in forest stands consisted of indigenous species suited to the site

**Description of the link to commitments provided for in Article 36(b)(v) of Regulation (EC) 1698/2005 –forest environment payments- or other environmental objectives**

On the basis of the linking points mentioned in the forest and environmental management program.

**Description of the public amenity values to be enhanced**

Improvement of the natural character, biodiversity, health condition of the forests, stimulation of and assistance to the conversion of the forest with run-down stand structure or the ones consisting of non-native tree species into forest association consisted of indigenous species suited to the site

**Linkage of proposed measures with national/sub-national forest programmes or equivalent instruments and with the Community Forestry Strategy**

In Resolution No. 1110/2004. (X. 27.) the Government adopted the National Forest Programme for the 2006-2015 period with target programmes 3 – 5 having the titles „Rural and regional development, afforestation, transformation of the forest structure”, „Nature protection in forests”, „Modern forest protection”. The measure is linked to each of these target programmes. The measure is linked to each of these target programmes.

The measure is linked to the objectives specified in the EU’s Forestry Strategy in relation to sustainable forest management, preserving the biological diversity of forests, and climate change.

**Reference to the forest protection plans for areas classified as high or medium risk for forest fires and the elements ensuring conformity of proposed measures with these protection plans.**

The fire hazard classifications have been carried out in respect of forests located on the forest areas in question, it was indicated in regional forest plans, and forest management specifications were elaborated on the basis of these.

**Definition of beneficiaries:**

Forest managers, municipalities, associations of small regions, NGOs.

**Type of support:**

Non-refundable support.

**Intensity of support:**

100%

**Amount of support:**

Under construction.

**Linkage with Article 36 (b)(v) of the Regulation No 1698/2005 EC – forest and environment payments – or with other environmental objectives:**

The support for the initial planting of the conversion of the forest structure is indispensable for the launching of several forest -environment programs.

**The correspondance of the planned measures with the national/partially national forest programs or with other tools equivalent to them or with the Community Forestry Strategy::**

The government adopted the National Forest Programmewith its regulation No 1110/2004. (X. 27.) for the period 2006-2015, the 3.-5. target programmeof which are titled the „Rural and regional development, afforestation, transformation of forest structures”, „Nature protection int he forests”, „Modern forest protection". The measure relates to these targets.

The measure complies with the objectives relating to the sustainable forestry, to the conservation of the forests' biodiversity and to the climate change defined in the EU Forestry Strategy.

**Adherence to the Forest Protection Plan in case of areas classified as low or medium fire frequency areas; and the basic elements that ensure the conformity of the planned measures to the protection plan:**

The fire danger classification of the forests located on Natura 2000 sites has been finalised, it is marked int he forest plans, and the forest management regulations were formulated accordingly.

**Financing:**

Public expenditure: 47,029,262 EUR.

EU contribution: 35,372,436 EUR

**Linkages of the measure:**

*Linkages with othe measures of the Program*

The measure enhances the enforcement of the „Forest environment payments” of the Regulation No 1698/2005 EC and is related to the measure "Promotion of tourism activities".

**Quantified targets for EU common indicators:**

Type of indicator	Indicator	Objective
Output	Number of supported foresters	10,000 pcs
	Total of investments	
Result	Territory of successful forestation	33,000 ha
Impact	Maintenance of forests of high nature value	33,000 ha
	Increased water quality	
	Contribution to the combatting of the climate change	

## **4.3. Axis 3: Quality of life in rural areas and diversification of the rural economy**

### ***3.1.1. Diversification into non-agricultural activities***

#### **Article (and paragraph) which covers the measure:**

Articles 52 (a) (i) and 53 of Regulation (EC) No. 1698/2005

Article 35 and point 5.3.3.1.1 of Annex II of Regulation (EC) No 1974/2006

#### **Code of the measure: (311.)**

#### **Rationale for intervention:**

In rural regions the number of non-agricultural jobs is low, and this is aggravated by the fact that employment in agriculture decreased by 30% from 2000 to 2003. In rural areas the level of employment is below the national average (unemployment is higher). Agricultural wages are the lowest among the branches of the national economy and the difference is growing to the disadvantage of the agricultural sector. In rural regions one can still find folk handicrafts backed by valuable, living handicrafts traditions, which play an important role in both the employment, and in maintaining the regions' unique image.

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

The primary objective of the measure is to improve

- Processing and use of agricultural production origin plants or animal raw materials for non-food purposes (e.g. handicrafts industry, textile and leather industry, health care, cosmetics, paints, toys, etc.).
- Processing of wildgrown plants (e.g. reed, sedge, reed-mace, basketwork willow, firest side-products) for non-food purposes.
- Production of non-Annex I. foodstuff.
- Production of agricultural compost and its packaging for sale, supporting the co-operations related to the activities.
- Launching and continuing retail activities of locally produced high quality agricultural products, creation of local, regional and nationwide sales networks and promotion of joining sales networks.
- Development of equipment supply of handicrafts and handicrafts industry activities, establishment of workshop galleries demonstrating handicrafts, open workshops, sotes, collective marketing campaigns facilitating the sale of on-the-site made products, establishment of points of sale.
- Manufacturing of special machine tools linked to conventional folk and handicrafts trades, co-

Development Strategy elaborated by the Local Rural Development Communities (precised in measure “3.4.1. Skill acquisition, animation and implementation”(covered by Article 59 of Regulation (EC) No 1698/2005.).

**Beneficiaries:**

Natural and legal entities registered in Hungary and engaged in agricultural and/or forestry activities at the time of the application. Beneficiaries can also include the members of households of natural persons and individual entrepreneurs engaged in agricultural activities.

Natural persons and individual entrepreneurs are eligible if their permanent address or seat is identical to the registered address of the person or undertaking engaged in agricultural activities.

Beneficiaries can also include the association of the abovementioned as well.

**Domains of diversification covered:**

**Geographical area affected by the measure:** The measure concentrates on rural areas. Criteria for the demarcation of rural areas and the list of eligible settlements are listed in the Annex ? to the Programme.

**Type of support:**

Non-refundable investment aid.

**Aid intensities:**

Ratio of public resources to the total eligible cost ratio: maximum 50%. In case of less favoured settlements or projects to be implemented in settlements located in socio-economically particularly backward regions the maximum is 60%. In case of collective development projects with authentic proof – including local-regional cooperation, the ratio of public funding in the total eligible cost is: 65%.

The number of projects per beneficiary is not limited, provided that the total sum of support requested does not exceed the maximum support available according to the „de minimis” rule.

In case of advance payments, description of arrangements (rate of advance –up to 20%- guarantee covering advances, conditions for releasing the guarantee).

**Demarcation line and criteria with other EU financial instruments:**

*Links to other measures of the Programme*

Through its common objectives of creating jobs in rural areas the measure is closely linked to measures „4.3.2support of establishment and development of micro-enterprises” (Article 54) and „4.3.3. promotion of tourism activities” (Article 55).

The measure is connected to the measure „4.1.1. Vocational training, information activities, innovation” (Article 21), as part of which as part of which the potential applicants of Axis 3 will be trained about handicrafts industry and entrepreneurial skills and this can contribute to the efficient implementation of the measure.

The measure’s target group is in particular need of professional consultation on development planning and preparation of applicable projects.

### *Links to other Operative Programmes*

The measure is connected to the economic development activities of the regional operative programmes and of the Economy Development Operational Programme(EDOP). However, the regional operative programmes and the EDOP do not support the beneficiaries of this measure (those engaged in agricultural activities). The industrial parks and incubation facilities realised under the regional operational programmes (ROP) are eligible to host the beneficiaries of this measure, and ensure their participation in cluster initiatives. The enterprises can use the general advising services supported by the economy development OP and innovation transfer purpose advisory services supported by the ROPs. In order to complement their financing needs the undertakings can use the micro-credit granted by the economy development OP, and take part in the micro-credit scheme as beneficiary.

### **Financing:**

Total cost:

Public expenditure: 51 141 139 EUR

EU contribution: 35 846 592 EUR

### **Transition arrangements (including estimated amount)**

### **Quantified targets for EU common indicators :**

<b>Indicator type</b>	<b>Indicator</b>	<b>Target 2007-2013</b>
<b>Output</b>	Number of beneficiaries receiving support for their efforts to diversify into non-agricultural activities (capita)	400-500
	Total amount (= the sum of all public and private expenditure) of all the tangible and/or intangible investments made by beneficiaries receiving support for their efforts to diversify into non-agricultural activities. (EURO)	68 000 000 Euro
<b>Result</b>	Increase in non-agricultural GVA in supported businesses (EURO)	
	Gross number of jobs created (pcs).	800-1000
<b>Impact</b>	Net additional value expressed in PPS.	
	Net additional full time equivalent jobs created (FTE)	900

### ***3.1.2. Support for business creation and development***

#### **Article (and paragraph) which covers the measure:**

Article 52(a) (ii) and 54 of the Regulation of the Council (EC) No. 1698/2005

Point 5.3.3.1.2 of Article II of Regulation (EC) No 1974/2006

#### **Code of the measure: (312.)**

#### **Rationale for intervention:**

The number of enterprises per 1,000 inhabitants is typically low in rural areas (56 pcs), as opposed to the national average of 86 pcs (2004). This ratio hardly increased in comparison to the 52 pcs/1,000 inhabitants in 2000. The ratio of enterprises employing fewer than 10 persons in the rural economy is quite high at 74% (207,301 pcs, 2004). These enterprises constitute a decisive part of the rural economy with respect to both social and employment aspects. Their expansion and therefore the promotion of creating new jobs is an important element of the rural economy.

The employment base of rural areas needs to be expanded to reduce unemployment and inactivity, and to expand local income-earning possibilities. General support for micro-regions is justified by the moderation of efficiency disadvantages caused by the lower size-efficiency of rural regions.

Parallel to the decrease of agriculture in income generation and employment the enhancement of income-generating and enterprising potentia other than in agriculture has become necessary not only for farmers, but for the working age rural population as well. The inactivity and unemployment – hitting rural areas with an even greater impact – can be reduced by sustainable economic development based on the endogenous resources of rural areas, and thus it is also possible to moderate social and economic disadvantages.

#### **Objective of the measure:**

Creation of new jobs through support for the establishment and development of micro-enterprises operating in rural areas, and increasing the gross added-value of supported enterprises.

**Geographical area affected by the measure:** The measure concentrates on rural areas. Criteria for the demarcation of rural areas and the settlements concerned are listed in the Annex to the Programme.

#### **Scope and actions:**

The measure supports wide range of non-agricultural activities. Under the measure priority shall be given to the developments harmonising with the local rural development strategies, and developments implemented through the cooperation of micro-enterprises. The developments shall be aimed at the introduction of new products, technologies or services, improvement of the quality of products and services, winning over new target groups, preferably through development projects preserving and/or creating jobs.

The developments shall ensure an increase in the added-value of the enterprises.

Priority is given to the support of processing industry investment projects aiming at introducing new products and technologies, and innovative local services which change the undertakings' product portfolio, market target group and improve the quality and added-value of the products or services.



Eligible areas including among others processing and use of agricultural production origin plant or animal raw materials and by-products for non-food purposes (e.g. handicrafts industry, textile and leather industry, health care, cosmetics, paints, toys, etc.), processing of wildgrown plants (e.g. reed, sedge, reed-mace, basketwork willow, fireweed side-products) for non-food purposes, production and marketing of non-Annex I. foodstuff, development of equipment supply of handicrafts activities<sup>2</sup>, establishment of workshop galleries demonstrating handicrafts<sup>3</sup>, open workshops, stores, collective marketing campaigns to facilitate the sale of products made on-site, establishment of points of sale.

Moreover:

- Launch and continuation of retail trade activity, facilitation of connecting to local, regional and national sales networks.
- Manufacturing of special machine tools connected to traditional folk and handicrafts trades.

Support is not available for the following activities:

- a) Manufacturing and primary processing of Annex 1. products (TEAOR 01.1., 01.2., 01.3., 01.5., 02.01., 05.0., 15.1., 15.2., 15.3., 15.4., 15.5., 15.6., 15.9.),
- b) Tourism development (TEAOR 55.1., 55.2.),
- c) Wholesale activities (TEAOR 51)

Local Rural Development Offices and central coordination organisation will play important role in the evaluation process of the projects, as it will examine the harmony of the projects and the Local Rural Development Strategy elaborated by the Local Rural Development Communities (precised in measure “3.4.1. *Skill acquisition, animation and implementation*” (covered by Article 59 of Regulation (EC) No 1698/2005.).

### **Types of beneficiary enterprises:**

Business corporations, cooperatives and private entrepreneurs qualified as residents under the foreign exchange regulations, which entities meet the conditions of micro-enterprises defined in the relevant EU and domestic provisions of law.

### **Description of the type of operations**

Applications can be submitted for the following operations as a whole or individually:

- a) Technological developments;
- b) Construction and renovation related to technological development
- c) Small-scale infrastructure developments,
- d) Education and training necessary or mandatory for the planned activity,
- e) Use of specialist and advisory services,
- f) Marketing activities,
- g) Purchase of patents, licenses, production technology

---

2 Including folk art activities creating folk art pieces and traditional handicrafts and small-scale industry activities.

3 Including folk art activities creating folk art pieces and traditional handicrafts and small-scale industry activities.

- h) Introduction of quality assurance systems
- i) Corporate cooperation.
- j) Development of IT background, development of info-communication technologies, related to technological development

Points c), d) and e) can not be applied for individually, only in a package together with other points.

**Type of support:**

Non-refundable investment aid.

**Aid intensities:**

Maximum ratio of public funds within the total recognized costs: 40%. This ratio is 50% in case of less favoured settlements or projects implemented in settlements in particularly backward regions from socio-economic aspects.

In case of advance payments, description of arrangements (rate of advance –up to 20%- guarantee covering advances, conditions for releasing the guarantee).

**Demarcation line and criteria with other EU financial instruments:**

*Links to the other measures of the Programme*

In bolstering rural economies and encouraging new jobs, the measure is closely linked to measures „4.3.1. Diversification into non-agricultural activities” (Article 53) and „4.3.3. Promotion of tourism activities” (Article 55).

The measure is connected to the measure „4.1.1. Vocational training, information activities, innovation” (Article 21), as part of which the potential applicants of Axis 3 will be trained about handicrafts industry and entrepreneurial skills and this can contribute to the efficient implementation of the measure.

*Links to other Operative Programmes*

The measure is connected to the enterprise development implemented from the Economic Development Operational Programme(EDOP), however, the EDOP does not support the development of micro-enterprises in the rural areas. The measure is also connected to the ROPs, however, the ROPs do not promote enterprise development in the settlements of rural areas either.

The industrial park and incubation installations developed under the Regional Operative Programs (ROPs) may accommodate activities pursued by the beneficiaries of this measure, and will enable them to be members of the cluster initiatives. The businesses are eligible to use general consultation services supported by the EDOP as well as consultation on innovation-transfer supported by the ROPs. As a source of supplementary financing, the businesses are eligible for micro loans under the EDOP.

**Financing:**

Public expenditure **332.282.107 EUR**

EU contribution: 249.211.580,3

**Transition arrangements (including estimated amount)**

**Quantified targets for EU common indicators :**

<b>Indicator type</b>	<b>Indicator</b>	<b>Target 2007-2013</b>
<b>Output</b>	Number of beneficiaries (micro-enterprises supported) (pcs)	4500
<b>Result</b>	Gross number of jobs created (pcs) by the supported enterprises	6490
	Increase in non agricultural GVA in supported businesses (Euro)	
<b>Impact</b>	Net additional value expressed in PPS	
	Net additional full time equivalent jobs created (FTE)	

### ***3.1.3. Encouragement of tourism activities***

#### **Article (and paragraph) which covers the measure:**

Article 52, section a) “iii” and Article 55 of the Council Regulation (EC) No. 698/2005

Point 5.3.3.1.3 of Annex II of Regulation (EC) No 1974/2006

#### **Code of the measure: (313.)**

#### **Rationale for intervention:**

The employment position of rural regions is less favourable than the national average (higher unemployment). This can be improved by the utilization of their advantageous landscape, natural attractions and cultural heritage features for tourism activities. The majority of accommodation sites in villages can be characterized by low standard of quality of services and use of capacities. At the same time, statistics show that rural tourism is steadily gaining popularity, and occupancy rates in village accommodations are on the rise. Tourist attractions on offer in rural areas are inferior in quality and rarely in tune with the specific needs of target groups. The promotion of local natural and cultural assets lags far behind the inherent possibilities. There is a lack of complex packaging of local attractions, and of coordination on the regional level. The multiplying effect of tourism increases direct product sales by small-scale producers, and stimulates the turnover of local markets., As the local population becomes increasingly conscious of environmental and health aspects, this has an impact on the valuation of the recreational aspects of the natural environment and the rural countryside. This aspect is particularly significant for the town dwellers, who like to spend their free time on outdoor activities and sampling local products, customs, and cultural features.

The development of tourism services and marketing contributes to the transformation of the economic structure of rural regions. The income from tourism strengthens the local economy, and thus it contributes to the improvement of the quality of life and the elimination of regional economic disadvantages.

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

Strengthening the capacity of settlements to attract visitors through the expansion of local tourism services and improvement of their quality. Coupling agricultural production and local sales with the tourism services of villages, preservation and utilization of village values. The presentation of natural and cultural assets, along with enabling active leisure activities. Establishment of village accommodation offering quality services, renovation, modernization and development of existing accommodations and services, and facilitating penetration of the market. A further aim of the objective is to support the cooperation of the regional tourism businesses and service providers, the promotion of introduction of the necessary IT systems, certification and quality assurance standards.

#### **Geographical area affected by the measure:**

The measure concentrates on rural areas. Criteria for the demarcation of rural regions and the settlements concerned are listed in the Annex ? to the Programme. All settlements of the rural regions, except for settlements qualified as frequented health or recreational resorts and “other settlements” respectively under Appendix of relevant decree of Ministry.

**Scope and actions:**

The measure aims at developing the infrastructure conditions and services of sustainable village and agro-tourism, moreover, of active forms of tourism relying on the endowments of the natural environment. This makes it possible to increase the volume of supply of rural tourism and its market share, establish new rural accommodation sites, and modernize existing accommodation facilities and services. Preference shall be given to integrated projects comprising a number of business activities across a region.

Local Rural Development Offices and central coordination organisation will play important role in the evaluation process of the projects, as it will examine the harmony of the projects and the Local Rural Development Strategy elaborated by the Local Rural Development Communities (precised in measure “3.4.1. *Skill acquisition, animation and implementation*” (covered by Article 59 of Regulation (EC) No 1698/2005.).

**Beneficiaries:**

Natural persons being resident locally, individual entrepreneurs registered in Hungary, micro- and small enterprises having local headquarters, local governments of settlements, associations, foundations and other non-profit organizations registered at county level and having local headquarters, as well as partnerships among any of the above listed entities created for mutual development under the Act of IV/1959.

**Description of the type of operations covered, referred to in article 55 of Regulation 1698/2005:**

- a) Developing small-scale quality accommodations including new establishments and those already up and running, along with associated services
- b) Offering agro-tourism services also not connected to accommodation
- c) Display of agricultural folk art and handcrafting processes and products; setting up “heritage portals” (e.g. showcase farms, sale of products made in-house, arts and crafts demonstration shops)
- d) Wine tourism services: developing cellars of wine regions, along wine trails to attract visitors
- e) Fishing tourism services: developing facilities for fishing ponds (jetties, boats, waste disposal etc., except for stocking and restocking fish populations)
- f) Equestrian tourism services
- g) Collective tourist product marketing, including organizing events, participation in professional shows, brochures and flyers, and development of IT background
- h) Small-scale infrastructure development: posting signs for sights, construction and maintenance of trails for trekking, biking, and horse-riding; facilities for nature sites (footpaths, rest areas, trash cans, shelters, observation and vista points etc.)

**Type of support:**

Non-refundable investment aid.

**Aid intensities:**

Ratio of public funds within the total cost: up to 55%. This ratio is up to 65% in case of projects implemented in less favoured settlements or in settlements located in socially and economically particularly backward micro-regions.

For beneficiaries that are local governments or their partnerships, associations with county-level registration and local offices, and other non-profit organizations, the rate of support is maximum 90%. This ratio is up to 95% in case of projects implemented in less favoured settlements or in settlements located in socially and economically particularly backward micro-regions.

In case of advance payments, description of arrangements (rate of advance –up to 20%- guarantee covering advances, conditions for releasing the guarantee).

### **Demarcation line and criteria with other EU financial instruments:**

#### *Links to the other measures of the Programme*

Through its common objectives in bolstering rural economies and encouraging new jobs, the measure is closely linked to the measures „4.3.1. Diversification into non-agricultural activities” (Article 53), „4.3.2. Support of establishment and development of micro-enterprises” (Article 54). Projects funded under „4.3.5. Conservation and modernisation of the rural heritage” (Article 57) improve the appeal of tourist destinations, and by diversifying the palette of local services they contribute to enhance business results from services developed as part of this measure.

The measure is also connected to the planned sub-measures of Group of measures 3 of the measure „4.1.1. Vocational training, information activities, innovation” (Article 21), as the sustainability of tourism developments require appropriate skills and proficiencies as well as guest-oriented way of thinking and marketing attitude. The target group of the measure specifically requires professional counseling in planning projects and assembling tender bids. Proactive consultation is essential as a way of helping to link individual projects, converting areas and regions into genuine tourist destinations, and shaping the regional organizational structure of rural tourism.

One cornerstone of tourism is the rendering the residential environment and communal spaces attractive to the eye, and providing sufficiently high quality services to visitors, since cultural and architectural heritage and the quality of services have a huge influence on the appeal of a region as a tourist destination. The measure of village restoration and preservation of rural heritage is a mean of developing this appeal, and thus serves as a gauge of the success of the measure “Encouragement of tourism activities.”

The measure is also associated with the Article 59 measure (“Skills acquisition, animation and implementation”) by ensuring the positive evaluation of projects tailored to fit local development strategies. In the field of tourism, particular preference is accorded to efforts made on compatibility with regional strategies.

#### *Connection to other OPs*

The measure is connected to the tourism development measures of the operative programmes (ROPs) of the regions. The ROPs do not support the activities listed above. It is advisable to coordinate the present measure with the tourism-related tender calls of the ROPs, by featuring both in the same Announcement.

### **Financing:**

Total cost:

Public expenditure: 127 897 945 EUR

EU contribution: 89 648 092 EUR

### **Transition arrangements (including estimated amount)**

**Quantified targets for EU common indicators:**

<b>Type of indicator</b>	<b>Indicator</b>	<b>Target 2007-2013</b>
Output	Number of new tourism actions supported	2500
	Total volume of investment	160 000 000 EUR
Result	Increase in non-agricultural value added in supported businesses (Euro)	
	Additional number of tourist visits	800 000
	Gross number of jobs created	4000
Impact	Net additional value expressed in PPS	
	Net additional full time equivalent jobs created (FTE)	

### ***3.2.1. Basic services for the economy and rural population***

#### **Article (and paragraph) which covers the measure:**

Articles 52(b)(i) and 56 of Regulation (EC) No 1698/2005.

Point 5.3.3.2.1 of Annex II of Regulation (EC) No 1974/2006.

#### **Code of the measure: (321.)**

#### **Rationale for intervention:**

Access of the rural population, particularly in small settlements, to public services is of insufficient standard or is blocked altogether. Several communities do not have buildings that residents could use for public services, and where such buildings exist they tend to be in bad condition. Due to low profitability and high specific maintenance costs, services have pulled out of most small settlements, and where they have remained they usually continue to be operated in dismal conditions and with meager provisions. In order to retain local population, it is essential to improve the range, quality, and accessibility of services. The development of institutional infrastructure – by means of new construction or renovation of existing buildings – is particularly vital for the provision of cultural and recreational activities, complex information and communication infrastructures, regular local client access to certain professional services and service terminations, as well as for the hosting of lifestyle and anti-discrimination programs. In small settlements, the only way to offer basic services is often to divide and share on costs. Consequently, sustainable operation for service providers in such settlements presupposes multi-purpose community spaces.

Access to services in rural areas is substandard. In rural settlements, particularly in regions with small, scattered villages, access to communal services is sporadic or simply inferior in the absence of investment projects, missed over the past decades due to low economies of scale. Residents often must commute to larger settlements or regional centres for such services. Many rural settlements do not have their own modern space for communal functions where residents can take care of everyday errands, avail themselves of basic social and medical services, access the Internet, and simply organize their lives as a community in decent conditions. In order to retain rural populations, it is essential to improve services and develop the infrastructure. Operating various services individually in isolation is rarely efficient, making it important to provide incentives for the construction of integrated communal spaces hosting several services simultaneously.

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

The objective of the measure is to improve access to and the quality of basic services and diversify the scope of available services in the settlements of rural areas. Furthermore, to enhance this way the population retention power of rural areas, with the improvement and continuous sustainability of the quality of life.

The measure concentrates on rural areas where the number of inhabitants of the settlements is below 10000. The upper limit may vary by region depending on similar development projects featured in the regional operative program. The measure is to be implemented in small settlements, particularly in regions characterized by scattered villages.



**Scope and actions:**

The measure enables local governments to create - on their own or by involving local NGO's and entrepreneurs in the partnerships - integrated community and service spaces, where a large variety of all basic services (information-communication, administration, business, communal, recreational, cultural, senior citizen care and child day care, etc. ) can be made available. Among others the eligible activities include the following:

office and other services (e.g. photocopying, writing official letters, post etc.)

- internet access
- other welfare services (e.g. procurement of medication)
- sales (newspapers, items of gambling, own products distributed independently etc.)
- „charity shop” (collection, distribution, sale of charity donations etc.)
- insurance services
- touristic information services
- cultural services (public civilization, library, arts and community services), etc...

Local Rural Development Offices and central coordination organisation will play important role in the evaluation process of the projects, as it will examine the harmony of the projects and the Local Rural Development Strategy elaborated by the Local Rural Development Communities (precised in measure “3.4.1. *Skill acquisition, animation and implementation*” (covered by Article 59 of Regulation (EC) No 1698/2005.).

**Beneficiaries:**

Local governments of the settlements defined in the previous section, which in partnership with the local NGO's and entrepreneurs undertake the commitments defined in the guidelines of the contracting authority.

Local governments and/or partnerships in rural areas, as well as non-profit organizations, such as associations and foundations. Natural persons and micro businesses may also tender for the provision of services.

**Type of services supported:**

Among others the services supported are the following:

office and other services (e.g. photocopying, writing official letters, post etc.)

- internet access
- other welfare services (e.g. procurement of medication)
- sales (newspapers, items of gambling, own products distributed independently etc.)
- „charity shop” (collection, distribution, sale of charity donations etc.)
- insurance services
- touristic information services
- cultural services (public civilization, library, arts and community services)

- In small or marginalised settlements without a service coordinating function, the measure promotes among others the establishment of so-called “life houses” simultaneously hosting medical, social, and cultural services. The “life house” is a building, or an integrated complex of buildings, suitable for the provision of various interrelated services (mainly administrative, human, and communal), invariably employing at least one local resident in charge of organizing community programs. Such “life houses” or multifunctional structures alike can make a vital contribution to improving the standards of residential services and administrative affairs, the revitalization of local social life, and the reinforcement of local identities.

#### **Type of cost covered:**

- Among others the following costs are eligible:
- Construction of integrated community and service spaces in small settlements. Services to be provided excluding mandatory local government functions, and may include telecommunication services, regular local client reception for certain professional services, the implementation of “service terminations”, as well as local solutions for the day care of children and senior citizens, anti-discrimination and lifestyle programs etc., in so-called “life houses” or other multifunctional structures alike.
- Internal and external renovation of the ÁMK institutions, function-conform interlocking of groups of buildings
- Under the measure the applicants can apply for support for the renovation, transformation and enlargement of existing real estates owned or leased by the local or national government as required for providing the services.
- Supporting the purchase of equipment necessary for the operation of the integrated community and service space of small settlements.
- Recreational and athletic installations (recreation parks, jogging and roller skating routes, climbing walls, obstacle courses, outdoor gyms, nature study trails etc.).
- Among others support may be granted for the following:
- Cultural activities and associated small-scale infrastructure investments (events, permanent and temporary exhibits, outdoor facilities etc.).
- Local passenger transit solutions (e.g. non-regular shuttle runs providing access to centrally located services).
- Construction of small capacity local heating plants using renewable energy resources.
- Expansion of social land program.
- Expansion of the village and farm warden network.
- General cost: costs of planning and design, public procurement and notary fees, procurement of permissions, expert fees up to 12% of total eligible cost of development,

#### **Aid intensities:**

Ratio of public funds for construction and material purchases is 90% within the total recognized cost in case of settlements in disadvantaged areas, and it is 80% in all other cases. Under special circumstances, it is possible to win recognition of operative costs for a period of up to three years, at the annually decreasing rate of 90%-60%-30%.

In case of advance payments, description of arrangements (rate of advance –up to 20%- guarantee covering advances, conditions for releasing the guarantee).

## **Demarcation line and criteria with other EU financial instruments:**

### *Links to the other measures of the Programme*

The measure is indirectly linked to measures „4.3.2. Support of establishment and development of micro-enterprises” (Article 54), “4.3.3. Promotion of tourism activities” (Article 54) and „4.3.5. Conservation and modernisation of the rural heritage” (Article 57), featuring the cultural heritage inherent in the built environment of villages. There is also a connection to measures under Group IV.

The measure is also associated with the Article 59 measure (“Skills acquisition, animation and implementation”) by ensuring the positive evaluation of projects tailored to fit local development strategies. In the field of tourism, particular preference is accorded to efforts on compatibility with regional strategies.

### *Links to other Operational Programmes*

Parts of the regional operative programmes contain measures aiming at the establishment of community spaces and infrastructure developments required for the mandatory human purpose tasks of local governments. Under this measure, however, the development projects of settlements connected to health, nursery, kindergarten, primary and secondary school „services” of communities may not be supported. The ROP’s primarily support the service development investments of small and micro-region centres, while the small settlements enjoy powerful priority under the Rural Development Program.

Priority 4. of TIOP: Development of cultural infrastructure at the service of community development, in the framework of which the support for the establishment of multifunctional community centres in big cities dealing primarily with education, training, mass media and community activities, for the creation of development poles supporting community civilization, as well as for the integrated development of cultural infrastructure, will be realized in the interest of partnership cooperation and network building promotion.

Priority 2. of KKOP promotes infrastructure projects facilitating access to administrative services (that is, making sure that services reach the clients). As part of this measure, the integrated community space may offer a platform for official procedures.

Under this measure, however, the development projects of settlements connected to health, nursery, kindergarten, primary and secondary school „services” of communities may not be supported.

The ROP primarily supports the service development investments of small and micro-region centres, while the small settlements enjoy powerful priority under the Rural Development Program. TÁMOP priority 3 (“ensuring quality public education and access”) and 5 (“Health preservation and strengthening social integration and participation”) support the creation of local communities and NGOs, the enrichment of cultural capital, efforts to fight discrimination, and the reinforcement of certain lifestyle programs in its capacities. Priority 3 of TIOP supports the development of infrastructure facilitating social inclusion and participation.

Regional operative programs help secure infrastructure projects and associated purchases required for the exercise of basic local governmental functions in providing human services (health, social, education). These programs do not offer funding for community, cultural, and recreational facilities in small settlements. What the ROP essentially supports, are objects located in larger settlements regarded as small to micro regional centres. The Social Renewal Operative Program stimulates the creation of local communities and NGOs, and bolsters their capacities.

## **Financing:**

Total cost:

Public expenditure: 153 423 416 EUR

EU contribution: 107 539 777 EUR

### Transition arrangements (including estimated amount)

### Quantified targets for EU common indicators:

Type of Indicator	Indicator	Target 2007-2013
Output	Number of supported actions (pcs)	900
	Total volume of investment (eur)	172 400 000 euro
Result	Population in rural areas benefiting from improved services	950 000
	Increase in internet penetration in rural areas	8 %
Impact	Net additional value expressed in PPS	
	Net additional full time equivalent jobs created	

### Additional programme-specific indicators and quantified targets

Type of Indicator	Indicator	Target 2007-2013
Output	Number of settlements forming service spaces in the framework of the measure	1100
	Number of renovated ÁMKs in the framework of the measure	150
Result	Improvement of supply of rural areas with services	A system of institutions and services based on local and regional needs will be built up, community institutions suitable for accomplishing settlement-level tasks will be created; Access to civilization and education facilities will be improved; Number of locally accessible services will grow; Information and consultancy will be available on the spot;
Impact	Improvement of quality of life	Capability of the settlement for population retention will be increased; More satisfied local residents;

### *3.2.1.1. Social land programme*

**Objective:** Assistance to families living in an environment suitable for agricultural production, but themselves unprovided or just scarcely provided with conditions for agricultural production, or unable to efficiently use those conditions, qualified as socially underprivileged, by increasing their existence creation chances through social land programmes organized at the local settlement level or/and at micro-regional level. The programme is built on earlier experiences having piled up throughout the years since 1993, being extended and further developed.

#### **Type of actions supported**

- i) Subsidizing economic activities mobilizing duratively inactive or unemployed families, targeting self-sufficiency and marketing surplus or goods devoted to market. Those participating at the programme successfully may become primary growers and later they can become eligible for semi-self-sustaining farm support.
- j) Establishing and supporting self-sustaining farming activities of social and child-protection boarding-type institutes, aiming at decreasing operation costs
- k) Providing education harmonizing with the tools-s

**Beneficiaries**

Local self-governments and self-government associations operating in the rural areas, as well as religious, social and other non-profit-orientated and public benefit organizations with certified headquarters/premise there for at least two years. Self-governments and self-government associations can conclude contract of implementation of a task with individuals and organizations implementing their programme.

**Type of support:**

Non-refundable grants

**Aid intensities:**

Ratio of public funds to the total eligible cost is 90 %, or in case of underprivileged settlements on the basis of their socio-economic and infrastructural endowments or, on the basis of having a level of unemployment significantly above the national average defined in regulation of Ministry of Agriculture and Rural Development. In case of advance payments: rate of advance –up to 20%-guarantee covering advances, conditions for releasing the guarantee).

**Programme-specific indicators:**

Type of Indicator	Indicator	Target 2007-2013
<b>Output</b>	Number of beneficiaries	
<b>Result</b>	Number of families successfully retained within the programme for more than one year	
<b>Impact</b>	Improvement of quality of life	Capability of the settlement for population retention will be increased; More satisfied local residents;

### ***3.2.2. Village renewal and development***

#### **Article (and paragraph) which covers the measure:**

Article 52 (b) (ii) of Council Regulation (EC) No. 1698/2005,

Point 5.3.3.2.2 of Annex II of Regulation (EC) No 1974/2006

#### **Code of the measure: (322.)**

#### **Rationale for intervention:**

The rural residential environment, the overall physical image of settlements and the condition of community areas, public grounds is showing a deteriorating picture. In order to increase the attracting force of rural regions the image of settlements must be improved. In rural regions the infrastructure suitable for economic activities such as selling local products are relatively few or the existing local markets need renovation. To renew villages and to accompany changes in rural areas it is necessary to create or renovate local markets to improve the attractive image of rural regions.

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

The objectives of the measure are to increase living standards by improving the attractive feature of rural settlements in order to reverse outward migration and negative trends of economic and social conditions and depopulation of the countryside.

#### **Scope and actions:**

The measure supports projects of local governments concerning village renewal and development.

The measure concentrates on rural areas. Criteria for the demarcation of rural areas and the settlements concerned are listed in the Annex to .... of the Programme. Local Rural Development Offices and central coordination organisation will play important role in the evaluation process of the projects, as it will examine the harmony of the projects and the Local Rural Development Strategy elaborated by the Local Rural Development Communities (precised in measure “3.4.1. *Skill acquisition, animation and implementation*” (covered by Article 59 of Regulation (EC) No 1698/2005.).

#### **Beneficiaries:**

Local governments of settlements and their partnerships.

#### **Type of actions supported**

- Small-scale infrastructure development projects enhancing the environment and the appearance of the village: parks, rest areas, promenades, and other public areas (except for separate road and sidewalk construction, canalization, and water drainage works)
- External and internal renovation of buildings already dedicated to community and economic purposes, while retaining these established functionalities and/or bringing in new ones. (Exceptions include uses as residence and functions that municipalities are liable to provide on a mandatory basis under Act LXV of 1990 on Local Government.

- Opening new markets and developing existing ones for improving the sales of local agricultural products, as well as bringing these markets into compliance with applicable regulations. In the market, construction of covered and open-air vendor stalls, other retail facilities, warehouses, social and official premises, waste disposal units, and other service rooms, as well as the purchase of machinery and equipment (such as for weighing and product handling). Implementation of the required infrastructure (energy, water, parking lots, roads, etc.).

#### **Type of cost covered**

- Purchase of property up to 10% of total eligible cost,
- Construction, reconstruction or modernisation of buildings, parks, etc.
- Costs of procurement and installation of assets, equipment and machinery .
- General cost: costs of planning and design, public procurement and notary fees, procurement of permissions, expert fees up to 12% of total eligible cost of development,

#### **Aid intensities:**

Ratio of public funds to the total eligible cost is 100%. The rate of aid is 80% or 90% in case of supporting less favoured settlements or in case of projects to be implemented in settlements located in socio-economically especially backward regions.

The maximum support that can be granted is **60 million HUF**.

**In case of advance payments, description of arrangements (rate of advance –up to 20%-guarantee covering advances, conditions for releasing the guarantee).**

#### **Demarcation line and criteria with other EU financial instruments:**

##### *Links to other measures of the Programme*

The measure is linked to the measure „4.3.3. Promotion of tourism activities” (Article 55) as through the improvement of the image of the settlement it adds to the tourism attraction of the settlements. Along with measure „4.3.4. Basic services for the rural economy and population” (Article 56), it can provide spaces for services described in measure 4.3.4. and improves the appeal of rural areas and the living standard of the rural population.

The measure is also correlated with the measure of “Skills acquisition, animation and implementation” (Article 52 clause (d) by virtue of ensuring the positive evaluation of projects tailored to fit local development strategies. The emphatically preferred solution for village renovation is through local development strategies building on an integrated view of several measures and specific development concepts.

##### *Connection to other OPs*

Some regional operational programmes contain elements on the development and rehabilitation of settlements, as well as infrastructure developments required for mandatory human purpose municipality tasks. The restoration (point wise developments and smaller units consisting of 3 to 4 elements) of rural buildings falls under the Rural Development Programme, while the ROPs aim at the complete rehabilitation of entire neighbourhoods of settlements.

Settlements receiving ROP funds for developing settlement centres – basically, these are all towns rather than villages – are ineligible for support under this measure. The list of disqualified settlements must be negotiated separately for each region.



The support of this measure based on local/regional strategy is recommended in conjunction with similar objectives in settlement infrastructure development projects and ROPs.

**Financing:**

Total cost:

Public expenditure: 139.262.642

EU contribution: 104.446.981,5

**Transition arrangements (including estimated amount)**

**Quantified targets for EU common indicators:**

Type of indicator	Indicator	Target 2007-2013
<b>Output</b>	Number of rural heritage actions supported	600
	Total volume of investments (euro)	140 000 000
<b>Result</b>	Population in rural areas benefiting from improved services	
<b>Impact</b>	Net additional value expressed in PPS	
	Net additional full time equivalent jobs created	

**Additional programme-specific indicators and quantified targets**

Type of indicator	Indicator	Objective
<b>Impact</b>	Improved satisfaction of rural residents targeted by the support	

### ***3.2.3.1. Conservation and upgrading of the rural heritage***

#### **Article (and paragraph) which covers the measure:**

Article 57 of Regulation (EC) No 1698/2005.

Point 5.3.3.2.3 of Annex II of Regulation (EC) No 1974/2006.

#### **Code of the measure: (323.)**

#### **Rationale for intervention:**

The rural residential environment, the overall physical image of settlements and the condition of community areas is showing a deteriorating picture, the condition of the built heritage and public grounds of settlements is gradually deteriorating, and the rich intellectual, cultural, built and natural values of rural regions are degrading. In order to increase the attracting force of rural regions the image of settlements must be improved, making the cultural and natural heritage connected to rural life suitable for being demonstrated to the public. In rural regions there are only a few local producer sale and buy-up sites having infrastructure suitable for selling the products locally, so the vast majority of the products are sold in large towns through intermediary traders and returned to rural regions afterwards, which increases prices significantly and reduces the economic profits of the producers.

Rural settlements do not have sufficient revenues on their own to conserve their architectural heritage and other cultural assets. In addition to the built environment, natural features, including stream beds, often suffer neglect and gradually lose their significance for local communities. In order to boost the appeal of rural areas, it is crucial to sustainably develop and suitably package the cultural and natural heritage intimately linked with rural forms of life.

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

The objectives of the measure are to improve the image and environment of settlements, to conserve and renew the built, natural and cultural heritage and local identity, and thereby to advance the appeal of the settlements.

**Geographical area affected by the measure:** The measure concentrates on rural regions. Criteria for the demarcation of rural regions and the settlements concerned are listed in the Annex to the Programme.

#### **Scope and actions:**

The measure is aimed at protecting and renovating the built, natural and cultural heritage of rural settlements in a non-profit, integrated framework. As part of this it gives preference to the coordinated development of built elements, their connected public grounds and heritage protection.

Local Rural Development Offices and central coordination organisation will play important role in the evaluation process of the projects, as it will examine the harmony of the projects and the Local Rural Development Strategy elaborated by the Local Rural Development Communities (precised in measure “3.4.1. Skill acquisition, animation and implementation” (covered by Article 59 of Regulation (EC) No 1698/2005.).

**Beneficiaries:**

Small to micro-enterprises, non-profit organizations registered in Hungary, local governments of settlements and their partnerships as well as consortiums formed by the same, along with churches and legal entities of churches, the owner(s) or exclusive user(s) of residential buildings under national heritage protection.

**Type of actions supported:**

- External and internal renovation, modernisation, and readying for visitors of free-standing (solitary) buildings under at least local protection (such as fortified castles, mansions, Cumanian burial sites, artworks), equipping them as needed with tourist amenities as well as creating or restoring adjacent green areas (parks and playgrounds), footpaths and walkways leading to the site. Priority will be given to clusters consisting of three or more buildings under at least local protection.
- Rehabilitation of settlement structure units and neighbouring elements connected thereto, consisting of at least three elements and having at least local protection, as well as creating or restoring adjacent green areas (parks and playgrounds);
- Restoration of buildings under at least local protection (such as fortified castles, mansions, Cumanian burial sites, artworks) to open them for visitors by the local community equipping them as needed with tourist or community facilities as well as creating footpaths and walkways leading to the site,
- Support for developments aimed at the improvement and formulation of the natural and the historic landscape and of the components constituting those landscapes.
- Creation of new markets, development, expansion, transformation and making existing markets comply with specifications primarily for improving the conditions of selling agricultural products produced locally.

**Type of cost covered:**

- Purchase of property up to 10% of total eligible cost,
- Construction, reconstruction or modernisation of buildings, parks, etc.
- Costs of procurement and installation of assets, equipment and machinery .
- General cost: costs of planning and design, public procurement and notary fees, procurement of permissions, expert fees up to 12% of total eligible cost of development,

**Type of support:**

Non-refundable grants.

**Aid intensities:**

Ratio of public funds to the total eligible cost is in case of public benefit (local government) projects: 80%. It is 90% in case of supporting less favoured settlements or in case of projects to be implemented in settlements located in socio-economically especially backward regions. In case of investments producing no revenue in an enterprise set up by natural persons or business ventures the ratio is 85% of all the recognizable costs, while for investments producing revenue it is 50% of all the recognizable costs.

The maximum support that can be granted is 45 million HUF.

**In case of advance payments, description of arrangements (rate of advance –up to 20%-guarantee covering advances, conditions for releasing the guarantee).**

**Demarcation line and criteria with other EU financial instruments:**

*Links to other measures of the Programme*

The measure is linked to the measure „4.3.3. Promotion of tourism activities” (Article 55) as through the improvement of the image of the settlement and making presentable the agriculture related cultural and natural heritage it adds to the tourism attraction of the settlements. Along with measure „4.3.4. Basic services for the rural economy and population” (Article 56), it improves the appeal of rural areas and the living standards of the rural population.

The measure is also correlated with the measure of “Skills acquisition, animation and implementation” (Article 52 clause (d) by virtue of ensuring the positive evaluation of projects tailored to fit local development strategies. The emphatically preferred solution for village renovation is through regional strategies building on an integrated view of several measures and specific development concepts.

*Links to other Operational Programmes*

Some regional operational programmes contain elements on the development and rehabilitation of settlements, as well as infrastructure developments required for mandatory human purpose municipality tasks. The restoration (point wise developments and smaller units consisting of 3 to 4 elements) of rural buildings falls under the Rural Development Programme, while the ROPs aim at the complete rehabilitation of entire neighbourhoods of settlements.

Settlements receiving ROP funds for developing settlement centres – basically, these are all towns rather than villages – are ineligible for support under this measure. The list of disqualified settlements must be negotiated separately for each region. Buildings under at least local protection that serve accommodation purposes can receive support under the “Accommodation development” title of measure 4.3.3 or from the ROPs. Pursuant to Act LXXVIII of 1997 on the Shaping and Protection of the Built Environment, ROPs provide support for the exploitation of building sites with international or national status of protected architectural heritage for purposes of tourism (for instance as a museum or exhibition hall).

The support of this measure based on local/regional strategy is recommended in conjunction with similar objectives in settlement infrastructure development projects and ROPs.

**Financing:**

Public expenditure: 2.886.272,374

EU contribution: 2.164.704

**Transition arrangements (including estimated amount)**

**Quantified targets for EU common indicators:**

Type of indicator	Indicator	Target 2007-2013
Output	Number of rural heritage actions supported	
	Total volume of investments	
Result	Population in rural areas benefiting from improved	

	services	
<b>Impact</b>	Net additional value expressed in PPS	
	Net additional full time equivalent jobs created	

#### **Additional programme-specific indicators and quantified targets**

<b>Type of indicator</b>	<b>Indicator</b>	<b>Objective</b>
<b>Output</b>	Number of supported heritage and nature sites	
<b>Result</b>	Ratio of endangered monuments	33%?
<b>Impact</b>	Improved satisfaction of rural residents targeted by the support	

### ***3.2.3.2. Conservation and upgrading of the rural heritage – preparation of Natura 2000 maintenance/development plans***

#### **Article (and paragraph) which covers the measure:**

Article 57 of Regulation (EC) No 1698/2005.

Point 5.3.3.2.3 of Annex II of Regulation (EC) No 1974/2006.

#### **Code of the measure: (323.)**

#### **Rationale for intervention:**

Pursuant to Article 6 (1) of the Directive on the protection of habitats member-states shall take the measures necessary for the protection of special nature preservation areas, if necessary by developing maintenance/development plans, which expressly concern the area in question or as part of other development plans. Furthermore, they determine the proper regulatory, authority or contractual measures, which comply with the ecological needs of natural habitat types on the given area or specified in Annex I or the species in Annex II.

The management plans already prepared and under preparation for protected natural areas cover in total 40 special bird protection and 123 special nature preservation areas. In respect both of their objectives and their content elements the Natura 2000 maintenance/development plans differ from management plans prepared for protected natural areas of national importance. Therefore the plans determining nature protection objectives and management specifications for the long-term maintenance and preservation of Community significance natural values will be identified as maintenance plans to distinguish them from the plan type appearing also in the Minister's Decree under the name mandatory nature protection management plans for natural areas of national significance as per Minister of Environmental Protection and Water Management Decree no. 30/ 2001 (XII. 28.) KöM.

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

Preparation of maintenance/development plans for Natura 2000 areas that are not protected, thus no management plans were prepared on these under national laws.

#### **Scope and actions:**

Preparation of maintenance/development plans on the basis of the methodology jointly adopted by the Ministries, as published in the provisions of law.

The maintenance plans do not contain mandatory specifications for farmers, but they take into consideration the mandatory rules on land use determined in the government decree. Compliance with their specifications is facilitated by voluntary agri-environment measures.

At regional level the maintenance/development plans – taking into consideration community values – are aligned on the existing agri-environment specifications, and in some cases they further clarify optional voluntary specifications on Natural 2000 areas. This way the maintenance plans provide for the farmers guidelines, which can help them in making better use of support fund, if their application was submitted properly and they are helped with a professional advisory service.

The preparation of management plans on protected areas is not supportable.

The plan shall particularly contain the following:

- Presentation and evaluation of the given habitat/species group (description of main parameters, stock, endangeredness, trends, etc.);
- Quantifiable characteristics, objectives of preservation/development;
- Description of applicable sustenance/development activities, their expected impacts on the target group and other natural values;
- Interventions aimed at developments and their economic (cost-benefit) analysis, for the evaluation of the socio-economic impacts of the proposed activities.
- The plan places special attention on the impact of the relevant measures of the NHRDP on the target group and its proposed applicability.

Mandatory involvement of parties interested and communities concerned in the preparation of the plan and analysis of impacts.

The finalised plans are adopted by assessment panels consisting of governmental and civilian experts and independent researchers.

Local Rural Development Offices and central coordination organisation will play important role in the evaluation process of the projects, as it will examine the harmony of the projects and the Local Rural Development Strategy elaborated by the Local Rural Development Communities (precised in measure “3.4.1. *Skill acquisition, animation and implementation*” (covered by Article 59 of Regulation (EC) No 1698/2005.

#### **Beneficiaries:**

Civil organisations, professional societies, associations of the same registered in Hungary, engaged in rural development and nature protection activities and properly acquainted with the Natura 2000 (having references).

#### **Description of the type of operations covered, referred to in Article 57 of Regulation 1698/2005**

#### **Type of support:**

Non-refundable grants.

#### **Aid intensities**

As part of the total acceptable cost: 75%.

The maximum support per maintenance/development plan will be determined in the future. Relevant area size of the maintenance plans, number and complexity of habitat and indicating species.

**In case of advance payments, description of arrangements (rate of advance –up to 20%-guarantee covering advances, conditions for releasing the guarantee).**

**Demarcation line and criteria with other EU financial instruments:***Links to other measures under the programme*

The measure is closely linked both to the Natura 2000 basic level compensation payments and the voluntary agri-environment support, and support for non-producing investments linked to both measures.

*Links to other Operational Programmes***Financing:**

Total cost:

Public expenditure: 2 886 272 EUR

EU contribution: 2 023 088 EUR

**Transition arrangements (including estimated amount)****Quantified targets for EU common indicators :**

Indicator type	Indicator	Target 2007-2013
<b>Output</b>	Number of Natura preservation plans	
	Area covered	
<b>Result</b>	Size of area involved in voluntary environment-sparing farming on the basis of the contents of preservation plans	
<b>Impact</b>	Increase in biodiversity	



### ***3.4.1. Skill acquisition, animation and implementation***

**Article (and paragraph) which covers the measure:**

Article 59 of Regulation (EC) No 1698/2005.

Point 5.3.3.4 of Annex II of Regulation (EC) No 1974/2006.

**Code of the measure: (341.)**

**Rationale for intervention:**

The lack of rural development strategies, the lack of capacity for the elaboration and preparation of strategies and projects in all of the micro regions of the country and the desintegration of the selected and implemented projects has resulted in inconsistencies of developments, the realisation of unnecessary capacity surplus (mostly in the field of tourism) in many micro-regions. The LEADER programme in Hungary has resulted the strenghtening of local governance and Public-Private-Partnerships in rural areas.

The measure supports the phrasing of micro-regional level rural development concepts structured from base level, to be built into a local development plan and the implementation thereof, thereby strengthening a synergy and a regional coherence between the measures of the Axes. The measure promotes development of local human capacities necessary for creating and implementing local rural development strategies. In the framework of the measure Local Rural Development Offices (LRDO) are set up in the micro-regions defined by the Govt. Decree 2004/2003 (XII.18) through this it becomes possible to harmonise the efforts made by potential participants in rural development, which concentrates the rational use of development resources. The LRDOs supported by the measure coordinate the setting up of the so-called Local Rural Development Communities (LRDC) – one per micro-region, organised on a LEADER-like basis.

**Objectives of the measure:**

The objective of the measure is, with the coordination of the LRDO, to provide information about the area and the local development strategy; to promote events and train local leaders, to prepare the rural development plan for the micro-regions with the participation of local business and civil organisations, and municipalities. Beside the preparation and elaboration of the local rural development plan, a suitably trained executive personnel needs to be involved, and the local-level development plans need to be communicated.

**Application of the measure:** The measure is primarily based on the micro-regions defined by the Govt. Decree 2004/2003 (XII.18)

**Scope and actions:**

The measure provides assistance to the preparation and implementation of local development plans. In the scope of the measure the LRDO elaborates a rural development plan for the small region. The LRDO is selected by application The LRDO carries out its activity on the basis of the guidelines given by the central coordination organisation, and carries out basic tasks as set down in the law. The tasks of the LRDO include the organisation-coordination of the potential participants in rural development (civil organisations, businesses, and local authorities), the animation, implementing local level training

courses and communication. The rural development strategy prepared by the LRDO is approved in partnership by the LRDC. It elaborates and carries out the annual review of the rural development plan – as set down in the law – with the support of the central coordination organisation (Training and Advisory Institute on Rural Development).

**Beneficiaries:**

Local Rural Development Offices selected according to national legislation.

**Skill acquisition and animation: description of the type of operation covered**

At local level:

- Elaboration of studies (strategy, program) for the substantiation of (a fact-finding situation analysis of) the local development plan;
- Communication activities aimed at the small region, interactive relations with potential rural developers (in connection with the local development plan under preparation);
- Supporting animation and capacity-building activities in the formulating of a local development plan and enhancing the participation of local communities in other social and economic activities. This activity covers boosting of action-preparedness, activeness and cooperation of less favoured groups of the society, helping the enforcement of their special interests;
- Further education of the management of selected local groups of action, supporting intra-group exchange of experiences as well as the monitoring and evaluation activities of these groups.
- Networking, participation in the National Rural Network, involving national level training institutions as beneficiaries;
- Capacity-building of the persons participating at the preparation and implementation of the local rural development plan;
- collection of projects, implementing local level training courses and communication, and carrying out rural development consulting on a regular basis
- Promotion, management and further training;
- Other activities set down in the LRDO work plan serving the above objective. The workplan must be approved by central coordination organisation.

**Public-private partnerships under article 59:**

*Description of the types (partners represented, percentage of private partners represented, decision-making power:*

The LRDC's (public-private partnerships) shall be representative of the public and private actors identified at the geographical level referred above (on the area development small regions defined by the Govt. Decree 2004/2003 (XII.18) ). The percentage of private partners represented and decision-making power regulations will be defined in Technical Guidebook prepared by the central coordinating organisation.

*Indicative estimate of the number of the public-private partnerships and are and population covered: 166.*

*Indication of Axis 3 measures implemented by public-private partnerships:*

Micro-enterprise development  
Diversification of agricultural activities  
Encouraging rural tourism

*The measure creates connection between the axis 3 measures.*

The running costs shall not exceed 15% of the public expenditure relating to the local development plan of each individual public-private partnership.

**Type of support:**

Non-repayable support.

**Aid intensities (covered by the block exemption regulation on training):**

The ratio of the public resources within all of the eligible costs: 100%

**Demarcation line and criteria with other EU financial instruments:**

*Links to other measures under the Programme*

The measure creates connection between the axes and the planned measures, promotes the rational use of the resources potentially available for rural development.

*Links to other Operational Programmes*

The small region rural development plan elaborated within the scope of the measure is in line with the elaborated development plans and creates connections among projects planned within the scope of other operative programs.

**Financing:**

Total cost:

Public expenditure: 95 066 596 EUR

EU contribution: 66 635 465 EUR

**Quantified targets for EU common indicators:**

Indicator type	Indicator	Target 2007-2013
Output	Number of skill acquisition and animation actions	
	Number of participants in actions	
	Number of supported public/private partnerships	166
Result	Number of participants that successfully ended a training activity	



## **Axis 4: LEADER**

### ***4.1.1. Implementation of the local development strategies***

#### **Article which covers the measure:**

Council Regulation (EC) No. 1698/2005, Article 63 a), b) and c)

**Measure code: (411, 412, 413)**

#### **Objective of the measure:**

Facilitation of the sustainable and innovative use of internal resources, and improving the quality of life in rural regions with local solutions through the implementation of integrated approach local (small-region) rural development strategies and operation of broad partnerships. By enforcing all criteria specified in Council Regulation (EC) No. 1698/2005 Article 61 a) - g). Promotion of sustainable and competitive novel local procedures for strengthening the potential of agriculture, forest management, food industry, rural economy, utilization of cultural and natural values, development of human services and local communities.

#### **Procedure and timetable for selecting local action groups, including objective selection criteria:**

The selection of Local Action Groups (LAG) is based on the strategy of the Local Rural Development Community (LRDC) prepared on the basis of article 59. Every LRDC strategy contains LEADER approach ("sub-strategy"), on the basis of which those LRDC LEADER development plans are selected that comply with the expectations of the LEADER approach. The LRDC strategies will be elaborated in 2007, following this the LEADER measures will be initiated.

#### **Planned indicative number of LAGs:**

The expected number of planned Local Rural Development Communities – on the basis of the experience of the ARDOP LEADER+ Programme– is 200, from which the LAGs will be selected.

**Minimum percentage of economic and social partners and civil society organisations represented at the decision making level of the LAG (minimum of 50%)**

#### **Planned percentage of rural territories covered by local development strategies:**

On the basis of the AVOP LEADER+ Hungarian experiences approximately 2000 rural settlements are expected to be involved which will be organised into Local Rural Development Communities. This means more than 60% of the country's settlements.

**Justification for selection of areas whose population falls outside the the limits set out (5,000-150,000):**

**Procedure for selection of operations by the local action groups:**

It must be in harmony with the rural development strategy elaborated by the Local Rural Development Community, and be a part of it. Selection criteria of local projects: In the local application system the local action groups elaborate the detailed project selection criteria. The projects must comply with the following “quality” requirements:

- creates new product/service reflecting the uniqueness of the region,
- uses new procedures for better utilisation of regional endowments,
- combination of resources, their coupling in a novel manner in the region,
- creates a new form of organization – based on community participation,
- builds on unused internal resources.

**Type of aid**

Non-repayable support

**Intensity of support:**

In the basic case the support ratios comply with the support ratios of the same types of activities in the other measures. In the case of cluster enterprise cooperation and activities related to the social economy the intensity of support is higher. In the case of local action group level cooperation projects in which the state (local authority), civil and business sectors all participate the intensity of support is 75-80%. In the interest of the expansion of the area in which the action groups can make decisions and the increase of the number of projects that may be supported it is possible for the winning action groups to reduce the intensity of support of the projects during the local applications procedure. In the case of public (local authority) investments the ratio of public funds is 100%, within which the ratio of EARDF and central national support may not exceed 85%. The maximum amount that may be given for a local rural development plan is HUF 100-500 determined in proportion with population and area, and in proportion with the disadvantaged settlements.

**Demarcation criteria with other local partnerships financed by EU funds**

**Financing:**

Public expenditure:

EU contribution:

**Quantified targets for of EU common indicators:**

Type of indicator	Indicator	Objective
Output	Number of LAGs supported	200 groups
	Total area covered by the LAGs	60-70%

	Number of projects financed by the LAGs;	3000-4000 projects
<b>Result</b>	Gross number of jobs created	400
	Number of training courses successfully completed	1400
<b>Impact</b>	Net added-value expressed in PPS	
	Net added FTE created job	

#### ***4.2.1. International and transnational cooperation***

**Article which covers the measure:**

Council Regulation (EC) No. 1698/2005 Article 63 a), b) and c)

**Measure code: (421.)**

**Scope and actions**

By enforcing the criteria specified in Council Regulation (EC) No. 1698/2005 Article 61 a) - g): promotion and implementation of domestic and international cooperation between the regions. Network building inside and outside the action area.

Furthermore:

- Preparation of national and/or international projects, assurance of personnel and physical conditions;
- Preparation of joint project(s) and submission of application(s) ensuring financing;
- Implementation of the winning project(s).

**Procedure, timetable and objective criteria to select inter-territorial and trans-national cooperation projects, including indication whether cooperation will be ex-ante integrated in the local development strategy or selected later by the Managing Authority**

The developments are to be realised jointly by two or more regions, and the target regions of both (several) regions benefit from the results.

**Quantified targets for EU common indicators:**

Type of indicator	Indicator	Objective
Output	Number of supported cooperation projects	
	Number of LAGs taking part of the cooperation	
Result	Gross number of jobs created	
Impact	Net added FTE created job	



#### ***4.3.1. Running costs, acquisition of skills and animation***

**Article which covers the measure:**

Council Regulation (EC) No. 1698/2005 Article 63 a), b) and c)

**Measure code: (431.)**

**Objective of the measure:**

By enforcing the criteria specified in Council Regulation (EC) No. 1698/2005 Article 61 a) - g):

- development of human infrastructure and services;
- development of human capacity and skills facilitating local cooperation and partnership;
- Supply of information to local players about the LEADER project and its implementation (action group, chairman of the HBMH, composition, managing agent with contact, customer service service, contents of local development plan, expected date of the call for applications, contacts, etc.);
- Arrangement of local tendering;
- Continuous internal audit of the implementation of the local rural development plan (self-assessment);
- Informing local players on the implementation of the local rural development plan.

**Justification of the measure:**

**Limit to apply on the share of the LAG budget for overhead costs (maximum of 20%):**

**Indicative estimate of the share of expenditure under article 59(1) to (d) of Regulation 1698 which will be used for skills acquisition and animation for the Leadr axis**

**Quantified targets for EU common indicators:**

Type of indicator	Indicator	Objective
<b>Output</b>	Number of training and animation activities	
	Number of participants	
<b>Result</b>	Number of successful training courses	

## 5. Financing plan

### 5.1. Annual contribution from the EAFRD (in EUR)

Year	2007	2008	2009	2010	2011	2012	2013	Total:
Total EAFRD	570,8	537,5	498,6	509,2	547,6	563,3	578,7	3805,8
Convergence regions	456,6	430,0	398,9	407,4	438,0	450,6	462,9	3044,6

### 5.2. Financial plan per axis (in EUR total period)

Axis	Public contribution		
	Total public	EAFRD contribution rate (%)	EAFRD amount
Axis 1	2,384,995,192	75	1,788,746,394
Axis 2	1,522,337,356	80	1,217,869,885
Axis 3	583,562,653	75	437,671,990
Axis 4	261,651,734	80	209,321,387
Technical assistance	202,978,315	75	152,233,736
<b>Total</b>	<b>4,955,525,250</b>		<b>3,805,843,392</b>

## 6. Indicative breakdown by Rural Development Measure

(in EUR, total period)

Measure/Axis	Public expenditure	Private expenditure	Total Cost
Measure 111	86529809,03		
Measure 112	34661796,7		
Measure 113	26931467,94		
Measure 114	37903547,47		
Measure 115	748096,3317		
Measure 121	1616885538		
Measure 122	7730328,761		
Measure 123	207472049,3		
Measure 124	42392125,46		
Measure 125	226673188,5		
Measure 131	50122454,22		
Measure 132	21196062,73		
Measure 133	38402278,36		
Measure 141	19201139,18		
Measure 142	76804556,72		
<b>Total Axis 1</b>	2493654439		
Measure 212	24618205,53		
Measure 213	36842417,93		
Measure 214	655862951,5		
Measure 215	12224212,4		
Measure 216	436845812,6		
Measure 221.	98472822,12		
Measure 222	52122683,43		
Measure 223	11714870,22		
Measure 224	151614189,9		
Measure 225	18166537,87		
Measure 226	848903,639		
Measure 227	2037368,734		
<b>Total Axis 2</b>	1697807278		
Measure 311	51141138,63		
Measure 312	332282107,1		
Measure 313	127897944,6		
Measure 321	153423415,9		
Measure 323.1	139262642,1		
Measure 323.2	2886272,374		
Measure 341	95066596,33		
<b>Total Axis 3</b>	901960117		

41 Local development strategies: - 411 Competitiveness - 412 Environment/Land management - 413 Quality of life/diversification 421 Cooperation: 431 Running costs, skills acquisition, animation:			
<b>Total Axis 4</b>			
<b>Total axes 1, 2, 3 and 4</b>			
511 Technical assistance - of which amount for national rural network (a) running costs (b) action plan			
<b>Grand total</b>			

*\* The remaining determination of the National Rural Development Plan (2004-2006) is to be added to the amount of the initial support constructions between 2007-2013.*

## 7. Additional national financing per axis

Additional national financing, according to Article 16 f) in Regulation (EC) No 1698/2005 (in Euro, total period)

<b>Axis 1</b> Measure 111 ... <b>Total Axis 1</b>	
<b>Axis 2</b> Measure 211 ... <b>Total Axis 2</b>	
<b>Axis 3</b> Measure 311 ... <b>Total Axis 3</b>	
<b>Axis 4</b> Measure 411 ... <b>Total Axis 4</b>	
<b>Total Axis 1, Axis 2, Axis 3, Axis 4</b>	

## 8. The elements needed for the appraisal under competition rules

(Article 16(g) of Regulation (EC) No 1698/2005)

Measure code	Name of the aid scheme	Indication of lawfulness of the scheme	Duration of aid scheme
111	Vocational training, information activities, innovation	Treaty Art 36.	
112	Setting up young farmers	Treaty Art 36	
113	Farm handing over support of farmers	Treaty Art 36	
114	Use of advisory services	Treaty Art 36	
115	Establishment of special advisory services for plant management, substitution and farming as well as for forestry	Any aid granted under this measure will be in conformity with the de minimis Regulation (EC) No 1998/2006	
121	Modernisation of agricultural plants	Treaty Art 36	
122	Increasing the economic value of forests	Treaty Art 36	
123	Increasing the value of agricultural and forestry products	New BER	
124	Cooperation for the development of new products, processes and technologies in the agricultural and food-industry sector and forestry	New BER or to be notified	
125	Improvement and development of infrastructure related to the development and modernisation of agriculture and forestry	Treaty Art 36	
131	Compliance with the rules based on community regulations	Treaty Art 36	
132	Support of agricultural producers participating in food quality systems	Treaty Art 36	
133	Support of producer groups in the field of information and promotional activities pertaining to products, which belong to the framework of food-quality systems	Treaty Art 36	
141	Support of the semi-subsistent farms under restructuring	Treaty Art 36	
142	Support of setting up production groups	Treaty Art 36	
212	Payments to agricultural producers of less favoured areas, other than mountain areas	Treaty Art 36	

213	Natura 2000 payments and payments linked to Directive 2000/60/EC	Treaty Art 36	
214	Agri-environment payments	Treaty Art 36	
215	Animal welfare payments	Treaty Art 36	
216	Support for non-productive investments	Treaty Art 36	
221	First afforestation of agricultural land	Treaty Art 36	
222	First establishment of agroforestry systems on agricultural land	Treaty Art 36	
223	First afforestation of non-agricultural land	Treaty Art 36	
224	Natura 2000 payments	Treaty Art 36	
225	Forest-environment payments	Treaty Art 36	
226	Restoring forestry potential and introducing prevention actions	Treaty Art 36	
227	Support for non-productive investments	Treaty Art 36	
311	Diversification into non-agricultural activities	Any aid granted under this measure will be in conformity with the de minimis Regulation (EC) No 1998/2006	
312	Supporting the establishment and development of micro-enterprises	Any aid granted under this measure will be in conformity with the de minimis Regulation (EC) No 1998/2006	
313	Promotion of tourism activities	Any aid granted under this measure will be in conformity with the de minimis Regulation (EC) No 1998/2006	
321	Basic services for the rural economy and population	To be notified	
323	Conservation and sustainable development of rural heritage	To be notified	
341	Learning of skills, incentives and the setting up and implementation of the local development strategies	To be notified	

**Format of state support chart to be attached to each rural development programme**

<b>Measure code</b>	<b>Name of state aid scheme</b>	<b>Indication of lawfulness of the scheme*</b>	<b>Duration of the aid scheme</b>
113	<i>Guarantee of the Rural Credit Guarantee Foundation</i>	Information sheet annexed to Commission Regulation (EC) No 794/2004.	2007-2013
114	<i>Guarantee of the Rural Credit Guarantee Foundation</i>	Information sheet annexed to Commission Regulation (EC) No 794/2004.	2007-2013
115	<i>Guarantee of the Rural Credit Guarantee Foundation</i>	Information sheet annexed to Commission Regulation (EC) No 794/2004.	2007-2013
121	<i>Guarantee of the Rural Credit Guarantee Foundation</i>	Information sheet annexed to Commission Regulation (EC) No 794/2004.	2007-2013
122	<i>Guarantee of the Rural Credit Guarantee Foundation</i>	Information sheet annexed to Commission Regulation (EC) No 794/2004.	2007-2013
123	<i>Guarantee of the Rural Credit Guarantee Foundation</i>	Information sheet annexed to Commission Regulation (EC) No 794/2004.	2007-2013
124	<i>Guarantee of the Rural Credit Guarantee Foundation</i>	Information sheet annexed to Commission Regulation (EC) No 794/2004.	2007-2013
125	<i>Guarantee of the Rural Credit Guarantee Foundation</i>	Information sheet annexed to Commission Regulation (EC) No 794/2004.	2007-2013
131	<i>Guarantee of the Rural Credit Guarantee Foundation</i>	Information sheet annexed to Commission Regulation (EC) No 794/2004.	2007-2013
132	<i>Guarantee of the Rural Credit Guarantee Foundation</i>	Information sheet annexed to Commission Regulation (EC) No 794/2004.	2007-2013
212	<i>Guarantee of the Rural Credit Guarantee Foundation</i>	Information sheet annexed to Commission Regulation (EC) No 794/2004.	2007-2013
311	<i>Guarantee of the Rural Credit Guarantee Foundation</i>	Any aid granted under this measure will be in conformity with the de minimis Regulation (EC) No. ...	2007-2013
312	<i>Guarantee of the Rural Credit Guarantee Foundation</i>	Any aid granted under this measure will be in conformity with the de minimis Regulation (EC) No. ...	2007-2013
313	<i>Guarantee of the Rural Credit Guarantee Foundation</i>	Any aid granted under this measure will be in conformity with the de minimis Regulation (EC) No. ...	2007-2013
323	<i>Guarantee of the Rural Credit</i>	Any aid granted under this measure will	2007-2013



	<i>Guarantee Foundation</i>	be in conformity with the de minimis Regulation (EC) No. ...	
411	<i>Guarantee of the Rural Credit Guarantee Foundation</i>	Any aid granted under this measure will be in conformity with the de minimis Regulation (EC) No. ...	2007-2013
412	<i>Guarantee of the Rural Credit Guarantee Foundation</i>	Any aid granted under this measure will be in conformity with the de minimis Regulation (EC) No. ...	2007-2013
413	<i>Guarantee of the Rural Credit Guarantee Foundation</i>	Any aid granted under this measure will be in conformity with the de minimis Regulation (EC) No. ...	2007-2013
421	<i>Guarantee of the Rural Credit Guarantee Foundation</i>	Any aid granted under this measure will be in conformity with the de minimis Regulation (EC) No. ...	2007-2013
431	<i>Guarantee of the Rural Credit Guarantee Foundation</i>	Any aid granted under this measure will be in conformity with the de minimis Regulation (EC) No. ...	2007-2013

## 9. Complementarity with Other Programmes

### 9.1. Connection of NHRDSP with other operative programmes in Hungary

The connection points between the New Hungary Rural Development Programme and the Operational Programmes (2007-2013 financed from the structural funds and the Cohesion Fund) is established on the following aspects.

**Demarcation** is necessary in case the operational programmes support similar activities as NHRDP. Clear demarcation lines are stipulated during the negotiations between the Ministry of Agriculture and Rural Development and the National Development Agency, which is responsible for structural funds in Hungary.

Overall **synergy and coherence** between related developments must be assured, indifferent of what programme finances it. Synergic measures are negotiated among responsible bodies regularly during the planning and implementation period. Some synergic measures are part of integrated programmes (“flagship programmes”) covering related measures financed from different state aid subsystems.

Level of **coordination** activities during the implementation period to assure the expected joint impacts of different developments. Coordination activities may cover joint proposals, common monitoring and evaluation activities, joint project appraisal procedures etc.

Exact terms of coordination between NHRDP and the operational programmes are currently discussed with the National Development Agency; therefore the following sections will cover only demarcation and synergy issues.

In case of **infrastructural investments** in agriculture and **water management**, the Strategy only supports investments in agricultural outskirt areas. Structural fund programmes finance every other infrastructural investment including machinery, construction and IT for enterprises of non-agricultural activity. Strong synergy is expected on the field of water management basically supported from the Environment and Energy Operational Programme.

As for the investments into the **renewable energy facilities**, the Programme supports only the small-scale processing capacities, owned by the producers. Renewable energy produced for sale is supported in the Environment and Energy Operational Programme.

**Research, development and innovation** activities are supported in the application of the agricultural technologies and know-how (e.g. food quality assurance systems) facilitates the acquisition of new markets and retaining the existing ones. Training of researchers at building local capacities can be financed under local capacity building measure (3.3). Synergy must be assured through promoting technology transfer among sectors, therefore between R&D measures of the Economic Competitiveness Operational Programme and the regional operational programmes.

Synergic connections will be assured to provide benefit of improved **education and employment** services financed by the Social Infrastructure and Social Renewing Operational Programmes. Measures of the Electronic Government and State Reform Operational programmes on renewing social services will have a direct positive impact on agricultural investments.

The **advisory services, trainings and development of skills**, provided by the Rural Development Programme are limited in scope to the – potential – beneficiaries of the Programme and in subject to the skills and knowledge which are necessary for the successful implementation of the measures of the Programme.

In case of enterprise development, **micro-enterprises with a full-scale** – with a very limited number of exceptions – **type of activity** can be supported in rural areas. Supported micro-enterprises are mainly involved in agricultural activities; other companies are supported from the Economic Competitiveness Operational Programme and regional operational programmes.

In the field of **tourism**, the demarcation principle reflects an approach, based on the size of the project and on the direction of integration among the project-owners: the establishment of non-commercial accommodation capacities, with the related services and small-scale infrastructure – all of this carried out striving for horizontal integration – will be supported by the programme. Other touristical investments are supported by the regional operative programmes.

As for the **renewal of villages**, buildings representing high cultural value and being under protection will be supported in order to increase the attractiveness of the settlements. The **principle of demarcation is two-fold**: it lays in the circle of eligible settlements on one side, and in the complexity of the project on the other. Rural settlements and simple project are supported by the Rural Development Programme.

The development of infrastructure of villages is outside the circle of the eligible projects. In case of supporting **rural basic services**, the **demarcation principle lays in the size of the settlements**, namely, the centre settlements of small-regions will be supported by the regional programmes, while small villages will be supported – and prioritised – by the Rural Development Programme. Synergical development will be favoured.

The New Hungary Rural Development Strategic Plan supplements the support for development in the field of aquaculture of the **European Fisheries Fund**, since it brings into effect parallel objectives for modernisation mainly in Axes 1 and 2. The „Extensive fish ponds” target programme forming part of the agri-environment measure will be continued as part of the present Strategy and Programme according to the conditions determined in the NRDP.

Coherence between the New Hungary Rural Development Programme and sectoral OP's of the New Hungary Development Plan			Priority	Economic Competitiveness OP				Environment & Energy OP				Transport OP			Electronic Government			State Reform Op			Social Infrastructure OP				Social Renewing OP									
				R&D	Promoting profitability of enterprises	Information Society & Modern Business Environment	Financial Instruments	Healthy, clean cities	Water Management	Preservation of natural resources	Renewable-energy	More efficient energy usage	Sustainable production and consumption culture	International accessibility of the country and centres of regions	Regional accessibility	Infrastructure of intermodal economic centres	Transport of city agglomeration	Renewing infrastructure for the organisations in public administration	Accessibility of electronic government services	Improvement of public administration services	Renewing institutional procedures	Improving quality of human resource	Improving governance and renewing ability	Educational infrastructure	Health-Care infrastructure	Infrastructure supporting participation on the employment market	Cultural Infrastructure	Matching demand and supply on the labour market	Decreasing regional disparities of activity	Adapting ability to changes	Life long learning	Improvement of healthcare and ability to work	Social cohesion, equal opportunities	
No.	Priority	Measure	1	2	3	4	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26		
1	Competitiveness in the agricultural, food processing and forestry sectors																																	
	1.1	Promoting information dissemination			S,D																			D					S		S	S		
	1.2	Age-restructuring																					D					S		S	S		S	
	1.3	Farm and production restructuring		D	S,D				S,D	S,D	S			S	S			S										S					S	
	1.4	Support for investment and quality measures	S		S,D										S	S		S	S	S	S													
	1.5	Support for infrastructure			S,D																													
2	Improving the environment and the countryside by supporting land management																																	
	2.1	Support for agri-environment, Natura 2000 and forest environment						S,D																						S				
	2.2	Preserving LFA territories and the traditional agricultural landscape						S,D	S,D																									
	2.3	Investment support for environmental standards and water management						S,D	S,D																									
	2.4	Support for afforestation and fast growing species						S,D	S,D																									
	2.5	Ensuring the balanced quantity of high quality water						S,D																										
	2.6	Strengthening the protection of soils						S,D	S,D																									
	2.7	Ensuring the animal welfare payments																																
3	Improving the quality of life in rural areas and encouraging diversification of economic activity																																	
	3.1	Support for diversification, micro-business and tourism, building on the natural and cultural heritage;																								D				S			S	
	3.2	Improving access to basic services and village renewal																						D							S, D	S, D		
	3.3	Support for local capacity building	S																										S		S		S	

"S" as Synergy: UHRDP measures support or are supported by UHDP priorities (complementary or multiplicative effect)  
"D" as Demarcation: Similar UHRDP measures are supported at UHDP priority, demarcation has been clarified



## 10. Designation of competent authorities and bodies responsible

The implementation of the NHRDP takes place on four levels:

- Competent Authority (within the meaning of Article 1 (2) of Regulation (EC) No 885/2006
- Certification Body (within the meaning of Article 7 of Regulation (EC) No 1290/2005)
- Managing Authority
- Accredited paying authority (within the meaning of Article 6 of Regulation (EC) No 1290/2005).

### 10.1. The Competent Authority

According to Government Decree No 162 of 2006, the Competent Authority in respect of both EAFRD and EAGF is the Minister of Agriculture and Rural Development. The Minister

- is entitled to grant or withdraw accreditation of the Paying Agency,
- supervises whether the Paying authority continues to comply with the accreditation criteria,
- is entitled to address instructions to the Paying authority if he finds that the Paying authority does not comply with the accreditation criteria.

The Department for Agricultural and Rural Development is responsible for assistance to the Minister at his task concerning accreditation.

**Address:** Földművelésügyi és Vidékfejlesztési Minisztérium (FVM)

Agrár-vidékfejlesztési Főosztály

H-1860 Budapest Pf. 1.

**Tel.:** +36-1-301-4000

**Fax :** +36-1-301-4000

**E-mail:** [emva@fvm.hu](mailto:emva@fvm.hu)

### 10.2. The Certification Body

The Certification Body was designated by the Competent Authority according to Article 7 of Regulation (EC) No 1290/2005 under a public procurement procedure. The Certification Body – the KPMG Hungária Kft – is a Hungarian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. The Certification Body is totally independent from the Paying authority and from the Competent Authority. As an auditing firm, it has the necessary technical expertise as required by Article 5 of Regulation (EC) No 885/2006. The contract concluded with the Certification Body assures that it will conduct its examination on the Paying authority according to internationally accepted auditing standards taking into account any guidelines established by the Commission.

**Address:** KPMG Hungária Könyvvizsgáló, Adó- és Közgazdasági Tanácsadó Kft.

H-1139 Budapest, Váci út 99.

**Tel.:** +36-1-887-7100

**Fax :** +36-1-887-7101

**E-mail:** [info@kpmg.hu](mailto:info@kpmg.hu)

### 10.3. The Managing Authority

The Minister of Agriculture and Rural Development was designated by the Hungarian Government as Managing Authority of the NHRDP. The Minister delegated this task to the Secretary of State for EU Affairs within the Ministry. The Secretary of State is assisted by the Department for Agricultural and Rural Development (DARD) in performing his tasks as Managing Authority. The DARD also performs the managing authority tasks relating to SAPARD, ARDOP and EFF, and the tasks of the NRDP programmemanagement unit.

According to Article 75 of Council Regulation (EC) No 1698/2005, the Managing Authority of the NHRDP is responsible for the effective, successful and regular control and management of the programme and has the authority to perform all the task rendered to the Management Authority by the Regulation mentioned above. In particular, the Managing Authority

- ensures that operations are selected for funding in accordance with the criteria applicable to the NHRDP;
- ensures that there is a system to record and maintain statistical information on implementation in computerised form adequate for the purposes of monitoring and evaluation;
- ensures that beneficiaries and other bodies involved in the implementation of operations are informed of their obligations resulting from the aid granted, are aware of the requirements concerning the provision of data to the Managing Authority and the recording of outputs and results;
- ensures that programme evaluations are conducted within the time limits laid down in Regulation (EC) No 1698/2005;
- leads the Monitoring Committee and sends it the documents needed to monitor implementation of the NHRDP in the light of its specific objectives;
- ensures compliance with the obligations concerning publicity referred to in Article 76;
- draws up the annual progress report and, after approval by the Monitoring Committee, submits it to the Commission;
- ensures that the paying authority receives all necessary information, in particular on the procedures operated and any controls carried out in relation to operations selected for funding, before payments are authorised.

Besides the tasks mentioned above, under Hungarian law the Managing Authority has the right in particular:

- to approve and supervise the project selection procedures of the Paying Agency;
- to determine the detailed support conditions on the basis of the NHRDP;
- to issue official and binding acts on certain issues concerning implementation of the NHRDP;
- to coordinate the setting up and operation of databases relating to the EARDF, the EAGF and the EFF, to organise their harmonic development;

- to make a decision – on the basis of the relating programs of the European Union – on the use of the community sources available for the purposes of technical support;
- to determine and coordinate the communication of the program;
- to determine the participants of the monitoring committee;
- to monitor the implementation of the programme continuously;
- to initiate the modification of the Program, if necessary;
- to make annual reports on the progress of the program.

In cooperation with other relevant ministries and partners and the Paying Agency, the Managing Authority prepares the legal acts relating to implementation. The Managing Authority supervises and controls the implementation of the NHRDP in compliance with the resolutions of the programme Monitoring Committee, the relating legal acts, the conditions determined in the programme and the demands of the target groups.

The Managing Authority takes the necessary steps in order to reach the outputs, results and effect indicators determined in the NHRD. The MA establishes permanent and efficient partnership cooperation with the relevant organisations to use of the special knowledge available at the partners.

**Address:** Földművelésügyi és Vidékfejlesztési Minisztérium (FVM)

Közösségi Ügyekért Felelős Szakállamtitkár

H-1860 Budapest Pf. 1.

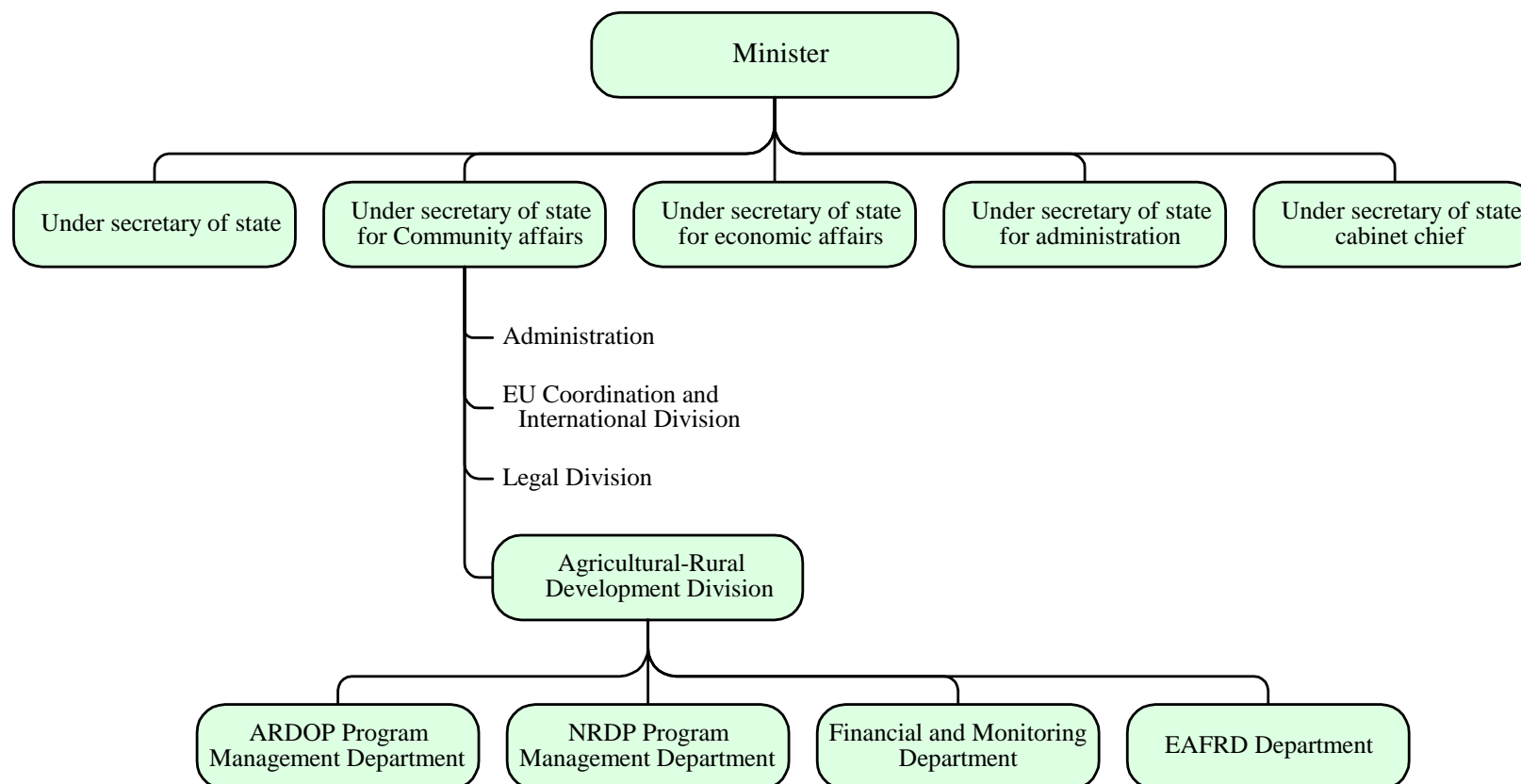
**Tel.:** +36-1-301-4000

**Fax :** +36-1-301-4000

**E-mail:** [emva@fvm.hu](mailto:emva@fvm.hu)



## The organisational diagram of the MA in the MARD 2006



## 10.4. The Paying Authority

The Mezőgazdasági és Vidékfejlesztési Hivatal (Agricultural and Rural Development Agency – ARDA) will act as accredited Paying authority concerning EAFRD in accordance with Regulation (EC) No 1290/2005. ARDA is the sole Paying authority in Hungary, it performs the Paying authority tasks of the EAFRD and EAGF. The ARDA is a government agency and an accredited Guarantee Section Paying authority since 2004. Besides Paying authority tasks, in connection with the community agricultural and rural development funds ARDA performs the following roles:

- SAPARD Agency
- ARDOP/EAGGF Orientation Division and FIFG – cooperating organisation
- EFF – cooperating organisation and Control Authority.

Apart from supports financed by the Community, the ARDA also handles aids financed from domestic resources.

The organisation of the ARDA consists of a central office and 19 county offices. It has a staff of about 1,600. The number of persons employed at the central office is about 500, at the county offices this number is about 20-100 depending on the size of the counties. The central office has eight directorates and eight departments.

The Paying authority ensures that:

- the eligibility of requests and the procedure for allocating aid, as well as their compliance with Community rules are checked before payment is authorised;
- accurate and exhaustive accounts are kept of the payments made;
- the checks laid down by Community legislation are made;
- the requisite documents are presented within the time-limits and in the form stipulated by Community rules;
- the documents are accessible and kept in a manner which ensures their completeness, validity and legibility over time, including with regard to electronic documents within the meaning of Community rules.

The Paying authority

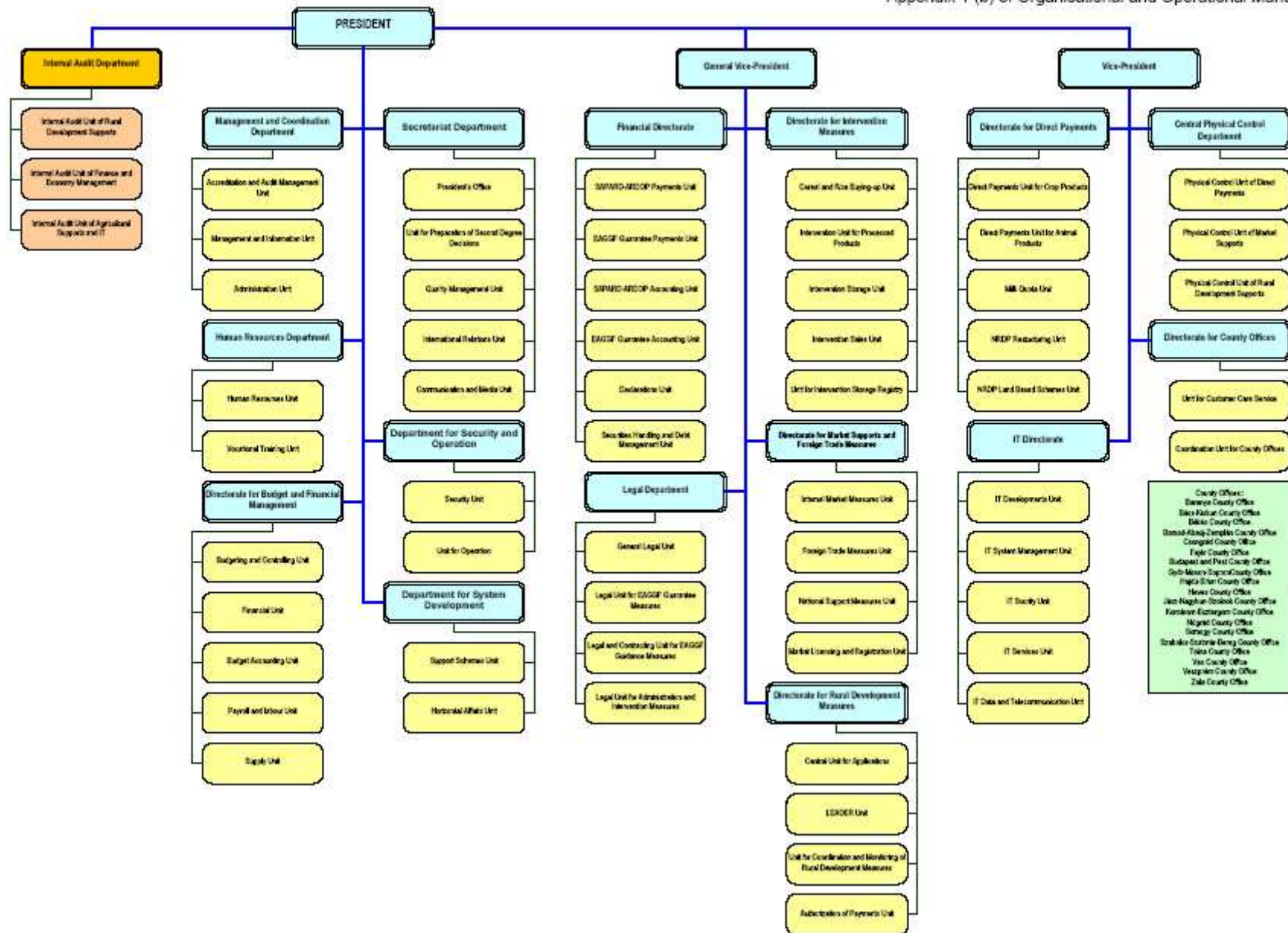
- is responsible for the authorization and control of claims, performs administrative and on the spot controls;
- executes payments;
- records all payments in the Paying Agency's separate accounts for EAGF and EAFRD expenditure in the form of an information system, prepares periodic summaries of expenditure, including the monthly, quarterly and annual declarations to the Commission;
- handles advances and securities, keeps the debtor's ledger, collects overdue debts,
- keeps a client register,
- operates the Integrated Administration and Control System.

**Address:** Mezőgazdasági és Vidékfejlesztési Hivatal  
H-1095 Budapest, Soroksári út 22-24.

**Tel.:** +36-1-

**Fax :** +36-1-

**E-mail:**



## **11. A description of the monitoring and evaluation systems**

The Programme's monitoring and evaluation activity shall be formulated on the basis of the specifications of the Common Monitoring and Evaluation Framework (CMEF), the indicators used in the Programme rely to the greatest extent possible on the specifications of the CMEF.

Regional, local and other authorities, economic and social partners, organisations representing the civil society, non-governmental bodies, environmental protection bodies and bodies responsible for the promotion of equal opportunities between men and women take part in the committee.

### **11.1. A description of the monitoring and evaluation systems**

#### ***11.1.1. Monitoring***

A Monitoring Committee shall be set up within a maximum of three months following the decision approving the programme to monitor and keep track of the NHRDP.

The Monitoring Committee may supervise the selected measures in the programmes maximum four months after the decision on the approval of the rural development programme.

Thereafter its main activity is to

- periodically supervise progress towards reaching the concrete objectives of the programme,
- inspects the results of implementation,
- approve the annual progress reports, before they are sent to the (Brussels) Commission
- make a proposal for the Management Authority on the adjustment or supervision of the programme.

The Managing Authority and the Monitoring Committee shall carry out monitoring of each rural development programme by means of financial, output, result and impact indicators. The indicators are processed on the basis of the CMEF.

#### ***Strategic monitoring***

In addition to the general monitoring activities, in relation to the National Strategic Plan, Hungary shall perform strategic monitoring activity to obtain information and inform parties interested about the progress of the objectives set in the New Hungary Rural Development Strategic Plan (NHRDSP), and how its implementation facilitated the realization of Community strategic guidelines. Such strategic monitoring report shall be prepared in every second year from 2010 on a total of three occasions (2010, 2012, 2014). In addition to the above the report shall summarize the results of the ongoing evaluation. In accordance with Article 13 (3) of the Council Regulation the annual progress report can be combined with the strategic monitoring report in years 2010, 2012 and 2014. See below

#### ***Annual Progress Report***

The Management Authority sends an annual report to the Commission for the first time in 2008, then in every year following, till the 30th June on the implementation of the programme. In 2016 the report is to be sent in the form of a closing report on the implementation of the programme.

The Commission has two months to make comments about the annual progress report.

In addition to the comments – after the submission of the annual report - the Commission inspects jointly with the Management Authority - in the form of bilateral consultation - the key results achieved in the previous year. The Commission shall make comments during these consultations as well. The member-state informs the Commission about measures taken in reply to the comments.

### ***11.1.2. Evaluation***

The objective of the evaluation is to improve the quality, efficiency and success of the implementation of the NHRDP. The evaluation is carried out by independent evaluators. The Management Authority ensures human and financial resources required for carrying out the evaluations, organizes the generation and collection of data, and uses various information supplied by the monitoring system.

Forms of the evaluation: ex ante, mid-term and ex post evaluation. The mid-term and subsequent evaluation form part of an ongoing system of evaluation.

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

The ex ante evaluation shall form part of drawing up each rural development programme and aim to optimise the allocation of budgetary resources and improve programming quality. It shall identify and appraise medium and long-term needs, the goals to be achieved, the results expected, the quantified targets particularly in terms of impact in relation to the baseline situation, the extent to which the Community's priorities have been taken into account, the lessons drawn from previous programming and the quality of the procedures for implementation, monitoring, evaluation and financial management.

#### ***Mid-term and ex post evaluation***

In the course of continuous assessment realised on the basis of article 86 of Directive 1698/2005/EC the progress of the programme in comparison to the aims is examined using result and effect indicators if available already.

As of 2008 the Management Authority makes annual reports to the Monitoring Committee on ongoing evaluation activities. The summary of the activities shall be attached to the annual progress report.

In 2010 the ongoing report shall be prepared as mid-term report and in 2015 as ex post report. The mid-term and ex post evaluations inspect the rate funds were used, the success and efficiency of EAFRD programming, and its social and economic impact. They contain the objectives of the programme and draw conclusions on the rural development policy.

### ***11.1.3. System of monitoring and evaluation reports***

On the basis of the above the Management Authority engages in the following evaluating and monitoring activities in respect of the programme:

- having the ex ante evaluation prepared;
- generation of annual progress report for the Commission, the report is approved by the Monitoring Committee;

- setting up the ongoing evaluation system, as part of which the mid-term and the ex post evaluation is also generated and informs the Monitoring Committee and the Commission about the results of the evaluation annually as a part of the annual progress report;
- holds annual consultations with the Commission on results reached;
- as of 2010 every two years preparation of summary report for the Commission on progress achieved in the implementation of the objectives of the national agricultural and rural development strategic plan (strategic monitoring).

The reports shall also make reference to one another, moreover contain conclusions, results, and failures. This way monitoring and evaluating activity forms an integrated whole and follows the entire course of the programme.

## **11.2. The envisaged composition of the Monitoring Committee**

### *MARD*

Department of EU Coordination and International Relations

Department of Food Chain, Food Safety Veterinary And Phytosanitary Issues

Department of Natural Resources

Department of Agricultural Administration

Department of Human Resources

Department of Agricultural Regulations

Legal Department

### *Paying Agency*

Agricultural and Rural Development Agency

### *Ministries and other bodies of national competency*

Ministry of Social Affairs and Labour

Ministry of Environment and Water

Ministry of Local Government and Regional Development

Ministry of Education and Culture

National Development Agency

National Land Fund

Central Service for Plant and Soil Conservation

National Directorate of Environment-, Nature Protection and Water Issues

State Forest Service

National Office of Cultural Heritage

Agricultural Economics Research Institute

### *Regional Development Councils*

Joint delegate of the Regional Development Councils

### *Representations of interest as regards axes I-IV.*

Hungarian Agricultural Chamber

Hungarian Farmers' Association

Hungarian National Farmers' and Cooperatives' Association (MAGOSZ)

Hungarian Association of Young Farmers/Agricultural and Rural Youth Association

Hungarian Association of Agricultural Workers (MEDOSZ)

Agricultural Employers' Association

National Association of Agricultural Co-operatives and Producers (MOSZ)

National Association of Food Processors (ÉFOSZ)

National Association for Agricultural Energy

Hangya' Association

National Association of Animalkeepers

### *Axis II.*

WWF Hungary

Hungarian Federation of Forestry and Wood Industries (FAGOSZ)

Association of Hungarian Private Forest Owners (MEGOSZ)

National Society of Conservationists (NSC)

National Confederation of Water Management Associations

National Association of Fish Producers and Product Board (HALTERMOSZ)

### *Axes III-IV.*

National Association of Village Tourism

Joint delegate representing local governments (Association of the Hungarian Local Authorities, National Association of Local Governments of Communes, Small Municipalities and Microregions)

Hungarian Society of the European Council for the Village and Small Town

Hungarian LEADER Public Association

Hungarian Association of Administrators for Villages and Farms

Association of Development Organisations of Microregions

Joint delegate (Hungarian Craft Chamber, Association of Hungarian Folk Artists)

Hungarian Foundation of Self-reliance

Rural Parliament



*Horizontal issues and equal-opportunities*

Council of Women Representation

National Council of Issues Related to Handicapped Persons

Council of Roma Issues

*Members with advisory capacity*

Representatives of the EU Commission

Institute for Education and Advisory Services - MARD

Hungarian Public Non-profit Company for Regional Development and Town Planning (VÁTI), Department of Rural Development

Hungarian Central Statistical Office

Department of Administration, Information and Controlling

## **12. Provisions to ensure that the programme is publicised**

### **12.1. Actions ensuring the publicity of the NHRDP**

Pursuant to Article 76 of Regulation (EC) No. 1698/2005 the Managing Authority provides information about the New Hungary Rural Development Strategic Plan (NHRDSP), the New Hungary Rural Development Programme (NHRDP), as part of that contributions by the Community and makes those public. This information shall be aimed at the general public. It shall spotlight the role of the Community and ensure the transparency of EAFRD assistance.

The Managing Authority shall be responsible for the publicity of the programme as follows:

- it shall inform potential beneficiaries, professional organisations, the economic and social partners, bodies involved in promoting equality between men and women and the non-governmental organisations concerned, including environmental organisations, of the possibilities offered by the programme and the rules for gaining access to programme funding;
- it shall inform the beneficiaries of the Community contribution;
- it shall inform the general public about the role played by the Community in the programmes and the results thereof.

The financial sources ensuring the information and publicity shall be made available from the programme's Technical Assistance chapter.

### **12.2. Actions foreseen to inform potential and existing beneficiaries**

#### ***12.2.1. Supply of information for future beneficiaries***

In order to ensure transparency the Managing Authority provides information at the widest extent possible about the financial opportunities made available under the NHRDP by the Community and the member state.

For this cause the Managing Authority ensures that the general public is informed about funding opportunities in the framework of the NHRDP and such information reaches all potential applicants interested. In the scope of this activity, especially:

- the Managing Authority provides clear, unambiguous and detailed information for the potential beneficiaries;
- the Managing Authority ensures that the panels operating as intermediaries in informing the potential beneficiaries are involved in the activities;
- the Managing Authority provides information on the role of the National Rural Network, and uses the possibilities of the Network in order to spread information.

#### ***12.2.2. Information provided for the beneficiaries***

The Managing Authority ensures that the beneficiary is informed in a notifying document about winning the support and that activities are financed by a programme, whose source is in part the EAFRD and in part the Hungarian budget.

## **12.3. Informing the general public**

The Managing Authority shall make every effort possible to inform the general public about measures under the NHRDP.

### ***12.3.1. Obligations of the Managing Authority***

The Managing Authority informs the general public about the adoption of the NHRDP by the EU Commission, its modifications, key results achieved in the course of the implementation of the programme, and the closing of the programme.

The Managing Authority publishes the list of beneficiaries under the NHRDP, the title of the projects to be realised, and the sum of public funds spent on the projects.

The Managing Authority is responsible for executing measures aimed at the supply of information. In the course of the activity the MA uses all possible forms of informing the general public at regional level. It is necessary to make use of communication campaigns, printed and electronic media.

## **12.4. Technical features of information supply activities**

### ***12.4.1. Slogan and logo***

All information supply activity shall contain the following elements:

- flag of the EU, explanation of the role of the Community, including the following information: “European Agricultural Fund for Rural Development: Europe supports the rural areas”
- in case of activities supported by the LEADER axis it is also necessary to use the LEADER logo.

### ***12.4.2. Available information and communication tools***

- the publications on the activities and measures co-financed by the EAFRD (pamphlets, brochures, bulletins) and posters shall clearly show on the main page that the contribution originates from the Community, the symbol of the EU, and the national or regional symbol as well. The publications shall also contain the identification of the panel responsible for the information contained therein and towards the MA, and its contact information.
- in case of information published by electronic means (web sites, databases for the potential beneficiaries) and in case of audiovisual materials the provisions in the first paragraph shall be applied – with modifications as required. It is necessary to involve new techniques in the preparation of the communication plan to enable efficient spread of information and exchange of opinion with the general public.

Web sites concerning the EAFRD supported by the MA:

- shall mention the ratio of EAFRD contribution at least on the main page;
- shall contain a link to the EU EAFRD web site.

## **12.5. Communication Plan**

### ***12.5.1. Objectives and target groups***

#### General objectives

- Supply of information to the general public, farmers and residents in rural areas about development policy plans in Hungary for the 2007-2013 period and the role of support by the European Union;
- Presentation of the objectives and measures of the rural development programme, and results achieved during their realization;
- Overall and targeted supply of information to potential beneficiaries, target groups and cooperating organizations on available rural development sources and applications – supported jointly by the EU and Hungary;
- Enhancing the transparency, level of support and knowledge about the support activities carried out by the European Union;
- Emphasizing the importance of equal opportunities and environmental protection.

#### Target groups

##### a) The whole of the population

The population is a general target group, which has to be informed about the role of the European Union and support granted to Hungary under the NHRDP (EFRD + domestic co-financing) and the significance of such support.

##### b) Potential beneficiaries

They include persons, organizations and institutions affected by the activities carried out under the NHRDP, particularly:

- potential applicants, farmers, and rural residents,
- professional, interest representation and civil organizations,
- regional and local authorities (local governments),
- vocational training and employment institutions, advisors,
- environmental protection and forestry agencies,
- organizations facilitating equal opportunities,
- parties affected by realized projects, banks, advising firms, and specialists.

##### c) Project winners

### ***12.5.2. Phases of communication***

#### a) Making known the rural development programme

The objective is to direct the attention of the general public and specific target groups to the new application potentialities. Complete and all-encompassing information is to be provided on key issues relating to the programme. Applicants are to be given access to information related to developments, eligibility for support, the sum of support, acceptability of the applications, additional conditions to be fulfilled by the applicants, date of submission of the applications, and miscellaneous information.

#### b) All-encompassing communication

Target-orientated and efficient supply of information is of utmost importance for the preparation of the applications, and the steps and conditions of handling the applications shall be communicated towards the potential beneficiaries as a special topic. Special attention must be given to the conditions of awarding support as well.

In the course of the programme's implementation it is necessary to provide regular information about the programme, its current state and individual measures.

News about the programme's realization and contracts concluded have to be spread at national and local level through the media, printed materials, the Internet, forums and with person-to-person and telephone customer service. This can also contribute to transparency and draws the attention of potential applicants to opportunities.

c) Closing the programme

The programme's evaluation has special importance, because experiences gained have to be enforced in the course of the preparation of the next programme for 2014-2020 and in the programme itself. It will be necessary to summarize experience and prepare evaluation studies in progress before this, when the planning of the next period is started.

### ***12.5.3. Introduction to measures aimed at the supply of information, the content of communication***

#### *For the general public*

Wide-ranging information supply about support potentialities under the NHRDP and results achieved to ensure full publicity.

Instruments:

- preparation of brochures, leaflets for a brief introduction to the NHRDP,
- production of publications on the activities co-financed by the EAFRD, the method of application, about the process and principles of evaluation of the applications, the steps of implementation and control of the projects to ensure transparency,
- **advertising in the printed press (daily, weekly, monthly, professional, county, regional papers), preparation of articles and studies and their communication throughout the programme period,**
- questionnaire survey, public opinion poll on knowing about and the general opinion of the NHRDP (EAFRD), so the Managing Authority can get a picture about the sources of information of the target groups, their needs, expectations and any problems, thus ensuring the successful supply of information,
- having marketing communications tools prepared using the NHRDP (EAFRD) image, slogan and logo, which can be obtained by the parties interested and those affected by the support through the ARDA offices and at events organized to spread information,
- operation of a MA web site as well as the continuous supply of information about the NHRDP on the web site of the MARD and the ARDA;
- participation at events, exhibitions, and roadshows,
- the application of other direct marketing tools,
- setting up special marketing channels targeted at the rural population.

### *For the potential beneficiaries*

On the basis of experience from the 2004-2006 period special, detailed information is to be provided on the measures of the NHRDP and such information is to be conveyed directly to the potential applicants (one of the tools for this can be searching for farmers and market players in the database of the ARDA and sending the publication to their address). They have to be given guidelines on how to submit proper applications.

Tools:

- preparation of publication to make known the axes and measures of EAFRD rural development support (objectives, scope of beneficiaries, method of using the support, scope of parties entitled to submit applications, sum of support available, financial conditions, requirements for the form and content of the applications, evaluation of the applications) thus facilitating exact and overall supply of information to the applicants,
- preparation of NHRDP circular, which contains the latest news, information and future events relating to rural development support,
- preparation of a sample application to demonstrate how the application documents are to be filled, and making it available for those interested by the Paying Agency,
- organization of workshops and professional presentations in cooperation with the Paying authority(ARDA) for potential applicants throughout the country to ensure that they prepare and submit applications in proper quality. Handing over the sample applications to the participants.
- operation of a MA web site as well as the continuous supply of information about the NHRDP on the web site of the MARD and the ARDA;
- participation at events, exhibitions, and roadshows,
- the application of other direct marketing tools,
- setting up special marketing channels targeted at the rural population.

### *For project winners*

It is necessary to facilitate that applicants already having won support realize their applications with success. They are to be informed about events and publications that facilitate and support implementation. Direct marketing can be used as an effective tool to notify registered applicants directly in mail about latest news concerning the programme, events to be held and other relevant developments.

Tools:

- preparation of publication for making known tasks to be carried out during the implementation and realization of winning projects, to be mailed directly to the beneficiary,
- organization of workshop to summarize experience gathered during the implementation of the programme, drawing conclusions, making forward-looking proposals and conveying these to the general public,
- web site (continuous supply of information about the NHRDP on the web site of the MARD and the ARDA).

### ***12.5.4. Indicative budget***

### ***12.5.5. Organizations responsible for the communication***

#### *NHRDP Management Authority (Ministry of Agriculture and Rural Development)*

Pursuant to Article 75 of Regulation (EC) No. 1698/2005 the Management Authority is responsible for the efficient, successful and lawful management and implementation of the programme in accordance with specifications.

Furthermore, it is responsible for the supply of information to potential beneficiaries, farmers and rural residents about the information at hand and services available, moreover informing the general public about the support efforts of the European Community.

#### *Paying authority(PA, Agricultural and Rural Development Agency)*

The PA is responsible for drawing the attention of local residents, beneficiaries and potential applicants, and provide exact and detailed information about the measures of the NHRDP for the submission of applications.

### ***12.5.6. Evaluation of the efficiency and impact of the communication plan and supply of information***

The success of measures of the NHRDP Communication Plan shall be evaluated on a regular basis using the indicators determined in the Plan, and the results and feedbacks of the evaluation shall be used in the course of future communications activities. The selection of the appropriate communications channels can be made easier by the preparation of studies and surveys.

#### *Evaluation for the EU Commission*

Preparation of annual progress reports for the European Commission on measures taken in the reference year and their success – forming part of the annual report approved by the Monitoring Committee.

#### *Indicators to be used for the evaluation*

### 13. The designation of the partners consulted and the results of the consultation

The New Hungary Rural Development Strategic Plan, determining the target areas of EU funds available for Hungary in 2007-2013 period, was completed after extensive social conciliation.

The Programme's social conciliation was carried out on a wide basis, in accordance with the principles and methodology applied in the Strategic Plan.

The following provisions of law contain some guidelines for carrying out the social conciliation:

- Pursuant to Article 6 (4) of Act CXIV of 1997 on the development of agriculture the Minister of Agriculture and Rural Development operates an interest conciliation system on a representative basis. Accordingly an agreement was made on 14 July 2003 on setting up the Agricultural and Rural Development Interest Conciliation Council (FÖVÉT).
- Also pursuant to Article 9 of Act CXIV of 1997 the Minister of Agriculture and Rural Development is to request the opinion of the members of the Agricultural Economy Council set up and operated by the Minister on issues relating to agriculture.
- Pursuant to Article 3 and 4 of Act XVI of 2003 the Product Track Committees are reconciliation forums preparing agricultural market order decisions that formulate an opinion and make proposals on agricultural regulation issues affecting the production of products, their domestic and foreign trade, and market protection measures to be applied.

Principles to be followed when creating the structure of the partnership

- d) **Ensuring access:** the Programme should be available for every professional party showing interest
- e) **Creating the possibility of actual interactive expression of opinion:** not simply unilateral commenting, but direct and two-way communication as well
- f) **Making possible various forms of expression of opinion, forums:** so each party affected and interested in the topic is given an opportunity
- g) **General information supply:** on the course of social conciliation and opportunities for the expression of opinion
- h) **Feedback:** collecting and processing of received opinions, supply of information on the result



## **14. Equality between men and women and non-discrimination**

The horizontal aspects determined by the Strategy (sustainability, equal opportunities, cohesion – regional, social) are also asserted in the course of the planning, implementation, monitoring and assessment of the Programme and its measures.

Special attention must be paid to the implementation of social equality between men and women, ensuring obstruction-free access for disabled people, promoting the social integration of the Roma and the prohibition of discrimination at the same time, in respect of all projects supported within the framework of the Programme and the activity of the institutes taking part in implementation.

Furthermore the aspects of environmental, social and economic sustainability and social and regional cohesion are horizontal aspects the assertion of which is obligatory.

At the level of realising institutes the fulfilment of such obligations can be ensured by including them into commission – co-operation – contracts concluded with the co-operating organisations.

Regional and social sustainability is ensured by strengthening the capacities of local communities and their partnership co-operations and by their co-operation in the decentralised complex assessment process under the aegis of subsidiarity.

The scope of measures – obligatory and voluntarily undertaken measures – that specifically ensure the possibility to realise horizontal aspects that can be asserted realistically through the project planning processes relating to such implementation will be determined.

The complex evaluation of the applicant, the project management and the projects ensures the assertion of relevant horizontal aspects, as well as their assessment and monitoring. Indirect aims set by the Programme also appear in the course of this evaluation process, such as the promotion of the development of approach, the propagation of communication technologies, the extension of employment, the strengthening of responsible business and social thinking, the encouragement of partnership co-operations.

## **15. Technical assistance operations**

The Technical Assistance is aimed at the efficient implementation of the New Hungary Rural Development Programme, serving the fulfilment of various needs for sources during the implementation and implementation of measures and activities, without which the implementation of the measures would be jeopardized.

### **15.1. Objective**

The objective of the measure is to facilitate the establishment and operation of the national rural network, preparation of the Programme, its management, enforcement, continuous monitoring, evaluation and revision.

The measures contribute to the implementation of the following main objectives:

- establishment, maintenance and operation of the national rural network;
- support for the preparation, evaluation, monitoring and revision of activities under the rural development programme (including audit and on-site inspections, facilitation of the application of environmental protection criteria, elimination of regional imbalances, and creating equality of chance between men and women);
- supply of information, informing the public on a continuous basis about available measures, results of the rural development programme, and community contribution.

### **15.2. Description of the measure**

The technical assistance measures comprises four sub-measures and activities:

- Hungary shall also establish and operate the National Rural Network (NRN), which coordinates the cooperation of organizations engaged in rural development and public administration panels concerning information supply.
- Tasks related to the preparation, evaluation, audit and monitoring of the Programme, paying attention to horizontal topics.
- Provision of information on the opportunities and results of the Programme, creating wide publicity, and financing costs related to measures aimed at the implementation of the communication action plan: preparation of studies, training courses, workshops, publications, purchase and operation of computer system required for the proper implementation of the Programme.
- 0.25% of annual funds of the EAFRD can be used for preparatory, monitoring, administrative support, evaluation and control measures pursuant to Article 5 Council Regulation (EC) 1290/2005 under the initiative – or in the name - of the Commission of the European Union. These actions shall be carried out in accordance with Article 53 (2) of Council Regulation (EC, Euratom) 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities, and any other provisions of that Regulation and of its implementing provisions applicable to this form of execution of the budget.

### **15.3. Setting up the National Rural Network (NRN)**

Pursuant to Regulation (EC) 1698/2005 each Member State shall establish a national rural network, which coordinates the organisations and administrations involved in rural development. The network shall be financed from the technical assistance chapter, funds can be allocated for the following objectives:

- a) structures needed to run the network;
- b) preparation and implementation of an action plan containing
  - good examples, knowledge also applicable by others, getting acquainted with and analysis of the good practice of rural development;
  - determination of related practical activities and transfer of experience such as network management, arrangement of exchange of good practice and innovative efforts, preparation of training programmes for a wide range of potential applications such as farmers, rural micro, small and mid-size enterprises, producer groups, producer organizations and local action groups under formation, providing assistance for inter-regional and trans-national cooperation forms.

The budgets of the two components shall be shown in separate rows in the financial chart. The sum allocated for activity a) shall be limited to 25% of the sum planned for the rural network.

#### ***15.3.1. Structure of NRN***

The NRN may consist of the following elements:

- The organising function of NRN is performed by the New Hungary Rural Development Centre. It is a basically independent central co-ordination organisation operating within the framework of MARD, harmonising the professional work of the Local Rural Development Offices.
- The human and infrastructure background of NRN at local level is first of all ensured by the Local Rural Development Offices described above, which play a key role in the preparation of rural development small region strategies.
- All participants of rural development advisory systems (special agricultural advising, farm advisory system) and other sub-systems of agricultural administration automatically become members of the National Rural Development Network.
- Other state and civil participants in rural development (a list of whom needs to be prepared) are also members of the information network (organised on the basis of partnership).
- Organisations (local authority associations, civil associations, enterprises) and private persons (specialists, entrepreneurs) that intend to join the New Hungary Rural Development Strategic Plan either as a potential beneficiary or a civil partner may also be members of the National Rural Development Network.
- The NRN must appoint a chairperson to co-ordinate the co-operation of the above participants with the operative support of the New Hungary Rural Development Centre.

#### ***15.3.2. The process and timeline of creating the NRN***

Article 68 of the EAFRD decree contains provisions as to the establishment of the National Rural Development Network (NRDN). Each member states sets up a National Rural Development Network, which unites the organisations and administrative bodies dealing with rural development. The primary aim of the NRDN to be established is to unite the participants of rural development in an information

and co-operation network. It cannot be emphasised enough that the National Rural Development Network is not a separate network of consultants, and it is not the same as rural development consulting agencies either. It is more like a loose network of already existing state networks, agricultural and rural development consulting networks and further civil organisations concerned, based on the flow of information. Also, for local communities the primary form of appearance will be the Local Rural Development Office (LRDO), which has an outstanding role in rural development consulting, but is not the same as the National Rural Development Network.

The planned starting date of the New Hungary Rural Development Centre (NHRDC) is 1 January 2007. The Local Rural Development Offices (LRDO) will be selected before 28 February 2007. NHRDC will prepare its plan of actions before 1 June 2007. The registration of other participants will take place between 1 July and 31 August 2007. The National Rural Development Network will start its operation from 1 September 2007.

### ***15.3.3. Main categories of activities to be performed by the NRN***

The general obligation of the MA is to facilitate the exchange of experience at the level of member states and support the realization and evaluation of the rural development policy, and to ensure and coordinate the flow of information among local, national and European levels.

Specific tasks to be performed by the NRN, which will be elaborated in detail in an action plan to be prepared in the course of 2007:

- a) identification and analysis of practices suitable for transfer, and provision of information on the same;

Practice suitable for transfer covers the following areas:

- the four axes and the measures, the EU rural development strategy and the topics of the national strategies (innovation, renewable energy, creation of jobs in rural areas), position of rural women and youth,
  - programme realization issue, such as project selection requirements, monitoring, evaluation, formulation of local strategies, promotion of their realization, tracking,
  - through the continuous and structured flow of information among parties concerned in the region promotion of the local—micro-region synergic effects of development potentialities available under the Structural and Cohesion Funds and other domestic and international sources,
- b) organization of the exchange of experience and know-how, including the exchange of methodological, management and administration procedures, spreading the best practices in the widest extent possible;
  - c) training programmes for the local action groups in the building phase;
  - d) technical assistance for inter-regional and international cooperation (e.g. web sites, conference for partner search, training and advising for local action groups);
  - e) general information supply in relation to the NHRDP;
  - f) project-generation, contacting parties concerned, their orientation in any topic in the NHRDP or the NHDP;
  - g) general advising related to planning developments
  - h) facilitation of the establishment of multi-party developments and cooperation networks;
  - i) facilitation of processes and animation in integrate region planning (Article 59);
  - j) keeping contact with organizations concerned in regional planning;
  - k) survey of needs in relation to measures under Axis 3.

#### 15.3.4. Planned budget of NRN (Euro)

Expenditures relating to the National Rural Network	Total public expenditure	EAFRD contribution
a) Network operation costs (1.2.1.1.a-b tasks)	16,745,711	12,559,283
b) Action plan implementation costs (1.2.1.1.1 - c tasks)	50,237,133	37,677,850
<b>Total:</b>	<b>66,982,844</b>	<b>50,237,133</b>

### 15.4. Technical Assistance

Indicative allocation of costs among the individual activities planned:

Activity	% of TA fund	Sum in Euro
Activity 1	33.00%	66,982,844
Activity 2	60.00%	121,786,989
Activity 3	7.00%	14,208,481

#### Upper limit of rate of support and contribution from the Fund:

For public interest spending: up to maximum 100% of all eligible costs.

Contribution of European Agricultural Fund for Rural Development (EAFRD): 75% of total acceptable cost.

The measure's share from the budget of the NARDP: 4%

Support granted under this measure is not classified as state support under Article 87 of EC Treaty.

#### Form of support:

Non-refundable support.

#### Beneficiary:

The NHRDP Management Authority (Ministry of Agriculture and Rural Development), cooperating organization, technical cooperators (e.g. controlling, monitoring tasks), and organizations cooperating in the operation of the National Rural Network).

#### Project-selection criteria:

##### *Eligibility criteria:*

Under the Technical Assistance measure projects are selected by tenders or public procurement procedures, except for the cooperating organizations or technical cooperating organizations specified in the programme, by applying various procedures depending on the value limit involved. In general eligibility criteria are regulated under the Act on public procurement (Act CXXIX of 2003 on public procurement), criteria going beyond that are determined by the MA specifically for each procedure.

##### *Selection criteria:*

The projects to be implemented:

- have high quality methodology, and contribute to the implementation of programme objectives at the maximum extent possible,
- enforce community policies (with special regard to state support, public procurement, environmental protection and equality of chance) in connection to the objective of the contract,
- cost-efficient and economically the most advantageous form of implementation is ensured,
- all partners contributing to the efficiency of implementation are involved,
- innovative solutions are applied,
- have output, results and regular (implementation) reports that can be measured and checked.

**Horizontal issues:**

- **Environment:** The information supplied and preparations made under the measure place special emphasis on the EU's environmental protection requirements and check their enforcement.
- **Equal opportunities:** Equality of chance is fully ensured. The applications received are judged equal conditions. In case of applications of equal score, women, Roma and handicapped applicants will be given priority. In the applications persons living with disabilities shall be interpreted as persons with changed working capacity.
- **Expansion of the information society:** The establishment of electronic agricultural services and communication channels provide assistance for an ever increasing portion of the agricultural market.

**Legal basis of support:**

The measure is eligible for support under Article 66 of Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD).

As part of the technical assistance referred to in Article 5 of Council Regulation (EC) No 1290/2005 of 21 June 2005 on the financing of the common agricultural policy a network for rural development should be set up at Community level.

**Planned results:**

The implementation of the measure leads to the creation of a national rural network that support each axis and cooperates in an efficient manner in the achievement of development policy objectives to be realised through other Community or miscellaneous sources, and in formulating and strengthening the synergic effects of various instruments. Ensuring targeted and coordinated flow of a large mass of information, orientation of the development policy, and facilitating, in addition to players in agriculture, other parties concerned in the region and question and their cooperation.

The programme's implementation will become transparent and the application schemes advertised will be available for each beneficiary.

## **ANNEXES**

## ANNEX I

### List of species for ex situ prevention (measure 214)

Termesztett fajok	Magyar növénynév
<i>Achillea filipendulina</i>	Páfránylevelű cickafark
<i>Achillea millefolium</i>	Közönséges cickafark
<i>Agropyron cristatum</i>	Taréjos búzafű
<i>Agropyron elongatum</i>	Magas tarackbúza
<i>Agropyron intermedium</i>	Deres tarackbúza
<i>Agrostis alba</i>	Tarackos tippán
<i>Agrostis alba</i> subsp. <i>gigantea</i>	Óriás tippán
<i>Agrostis capillaris</i>	Cérnatippán
<i>Alcea rosea</i> ( <i>Althaea rosea</i> )	Kerti mályva
<i>Allium ascalonicum</i>	Mogyoróhagyma
<i>Allium cepa</i> var. <i>aggregatum</i>	Csokroshagyma
<i>Allium cepa</i> var. <i>cepa</i>	Vöröshagyma
<i>Allium fistulosum</i>	Téli hagyma
<i>Allium galanthum</i>	Díshagyma
<i>Allium porrum</i>	Poréhagyma
<i>Allium sativum</i>	Fokhagyma
<i>Allium schoenoprasum</i>	Metélőhagyma
<i>Allium tuberosum</i>	Tatár hagyma
<i>Alopecurus pratensis</i>	Réti ecsetpázsit
<i>Amaranthus caudatus</i>	Bókoló amaránt
<i>Amaranthus cruentus</i>	Bíbor amaránt
<i>Amaranthus hypochondriacus</i>	Piros amaránt
<i>Amygdalus communis</i> ( <i>Prunus dulcis</i> var. <i>sativa</i> )	Édesmandula
<i>Anethum graveolens</i>	Kapor
<i>Anthoxanthum odoratum</i>	Illatos borjúpázsit
<i>Anthyllis vulneraria</i> subsp. <i>vulneraria</i>	Nyúlzapuka
<i>Apium graveolens</i> var. <i>graveolens</i>	Erősszagú zeller
<i>Apium graveolens</i> var. <i>rapaceum</i>	Kerti zeller
<i>Apium graveolens</i> var. <i>secalinum</i>	Metélőzeller
<i>Arachis hypogaea</i>	Amerikaimogyoró
<i>Arrhenatherum elatius</i>	Franciaperje
<i>Asparagus officinalis</i>	Spárga
<i>Atriplex hortensis</i>	Kerti laboda
<i>Avena byzantina</i>	Bizánci zab
<i>Avena sativa</i>	Abrakzab
<i>Avena strigosa</i>	Érdes zab
<i>Basella alba</i>	Fehér spenót
<i>Benincasa hispida</i>	Viasztök
<i>Beta vulgaris</i> var. <i>cicla</i>	Mangold



<i>Beta vulgaris</i> var. <i>conditiva</i>	Cékla
<i>Beta vulgaris</i> var. <i>crassa</i>	Takarmányrépa
<i>Beta vulgaris</i> var. <i>altissima</i>	Cukorrépa
<i>Borago officinalis</i>	Kerti borágó
<i>Brassica juncea</i>	Szareptai mustár
<i>Brassica napus</i> subsp. <i>napus</i>	Olajrepcse
<i>Brassica napus</i> var. <i>napobrassica</i>	Karórépa
<i>Brassica nigra</i>	Fekete mustár
<i>Brassica oleracea</i> convar. <i>acephala</i> var. <i>gogylodes</i>	Karalábé
<i>Brassica oleracea</i> convar. <i>acephala</i> var. <i>sabellica</i>	Szárnys káposzta
<i>Brassica oleracea</i> convar. <i>acephala</i> var. <i>viridis</i> ( <i>acephala</i> )	Marhakáposzta
<i>Brassica oleracea</i> convar. <i>botrytis</i> var. <i>botrytis</i>	Karfiol
<i>Brassica oleracea</i> convar. <i>botrytis</i> var. <i>italica</i>	Brokkoli
<i>Brassica oleracea</i> convar. <i>capitata</i> var. <i>capitata</i> f. <i>alba</i>	Fejes káposzta
<i>Brassica oleracea</i> convar. <i>capitata</i> var. <i>capitata</i> f. <i>rubra</i>	Vörös káposzta
<i>Brassica oleracea</i> convar. <i>capitata</i> var. <i>sabauda</i>	Kelkáposzta
<i>Brassica oleracea</i> convar. <i>fruticosa</i> var. <i>gemmifera</i>	Bimbóskel
<i>Brassica rapa</i> subsp. <i>rapa</i> ( <i>campestris</i> var. <i>rapifera</i> )	Tarlórépa
<i>Brassica rapa</i> subsp. <i>chinensis</i>	Kínai káposzta
<i>Brassica rapa</i> subsp. <i>pekinensis</i>	Pekingi káposzta
<i>Bromus erectus</i>	Sudár rozsok
<i>Bromus inermis</i>	Árva rozsok
<i>Cajanus cajan</i>	Kajánbab
<i>Calendula officinalis</i>	Körömvirág
<i>Callistephus chinensis</i>	Kerti őszirózsa
<i>Camelina sativa</i>	Magvas gomborka
<i>Cannabis sativa</i>	Kender
<i>Capsicum annuum</i> var. <i>cerasiforme</i>	Cseresznyepaprika
<i>Capsicum annuum</i> var. <i>groszum</i>	Étkezési paprika
<i>Capsicum annuum</i> var. <i>longum</i>	Fűszerpaprika
<i>Capsicum annuum</i> var. <i>lycopersiciforme</i>	Paradicsompaprika
<i>Capsicum baccatum</i>	Bogyós paprika
<i>Capsicum frutescens</i>	Cserjés (chili) paprika
<i>Carthamus tinctorius</i>	Sáfrányos széklice
<i>Carum carvi</i>	Fűszerkömény
<i>Chamomilla recutita</i>	Orvosi székfű
<i>Cheiranthus cheiri</i>	Sárgaviola
<i>Clarkia elegans</i>	Pompás klárka
<i>Cicer arietinum</i>	Csicseriborsó
<i>Cichorium endivia</i>	Endívia
<i>Cichorium intybus</i> var. <i>foliosum</i>	Cikóriakatáng
<i>Citrullus lanatus</i> subsp. <i>lanatus</i>	Takarmány görögdinnye
<i>Citrullus lanatus</i> subsp. <i>vulgaris</i>	Görögdinnye
<i>Citrullus colocynthis</i>	Sártök
<i>Cnicus benedictus</i>	Benedekfű
<i>Coix lacryma-jobi</i> var. <i>ma-yuen</i>	Jób könnye

<i>Coriandrum sativum</i>	Koriánder
<i>Coronilla varia</i>	Tarka koronafürt
<i>Cosmos bipinnatus</i>	Sallangos pillangóvirág
<i>Cosmos sulphureus</i>	Sárga pillangóvirág
<i>Crambe abyssinica</i>	Abesszín tátorján
<i>Crotalaria juncea</i>	Krotalária (Bengálikender)
<i>Cucumis anguria</i>	Anguria uborka
<i>Cucumis melo</i>	Sárgadinnye
<i>Cucumis sativus</i>	Uborka
<i>Cucurbita ficifolia</i>	Laskatök
<i>Cucurbita maxima</i>	Sütőtök
<i>Cucurbita moschata</i>	Pézsmatök
<i>Cucurbita pepo</i> subsp. <i>pepo</i> convar <i>microcarpina</i>	Dísz tök
<i>Cucurbita pepo</i> convar. <i>giromotiina</i>	Cukkini (Csíkos tök)
<i>Cucurbita pepo</i> convar. <i>patissonina</i>	Csillagtök (Patiszon)
<i>Cucurbita pepo</i> convar. <i>pepo</i>	Úritök (Étkezési spárgatök)
<i>Cydonia oblonga</i>	Birs
<i>Cynara cardunculus</i>	Kárdi
<i>Cynoglossum officinale</i>	Orvosi ebnyelvfű
<i>Cynoglossum amabile</i>	Kerti ebnyelvfű
<i>Cynosurus cristatus</i>	Taréjos cincor
<i>Cyperus esculentus</i>	Mandulafű
<i>Cyperus involucratus</i> (alternifolius subsp. <i>flabelliformis</i> )	Galléros palka
<i>Dactylis glomerata</i>	Csomós ebír
<i>Dalea gattingeri</i> ( <i>Petalostemon</i> )	Bíborrojt
<i>Datura innoxia</i>	Indián maszlag
<i>Datura metel</i>	Egyiptomi maszlag
<i>Datura meteloides</i>	Maszlag
<i>Datura stramonium</i>	Csattanó maszlag
<i>Daucus carota</i> subsp. <i>sativus</i>	Sárgarépa
<i>Deschampsia cespitosa</i>	Sédbúza
<i>Desmodium canadense</i>	Kanadai hüvelycsomó
<i>Dianthus barbatus</i>	Török szegfű (Szakállas)
<i>Dianthus deltoides</i>	Fenyérszegfű (Mezei)
<i>Dianthus plumarius</i>	Tollas szegfű (Német)
<i>Digitalis ferruginea</i>	Rozsdás gyűszűvirág
<i>Digitalis purpurea</i>	Piros gyűszűvirág
<i>Digitaria sanguinalis</i>	Pirók ujjasmuhar
<i>Dorycnium pentaphyllum</i>	Cserjésedő dárda here
<i>Dracocephalum moldavica</i>	Kerti sárkányfű
<i>Echinacea purpurea</i>	Lángvörös kasvirág
<i>Echinochloa colonum</i> ( <i>Panicum colonum</i> )	Sáma-köles
<i>Echinochloa crus-galli</i> var. <i>frumentacea</i>	Japánköles
<i>Echinops ruthenicus</i> subsp. <i>ritro</i>	Kék számárkenyér
<i>Eleusine coracana</i>	Ujjasköles
<i>Eleusine indica</i>	Aszályfű

Eragrostis tef (Poa abyssinica)	Abesszín tőtíppan (Tef)
Eruca sativa	Borsmustár
Eupatorium cannabinum	Kenderpakóca (Sédkender)
Euphorbia lathyris	Kerti sárfű (Hasindító kutyatej)
Fagopyrum esculentum	Pohánka (Hajdina)
Fagopyrum tataricum	Tatárka
Festuca arundinacea	Nádképű csenkesz
Festuca heterophylla	Felemáslevelű csenkesz
Festuca ovina	Juhcsenkesz
Festuca pratensis	Réti csenkesz
Festuca rubra	Vörös csenkesz
Festuca sulcata (rupicola)	Barázdált csenkesz (Pusztai)
Foeniculum vulgare	Édeskömény
Fragaria ananassa	Szamóca
Galega officinalis	Kecskeruta
Gazania rigens (splendens)	Pompás záporvirág
Gentiana lutea	Sárga tárnics
Glycine max	Szója
Glycyrrhiza glabra	Édesgyökér
Gomphrena globosa	Kerti golyófüzény (Bíborka)
Gossypium hirsutum	Hegyvidéki gyapot
Guizotia abyssinica	Négermag
Gypsophila elegans	Kerti fátyolvirág
Helianthus annuus	Termesztett napraforgó
Helianthus tuberosus	Csicsóka
Helichrysum bracteatum	Kerti szalmavirág
Hibiscus cannabinus	Rostmályva (Kenáf)
Hibiscus esculentus	Gombó (Bámia, Okra)
Holcus lanatus	Gyapjas selyemperje
Hordeum jubatum	Díszárpa
Hordeum vulgare var. distichon	Kétsoros árpa (Tavaszi)
Hordeum vulgare var. hexastichon	Hatsoros árpa (Őszi)
Hypericum perforatum	Közönséges orbáncfű
Hyssopus officinalis	Izsóp
Iberis amara	Kerti tatárvirág
Iberis umbellata	Ernyős tatárvirág
Ibicella lutea	Sárga ördögszarv
Impatiens balsamina	Keri fájvirág (Nenyúljhozzám)
Inula helenium	Örménygyökér
Ipomoea batatas	Édesburgonya (Batáta)
Ipomoea bona-nox	Hajnalka
Ipomoea purpurea	Bíboros hajnalka
Juglans regia	Közönséges dió
Lablab purpureus (Dolichos lablab)	Sisakbab
Lactuca sativa var. angustana (asparagina)	Spárgasaláta
Lactuca sativa var. capitata	Fejes saláta

<i>Lactuca sativa</i> var. <i>crispa</i>	Metélősaláta (Tépő)
<i>Lactuca sativa</i> var. <i>longifolia</i>	Kötözősaláta
<i>Lagenaria siceraria</i>	Lopótök
<i>Lallemantia iberica</i>	Feketeszezám
<i>Lathyrus sativus</i>	Szegletes lednek
<i>Lathyrus cicera</i>	Csicserilednek
<i>Lathyrus odoratus</i>	Szagos lednek
<i>Lavandula angustifolia</i>	Keskenyleveű levendula
<i>Lavandula latifolia</i>	Széleslevelű levendula
<i>Lens culinaris</i>	Termesztett lencse
<i>Leonurus cardiaca</i>	Szúrós gyógyajak
<i>Lepidum sativum</i>	Kerti zsázsa
<i>Levisticum officinale</i>	Lestyán
<i>Limonium sinuatum</i>	Kerti sóvirág
<i>Linum usitatissimum</i> var. <i>mediterraneum</i>	Olajlen
<i>Linum usitatissimum</i> var. <i>usitatissimum</i>	Rostlen
<i>Lolium perenne</i>	Angolperje
<i>Lolium multiflorum</i>	Olaszperje
<i>Lotus corniculatus</i>	Szarvaskerep
<i>Luffa acutangula</i>	Szivacstök
<i>Lupinus albus</i>	Fehér csillagfűrt
<i>Lupinus angustifolius</i>	Keskenylevelű csillagfűrt
<i>Lupinus luteus</i>	Sárga csillagfűrt
<i>Lupinus polyphyllus</i>	Erdei csillagfűrt
<i>Lycopersicon esculentum</i> convar. <i>esculentum</i> var. <i>esculentum</i>	Termesztett paradicsom
<i>Lycopersicon esculentum</i> convar. <i>parvibaccatum</i> var. <i>cerasiforme</i>	Cseresznyeparadicsom
<i>Lycopersicon esculentum</i> convar. <i>parvibaccatum</i> var. <i>pyriforme</i>	Körteparadicsom
<i>Lycopersicon pimpinellifolium</i>	Ribiszke paradicsom
<i>Malus domestica</i>	Alma
<i>Malva verticillata</i>	Takarmány mályva
<i>Medicago sativa</i>	Termesztett lucerna
<i>Medicago x varia</i>	Homoki lucerna
<i>Melilotus alba</i>	Fehér somkóró
<i>Melissa officinalis</i>	Citromfű
<i>Mentha x piperita</i>	Borsmenta
<i>Mespilus germanica</i>	Naspolya
<i>Mirabilis jalapa</i>	Csodatölcsér
<i>Momordica balsamina</i>	Balzsamalma
<i>Momordica charantia</i>	Balzsamuborka (Momordika)
<i>Morus nigra</i>	Fekete eperfa
<i>Morus alba</i>	Fehér eperfa
<i>Nasturtium officinale</i>	Vízitorma
<i>Nicotiana glauca</i> (affinis)	Díszdohány
<i>Nicotiana glauca</i>	Kapadodohány
<i>Nicotiana glauca</i>	Közönséges dohány
<i>Nigella damascena</i>	Kerti katicavirág

<i>Nigella sativa</i>	Szőrös katicavirág
<i>Ocimum basilicum</i>	Kerti bazsalikom
<i>Ocimum gratissimum</i>	Gerezd bazsalikom
<i>Onobrychis viciifolia</i>	Baltacim
<i>Origanum majorana</i>	Majoránna
<i>Ornithopus sativus</i>	Szerradella (Vetési csibeláb)
<i>Oryza sativa</i>	Termesztett rizs
<i>Panicum miliaceum</i>	Termesztett köles
<i>Papaver bracteatum</i>	Murvásmák
<i>Papaver orientale</i>	Díszmák
<i>Papaver somniferum</i>	Termesztett mák
<i>Pastinaca sativa</i>	Pasztinák
<i>Petroselinum crispum</i>	Petrezselyem
<i>Petunia x hybrida</i>	Nagyvirágú petúnia
<i>Phacelia tanacetifolia</i>	Mézontófü
<i>Phalaris canariensis</i>	Fénymag
<i>Phaseolus acutifolius</i> var. <i>latifolius</i>	Tepari bab
<i>Phaseolus coccineus</i> subsp. <i>coccineus</i>	Tűzbab
<i>Phaseolus lunatus</i> var. <i>lunatus</i>	Limabab
<i>Phaseolus vulgaris</i> var. <i>nanus</i>	Bokorbab
<i>Phaseolus vulgaris</i> var. <i>vulgaris</i> (zebra var. <i>purpurascens</i> )	Karósbab
<i>Phleum pratense</i>	Mezei komócsin
<i>Physalis ixocarpa</i> (philadelphica)	Mexikói földicseresznye
<i>Physalis peruviana</i>	Ehető földicseresznye
<i>Physalis pruinosa</i>	Édes földicseresznye
<i>Phytolacca americana</i>	Amerikai alkörömös
<i>Pimpinella anisum</i>	Ánizs
<i>Pisum sativum</i> convar. <i>axiphium</i>	Cukorborsó
<i>Pisum sativum</i> convar. <i>medullare</i>	Velőborsó
<i>Pisum sativum</i> convar. <i>speciosum</i>	Takarmányborsó
<i>Pyrus domestica</i>	Körte
<i>Poa pratensis</i>	Réti perje
<i>Portulaca grandiflora</i>	Porcsinrózsa (Kossuth-csillag)
<i>Portulaca oleracea</i> var. <i>sativa</i>	Termesztett porcsin
<i>Proboscidea louisianica</i>	Zergeszarv
<i>Prunus amygdalus</i>	Mandula
<i>Prunus avium</i>	Cseresznye
<i>Prunus cerasus</i>	Meggy
<i>Prunus domestica</i>	Szilva
<i>Prunus armeniaca</i>	Kajszi
<i>Prunus persica</i>	Őszibarack
<i>Raphanus sativus</i> var. <i>oliferus</i>	Olajretek
<i>Raphanus sativus</i> var. <i>niger</i>	Fekete retek
<i>Raphanus sativus</i> var. <i>sativus</i>	Hónapos retek
<i>Rheum rhaponticum</i>	Közönséges rebarbara
<i>Ribes nigrum</i>	Feketeribiszke

<i>Ribes rubrum</i>	Kerti ribiszke
<i>Ribes uva-crispa</i>	Köszméte (Egres)
<i>Ricinus communis</i>	Ricinus
<i>Rubus idaeus</i>	Málna
<i>Rubia tinctorum</i>	Festő buzér
<i>Rudbeckia hirta</i>	Borzas kúpvirág
<i>Rumex acetosa</i> var. <i>hortensis</i> ( <i>rugosus</i> )	Kerti sóska
<i>Ruta graveolens</i>	Kerti ruta
<i>Salvia farinacea</i>	Hamvas zsálya
<i>Salvia officinalis</i>	Orvosi zsálya (Kerti)
<i>Salvia sclarea</i>	Muskotályzsálya
<i>Sambucus nigra</i>	Fekete bodza
<i>Satureja hortensis</i>	Csombor (Borsikafű)
<i>Scorzonera hispanica</i>	Feketegyökér (Spanyol pozdor)
<i>Scrophularia nodosa</i>	Göcsös görvélyfű
<i>Secale cereale</i>	Termesztett rozs
<i>Sesamum indicum</i>	Szezám
<i>Setaria italica</i> var. <i>maxima</i>	Óriás muhar (Csumiz)
<i>Setaria italica</i> var. <i>moharia</i>	Olasz muhar
<i>Silybum marianum</i>	Máriatövis
<i>Silphium perfoliatum</i>	Csészekóró (Szilfium)
<i>Sinapis alba</i>	Fehér mustár
<i>Solanum melongena</i>	Tojásgyümölcs (Padlizsán)
<i>Solanum tuberosum</i>	Burgonya
<i>Sorghum bicolor</i> subsp. <i>bicolor</i>	Szemes cirok
<i>Sorghum bicolor</i> subsp. <i>caffrorum</i>	Kaffer cirok
<i>Sorghum bicolor</i> subsp. <i>durra</i>	Durra köles
<i>Sorghum bicolor</i> subsp. <i>saccharatum</i>	Cukorcirok
<i>Sorghum dochna</i> var. <i>technicum</i>	Seprűcirok
<i>Sorghum sudanense</i>	Szudánifű
<i>Spinacea oleracea</i>	Spenót
<i>Tagetes patula</i>	Bársonyvirág (bűdöske)
<i>Tetragonia tetragonioides</i>	Új-zélandi spenót
<i>Thymus vulgaris</i>	Kerti kakukkfű
<i>Tithonia rotundifolia</i> ( <i>speciosa</i> )	Pompás napranéző (Titónia)
<i>Trichosanthes anguina</i>	Kígyóborka
<i>Trifolium alexandrinum</i>	Alexandriai here
<i>Trifolium hybridum</i>	Korcs here (Svéd here)
<i>Trifolium incarnatum</i>	Bíbor here
<i>Trifolium pratense</i>	Vöröshere
<i>Trifolium repens</i>	Fehérhere
<i>Trifolium resupinatum</i>	Perzsahere
<i>Trigonella caerulea</i>	Kékhere
<i>Trigonella foenum-graecum</i>	Görögszéna
<i>Triticum aestivum</i>	Közönséges búza
<i>Triticum compactum</i>	Tömör búza (törpe)

<i>Triticum dicoccon</i>	Tönke
<i>Triticum durum</i>	Keményszemű búza (Dúrum)
<i>Triticum monococcum</i>	Alakor
<i>Triticum polonicum</i>	Lengyel búza
<i>Triticum sinskajae</i>	Csupaszszemű alakor
<i>Triticum spelta</i>	Tönköly
<i>Triticum turgidum</i>	Angol búza (Hasas)
x <i>Triticosecale</i>	Tritikálé
<i>Tropaeolum majus</i>	Nagy sarkantyúka
<i>Valeriana officinalis</i>	Orvosi Macskagyökér
<i>Valerianella locusta</i>	Galambbegy saláta (Madársaláta)
<i>Vicia ervilia</i>	Cicorlencse
<i>Vicia faba</i>	Lóbab
<i>Vicia pannonica</i>	Pannon bükköny
<i>Vicia narbonensis</i>	Római bükköny
<i>Vicia sativa</i>	Takarmánybükköny
<i>Vicia villosa</i>	Szöszös bükköny
<i>Vigna angularis</i>	Adzukibab
<i>Vigna mungo</i>	Mungóbab
<i>Vigna unguiculata</i> subsp.cylindrica	Homoki bab
<i>Vigna unguiculata</i> subsp.sesquipedalis	Ölesbab
<i>Vitis vinifera</i>	Szőlő
<i>Zea mays</i> convar.dentiformis	Lófogú kukorica
<i>Zea mays</i> convar.mays	Keményszemű kukorica
<i>Zea mays</i> convar.mays var. japonica	Díszkukorica
<i>Zea mays</i> convar.mays var.tunicata	Pelyvás kukorica
<i>Zea mays</i> convar.microsperma	Pattogató kukorica
<i>Zea mays</i> convar.saccharata	Csemegekukorica
<i>Zinnia angustifolia</i> (linearis)	Keskenylevelű rézvirág
<i>Zinnia elegans</i>	Pompás rézvirág
<i>Zinnia haageana</i>	Sáfrányos rézvirág
<i>Zinnia peruviana</i>	Perui rézvirág
<i>Zizania aquatica</i>	Indiánrizs

## ANNEX II: List of endangered vegetable species in respect of cultural history and genetics (measure 214)

Faj	Fajta	Nemzetközi hivatkozás	Termesztett terület (ha)	Elterjedés
Paradicsom ( <i>Lycopersicon esculentum</i> L.)	Ökörszív	FAO WIEWS, ECP/GR	<1 ha	gyűjteményekben
	Fóti	FAO WIEWS, ECP/GR	<1 ha	gyűjteményekben
	Tápláni	FAO WIEWS, ECP/GR	<1 ha	gyűjteményekben
	Lugas	FAO WIEWS, ECP/GR	<1 ha	házikertekben
Zöldpaprika ( <i>Capsicum annuum</i> L.)	Bogyesz	FAO WIEWS, ECP/GR	<5 ha	Tápió-völgye, Jászság
	Bocskor	FAO WIEWS, ECP/GR	<5 ha	Békés- és Hajdú megye
	Bugaci	FAO WIEWS, ECP/GR	<1 ha	Duna-Tisza köze
	Kalinkói	FAO WIEWS, ECP/GR	<1 ha	gyűjteményekben
	Gogos paradicsompaprika	FAO WIEWS, ECP/GR	<1 ha	Békés- és Csongrád megye
	Szentesi	FAO WIEWS, ECP/GR	<1 ha	Békés- és Csongrád megye
	Boldogi	FAO WIEWS, ECP/GR	<1 ha	Mátra alja
	Kalocsai	FAO WIEWS, ECP/GR	<1 ha	Kalocsa környéke
	Dokomlási	FAO WIEWS, ECP/GR	<1 ha	gyűjteményekben
Fűszerpaprika ( <i>Capsicum annuum</i> var. <i>longum</i> )				
Hagyma ( <i>Allium cepa</i> L.)	Alsógödi	FAO WIEWS, ECP/GR	<1 ha	gyűjteményekben
Hagyma ( <i>Allium cepa</i> var. <i>aggregatum</i> G. Don)	Jászsági	FAO WIEWS, ECP/GR	<1 ha	gyűjteményekben
	Csokros	FAO WIEWS, ECP/GR	<1 ha	Tiszántúl
Fokhagyma ( <i>Allium sativum</i> L.)	Kadarkúti	FAO WIEWS, ECP/GR	<1 ha	Somogy megye
	Makói	FAO WIEWS, ECP/GR	<1 ha	Makó környéke
	Cigándi	FAO WIEWS, ECP/GR	<1 ha	Tiszántúl
	Sárospataki	FAO WIEWS, ECP/GR	<1 ha	Tokaj-Hegyalja
Póréhagyma ( <i>Allium porrum</i> L.)	Nagykátai	FAO WIEWS, ECP/GR	<1 ha	Tápió völgye
Metélő hagyma ( <i>Allium schoenoprasum</i> L.)	Napkori	FAO WIEWS, ECP/GR	<1 ha	Tiszántúl
	Taktaharkányi	FAO WIEWS, ECP/GR	<1 ha	Tiszántúl
Sarjadék hagyma ( <i>Allium fistulosum</i> L.)	Nagykátai	FAO WIEWS, ECP/GR	<1 ha	Tápió völgye
Saláta ( <i>Lactuca sativa</i> L.)	Villányi	FAO WIEWS, ECP/GR	<1 ha	Dél-Baranya
	Csehimindszenti	FAO WIEWS, ECP/GR	<1 ha	gyűjteményekben
	Fiadi	FAO WIEWS, ECP/GR	<1 ha	gyűjteményekben
	Isztiméri	FAO WIEWS, ECP/GR	<1 ha	gyűjteményekben
	Hernádcécei	FAO WIEWS, ECP/GR	<1 ha	gyűjteményekben
	Biri	FAO WIEWS, ECP/GR	<1 ha	gyűjteményekben
Fejeskáposzta ( <i>Brassica oleracea</i> convar. <i>capitata</i> var. <i>capitata</i> f. <i>alba</i> )	Vecsési	FAO WIEWS, ECP/GR	<50 ha	Pest környéke
	Hajdúsági	FAO WIEWS, ECP/GR	<15 ha	Debrecen környéke



Kelkáposzta ( <i>Brassica oleracea</i> convar. capitata var. sabauda)	Mohácsi őszi	FAO WIEWS, ECP/GR	<5 ha	Mohács környéke
Spenót ( <i>Spinacea oleracea</i> L.)	Békési	FAO WIEWS, ECP/GR	<1 ha	Tiszántúl
Újzélandi spenót ( <i>Tetragonia tetragoniodes</i> (Pall.) O. Kuntze)	Sajószentpéteri	FAO WIEWS, ECP/GR	<1 ha	gyűjteményekben
Sóska ( <i>Rumex acetosa</i> L.)	Pallagi	FAO WIEWS, ECP/GR	<1 ha	gyűjteményekben
Petrezselyem ( <i>Petroselinum crispum</i> . (Mill.) Nym.	Napkori	FAO WIEWS, ECP/GR	<1 ha	gyűjteményekben
	Gyomaendrődi	FAO WIEWS, ECP/GR	<1 ha	gyűjteményekben
Paszternák ( <i>Pastinaca sativa</i> L.)	Semjéni	FAO WIEWS, ECP/GR	<1 ha	gyűjteményekben
Zeller ( <i>Apium graveolens</i> L.)	Monostorapáti	FAO WIEWS, ECP/GR	<1 ha	gyűjteményekben
Retek ( <i>Raphanus sativus</i> L.)	Nagykállói	FAO WIEWS, ECP/GR	<1 ha	gyűjteményekben

### ANNEX III: List of rare endangered arable species in respect of cultural history and genetics (measure 214)

Faj	Fajta	Nemzetközi hivatkozás	Termesztett terület (ha)	Elterjedés
Búza ( <i>Triticum aestivum</i> L. subsp. <i>aestivum</i> var. <i>erythrospermum</i> )	Tiszavidéki	FAO WIEWS (World Information and Early Warning System)	<1 ha	gyűjteményekben
	Mezőségi	FAO Treaty (International Treaty on Plant Genetic Resources for Food and Agriculture)	<1 ha	gyűjteményekben
	Bánkúti 1201	ECP/GR (European CoOperational Programme for Genetic Resources Networks)	5-10 ha	Alföld
Alakor ( <i>Triticum monoccocum</i> L.)		ECCDB (ECP/GR European Central Crop Data Basis)	<1 ha	gyűjteményekben
Tönke ( <i>Triticum dicoccon</i> Schrank)		FAO WIEWS, FAO Treaty, ECP/GR	<1 ha	gyűjteményekben
Árpa ( <i>Hordeum vulgare</i> L.)	Gádorosi fekete	FAO WIEWS, FAO Treaty, ECP/GR	<1 ha	gyűjteményekben
Kukorica ( <i>Zea mays</i> L.)	Mindszentpusztai fehér	FAO WIEWS, FAO Treaty, ECP/GR	<1 ha	gyűjteményekben
	Bánkúti lófogú sárga	FAO WIEWS, FAO Treaty, ECP/GR	<1 ha	gyűjteményekben
	Mezőhegyesi sárga lófogú	FAO WIEWS, FAO Treaty, ECP/GR	<1 ha	gyűjteményekben
	Putyi	FAO WIEWS, FAO Treaty, ECP/GR	<1 ha	gyűjteményekben
	Piros kukoricák	FAO WIEWS, FAO Treaty, ECP/GR	5-10 ha	Őrség, Tiszántúl
	Iregi 12 hetes	FAO WIEWS, FAO Treaty, ECP/GR	<1 ha	gyűjteményekben
	Száznapos	FAO WIEWS, FAO Treaty, ECP/GR	<1 ha	gyűjteményekben
	Sárga magyar	FAO WIEWS, FAO Treaty, ECP/GR	5-10 ha	Tiszántúl
Napraforgó ( <i>Helianthus annuus</i> L.)	Nagykállói	FAO WIEWS, FAO Treaty, ECP/GR	<1 ha	gyűjteményekben
	Bajai fehér	FAO WIEWS, FAO Treaty, ECP/GR	<1 ha	gyűjteményekben
Köles ( <i>Panicum miliaceum</i> L.)	Fertődi piros	FAO WIEWS, ECP/GR	<1 ha	gyűjteményekben
	Mesterházai	FAO WIEWS, ECP/GR	<5 ha	Alföld
Veteménybab ( <i>Phaseolus vulgaris</i> L.)	Futó fűrjbabok	FAO WIEWS, FAO Treaty, ECP/GR	<50 ha	köztesvetésként elterjedt
	Bokor fűrjbabok	FAO WIEWS, FAO Treaty, ECP/GR	<5 ha	szórványosan

	Pacsibab	FAO WIEWS, FAO Treaty, ECP/GR	<10 ha	köztesvetésként az Alföldön
	Menyecskebabok	FAO WIEWS, FAO Treaty, ECP/GR	<20 ha	Alföld
	Büdöskőbabok	FAO WIEWS, FAO Treaty, ECP/GR	<5 ha	szórványosan
	Fecskehasú babok	FAO WIEWS, FAO Treaty, ECP/GR	<5 ha	szórványosan
	Gyöngybabok	FAO WIEWS, FAO Treaty, ECP/GR	<5 ha	szórványosan
	Cukorbabok	FAO WIEWS, FAO Treaty, ECP/GR	<5 ha	szórványosan
	Gesztenyebabok	FAO WIEWS, FAO Treaty, ECP/GR	<5 ha	szórványosan
	Gyíkbbabok	FAO WIEWS, FAO Treaty, ECP/GR	<5 ha	szórványosan
	Békahátúbabok	FAO WIEWS, FAO Treaty, ECP/GR	<5 ha	szórványosan
	Libamájbabok	FAO WIEWS, FAO Treaty, ECP/GR	<5 ha	szórványosan
	Békési rizsbabok	FAO WIEWS, FAO Treaty, ECP/GR	<5 ha	szórványosan
	Tolnai borsóbabok	FAO WIEWS, FAO Treaty, ECP/GR	<5 ha	szórványosan
Tűzbab ( <i>Phaseolus coccineus</i> L.)	Fehér salátabab	FAO WIEWS, FAO Treaty, ECP/GR	<10 ha	konyhakertekben elterjedt
	Tarka salátabab	FAO WIEWS, FAO Treaty, ECP/GR	<5 ha	konyhakertekben elterjedt
Csicseriborsó ( <i>Cicer arietinum</i> L.)	Békéscsabai	FAO WIEWS, FAO Treaty, ECP/GR	<10 ha	Duna-Tisza köze
Homoki bab ( <i>Vigna unguiculata</i> (L.) Walp.)	Bajai	FAO WIEWS, FAO Treaty, ECP/GR	<1 ha	gyűjteményekben
	Mohácsi	FAO WIEWS, FAO Treaty, ECP/GR	<1 ha	gyűjteményekben
Lóbab ( <i>Vicia faba</i> L.)	Tataházi	FAO WIEWS, FAO Treaty, ECP/GR	<50 ha	országszerte
Földimogyoró ( <i>Arachis hypogaea</i> L.)	Kisteleki, Tápiószélei	FAO WIEWS, ECP/GR	<5 ha	Dél-Alföld
Burgonya ( <i>Solanum tuberosum</i> L.)	Porvai	FAO WIEWS, FAO Treaty, ECP/GR	<1 ha	gyűjteményekben
	Aranyalma	FAO WIEWS, FAO Treaty, ECP/GR	<1 ha	házikertben
	Somogyi	FAO WIEWS, FAO Treaty, ECP/GR	<1 ha	házikertben
Csicsóka ( <i>Helianthus tuberosus</i> L.)	Farmosi	FAO WIEWS, ECP/GR	<1 ha	gyűjteményekben
	Nagykállói	FAO WIEWS, ECP/GR	<1 ha	gyűjteményekben
Nyúlzapuka ( <i>Anthyllis vulneraria</i> L.)	Helyi típusok	FAO WIEWS, ECP/GR	<1 ha	gyűjteményekben
Fehérvirágú somkóró ( <i>Melilotus alba</i> Medik.)	Helyi típusok	FAO WIEWS, FAO Treaty, ECP/GR	<5 ha	Duna-Tisza köze
Svéd here ( <i>Trifolium hybridum</i> )	Helyi típusok	FAO WIEWS, FAO	<1 ha	gyűjteményekben

L.)		Treaty, ECP/GR		
Mezei csibehúr ( <i>Spergula arvensis</i> L.)	Helyi típusok	FAO WIEWS, ECP/GR	<1 ha	gyűjteményekben
Takarmánymályva ( <i>Malva verticillata</i> L.)	Helyi típusok	FAO WIEWS, ECP/GR	<1 ha	gyűjteményekben
Takarmány és sütőtök ( <i>Cucurbita maxima</i> Duch.ex Lam)	Helyi típusok	FAO WIEWS, ECP/GR	<50 ha	Alföld
Takarmánydinnye ( <i>Citrullus lanatus</i> Pang.)	Újszilvási	FAO WIEWS, ECP/GR	<1 ha	gyűjteményekben

## **Annex IV: Participants of the socio-economic consultation**

### ***Participants of the thematic discussion forums***

#### *Food industry and processing industry*

- Hungarian Interbranch Organization and Marketing Board in Fruit and Vegetable
- National Association of Food Processors (ÉFOSZ)
- Milk Marketing Board
- Fat Stock and Meat Marketing Board
- Poultry Marketing Board
- Hungarian Agricultural Chamber
- Agricultural Economic Research Institute (AKI)

#### *Forestry*

- National Institute for Agricultural Quality Control
- Association of Forestry Integrators in Szabolcs-Szatmár-Bereg County
- National Forestry Association
- National Wood Economy Professional Association (FAGOSZ)
- National Association of Private Forest Owners and Managers
- Pro Silva Hungaria Association
- State Forest Service
- Védegylet (Protect the Future)
- Palocsa Society
- Domberdő Society
- Bokartis Public Company
- Hungarian Ornithological and Nature Conservation Society
- Kerekerdő Foundation
- Western Hungarian University
- WWF Hungary
- Hungarian Agricultural Chamber
- Agricultural Economic Research Institute (AKI)

#### *Water management*

- National Association of Agricultural, Forestry and Water Managements Workers (MEDOSZ)
- National Association of Water basin management Organisations (VTOSZ)
- Hungarian Irrigation Association

- Hungarian Academy of Science, Department of Agricultural Sciences, Agricultural Water Management Committee
- Hungarian Agricultural Chamber
- Agricultural Economic Research Institute (AKI)

#### *Development of settlements*

- National Interest Alliance of Small-town Local Governments
- National Association of Town Planning and Regional Development
- Hungarian Chamber of Architects (Faculty of Monument Protection, Faculty of Terrain Correction and Settlement Development)
- National Association of Local Governments of Settlements
- Association of Community Developers
- Association of City and Village Protectors
- Hungarian Society for Urban Planning – Village Department
- National Association of Rural Development Advisors
- Village Development Society
- European Council for the Village and Small Town (ECOVAST)
- Rural Parliament
- Scientific Association for Regional Development
- Association of Hungarian Ethnographical Houses
- Agricultural Economic Research Institute (AKI)
- VÁTI Public Company
- National Association of Local Governments of Villages, Small Settlements and Micro-regions
- Területi Főépítési Irodák
- Federation of Micro-regional Development Associations
- Teleház Public Company
- Association of Hungarian Self-Governments
- Hungarian LEADER Public Benefit Association

#### *Renewable energy sources*

- National Association of Agricultural Co-operations and Producers (MOSZ)
- Hungarian Agricultural Chamber
- Hungarian National Farmers' and Co-operatives' Association (MAGOSZ)
- National Association of Agricultural Research Institutes
- College of Agricultural Deans and Directors (ADFK)
- EuroPellet Hungary Ltd.
- BIOLÁNG Ltd.
- National Institute for Agricultural Quality Control
- Tedej Ltd.

- Hangya Futura
- Készenlét Ltd.
- Boly Ltd.
- Arany Kapu Ltd.
- Bio-diesel Non-profit Organisation
- Bio-Genesis Ltd.
- Western Hungarian University
- Szent István University
- Pécs University - Southern Transdanubian Cooperation Research Centre
- Agricultural Mechanisation Institute (AMI) of MARD
- Gödöllő Agricultural Centre Non-profit Organisation
- Association of Biomass Power Plants
- Innovation Cluster Gyöngyös
- Győr Distillery Ltd.

*Environmentally friendly production methods*

- Hungarian Chamber of Plant Protection Professionals and Doctors of Plant Medicine
- National Association of AGRYA
- Association of Hungarian Environmentalists
- Central Plant and Soil Protection Service
- Hungarian Agricultural Environment Managers' Association
- Hungarian Ornithological and Nature Conservation Society
- Directorates of National Parks
- WWF Hungary
- Bioculture Society
- Hungarian Animal Breeders' Association
- CEEWEB
- Ministry of Environment and Water
- Research Institute in Újfehértó
- National Institute for Agricultural Quality Control

*Developing human resources*

- National Association of AGRYA
- Hungarian Agricultural Chamber
- Agricultural Economic Research Institute (AKI)
- KSZI
- Advisory Center of Middle Transdanubium
- Agricultural and Forestry Training Institute

- Csapó Dániel High School, Agricultural Training Institute
- Székács Elemér Technical College
- Agricultural Chamber in Veszprém County
- Szent István University

#### *Development of rural enterprises*

- Kézműves Kamara
- Magyar Országos Művészi Kézműves Egyesület
- Hungarian Agricultural Chamber
- Agricultural Economic Research Institute (AKI)
- VÁTI Public Company
- Magyarországi Borutak Szövetsége
- National Hungarian Chamber of Hunters
- IPOSZ
- Magyar Turizmus Rt.
- Hungarian LEADER Public Benefit Association
- Magyar Fejlesztési Bank
- National Association of Village and Agro-Tourism
- Association of Hungarian Folk Artists
- House of Traditions
- Hungarian Handicraft Foundation
- Hungarian Equestrian Tourism Association

#### *Animal husbandry and animal welfare*

- Hungarian Animal Breeders' Association
- Animal Protection Advisory Body
- Sheep Product Board
- Hungarian Pig Breeders' Association
- Hungarian Cattle Breeders' Association
- Rabbit Production Board
- National Hungarian Chamber of Hunters
- National Association of Agricultural Co-operations and Producers (MOSZ)
- Hungarian Agricultural Chamber
- Agricultural Economic Research Institute (AKI)
- Research Institute of Animal Husbandry and Feeding
- National Association of AGRYA
- Agrár Európa Ltd.
- Hungarian Farmer Association



### *Plant growing and horticulture*

- Hungarian Interbranch Organization and Marketing Board in Fruit and Vegetable
- National Association of AGRYA
- Corn Association
- Agricultural Economic Research Institute (AKI)
- Hungarian Agricultural Chamber
- Hegyközség Nemzeti Tanácsa

### *Producer groups*

- Hangya (“Ant”) Cooperation of Hungarian Producer Organisations
- National Association of Agricultural Co-operations and Producers (MOSZ)
- Agricultural Economic Research Institute (AKI)
- Hungarian Agricultural Chamber

### *Semi subsistence farms*

- Hangya (“Ant”) Cooperation of Hungarian Producer Organisations
- National Association of AGRYA
- Agricultural Economic Research Institute (AKI)
- Hungarian Agricultural Chamber
- Hegyközség Nemzeti Tanácsa

### *Participants of macro-forums*

#### *Members of the Agricultural and Rural Development Interest Reconciliation Council (FÖVÉT)*

- National Association of Agricultural Research Institutes
- Union of Agrarian Employers (AMSZ)
- Association of agricultural teachers and researchers (AOKDSZ)
- National Association of AGRYA
- National Association of Leasers of State Land
- Union of Veterinary and Hygiene Control Workers (ÁÉDSZ)
- Trade Union of Forestry and Wood Industry Employees (EFDSZ)
- National Association of Food Industry Workers (ÉDOSZ)
- National Association of Food Processors (ÉFOSZ)
- National Wood Economy Professional Association (FAGOSZ)
- Hungarian Federation of Fish Producers (HOSZ)
- National Association of Horticulturists and Gardeners
- National Association of Private Forest Owners and Managers

- National Association of Hungarian Land Owners
- National Association of Hungarian Farmer Rings (MAGOSZ)
- Trade Union of Hungarian Civil Servants and Public Service Employees
- Hungarian Farmer Association
- Hangya (“Ant”) Cooperation of Hungarian Producer Organisations
- National Association of Agricultural, Forestry and Water Managements Workers (MEDOSZ)
- Association of Agricultural Economic Organisations
- National Association of Agricultural Co-operations and Producers (MOSZ)
- Trade Union of Science and Innovation Employees (TUDOSZ)
- National Association of Water basin management Organisations

*Participants of the “Catching-up rural areas” (Agricultural restructuring) thematic workgroup*

- Prime Minister's Office
- Modernisation of Public Administration – National Development Office
- Ministry of Local Governments and Regional Development:
- Ministry of Environment and Water
- Ministry of Education and Culture
- Ministry of Finance
- Ministry of Labour and Social Policy
- Government Office for Territorial Policy
- Ministry of Health
- Ministry of Economy and Transport
- Ministry of Defence
- Ministry of Foreign Affairs
- Balaton Development Council
- National Regional Development Civil Reconciliation Forum
- Agricultural Economics Research Institute (AKI)
- VÁTI Hungarian Public Nonprofit Company for Regional Development and Town Planning, National Rural Development Office
- Hungarian Agricultural Chamber
- Hungarian Chamber of Commerce and Industry
- National Association of Food Processors
- Joint representative of the Rural Parliament and the National Association of Village Tourism
- Delegate of the National Conference of Environment and Nature Protection Civil Organisations
- Association of Hungarian Environmentalists
- Hungarian Ornithological and Nature Conservation Society
- Representative of the Council for Agricultural Economy

- Agricultural and Rural Development Agency
- Agricultural and Rural Development Interest Reconciliation Council (FÖVÉT)
- Hungarian Irrigation Association
- National Association of AGRYA
- Agricultural Fund for Guarantee
- Regional Development Agencies:
  - Central Hungary
  - Central Transdanubia
  - Western Transdanubia
  - Southern Transdanubia
  - Northern Hungary
  - Southern Great Plain
  - Northern Great Plain

#### *Product Track Committees*

- Cukor és Izoglükóz Termékpálya Bizottság
- Dohány Termékpálya Bizottság
- Gabona Termékpálya Bizottság
- Hús Termékpálya Bizottság
- Szőlő és Bor Termékpálya Bizottság
- Tej és Tejtermék Termékpálya Bizottság
- Zöldség-Gyümölcs és Dísznövény Termékpálya Bizottság

#### *Participants of the Roma Civil Forum*

- Wesley János Lelkészképző Főiskola
- Létnimum Alatt Élők Társasága és Vállalkozók Érdekegyeztető Roma Országos Szervezete
- Ex Trade Holding Ltd.
- Studio Metropolitana
- Sopron Bau Holding Ltd.
- Roma Minority Self-Government in Pécel
- ESZA Public Company
- Dawmlight Public Endowment
- Accept Each Other Association
- National Roma Self-Government
- Roma Parliament
- Trade Union of Hungarian Musicians and Dancers
- Castle in Sárszentmihály

- Unprofessional Boxing Association in Budapest
- ALNAIR Trading and Financing Consulting Limited Partnership
- Roma Minority Self-Government in Mohács
- C.T.M.T.
- Association of Roma Gardeners in Bátaszék
- Roma Minority Self-Government in Bátaszék
- Romédia Foundation
- Junior Achievement
- Fullgas 2000 Ltd.
- Kalyi Jag RME
- Fővárosi Közhasznú Foglalkoztatási Szolgálat Kht.
- Országos Kulturális és Közművelődési Egyesület
- Szabad Tér Színház Kht.
- Győr- Moson Sopron Megyei Cigányok Érdekvédelmi Szervezete
- MCÉSZ Pázmándfalui Tagszervezete
- Roma Minority Self -Government in Pázmándfalu
- Association for Romas of Garabonc
- Association for Romas of Rural Areas
- Roma Minority Association
- Give a Chance Independent Roma Civil Organization
- Roma Trust Association
- Á Nostra Cálye – Our Way Regional Independent Roma Association
- Interest Protection and Cultural Association of Zala County Romas
- Association of Transdanubian Roma Graduates for Everyone
- Association of Roma for Youth
- Roma Minority Community House Foundation
- Association of Roma Self-Government
- Association of Roma Community Developers
- Association of Nógrád County Roma Representatives
- Together for Halmajugra Roma-Hungarian Association
- Independent Roma Association in Erdőkövesd
- Roma Minority Self-Government in Nagylóc
- Roma Minority Self-Government in Gyöngyös
- Roma Civil Rights Movement
- Association of Southern Somogy County Roma Representatives
- RomAssist Public Association
- Baxtale Rom Association

- Association of Roma Women in Public Life in East-Hungary
- Roma Tehetséggondozó Közhasznú Alapítvány
- Foundation for Educated Roma Youth
- Szabadszállás Városi Hátrányos Helyzetűeket Segítő Egyesület
- Action Group for Youth of Szarvas
- Network for Integration Foundation
- Independent Roma Civil Organization for Romas in Rural Areas
- Association of Transdanubian Roma Leaders
- Roma Minority Association
- Association for Zala County Romas
- Kállai Mária Association
- Roma Micro-Region Association in Balassagyarmat