DARÁNYI IGNÁC TERV

New Hungary Rural Development Programme

NHRDP

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ÚJ MAGYARORSZÁG VIDÉKFEJLESZTÉSI PROGRAM 2007–2013

Európai Mezőgazdasági Vidékfejlesztési Alap:
a vidéki területekbe beruházó Európa

Content

AERI	Agricultural Economics Research Institute
AES	Agri-environmental Scheme
ARDA	Agricultural and Rural Development Agency
ARDIRC	Agricultural and Rural Development Interest Reconciliation Council (FöVÉT)
DRD	Department for Rural Development
ARDOP	Agricultural and Rural Development Operational Program
BAT	Best Available Techniques
CAP	Common Agricultural Policy
CMEF	Community Monitoring and Evaluation Framework
CF	Cohesion Fund
EAFRD	European Agricultural Fund for Rural Development
EEA	European Environmental Agency
EAGF	European Agricultural Guarantee Fund
EAGGF	European Agricultural Guidance and Guarantee Fund
EC	European Community
EEOP	Environment and Energy Operational Programme
EiC	Env-in-Cent Consulting Ltd.
ERDF	European Regional Development Fund
ESA	Environmentally Sensitive Areas
ESF	European Social Fund
ESU	European Size Unit
EU	European Union
GC	Golden Crown
GDP	Gross Domestic Product
HAS	Hungarian Academy of Sciences
HCSO	Hungarian Central Statistical Office
HNEC	Hungarian National Environmental Council
HNRN	Hungarian National Rural Network
HNVA	High Natural Value Areas
HUF	Hungarian Forint
IACS	Integrated Administration and Control System
ICT	Information and Communications Technology
IRDEC	Institute for Rural Development Education and Counselling
LAG	Local Action Group
LEADER	Liaison Entre Actions de Développement de l'Économie Rurale (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
LU	Livestock Unit
MA	Managing Authority
MRD	Ministry of Rural Development
MEW	became Ministry of Rural Development
MC	Monitoring Committee
NAEP	National Agri-Environmental Programme
NAPP	National Agri-Environment Protection Programme
NDP-1	National Development Plan-1
NDA	National Development Agency
NDPC	National Development Policy Concept
NEC	National Environmental Council
NEP-II	National Environmental Programme-II
NFD	National Forestry Database
NGO	Non-governmental organizations
NHDP	New Hungary Development Plan
NHRDP	New Hungary Rural Development Programme
NHRDSP	New Hungary Rural Development Strategic Plan
NIENW	National Inspectorate of Environment, Nature and Water
NRDC	National Regional Development Concept
NRDP	National Rural Development Plan
NSC	National Society of Conservationists
NWMP	National Waste Management Plan
PO	Producers' Organisations
PSO	Producers' Sales Organization (TÉSZ)[1]
PSP	Procurement and Sales Partnership (BÉSZ)
PWC	PricewaterhouseCoopers Hungary
R&D	Research and development
ROP	Regional Operational Programme
RCGF	Rural Credit Guarantee Foundation
RDEAI	Rural Development, Educational and Advisory Institute
SAPARD	Special Accession Programme for Agriculture and Rural Development
SEA	Strategic Environmental Assessment
SF	Structural Funds
SME	Small and Medium sized Enterprises
SPS	Single Payment System

[1] PSO totally equals with Producers' Organisation.

SRC	Short Rotation Coppice
TA	Technical Assistance
THNV	Territories with High Natural Values
UMIS	Unified Monitoring Information System
VÁTI	Hungarian Public Nonprofit Company for Regional Development and Town Planning
VPP	Vásárhelyi Plan Plus
WFD	Water Framework Directive

Abbreviations of Hungarian Operational Programmes:

CTOP	Central Transdanubia Operational Programme
CHOP	Central Hungary Operational Programme
EAOP	Electronic Administration Operational Programme
EDOP	Econominc Development Operational Programme
EEOP	Environment and Energy Operational Programme
IOP	Implementation Operational Programme
NHOP	North Hungary Operational Programme
NGPOP	North Great Plain Operational Programme
SGPOP	South Great Plain Operational Programme
SIOP	Social Infrastructure Operational Programme
SROP	Social Renewal Operational Programme
SROP	State Reform Operational Programme
STOP	South Transdanubia Operational Programme
TOP	Transport Operational Programme
WPOP	West Pannon Operational Programme

1. Title of Rural Development Programme

The New Hungary Rural Development Programme is the National Rural Development Programme prepared for the 2007-2013 period pursuant to Art. 15 (1) of Council Regulation (EC) 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development, to be officially submitted by Hungary to the European Commission after its adoption by the Government.

2. Member State and Administrative Region

2.1. The geographical area covered by the plan

The "New Hungary Rural Development Programme 2007-2013" (the "Programme") has been prepared by the Ministry of 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.

2.2. Regions classified as "Convergence" objective

Pursuant to Commission Decision No. 2006/595/EC the regions eligible for funds under the Convergence objective for the period 2007-2013 are as follows:

Central Transdanubia (Közép-Dunántúl, HU21, Nr. 2.)

Western Transdanubian Region (Nyugat-Dunántúl, HU22, Nr. 3.)

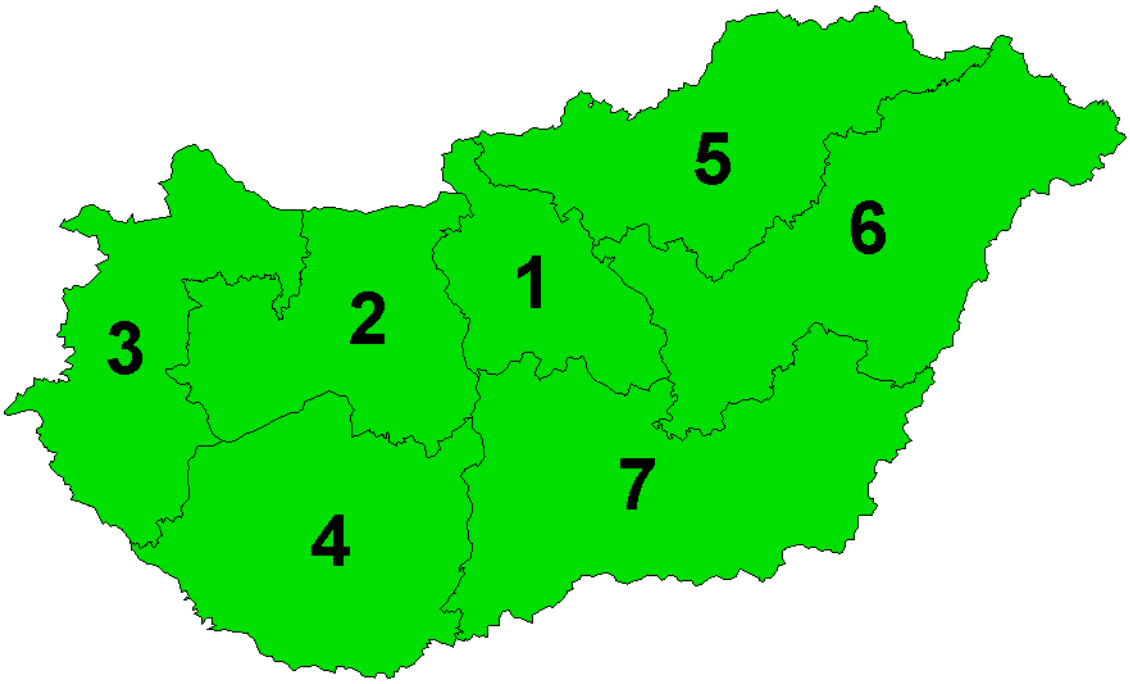
Southern Transdanubian Region (Dél-Dunántúl, HU23, Nr. 4.)

Northern Hungarian Region (Észak-Magyarország, HU31, Nr. 5.)

Northern Great Plain Region (Észak-Alföld, HU32, Nr. 6.)

Southern Great Plain Region (Dél-Alföld, HU33, Nr. 7.)

The region of Central Hungary (Közép-Magyarország, HU11, Nr. 1.), where GDP index exceeds 75% of the average GDP index 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").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3. Analysis of the situation in terms of strengths and weaknesses, the strategy chosen to meet them and the ex-ante evaluation

3.1. Analysis of the situation in terms of strengths and weaknesses

3.1.1. The general socio-economic context and characteristics of the geographical area

Physical context and demarcation of rural areas

Hungary occupies an area of 93,030 sq. km. On January 1, 2006 the number of inhabitants amounted to 10,077 thousand, showing a tendency of permanent decline. Between 2000 and 2006 population decreased by 146,000 heads. The average population density in 2006 was at 108.5 per sq. km.

The climate of Hungary is moderate, and as a result of her geographical location and the negligible height difference it is free of any excessive climatic extremes. Plains constitute more than half of the country's area. The precipitation levels allows for the moderate fulfilment of water demands. The annual amount precipitation is between 600-700 mm, the majority of which occurs in the summer months. The duration of sunshine is relatively high, between 1,900 and 2,300 hours. The topographical – exposure – characteristics of the country are very favourable for fruit and vegetable production, and have a positive impact on the taste and flavour, and special quality of the products. These characteristics provide favourable conditions for agriculture.

According to the criteria of demarcation already applied in the previous programmes (unfavourable demographical situation and age structure, and underdeveloped economy and infrastructure), 88% of Hungary was qualified as rural area in 2004-2006 including 96% of the country's settlements, and providing home for 47% of the total population. This demarcation has been further developed according to the experience of the implementation of previous rural development programmes. In 2007-2013, settlements with a population density not exceeding 120 persons/km2 or having less than 10.000 inhabitants are considered as rural areas, excluding the settlements of the Budapest agglomeration, but including the outskirt areas of non-rural settlements having more than 2% of total population living in outskirt territories. It covers 95% of the country's settlements, 87% of the territory and 45 % of the population. These rural areas comprise a special type of region characterized by low population density, heavy reliance on land as source of livelihood, and a non-urbanized settlement structure (typified by villages, small towns, and, in certain regions, by isolated farms). Rural areas also include the outskirts of those highly populated, thus non-eligible settlements with above 2% of their population living there. There are altogether 33 such settlements with 71 thousand of inhabitants living in outskirt areas. Adjusted to the specific target groups and to the specialities of each measure of Axis III, the

demarcation of rural areas differs measure by measure. The baseline data in the situation analysis as well as the targeted results and impacts correspond to the broadest understanding of rural areas as defined for Axes IV. Both the Rural Development Fund and the Structural Funds intervene on these areas.

Demographic situation

Demographically, the increase in population in these rural areas is low – to a regionally different extent –, and the unfavourable age-structure characteristic of them demonstrates the ageing of the population. The decreasing size and share of younger generations and the otherwise welcome increase in life expectancy have resulted in imbalancements in financing of the social care systems. The imbalance between the genders also seems to become stable: while in the age group under 40-45 men dominate, in the older age groups women take over.

In the last decade migration from the rural areas has intensified. In the lack of subsistence opportunities most of the people leave presumably in the hope of employment and a better living. Positive changes occurred in this regard only in Central Hungary and the Western and Central Transdanubian Regions, while the migration balance is the less favourable in the regions of Northern Hungary and Northern Great Plain. If current tendencies remain, Hungary has to reckon with an unfavourable change in the age structure of the population in all regions, the continuous decrease of the active-age population, and the concomitant rise in the number of inactive citizens.

Economic drivers, productivity and growth

As an indicator of economic performance, significant differences may be observed in the GDP among the main sectors. Growth in the industry and the services sector exceeds the average rate 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 branch level, reflects the trend of economic restructuring characterized by the gradual displacement of agriculture. In addition development was geographically uneven and focused primarily on the regions and regional centres with dynamism.

This has in turn led to the handicap of the rural areas predominantly based on agriculture. A characteristic difference in the structure of the economy in rural areas compared to the national average is that agriculture, including forestry, game and fisheries management has a significantly higher share. Although agriculture accommodates the lowest number of undertakings, it plays a decisive role in the living of rural population, and is in fact the exclusive source of 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. Enterprise density here lags behind the national average. In the rural but particularly in the disadvantaged areas the rate of subsistence enterprises is also high, which refers to the limited employment opportunities. The handicap of rural areas is evident also in

the reluctance to launch there enterprises and their reduced capability to attract capital. Services have approximately a 10% lower share in the total economy of the rural regions than the national average. In other words, the improvement of the tertiary sector has not gone hand in hand with the decreasing role of agriculture, and that causes severe employment and income problems among the rural population. The transformation of the economic structure in the rural areas proceeds but slowly, with the traditional production sectors – industry and agriculture – retaining their importance though slowly declining. The spread of non-agricultural activities in the rural areas is relatively slow.

Labour market trends

The gradual displacement of agriculture as a major source of employment is apparent in every region. The smaller population a village has, the narrower the job opportunities locally available are. In villages with less than 500-1000 residents inactive citizens needing social or family support often amount to a higher than 70% rate of the local population. There are on the other hand regions where agriculture continues to be considerable owing to favourable natural conditions, long traditions of production, and comparative economic benefits. From an agricultural point of view these areas include the Southern Great Plain, Southern Transdanubia, and the Northern Great Plain, where counties show an unusually great variety of moderate industrialization. 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. Altogether the links of the villages with agriculture are by three to four times stronger than those of the urban areas. 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 or another sort of agricultural activity with a variety of aims, and with looser ties to the sector. The much smaller minority comprises the actual employees of the sector who are dedicated to agriculture with a life-long sense of vocation.

Between 1991 and 2005 the rate of individuals variously connected to agriculture was cut by more than the half. In 2003 15.7% (1.34 million people) of the total population was engaged in actual agricultural production (age groups over 15 years only), their share was yet 32.8% (2.7 million) in 1991. Between 2000-2005 the rate of population engaged in farming declined considerably, by about 32% (from 1.98 million to 1.34 million). According to 2005 data, the number of people employed in agriculture dropped from 9.0 % to 5.0 % in the last decade.

One of the major obstacles to rural economic restructuring is the discrepancy between the actual needs of the economy and the structure of education and (vocational) training. There is a shortage of labour force with the education and professional knowledge required by the prospering branches of the economy in the rural areas mostly due to migration from the areas.

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

mere elementary school education being the highest completed education of most residents.

Use and ownership structure of the land

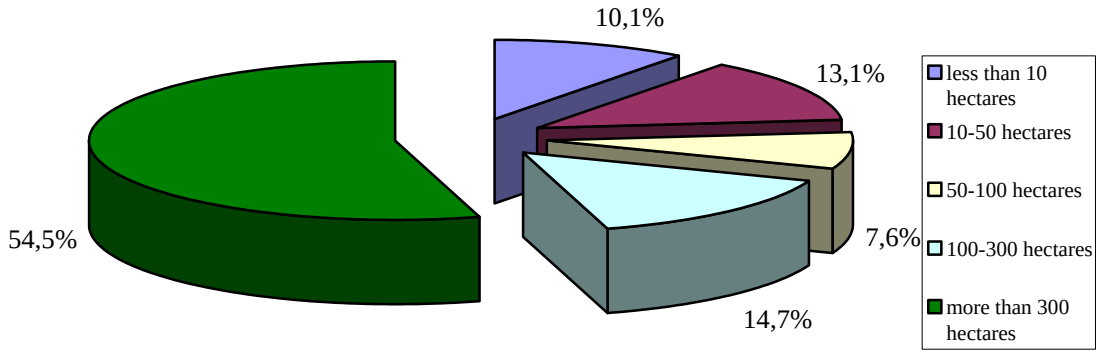
The conditions for agriculture, including soil quality, climate, and terrain, are favourable in international comparison. Depending on the fertility of soils, 89% of the country's total area of roughly 9.3 million hectares is suitable for various agricultural and forestry usages. Arable land therefore represents a vitally important resource of the country, and is thus one of the fundamental factors of production.

Within 62.5% of the country's area actually under agricultural cultivation (2006), 48.5% is plough-land, 10.9% grasses, and 3.1% orchards and vineyards. 21.4 % of the country's area is utilised by forestry management, of that 19.1% (2005) is actually forested. Between 2000 and 2005 no significant changes occurred in the cultivation methods or the distribution of land between the different sectors. The distribution of areas used for agriculture and forestry significantly varies between regions. The Southern- and Northern Great Plain have the highest proportion of agricultural areas (22-23%), while the proportion is only 7% in Central-Hungary. The most apparent change of the past fifteen years is, as a result of privatization and compensation, that private ownership of agricultural land reached a prevalent (83%) share by 2005 while land ownership (and land use) by the state and various cooperatives significantly decreased. Following the privatization of land the average plot size owned has become 2.3 hectares, which except for plantations or intensive horticultures, hardly provides a secure livelihood for a family.

After the economic-social changes in Hungary, there are both large- and small-sized farms in agriculture, however, the number and share of middle-sized farms is less than desirable. Among land-owner farms economic organizations (enterprises having more shareholders) typically have large amount of land, while their average size decreased between 2000-2005, while one-person farms are usually have small, fragmented and geographically independent pieces of land. The average area of economic organizations was 486 hectares in 2005, which is a 35% decrease compared to 2000. The average size of farmland used by the individual farms increased more than sevenfold in Hungary between 1991 and 2005 (from 0.5 hectare to 3.4 hectares). The average size of farmland of all farms in the country is 8.6 hectares. It is easy to see that the vast majority of individual farms serve as a supplementary income source, further concentration of land use is required for economically viable production. Bipolar farm structure is a characteristics feature of land structure. The vast majority of individual farms (93.4 %) are below 10 hectares, and they account for the quarter of the land used. As for the category of farmland with the size under 10 hectares, the majority of the farms are under one hectare (70%). The distribution of economic organizations by size (with regards to the number of farms) is more balanced, however, the proportions of land use are extreme. In this sector 45% of farms above 100 hectares used 96.6% of the land belonging into this category in 2005.

Large farms between 100-300 hectares and farms above 300 hectares together use 72.2% of all areas, while they constitute only one percent of all farms.

Distribution of land by farm size, 2005



The uneven distribution of farm structure is also reflected by the breakdown by economic performance (ESU) of the Survey on the economic structure. The majority of farms (88%) belongs to the size category under 2 ESU with 9.5% of agricultural land, however the large/sized farms (above 40 ESU) accounting for 0.6% of all farms use more than half of agricultural land (55.1%).

82,4 % of the agricultural enterprises are above the 4ESU threshold, representing more than 6.000 companies. As for private holdings, 6% of them are above the 4 ESU threshold, representing around 43.000 private holdings. This means that 6,6 % of the total farms are above 4 ESU, covering 84,6 % of the total agricultural area.

In case of agricultural enterprises, 83,8% of those enterprises, which are specialized in crop production are above the 4 ESU threshold, 41,2 % is above even the 40 ESU. 74 % of those agricultural enterprises, which are specialised in animal husbandry are above the 4 ESU, while 89,6 % of the agricultural enterprises with mixed type of activity is above the 4 ESU.

13,2 % of those private holdings, which are specialised in crop production is above 4 ESU. 2,2 % of the private holdings specialised in animal husbandry is above the 4 ESU threshold. As for private holdings with mixed farming activities, 2,9% of them is above the 4 ESU.

More detailed information and data on the farm structure can be found in Annex 1.

The income generating abilities of the key agricultural sectors exhibit a significant (bipolar, as above) difference for each farming method.

The majority of economic organizations in all sectors are in the range closer to the upper limit of the economic size. Three quarters of farms with a crop production profile (74.8%) belong to the medium (8-40 ESU) and large (above 40 ESU) size

categories. The vast majority (85-90%) of economic organizations breeding milk production and fodder consuming species (pig, poultry) are also middle- or large-sized. The fragmentation and mostly moderate carrying capacity of individual farms is reflected by the fact that the economic performance of 88.8% percent of such farms is under 2 ESU, and one tenth can be classified into the small category. It is clearly visible that the economic performance of almost all animal husbandry individual farms remains under 2 ESU, regardless of the species. The only exception is milk production, where 57.1% of specialized farms are between 2-8 ESU.

In spite of the extremes, the restructuring of farms between the years 2000-2005 was characterised by the gradual take-over of larger farms. As a consequence of the fragmented landholding structure, mainly in private farms, a competitive farm size is difficult to achieve, the possibilities for the application of modern agrotechnics and full utilisation of production capacities are also limited.

The number of individual farms continuously decreased between 2000 and 2005 by 26.2 percentage points, and the number of operating individual farms was 706,891 by 2005. The purpose of the production of individual farms also changed slightly during these five years. 60% of the farms produced exclusively for self consumption in 2000 and 2003, while this figure had decreased by 9 percentage points by 2005. The proportion of farms producing primarily for sale rose from 8% to 16% between 2000 and 2005, while the number of farms selling excess over the own consumption rose only slightly, by a mere 1.5% by 2005.

The role of agriculture in the national economy in Hungary is still considerable, despite the decreasing share in the total economy. This mainly originates from the better than average characteristics of the agricultural land use and production which forms the part of the rural life-style too, from the traditions of the production and from the rates of the sector, which significantly exceeds the average of the EU (because of the portion and quality of land use for agricultural purposes, the favourable climatic conditions, and the number of the people engaged in agricultural activities). Parallel to this, the agriculture becomes more valuable in the regions in critical economical situation, as often the only source of living. This phenomenon considerably revaluates the so far production oriented role, significance of the agricultural activities and strengthens its multifunctional characteristic.

According to the Industry structure census of 2003, almost 45% of the population engaged in agricultural activities participates, to varying degrees, in the production of commodities sold on the markets. The biggest group (750 thousand people) is those producing only for their own needs, which accounts for 55.7% of all producers. The rate of the producers selling the excess over the own consumption is 31.2%, 13.1% of the family workforce is the one which solely engaged in production. The number of those producing mainly for the commodity market is 177 thousand people in approximately 90 thousand farms. The rate of the enterprise farms and the family workforce connected to them is not substantial (0.1%). As a welcome change, the number and the labour absorbing capacity of commodity-producing farms have increased, while a setback can be observed with all other types of farming enterprises making up the sector. The rather large group (750 thousand people) of agricultural producers, who are producing for their own needs, have looser ties to agriculture, most

of them are engaged in agricultural production as part of the rural way of life, out of respect for traditions, in order to save living costs as semi-subsistence farmers, or simply to earn extra income. The analyses of the characteristics of agricultural producers (farm size, age structure, agricultural education) lead to the conclusion that the number of semi-subsistence farms which can be developed into commodity-producing farms as a result of the supports is estimated at about 2400 farms.

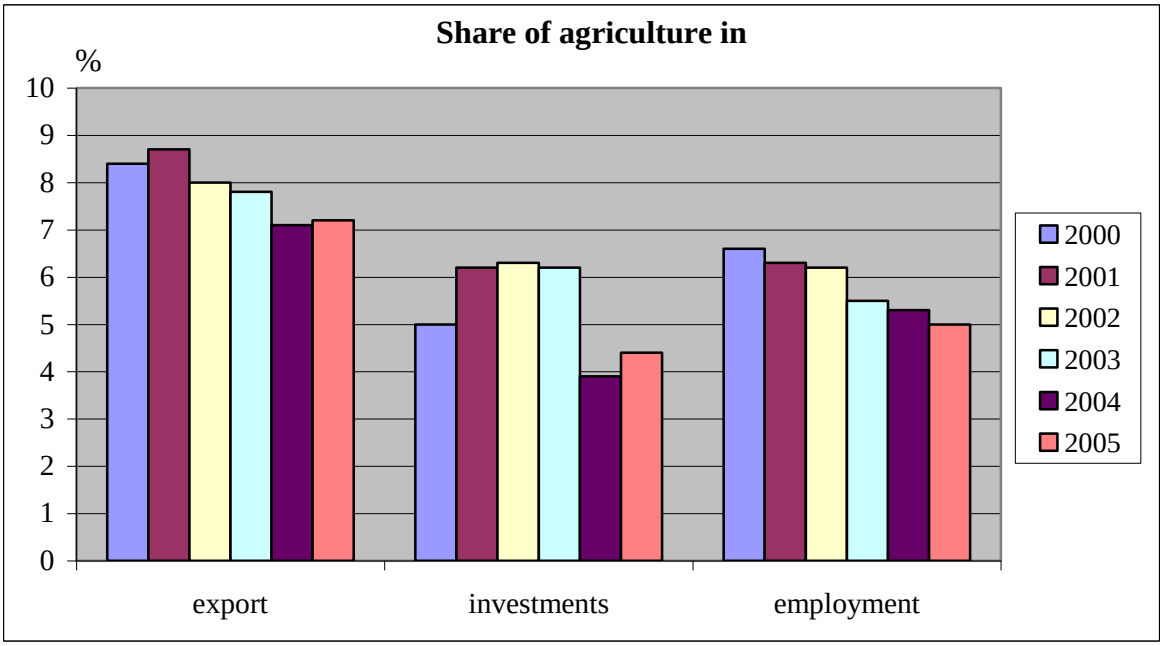
3.1.2. Performance of the agricultural, forestry and food sectors

Economic weight and main development trends

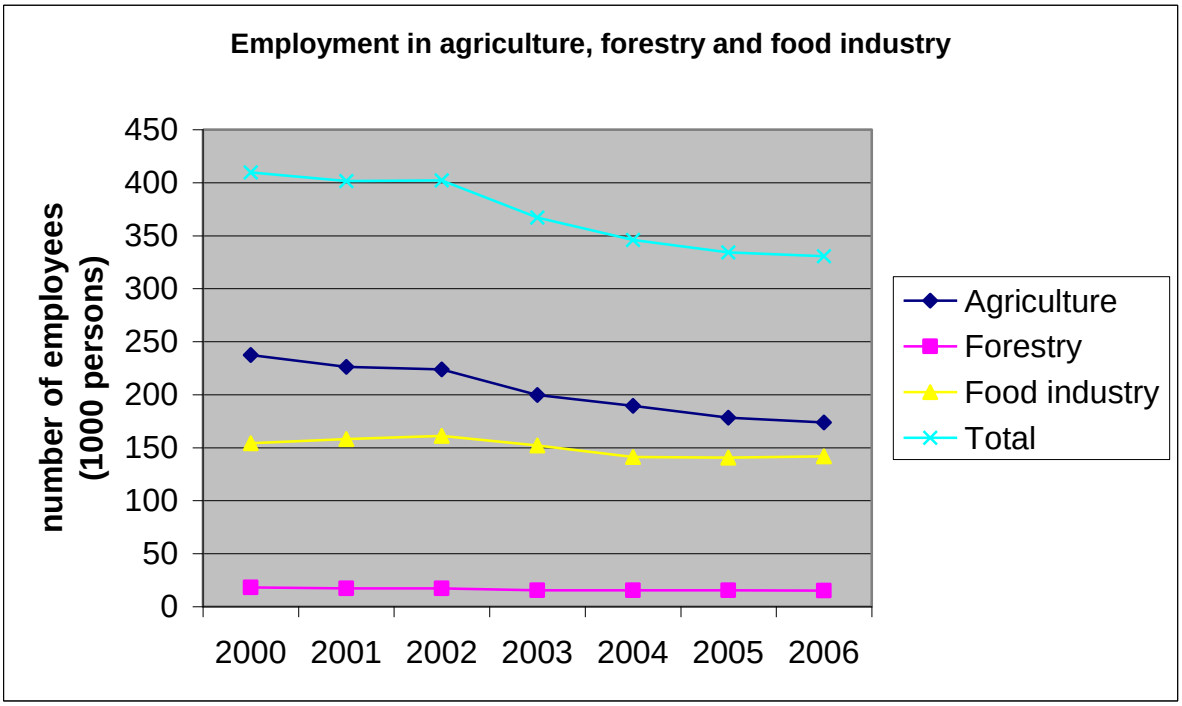
In line with the international trends the significance of the agrarian sector in Hungary decreases within the national economy in terms of quantifiable performance. The contribution of the sector to the gross domestic product (GDP), and its role in exports and in employment decreased between 2000-2005. The sector's contribution to the gross domestic product (GDP) fell from 4.6% to 3.7%, employment (without the food industry) fell from 6.6% to 5.0%, and the exports including food industry fell from (8.4% to 7.2%). The only signs of moderate and temporary growth were shown in the proportion of agriculture form all investments, which rose from 2.9% to 6.2% between 1995 and 2003, mainly due to technical developments and equipment investments, but fell to 4.4% by 2005. However, the temporary growth in investment did not result in significant improvements in the technical and engineering development status of the sector's obsolete facilities.

The permanently positive – although decreasing – balance of exports gives reasons for hope. Hungarian agricultural and food products are present in the European Union's market in gradually increasing quantities. Almost half of the export of agricultural raw materials and foodstuffs are realized in the markets of old EU member states. It is unfavourable that agricultural raw materials account for a higher share in exports (66.2%), reducing the possibilities for increasing the added value.

The displacement of agriculture as a major source of employment became more apparent (adverse effects on rural development and the preservation of rural population). The number of people employees in agriculture was 194 thousand people in 2005, which is only 59.2% of the 327.6 thousand people employed in 1994.



Note: * together with food industry



Production structure

The respective shares of the two main sectoral groups within the gross output of agriculture reflect the increasing dominance of arable farming (with the weighty presence of cereal production), bringing about ingravescently unfavourable consequences. In 2005, the share of arable farming from the gross output was 55%,

while the permanently dropping proportion of animal farming just hardly exceeded one-third of the total output (36.6%). In Hungary, the disproportionate rise of the share of arable farming in arable lands roots from the existing properties of the agricultural lands, the large proportion of arable lands even in international comparison (48.5%), the fluctuating, but rather outstandingly large average yields in recent years, as well as the significant decrease of the volume of animal farming, having adverse impacts.

The restructuring of Hungarian agricultural production and the balancing of the two main sectors are inevitable. In the first phase of the restructuring a slow change, a moderate growth in the role of animal husbandry is expected, and the non-agricultural activities will primarily directed towards service providing activities.

Gross output of Hungary's agriculture by main activity

Item	Gross output at current prices (in billion HUF)						Share in gross output (%)					
	2000	2001	2002	2003	2004	2005	2000	2001	2002	2003	2004	2005
Arable farming	619,5	683,1	683,8	700,8	967,9	835,8	48,5	46,2	46,2	49,5	58,4	55,0
Animal husbandry	544,7	660,9	660,2	587,3	541,7	556,9	42,6	44,7	44,6	41,5	32,7	36,6
Non-agricultural activities	50,9	57,6	53,5	51,9	50,5	39,9	4,0	3,9	3,6	3,7	3,0	2,6
Agricultural services	63,3	78,1	82,8	76,7	96,4	87,8	5,0	5,3	5,6	5,4	5,8	5,8
Total output	**1278,4**	**1479,7**	**1480,2**	**1416,8**	**1656,6**	**1520,3**	**100, 0**	**100, 0**	**100, 0**	**100, 0**	**100, 0**	**100**

Source: Agricultural Statistical Almanac 2003, 2005, KSH [Hungarian Central Statistical Office] 2006

Impacts of the introduction of the CAP

Since the accession to the EU, the direct subsidies from CAP funding increase gradually each year, and will reach the level of old member states in 2013. Hungary was given the opportunity to supplement the EU funding from national sources (top up), thus the level of subsidies will be "equalized" in 2010.

For the disbursement of direct EU funding Hungary introduced the so-called area based system (SAPS - Single Area Payment Scheme), and taking into account the sectoral characteristics of agriculture, Hungary has developed a separate procedure for the related national top-ups.

Hungary paid 318 billion HUF in direct EU subsidies in the period between 2004-2006, out of which 252 billion HUF was SAPS, 66 billion HUF were market (intervention) subsidies. The total amount of subsidies (EU direct payment, top-up and other national subsidies) came to 756 billion HUF, the income of the farms (pre-tax profits) in the same period came to approximately 370 billion HUF. Thus the proportion of direct EU subsidies (SAPS and market) compared to all subsidies is 42%, and reached 86% percent of the income of the farms. Approximately 210 thousand farms received direct CAP subsidies.

Both the positive and negative impacts of the application of the CAP are visible, however, this short period of time is not enough to make reliable conclusions. The negative impacts are mostly due to the fact, that Hungarian producers failed to realize that competition in increasing not only in foreign markets, but also on the domestic market as well, and the majority of foreign competitors are better organized due to their producers' associations. The perceptible impacts are the following:

- relatively large and well-organized farms could get more support than before, their production performance increased, and income position became sounder,
- larger producer farms spend significant amounts on modernizing production, approximately 10 percent of them used rural development (modernization) subsidies,
- the non-supported, mostly part-time farms are facing increased difficulties on the market,
- the direct support measures improved the situation of mainly the plant-grower and mixed production profile farms, not those dealing with animal husbandry (especially pig and poultry),
- due the existing main sectoral imbalances (the feed demand of animal husbandry is significantly lower than agricultural feed production) a large amount of excess cereals were produced, which was compensated by the successful interventional buy-up,
- the restructuring of plant production (to the direction of producing non-food and non-feed products) and diversification of production (renewable energy) have started,
- support provided for producers' organizations did not result in significant improvements for the sectors requiring extensive manual labour, which are especially important for rural employment (primarily: vegetable and fruit production, grape production, winery),
- the farmers became more interested in environmental conscious farming, imposing less load on the environment,
- the Hungarian farmers have been unexpectedly affected by the significantly increased market competition,
- the competitors in the EU that are better organized than the national farmers, have better infrastructure and often selling „by-products" have gained significant part of the domestic market, and as a result of this, the balance of payments have decreased from the former 1,5-16 billion EUR to below 1 billion EUR, Hungary became net importer of pig meat, dairy products and fruits.

Crop farming

The crop structure has remained essentially unchanged in the past ten years, while the share in output increased significantly. Similar to previous decades, the share of crops within the sowing field structure is significant, almost 70%. The corresponding figures for 2004 and 2005 indicate a 2–3% increase in the associated cultivated areas for eared cereals and corn alongside with remarkably large yields (the average yield for wheat in fact doubled in 2003–2004, and in 2005 was still 1.7 times larger than in 2003). A similar increase in yields was witnessed for corn, the production quantities in 2005 were 90.9% larger than in 2003. This considerable overproduction has resulted in marketing problems, and then serious storage concerns.

Almost half of the increasing output of arable farming between 2000-2005 (47.8%) is the result of the production of crops. Among the two leading plants of crop production the gross output of corn increased (with a 26.5% share in 2005) at the expense of wheat.

More than half of the cultivated crop production (54%) was used domestically in 2005, and the proportion of exports to total use is around 15% on average. (The share of wheat in exports is 15.3%, while that of sunflower is 37%).

As regards the proportion in planting area the second largest group after crops is the group of industrial plants (sugar beet, tobacco, sunflower, rape) occupying 18.7% of the area in 2005. The ramp-up of industrial plants is due to the slowly expanding sunflower production and the significant area increase (2.5 times larger) of rape as compared to 1994. The gross output of industrial plants in 2005 is almost identical (16.9%) to their proportion in planting area. In the last half decade the proportion of industrial plants within the gross output exhibited a two-fold increase (from 9.8% to 16.9%).

In case of sunflowers 55% of the harvested production is used domestically, while 37% is exported. In case of potato, sugar beet, certain vegetables and grapes the domestic use accounts for more than 90% of the harvested production.

Due to the significant decrease in the number of animals, especially those species consuming bulk forage, the required feed can be produced at a smaller area. In 1994 fodder crops were grown in 13.4% of the total cultivated areas, and their share fell to 6% by 2004-2005. The two most important plants in arable fodder production are lucerne (3.5%) and silo corn (2.3%). The decrease in the area used for fodder production did not change the approximately 4% proportion in total output between 2004-2005.

The crops, industrial plants and fodder crops allocate a significant proportion of arable land (92.7% in 2005). Arable farming can be characterized by a simplified, almost totally automated production structure, producing mainly mass production goods. Neither the significant restructuring of ownership relations and farming methods, nor the increase in individual farming with smaller farm areas could change this phenomenon. The failure to properly align the production with the land conditions and

farming sizes had a negative impact. The large-scale and automated production of mass produced goods – eared cereals, corn, rape, sunflower – are preferred by both business associations and individual farmers, regardless of the existing conditions. The former production structure has been preserved due to the lack of capital, the still usable large plant equipment, the lack of professional skills and market orientation. However, there is a slight shift, and the role of individual farms is gradually increasing in the production of so-called "small-scale products".

The share of horticultural products and fruits in gross output decreased each year between 2000-2005. Horticultural products account for one sixth, while fruits account for only one tenth of the gross output.

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 production of grain varieties and oil-seed crops, with Southern Transdanubia taking the second place.

Animal husbandry

The size and yield of the animal stock were reduced to 60–65% of the figures recorded in 1990. The decrease in animal stock shows significant differences for each species.

Among the farm animal 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 stock has shrunk be an additional 22.2%.

Pig stock fluctuated significantly between 1994 and 2005, with alternating trends, though recent years have clearly been characterized by a downward turn. The stock of not quite 4 million pigs in 2005 represents an 11.5% decrease compared to 1994. The number of sows dropped however by 33% over the subject period.

In contrast with that the stock of sheep has increased since 1994 (by 48.4%). This increased the share of ruminants within the total animal sector, which contributed to the preservation of the cultural state of grasslands unusable for crop farming.

Poultry stocks increased in the 1990's despite the adverse market conditions, and the low and fluctuating profitability. This trend turned in 2004, and by 2005 compared to 1994 the number of poultry and laying hens dropped by 5% and nearly 12.3%, respectively. Animal density – the number of animals per 100 ha of agricultural land – decreased between 1994 and 2005 in respect of both cattle and pigs. This index rose exclusively in the sheep farming sector.

The share of animal husbandry in the gross output of agriculture reflects a significant decline between 2000-2005. The nadir of the size and performance of the sector took place in 2004, where its share did not even reach 33%. The situation somewhat improved in the recent years, the share of animal husbandry reached 36.6%, which is still very low. Livestock accounts for 66.7% of the total gross output of animal husbandry. In the output of livestock, the shares of pigs (45.7%) and poultry

(38.9%) are the largest ones. Among animal products the most important is milk production, with an almost 70% share.

Pig, beef cattle, and poultry farming are 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.

Regional characteristics in the role of agriculture

The spatial importance and differentiation of agricultural production are reflected by several factors (the gross contribution to added value, land availability, labour absorption and employment rate). These figures mainly reflect the decline in the sector's economic importance, but at the same time they clearly outline those regions, where the role of agricultural activities is not negligible at all, but can rather be seen a significant. More than 40% of the sector's gross added value is produced in these two regions of the Great Plain (Southern Great Plain: 22.2%, Northern Great Plain: 19.2% in 2004), which are followed by Southern Transdanubia with a share of 13.7%, and the rest of the sectoral output is produced by the remaining regions with roughly the same share. The aforementioned regioned exceed the average contribution to the total gross added value of agriculture (3.7%) by 2-2.5 times.

The share of investments, as well as the number of registered agricultural enterprises is the highest in the Southern and Northern Great Plain regions.

There are major differences in the proportion of the full time agricultural employees and the population active in agricultural activities (above 15 years of age). In the said three regions the share of agricultural employment is 1.2-2 times higher than the national average (5.0% in 2005), while this figure is around the average value in other regions (while it is only 1.3% in Central Hungary).

The share of the population engaged in agricultural production in a region is largely depending on the following factors: properties of agricultural land, the agricultural characteristics of the region, production traditions and the labour absorption and employment share of other sectors of the national economy. The number of people engaged in agriculture also largely depends on the number of unemployed and inactive people from other sectors of the national economy, and the severity of employment problems.

There is a two-fold difference between regions (excluding the Central Hungarian region) with respect to the share of population engaged in agricultural activities. The highest share of the population is engaged in agriculture in the Northern and Southern Great Plain (approximately 25-25% percent), and the relevant figure is 20% in Southern Transdanubia. The share of the population tied to agriculture with varying intensity is lower by some percentage points, and closer to the national average (15.9%).

These varying proportions by regions draw attention to the importance of the differentiated development of agricultural production and activities, which, assuming a high number of options and possibilities, can range from landscape preserving, environmental conscious farming to the competitive production of goods.

The differences between agricultural employment in different settlement types are also eye-catching. The segment of the population relying on agriculture for a living can be divided into two groups, remarkably distinct in size and composition.

The role of the sector in employment and in subsistence is different in the regions of the country. A further decline in the role of agriculture is expected in regions with weaker agricultural production features but better suited for the industrial and services sector (Central Hungary and Central and West-Transdanubia), while in the Great Plain and in the Southern Transdanubian Region, where agricultural traditions in coupled with highly capable conditions, the agricultural sector will remain an important economic factor, especially at small settlements. The critical employment conditions and the lack of jobs in the economically disadvantaged Northern Hungarian regions stress the importance of subsistence farming and the social role of agriculture.

Mitigating the imbalances in the production structure

Options for the gradual elimination of cereal overproduction

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 decreases the land used for cereal production, while on the market side, the use of cereals for bio-ethanol production decreases the surplus what was produced.

Investments in animal husbandry also diminish the surplus production 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 capacity of the producers.

Development of infrastructure, especially **investments in logistics** could significantly improve market access of agricultural products and commodities.

Logistic problems

In rural areas, the improvement of the competitiveness of agricultural production and processing activities is hindered by the **underdeveloped state of logistic systems**, the lack of services to **facilitate access to the markets** that are to serve the sales of agricultural and food-industry products. The number of organizations promoting the marketing of locally produced, special agricultural and food-industry goods is small, their networks call for development. A similar situation can be seen in the field of

services integrating market information and the production potentials of any given region.

It is a result of the existing peculiarities of the agricultural sector that in the regions the several stakeholders involved in the material flow (SMEs, large companies and private entrepreneurs) are situated as **scattered in space**, in many cases they have hardly any contacts with each other, and thus are forced to operate with **low levels of organizational cohesion**. In several regions, there is a lack of **logistic service centres** that would administer organizational, informational and other activities for the whole of the regions in the fields of purchasing, forwarding, warehousing, wrapping, packaging, distribution and sales, and thus assist the more efficient operation of agricultural enterprises.

The development of agricultural logistics involves the storing and manipulation of the produced commodity funds, agricultural products, their primary processing, as well as assistance to making the products competitive in the markets, to improving the conditions of market access. By linking up production, processing, warehousing and forwarding, agri-logistic bases exercise positive influences on the establishment and operation of producer organizations (Procurement and Sales Partnerships, Production and Sales Partnerships, producer groups), and also have a role in the improvement of the rural employment situation. Logistic solutions related to the handling of agricultural bulk products serve the quality-preserving storing of vegetable and fruit commodity funds, the moderation of the impacts of seasonality, the improvement of the safety of marketability, and thus in general the strengthening of competitiveness.

Weaknesses of the logistics of the Hungarian agricultural sector:

- Transport infrastructure,
- Warehousing and transportation capacities that can be operated economically even for special commodities, on the long run, and
- Lack of proper, specialized means of transport.

Increased attention should be paid to the standardization of transportation, especially in the case of products with short shelf lives.

Forestry

21.41% (1.98 million hectares) of the country's area is utilised by forestry management, and 19.1% (1.85 million hectares) of the country's area is actually forested. The areal distribution of forests is of course uneven across the country, with 11-12% in the Great Plain and 26-28% (2005) in the regions with mountains and hills (West-Transdanubia, Northern Hungary). The average forest area per 1000 citizens in Hungary was 183.3 ha in 2005.

The ownership relations of forest areas underwent a transformation in the last decade: 58% is owned by the state, while 41% of forests are in private ownership, 1% is owned by communities (municipalities, associations, foundations, churches). The total forest area in private ownership is 787,000 hectares, of which individual and

associated farmers manage 555,000 hectares (70.5%). No forest management takes place on an almost 232 hectare area of privately owned forests (29.5%).

The number of forested hectares has steadily been growing. Almost 100,000 hectares have been planted since 1995, resulting in a 1% increase in the total forested area of Hungary. Most of the afforestation (90%) is performed in privately owned areas, so the ratio of private forests is steadily growing. The number of private forest owners is close to 250,000 in the operational part of the forestry area, which shows the fragmentation of property. The average area of the operating private forest holdings is approximately 2.2 ha. Production and services (implementation) companies and enterprises in the forestry sector employs 15 thousand persons in 2006, 2/3 of the employees are employed in the public sectors, while 1/3 are employed in the private sector. The labour absorption of forestry decreased by 17% (from 18 thousand employees to 15 thousand) between 2000-2005. The modernization and diversification of forest utilization and establishment of vertical integration may result in the sector's labour absorption. Because of the problems of the private forestry (poor level of capital and devices, fragmented structure of forests, lack of professional skills and integrations) the environmental level of the private forests permanently stagnates and on a smaller areas – where the farming relations (232 thousand ha) - the level of the conditions are deteriorating. It is of utmost importance to establish and develop the technical background of private forests, and to establish and modernise forestry infrastructure (exploration roads, water management facilities, IT tools and systems).

The activities of operators in the private sector aimed at proper forest management and tending of forest stock are unsatisfactory, as they mainly prefer end use, especially clear-cutting. There are 64 integration organizations in the country, managing only 31.2 thousand hectares, and they provide professional guidance services for other forest operators at 130 thousand hectares.

Besides the preserving of the sustainable forestry and the multi-function role of the forests, it is important to increase the economic value of these areas, the increased diversification of the production and the improvement of the market possibilities, as the forest areas play a significant role in the economic activities of the rural areas and in the employment of rural population. Forestry water management plays an important role in sustainable development with respect to protection against erosion by water and wind, and in the mitigation of problems caused by climate change. The forests near to the areas which are affected by environmental harms may be very useful in the decrease of the pollution of the settlements.

Food processing

The Hungarian food industry’s significance within national economy has not declined after the turn of the millennium either. The output of the food-processing industry, based on Hungarian agriculture, enables Hungary to be self-sufficient in the main food products, and to produce surpluses in excess of the domestic demand. With most products, the level of self-sufficiency is around 110-130%. Its share in the GDP has been around 3% for a long time – although there was a slight decrease in 2005 to 2.6% –, and the share in exports was 4.7% in both 2004 and 2005. The gross

production value of food industry (HUF 1858.7 billion) saw a slight decrease, but it still means the 2nd or 3rd place among the 14 sectors of the processing industry, with 4.7% of the total national output in 2005. Since the accession, Hungarian food industry exports have increased at a significantly lower rate than imports. More than half of Hungary's food exports goes to the old member states of the EU (EU-15) and more than two-thirds to the EU-25. Out of the first ten export markets of Hungary, nine are EU member states. 90% of the Hungarian imports came from the EU-25 countries. The food industry attracted a steadily decreasing share of investments on the national level, which is currently 2.7%, and did not changes in 2004 and 2005. In 2005 two thirds of the investments were equipment investments (serving technical modernization), while 30.5% was spent on the construction and renovation of buildings.

Based on the distribution of the gross production value of food processing the most important sector in 2005 was meat processing (25.9%), followed by the production of milk products (11.1%) and the processing of fruits and vegetables (7.6%). The share of meat processing from the gross production value is continuously decreasing, however, the production value produced in milk processing is relatively balanced. The biggest contributors to gross value added in food processing the are meat processing (16.3%), production of milk products (7.1%) and the processing of fruits and vegetables (6.0%). The share of meat processing in gross added value is decreasing. Among energy intensive sectors the share of milling industry and forage production in value added fell to half, and the share of sugar production fell to a third of the initial figures (since 1994). Based on concentration (CR5) the first five enterprises in vegetable oil production, sugar industry and beer and tobacco production cover almost the full sector. The concentration levels are also high (70-85%) in the production of poultry, processed meat, sweets and pasta sectors, while concentration is on the rise in the milling sector, milk and forage production. However, the concentration in vegetable and fruit processing, bread production and the wine sector is rather low (under 30%).

Due to a restructuring in target markets and agricultural production significant excess capacities developed at certain food companies, especially in the meat industry, the milling sector, forage production and canned food sector. In addition to excess capacities, structural problems, unfavourable geographic distribution of capacities, plant structure problems (winery, milk processing, forage production), concentration and the lack or low level of specialization (meat processing, milling industry, vegetable processing, production of alcohol, spirits and fruit wines) characterise the food processing sector. The food processing sector can also be characterised by a low capacity utilization, which is varying for different sectors. According to recent surveys, only 40-50% of the capacities in the milling industry and forage production sectors is utilized. The utilization of assets in milk processing and canned food sectors is 20-30%, and the utilization in wine processing (based on the data of plants employing more than 10 people) is around 20% of the available capacities.

Particularly in sectors responsible for primary processing, the work of restructuring has yet to be completed, in order to become competitive in European and global markets. This should include the achievement of the concentration required for size efficiency, as well as specialization and overall modernization. The food processing

sector is dominated by small- and medium-size ventures, 89.6% of which have fewer than 20 employees. The overwhelming majority – especially the small- and medium-size companies - struggle with market handicaps due to low capitalization and the lack of funds to implement quality assurance, food safety and environmental schemes in compliance with EU regulations. These companies need to do a lot in terms of their standards of profitability, innovation and marketing. Within the food processing industry – mainly in the small and medium enterprises conducting the initial food processing, and in some big processing enterprises- the applied technology is obsolete, the structure of the products is out of date, the quality of the products is not even. Especially the small and medium enterprises have substantial disadvantage in the application of the results of innovation and R & D. The share of companies employing more than 250 people and producing sales returns over HUF100 million has remained virtually the same. Within that, large companies with more than 500 employees, and being competitive also at the European level continue to be very few, 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. The position of the small- and medium-size food companies producing mainly for local markets is much less reassuring, as their business opportunities are severely limited by low capitalization and poor work efficiency.

Based on the examination of economic figures, the economic position of the vegetable oil industry in the food sector is outstanding. The medium, but improving trend in the dairy, milling and forage industries gives hopes. This trend materialises in the strengthening concentration, increasing export share and the rising readiness for investments. The performance of the meat industry and the processing of vegetables/fruits is fluctuating and weakening (negative profitability, low productivity and capitalization, fall-back in export orientation). The change of structure in sectors can mainly be triggered by the change in demand. However, with respect to food consumption, it can be calculated with only moderate increases in the case of milk and dairy products, eggs, cereals and vegetables. A somewhat faster increase can be expected in meat and fruit consumption.

Machinery and equipment, the technological development of holdings

Due to the lack of capital, the majority of farms in Hungary cannot on their own invest the resources in the technical background which 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 equipments and machinery exceeds 10 years, and they need to be renewed in the interests of environmental protection, the standards of production and energy saving. The tractors and combine harvesters used by privately owned farms are 4-6 years older than those operated by business organizations. Tractors of smaller power are being replaced by more powerful tractors by both individual farms and business associations; however the indices such as engine power and number of machines per area are lower than the European average. While in the EU each hectare is served by 5.2 kW of mechanical power, this figure in

Hungary is 2.1 kW/ha (2005). In Hungary the area cultivated by a single tractor is 48.7 ha, while this figure is 19.6 ha in the EU.

National investment subsidies prior to accession, and the subsequent SAPARD and ARDOP measures helped to renew the set of appliances, particularly the fleets of power machinery in several thousands of farms in the arable crop sector. The number of tractors used in agriculture increased by 6% between 2000 and 2005, however, the development needs of many farms remained unsatisfied. The stock of trucks fell significantly (39%) in five years, while the number of combine harvesters increased with a mere 2%, and the number of harvester-thresher machines remained constant. There is especially a need for development in the purchase of the machines important in relation to environment protection and energy efficiency. Besides this, the funds were not sufficient to renew the important farm facilities (e.g. fertilizer and pesticide stores, produce driers, feed mixers, manure silos and infrastructure elements). 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 defining forest management include appropriate infrastructure and available forestry machinery stock. 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 the privately owned forest holdings is particularly poor, so all of the stock of machinery and equipment, the technologies applied and the IT background need to be modernised and increased.

The equipment stocks of forestry-timber processing and the exploration of technological possibilities should be modernised and increased. The complex processing of timber gained from the forest stands means further sales possibilities for the forest holder, i.e. enhances the safety of forest management.

Within the food processing industry – mainly in the small and medium enterprises conducting the initial food processing, and in some big processing enterprises- the applied technology is obsolete, the structure of the products is out of date, the quality of the products is not even. The modernisation of the sector is required to be able to produce goods meeting the market requirements. The sale of the products and, therefore, market uncertainty represent one 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.

Between 1995 and 2004 food industry attracted a steadily decreasing share of investments on the national level (from 5% to 2.7%), while in 2005 there was no increase, however no decrease neither. Then in 2004 its share rose again, partly as a result of the adjustment to the criteria of EU accession. 70% of the investments serve technical modernization, while more than a quarter (27.4%) of the available resources was spent on the construction and renovation of ancillary buildings. Particularly in sectors responsible for primary processing, the work of restructuring has yet to be completed, in order to become competitive in European and global markets. This should include the achievement of the concentration required for size efficiency, as well as specialization and overall modernization.

Basic infrastructure and water management facilities

Certain infrastructure elements of agriculture and forestry management (roads, service facilities, water management systems, instruments of the post-harvest phases, storage facilities, equipment stocks of forest owners) are incomplete or outdated. The accessibility of various agricultural areas is unsatisfactory. The agricultural road network and the related ditches, slopes, bridges, culverts, and other facilities ensuring the drainage of rainwater are incomplete, neglected or in poor condition. The standard of supply of agricultural enterprises with energy, roads and other public utilities is not satisfactory.

Water management facilities (water supply, water storage, water retention), which should ensure the stability and calculability of agricultural production are not completely established. The handling of the cases of abundance and lack of water is not coordinated.

The network of access roads, water management facilities 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 unpaved roads, 90% of which is located in state-owned forests. The specific index of exploration (average length of access roads per hectare) is 3.5 linear metre/ha. This figure comes to 7.2 lm/ha in state-owned forests, while the comparable rate in private forests is 0.9 lm/ha. Ideal conditions would require a 10 to 30 lm/ha access-road network for a sustainable, multipurpose forest management.

Forests play a significant role in the maintenance of water-management conditions. The most important tasks of water management in forests are the conservation and the improvement of the water household of forests and their protection against water erosion. At present insufficient 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 the area which may be irrigated under water law is small. Compared to the 3.9% in Hungary, the ratio of irrigated areas within the total agricultural area is 11% in the EU's 15 member states. In this regard Hungary ranks 24th among the EU-25. Owing to the basin character of the country the security of farming is regularly threatened either by floods and excess surface waters caused by huge amounts of water accumulated, or by droughts. The size of land threatened by floods and excess surface waters makes up 52% of the country's area. At the same time, in three of every ten years plant production is threatened by drought. Most of the public water facilities amounting to about 37,000 km and of the 312 public-purpose pump stations are in poor condition and require reconstruction.

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 the wide-ranging social expectations. For the sake of staying in competition, it is indispensable to

develop new and higher-quality products, searching for solutions and applying the most up-to-date scientific-technical achievements. The capital shortage of small- and medium-scale food-processing enterprises, forest-managers 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 goods either in local demand, or marketable on more distant markets.

The 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 field of winemaking, grape processing, feed production and the processing of honey. In addition to the Producers' Sales Organisation representing 12% of the horticultural production output, the majority of sectoral production is provided by producers outside of the integration with weak bargaining position on the market, changing product quality and technologies requiring modernisation. A further enhancement of the role of processing integration is required also in the vegetable-fruit sector. Despite the strengthening of producer partnerships over recent years, one of the greatest problems of the Hungarian food economy is a low level of organisation (weak market position) between the farmers, and the lack of harmonised relationships between farmers, processors and merchants. Granting support to producer groups is justified also because the rate of organisation of the Hungarian farmers is low, when compared to the relative EU figures.

By the end of 2006 about 200 producer groups with state recognition, and a membership of about 12,000 to 15,000 will be established in Hungary.

Further some 650 Procurement and Sales Partnerships have also been established in Hungary. The number of partnerships with preliminary recognition is 71. In addition, almost 650 Procurement and Sales Partnerships were created in Hungary (Ministry and Rural Development).

POs provide only 12% of the output of the horticultural sector. The level of organisation and therefore the bargaining positions of the producers accounting for the vast majority of the production in the sector are rather poor. Only 18% of the livestock products are generated in the framework of producer partnerships. In order to reinforce the producer associations it is necessary to recognise the network character of modern economy. The number of farmers organised in producer groups is small. Their representation power is particularly weak along the sensitive product lines (pig, poultry). Market approach is generally lacked.

Human capital, age structure and vocational education

Similarly to international trends, the age structure of the farming population is becoming increasingly unfavourable in Hungary. As much as 62.2% of the agricultural manpower belonged to the middle-age and older generations (40 years and older) in 2005. Almost one third of the employees are above the age of 50. The younger generation is definitely less tied to agriculture, while a decade ago (1996) 21.8% of those employed in agriculture were under 30, this share decreased to 15.2%, and the

share of this age group is also lower compared to other sectors of the national economy.

The age structure of farm owners and their family manpower shows, besides those of agricultural employees, also unfavourable tendencies. 55.3% of the family manpower engaged in agricultural operations (farm managers and family manpower together) was over 50 years of age in 2005, which is a 7.4 percentage point rise compared to 2000.

The family manpower of individual farms decreased by a total of 32.5% between 2000 and 2005; the rate of decrease was however much more significant in the younger generations (at about 60%), than the decline by about 20% 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 is close to 41% (farm managers and family manpower together). Due to the use of direct support, among the 198,735 registered self-employed farmers 54.1% is below 55 years, while 17.7% is 55-62 years of age and 28.1 % is older than 62 years. The number of self-employed farmers younger than 35 years is smaller than 16,000 (ARDA, 2005).

Among agricultural farmers at individual farms, 76% were men and 24% were women in 2005. Non-farming family members are women in 74%, while the balance of 26% is men. The average age of male farming population is 53 years; while that is 60 years with the female farmers. The average age of male family members (family manpower) is 32, while that of women is 46.

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

In the case of farmers below the retiring age, however, struggling with permanent difficulties, the aims include the improvement of the age structure 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%) had primary agricultural training, while 7.6% of them (in 2005 7.4%) took part in secondary or higher agricultural education (the joint share of „subsistent farmers" and „semi-subsistent farmers" was 88%). Almost a quarter of individual farmers are women, among them age structure is less favourable than with men (women have a by seven years higher average age than the 53 years typical of men) and a lower standard of vocational training. In 2005 only 9.2% of those employed in agriculture had 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 had college or university degree in agricultural education, in 2005 this was true for 2.2% of men and only 0.6% of women. Self-employed farmers lack sufficient knowledge, especially about the European Union (including market and production regulation, support systems, quality standards of products, the rules of animal keeping, and environmental requirements)

and there are serious gaps in their knowledge and skills of farm management, marketing and market issues. The situation is made more difficult by the shortcomings of the consultancy system and the adult education outside the regular school network, which needs to be addressed.

Potentials for innovation and knowledge transfer

The institutional background serving different levels of agricultural and food technology education is developed, however there are significant differences in preparedness of the workforce in certain sectors, partly due to the nature of the activities. The vocational education levels are the lowest for those working in agriculture and forestry. The share of employees with professional qualifications is both low among those with secondary and higher education qualifications. This unfavourable situation is due to the increasingly unfavourable age structure of the employees in agriculture and forestry, the permanent decrease in employment, and the moderate presence of younger age groups. The food processing sector has educated and experienced workforce and good production traditions, the number of employees moderately decreased in the last decade, and the age structure is more favourable as compared to the other two sectors.

As one of the obstacles of economic restructuring all three sectors in the food industry are characterized by a disharmony between the demands of the economy and the structure of education and professional education. As a general phenomenon in rural areas, very few highly qualified professionals with up-to-date knowledge are willing to settle down in rural areas. Most of them migrate to other regions, leaving very few employees in place with the qualifications needed for flourishing sectors.

The expansion of education and further education, and the enrichment of their contents are basic and indispensable conditions for the modernization of agriculture and forestry. In addition to practical experience the enhancement of the knowledge of those working in agriculture and forest management – mainly the farm managers – is especially important with respect to those professional skills, which they could not obtain during their former education. These include the sustainable management of natural resources, mutual compliance requirements in the field of landscape reservation and development, knowledge about environmentally compliant production practices, business and management skills, and the introduction of new, innovative production technologies. It is also very important to establish and develop skills for individual information collection, and to raise awareness about information collection methods (consultancy services, utilization of electronic information sources) and their importance.

In the food processing sector the primary tasks are the development of the existing education levels, and the skills to perceive and promote innovation and new, state-of-the-art knowledge.

From among the obstacles of food-industry innovation at present in Hungary the first place may be ascribed to its high costs and the lack of such project-management

services that could secure the introduction of research achievements in practice. There are no 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, environmental-friendly and sustainable operations by farmers and forestry managers. The development of advisory services has special role in the sustainable development of the rural areas. It is particularly important for the agricultural producers and forest holders to acquire information and knowledge about the plant management requirements specified in Regulation (EC) No. 1782/2003, the maintenance of good agricultural and environmental conditions 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 institutional 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 entered in the official register. Entering and remaining on the list of special advisors may occur on conditions 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 MRD 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 MRD Rural Development and Educational Advisory Institute in cooperation with the 7 Territorial 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 2004-2006.

From among the civil servants of the Ministry's Agricultural Offices in the counties the village agri-economist experts (650) – related to their public administration tasks, also supply farmers with general information and advice.

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

Quality approach and meeting the Community standards

For the competitiveness of the products, along with several other factors, product quality is one of the decisive elements. In general, it can be stated, that the quality of Hungarian agricultural products is appropriate and they do not fall below that of the international competitors, moreover, they exceed it and they are of better quality. To a significant extent, the good quality of products can be explained by the excellent conditions of production and experience gathered in production.

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 animal husbandry in the country. In addition, Hungary has an up-to-date genetic supply of both crops and livestock.

At the same time private animal farms tend to lag far behind in meeting the EU's requirements regarding environmental protection and quality assurance.

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, labour safety and plant hygiene. As a result of the development subsidies of the recent years, the renewal of the technical background of agro-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 demand for safe food and quality also necessitate that the rural areas also keep abreast of the higher consumer requirements.

Individual farms play an increasing role in the production of mainly labour intensive, region specific specialty products, which may result in a more successful market presence. The volume of such initiatives is not significant yet, but the efforts made so far have been successful. All this have a favourable effect on self-employment, the expansion of jobs within the farms and it stimulates region-specific product processing, reviving old traditions.

3.1.3. Environment and land use

General context

The diversity of Hungary's geographical conditions (the richness of surface water reserves, soil and terrain types and climatic conditions) has resulted in a rich variety of living environment. The wide-ranging biodiversity wonderfully complements the varied landscapes of the country. There are differences between the regions, the environmental load of domestic agriculture, especially following the political change, may altogether be classified as low. All that has highly contributed to the survival and conservation of the country's environmental and natural assets.

The indigenous species of genetically valuable livestock, such as the Hungarian grey cattle or Mangalica pigs, along with a fine stock of game (including deer and hare), and rare crop varieties show great genetic diversity that has rather successfully been preserved due to the 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 size of nature conservation areas is considerable, and additional areas have already been designated as parts of the Natura 2000 network too.

Certain environmental problems mainly originate in soil degradation and inadequate nutrient management (unfavourable trends of nutrient ratios). The rate of area treated with organic manure decreased by 21.5% between 1994 and 2005, and the quantity of manure used dropped by nearly 25.5%.

Agricultural production does not mean an appreciable load on the environment, mostly because of the declining concentration and intensity of cultivation, and the decreasing of environmentally harmful inputs (chemicals). More hazards are posed by the excessive fragmentation of production and, occasionally, the lack of professional know-how and agro-technical interventions neglecting environmental aspects. There are some examples of excessive use of environmental resources, the lack of environmental conscious farm management, and the presence of the resulting environmental problems. Out of the total of the country' arable-land area died-out plantations, abandoned land are amounted to 143,000 ha or 1.9% in 2005. The preservation of the agricultural status of abandoned areas and areas which are planned to be abandoned is required for both environmental protection and agricultural reasons, and can be ensured in the framework of agri-environmental and farming intervention actions, exceeding the requirements of the provisions of good agricultural and environmental conditions.

The most severe agri-environmental problems in Hungary are caused by wind and water erosion, the loss of biodiversity and soil compaction. The biggest challenges and

issues of agri-environmental management, as well as their importance and the size of the affected areas have been summarized and prioritized in the following table.

Main problems arising from the lack of agri-environmental management

Problem	Size of the affected area	Environmental significance	Total
Wind and water erosion	+++	+++	6+
Loss of biodiversity due to abandonment of cultivation in areas of high natural assets	++	+++	5+
Soil compaction	+++	++	5+
Devastation of natural values due to intensive farming	+	+++	4+
Landscape damage due to the abandonment of land	++	++	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.

In the following sections, the situation of environmental elements (soil, water, air and biodiversity) in relation to agricultural production will be examined in details.

Soil conditions, soil state

According to indices used to rate soil quality prior to Hungary's accession to the EU – indices which can only roughly reflect the current economical and ecological conditions – 1.76 million ha or 37.7% of all arable lands outside city limits were classified as "less favoured area."

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

- erosion by wind and water;
- compaction of soil;
- acidification of soil;
- risk of excess surface water;
- soil salination;
- deterioration of soil structure; 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 agricultural land, a total of 2,3 million ha in the hills and mountain areas. Lands exposed to wind erosion are also quite extensive, totalling some 1.4 million ha. All in all, various forms and degrees of erosion hit over 40% of the country's territory. According to estimates some 80-100 million m^3 of soil thereby 1.5 million tons of organic matter is lost from these damaged surfaces annually. The protection against degradation processes and the preservation of soil fertility are of utmost importance.

Erosion in Hungary

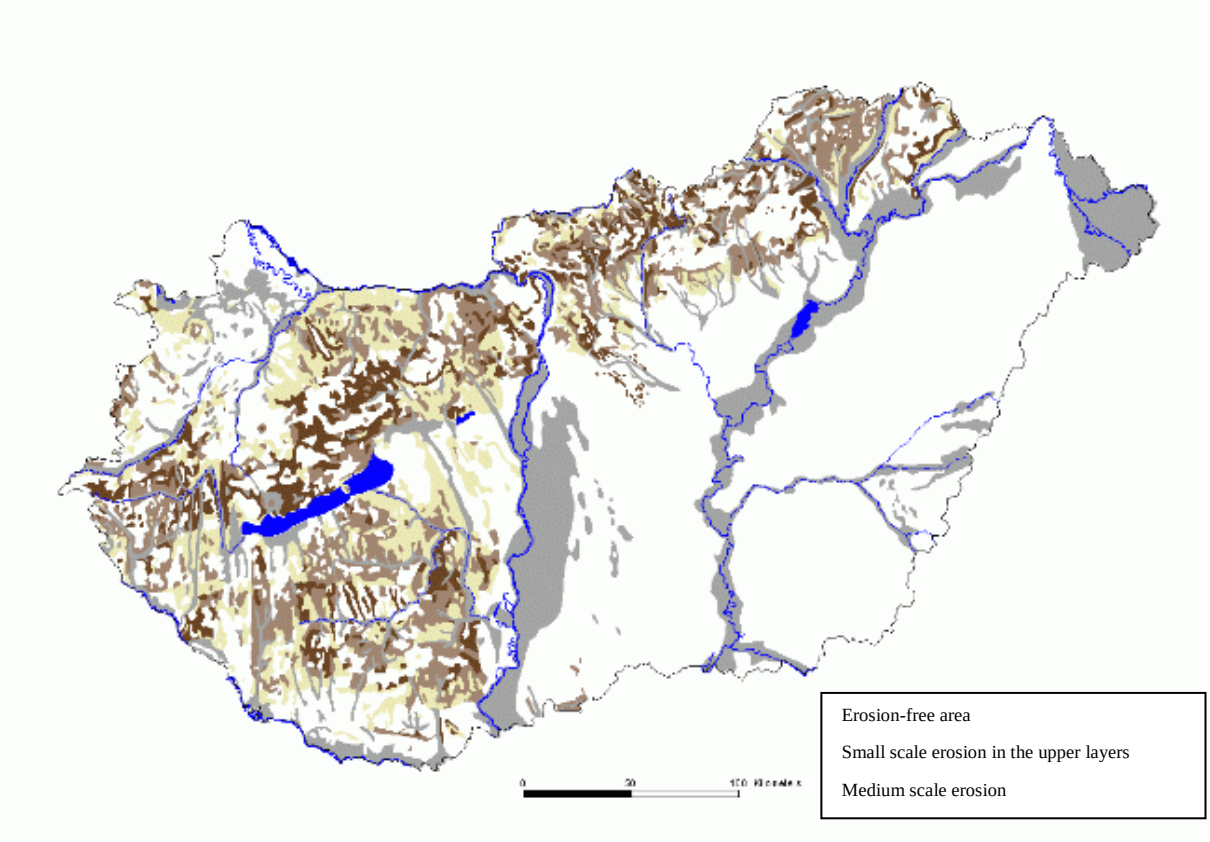
Extent of erosion and erosion loss	Total, average	Intensely eroded areas	Moderately eroded areas	Weakly eroded areas
Area affected by water erosion (million ha)	2.31	0.56	0.89	0.86
Average annual soil loss (t/ha)	-	70	40	20
Total annual soil loss (million t)	100			
Total annual loss of organic matter (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 affects sandy soils and, if cultivated unfittingly, also black soils (Chernozyom). Careless land use (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 covered by forests – this means nearly one fifth of the country – erosion is minimal or nonexistent. Therefore, 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 Hungarian Great Plain are instrumental in the fight against deflation and desertification.

The protection against erosion is supported by the restriction of the production of certain plant cultures at areas with a slope exceeding the value specified in the provisions of good agricultural and environmental conditions (12%). Through agri-environmental actions the zonal erosion protection target programmes provide for protection against erosion by water and wind and by ensuring permanent soil covering. The efficiency of protection is reinforced by the support for planting alleys and hedges, and the forestation of agricultural areas.

Soil erosion in Hungary



Soil compaction

According to former studies, some 1.4 million hectares of plough-lands 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 further deteriorated over the years, to the point that since 2000, compaction has become a problem in roughly half of the country's arable lands.

Acidification of soils

13% of Hungary's soils are intensely acidic, while 42% is moderately or weakly acidic. 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 its area has not considerably extended. Factors contributing to acidification include the reckless use of agrochemicals, atmospheric acid deposition, the dumping of acidic industrial by-products and waste, and the neglect of reasonable soil amelioration measures (lime application). Acidification may quite successfully be fought by environment-friendly nutrient management, green manuring, the increasing of the soil's organic content, the rejection of acidifying fertilizers.

Soil salinization

Salinization affecting 946,000 hectares – this is 10% of the country's area and 15% of the land used for agricultural cultivation –, reduce the fertility and productivity of the country's soils. An additional 245,000 ha of land is subject to salination in the deeper strata.

Water reserves and water management

With its 93,000 sq. km of area, Hungary occupies the deepest 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 150 m above sea level. 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 water output 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 sq. km. 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 railways, 15% of roads, and over 700 settlements with 2.5 million inhabitants. Excess surface waters often accompany flooding, particularly in the Tisza Valley. It no longer makes sense economically to defend against floods by raising the levees even higher, but it is proposed to spread and support land-use adjusted to the natural conditions (e.g.: the areas involved in the Vásárhelyi Plan Plus, VPP). The aim of VPP, in order to eliminate the flood risks, is to build a flood reservoir system, to take interventions in order to improve the water carrying ability of the big water river bed, to ensure the sufficient security on the critical parts of the current flood prevention system and the complex rural development of the Tisza-valley.

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 average 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 sq. km, 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. 2,100 km is managed by the local municipalities, and in addition, there are some 12,700 km of service ditches. The elements listed above form the excess surface water drain system of the country. This system is complemented by 235 reservoirs with a total capacity of 259 million m3 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 occurring 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 - on the Great Plain and, to a lesser degree and involving only moderate droughts, in Transdanubia. Arid conditions may set in every other year. 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 the General Agricultural Census (2000) 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 (7 February) lists nitrate-sensitive areas specifying the settlements (1779 settlements) and makes reference to "Good

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 "Good Agricultural Practices" are set forth in Annex I to Government Decree 49/2001 (3 April) as amended by Section 14 paragraph (2) of the Government Decree 27/2006 (7 February). The action programme includes the pursuit and enforcement of "Good Agricultural Practices," with aid and funding allocated for this purpose in the National Rural Development Plan and under the ARDOP. The analysis of the sensibility and the 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, on the basis of sensitivity categories established by Government Decree 219/2004 (21 July) "on the protection of the underground water supplies." In respect of surface waters, the "highly nitrate-sensitive" designation was reserved for areas subject to Government Decree 240/2000 (23 December) "on the designation of surface waters and their catchment areas that are sensitive to settlement waste water treatment." (watershed areas of larger lakes and watershed areas of drinking water reservoirs.) The action programmes are 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, with large stocks, notably those using liquid manure methods. (According to a survey conducted in 1996-1998, Hungary produced some 11 million m^3 of liquid manure annually, requiring approximately 80,000 ha of farmland to be spread on. Nitrate-sensitive areas generate 3.4 million m^3 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 methods at livestock farms as noted above and partly from the disposal of untreated sewage from settlements, neighbourhoods, 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 27/2006 (7 February) on the protection of waters against pollutions of agricultural origin.

Water protection programme

As part of a long term 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.

Program for the Improvement of the Quality of Drinking Water

To solve the problems of water quality in the field of public drinking water supply in Hungary a Program for the Improvement of the Quality of Drinking Water was

elaborated, based on the 98/83/EC Directive on the quality of water for human consumption and on the Government Decree 201/2001 (25 October) on the quality requirements of drinking water and the order of control enacted as part of the legal harmonization and amended by the Government Decree 47/2005 (11 March).

The Program for the Improvement of Drinking Water defined in Annex 6. of the Government Decree 201/2001 (25 October) covers 908 settlements or parts of settlements with an affected population of 2.5 million.

Air quality

Air pollution caused by agricultural activities in Hungary is in line with the EU average. With the application of appropriate level environmental measures (aforestation, agro-environmental measures, grassland development) the commitments made under the Kyoto Convention in order to moderate the effects of climate change can be realised. In addition to an expansion of renewable energy sources (biomass), the aforestation of agricultural land is crucial in the reduction of carbon-dioxide (CO_2) and among gases causing acidification, the nitrate (NO_3) emissions. Among the greenhouse gases emitted by agriculture, game management and forestry, the emission of carbon-dioxide (CO2) is 5502.2 thousand tons, which is 9.8% of Hungary's total emission (in 2004), and the methane (CH4) emission is 331.1 thousand tons (52.5 of total emissions). Concerning with gases causing acidification in 2004 the agriculture responsible for the emission of 3366,3 tons sulphur-dioxide (SO_2) (1,7% of the total emission), 4349,1 tons nitrogen-oxides (NO_x) (2,4%), and 96251,5 tons ammonia (NH_3) (98,62%). 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. Since 2000 the reduction of the agricultural sector's carbon dioxide and methane emissions is 11.3% and 1.0% respectively, while among gases causing acidification the emission of sulphur-dioxide was reduced by 37.6%, nitrogen-oxides by 7.5% and the reduction of ammonia emission amounted to 2.0%. The national initiatives primarily focus on the reduction of air pollution from the processing industry, transport and energy production, thus agriculture only has a 3.6% percent share of the funds allocated to the protection of air quality. Reducing ammonia, nitrous oxide and methane emissions originating in the inadequate storage and use of manure and dung, is therefore still an objective, and can be handled efficiently under Axis I.

Forests make a vital contribution to improving air quality, particularly by filtering dust. Forests located near harmful emissions from point 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.

Climate change

Climate change has various impacts, the fight against it requires complex interventions in the agricultural sector as well. The future of the agriculture is crucially influenced by the responses and solutions that could be given to the direct and indirect effects of climate change. The NHRDP will have a significant role in it.

Besides the reduction in the emissions of greenhouse gases to the atmosphere and the increase of its absorbtion, preparation for the adaption to the changed weather and climatic conditions is also indispensable, which means the forecast of the foreseeable changes as well as the prevention and preparation for the mitigation of caused damages and the elaboration of the opportunities of restoration. The preparation for and the adaptation to the climate change also provide facilities for further improvements of favourable processes. The transformation of the energy use may not only reduce the emission of greenhouse gases but also entails significant savings. The replacement of fossil fuels with renewable energy resources provides opportunities for new technological investments. The introduction of the trade system of CO_2 emission promote basically the effective reduction of emissions. By means of the synergistic connections, further reduction in the emission can be achieved and the development – based on local resources – may enhance.

Hungary intends to reduce its greenhouse emissions until 2015 by 15%, of which agriculture will take its share proportionally by 10-12%.

Besides mitigating the emissions, basic tasks of agriculture and forestry are soil management (which has a considerable water storing and CO_2 absorbtion capacity) taking into consideration the changed climatic conditions as well as establishing „double function" water management systems (excess surface water-drought), increasing the ratio of plant production for energy purposes and the afforestation, which includes the development of native forest communities on abandoned agricultural lands and the spread of forest management systems ensuring permanent forest cover.

Features of wildlife, biodiversity

A significant portion of Hungary's natural values 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, totalling 867.900 hectares according to year 2004 data. The 828,500 ha under national protection includes 484,100 ha shared by the 9 National Parks, 317,700 ha among 36 "Landscape Protection Areas," and 27,700 ha among 144 "Nature Conservation 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 Őrség 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 among extensive farming methods, both of which are on a large enough scale to have European significance. Extensive systems have but negligible share 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.

21% of the country's forests, 424,000 ha are under natural protection (MRD 2006), 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 favoured - 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.

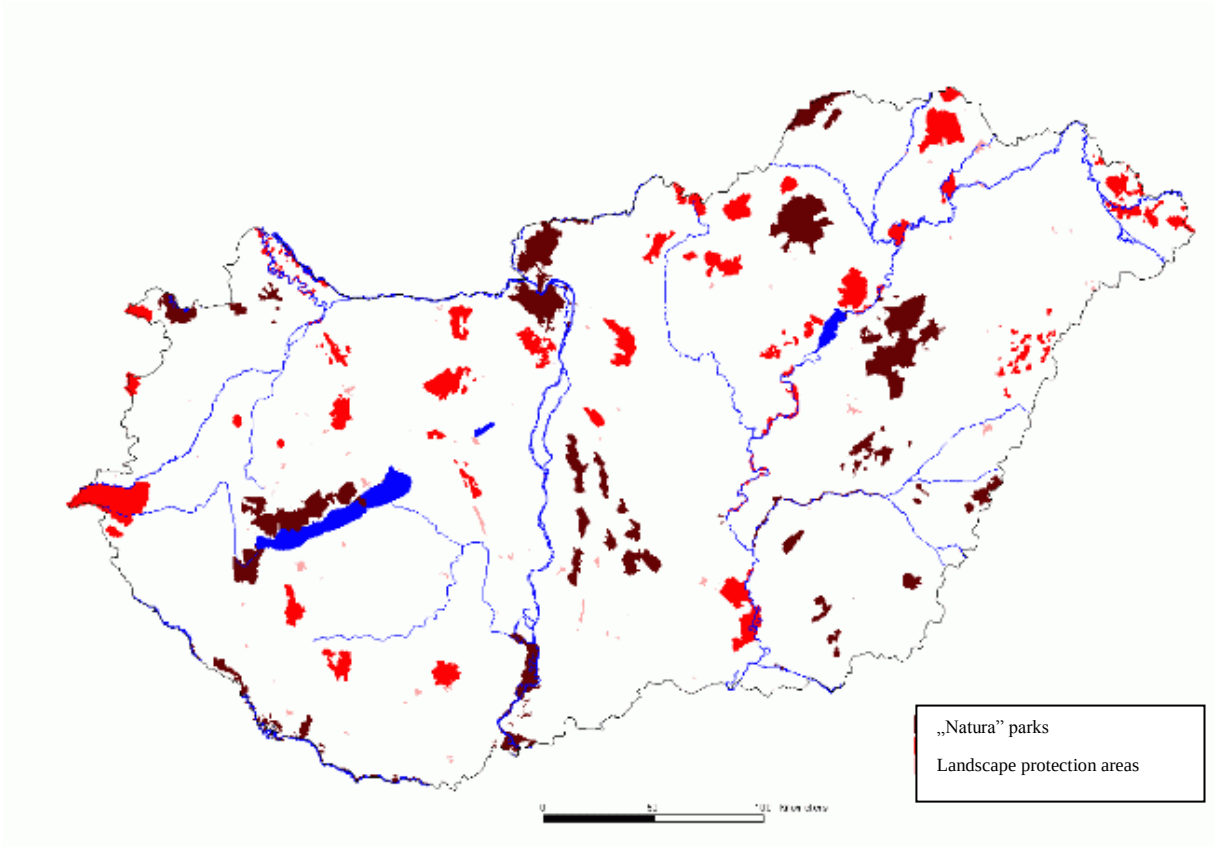
Measures proposed to minimize such damage include the plantation and cultivation of multicultural, ecologically stable forests and the restructuring of existing, suitably sited forests into nature-oriented, low-intervention forest associations.

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 (8 October) "on the designation of nature protection areas with European interest (Natura 2000 sites)" announced a list of 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 Areas of Conservation were designated on a total of 1.41 million ha, as well as 55 Special Protection Areas on 1.36 million ha. The overlap between these two types of conservation areas is nearly 41%. 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. Natura 2000 areas consist of 480.000 ha pastures, 520.000 ha arable lands and a little more than 770.000 ha forests.

Nature conservation areas in Hungary



Agri-environment and Forest Environment

As another official measure, the Agri-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).

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. This measure, however, made possible the restructuring of only slightly over 10,000 ha. Based upon the experience gained over the past years a steadily growing demand presents itself in this area, therefore to fulfil it, the programmes have to be worked out with an ever wider scope, adjusted to the specific regional features.

No-chemicals and 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. Most of them deal with wine production, processing of fruits, vegetables; milk and meat, but trade activities are also strong in this farming sector. This allows the producers to process an increasing portion of their organic 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 farm to fork" 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 farmers has shown a significant, almost six fold growth, from 281 in 1997 to 1610 in 2004. The acreage under certified organic cultivation, the switching and the ecological territories together, increased by a factor of more than 10, from 11,400 ha in 1996 to 133,000 ha in 2004, amounting to 2.3% of all agriculture lands in the country. In 2005, 76,000 hectares of land used for ecological farming received support from NRDP. In 2004, 45% of the ecological 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

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 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. For the boosting of the use of biomass for energetic purposes, the plantation ofshort rotation coppice and herbaceous plants for energy production, as and slow-maturing forests, as well as improving the ratio of agricultural and forestry waste and by-products among energy sources is needed.

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 share in the biomass based renewable energy (bio-energy) industry scheduled to build up dynamically in the near future and that the producers of the raw materials appear on the market with products ensuring higher income by taking a higher step on the ladder of the processing, thus directly partake from the profit.

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 for energetic purposes may 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 5.75% 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).

Payments related to 2000/60/EC directive

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 to 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 agri-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 payements to the Less Favoured Areas, rules applicable to land use, with obligatory character in the Natura 2000 areas and with the respective compensatory payements, as well as a dissemination of voluntary environmentally sound methods for land use, e.g., assistance to agri-environmental management, to forestry-environment and afforestation.

In the framework of agri-environmental payments under 214 A measure there are special area based schemes concerning the affected areas. Besides the horizontal schemes under the agri-environmental payment measure there are also schemes of zonal feature that are to meet the requirements of the Water Framework Directive. The following zonal schemes are available: *long term (10 years) set aside scheme aiming at water protection* (buffer zones of vulnerable water resources and areas having slope > 12% are eligible), *landscape management purpose grassland establishment and utilization scheme* (areas concerned by the New Vásárhelyi Plan, flood areas, areas

with inland waters, LFAs are eligible) *Natural and semi-natural wetland habitat establishment and management scheme* (areas permanently threathend by inland waters or areas concerned by the New Vásárhelyi Plan are eligible).

3.1.4. 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 increased over the past decade and a half, despite the efforts of regional and rural development policies.

The basis and the rational of **rurality** on micro-regional level is defined in the National Spatial Development Concept (NSDC) approved by the Parliamentary Decree No. 97/2005. (XII. 25.). It describes the medium-term development objectives of different area types among others, rural areas as well. The document has an orientation function regarding the planning and utilisation of development resources. The three main categories of micro regions are formulated according to the level of urbanisation, namely the presence or lack of urban centres in the micro region. The level of urbanisation and the ratio of urban settlements in a micro-region is usually a determining condition for the orientation, priorities and the financial resources of its development. According to the criteria above, the categories of the micro-regions are as follows:

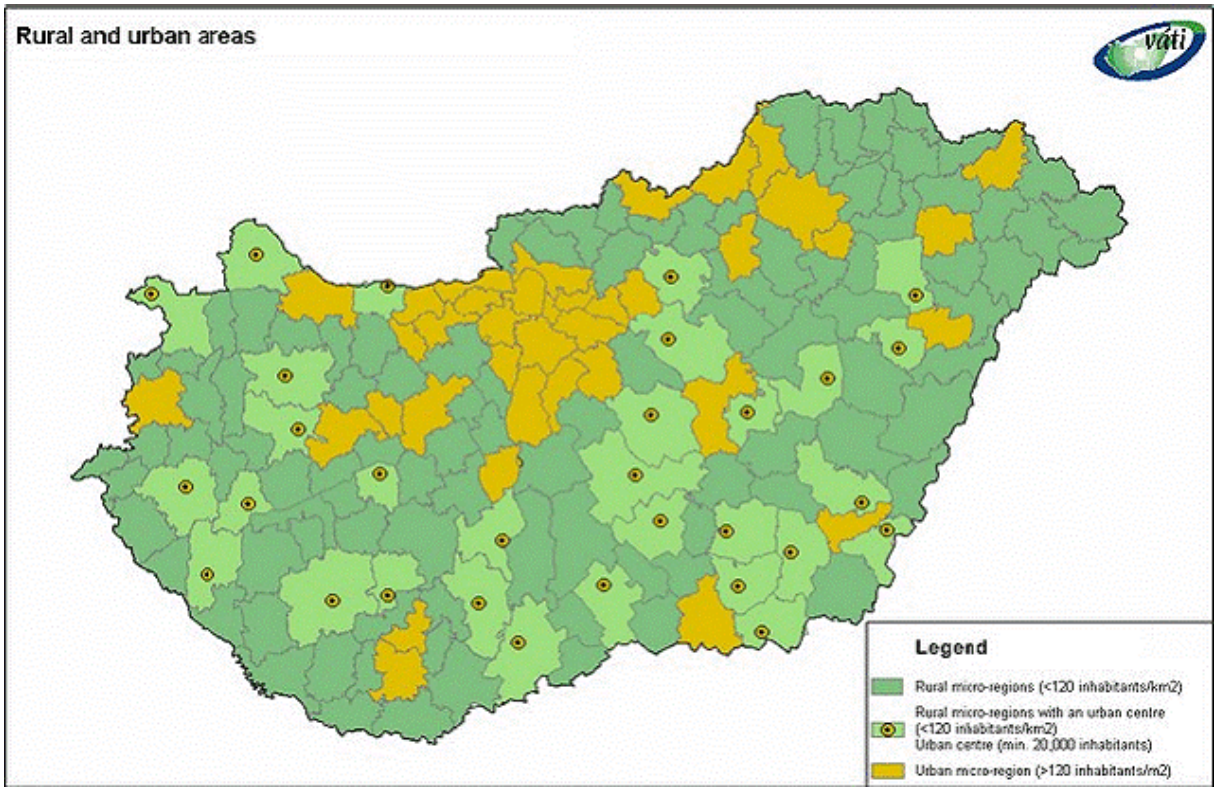
1. Urban micro regions – population density of the micro region is above 120 inhabitant/km^2. In these micro-regions there are very few rural settlements that are not influenced by urban spaces, their location is isolated from each-other. In the development of such micro regions rural development only takes a complementary role to other structural funds and investments. Many settlements of these micro-regions are located in peri-urban areas that have strong dependency with the economy of urban centres regarding employment and income generation (mostly in the secondary and tertiary sectors). The population and the density of these settlements are increasing. In the land use the ratio of industrial, commercial, transport-logistics, recreational and residential areas are increasing against natural and agricultural areas. In these areas emphasis should be put on preservation and revitalisation of natural and community values. However the category of "urban" micro-region does not equal to high development level. There are significant differences in the level of economic development among "urban" micro-regions since the urban centres in North-east Hungary are in a deep economic crises while micro-regions around the capital in Central Hungary and Central and Western Transdanubia is way ahead of the rest of the country.
2. Rural micro regions with urban centres – population density of the micro region is less than 120 inhabitant/km^2 with the centre above 20 000 inhabitant. Development of these micro regions is dual containing urban and rural development elements as well. Urban development is to be harmonised with the needs of rural settlements such as the improvement of the accessibility of rural areas, as well as developing rural urban relations through establishing economic and employment networks, innovation transfer, basic services etc.).

3. Dominantly rural micro-regions - population density of the micro region is less than 120 inhabitant/km^2 with the centre less than 20 000 inhabitant. These are mostly remote areas located in distance from urban centres. Rural development has a significant role in the development of these areas. In the structure of the economy the primer sector has a major importance. Agriculture and forestry is the major land user.

The following table shows the area and population of the above categories.

		Dominantly rural micro-regions	Rural microregions with urban centres	Urban micro regions
Micro regions	pcs	100	30	38
Settlements	pcs	1.888	650 (620)	607
Area	km^2	50.802	25.158 (19.437	17.069
	%	54,7	27,0 (20,9)	18,3
Population (2004)	000 inhabitant	2.889	2.040 (972)*	5.167
	%	28,6	20,2 (9,6)*	51,1

The following map shows the location of the micro regions of different categories.



The categories above serve as an orientation of regional and rural development policies in Hungary. Since the the level of development among settlements within the micro regions are significantly differ and in general it shows direct proportionality with the size of the settlement and the distance from urban centres (the smaller the settlement or the further it is located from urban centres the least developed it is) the eligible area of rural development is defined on settlement level.

The first premise of the designation of rural areas comes from the rural development support scheme financed from national budget (2000-2003) (hereinafter VFC), from which the settlements under 120 inhabitant/km^2 population density were eligible for support. This indicator is more or less common for all the settlements where the demographic situation, aging and permanent migration are more unfavourable then the average, the pace of economic development and infrastructure is average or legging behind. Based on justifiable demands that occurred during the implementation of VFC, SAPARD programme modified the definition by including settlements whose population density exceed 120 inhabitant/km^{2,} but the population is under 10000 persons. These settlements are rural in their character, but their relatively small territory results in a high population density. This definition was applied for the *"Expansion of rural income earning opportunities" and the LEADER+* measure of the 3rd priority of ARDOP. The method of the designation of rural areas in this programme is similar to the one applied in ARDOP, the only difference is that in the frame of the 3rd and 4th axis of this programme settlements belonging to the agglomeration of Budapest are not considered as rural, since these settlements have much more favourable labour market situation, appearance and availability of basic services then rural areas distant from the capital. On the other hand homestead areas, that are administratively belonging to larger towns as outskirt areas but according to their characteristics and development they are considered as rural areas.

As it can be read in the following table, around 83 percent of the territory of Hungary can be regarded as rural areas, based on the territorial scope of Axis III. measures. It covers 39 percent of the population in case of measures aimed at promoting economic development and 31 percent of the population in case of measures aimed at increasing the quality of life.

Territory and population of rural areas

Territory and population covered by ARDOP (2004-2006)		**nr of settlements**	**population covered**		**territory covered**	
			inhabitants	*%*	*km2*	*%*
		3034	4 790 680	47,1	82 190	88,3
Territory and population covered by Axis 3 measures		**nr of settlements**	**population covered**		**territory covered**	
			inhabitants	*%*	*km2*	*%*
economic development	micro-business (312)	2907	3 978 676	39,1	76 832	82,6
	tourism (313)	2907	3 978 676	39,1	76 832	82,6
quality of life	basic services (321)	2882*	3 175 146	31,2	77 368	83,2
	village renewal (322)	2882*	3 175 146	31,2	77 368	83,2
	rural heritage (323)	2882*	3 175 146	31,2	77 368	83,2
LEADER axis		2981	4 568 453	44,9	81 121	87,2
total in HU		***3145***	***10 178 405***		***93 028***	

Eligible	2788	3 055 132	30,0	64387	69,2
Eligible only with the outskirts (homesteads)	94	120 014	1,2	12 981	14,0
Total	***2882***	***3 175 146***	***31,2***	***77 368***	***83,2***

Typology of the Hungarian micro-regions

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.

165 micro-regions of the 168 micro-regions of the country have an area (settlement) qualifying for the assistance of the Rural Development Fund. These micro-regions have to determine the development directions of the future based on the advantages and problems and on the cooperation of the actors in the region. Integrated planning of the developments is needed for the efficient realization of the purposes. In the present period, the methods of the use of the rural development sources (lack of integration) resulted developments which do not interconnect, excess capacity, imbalances in some regions (e.g. in the field of tourism), and in some cases the withdrawal of the sources, the lack of projects and the deficiencies during the realization caused problems.

The biggest problem for the micro-regions falling behind in Hungary is the lack of capacity. Their development potential is weak, they are characterised by increasing unemployment and by increasingly falling behind the other micro-regions.

The rural areas are generally 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 share 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.

Structure of the rural economy

Density of enterprises in rural settlements is significantly lower (55 pcs/1000 inhabitants, 2004) than the national average (86 pcs/1000 inhabitants, 2004); 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.

In the economy of rural areas the ratio of enterprises employing less then 10 persons are significant (74%, 193 743 pcs, 2004). These enterprises have a major role in rural economy both in terms of employment and social aspects. Their expansion and thereby the creation of new jobs is an important element of the development of rural economy.

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%.

The ratio of both primary and secondary sector enterprises is higher in rural areas (11%, 22%, 2004) than the national average (4%, 18%, 2004). It means that the representation of the tertiary sector in rural enterprises is significantly lower (67%, 2004) than the that of the country (78%, 2004). The increasing number of rural accommodation places and the broadening of touristic programmes indicate an economic restructuring.

The innovation ability of rural enterprises is weak. The lack of capital, professional and entrepreneurial skills hinders the launching of new enterprises. Since economic (financial, business development, logistic and information) services concentrate mostly in bigger cities, the access to these services in peripheral or scarcely populated rural settlements is limited. Generally, rural regions can be characterised by activities having weaker income-producing capacity, lower economic activity, and the dominance of lesser trained persons engaged in mainly physical labour.

The **average wage of agricultural employees and the average income of agricultural enterprises is below the national economy average**, reasoning a relatively high ratio (38.1%)[2] of private farmers pursuing additional income-earning

[2] Eurostat, (2003)

activities within or outside of agriculture. It results an increase in the number of part-time farmers.

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 Plain, South Transdanubia and South Great Plain, 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.

Employment

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. The rate of unemployed in rural areas within the active aged population(15-59) is significantly higher (9.2%, 2005) than the national average (6.3%, 2005) and it shows a faster rate of growth than at national level. In rural regions more than half of registered unemployed persons (50,2%) are long-term unemployed.

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.

The differentiation of unemployment that evolved in the beginning of the 1990's has been increased, but the list and sequence of 'endangered' counties and regions has not changed. The biggest factor in the increase of this sequence was the loss of economic weight of traditional industrial sectors (North-Hungary, North-Great-Plain, South-Transdanubia) and agriculture (North- and South-Great-Plain), thus it can be traced back to the problems of the economic structure. On the basis of indicators of unemployment, the same regional differences can be seen as in case of indicators of

economic structure. The North-Hungarian region (especially Borsod-Abaúj-Zemplén county), the North-Great-Plain region (mainly Szabolcs-Szatmár-Bereg county) and the South-Transdanubian region (the southern part of Baranya county, close to the border) and then with a little lagging behind the South-Great-Plain region have the worst indicators. Employment situation shows a worsening picture as focusing on smaller settlements and those that are further away from rural centres.

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 employment position of rural areas can be improved by the utilization of their advantageous landscape, natural attractions and cultural heritage features for tourism activities. However 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.

Additional information on the structure of the rural economy and employment can be found in Annex I.

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 is 24 and 19 %, respectively), while the national average is 19 and 15%. Thus 43% of the population of villages has no qualification at all. No difference is shown in the secondary school qualification index (51 %), but villages have more skilled workers who do not hold a general certification of education G. The ratio of persons with higher education

degrees in villages (5 %) is less than one half of the national (12 %) and a third of the town average (15 %), which shows that due to the lack of proper jobs the qualified manpower leaves the villages.

In 2005 the number of inhabitants leaving rural areas exceeded by 3846 inhabitants that of mooving in. In these areas the migration rate (migration per 1000 inhabitant) is -0,83, which has significantly decreased compare to the year 2000, when the same ratio was 3,2, meaning that more people settled ind ural areas than left (the difference was 18338 inhabitants).

Hungary's population is decreasing, however the intensity of this process differs between areas and regions. Due to the above mentioned reasons it affects rural and periferial areas more seriously than the urban and central part of the country.

There are no such great differences in the age structure in rural and non-rural areas, however the quality of the working population is significantly lower in rural areas, as well as inn these areas the population under 14 is characterised by the high ratio of romas.

Population by Gender and Age Structure (%)

Source: 2005, KSH TSTAR	**Rural areas**		**Non-rural areas**		**National**	
	number (capita)	ratio (%)	number (capita)	ratio (%)	number (capita)	ratio (%)
Male 0-14	389 261	8,52	411 690,00	7,34	800 951,00	7,87
Female 0-14	368 645	8,07	390 802,00	6,97	759 447,00	7,46
0-14 total	***757 906***	***16,59***	***802 492,00***	***14,30***	***1 560 398,00***	***15,33***
Male 15-18	124 749	2,73	129 378,00	2,31	254 127,00	2,50
Female 15-18	119 003	2,60	123 903,00	2,21	242 906,00	2,39
15-18 total	***243 752***	***5,34***	***253 281,00***	***4,51***	***497 033,00***	***4,88***
Male 19-29	370 925	8,12	445 541,00	7,94	816 466,00	8,02
Female 19-29	347 213	7,60	442 230,00	7,88	789 443,00	7,76
19-29 total	***718 138***	***15,72***	***887 771,00***	***15,82***	***1 605 909,00***	***15,78***
Male 30-59	977 914	21,41	1 189 190,00	21,20	2 167 104,00	21,29
Female 30-59	932 217	20,41	1 285 037,00	22,91	2 217 254,00	21,78
30-59 total	***1 910 131***	***41,81***	***2 474 227,00***	***44,10***	***4 384 358,00***	***43,08***
Male 60-X	362 742	7,94	462 791,00	8,25	825 533,00	8,11
Female 60-X	575 784	12,60	729 390,00	13,00	1 305 174,00	12,82
60-x total	***938 526***	***20,54***	***1 192 181,00***	***21,25***	***2 130 707,00***	***20,93***
Total	***4 568 453***	**8,52**	**411 690,00**	**7,34**	**800 951,00**	**7,87**

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.

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. 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. 21,4% of the working age roma population is employed. The employment rate is lower in case of women (15,1%) than men (28%). 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. The project preparation and implementation skills, the capacities helping the community building are weak among the Roma inhabitants.

In rural areas, the proportion of **people**, the majority being Roma, **who have been unemployed for a long period** constitute more than 50% of the population registered as unemployed. This group of society is unable to exploit arising employment opportunities or start up their own business due to the desperate situation and passivity and the resulting indifference and lack of initiative. There is a considerable threat that in families whose sole source of income is the social benefit payments, the new generations will also be unable to pursue a life based on regular and permanent work. For this specific target group employment programmes that ensure a gradual transition to the world of work, or social employment may represent a solution.

According to research, the support in the framework of the programme resulted in the improvement of the income situation of families and the consequent qualitative and quantitative improvement of food supply for children, schooling criteria are more easily met, the parents can demonstrate a good example to their children, family farms have become stabilised, the population retention potential of settlement has increased, and the amount of social support payments and the number of claims has decreased.

The economic and social disadvantages observable in rural areas are more pronounced in relation to disadvantaged social strata and groups. The most important aspect of such disadvantages concerns the **labour market**, affecting women, people with altered work ability, and the Roma equally.

The gross average income of **women** is 87% that of men (2003). This difference exists in most of the branches of economy (with the exception of construction, transport, postal services, telecommunications, and financial intermediary services), including agriculture. According to data collected in 2000, the income of women employed in agriculture was 15-20% lower than that of men. Compared with both the industrial branches of economy, and the national average, the income of women employed in agriculture fell 28-32% short of the income of men. Lessening of labour market opportunities in labour intensive, industrial, and administrative fields further reduces the participation of women in the labour market. The same phenomenon can be observed with regard to enterprises with nearly ¼ of individual entrepreneurs represented by women whose age structure is less favourable (average age 7 years higher than the average age of 53 years for men) and have lower level of skills training. While 2% of men possess a certificate of higher education, the corresponding rate for women is only 0.2%. Lower employment and wage levels for women particularly affect divorced women who raise their children as a lone parent. The range of flexible or part-time job opportunities suitable for lone parents is restricted and their income generation potential is generally low. For most women having a baby represents a career disadvantage due to the fact that employers and workplaces have not adopted methods and schemes for supporting women in a dual role (mother and employee). Therefore, having and bringing up a child constitutes a disadvantage in terms of self-realisation and income earning.

For **people with altered work ability** distance work and rehabilitation work schemes represent employment opportunities. However, these have limited availability in rural areas. With regard to people with disabilities the labour market and income disadvantages are aggravated by difficulties in transport and getting to the workplace, consequently, the creation of rehabilitation employment opportunities and proper access to them, as well as further improvement of access to institutions and roads is required.

Access to basic services

Significant ratio of the rural population, especially those living in small settlements have no or not adequate access to basic services. Rural areas are lacking recreational and cultural services, which is one of the reasons of outward migration of young people.

Availability of community/public services is the least favourable in those areas of Transdanubia and North-Hungary that are mainly composed of small sized settlements and laking towns. A bigger proportion of the settlements of the Great-Plain are larger villages or towns with an adequate supply of services, and the favourable geographical conditions also contribute to the better accessibility indicators.

Infrastructure

The significant improvement of technical infrastructural provision in the 1990's (especially in the fields of telecommunication, drinking water supply and gas network) meant the decrease of backwardness for rural settlements in terms of infrastructure. In the same time the utilization of rural infrastructure aimed to improve life quality in small settlements is in some cases limited by the shortage of people who can afford them. The development of transportation networks (public roads, railways) is lagging behind the demands. Most of the rural areas can be characterised by unfavourable accessibility, week transportation and communication networks, which result in low life quality, low vitality and competitiveness of rural settlements, low level of networking co-operations of economy and settlements. North Hungary, South Transdnubia and South and North Great Plain are the most lagging behing regions. The level availability of communal infrastructure shows the same order as above.

Small villages and scattered homesteads are in the worst situation concerning the availability and the level of infrastructure. People living in these settlements hardly have any chance in reintegration to the employment market due to the disappearance of local employment opportunities and the low level of mobility. The reason of isolation on the one hand is the scarce public transportation, bad road conditions, high transportation costs and the inability of maintaining a car.

Specific needs of outskirt farmstead areas

After 1990 the role of agriculture has significantly decreased and consequently farmstead (homestead) areas highly dependent on agriculture started to erode. Already a lot of homesteads had vanished between 1950 and 1990, nevertheless there are still extended areas (Duna-Tisza közi Homokhátság, Nyírség) with a high density of existing homesteads. The total population lives in such places sums up to about 200 thousand people. The situation of „tanya" needs a special approach because of the specialities and the differentiated economic and social situation. Today's homestead areas are not homogeneous: besides agricultural farmsteads, week-end homes owned by foreigners or city dwellers, suburban homesteads with owners who work in adjacent towns, homes for the very poor and indigent level of society and empty, abandoned houses can be found, all mixed up within a region.

The subsistence and development of the homestead areas are primarily reasonable for their landscape values and land sustaining functions, and they are definitely part of the nation's cultural heritage. Settlements with extended outskirts in the Great-Plain could be the place for modern agriculture even today, like farmsteads in West- and North-Europe. The most important threat for tanya is the constant outward migration of people. To tackle this problem, a complex set of measures has to be introduced, which cover the development of agriculture and infrastructure, amendment of farming conditions, the natural protection, economic diversification, increasing security, better accessability through improvement of rural roads, basic services in community places and improvement of living conditions by electricity supply, with preference for small

scale energy plants. On the "Duna-Tisza-közi Homokhátság" (the dry, sandy area between the Danube and the Tisza rivers) a further demand is the increase of water retaining capacity and a cost effective, nature-friendly solution for land cover.

The built and natural environment

The built and natural environment in most rural settlements needs revitalisation. There are several buildings (former agricultural premises, public facilities etc.) out of use to which new functions need to be given. This development process should be harmonised with the existing needs of local communities having suitable sites for community events as well as lacking local services. As it was mentioned before rural areas are rich in natural and cultural heritage, however many of those are in a very poor, deteriorating conditions. In many cases the renovation or protection of such values is not possible due to unclear ownership or lack of financial resources. The revitalisation of the built and natural environment is the basic condition for a quality life in rural areas as well as for the growing importance of recreation and rural tourism. The most important is the positive impact of preservation of traditional values and improving environment on people living with it. Involving them in the process is important in order to raise their demand for improving their own environment, as well as make them feel responsible to keep and further maintain the revitalised sites.

Local capacity, including governance

As a result of the currently applied project-based, horizontal support schemes the interconnections among the individual local development projects are weak. Due to the low synergy among such developments, their impact on the area is not significant. The utilisation of local resources based on bottom-up and area-based integrations, self-management and partnership is present at some areas (quite isolated) but it is very low in the major part of the country. Due to the facts above, the continuation and the expansion of the LEADER programme is of a crucial importance, since it is an excellent tool for strengthening local communities, establishing local partnerships and generating innovative projects being in a supportive relation.

However as a result of a several-year preparation, more and more local communities and initiatives have been formed in rural areas, what indicates the increasing activity of local communities. This is proved by the high number of Local Action Groups taking part in the LEADER+ in the period 2004-2006. It means 70 LAGs implementing their strategies, covering a population of 1,5 million people.3. The 70 selected Local Action Groups are active in implementing their rural development strategies just now.

The main conclusions of the LEADER+ are that the area involved should be enlarged and the structure of the programme should be improved. On one hand there is a clear need for further trainings and capacity building of those involved and on the

[3] Source: ARDA, 2005.

other hand the LAG structure and the inner procedures should be reshaped in order to increase efficiency and transparency as well as strengthen good local governance. Trainings should cover participatory planning procedures, project generation and planning, animation and implementation procedures.

The involvement of local players – entrepreneurs, civil organisations, local municipalities – in the elaboration of micro-regional rural development strategies is very limited. The lack of information channels and trained personnel hinders the flow of information at micro-regional level, which is an obstacle the successful realisation of development plans and projects.

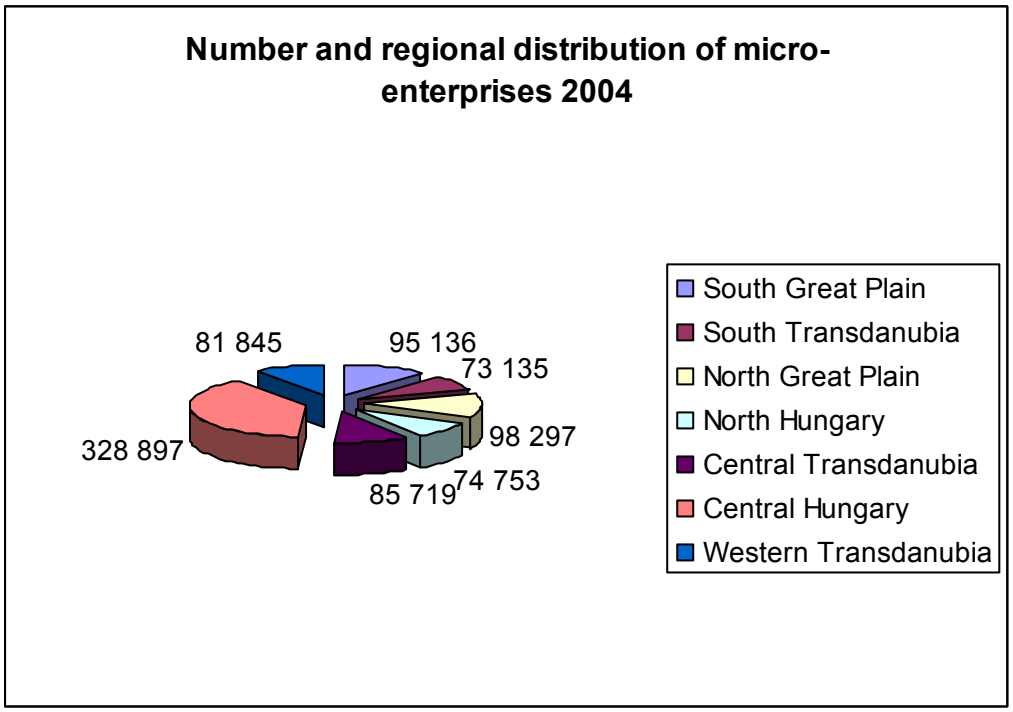
The lack of rural development strategies, the lack of capacity for the elaboration and preparation of strategies and projects in all of the micro regions of the country and the desintegration of the selected and implemented projects has resulted in inconsistencies of developments, the realisation of unnecessary capacity surplus (mostly in the field of tourism) in many micro-regions.

The intensity of a community life can be characterised by the number of active civil organisations in rural areas. In 2003 there were 25083 of such organisations, which is 35% of those in the country (CSO). It is lower than the share of rural population (39%) which shows that the civil activity is lower in rural areas.

The other important element of a well based local governance and partnership is the improvement of the town-village relation, since many problems of rural settlements has wider scope than one village so it can be solved effectively on the basis of an area-based local integration.

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 55 pcs is typically small in the rural areas as against the national figure of 86 pcs (2004). This ratio hardly improved since 2000. Micro-enterprises are predominant in the entrepreneurial structure. The ratio of individual (self-employed) enterprises in the rural areas is 67%, in contrast to the national figure of 52% (2004), and the proportion of enterprises employing a staff from 1 to 9 is 74% (193.743 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.

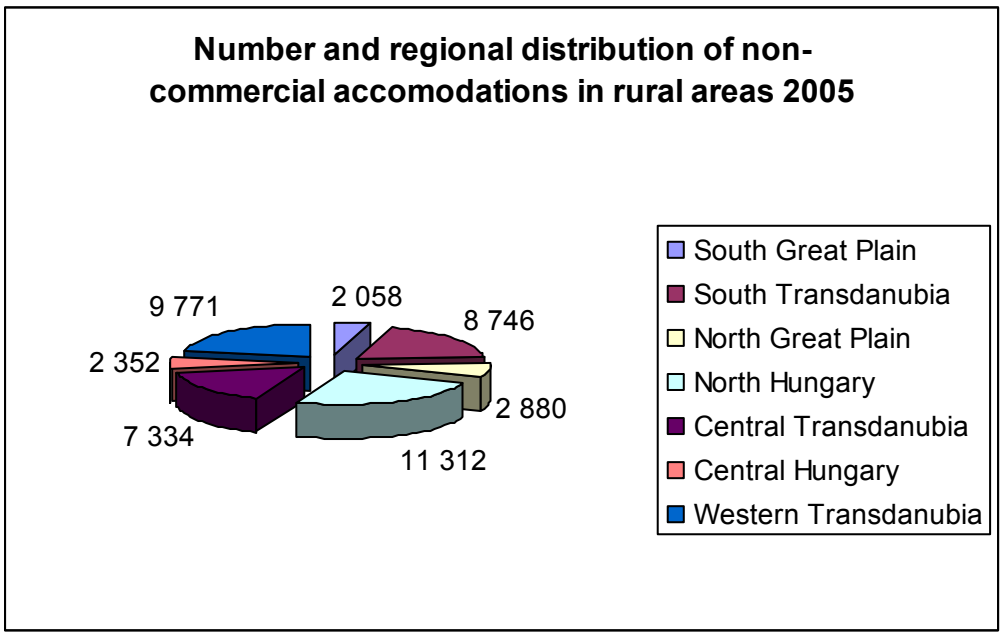
The ratio of industrial and commercial enterprises is roughly the same, however, the number of service enterprises has a much smaller share, as low as 67% in the rural areas, as against the national figure of 78%.

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, conservation and presentation of popular, ethnographic, ethnic and local traditions and their objects 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 number of the rural accommodation capacities in commercial establishments in 2005 was one-seventh of the total number of accommodation capacities in commercial establishments. Comparing guest numbers reveals that, in 2005, 13 times as many tourists (2,046,000) chose commercial accommodation as did village lodging (152,598) and compared to 2000 the total number of accommodation capacities in commercial establishments have increased by 5%. The number of "guest nights" at commercial establishments shows an improving tendency as well, up by nearly 7% in 2005. The lodging capacity in the context of rural tourism increased by 33% between 2000 and 2005, although the number of guest nights grew at the slower rate of 10% 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 improvement of the competitiveness of agricultural production and processing activities is hindered by the underdeveloped state of logistic systems, the lack of services to facilitate access to the markets that are to serve the sales of agricultural and food-industry products. The number of organizations promoting the marketing of locally produced, special agricultural and food-industry goods is small, their networks call for development. A similar situation can be seen in the field of services integrating market information and the production potentials of any given region.

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 Plain, 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.

Cultural heritage – incorporating the material, spiritual and built 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.

3.1.5. LEADER

LEADER Pilot Programme

In 2001, the Ministry of 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 LEADER Pilot Programme had 14 Local Action Groups active in 182 settlements. The total area covered by the actions groups were 3,686 sq. km and 285,088 residents. The Programme finances 272 distinct projects, implemented in 91 settlements.

The ARDOP LEADER+ measure

The implementation of the ARDOP LEADER+ measure started in May, 2005 by holding briefings and preparatory training sessions at county and regional levels. 2005. 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 186 local potential 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 under-population and low number of settlements – as compared with the European practice, as well as the dominance of local municipalities – resulting from the national settlement structure.

As a result of the calls for applications announced at local level in two rounds, the LAGs have received more than 3,600 applications from which about 2,700 projects have been selected.

On average one third of these refers to tourism, another third to preservation and development of cultural heritage, whereas the rest to local partnership cooperations, development of local enterprises, development of agricultural products and other developments.

The Decision-preparing Committee decided on the projects between March and July 2007, the total value of the projects amounts to 21 000 000 euros.

The contract-signing procedure is ongoing and the project implementation has started: all the projects will be finished until the end of August 2008.

Strengths:	**Weaknesses**
Outstanding ecological and habitat features Habitats, suitable for production of unique quality region-specific products. The concentration of land use has started The operating efficiency of large food processing enterprises with state-of-the-art technology is favourable Hungarian agriculture produces high quality and safe food products Traditional and special quality products The presence of farming according to the long-term forest plan based on the yield regulation Rich in environmental and natural endowments Up-to-date biological background, high performance biological resources High level biodiversity and low level environmental load Healthy living conditions in rural areas Co-operativity of local communities	Fragmented land structure: the concordance among the size, form, productive capacity of the farms is not suitable, and in some activities the technical standard is low The balance between the two main sectors, mainly crop farming and animal husbandry have shifted The low profitability of the sector, lack of capital Investments failed from lack of capital, obsolete production assets The coherence between the size and production capacity of holdings are not appropriate, certain activities obtain a low technical and technological level Obsolete technologies used for animal husbandry Livestock emplacement is not adequate - environmental load The age composition of the farmers and the people employed in agriculture in general, is unfavourable The knowledge of the farmers in the fields of enterprise, market and marketing is incomplete The vocational training is not sufficiently practice-oriented, the operation of the advisory system is not satisfactory The market orientation of individual farmers is significantly under EU average Areas having nature values, and their proper handling is not solved Imperfect rural infrastructure (civil, entrepreneurial, production, e.g. transport, traffic, working-site) Services supporting product chain, trading and logistic systems

	are underdeveloped Tumbled rural communities Lack of employment opportunities in rural areas Dynamic differentialization of village development, the critical state of villages in areas lagging behind, increasing depopulation Lack of community spaces
Opportunities Increasing portion of competitive holdings Promoting the shift to land use methods appropriate for the natural endowments; Utilisation of forestry and timber industry can be increased Increasing demand for traditional and special quality products Extension of Eco-production The improvement of the environmental condition, by developing the conditions of extensive agricultural production and of nature-friendly forest farming Saving soil fertility, therefore decreasing the possibilities of soil degradation Increasing demand for renewable energy resources Broadening the activities of the rural population provides safer subsistence; Locally binding rural workforce – diversification of activities Increasing interest for gastronomy, eco- and recreational tourism	**Threats** The increase of regional differences The use of inappropriate adulterants endanger the supply-demand balance and the quality of the products Realized product surplus derived from agricultural production The lack of up-to-date knowledge endangers the utilization of highly capable production sites Soil degradation can cause irreversible damage in natural heritages. Extreme water balance situations (flood, internal water, drought) The decrease in size and quality of outstanding agricultural areas The out-of-date knowledge and the low level of adaptivity may be a long-term limiting factor for the rural population The small village areas are socially tending to lag behind

3.2. 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.

The fundamental objective for the improvement of the competitiveness of Hungarian agriculture is to establish a sector that, by the diversification of production and activities, contributes to the development of domestic agriculture and the improvement of quality of life for the rural population by 2013, along with maintaining the present employment rate and producing 30% more added value.

In line with international trends, the significance of the agrarian sector in Hungary is decreasing within the national economy with regard to quantifiable performance. The contribution and share of the sector to the gross domestic product (GDP), and its role in exports and in employment decreased between 2000 and 2005. The role of the sector in employment and in subsistence is different in each region of the country. A further decline in the role of agriculture is expected in regions with weaker agricultural production features, but better suited to the industrial and services sector (Central Hungary and Central and West-Transdanubia). Whereas in the Great Plain and in the Southern Transdanubian region, where agricultural traditions are coupled with highly suitable conditions, the agricultural sector will remain an important economic factor, especially in small towns and villages. The critical employment conditions and lack of jobs in the economically disadvantaged Northern Hungarian regions underline the importance of subsistence farming and the social role of agriculture.

The situation analysis highlighted the fact that in Hungary the economic activity of the rural population is low in international comparison. The competitiveness of agricultural producers is also below the EU average. This means that income level is also low, which further contributes to the low quality of life of the rural population. One of the main objectives of the strategy is the improvement of the quality of life for the rural population. This can be ensured by the improvement of the competitiveness of agricultural producers.

The situation analysis also pointed out that the habitat properties of Hungary are very favourable. However, the favourable environmental conditions are now not sufficient to achieve the appropriate income generation. Specific yields of crop production in Hungary are below the EU-15 average. Yields below the EU average derive from technical-technological deficiencies, unfavourable components of machinery capacities, out-of-date technologies and specifically low expenditures.

The age mix of those employed in agriculture (full time and part-time) is becoming less and less favourable. It is of crucial importance that developments help younger people to find sustainable living standards and are attracted to agriculture. Furthermore, the knowledge and skills of people working in agriculture are generally not suitable to adapt quickly to changing market conditions and other influences. The knowledge of farmers in the fields of enterprise, market and marketing is inadequate. Vocational training is not sufficiently practice-oriented and the operation of the advisory system is not satisfactory. The market organisation of individual farmers is significantly below the EU average.

The situation analysis proved that in Hungary the proportion of agricultural area, and especially that of arable land, is very high. Within arable crop production, due to domestic production traditions and ecological conditions, the production of cereals is prevalent. With the present structure of cereal production, Hungary is experiencing short-term tensions in the cereal market. One method of decreasing excess cereals is re-structuring land use. The real objective is not the definite holding back of cereal production, but rather, market stabilisation. The situation analysis also showed that the restructuring of plant production (for producing non-food and non-feed products) and diversification of production (renewable energy) has started (although it is not very visible). The SWOT analysis mentions the growing demand for renewable energy resources as an opportunity. The possibility of change in the utilisation of agricultural land also has to be examined (different crops, recreational activity, leaving the land fallow and afforestation).

The intervention actions and measures contribute to the improvement of competitiveness in agriculture, food processing and forest management, in order to ensure the sustainable development of the agricultural economy. Farmers are encouraged to adapt themselves to market trends and to consumer needs. Innovation implemented in agriculture will contribute to an improvement in the employment situation in rural regions. In order to ensure an agricultural structure sustainable in the long term, a change in the methods of land use and a change of the production structure can give impetus to restructuring. Measures promoting restructuring, innovation, the production of quality products and training/ education receive special priority. It serves the implementation of the Community and national development directions, as well as the Lisbon and Gothenburg objectives, if efficiency and quality come to the fore in agriculture, forest management and food processing. Measures serving the acquisition of knowledge promote information on and dissemination of innovative procedures, in this way encouraging an increase in efficiency and the production of quality products. An efficient implementation of the intervention actions connected with technological modernisation is promoted, directly and indirectly, by the intervention actions supporting the expansion of human capacity.

Cooperation, promotion, quality and innovation measures are not included in the Programme, but may be introduced at a later stage of the programming period based on the position of civil partners and the opinion of the Monitoring Committe of the Programme.

In view of the environmental load, the situation of the Hungarian agriculture is favourable. The most severe agro-environmental problems in Hungary are caused by wind and water erosion, the loss of biodiversity, soil compaction and the abandonment of cultivation. The general objective of Axis II is to improve the environment and the countryside by supporting appropriate land management. The general improvement of environmental conditions and a more efficient protection of natural values are very important. The basic principle of sustainable farming is the application of a land use system, adapted to natural resources, the landscape, habitats, the characteristics and limitations of the environment, and the improvement of their quality. By so doing, biological diversity and the protection of prime natural values can be further strengthened. The intensity of protection will be defined in accordance with the natural values, the characteristics of the landscape and the preservation of the traditional rural landscape. This development direction contributes to the preservation of natural resources, including biodiversity, the maintenance of environmentally-friendly production procedures and of the renewable energy sources and to the dissemination of land use adapted to the character of the environment. All these play a role in the increased attractiveness of rural regions, in their long-term, healthy development, and in the strengthening of regional cohesion.

Some of the general problems of rural Hungary are social attrition, the ever rarer opportunities for social interaction, the change of lifestyle in a way that does not support the preservation of traditional rural values. These account for the fact that people no longer want to stay in the countryside, especially not in underdeveloped regions, where the current problems are ever worsening. An assessment of the current situation of rural regions clearly shows that it is necessary to increase income-generation opportunities by encouraging entrepreneurship, in order to create jobs. On the other hand, improvement of the quality of life is necessary to reduce transmigration from rural areas.

Measures on animal welfare payments, Natura payments on forest areas and Water Framework Directive payments are not included in the Programme, but may be introduced at a later stage of the programming period based on the position of civil partners and the opinion of the Monitoring Committe of the Programme. For the Water Framework Directive payments this will be in the light of the timetable indicated in the National Strategy Plan.

Measures, supporting the management of extensive fishponds will be introduced at a later stage of the programming period.

In rural areas, the quality, assortment of services and the access of the population to these services are generally not satisfactory, and significantly differentiated. The development needs of the rural regions – in terms of transport, and inner areas – as well as the financing required for the basic services in rural healthcare and education exceed the framework and possibilities of agro-environmental development. The implementation of these developments and the satisfaction of these needs is possible only if there is a comprehensive rural policy, embracing several ministries and development programmes.

The measures of Axis III also contribute to the diversification of the rural economy and to the improvement of the quality of life in rural areas. The development of the rural economy, as the most important area to be developed, has a larger weight in the framework of Axis III. One of the key areas of this Axis endeavour is to achieve the expansion of the rural economy by diversification into non-agricultural activities, development of the human resources and physical infrastructure of micro-enterprises and harmonisation of the developments. They should build on each other and be strengthened by synergies, and the development of cooperation networks. During the implementation of the measures in Axis III, the LEADER approach, based on partnerships will be applied. The purpose is to let associations based on the joint efforts of rural entrepreneurs grow and to form so-called "rural development clusters".

3.2.1. 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 investments" has the second largest financial share in the total resources. The „Supports for infrastructure" main action has a medium financial weight, while „Promoting information and knowledge dissemination" and „Age-restructuring" has the smallest financial envelope.

In the development of human potential, the indicative breakdown of resources is 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 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 and knowledge dissemination
- Support for age-restructuring
- Farm and production restructuring
- Support for investments
- Supports for infrastructure

Summarized strategy structure along Axis I.

<table>
<tr><th>General objective (Axis)</th><th>Community priorities</th><th>National priorities</th><th colspan="6">Main actions</th></tr>
<tr><td rowspan="7">Improving the competitiveness of the agricultural and forestry sector by supporting restructuring, development and innovation</td><td rowspan="2">Knowledge transfer</td><td rowspan="7">Improving outlets for arable production by modernising the livestock and processing sector and diversification into energy crops and horticulture by creating added value in the production chain</td><td colspan="2" rowspan="2">Support for the dissemination of information and knowledge</td><td colspan="4">Training</td></tr>
<tr><td colspan="4">Advisory</td></tr>
<tr><td>Investment in human capital;</td><td colspan="6">Support for age-restructuring</td></tr>
<tr><td>Quality in the food chain</td><td rowspan="4">Farm and production restructuring</td><td rowspan="3">Promoting the use and production of renewable energy resources</td><td rowspan="4">Increasing the (added) value of agri-cultural products</td><td rowspan="4">Moderni-sation of agri-cultural plants</td><td rowspan="4">Promoting market orientation and fostering entre-preneurship in agriculture</td></tr>
<tr><td rowspan="3">Modernisation</td><td rowspan="3">Innovation</td></tr>
<tr><td>Strengthening the viability of the animal husbandry sector</td></tr>
<tr><td>Creating more added value in horticulture</td></tr>
<tr><td>Investment in physical capital</td><td colspan="6">Support for infrastructure</td></tr>
</table>

Axis II

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

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

- Conservation of Natura 2000 agricultural areas and other High Nature Value Areas
- LFA
- Water management in quantity and quality;
- The increase and sustainable management of forest resources
- Use of biomass for energetic purposes
- 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 and forest environment
- Preserving LFA territories and the traditional agricultural landscape
- Investment support for the enforcing of the environmental standards and for water management
- Support for afforestation,
- Ensuring the balance quantity of high quality water
- Strengthening the protection of soils

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 and forest environment" main action. The "Support for afforestation" will have a significant part of the resources too. Investments for water management and the main action aimed at „Ensuring the balance quantity of high quality water" are at the same level concerning the allocated resources. The main action on LFA has the lowest share of resources, deriving from the good environmental conditions experienced on LFA territories.

Summarized Strategy structure along Axis II.

General objective (Axis)	Community priorities	National priorities[4]					Main actions					
Improving the environment and the countryside by supporting land management	Safeguarding biodiversity and preservation of high nature value and traditional landscape	Conservation of Natura 2000 agricultural areas and other High Nature Value Areas	Water management in quantity and quality;	Increase and sustainable management of forest resources	Biomass for energy purposes	Protection of soils.	Support for agri-environment and forest environment	Preserving LFA territories and the traditional agricultural landscape	Investment support for environmental standards and water management	Ensuring the balanced quantity of high quality water	Support for afforestation	Strengthening the protection of soils
	Water management											
	Climate change											

[4] In case of the National priorities and the Main actions each priority or main action serves the realisation of more than one Community priority. For example: Water management contributes to the balance of water quantity on one side, but also to mitigating the climate change on the other. This national priority has also contribution to safeguarding biodiversity.

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 has an increased weight within the frame of Axis III as the most dominant 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 protecting the natural and cultural heritage;
- enhancing micro-regional governance;
- consolidating and reinforcing the LEADER groups.

There are three main area of intervention serving the implementation of the national priorities.

- Support for diversification, micro-businesses and tourism based on the natural and cultural heritage
- Improving access to basic services and 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.

Summarized Strategy Structure along Axis III-IV

General objective (Axis)	Community priorities	National priorities	Main actions
Improving the quality of life in rural areas and encouraging diversification of economic activity	Creation of employment opportunities and creation of conditions for growth	Enhancing economic development and quality of life in rural areas and safeguarding the natural and cultural heritage;	Support for diversification, micro-enterprises and tourism based on the natural and cultural heritage
			Improving access to basic services and preservation of natural and cultural heritage (village renewal)
	Improving governance	Enhancing micro-regional governance;	Support for local capacity building
		Consolidating and reinforcing the LEADER groups	

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** Axis. 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.

3.2.2. Indicative breakdown of resources among axis

The following issues were, among others, considered in the course of planning the breakdown of funds aiming at the implementation of rural development objectives:

- The conditions of the relevant EU regulations. The Council Regulation being in force determines the minimum rate of support per Axes and the maximum aid intensity for some measures.
- The system of development objectives, the priority among axis, intervention actions and measures.
- Conclusions of the analysis of situation and the background analysis. The needs were identified on the basis of the analysis of situation and on the background analyasis. The allocation and amount of funding of certain measures (Axes) have been determined in more version, taking into consideration the needs as well. The allocation and amount of funding were classified on the basis of the foreseeable socio-economic impacts of measures, because the demands for resources exceeded the funds available.
- Annual reports of former rural development programmes/plans (SAPARD, ARDOP, NRDP). These reports were especially helpful in determining the amount and allocation of funding among the measures.
- The remaining determination deriving from the previous programming periods. In case of some measures, the amount of ongoing commitments is considerable, influencing the decision on the resource allocation.
- Impacts of the CAP. The foreseeable reform of CAP will have various impacts on certain sectors and activities.
- The experiences of the former development programmes have influenced the allocation of resources, too. The main objectives of these plans are the following: mobilize the absorption capacity of potential beneficiaries, most complete and most effective use of resources in the field of agriculture, environmental management and improvement of rural areas alike.

The indicative breakdown of funds by Axes, that is based on the above mentioned facts is shown in the following table:

Axis/TA	Financial weight (of total EARDF contribution*)
Axis I.	47%
Axis II.	32%
Axis III-IV:	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 – primarily in the field of manure storage and diminishing the environmental load connected to animal keeping sites – serve the objectives of the sustainable development (Axis II). The detailed financial tables may be found in the Chapter Nr.6 and 7.

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 needs to be tackled.

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 and biodiversity 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 and the substantial nitrate load of the animal husbandry farms. 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 causes risks.

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.

3.3. The ex ante evaluation and the Strategic Environmental Assessment

The ex ante evaluation report details the background, processes and limiting conditions of the ex ante evaluation activities jointly performed by PricewaterhouseCoopers Könyvvizsgáló és Gazdasági Tanácsadó Kft. and its subcontractors: CEDEC Közép-európai Fejlesztési és Gazdasági Tanácsadó Kft., Agrár-Európa Kft., Fitzpatrick Associates Economic Consultants Ltd. and Env-in-Cent Kft. that has been responsible for the implementation of the Strategic Environmental Assessment.

3.3.1. The ex-ante evaluation

Pursuant to Article 85 of Council Regulation (EC) No. 1698/2005, the preparation of the ex ante evaluation is mandatory in connection with the main planning documents, including the Programme. Such ex ante evaluation is a part of the elaboration of the rural development programme, and its aim is to optimize the use of the sources associated with the Programme, as well as to improve in general the quality of the programming. Under the guidelines of the Regulation, the evaluation identifies and evaluates the following key issues:

- medium and long-term needs;
- objectives to be accomplished;
- expected results;
- quantified aims (target values), especially from the perspective of the outcomes in comparison to the initial situation;
- community added value;
- extent of the consideration of the Community priorities;
- lessons learnt from the previous programming; and
- quality of the procedures of implementation, monitoring, evaluation and financial management.

The ex ante evaluation expert team has been granted with this commission in a public procurement procedure announced by the Ministry of Rural Development. The work was commenced back in May 2006. The first interim report of the ex ante evaluation of the "New Hungary" Rural Development Plan was compiled by 27 November 2006. This document focused on the evaluation of the current state of affairs and the correctness of the SWOT analysis. The evaluation put down findings and recommendations in relation to the structure, contents and quantifiability of the situation analysis. The next milestone of the evaluation process was the evaluation of

the Programme prepared by 18 January 2007. That stage also marked the onset of the very intensive joint activities by the programmers and evaluators, which lasted until the submission of the programme and the ex ante evaluation to Brussels in February. The programmers and evaluators reframed the SWOT analysis. They did harmonize the SWOT and the strategy, which was then shown in the programme in the form of an axis. They worked intensively on the finalization of the indicator system, in particular on the quantification of the objectives. After the official submission, the evaluators took part in the Brussels negotiations of the programme, and in the light of the opinions worded in the Commission and in order to follow changes in the NHRDP the ex ante evaluation report was updated. The evaluation can be regarded as closed when the EU Commission accepts the Programme.

The evaluators took into consideration the relevant sources of law, methodological guidelines (among them primarily the working document "Rural Development 2007-2013, Common Monitoring and Evaluation Framework Guidelines for Ex-Ante Evaluation"), Community Strategic Guidelines recommendations, the guidelines of Hungarian policies, strategies of the applicable studies, previous evaluations, partner opinions and other programmes. However, the work was significantly based on the regular and ad hoc meetings with the planners, experts of MRD, AKI, VÁTI, on the remarks of external experts and the opinions formulated on the level of enforcement (ARDA).

The ex ante evaluation process has been based on the interactivity between the planners and the evaluators. The final evaluation report was formulated as a result of continuous contact, regular consultations and exchange of opinions. During these consultations and meetings, recognized Hungarian and Irish agricultural and rural development experts, representatives of the Hungarian Universities and research institutes have contributed to the discussions.

During the consultations, the ex ante evaluators supported the planners in a few practical planning questions. Among others the clarification of the structure of the measure descriptions and the requirements concerning their content, the elaboration of the rules on the realization of the Programme, but primarily in the finalization of the indicator system of the Strategic Plan and the Programme. The aims of the output and the expected results and effects were specified and re-calculated in a workshop lasting for two days.

Applying the classic methodology, after the analysis and structuring of the documents the evaluators gave their value judgment on the Programme. The claimed that the Programme was subjected to substantial reframing on several occasions during which MRD considered, and mostly integrated the opinions of the evaluators. As a result of the changes, the quality of the Programme improved considerably.

The ex-ante evaluators have updated the ex-ante evaluation based on the revised version of the NHRDP modified based on the official questions and comments of the European Commission to the officially submitted version of the NHRDP on the 21st of February, 2007.

The detailed opinions of the civil partners can be found on the official website of the Ministry (www.fvm.hu).

The ex ante evaluation addressed also the requirements of the environmental assessment provided for by Directive 2001/42/EC of the European Parliament and of the Council.

The complete ex ante evaluation is presented in Annex III. of the Programme.

3.3.2. The Strategic Environmental Assessment

1. The goal of the strategic environmental assessment (SEA) was to compile an environmental report that provides feasible proposals in order to improve the environmental performance of the rural development measures and to enforce sustainable development in agriculture and rural development.

2. The main results:

- The analysis-evaluation methodology was built on the approach that the strategic level of the rural development policy (objectives and priority) is compared to a sustainability order of values, while the more concrete tools and interventions of the programme are examined in the context of an environmental performance evaluation scheme.

The sustainability evaluations and the environmental performance evaluation were analysed in details in the environmental report, and we reached the following consequences:

- The Plan could contribute to the national transition towards sustainability, if in the course of the implementation the aspects proposed by the SEA will be integrated.
- The environmental performance of the Programme is acceptable, moreover, it could be significantly improved if the improving and compensating measures proposed by the SEA will be integrated.
- The organisation of the Programme should be careful and it should take into account the environmental aspects in order to avoid that the resource distribution could lead to the fixation of the outdated production structure and to the increase of the connecting environmental loads.

3. The SEA had to be prepared according to the Government Decree No. 2/2005 (I. 11.) that ensures at least 30 days for submitting any comments of the stakeholders on the SEA.

The inclusion of the stakeholders was intensive into the elaboration of and opinion-making on the SEA. Since the New Hungary Rural Development Strategic Plan and Programme are considered as plans of national impact and importance, the notion of

interested public generally covers professional, interest representing and social organisations dealing with environmental protection and nature conservation, other organisations dealing with environmental, agriculture and rural development and the general public, too. The working documents of the SEA were available on the homepage of the National Society of Conservationists (www.mtvsz.hu/skv). The MRD published a press release on the launch of the elaboration of the SEA, the NSC informed the potential stakeholders on it in direct ways and through mailing lists.

A 20-member panel of experts (SEA Forum) was established in order to involve the professional organisations that had two meetings (2nd November and 15th December) during the assessment process. The members of the Forum were the environmental authorities, the designers of the MRD, the representatives of the universities and the science, the representatives of the interested social organisations. the strategic environmental assessment document was negotiated on a partnership conference, the invited parties were about 100 organisations and institutions.

The competent committees of the Hungarian Academy of Sciences (with 63 scientists being present) debated on the parts of the environmental report pertaining to the water management in agriculture at their common session on 18 January 2007. The relevant opinion of the HAS was taken into account in the final version of the SEA.

The concrete and most important conclusions of the SEA were taken into account in the preparation of the final version of the RDP. The comments can be found on the website of the MRD.[5]

The Strategic Environmental Assessment was updated after the official submission of the RDP in February, 2007. The revised version of the SEA can be found in Annex IV. of the Programme.

[5] www.fvm.hu/doc/upload/200709/UMVP_tarsadalmi_velemenyek.pdf

3.4. Impact from the previous programming period and other information

The experiences, results from the use of the rural deveplopment resources (2000-2006)

The funds available under the PHARE, SAPARD, ARDOP, and National Rural Development Plan 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.

3.4.1. The PHARE programme

As part of the country's preparation for accession, EU criteria, directives and objectives were gradually integrated within the Hungarian law and the public administration. 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 the information and filing systems supporting their operation.

The total sum of the support granted in the frame of the first preaccession programme between 1990 and 2003 was 163,66 MEUR. From 1998 the sum of the own resources was 35,24 MEUR.

Up to 1998 the main aim of the programmes was institutional development in the agricultural sector, structural change in agriculture, agricultural investments, formation of credit channels and the modernisation of the registration of real estates.

The five programmes from 1990 to 1996 were:

- Reinforcing of agricultural institutions needed in a market economy - 20 MECU
- Assistance of the process of ownership and structural change in agriculture - 13 MECU

- Assistance of the formation of the network of rural banks - 5 MECU
- Support of agricultural enterprises - 30,5 MECU
- Agriculture and land registration - 10.0 MECU

In 1997 the following two programmes were realised:

- Rural development programmes (pilot projects) in the north-eastern and south-western part of Hungary 8,0 MECU
- Support of the institutions needed for the for the community regulation 1,48 MECU

From 1998 the main target of the agricultural PHARE programmes was the preparation of the agricultural institutions for the EU accession. From this year the PHARE support was bound to the presence of own resources.

- 1998: Support to the adoption of community regulation 16 MECU
- Establishment of animal health check points at the eastern and southern borders of the country
- Plant health information system
- Establishment of the institutions needed for applying CAP (Paying agency and connected information system)
- Improvement of quality insurance institutions
- Support to the system of rural development and agri environment programmes
    - 1999: Improvement of the informatic system of plant health institutions and county land offices - 14,9 MEUR
    - 2000: Improvement of the animal health and food hygiene institutional system - 11,6 MEUR
    - 2001: Institutional development in the agriculture and improvement of forest registration – 8,4 MEUR
    - 2002: Six projects in the volume of 11,05 MEUR:
- Introduction of community market organizations, product lines before accession
- Animal health check of the transferable spongiform encephalytis (TSE)
- Introduction of the structure of EAGGF in rural development (setting up of SAPARD Agency)
- Improvement of qualification of seeds and propagation materials
- Setting up of the sheep and goats registartion system
- Food security

- 2003: Three projects in the volume of 17,33 MEUR
- Setting up of IACS
- Creation of the national plant health diagnostic and checking system
- Rabies release programme

The projects dealing specifically with the preparation for adopting the structures of rural development:

HU 98.06.05 Development of planning capacity for structural funds and agro-environmental policy

The project aimed the development of fundamental management mechanism and administrative structures facilitating the implementation of structural and rural development measures (as defined in paragraph 5.2.6. of the NPAA) and extension in terms of number of workstations and processing capacity of MRD's county offices (19) and their district centres (135) which were to play a key role in the implementation of farm related types of measures to be financed from EAGGF.

The project has also dealt with the establishment of a Geographical Information System (GIS) in order to manage the elaboration, introduction and implementation of Agri-environmental Programme (AEP) (as defined in paragraph 5.2.5 of the NPAA).

The aims have been realized by two twinning contracts with Spain and Germany and IT equipment supplies.

2002/000-180-01-03 Preparation for the management of Community funded measures in the areas of rural development, fisheries and aquaculture

The objective of the project was to strengthen institutional structures in order to achieve, upon accession, sound and efficient management of EU funded rural development measures as well as measures in the fisheries and aquaculture sector.

One twinning and a supply contract were made to realise the objective of the project.

The main achievements of the twinning component were:

- draft operational programme and programme complement ready for consultation of partnership and ex-ante evaluation,
- draft of Rural Development Plan ready for consultation of partnership and ex-ante evaluation,
- draft LEADER+ measure prepared and ready for consultation of partnership and ex-ante evaluation,

- managing authority established by Hungarian authorities,
- competent authorities and organisations required to implement the Rural Development Programme established by Hungarian authorities
- legislative and institutional framework relating to the implementation ready to be submitted to the EC.
- The supply component provided the Hungarian Agricultural and Rural Development Agency with additional IT equipment.

A total of 0,7 million € was allocated for this project.

(2002/000-180-06-01-09) Ex-ante evaluation of the National Rural Development Plan

The aim was that the National Rural Development Plan for the period 004-2006 was ready for submission to the services of the European Commission for approval.

A service contract was made with a Brussels based contractor (Earnst&Young) in November 2003, contracted amount was 193.513,- Euro. The final ex-ante report was ready by 1 April 2004.

As an output of the program the final version of the NRDP has been improved, taking into consideration the recommendations formulated by the evaluation team.

HU0105-01-09 Ex-ante Evaluation of Agriculture and Rural Development Operational Programme and Programme Complementing for Hungary

The two primary objectives of the program were:

- assessment of whether the overall Plan is an appropriate instrument for addressing the issues confronting the regions covered by Objective 1, and
- assessment of whether the Plan has well defined strategic axes, priorities and objectives, and if it is providing judgement on whether these are relevant and can actually be achieved.

A service contract was made with a Netherlands based contractor (Ecorys-NEI) in March 2003, contracted amount was 188 275,- Euro. The final ex-ante report was ready by December 2003.

Financial data of Phare projects related to rural development

Project No.	Type of Project	paid in euro
HU9806-05	***Development of olanning capacity for structural funds..:***	
	twinning with Germany	276 418,00
	twinning with Spain	142 493,00
	supply of GIS based IT equipment	1 424 855,00
	total	**1 843 766,00**
2002/000-180-01-03	***Preparation for the Management of Community funded…..:***	
	twinning with France and U.K.	745 906,00
	supply of IT instruments	121 558,00
	Total	***1 843 766,00***
HU2002-000-180-06-01-09	**Ex ante evaluation of the National Rural Development Plan**	**193 513,00**
HU0105-01-09	**Ex ante evaluation of the ARDOP**	**132 109,00**

3.4.2. The SAPARD Programme

In terms of its objectives, tools of implementation, and institutional background, the SAPARD Programme was instrumental in gearing up for the implementation of the Common Agricultural Policy, and may essentially be regarded as a "training programme" for the ARDOP and the NRDP currently being implemented. The SAPARD Plan for the period of 2000-2006 was compiled by the Government of the Republic of Hungary on the basis of the 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 for the SAPARD Programme could be submitted from the end of November, 2002 until the end of April, 2004.

Originally, the SAPARD programme contained nine measures (see below), only six of them were accredited.

Agri-structure development measures

- Investments in agricultural holdings
- Processing and marketing of agricultural and fishery products
- Improvement of vocational training
- Agricultural production methods designed to protect the environment and maintain the countryside
- Setting up producer groups
- Rural development measures
- Development and diversification of economic activities, providing for multiple activities and alternative income
- Renovation and development of villages, protection and conservation of rural heritage
- Development and improvement of rural infrastructure

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

Among the above listed measures, in the first round of the accreditation process, four measures were accredited in 2002 and a further two measures were accredited in 2004.

The accredited measures were as follow:

Measure No 111. Investments in agricultural holdings

Measure No 114. Processing and marketing of agricultural and fishery products

Measure No: 1308: Development and improvement of rural infrastructure

Measure No. 41: Technical Assistance

Measure No: 1305: Renovation and development of villages, protection and conservation of rural heritage

Measure No 1306: Development and diversification of economic activities, providing for multiple activities and alternative income

Most of the applications (41% of all applications submitted) were submitted to the measures "Investments in agricultural holdings" and "Development and improvement of rural infrastructure"(20,25% of applications). The measure attracting the least interest (with 2,9% of the applications) was the "Development and diversification of economic activities, providing for multiple activities and 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.

The number and project costs of the applications received for the SAPARD Programme justify the large funding requirement of the agricultural sector. The final deadline for committing the support framework was September 30, 2004

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.

3.4.3 Agriculture and Rural Development Operational Programme (ARDOP)

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

Priority 1: Establishment of competitive basic material production in agriculture

- Assistance to investments in agriculture
- Structural assistance in the fisheries sector
- Setting up of young farmers
- Assistance to vocational training and retraining

Priority 2: Modernisation of food processing

- Improvement of processing and marketing of agricultural products

Priority 3: Development of rural areas

- Expansion of rural income earning opportunities
- Development and improvement of infrastructure connected with agriculture
- Renovation and development of villages and protection and conservation of rural heritage
- 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 46,6 billion HUF (182.8 million EUR) was available in 2006. 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 nine measures announced under the Operational Programme with lively interest. The funding requirement of applications submitted by the end of 2006 reached 194,7 billion HUF, exceeding by over 55,4% the funds available during 2004-2006.

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.

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 2006, 28% of the applications submitted for ARDOP 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.

Lessons learnt based on the ARDOP

Priority 1: Establishment of competitive basic material production in agriculture

Measure 1.1 "Assistance to Investments in Agriculture"

In case of the measures, it is generally stated, that reference-prices haven't been defined in the system of ARDOP so the preselection committee had to enact expert inspections in case of numerous applications to review the adequacy to the costs occured. In the preparatory phase of the NHRDP especially in case of the regulations of the measures „Investments in agricultural holdings" backgroud institutions of MRD hav worked out the eligible maximum costs for the different units. With this the review of the applications could be faster and more detached. In case of support for machinery we use the machinery catalogue applied for the previous periods and which sets the reference-prices too.

Because of the permanent functioning of the application operations the resources available for machinery investment support ran out in the first year and in case of the other measures the resources ran out also befor the cosing them. The measures fo the NHRDP have been layed down to be able to announce it for a determinated period which will result a better allocation and timing of the resources and helps the planning of the budget.

Construction investments aiming animal husbandry have been dedicated mostly to improve environmental an animal welfare conditions. During the evaluation and review of the application these prpjects gained advantage. The improvement of

cometitivenes of the farms did not rise like expected. The article concerning regulation 1698/2005 EC is treating accentuated the investments aiming improvement of environmental conditions but also the measures aiming the komplex development of competitivenes gained primacy.

In case of plant production and horticulture investments aiming construction in the frame of ARDOP the concerns about the extraordinary crop (2004-2005) and the insufficient storage capacity gained the most emphasis. This lack of storage capacity has been solved with support wich resulted that resources aiming horticulture have been reallocated so insufficient resources remained for the horticulture.One of the most important aim of the NHRDP is creating more jobs so the development of the quite labour intensive horicultural sector seems to be very necessary.

The most popular measure in case of ARDOP concerning all sectors was the investments in machinery and informatical equipments which resources ran out by autum of the year the measure was launched. The regulation did not contain any restriction thus the highest demand seemed to occure in case of power-machinery concerning plant production. Considering the aim technological modermisation of the measure the NHRDP is handlig the investment in environmental friendly and energy saving equipments more accentuated like the investment in machinery used by horticulture and animal hubandry.

The measure investments for planations vas only available for species apple, pear and peach. The demand was quite low and not even the half of the applications was aiming to plant competitive sorts. The same measure in NHRDP is defining that more sorts are available for planting and the measure only supports investments in marketable sorts which are also matching the production site.

Measure 1.3 “Structural Assistance in the Fisheries Sector”

Compared to the other ARDOP applications, this measure affects a relatively small group of applicants. The experiences we got about this measure will be built into the Fishery Operational Program financed by the Eupoean Fishery Fund.

Measure 1.4 “Setting Up of Young Farmers”

In ARDOP the Setting up of young farmers measure did not require the applicant to possess or acquire a higher level of vocational qualification, therefore in the same measure in NHRDP we have set the requirement for the beneficiary to attend the compulsory training organised in the framework of NHRDP.

In ARDOP the call for tender did not ensure economically justifiable connection between the different measures, and it did not encourage it either. The only connected measure indicated in the objectives – early retirement – did not start in the programming period. In NHRDP the Early retirement of farmers and farm workers measure is to be launched. It is encouraging for the farmers that hand over their farm, in that, the measure gives priority to beneficiaries that hand over their farm to young farmers. This connection between the two measures will considerably contribute to the creation of the viable holding size.

In ARDOP there was no possibility for providing extra grant for the investment of the young farmer, in NHRDP, however, it exists. Through the enhanced efficiency, it encourages the implementation of the investment and the creation of a profitable, viable farm.

The aid scheme has been simplified. In the course of the evaluation of the aid applications the viewpoints of age structure, vocational qualification, creation of competitive farms, farm management based on a business plan, joining producers' organizations were taken into consideration.

- In ARDOP the call for tender and its importance did not reach all the potential applicants in time, therefore in this present planning period a permanent and comprehensive information action is taking place. Six months prior to the call for tender of the measure the potential applicants were informed about their possibilities on the Internet, via the press, and also through professional bodies.

- In order to relieve the difficulties of source allocation in ARDOP, periodic submission possibility is provided in NHRDP, which gives the applicants the possibility of a more thorough planning.

- One of the eligibility criteria for the applicants was the possession of a private enterpreneur licence, which adversely affected the unsuccessful applicants. Therefore in NHRDP this requirement refers only to the successful applicants.

- Contrary to ARDOP, in NHRDP the agricultural producer receives income substitution support for commencing the agricultural activity. Among the aid application criteria the 20 years of age has been modified to 18 years of age, which makes the target group of the measure larger. The aid application is a payment application at the same time, and 90% of the amount of support is paid in one sum. Thereby, the time to acquire support is shortened. The remaining 10% is payable after the fulfilment of the requirements set forth in the legal regulation.

Beyond the improvement of the age structure other important objectives are farm restructuring, the improvement of efficiency, migration to rural areas, proper vocational qualification and aptitude, the continuous training and the demand for program-like attitude and operation. Outstandingly important criteria are the one referring to the vocational qualification and aptitude, as well as making a business plan that helps to maintain the direction and pace of the farm's development, and also demonstrates the necessary material investments and human resource (qualification) improvements.

Measure 1.5 "Assistance to vocational training and retraining"

In ARDOP there was no information programs held by demonstration farms. In NHRDP under the Vocational training and information actions measure there is a

possibility for the farmers to aquire firshand experience and practical knowledge about innovative technologies and farming methods, via information sessions on demonstration farms, which is a more efficient form of the knowledge transfer than the traditional courses.

In NHRDP under the Vocational training and information actions measure a permanent and charge-free farmers' information service is provided for the farmers.

The selection procedure for the training provider bodies has been made more simple. In ARDOP the training bodies had to submit a tender for each training project, the preapration and evaluation of which was rather time consuming. In NHRDP the training bodies have to submit one tender for acquiring entitlement. The entitled (selected) training providers will only submit an aid application for their training projects.

Accounting has also been made more simple, in that, training bodies may only ask for grant for training courses with unified curriculum getting prepared by the ministry. The eligible costs of each training course is determined in advance on flat rate basis.

In ARDOP the themes and curricula of the training courses were determined by the training providers. In NHRDP the themes of the training sessions are selected on a survey and opinion poll, and the curricula are getting prepared by the ministry. Therefore the training will be more unified both from the viewpont of content and quality.

In ARDOP the training sessions typically were several months long, in NHRDP, however, most of the courses are shorter – 3-5 days long - , which suits better the farmers' working time and needs.

In NHRDP most of the courses facilitates the implementation of the other measures of NHRDP. In ARDOP there was no compulsory training for the beneficiaries of the other measures.

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 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.

The target areas announced in the framework of ARDOP has been succesful, thus the target areas continue within NHRDP. In addition those investments are treated preferential, which could create higher added value. Furthermore, we prefer the investments related to such goods that participate in various food quality control systems.

Priority 3: Development of rural areas

Four measures served 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.

Measure 3.1 "Expansion of rural income earning opportunities"

In the Agricultural and Rural Development Operational Programme (ARDOP), the non-diversification of agricultural activities didn't exist, only the support of the diversification of agricultural activities and those activities was possible, which were closely linked to agricultural activities. In the framework of the New Hungary Rural Development Programme (NHRDP), the beneficiary will be able to get support for any non-agricultural activities, which will be carried out on the farm (on-farm activity) and are not among the excluded activities. The following activities will be supported within the NHRDP: technological developments, the development of property, patents, licenses, the purchase of production technology, marketing activities, the introduction of quality assurance systems, tourism including wine tourism.

Within the ARDOP, the diversification of agricultural activities gave the possibility to develop small-scale, region-specific products and market niche products including food and non-food products, as a new activity within the farm.

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.

Similarly to ARDOP in the NHRDP support can be claimed for constructing and renovating of water supply drainage system for water and energy safe irrigation of lands. New criteria in the NHRDP is that only applications complying with the EU Water Directive can be supported and establishing of new irrigation centres can only be supported in case of positive water balance.

In ARDOP in the interest of prevention, reduction of damages caused by excess surface water, and of reaching the safety of agricultural production and good ecological condition of waters and water habitats, water establishments for agricultural

purpose can be supported. The same investments in the NHRDP can only be supported if applications comply with the EU Water Directive. In the interest of making the investments more effective 31 areas were determined for development purposes. In the interest of scientific cogency of agricultural water management measures the Hungarian Scientific Academy made a scientific analysis, indicating the connection system and conditions of the agricultural water management and the sustainable development. New condition in the NHRDP is that the applications have to meet the requirements of the discourse.

In ARDOP only the construction of paved outer roads having topographical number can be supported regardless of the connections. In the NHRDP connection to important logistics roads, improving the better accessibility of farm-steads and historical wine-growing areas are new requirement. New requirement is the connection to the plans of neighbouring settlements.

In ARDOP purchase, setting up of instruments, machinery for energy production on-farm and allocation, connection of network-based energy resources to agricultural plants can be supported. In the NHRDP energy supply within business sites by means of using renewable energy resources is a separate sub-measure, showing its outstanding importance. By keeping the requirements of the ARDOP, the NHRDP supports the building of high efficient heating systems, the use of wind energy and geotermic energy and the energy supply to farm-steads.

In ARDOP establishing new markets, developing existing ones were supported. New demand was not occurred for these investments, therefore the support for these investments were closed. The NHRDP does not contain these development objectives.

The ARDOP supported melioration investments carried out by cooperation of more producers concerning area of more producer. The NHRDP requires the compliance with the EU Water Directive. Only the applications made with this content can be supported, taking into account the environmental regulations.

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.

NHRDP emhasizes to preserve the values of the nature, therefore the preparation of the plans related to the maintenance of the territories of NATURE 2000 could be applied in the framework of a separate measures.

The number of villages that are entitled to the subsidies within NHRDP has been decreased due to the overlap with the regional development programs, however as a

consequnce of the extensive activities to be subsidized this decrease would not have an influence on the popularity if the measures.

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. 3563 applications submitted in 2006, and 3808 applications submitted during the whole period.

The entitled villages are the same within the framework of the two programes. On the other hand within NHRDP the total amount of HUF 70 billions is available, which could be spent by the local actiongroups in compliance with the principles of the LEADER.

Currently 70 successful local actiongroups are operating in the territory of the country. With respect to the territorial extension 36% of the rural areas is covered, whilst in the opinion of Managing Authority this will be increased upto 50% by means of NHRDP. While in the framework of ARDOP upto HUF 100 million is available within an actiongroup, in the framework of NHRDOP the actiongroups could even spend HUF 1 billion in compliance with the regulations applicable.

3.4.4. 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:

- Agri-environment,
- Support for less favoured areas,
- Support of afforestation of agricultural lands,
- Support of compliance with the environmental, animal welfare and hygiene stipulations of the European Union (meeting standards),

- Support for semi subsistence farms undergoing restructuring,
- Support of setting up and operation of producer groups.

Lessons learnt based on the NRDP

Agro-environment

The supports provided in the framework of the agro-environment 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.

Characteristics of the measure in the NRDP:

- A great number of supported farmers (cc. 25 000), a significant area affected (cc. 1,5 million hectare).
- Not the greatest possible environmental leap forward.
- A target programme structure adapting well to local demands.

Reactions on the "Agri-environment payments" measure of the NHRDP

Keeping and increasing of the great number of supported farmers and areas. In order to reach as great environmental protection as possible, the ceasing of arable scheme which has got only a low environmental significance. As a consequence, the supported farmers shall participate in schemes, which have higher environmental result. Maintaining and extending the target programme structure adequate for farmers' demand.

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 LPIS (Land Parcel 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 flat rate support.

Characteristics of the measure in the NRDP:

This is a successful measure followed by great interest (44000 ha afforestation is approved). There were a great number of applications for the afforestation of native species, which shows the good differentiation between the support groups of the measure. According to the experiences, in a certain respect the measure was complicated and it was difficult to look it over. Because of the long period of premium for loss of income, the measure inducted great determination.

Reactions on the "The first afforestation of agricultural land" measure of the NHRDP:

The measure takes over the successful characteristics of similar ones in the Rural Development Plan 2004-2006. According to the forecasts significant interest will characterise the measure, afforestation of 69000 ha of agricultural land is planned during the programming period. The demarcation of planting certain types of stocks meets better the environmental and ecological requirements. The planting of high natural value, indigenous stocks will be preferred continuously. The maximum period of income compensation support decreased, but at the same time the disproportional measure of income compensation supports has ceased, the support is better targeted at private persons living on agriculture solely. The afforestation of Natura 2000 areas and grasslands is to be supported based on stricter criteria, meeting Commission's principals. The measure became simpler, more transparent.

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 farmer is eligible for income substitution support for animal welfare and hygiene, for the partial compensation of the resulting additional costs.

Characteristics of the measure in the NRDP:

The measure had many bottlenecks (e.g. the set limit of farm size – the typical farm size in Hungary was beyond the animal unit limits determined in NRDP. This was one of the determining reasons for that the absorption of the measure was not appropriate -, the rather restricted number of eligible animal species, the maximum amount of support), that explain the low interest of the measure. In some cases it was also hard to set up numerical requirements, that also made slower the evaluation process.

Reactions on the "Modernisation of agricultural holdings" measure of the NHRDP:

In order to achive the objects of the measure performed and make the husbandry sites suits the meeting standards, the farmers may submit application within the NHRDP to the measure "Modernisation of agricultural plants - for the modernisation of husbandry sites", without animal unit limitations, with higher support intensity and higher maximum of support amount.

Support of semi subsistence farms undergoing restructuring

The aim of the measure "Support of semi subsistence farms undergoing restructuring" is to promote the conversion of only partly commodity producing farms to market oriented commodity production through providing income substitution support.

Characteristics of the measure in the NRDP:

- The typical handicaps in the way of development of the semi subsistence 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 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 ESU 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 ESU or a growth by 50% by the end of the 5^{th} year. When awarding the grants preference is given to the applicants from less favoured areas as well as the young farmers.

The reason for the low number of support applications were the simultaneous fulfilment of the complex eligibility criteria, the disproportion between the low amount of the support and the complex eligibility criteria and the lack of documentation in agricultural activity.

Reactions on the "Support for semi subsistence farms undergoing restructuring" measure of the NHRDP:

- In the period of 2007-2013 the opposed criteria are not part of the measure.

- Out of the size-economic characteristics, the measure contains only the criterion of ESU, and it does not contains physical size limit (area or number of animals). Thus the farmers can easily decide on the ground of their performance, if they are able to join the support system or not. The sum of the support, maximum EUR 1000 / year were not in proportion to the increase of administrative burdens and possibility of controls.
- The increase of the sum of the support to HUF 375 000/year (EUR 1500), the increase of information activity and the constituted system of advisory net greatly promote the rise of the number of the applicants.
- The farmers having the less "routine of application" and administrative knowledge were eligible for the support of the measure. The setting up of the MRD advisory net and the increase of communication-information activity aim to diminish the number of these kinds of mistakes. The process is promoted by the change of aspect and age composition of farmers.

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 wine, 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.

This measure – similarly to the afforestation of agricultural areas – does not show significant divergence related to the originally planned numbers, tough the required average support amount is approximately half of the possible maximum. This fact comes from the size of the Hungarian producer groups.

Characteristics of the measure in the NRDP:

The support promoting the market organization and co-operation of farmers was established in accordance with its aim, but because of the historical precedents the Hungarian farmers keep away from every form of organization and co-operation. Thus they showed a smaller interest for the measure than it was expected.

Reactions on the "Support of setting up producer groups" measure of the NHRDP:

Maintaining the professionally acceptable support system, for the greater interest the sphere of the use of the support sources was extended. As a result, we expect the increase of the number of applications.

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 there from.

Characteristics of the measure in the NRDP:

The compensational payments demandable in less favoured areas, started within the framework of NRDP in 2004 served well the maintenance of the production in the less favoured areas, and the stopping of the increasing migration.

At the same time, presently only the cultivation of fodder and grazing animal husbandry is permitted in the areas eligible for LFA compensations, in accordance with NRDP eligibility criteria. It can be stated that the considerable restriction of the sphere of plants is the reason for that the support has been used only at the 26,4 % of the designated areas since the commencement of NRDP. Concerning the LFA support system, the farmers have stated objections in connection with the principles of territorial classing. The method of national classification of LFA areas shall be further improved, the list of the designated areas shall be reconstructed so that as large part of the farmers as possible shall be contented with it. Regarding, that other member states have also criticized the system of LFA being in force until 1st January, 2010, the possibility of change is promoted by the EU Commission, intending to introduce a new method of classification by 2010 at the latest.

Reactions on the "Payments to agricultural producers of less favoured areas, other than mountain areas" measure of the NHRDP:

Regarding, that LFA classification adequate with EU provisions shall be in force until the 1st January, 2010 according to Council Regulation (EC) No 1698/2005, Article 93, it is only possible to lay down the LFA classification according to the new aspects following the acceptance of the new EU regulations created by 2010.

Concerning the eligibility criteria, the NHRDP contains a milder condition compared to NRDP: from 2007 the farmers shall observe the simpler provisions of Good Agricultural and Environmental State instead of Good Farming Practice.

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).

Characteristics of the measure in the NRDP:

The time of paying the support was aimed to be recognised as period of service for the beneficiary until the use of national pension-supply, and the sum of the support was counted in the base of the pension. The necessary contributions should have been ensured out of national sources on the one hand, and on the other hand the farmer benefiting of support would have been obliged to pay pension contribution which would have been deducted from the support. Besides, the beneficiary of the measure would have been entitled to National Health Service. In this case the support paying institution would have become an employer organ.

The above mentioned were determined by two acts: Act LXXX of 1997 about the beneficiaries of social insurance supplies and private pension, and the cover of these services; Act of LXXXI. of 1997 about the social insurance pension. The introduction of the measure was prevented by the problem of handling this extra support-contain, and by the administrative burden having significant cost effect.

Reactions on the "Farm handing over support of farmers (early retirement)" measure of the NHRDP:

The Act XVII of 2007 about certain questions of the process connected with agricultural, agri-rural development and fishery supports has been passed on the session of the Parliament held on 26th March, has come into force 15th May, 2007. Article 82. § (5) has made void the previous provisions.

As a result of the change in rules of law, in comparison of the previous measure planned within the framework of the NRDP, the social insurance part that meant a surplus benefit came out of the support. In accordance with this, the period of support does not constitute period of service and base of pension, there is no obligation to pay contribution and there is no extra administrative burden for the paying authority.

4. Justification of the priorities chosen having regard to the Community strategic guidelines and the national strategy plan as well as the expected impact according the the ex-ante evaluation

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

As set in the Community Strategic Guidelines, support in the area of rural development based on Council Regulation 1698/2005/EC has to contribute to the key community priorities, to other measures defined for cohesion and environment and furthermore to the implementation of the CAP reforms. The measures set in the "New Hungary" Rural Development Programme resulting from the Community Strategic Guidelines are widely coherent with the documents mentioned above.

The following table demonstrates the coherence of the various measures with the 1698/2005/EC Regulation, the Community Strategic Guidelines and the National Strategy Plan

Code	Name of the measure	1698/2005/EC EAFRD Regulation	Community Strategic guidelines	National Strategy Plan
Axis I: Improving the competitiveness of the agricultural and forestry sector				
111	Training, information and diffusion of knowledge	+	+	+
112	Setting up young farmers	+	+	+
113	Early retirement of farmers and farm workers	+	o	+
114	Use of farm advisory services	+	+	+
121	Modernization of agricultural holdings	+	+	+
122	Improving the economic value of the forest	+	+	+
123	Adding value to agricultural and forestry products	+	+	+
125	Infrastructure related to the development and adaptation of agriculture and forestry	+	o	+
141	Semi-subsistence farming	+	o	o
142	Setting up producer groups	+	+	+

Axis II: Improving the environment and the countryside				
212	Payments to farmers in areas with handicaps, other than mountain areas	+	+	+
213	Natura 2000 payments on agricultural areas and payments linked to the implementation of the Water Framework Directive 2000/60/EC	+	+	+
214 (A)	Agri-environmental payments	+	+	+
214 (B)	Preservation of genetic resources	+	+	+
216	Assistance provided to non-productive investments	+	+	+
221	First afforestation of agricultural lands	+	+	+
222	First establishment of agro forestry systems	+	+	+
223	First afforestation of non-agricultural land	+	+	+
225	Forest-environment payments	+	+	+
226	Restoring forestry potential and preventive actions	+	+	+
227	Non productive investments	+	+	+
Axis III: Quality of life in rural areas and diversification of the rural economy				
311	Diversification into non-agricultural activities	+	+	+
312	Support for business creation and development	+	+	+
313	Encouragement of tourism activities	+	+	+
321	Basic services for the economy and rural population	+	+	+
322	Village renewal and development	+	+	+
323	(323.1) Conservation and upgrading of the rural heritage (323.2) preparation of Natura 2000 maintenance/development plans	+	+	+
331	Training and information	+	+	+
341	Skill acquisition, animation and implementation	+	+	+
Axis IV: LEADER				
411 412 413	Implementation of the local development strategies	+	+	+
421	International and transnational cooperation	+	+	+
431	Running costs, acquisition of skills and animation	+	+	+

Legend:

+ showing a strong coherence

0 low level of coherence

4.1.1. Agriculture, forestry and food processing

The competitiveness of agriculture and food processing and the retention and the possible extention of the markets must be encouraged, 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.

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 (nitrat discharge to the waters, ammonia discharge to the air, sewage drainage, water and wind erosion of the soil). Competitiveness and the enhanced quality of products can be achieved by supporting environmental protection and the new production processes.

The aim of the support of the value increase of agricultural and forestry products is to promote the restructuring of the forestry sector, to increase the product structure, to achieve capacity concordance, to implement up-to-date technologies and to contribute to the application of quality saving storing.

The aim of the support of infrastructural projects related to the development and modernization of agriculture and forestry is to promote the development and modernization of the technical conditions of forestry, to protect the soil of forests, to build structures that help to control the water balance of soils as well as to promote the implementation of forest schools and private forest information centres.

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 and the incentive of the producer organizations.

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 is preparing applications). Furthermore, the refreshment of knowledge of food safety most 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 increasing 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, 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, procession 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 procession 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 and knowledge dissemination	Vocational training, information activities (111)
	Establishment of special advisory services for supplementary, plant management and forestry (115)
	Use of advisory services (114)
Support for age-restructuring	Setting up of young farmers (114)
	Early retirement (113)

Farm and production restructuring	Modernization of agricultural holdings (121) Increasing the value of agricultural and forestry products (123) First afforestation of agriculture land (221)
Promoting the use and production of renewable energy resources	Modernisation of agricultural holdings (121)
	Increasing the economic value of forests (122)
	Increasing the value of agricultural and forestry products (123)
	First afforestation of agricultural land (221)
Utilising the potential and strengthening the viability of the animal husbandry sector	Modernisation of agricultural holdings (121)
Creating more added value in horticulture	Modernisation of agricultural holdings (121)
	Increasing the values of agricultural and forestry products (123)
	Support for setting up of producers' groups (142)
Forestry	Increasing the values of agricultural and forestry products (123)
	Increasing the economic value of forests (122)
	First afforestation of agricultural land (221)
Support for investment and quality measures	Increasing the value of agricultural and forestry products (123)
	Support for setting up of producers' groups (142)
	Support for semi-subsistance farms (141)
Support for infrastructure	Improvement and development of infrastructure related to the development and modernisation of agriculture and forestry (125)

4.1.2. Environmental conditions

The magnitude of measures to improve the sustainability of the use of natural resources 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 extensive land management (use of nature and environment-friendly, low-intervention methods), adjusted to the area's agro-ecological potential, will reduce the production risks, contribute to the protection of natural values, the improvement of the environmental status and the safeguarding of the richness of biological and scenic diversity.

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

The current state of environment in rural areas **needs** to be further improved 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.

The High Nature Value Areas (HNVA) means those European territories, where the agricultural use is the main (generally dominant) way of land use and where this agricultural use supports the big species and habitat diversity, the presence of the species considered to be important from the perspective of the European environmental protection or both.

In case of forests, those territories are to be considered as territories with high natural values, where the mixture rate of the main species of the forest co-habitation complying with the characteristics of the land exceeds the 50%.

As there is no European source of law related to the limitation, following the methodology of the currently on-going project of the EEA and the Joint Research Center of the European Union, adjusting it to the Hungarian specialities, the scope of the Hungarian THNV territories may be around 2-3 million ha.

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 contributes to the sustainability of natural values, to the improvement of the environmental conditions and to the preservation of the biological and landscape diversity. In areas and regions less suitable for competitive production, land use that serves nature protection (e.g. afforestation, grassing, creation of water habitats) are alternative possibilities.

For the **environmentally sound land use**, in areas intensely exposed to water and wind erosion, means the proper soil cultivation, the management of organic matters and also the appropriate crop structure. The soil degradation can be decreased by soil protecting agro-technical methods. The effective protection against deflation can be improved 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.

Afforestation in harmony with environmental considerations and the improvement of the quality of forests are also important objectives. Besides abating erosion and deflation and thus protecting the soil, proper **forest management** also has a role in the maintenance of the biodiversity of the natural environment. 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 specialities - agri-environmental protection, Natura 2000 – are strongly connected to the continuing the existing rural development support and the soonest scheduled introduction of new support titles.

To **protect the nitrate sensitive areas,** 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. The sound use of soil, which takes into consideration the perspectives of the nutrients and the soil management, has to be fostered.

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 all reduce the risk of floods and excess surface water.

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 lessen the current state of salinification, the application of stricter 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 can 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 protection payments (214)
	Natura 2000 payments and payments linked to the implementation of Directive 2000/60/EC (213)
	Forest environment payments (225)
Preserving LFA territories and the traditional agricultural landscape	Payments to agricultural producers of less favoured areas, other than mountain areas (212)
Investment support for enforcement of the environmental standards and for water management	Modernisation of agricultural holdings (121)
	Infrastucture related to the development and adaptation of agriculture and forestry (125)
Support for afforestation and forestry	First afforestation of agricultural land (221)
	First establishment of agroforestry systems on agricultural land (222)
	First afforestation of non-agricultural land (223)
	Forest-environment payments (225)
	Restoring forestry potential and introducing prevention actions (226)
	Support for non-productive investments (227)
Ensuring the balance quantity of high quality water	Support for non-productive investments (227) and (216)
	First afforestation of non-agricultural land (223)
	Agri-environment payments (214)
	First afforestation of agricultural land (221)
Strenghtening the protection of soils	Agri-environment payments (214)
	Infrastucture related to the development and adaptation of agriculture and forestry (125)
	First afforestation of non-agricultural land (223)
	First afforestation of agricultural land (221)

4.1.3. Rural economy

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 and the improvement of the quality of living through the renewal of the villages, the protection of the heritage and the development of the local communities. The needs of the outskirt territories, the rural women and the Roma population shall be handled by the use of special programmes

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.

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 and local 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 regions falling behind.

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.

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

Local partnerships **needs** improvement and support in the field of increasing animation and human capacity, strategy formulation and implementation. There is a need for strenghtening the flow of information at micro-regional level with the help of trained personnel and setting up of infrastructure.

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
	Renewal and development of villages
	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

5. Information on the axes and measures proposed for each axis and their description

5.1. General requirements

Through the SAPARD Programme, the Agriculture and Rural Development Operational Programme (ARDOP) and the National Rural Development Plan (NRDP) a great number of development actions have been effectuated in the Hungarian agriculture by promoting mitigation of drawbacks of competitiveness of Hungarian farmers, better utilisation of production site conditions and strengthening of environment-conscious farming activities, thereby also generating structural changes. These programmes have also contributed to the moderation of differences between urbanised and rural areas and the diminishing growth rate of the differences.

At the present programming period (2007-2013) Hungary builds on the achievements of the previous period. Even though favourable processes have started, modest financial resources and the short time-span (5-6 years) don't proved to be sufficient, therefore further efforts are needed for a continuing improvement and consolidation of the results.

The **measures of Axis I.** serve the aim of further modernisation of production by encouraging farmers also to structural changes, resulting primarily in quality improvement. Modernisation is handled in a complex manner through the harmonisation of measures, in order to counterbalance the well-defined weak points and the utilisation of strengths. In terms of complexity the technical development of agriculture and forestry are supported by measures serving improvement of human resources (training, information, support of young farmers, early retirement), and farmers are also helped by modernised and extended consultancy system. The measures support cooperation of farmers (within producer groups), in the interest of their stronger market position. The programme provides possibilities to economically unviable farmers to stabilisation and change of their production structure. Development schemes targeting increase of value and improved quality of agricultural goods and forestry products, moreover infrastructural development and technological modernisation are coming to the forefront. The measures enhance channelling the cereal production surpluses by encouraging bioenergy production (bio-fuel) and in animal husbandry through the creation of modernisation opportunities. Agriculture and forestry can gain bigger role in bioenergy production. Beyond bio-fuel production also the energy-oriented cultivation of forests as well as biogas production are supported activities.

Measures linked to more rational land use and protection of the environment are grouped around **Axis II**., forming basically two sub-systems. The measures compensating costs incurred and income foregone resulting from respecting commitments going beyond the relevant standards belong to the first one. By compensation-type support schemes a successful agro-environmental programme will

continue, involving also Nature 2000 areas into the sphere of support schemes. Through these measures, the farmers are encouraged to mitigate the burden on environment, to safeguard bio-diversity and to help protecting living waters. Keeping a number of native domestic animals doesn't constitute interest of the farmers from an economic consideration, but the valuable genetic basis, that they provide, may be utilised also for crossbreeding purposes. In the interest of their conservation support is given to all those, who undertake raising this livestock. Support for regions with unfavourable endowments have an important role in keeping extensive agricultural farming alive, providing thereby assistance to landscape protection and also promoting employment. Measures connected with land-use constitute the other sub-system of this axis. From an efficiency aspect, the change of land use (serving the improvement of efficiency of production, if agricultural use is set back at the less favoured agricultural areas, and afforestation) is of accentuated importance, however – especially in the case of the afforestation of non-agricultural land and agro-forestry systems – is of importance also from the aspect of retaining bio-diversity.

The **measures under Axis III.** are aimed at improving the income-producing possibilities and quality of life of residents of rural areas, primarily through the promotion of income-producing investment projects – being the focus-point of the axis – that results in creating and keeping jobs. The program makes it possible to develop rural undertakings in a comprehensive manner, including technical development, use of training courses and advisory services, and assurance of compliance with quality standards. It promotes the creation of new undertakings, improving the quality and added value of products and services and establishment of entrepreneurs' integrations. The improvement of the quality of life is aimed at primarily by providing access to services missing in rural regions, realized in integrated community services venues and solutions adapted to local needs to ensure cost-efficiency. The expansion of cultural and recreational possibilities, preservation and sustainable utilisation of the of rural heritage means not only the development of agri-tourism, but it is also an indispensable condition for improving the quality of life of rural residents. The local development strategies prepared by the co-operations of representatives of the public and private sector (Local Rural Development Communities), established as a result of the improvement of skills and capacities, help in laying the foundation for these developments, their embedment and being part of a framework. The institutional framework of the above is provided by the network of Local Rural Development Offices operating at micro-region level and covering the entire territory of Hungary.

The following table summarises the measures that are intented to be opened – and also those measures which are not – within the framework of the NHDRP between 2007-2013, and also information on the relevant legislation (Council Regulation 1698/2005/EC, and 1974/2006/EC).

Code	Name of the Measure	Relevant Article in Council Regulation 1698/2005/EC	Reference number in Annex II. of Council Regulation 1974/2006/EC	The Program includes the measure
Axis I.: Improving the competitiveness of the agricultural and forestry sector				
111	Vocational training, information activities, innovation	21. és 52. Article (c)	5.3.1.1.1.	✓
112	Setting up of young farmers	22. Article	5.3.1.1.2.	✓
113	Early retirement	20. (a) (iii) és 23. Article	5.3.1.1.3.	✓
114	Use of advisory services	20. (a) (iii) és 24. Article	5.3.1.1.4.	✓
121	Modernisation of agricultural holdings	20. (b) (i) és 26. Article	5.3.1.2.1.	✓
122	Increasing the economic value of forests	20. (b) (ii) és 27. Article	5.3.1.2.2.	✓
123	Increasing the value of agricultural and forestry products	20. (b) (iii) és 28. Article	5.3.1.2.3.	✓
126	Restoring agricultural production potential damaged by natural disasters and introducing appropriate prevention actions	20. (b) (vi)	5.3.1.2.6.	X
141	Support of the semi-subsistence farms under restructuring	34. Article	5.3.1.4.1.	✓
142	Support of setting up producer groups	20. (d) (ii) és 35. Article	5.3.1.4.2.	✓
Axis II.: Improving the environment and the countryside				
211	Natural handicap payments to farmers in mountain areas	36. (a) (i) és 37. Article	5.3.2.1.1.	X
212	Payments to agricultural producers of less favoured areas, other than mountain areas	36. (a) (ii) és 37. Article	5.3.2.1.2	✓
213	Natura 2000 payments and payments linked to Directive 2000/60/EC	36. (a) (iii) és 38. Article	5.3.2.1.3.	✓
214 (A)	Agri-environment payments	36. (a) (iv) és 39. Article	5.3.2.1.4.	✓
214 (B)	Preservation of genetic resources	39. Article (5)	5.3.2.1.4.	✓
216	Support for non-productive investments	36. (a) (vi) és 41. Article	5.3.2.1.6.	✓
221	First afforestation of agricultural land	43. Article	5.3.2.2.1.	✓

222	First establishment of agroforestry systems on agricultural land	44. Article	5.3.2.2.2.	✓
223	First afforestation of non-agricultural land	45. Article	5.3.2.2.3.	✓
225	Forest-environment payments	47. Article	5.3.2.2.5.	✓
226	Restoring forestry potential and introducing prevention actions	48. Article	5.3.2.2.6.	✓
227	Support for non-productive investments	49. Article	5.3.2.2.7.	✓
Axis III.: Quality of life in rural areas and diversification of the rural economy				
311	Diversification of non-agricultural activities	52. (a) (i) és 53. Article	5.3.3.1.1.	✓
312	Supporting the establishment and development of micro-enterprises	52. (a) (ii) és 54. Article	5.3.3.1.2.	✓
313	Promotion of tourism activities	52. (a) (iii) és 55. Article	5.3.3.1.3.	✓
321	Basic services for the rural economy and population	52. (b) (i) és 56. Article	5.3.3.2.1.	✓
322	Renewal and development of villages	52. Article (b) (ii)	5.3.3.2.2.	✓
323	Conservation and sustainable development of rural heritage	52. (b) (iii) és 57. Article	5.3.3.2.3.	✓
323	Conservation and sustainable development of rural heritage – elaboration of Natura 2000 management plans	57. (a) Article	5.3.3.2.3.	✓
331	Training and information	58. Article	5.3.3.3.	✓
341	Learning of skills, incentives and the setting up and implementation of the local development strategies	52. (d) Article	5.3.3.4.	✓
Axis IV.: LEADER				
411 412 413	LEADER	63. (a), (b) (c) és 64. Article	5.3.4.	✓

The rationale for intervention, the objectives, the scope and actions, the indicators and the quantified targets of the measures can be found in the measure descriptions in the appropriate sub-chapter of the measure.

The beneficiaries are entitled to an advance payment in accordance with the provisions of Article 56 of Commission Regulation (EC) No. 1974/2006, in case of those submeasures concerning which the Programme hereinafter contains provisions.

Firms in difficulty as defined by the prevailing special regulation on the rules on claiming advance payments are not eligible to claim an advance payment covered by the construction of state guarantee. The criteria of being in difficulty – regulated by the prevailing special regulation on the rules on claiming advance payments – is based on

the Communication from the Commission „Community guidelines on State aid for rescuing and restructuring firms in difficulty (2004/C 244/02)".

The LEADER Local Action Groups are entitled to an advance payment in accordance with the provisions of Art. 38 of Commission Regulation (EC) No. 1974/2006, the possibility is included in the description of measure 5.3.4.1. As an assurance of the advance payment a state guarantee can be offered that is equivalent to bank guarantee or equivalent guarantee included in the said article.

Rules of recourse of advance are included in the concerning actual national regulations.

For measures involving investments in kind, contributions of a public or private beneficiary, namely the provision of goods or services for which no cash payment supported by invoices or equivalent documents is made, may be eligible expenditure provided that the following conditions are fulfilled:

(a) the contributions consist unpaid voluntary work done by the farmers and forest holders;

(b) the contributions are not made in respect of financial engineering actions referred to in Article 50. (as financial engineering action are not financed from the resources of the Programme);

(c) the value of the contributions can be independently assessed and verified.

In the case of unpaid voluntary work, the value of that work shall be determined taking into account the time spent and the hourly and daily rate of remuneration for equivalent work.

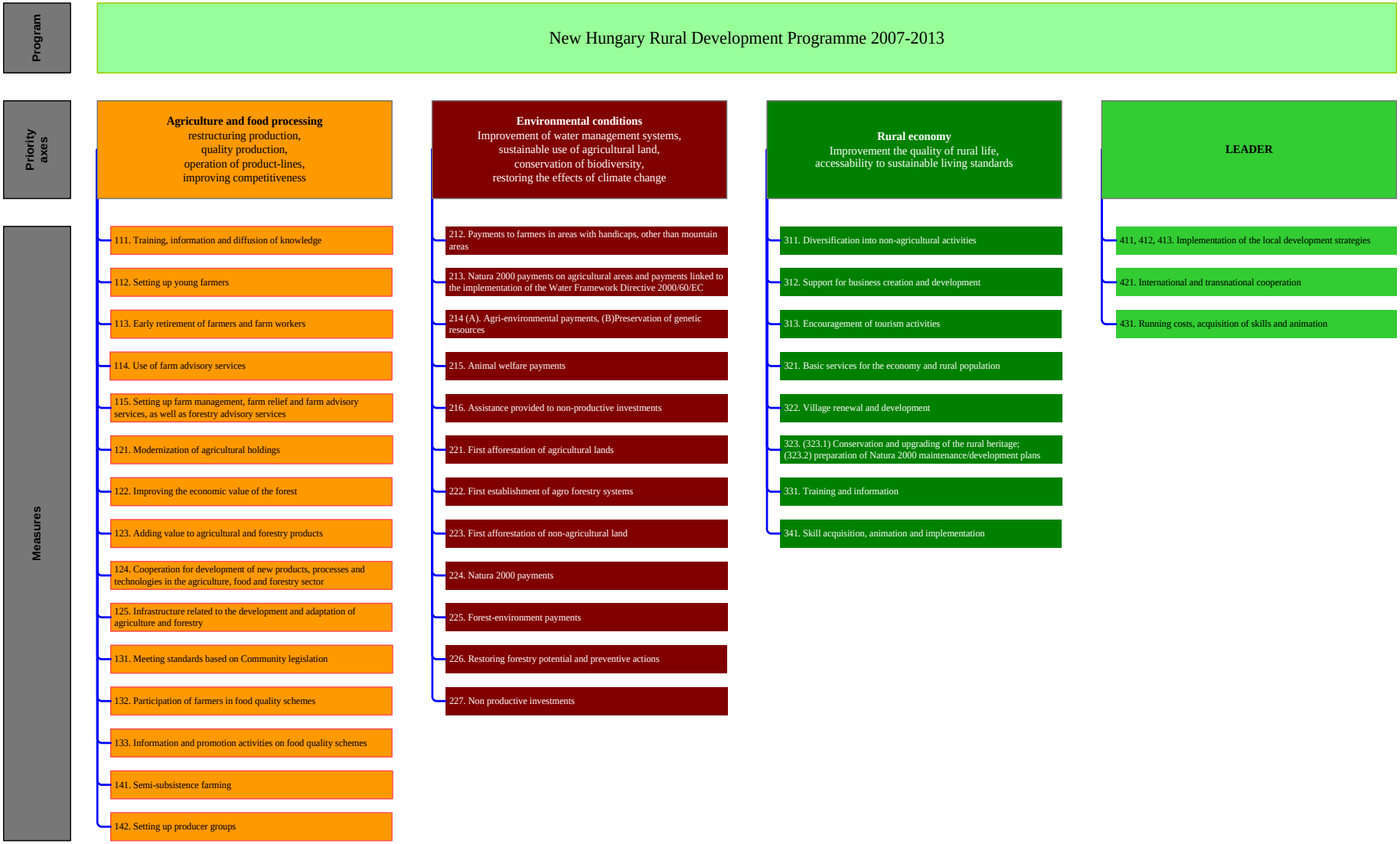
The accounting of investment in kind and cost of procedures should be trustworthy sustained by internal voucher proving the accomplishment of work made out according to Accountancy Law. The beneficiary has to have regulations for calculating the net costs to allege the expenses of the implemented development according to Accountancy Law and the own performance calculated only according to this regulations can appear among the accountable expenses. The control will be carried out by an independent technical controller. In the case of goods and services the value of them is assessed on the basis of collection of norms and is executed by official appraisers.

As for the unpaid voluntary work and the investments in kind, the calculation of costing is based on a system of standard costing.

The investment in kind can be accounted for in the case of the following measures from 2008: „Modernisation of agricultural holdings", „Improving the economic value of forests" and „Infrastructure related to the development and adaptation of agriculture and forestry".

In the Programme, all the calculations made in Hungarian Forint (Ft) is based on a 272 Ft/EUR official exchange rate.

The following chart shows the structure of the Programme.



5.2. Requirements concerning all or several measures

5.2.1. Ongoing operations from the previous period

Concerning the **National Rural Development Programme**, the payments of the measures approved within the frame of the Programme and those affected by the multi-annual commitments under the Regulation 1320/2006/EC, Title I, Article 2, Point h, Sub point I (Agro-environmental payments, Meeting standards, Afforestation of agricultural land, Support for semi-subsistence farmers, and the Support for Producer Groups) and the payments for Less Favoured Areas defined by the Regulation 1320/2006/EC, Title II, Chapter 2, Item 1 Article 6, after the 1st January 2007, can burden the financial budget of EAFRD.

Under the Regulation 1320/2006/EC, Title II, Chapter 2, Item 1, Article 4. Hungary, concerning the accepted commitments for the present programming period, after 1st January 2007 can perform payments to the burden of the budget of EAFRD, as follows:

- Concerning the Agro-environmental payments according to the Regulation 1320/2007/EC, Title II, Chapter 2, Item 1. Article 5.
- Concerning payments for Less Favoured Areas according to the Regulation 1320/2006/EC , Title II, Chapter 2, Item 1, Article 6.
- Concerning the measures of Meeting Standards, Afforestation of agricultural land, Support for semi-subsistence farmers and the support for Producer Groups according to 1320/2006 EC Regulation, Title II, Chapter 2, Item 1, Article 7, that in case of the measure "Meeting standards", the 1320/2006 EC Regulation, Title II, Chapter 2, Item 2, Article 9 is also applied.

The following table shows the amount of ongoing operations:

Measure	Amount of ongoing commitments (million EUR)
Agri-environmental payments	368
Meeting standards	4
Afforestation of agricultural land	115,4
Support for semi-subsistence farming	2

Supporting producer groups	21.8
Less Favoured Areas	1,2

5.2.2. Compatibility with State Aid procedures and criteria

The Managing Authority confirms that for the measures pursuant to Articles 25 and 52 of Council Regulation 1698/2005/EC and for the operations under the measures pursuant to Articles 28. of that Regulation which fall outside the scope of Article 36 of the Treaty, respect of the State aid procedures and material compatibility criteria, in particular aid ceilings of total public support under Articles 87 to 89 of the Treaty, is ensured.

The cumulation of loan programmmes of the Hungarian Development Bank (HDB) and certain credit guarantee schemes with NHRDP

Different loan programmes of the Hungarian Development Bank (Magyar Fejlesztési Bank Rt. Nádor street 31., H-1051 Budapest, Hungary) offer a soft loan – a loan granted through a preferential exchange rate guaranteed by the state, and therefore having a state aid content - to the beneficiaries of NHRDP. The soft loan may also be associated with a credit guarantee provided by the Rural Credit Guarantee Foundation and Credit Guarantee Co..[6] (Agrár-Vállalkozási Hitelgarancia Alapítvány – AVHGA, Kálmán I. street 20., H-1054 Budapest, Hungary) or by the Credit Guarantee Co..[7] (Hitelgarancia Rt., Szép u. 2. H-1053 Budapest, Hungary), which are offered at a preferential rate and guaranteed by the state and therefore have a state aid content. The soft loan programmes have been communicated to the Commission in due time and are regarded as existing aids under code XE18/2005 and XS140/05 (the date of submission is the 3rd of April, 2007). The credit guarantee schemes – as a consequence of the low level of their state aid content – are within the limits of de minimis support and are managed as such.

The guarantee of the Rural Credit Guarantee Foundation can be demanded by the project owners as well to other (not preferential) loans of banks other than HDB.

It is ensured by the Managing Authority that total aid intensity not exceeds the maximum laid down in Community legislation.

[6] http://www.avhga.hu/

[7] http://www.hitelgarancia.hu

The loan programmes and the credit guarantee is cumulated with the assistance under NHRDP as follows:

1. The applicant submits her/his project application to ARDA.

2. After the process of evaluation the applicant gets a decision by ARDA that the project has been selected for NHRDP support.

3. With the decision of ARDA the applicant goes to HDB or to other financial institutions and signs the loan agreement and if relevant, after that to AVHGA or Hitelgarancia Rt., where he/she gets a certification on the total aid content of the soft loan and/or the credit guarantee from which he/she will benefit on the basis of the decision of ARDA4. At the assessment of payment request of the beneficiary ARDA considers the aid element of the additional national financing (soft loan or credit guarantee) as paid subsidy amount. Additional national financing is only available for beneficiaries having a valid subsidy decision about NHRDP financing.

5. ARDA checks that the total cumulated aid level respects the limits of aid intensity set by the relevant EC regulation (1698/2005) and reduces the payment to be made in case of overstepping

5.2.3. Confirmation on the cross-compliance requirements

Concerning the relevant measures of the NHRDP, the cross-compliance requirements are identical to those implemented under Regulation EC no. 1782/2003.

5.2.4. Targets of investments measures support

The individual measures of the Programme have been conceived to ensure that the investment supports to be furnished to private beneficiaries should expediently serve the fulfillment of the development needs identified in the analyses described in Chapter 3.1, the handling of structural drawbacks, as well as the strategic objectives defined in Chapter 3.2. Within the description of the individual measures, the detailed grounds of the interventions are discussed in the paragraphs entitled “Rationale for the measure” and “Objectives of the measures”, while the associated constraints and preferences are expanded in the paragraphs of “Scope and actions” and “Definition of beneficiaries”.

For each of the business investments (Axis I and III, including the procurement of assets, establishment of plantations and real-estate property developments), it is deemed as one of the criteria – in order to ensure that the activities developed by means of such investments should have existing markets, as well as be competitive and sustainable on the long run – to elaborate a simplified or complex business plan as depending on the volume of the applied supports.

Within the measure for the modernization of animal farms, investments implemented with a view to the compliance of requirements specified in the Nitrate Directive are preferred in terms of their higher support intensities and project selection.

In the case of machinery procurements, the listing of the asset to be purchased in the agricultural machinery catalogue has been defined as one of the criteria of project selection to ensure the relatively low environmental loading and the procurement of assets with long-term competitiveness as declared among the objectives of the Programme.

Towards the larger added value for farms, preferences are provided to assets to be used in post-harvest activities and further processing of base materials.

The measures of Axis III. apply territorial constraints, adjusted to the special approach of different measures.

5.2.5. Ensuring that operations benefiting from rural develoment support are not supported by other relevant instruments of the Common Agricultural Policy

The Managing Authorty confirms that it will ensure the demarcation from the instruments of the CAP by providing detailed regulation in the national legislation and in the call for proposals. Technical procedures will ensure the demarcation between the instruments of the Rural Development Programme and the instruments of the CAP.

The connections between the instruments and also the criteria and administrative rules that ensure the guarantees of avoiding double-financing of operations, and the details of methods to avoid double-financing are provided in Chapter 10.1. and in the measure sheets.

5.2.6. Evidence for consistency and plausibility of calculations

The consistency and plausibility of calculations and the methodology of calculating the amounts of support are described in detail in the relevant part of the measures as indicated in the table below.

The calculations have been made by the planners of the Programme and verified by organisation that are functionally not part of the Ministry. The names of the verifying organisations can be found in the methodological Annex, in Annex 7.

As referred to in Article 48 (2) of the Council Regulation 1974/2006/EC the consistency, accuracy and plausibility of the calculations of the amounts of support are to be guaranteed by the member state by studies prepared by independent bodies, reports based on extensive data collection and the consideration of the implementation experiences from previous years.

Supervision of the above mentioned aspects by the Commission are ensured by the authority responsible for the Programme by making available all the studies, data basis and reports if necessary.

5.2.7. Financial engineering actions

There is no financial engineering actions financed from the resources of the RDP.

5.3. Information required for Axes and measures

5.3.1. Axis I.: Improving the competitiveness of the agricultural and forestry sector

Linkage of proposed measures with the National Forest Programme and with the Community Forestry Strategy

The intended measures of Axis I. of EAFRD closely relate to those included in the National Forest Programme (NFP) and therefore are in accord with the measures of the EU (embodied in the corresponding regulations) as well as with the forestry strategy.

The intended measures of Axis I. focus on the utilization and development from among those three activity programmes (protection, utilization and development) stated in NFP, naturally in accordance with the intended measures of the other Axes, that especially deal with protection.

The forestry strategy of the European Union wherein the economic significance of forests is juxtaposed with the associated protection and welfare functions is based on the resolutions (17) of the Ministerial Conferences on the Protection of European Forests (Helsinki 1993, Lisbon 1998 and Vienna 2003) organized after the Earth Summit of Rio de Janeiro.

The basic criterion is that the requirement of sustainable development should be enforced in the course of managing forests as distinct natural resources. In Hungary, such routines look back on practices throughout several centuries, but the conditions of sustainable forestry should always be adjusted to the current economic challenges and environmental requirements. After the change of the political regime in Hungary, the expansion of private forests and the restructuring of agricultural farming called for the transformation of the approach to forestry and forest management, as well as forestry policies having been followed so far.

In the past decade, forests and forest management have deserved ever-increasing attention from society, standing up for the permanent sustenance and development of forests as one of the most valuable constituents of the natural environment.

Consequently, the National Forest Programme has brought about a national-level, cross-sectoral and recurrent political–planning process that foresees achieving an improvement in the following 10 areas in the period from 2006 to 2015:

Development of the management of state-owned forests

The structuring of such an institutional organization of proprietorship and management is needed that is capable of ensuring the provision of public-benefit services of the state-owned forest properties at a high standard and over the long run.

Development of the management of privately owned forests

By moderating the capital and asset shortages in the management of privately owned forests, the commencement of forest management activities of currently non-farmed lands should generate improvement in terms of the natural conditions and employment in 9% of the country's area.

Rural and regional development, afforestation and the restructuring of forests

The afforestation of lands released in the course of the transformation of agricultural activities is foreseen to increase the extent of national forest properties, generate job opportunities, ensure continuous employment, contribute to the development of rural tourism and increase the quality of life in rural areas.

Nature conservation in forests

The protection of natural values and areas, the preservation of the biodiversity of forests cannot be restricted to objects declared to be protected (e.g. species, habitats, areas), but the general protection and management of forest ecosystems with semi-natural forest management methods should be implemented.

Modern forest protection

Forest protection featuring new approaches primarily focuses on the prevention of damage, the increased predominance of natural processes, as well as the enhancement of the self-regulatory abilities of forests.

Sustainable wildlife management

The wildlife management of the future is to be based mainly on natural populations, enclosed game breeding may only have a supplementary role towards more efficient hunting.

Rational wood utilization

With a view to ecological and economic aspects, the national economy is substantially interested in the intensified use of reproducible, environmentally friendly wood, and thus the improvement of the industrial and social utilization of wood is a key element of the entire Programme.

Tasks for forestry administration

The work of forestry administration is foreseen to be developed in a manner that, in the course of the enforcement of governmental intentions, social and professional requirements, should be observed to a maximum extent.

Research, education and production development

The development of research and education influences the adequate scientific establishment of the Programme, and is regarded as a pre-condition of practical implementation. Due to their effects on production development, research and education have key roles in the Programme.

Efficient communication about the forest towards the improvement of the human–forest relationship

The environmentally friendly influence of sustained forest management and the positive contribution by forest services should be demonstrated in meeting the requirements of natural conditions and social demands.

The above mentioned target areas are in coherence with the aims of the European Agricultural and Rural Development Fund, so the implementation of the National Forest Programme directly helps the implementation of the rural development policy of the European Community.

The forestry measures of the RDP serve directly the implementation of the EU Forest Action Plan's key actions, which is based on the EU Forest Strategy. In this way the measures contained in the Axis I. are connected with the 3-5. key actions (utilization of non-wood forest goods, forest biomass, cooperation between forest holders and their training), and also the measures of Axis II. with the key actions 6. (adaption to the effects of climate change), 7. (protection of biodiversity), 9. (forest protection), 11. (maintain the protective function of forests), 12. (explore the potential of urban and peri-urban forests).

The realisation of the individual target programmes of NFP will be achieved by the intended measures on connection points listed below.

The aim of the support of training and information activities is to increase the professional knowledge of agricultural and forestry producers concerning the environmental effects of farming, the purposeful execution of activities supported within the frame of EAFRD and the professional operation of realised investments, as well as to develop the entrepreneurial ability of rural inhabitants.

The support of the use of advisory services aims at the promotion of the observance of job safety requirements and of connected regulations, and the improvement of the gross production of farming.

The aim of establishing the advisory services on farm management, substitution and farming is to increase the competitiveness and effectiveness of agricultural enterprises, to promote the sustainability of agricultural developments and to help the

adapting and population retaining ability of rural regions, to improve the living circumstances of agricultural producers and entrepreneurs through the provision of advisory services on farm management, substitution and farming.

The aim of the improvement of the economic value of forests is the improvement via modernisation of the production of the propagating material, the forest machinery and instruments, and purchasing IT tools to assist forest farming.

The aim of the support of the increase of value of agricultural and forestry products is to promote the restructuring of the forestry sector, to increase the product structure, to achieve capacity concordance, to implement up-to-date technologies and to contribute to the application of quality saving storing.

The aim of the support of infrastructural projects related to the development and modernisation of agriculture and forestry is to promote the development and modernisation of technical projects serving the discovery of forests, to protect the soil of forests, to build structures that help to control the water balance of soils as well as to promote the implementation of forest schools and private forest information centres.

The realisation of the individual target programmes of NFP will be achieved by the intended measures on connection points listed below:

Vocational training and information actions

The aim of the support is to increase the professional knowledge of agricultural and forestry producers concerning the environmental effects of farming, the purposeful execution of activities supported within the frame of EAFRD and the professional operation of realised investments as well as to develop the entrepreneurial ability of rural inhabitants.

Connecting points:

- Research, education and production development target programmes
- Private forest management development target programme
- Target programme on the effective communication about forests with the aim of improving the human-forest relation

Use of advisory services

The aim of the support is to promote the observance of job safety requirements and of connected regulations via the support provided to the requisition of advisory services and to improve the gross production of farming.

Connecting points:

- Private forest management development target programme
- Research, education and production development target programmes

- Target programme on the effective communication about forests with the aim of improving the human-forest relation

Improvement of the economic value of forests

The aim of the support is to improve the economic value of forests via the modernization of the production of the propagating material, forest machinery and instruments, and obtaining IT tools to assist forest farming.

Connecting points:

- Private forest management development target programme
- Target programme on rural and regional development, afforestation, and reconstruction of forest structure

Adding value to agricultural and forestry products

The aim of the support is to promote the restructuring of the forestry sector, to increase the product structure, to achieve capacity concordance, to implement up-to-date technologies and to contribute to the application of quality saving storing.

Connecting points:

- Private forest management development target programme
- Rational tree usage target programme
- Target programme on rural and regional development, afforestation, and reconstruction of forest structure

Infrastructure related to the development and adaptation of agriculture and forestry

The aim of the support is to promote the development and modernization of technical projects serving the discovery of forests, to protect the soil of forests, to build structures that help to control the water balance of soils as well as to promote the implementation of forest schools and private forest information centres.

Connecting points:

- Target programme on rural development, afforestation, and reconstruction of forest structure
- Private forest management development target programme

5.3.1.1. Measures aimed at promoting knowledge and improving human potential

5.3.1.1.1. Vocational training and information actions

Articles covering the measure:

Article 21 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:

Considering the facts about the human resource shown in the situation analysis section, there is a clear need for the enhancement of knowledge of those working in agriculture and forestry – particularly farm managers, farmers –, especially in the field of such professional knowledge in which they have not had the opportunity to attain the proper level 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, new, innovative production technologies and the production of biomass for energetic purposes. The build-up and development of the ability to acquire knowledge independently is also of outstanding importance, as well as the training of the producers in the methods and significance of attaining information.

The professional training and information provided within the frame of the measure contributes to achieve the goals of the Lisbon Strategy.

Objectives of the measure:

The general objective of the measure is to increase the professional knowledge of those working in the agricultural sector in order to enhance their competitiveness and the promotion of the sustainability of their farming activities.

Scope and actions:

Within the framework of the measure, professional trainings, courses, information sessions involving practical demonstration and client information events beyond the formal institutional system of education can be offered to the agricultural producers and forest holders that potentially contribute to the enhancement of the competitiveness of these people, the improvement of the performance of their enterprises, the attainment of knowledge on cross-compliance requirements and on

other requirements, as well as the compliance therewith, the start-up of new enterprises, the diversification of activities within agriculture.

Description of the operations (sub-measures):

1. Integrated information action: farmers' information service

General farmers' information service covers the provision of a permanent information action. The thematic scope of the information service covers the cross-compliance requirements, the information on how to apply for the rural development measures, as well as other current issues of the agricultural policy. The organisational scope of the information action includes among others: farmers' information points, where the farmer can find permanent client service, occasional information sessions, brochures, leaflets, booklets and other publications and also on-line services. This service provides general information, which aims at the awareness-raising of the farmers to the actual professional issues of agriculture. This service is a preliminary procedure for the trainings (the first two sub-measures of this measure) and the advisory services (measure 114.). There will be altogether around 200 information points operated by the organization that will be selected via public procurement procedure.

2. Dissemination of innovative technologies by means of demonstration projects on farms and forestry holdings

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

The scope of agricultural and forestry farms – that have to have programmes approved by the Rural Development Education and Advisory Institute providing informative programmes is determined by national legislation.

3. Trainings related to agriculture and forestry

Support can be granted for the participation fee of the farmers for taking part in :

a) training courses offering information on:

Sustainable farming

- cross-compliance requirements,
- the SPS,
- the requirements of sustaining the proper agricultural and environmental state,

- forestry,
- organic farming,
- awareness-raising in the field of environment.
- requirements concerning the Water Framework Directive,
- the use of environmentally sound technologies in crop production, animal husbandry, horticulture and forestry,
- compensation support provided for farming on Natura 2000 forest areas..

Renewable energy

- the production, utilization and primary processing of biomass for energetic purposes
- work safety in agriculture, IT skills, proper and environmentally sound technologies

and any of those helping to achieve the goals of the measures of Axis I-II.

b) obligatory training sessions in connection with the measures of Axis I. and II. of NHRDP. Beneficiaries of the following measures are obliged to take part in the courses:
   - Modernisation of agricultural holdings,
   - Adding value to agricultural and forestry products,
   - Setting up of young farmers,
   - Supporting semi-subsistance agricultural holdings undergoing restructuring,
   - Natura 2000 payments on agricultural areas,
   - Agri-environment payments,
   - Forest-environment payments.

Beneficiaries:

Submeasure 1.: The direct beneficiary is the organization that will be selected via public procurement procedure and will be operating the information points, but the recipients of the service (indirect beneficiaries) are the total agricultural population. The selection is made by the PA on behalf of the MA, which supervises the service provider.

Submeasure 2.: The direct beneficiaries are the farms and forest holdings carrying out demonstration plant action plans, but the recipients of the service (indirect beneficiaries) are the farmers and forest holders taking part in the demonstration programs.

Submeasure 3.: The direct beneficiaries are the farmers and forest holders taking part in the training courses provided by the shortlisted training institutions. The shortlisting is made by the MA, and the project financing is carried out by the PA.

Definition of bodies providing training and information actions:

In case of sub-measure 1., the body providing the information action will be selected via public procurement procedure. The selection is based on the following basic requirements: a national network of offices, appropriate number of qualified staff and experience in knowledge transfer.

In the case of sub-measure 2., organizations being eligible for the submission of grant applications are those entities holding the title of "Demonstration Plant" that will be awarded via a call for interest procedure. Demonstration plants have to apply by submitting an annual action plan. Demonstration plants can be the holdings, which use the most innovative technologies in production, sales and other processes.

In the case of sub-measure 3., the bodies providing the courses will be selected via national public tendering (shortlisting). The selection is based on the organisational knowledge, capacity, cost-efficiency, using of innovative solutions and technologies and experience level

Type of support:

Non-refundable support.

Rate of support:

For Sub-measure 1., Sub-measure 2. and Sub-measure 3., 100% of the eligible costs of information action.

Financing:

Public expenditure: 76 656 833 Euro

EAFRD contribution: 55 289 419 Euro

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 in Article 22 of Regulation 1698/2005/EC, in the attainment of the qualification required for the performance 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, 28, 34, 39, 46 and 47.

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

Knowledge transfer supported under the different measures and submeasures shows a certain hierarchy in which one level helps the implementation of another. A general basis for the knowledge transfer is provided by the GAZDANet submeasure (Article 26), under which agricultural producers are granted supports for the purchase of IT equipment, thus giving them opportunity for acquiring up-to-date information in the fastest and easiest way. The next level of knowledge transfer is supported under the Integrated information action submeasure (Article 21), which provides agricultural producers with the most updated information on SPS and cross-compliance requirements, the preparation of grant applications and tenders, as well as other current issues of the agricultural policy. It also makes the producers aware of higher levels of supported knowledge transfer: demonstration farm programmes and training courses (Article 21) as well as the advisory services (Article 24).

Complementarity to other Operational Programmes:

The professional training supported in the framework of the measures, cannot be incorporated into formal school education, and is not eligible for the supports to be financed from the European Social Fund, or those financed in the framework of the Social Infrastructure Operational Programme, the Social Renewal Operational Programme or the Regional Operational Programme. With regard to professional training programmes and training programmes for adults, more specifically in relation to traininig at the workplace and re-training programmes, the Social Renewal Operational Programme does not support training aimed at primary producers and agricultural enterprises.

With regard to training of individuals, the Social Renewal Operational Programme does not support training programmes related to agricultural activities supported under the New Hungary Rural Development Programme.

Complementarity with the CAP

When the operational programme of a Hungarian recognised producer organisation (PO) in the fruit and vegetables sector includes training activities that PO and its members are to be excluded from eligibility for support for the same activities under the NHRDP.

As for the demarcation from the sugar restructuring/diversification programme in Kaba, the following principles are applied:

1. Farmers from the region – based on the exhaustive list of settlements involved – are eligible for support from the RDP before the submission of the „Kaba diversification programme" and after the full committment of the resources of the measures of the diversification programme.
2. Administrative tools and procedures will also ensure the avoidance of double-financing (cross-check of applications, seperate application track). Both the RDP and the „Kaba diversification Programme" will be implemented via the IACS system, which ensures the avoidance of double-financing. On-spot checks also ensures the avoidance of double-financing. Based on the above facts, the MA could guarantee the avoidance of double-financing.

Quantified targets for EU common indicators:

Type of indicator	Indicator	Target
Output	Number of participants to training	115 000
	gender (male/female)	92 000/23 000
	age category	
	– age < 40	72 450
	– age ≥ 40	42 550
	content of activity	
	– management, administrative (book keeping) and marketing skills	6 900
	– ICT training	7 000
	– new technological processes and machinery/innovative practises	25 300
	– new standards	11 500
	– product quality	24 150
	– maintenance and enhancement of landscape and protection of environment	26 450
	– other	13 700
	type of participants	
	– participants active in farming	93 150
	– participants active in food industry	9 200
	– participants active in forestry	12 650

	Number of training days received from these	750 000 days
	– training sessions	650 000 days
	– demonstrative plant	100 000 days
Result	Number of farmers or forest holders that successfully ended a training activity	55 000 persons
	gender (male/female)	40 200/14 800
	age category	
	– age < 40	35 700
	– 40 ≤ age	19 300
	type of successful result	
	– passing by achieving certificate, degree or diploma	20 000
	– implementing the achieved skills	35 000
	type of participants	
	– participants engaged in farming	43 500
	– participants engaged in food industry	4 900
	– participants engaged in forestry	6 600
Impact	Change in gross value added per full time equivalent	840 EUR

Additional programme-specific indicators and quantified targets:

Type of the indicator	**Indicator**	**Target**
Output	Number of farmers using farmers' information service	120 000 persons
	Number of occasions farmers use the integrated information action (visits of the information points)	270 000 visits

5.3.1.1.2. Setting up of young farmers

Articles covering 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:

Based on the thorough assessment of the age composition of Hungarian population, and employment rate in the agricultural sector shown in the analysis, the management of the holdings is not assured in the long term.

In Hungary, the financial positions of a significant proportion of agricultural enterprises can be characterized by under-financing 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, start-up enterprises have very few opportunities now to obtain credits, that is to establish the enterprise in terms of finances. In the case of the farmers concerned production expenditures reach up to or even exceed sales revenues. For any expansion of production the supply of adequate fixed and current assets call for accumulated capital instruments or credits.

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

The support of young farmers, the encouragement of their activity in the agricultural sector is of outstanding importance because their innovation ability and capability and market attitude are already stronger and still can be increased.

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

Objectives of the measure:

The measure 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 ensure 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 crop production (including horticulture), animal breeding or mixed farming activities and production operations.

Scope and actions:

Supports in the form of income support can be granted for the establishment of the conditions of agricultural production activities, the coverage of costs incurred in such agricultural production activities, as well as for the purchase and modernization of farms from farmers involved in the "Early retirement" measure initiated for agricultural producers and employees.

Definition of beneficiaries:

Any natural person over the age of 18 and under the age of 40 in the year of submission of support application possessing any agricultural qualification of vocational school level if he/she is in the process of establishing an own farm or - is in the process of taking over a farm from any farmer participating in the Early retirement measure (Article 23) - as the head of the holding for the first time and possesses a business plan for the purpose of developing farming operations. The head of the holding is a natural person who is individual entrepreneur and carries out agricultural activities.

Definition of setting up used by the Member State:

Any natural person shall be deemed as a young farmer who has not been registered by the Agricultural and Rural Development Agency for more than twelve months before the submission of the application.

The young farmer is obliged:

- to participate in a training organized in the framework of the measure „Vocational training and information actions",
- to increase the size of the holdings up to at least 4 ESU limit by the 4th year from the date of granting decision,
- to farm as an individual entrepreneur for 5 years after she/he has become a beneficiary.

Content 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, market analysis, 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 following elements shall be indicated in the business plan in detail: trends, market position of the holding, conditions of the farming (e.g. machinery and technology before and after the

investment) and the Community Standards that have not been fulfilled by the farmer, in which fields these are still a problem. It shall be also indicated how these standards will be met and what investments are needed to meet the standards.

The fulfilment of the business plan will be supervised within 5 years as from the support award. Financial and performance indicators accepted in the business plan and of critical importance will serve as basis for control. The non-fulfilment of the critical financial indicators undertaken – reckoning with the tolerance level (the extent of difference from the undertaking) determined in the national legislation - will result in the full or partial withdrawal of the support with the associated conditions to be specified in a decree by the Ministry.

Young agricultural producers must have at least a medium level vocational training degree at the time of the entry to the scheme.

Use of the possibility to combine different measures through the business plan giving access of the young farmers to other measures of the Programme, in particular:

1. Modernisation of agricultural holdings (farm investments)
2. Vocational training and information actions (additional training)
3. Diversification into non-agricultural activities

Type of support:

Non-refundable income support or interest subsidy, or the combination of the two. It is the competence of the Managing Authority whether to make the usage of supplementary interest subsidy available in a predetermined period.

Amount of support:

In the form of a non-refundable income support of maximum 40.000 €; (out of which 90 % is paid after the granting decision, 10% after realising the ESU criteria and the participation on the vocational training). In the form of an interest subsidy with the corresponding capitalized value 40.000 €; as a combination of a non-recurrent capital grant and interest subsidy with the upper limit 55.000 €. The amount of support might be differentiated based on the farm-size. The weight of interest subsidy within the total amount of support might be increased in the programming period.

Financing:

Public expenditure: 140 871 408Euro

EAFRD contribution: 101 604 749Euro

Complementarity and demarcation of the measure:

Within the framework of the programme, the measure is directly complementary to the "Early retirement" measure so that start-up farmers who take over or acquire farms from the beneficiaries of such farm transfers for operating purposes can be supported.

The measure is closely linked to the measure "Vocational training and information actions" as young farmers participating in this scheme are required to participate in a training course within two years as from the date of the support award.

Quantified targets for EU common indicators:

Type of indicator	**Indicator**	**Target**
Output	Number of assisted young farmers	3 300
	gender (male/female)	2 200/1 100
	type of agricultural branch (TF 8, based on 2003/369/EC)	
	– Field crops – organic/other	247/1 865
	– Horticulture– organic/other	49/132
	– Wine– organic/other	33/66
	– Permanent crops– organic/other	33/149
	– Milk– organic/other	8/83
	– Grazing livestock (excl. milk) – organic/other	16/115
	– Pigs and/or poultry– organic/other	25/50
	– Mixed (crops + livestock) – organic/other	99/330
	link with the early retirement measure	
	– on farms of early retired farmers	150
	– on other farms	3 150
	Total volume of investment (EUR)	69 million
Result	Increase in agricultural gross value added in supported farms (EUR)	140 million
	Measure	
	type of sector:	
	– agriculture	120
	– food industry	13
	– forestry	7
Impact	Net additional value added expressed in PPS (EUR)	110 million

5.3.1.1.3. Early retirement of farmers and farm workers

Articles covering 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:

Based on the thorough assessment of Hungarian agricultural labour force shown in the analysis the age composition of agricultural labour force, including that of private farmers, is becoming less favourable. The measure helps to gradually deduct the older generation from agricultural farming giving way to performing other non-agricultural activity, and in the same time increase the legal employment possibilities of the next generation. Handing over the farms can result in the increase of average farm size, decreasing the viability problems related to small farms

Objectives of the measure:

With the introduction of the measure the efficiency of the holdings, the expansion of the employment, 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 enhanced.

Scope and actions:

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

Definition of beneficiaries:

Private farmers involved in agricultural production as core activity shall be eligible for the support if comply with the conditions hereunder:

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

- he/she cultivates agricultural lands of at least 3 hectares; undertakes that he/she shall quit all and any agricultural activities for business purposes upon the transfer, except production for self-supply (based on the remaining part of the farm, no CAP support can be given).
- has an economic scale of 1 ESU.

Employees if they are involved in agricultural production activities at the farm of the transferor and meet the conditions hereunder:

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

Further eligibility conditions for the support is that the holdings should be taken over by an agricultural producer who

- beneficiary is a registered agricultural producer according to legislation, who
    - carries out agricultural producing activity as a main activity as a private entrepreneur,
    - has not turned 40 years old at the time of transfer, and
    - has at least agricultural secondary school qualification or superior agricultural education.

Description of the link with national retirement schemes:

The measure is of support type, so it 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 support within the Early retirement measure. The granting of support shall be ended, when the beneficiary enters the national retirement scheme.

Duration of the aid:

For any farm transferor and his/her employee, the entire term of the support may not exceed 7 years. In all cases of beneficiaries transferring a farm, and their employee, the provision of the support is terminated, if the beneficiary enters the national retirement scheme.

Type of support:

Non-refundable income support, which is granted quarterly.

Amount of payments:

The support to be provided to the transferring farmer shall be calculated on the basis of lands and livestock in his/her own holding, and it has to correspond to 25% of the minimum wage per month as specified from time to time from 1 ESU value of the economic viability indicator. After each additional ESU value, the support 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 granted may not exceed EUR 4,000 per employee on an annual basis. In case of more employees the total support amount shall not exceed the support amount of transferring farmer employing the employee.

Financing:

Public expenditure: 3 320 536 Euro

EAFRD contribution: 2 394 966 Euro

Description of the link with the young farmers setting up measure (112):

This measure supports the target group of the measure as pertaining to the setting up of young farmers. In fact, persons entitled to take over farms correspond to the persons being eligible for the support as pertaining to the setting up of young farmers if their respective applications provide for the take-over of the agricultural holding of any farmer applying for an “Early retirement” support.

Quantified targets for EU common indicators:

Type of indicator	Indicator	Target
Output	Number of farmers transferring their farms	4 500 persons
	gender (male/female)	4 300/200
	age category	
	– 55 ≤ age ≤ 64	3 100
	– >64	1 400
	Number of employees of the transferring farmers	150 persons
	gender (male/female)	125/25
	age category	
	– 55 ≤ age ≤ 64	90

	– >64	60
	Total number of farms transferred (hectare)	60 000 ha
Result	Increase in agricultural gross value added of supported farms (EUR) measure type of sector: – agriculture – food industry – forestry	71.6 million 65 4 2,6
Impact	Net additional value added expressed in PPS (EUR)	81 million
	Change in gross value added per full time equivalent (EUR)	20 000

5.3.1.1.4. Use of farm advisory services

Articles covering 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:

Land ownership and the changes of structure of agricultural production ensuing the political changes have altered the information gaining possibilities and information needs of the participants of the agricultural sector. The experienced lack of information means a problem concerning the whole agricultural sector as largely contributes to the deficit of the production. This also has an effect on the further participants of the sector (integrators, service providers, engrossers, exporters etc.), as they have limited access, or no access at all to information, related to production capacities, product basis and business opportunities.

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 producers and forest holders are particularly in the need of obtaining such information and knowledge that are in connection 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 measure:

The general objective of the measure is to enhance the competitiveness and performance of agricultural enterprises and forest holders, promote the sustainability of agricultural developments, and to provide advisory services on farm management.

Scope and actions:

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

Definition of beneficiaries:

Support can be granted to agricultural producers or forest holders who – according to national regulations - rely on professional advisory services on the basis of an agreement made with any accredited Territorial Advisory Centre for a maximum term of 1 year. Farmers and forest holders can receive support on the basis of one advisory service agreement each year of NHRDP. The amount of support paid to the beneficiary cannot exceed 700 EUR per advisory service agreement.

Beneficiaries:

The beneficiaries shall be agricultural producers and forest holders.

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 advice (Territorial Advisory Centres, hereinafter referred to as TAC) comply with the requirements posed against the Farm Advisory System described in Regulation 1782/2003/EC. TACs 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 holders in a manner being eligible for the associated supports specified in the national and EU legal regulations. Any TAC may furnish professional advisory services only by means of its professional advisors registered in the Register of Professional Advisors. The principal conditions of having admission to the Register of Professional Advisors shall be professional qualification of higher education, at least 3 years of professional experience and passing the basic examination of professional advisors. TAC's have been pre-selected by means of an open tendering procedure with the most important conditions being:

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

The accreditation of the pre-selected TAC's will be completed by the starting date of the measure. TAC's activity will be supervised by RDEAI, which is part of the Managing Authority.

One beneficiary is allowed to make a contract with only one TAC for a period of one year. The contract shall cover all the issues to be addressed.

The main parts of the service contract are the following:

- The list and content of services provided for the beneficiary.
- The schedule of the service provision within the one year's time.
- The exact duration of the service provision.

The delivery of the advisory services shall be documented by the TAC (by minutes and detailed documentation of the provided service). Having completed the contract an invoice is issued by the TAC. Beneficiaries are entitled to receive support if they prove that the invoice is fully paid.

Type of support:

Non-refundable support.

Amount and intensity of support:

80% of the eligible costs (the costs of the services, provided in the framework of the contract) with the upper limit of 700 EUR/advisory service agreement (20% of the costs shall be paid by the users of the services to the TAC, which provides the respective services.)

Agricultural producers that have a holding size below 2 ESU, horticultural producers that have a holding size below 1 ESU, and forest holders that have an operating area smaller than 1 hectare are not entitled to the support.

No lower limit of the holding size is set for agricultural producers receiving support under the measures of the National Rural Development Plan or the New Hungary Rural Development Programme.

Financing:

Public expenditure: 22 311 724 Euro

EAFRD contribution: 16 092 528 Euro

Complementarity and demarcation of the measure:

Complementarity to the other measures of the Programme

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

Complementarity with the CAP

When the operational programme of a Hungarian recognised producer organisation (PO) in the fruit and vegetables sector includes advisory activities, that PO and its members are to be excluded from eligibility for support for the same type of activities under the NHRDP.

Complementarity to other Operational Programmes

The measure includes only the professional advisory service for agricultural producers and forest holders connected to the measures in Axis I and II of the Rural Development Programme, and thus it is not a part of the training and advisement measures of any other OPs.

Quantified targets for EU common indicators:

Type of indicator	Indicator	Target
Output	Number of agricultural producers supported	25 000 persons
	Type of advice given to the farmers:	
	statutory management requirements (annex III of R. 1782/03) and good agricultural and environmental conditions (annex IV of R. 1782/03)	25 000
	other issues not addressed by Cross Compliance according to R. 1782/2003 in the area of :	25 000
	– environment including agri-environment	6 000
	– occupational safety standards	25 000
	– animal welfare	3 000
	– public, animal and plant health	5 000
	– management (economic performance, bookkeeping etc.),	3 000
	– organic	2700
	– other	5 000
	The amount of direct payments beneficiaries receive per year (article 14(2) of Reg. 1782/2003) :	
	– ≤ 15.000 €	17 800
	– > 15.000 €	7 200
	Number of forest holders supported	4 000 persons
	Management (economic performance, bookkeeping etc.)	1200
	Environment	1500
	Other	1300
Result	Increase in agricultural gross value added of supported farms (EUR)	
	measure	9 million
	type of sector:	
	– agriculture	8
	– food industry	0
	– forestry	1
Impact	Change in gross value added per full time equivalent (EUR)	308

Additional program-specific indicators:

Type of indicator	Indicator	Target
Output	Number of advisory services delivered to - agricultural producers, - forest holders,	 40 000 5000
Result	Proportion of agricultural enterprises relying on professional advisory services as related to the total number of those belonging to the target group	12.5%

5.3.1.2. Measures aimed at restructuring and developing physical potential and promoting innovation

5.3.1.2.1. Modernisation of agricultural holdings

Articles covering 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:

There are three main reasons to open the measure:

1. The further modernisation of agricultural sector, closing the technological gap.

The current technological level in agriculture necessitates the further modernization of agricultural holdings, which largely contributes to the achievement of Lisbon targets and to the improvement of competitiveness.

The average age of machinery and equipment used in the Hungarian agricultural production is still 12–15 years. The post-harvest phase are in particular in need of additional investments.

Investments promoting innovation, the creation of added-value are of high importance. The modernisation shall contribute to the dissemination of energy-saving and environment-friendly equipment and techniques.

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 increase of competitiveness cannot be achieved without **technical-technological renewal** in particularly in animal husbandry and horticulture, but also in the field of arable farming (crop production).

The IT skills of the farmers shall be improved, a system for obtaining market information shall be created, ensuring proper access to the latter. This information system shall have close links with the advisory and information actions provided for the farmers.

In order to improve the performance of agricultural farms, more attention shall be given to the development of on-farm infrastructure.

2. Diversification of agricultural production, promoting the dissemination of the production of renewable energy.

The current structure of the Hungarian agriculture shows the high ratio of arable farming within the total agricultural production. In order to reach a sustainable balance, emphasis shall be put on animal husbandry, the horticultural sector and biomass production.

Market changes having occurred after the EU-accession of Hungary also require the mitigation of the traditional dominance of corn production, the change in the production structure and the adjustment to the market needs.

The EU expects the Member States to use renewable energy sources at an increased rate in the future. Based on Directive 2001/77/EC, the electric energy produced out of renewable energy sources has to reach 22.1% of the average gross consumption in the EU. The Biomass Action Plan ([COM(2005)623)], the Green Book on the new Community energy policy both encourage the increased use of biomass in energy production. It is also part of the Sustainable Development Strategy of the EU.

In order to fulfill the expected EU targets, it is indispensable to improve the biomass supply through targeted energy production. It is necessary to provide installation (plantation) support for farmers. The establishment of arboreal plantations for energy production can help several thousand producers (the proportion of whom may be significant as well) in ensuring rural income-earning opportunities.

3. To meet the standards/requirements set by the EU, in particular requirements linked to the Nitrate Directive in the field of livestock sector.

The lag of Hungarian agriculture is significant in the compliance with animal welfare, hygienic and environmental protection requirements in particular in animal-breeding farms necessitates additional investments linked to environmental standards, manure storage, etc.

Objectives of the measure:

The objectives of the measure can be grouped in line with the three main reasons of introducing the measure.

First, the modernization of the agricultural production, the upgrading the technological level of animal husbandry, horticulture and arable farming. The improvement of the efficiency and competitiveness of animal husbandry, the introduction of new technologies in order to improve product quality, the promotion of the use of information and communication technologies are also among the objectives of the measure.

Second, the measure aims to contribute to the diversification of the arable-sector-based agriculture by promoting investments in horticulture and the production of

biomass by the plantation of short rotation coppice for energy production. The current imbalancement of the Hungarian agriculture – namely the overwhelming weight of arable farming – can be mitigated this way.

Third, the measure aims to ensure the compliance with the relevant requirements of the EU in particular in the field of environmental standards, especially the requirements of the Nitrate Directive, animal welfare, food hygiene, manure storage. The focus is laid on the fulfillment of the requirements of the Nitrate Directive. Farms are obliged to meet these requirments from the 1st of May, 2008. A detailed list of Community requirements to be fulfilled can be found in Annex 5.

More information on the sectors and farm structure can be found in the Annex I. and II. The objectives of the measure were established by taking into account the characteristics of the Hungarian agricultural sectors and farm structure.

Scope and actions:

The measure targets the support for construction investments in order to improve the efficiency of basic agricultural activities in arable farming, horticulture and animal husbandry with respect to the aspects of environmental protection, hygienic and animal welfare. On the other hand it involves with the aim of energy saving, environmental protection and effectiveness the modernization of the machinery used and technological equipment, the improvement of the age structure of the same, changing the old machinery for machines having a better environmental performance as well as developments improving the agro-technical and technological level. In addition the measure offers support to the introduction of new technologies as well as information systems facilitating production and sales.

Within the framework of the measure, support is also granted for the plantation costs for arboreal plantations of short rotation coppice for energy production.

In the field of animal husbandry, the most significant technological gap can be experienced in the field of the fulfilment of the requirements of the EU in the field of manure storage and management. This requires significant investments to cope with this problem. Technologically obsolete capacities hinders to realise the competitive edge of the sector.

In the field of horticulture, the general technological level of production is weak. Additionally, the structure and age-structure of plantations is unfavourable. The biggest lag can be experienced in the sector in the low level of processing of agricultural good, the low level of added value created.

In the field of biomass production, focus shall be placed on the production of the necessary raw materials. Investments in the storage facilities and harvesting technologies could close the technological gap in biomass production.

As for arable farming, investments shall be targeted on the improvement of the general technological level of the sector, where still significant technological gap can be seen in EU comparison.

The use of IT technologies and equipment of the Hungarian farmers is rather limited. To disseminate the use of modern IT-based technologies, further investments are needed in this field.

Based on the above-described main sectoral problems and investment needs, the priorities of the different sectors can be summarized as follows:

	Construction and technology (built-in)	Machinery and non-built-in technology	Investments for on-farm diversification (within agriculture)	Information technology	Plantation
Animal husbandry	***	**	*	**	-
Horticulture	*	***	*	***	**
Arable farming	**	*	*	*	
Renewable energy, biomass production	**	**	**	*	***

The following table shows the indicative breakdown of the funding amongst the sub-measures:

Sub-measures	Amount in euro
Investments in animal husbandry	1 025 321 247
Investments in arable farming and horticulture	485 274 257
Establishment of periannual crops	30 057 249
On-farm diversification	52 581 728
„GAZDANet" Programme	154 456
Total	**1 593 388 936**

Sub-measures of the measure:

1. Investments in arable farming and horticulture:

Within the framework of this action, two sub-sections can be distinguished:

a) Arable farming

In this sub-section, the following activities can be supported:

- Investments in machinery. Strong emphasis is put on the environmentally sound, cost-efficient and energy-saving machinery and equipment;
- Establishment and development of technology in storage and drying;
- On-farm logistics;
- Investments related to working conditions;
- Investments in irrigation, melioration and small-scale infrastructure within the farm. 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 within the farms.
- Energy supply of the farms within the respective business sites (except for energetic unit associated with the production of crude alcohol) by means of utilizing biomass of other renewable energy source.
- Energy supply of the farms via connection to the network-based energy resources. Connection to other heat-supplying networks. Buildings and facilities directly linked to such investments, facilities and equipment of technological and communal water supply and the professional treatment of the generated wastewater. Only on-farm investments can be supported.
- Application of the wind-wheel energy-supply technology in order to ensure the required energy supply of sites. Construction of wind-wheel propelled water lifting installations by applying the machineries listed in the machinery catalogue. The investment in energy supply by the use of geothermic energy - as a renewable energy resource.
- Investments in IT technologies and softwares.

In case of supports for the purchase of machinery, the size of the holdings is not assessed, but sectoral limitation is applied. **The arable farmers will not be eligible for this support from 2011.**

In case of purchase of machinery, support can be granted only for new machinery.

b) Horticulture

In this sub-section, the following activities can be supported:

- Investments in machinery and equipment. Strong emphasis is put on the environmentally sound machinery and equipment.;
- Investments in built technologies and construction (including environmentally more performing greenhouses) and the use of geothermic energy;

- Investments in irrigation, melioration and small-scale infrastructure within the farm. 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 within the farms.
- Energy supply of agricultural holdings within the respective business sites (except for energetic unit associated with the production of crude alcohol) by means of utilizing biomass of other renewable energy source.
- Energy supply of the farms via connection to the network-based energy resources. Connection to other heat-supplying networks. Buildings and facilities directly linked to such investments, facilities and equipment of technological and communal water supply and the professional treatment of the generated wastewater. Only on-farm investments can be supported.
- Application of the wind-wheel energy-supply technology in order to ensure the required energy supply of sites. Construction of wind-wheel propelled water lifting installations by applying the machineries listed in the machinery catalogue. The investment in energy supply by the use of geothermic energy - as a renewable energy resource.
- Investments in IT technologies and softwares;
- On-farm logistics;
- Investments related to working conditions.

In case of purchase of machinery, support can be granted only for new machinery.

New irrigation installations can only be supported if the results of the water balance analysis are positive. Only those applications which comply with the requirements of the Water Framework Directive (2000/60/EC), article 5 and Annex V. can be supported.

In case of investments connected to the energy supply of the farm, only investments which do not generate revenue for the farm can be supported.

The target group of this sub-measure contains approximately 38 700 farms.

2. Investments in animal husbandry:

Within the framework of this sub-measure, the following actions can be supported:

- 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 in special machinery with environmentally sound performance,
- Investments facilitating the storage and use of manure, including biogas facilities,
- Investments aiming at the improvement of the quality of the performance of working conditions associated with animal-breeding activities,
- Investments aiming at the improvement of senetary and hygiene conditions,
- Energy supply of agricultural holdings within the respective business sites (except for energetic unit associated with the production of crude alcohol) by means of utilizing biomass of other renewable energy source.
- Energy supply of the farms via connection to the network-based energy resources. Connection to other heat-supplying networks. Buildings and facilities directly linked to such investments, facilities and equipment of technological and communal water supply and the professional treatment of the generated wastewater. Only on-farm investments can be supported.
- Application of the wind-wheel energy-supply technology in order to ensure the required energy supply of sites. Construction of wind-wheel propelled water lifting installations by applying the machineries listed in the machinery catalogue. The investment in energy supply by the use of geothermic energy - as a renewable energy resource.
- Investments in IT technologies and softwares.

Animal welfare conditions have to be fulfilled by the farmers.

In case of purchase of machinery, support can be granted only for new machinery.

In case of investments connected to the energy supply of the farm, only investments which do not generate revenue for the farm can be supported.

The target group of this sub-measure contains approximately 6 200 farms, of which 4 500 in the context of the Nitrates Directive.

3. „GAZDANet" Programme:

Within the framework of this programme, agricultural producers are granted with supports for the purchase of IT equipment. Any registered producer with a farm size between 0 and 4 ESU will have the opportunity to purchase small IT equipment (hardware).

The target group of this sub-measure contains approximately 35 000 farms.

4. Establishment of periannual crops:

a) Fruit and vegetables

Within the framework of the action, supports can be granted to supplementary planting operations, changes in the breed structure of plantations, re-plantation for modernization purposes and to the establishment of new plantations in orchard.

b) Energy crops

Within the framework of this action, support is given to plantations with energy producing purposes including energy crops and arboreal plantations of short rotation coppice for energy production.

The environmental, nature protection and water conservation authority takes measures as competent authority during the licensing procedure of the plantation of the arboreal plantations of short rotation coppice for energy production on protected natural areas. The plantation of the arboreal plantations of short rotation coppice for energy production can not be supported on Natura 2000 areas. This licensing procedure guarantees the environmental compliance with regard to sustainability and biodiversity.

According to estimations, the targeted area of the 49 000 hectares will be likely found in the north-eastern part of the Great-Plain, the Northern and South-Western part of Hungary and Central Transdanubia.

Environmental safeguarding is ensured in the planted area. The beneficiaries shall obtain an official permit for planting arboreal plants for energy production purposes, issued by the environmental specialised authorities.

The target group of this sub-measure consists of approximately 25 000 farms.

5. On-farm diversification

Within the framework of this sub-measure, support can be granted for the processing of on-farm produced raw material. This sub-measure provides opportunity for agricultural farms to increase added value by the processing of on-farm produced agricultural goods. After the diversification activity, the core activity of the farm shall remain agricultural activity. In the framework of this sub-measure only investments for the processing of Annex I. products which – after the processing – remains Annex I. product, can be supported. Investments related to fisheries products and tobacco cannot be granted support in the framework of the on-farm diversification.

Within this sub-measure, small-scale on-farm bio-diesel facilities using own raw-material can also be supported, including for own use of the bio-diesel.

Definition of the type of beneficiaries:

Farmers and their associations are eligible to apply.

For all the beneficiaries, a farm size exceeding 4 ESU is a prerequisite (except for the GAZDANet Programme). In case of any association of farmers, the 4 ESU threshold shall be applied at the level of association (the value of the members of the association shall be aggregated).

In case of the on-farm diversification activity, project companies owned by agricultural companies are also eligible for support.

Semi-subsistence farms taking part in the relevant scheme, and young farmers (fulfilling the requirements on age-limit and business plan) with a farm size between 0-4 ESU are also eligible in the scheme.

Principles of project selection:

1. Quality of the project

The activity performed by the beneficiaries is taken into consideration during the scoring of the project. Priority is given to the following sectors (the order shows the weight of priority):

- animal husbandry
- horticulture
- arable crop production.

It is also prioritised if the beneficiary is a member of a producers group or Producers' Organization.

It has also weight in the scoring if the beneficiary is using renewable energy sources. Environmentally sound machines and technologies are preferred. Organic farming is prioritised in the evaluation of the project.

2. Horizontal aspects

Horizontal considerations include job creation deriving from the investment, which is proportionally scored in relation to the required amount of support. (the number of new jobs per the required amount of support).

It is also preferred if the beneficiary takes part in agri-environmental schemes.

Following the principles of equal opportunities means extra points in scoring the project. Applicants employing woman or disabled persons or persons belonging to Roma minority are prioritised.

Projects belonging to a certain territorial- or sectoral-based project group could also get extra points for the adjustment to the objective of the project group based on the evaluation of the project/programme office.

3. Financial plan

The *Financial plan* contains financial information on two complete financial years before handling in the application.

In addition, the plan contains data on the envisaged financial/economic tendencies of the project for five years.

A Financial plan is obligatory to be presented as part of the application in all cases of investment-based measures.

4. Business plan

Preparing a *Business plan* is compulsory if the aid granted exceeds the amount of 15 million HUF, except the case of investments in manure storage and management, and also in case of investments in machinery. In these two later sub-measures the Financial plan provides sufficient information to the judgement of the feasibility of the projects.

During the evaluation of the Business plan, the following aspects have weight among others:

- Taking into account the environmental aspects of the investment
- The financial stability of the project
- The added value and the contribution of the project to the overall performance of the agricultural holding
- Taking into account the principles of Corporate Social Responsibility
- The quality of the communication plan of the applicant
- The quality of the marketing plan of the applicant
- The marketing opportunities of the agricultural holding, as well as the stability of the supply chains
- Additionally, the adjustment of the investment to the special features and needs of the micro-region results in extra points for the applicants.

Type of investments:

Tangible investments: buildings, machinery, technological and IT equipment serving the improvement of competitiveness in animal breeding, arable farming and horticulture, arboreal plantations of short rotation coppice for energy production.

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

In the case of supports for purchase of machinery sectoral limitation is applied. The arable farmers will not be eligible for this support from 2011. In the case of purchase of machinery, support can be granted only for new machinery and equipment. Land purchase is not supported within this programme.

Type of support:

Non-refundable capital grant.

Intensity of support:

In relation to the eligible costs of any investment, the aggregate amount of the capital grant shall be

- In case of technological and building development in any sub-area: 40%; in case of young farmers 50% from 1st of August, 2007, in case of other producers 50% in the case of investments in the areas demarcated by Art. 36, point a), subpoints (ii), (iii) of Council Regulation 1698/2005/EC, and finally, in the areas demarcated by Art. 36, point a), subpoints (ii), (iii), for young farmers, 60%. In case of post-harvest investments int he fruit and vegetables sector, if the applicant is neither a PO, nor a member of a PO, the aid intensities are 5% less than the rates above, respectively.
- Technological and building investments for animal husbandry: 75% in case Council Directive 91/676/EEC is achieved in 4 years from accession in accordance with Articles 3(2) and 5(1) of this directive. Council directives in addition to technical and technological investments.
- Supports granted for the purchase and lease-purchase of machinery and mobile technological equipment used in arable farming, horticulture and animal breeding: Among these machinery and mobile technological equipment, in case of special machinery exclusively used in horticulture – including viticultural machinery –, animal husbandry, machinery for renewable energy production or for drying arable crops: 35%, in other cases: 25%.
- In the case of the GAZDANet programme: for young farmers 50%, for all other farmers 40%.
- In the case of plantations - including arboreal plantations of short rotation coppice for energy production - : 40% generally, 50% of investments made by young farmers from 1st of January, 2008, for other farmers 50%, in the areas referred to in Art. 36, point a)(ii), (iii) of Council regulation 1698/2005/EC, and 60 % for young farmers in the areas referred to in Art. 36, point a)(ii), (iii) of Council regulation 1698/2005/EC.
- In case of on-farm diversification, the rate of assistance is 40%, in case of young farmers 50%, in case of other producers 50% in the case of investments in the areas demarcated by Art. 36, point a), subpoints (ii), (iii) of Council Regulation 1698/2005/EC, and in case of young farmers in the areas demarcated by Art. 36, point a), subpoints (ii), (iii) 60%.

In case of investments in Less Favoured Areas or on Natura 2000 areas – defined at block level –, the additional 10% points can only be given to the projects, which integrate investments to fulfill the environmental requirements.

In the case of lease-purchase of machinery and mobile technological equipment support can be granted only for new machinery and mobile technological equipment.

For all types of investment, the upper limit of the grant given is 735 000 euro per project, with the exception of:

- GAZDANet Programme 300 euro/project;
- Investments in arable farming and horticulture – Horticulture submeasure 183 824 euro/project;
- On-farm diversification 367 647 euro/project, within a single project the IT investments 36 765 euro/project;
- Investments in animal husbandry, in which case, the upper limit is 2 757 000 euro/project;

In the case of on-farm diversification and biogas production, where the product does not remain Annex I, the provisions of Reg. 1628/2006/EC Art. 4 (1) shall be respected. In this case according to the Decision of the Commission No. N 487/2006 (OJ C 256, 24.10.2006) the regional aid ceilings in Hungary are as follows:

1. Regions eligible for aid under Article 87(3) (a) of the EC Treaty

	1.1.2007-31.12.2010	1.1.2011-31.12.2013
HU23 Southern Transdanubia	50%	50%
HU31 Northern Hungary	50%	50%
HU32 Northern Great Plain	50%	50%
HU33 Southern Great Plain	50%	50%
HU21 Central Transdanubia	40%	40%
HU22 Western Transdanubia	30%	30%

2. Regions eligible for aid as regions of economic development under Article 87(3) (c) of the EC Treaty

	1.1.2007-31.12.2010	1.1.2011-31.12.2013
HU10 Central Hungary		
HU101 Budapest	25%	10%
HU102 PEST	30%	30%

Aid intensity according to regional eligibility in the case of small enterprises can be exceeded by 20%, for medium-sized enterprises by 10%.

In case of different rate of support is defined in 1698/2006/EC and in 1628/2006/EC, the lower threshold is binding for the project.

Financing:

Public expenditure: 1 593 388 936 Euro

EAFRD contribution: 1 149 245 862 Euro

The amount spent on machinery for arable farming will gradually decrease and be cut by 2011.

Advance payment

Within the framework of the submeasures of the measure, payment of an advance can be claimed in accordance with the provisions, rate and criteria as of Article 56 of Commission Regulation (EC) 1974/2006:

- 1. Investments in arable farming and horticulture
- 2. Investments in animal husbandry
- 5. On-farm diversification

The amount of the advance payment may not exceed the rate defined in Article 56 of Commission Regulation (EC) 1974/2006 applicable on the total public expenditure payable to the beneficiary, which is covered in 110% by guarantee of the state.

Within the amount of the advance, the proportion of community contribution in accordance with Article 70. (3) a) i and ii of Council Regulation (EC) No. 1698/2005 is 75% in convergence areas, 50% in non-convergence areas, or, taking into account the last sentence of paragraph (3) of the same Article, the extent specified in the measure, but 20% at least.

Other issues related to advances shall be delt with by the provisions of Article 56 of Regulation (EC) No.1974/2006 and by the prevailing special regulation on the rules on claiming advance payments.

The structure of the state guarantee is equivalent to a 110% bank guarantee and the financial interests of the Community are protected in relation to advance payments.

For advances unaccounted for by Beneficiaries, which cannot be collected in the form of dues and taxes, the Budget of the Republic of Hungary will assume liability to the Budget of the Community.

Loan Programme

The New Hungary Agricultural Development Loan Programme was registered by the Commission in 2007 under State aid No XA 243/2007. The loan programme provides additional national financing from 2009 to 2013 *under the following conditions:*

- Investments undertaken by the beneficiaries in compliance with the conditions of aid scheme No XA 243/2007 before the modification of the NHRDP taken by the decision of the Monitoring Committee on 22 May 2009 will be eligible for additional national financing.
- Investments undertaken and also initiated by the beneficiaries with support from the NHRDP before the the modification taken by the decision of the Monitoring Committee on 22 May 2009 are not eligible for additional national financing from the New Hungary Agricultural Development Loan Programme, due to the corresponding state-aid rules set by the European Commission.

Due to the gross grant equivalent of aid contained in the loan programme, in case of the beneficiaries of the NHRDP the extent of support (maximum sum of aid or calculated on the basis of the aid intensity) in the measures concerned has to be respected.

Above provisions have to be dealt within the national legislation..

Complementarity of the measure:

Complementarity within the programme

Within Axis I, the measure facilitates the implementation of the measure for the „Setting up of young farmers", and contributes to the implementation of the measure „Setting up of producer groups".

In order to facilitate and improve the agricultural producers' use of IT facilities, within the 5.3.1.2.1. Modernisation of agricultural holdings measure a sub-measure - 3. GAZDANet Programme - is planned. Under this sub-measure support is granted for the purchase of small IT equipment to registered producers with a farm size exceeding 0 ESU. To increase the efficiency of the above sub-measure an obligatory IT training session is planned for the beneficiaries of the GAZDANet sub-measure under the „Vocational training and information actions" measure. This training session will provide farmers with the essential computer skills, and enable them to acquire information via the Internet.

The support of planting of arboreal energy crop plantations is related to the modernisation of agricultural holdings in Axis I, and to the sub-measure of energy supply of agricultural holdings with biomass within the measure of developing infrastructure related to the modernising of agriculture.

In case of establishing irrigation facilities, the on-farm investments are supported under this measure, while investments outside the farm is supported under the measure „Infrastructure related to the development and adaptation of agriculture and forestry".

As for the energy supply of agricultural farms, the measure is connected to the measure „Infrastructure related to the development and adaptation of agriculture and forestry". Under this measure, on-farm investments of the setting-up of energy supply

can be supported, while investments connecting the energy network and the borders of the farm can be supported under the measure „Infrastructure related to the development and adaptation of agriculture and forestry".

Investments connected to the establishment of the energy supply of the farms can only be supported under this measure, if they do not generate revenue for the farm by the selling of energy surplus on the market. Investments generating revenue for the farm can be supported under the measure „Diversification into non-agricultural activities" in Axis III.

The demarcation from measure 311 Diversification into non-agricultural activities is that within the frame of 311 measure only such developments can be supported, that result in non-Annex I. products, while in case of measure 121 Modernisation of agricultural holdings the end-products belong to Annex I. products.

Complementarity and demarcation from Art. 28.:

Those agricultural producers are eligible for support under Art. 26., Sub-measure „On-farm diversification", which produce more than 50% of the processed raw-material on-farm and the main activity of the farm remains the agricultural activity.

The measure is connected to the measure „Semi-subsistence farming" in a way, that those participating in the scheme are eligible for investment support within the framework of this measure, even not exceeding the 4 ESU figure.

The measure is linked to the „Setting up of young farmers" measure in a way, that those participating in the scheme and also those fulfilling the requirements for young farmers (who are under the age limit and have a business plan) are prioritised in this measure.

The measure is connected to the "Agri-environmental payments" measure, as those applicants taking part in agri-environmental schemes are prioritised in the project selection.

The measure is linked to the "Training and information activities" measure, as those selected in this measure are obliged to take part in relevant trainings. Advisory services connected to investment measures are also available for project owners.

Complementarity with the first pillar of the CAP

Complementarity with CMOs

When the operational programme of a Hungarian recognised producer organisation (PO) in the fruit and vegetables sector includes investments in machinery and equipment of production at the level of the member's holding and/or at the level of the PO's premises, that PO and its members have to be excluded from eligibility for support for investments in machinery and equipment of production under Hungary's Rural Development Programme.

Support for the plantation and replantation of orchards is supported exclusively under the Rural Development Programme.

In case of wine CMO, grant cannot be given within the framework of the Rural Development Programme to investments, which can be financed from the CMO (for example: vineyard restructuring is excluded from the RDP). Support of other type of investments from 2011 shall be made from EAGF according to regulation (EC) 479/2008 (16/2010 (IX. 17.) MRD regulation).

The support for bee-keeping for purchasing new equipment and tools for trashumance, which can be financed under the „Rationalization of beehive migration, utilizing areas of seasonal honey collection: identification of beehives and beekeepers' equipment, purchase of tools and equipment" of the Hungarian National Apiculture Programme – can not be financed from the RDP. Investments not included in the Hungarian National Apiculture Programme can be financed under the sub-measure „2. Investments in animal husbandry" of this measure.

As for the demarcation from the sugar restructuring/diversification programme in Kaba, the following principles are applied:

1. Farmers from the region – based on the exhaustive list of settlements involved – are eligible for support from the RDP before the submission of the „Kaba diversification programme" and after the full committment of the resources of the measures of the diversification programme.
2. Administrative tools and procedures will also ensure the avoidance of double-financing (cross-check of applications, seperate application track). Both the RDP and the „Kaba diversification Programme" will be implemented via the IACS system, which ensures the avoidance of double-financing. On-spot checks also ensures the avoidance of double-financing. Based on the above facts, the MA could guarantee the avoidance of double-financing.

In case of tobacco, those investments, which can be supported by the CMO can not be supported by the RDP. In the field of tobacco, only farmers with viable farming potential can be supported under the RDP. The farmer has to declare and justify in the business plan that the production will be sustainable, or the farmer has to declare what conversion of the production will be implemented on the farm.Investment aid can be granted also to the conversion of the farm.

In case of hops, those investments, which can be supported by the CMO can not be supported by the RDP.

Complementarity with other OPs

In the case of renewable energy production, the EEOP supports the non-on-farm type development for renewable energy production for non-agricultural enterprises[8]. EEOP support biogas-facilities not connected to agriculture.

On the contrary the NHRDP supports the small-scale capacity development for renewable energy production and utilisation for agricultural enterprises carried out within agriculture type of activities, and the on-farm type developments of non-agricultural enterprises.

Within the NHRDP the maximum processing capacity of bio-ethanol, which can be developed is 10 kt.

The institution system of EEOP controls continuously the exclusion of support over-lapping during the assessment of applications, ensures the institutional guarantees together with the institution system of NHRDP.

The measure has links to the Economic Development Operational Program, since developments in the manufacturing of food products not listed in Annex I. of the Treaty are to be implemented with the support of EDOP.

[8] On-farm type utilisation of renewable energy: utilisation of renewable energy for agricultural purposes on the site of an enterprise carrying out agricultural activity.

Quantified targets for EU common indicators:

Type of indicator	Indicator	Target
Output	Number of farm holdings supported	
	Sector	
	Arable farming	4 200
	Animal husbandry	6 200
	Horticulture	3 400
	Renewable energy	8 100
	GAZDANet	500
	On-farm diversification	450
	Total	22 850
	Out of which:	
	Gender (male/female)	21 000/1 850
	Legal status	
	– Natural persons	13 500
	– Legal body	9 350
	Age category of the farm holder	
	– age <40	15 000
	– age ≥40	7 850
	Total volume of investment (million EUR)	
	Sector	
	Arable farming	864
	Animal husbandry	1 284
	Horticulture	728
	Renewable energy	324
	Total	3 200
	Type of investment (FADN-RICA)	
	– land improvement investments,	320
	– investments in machinery	1 920
	– investments in buildings	640
	– other investments	320
	Type of agricultural branch (TF 8, based on 2003/369/EC)	
	– Field crops – organic/other	110/1 170
	– Horticulture– organic/other	21/139
	– Wine– organic/other	8/88
	– Permanent crops– organic/other	25/39
	– Milk– organic/other	7/89
	– Grazing livestock (excl. milk) – organic/other	14/114
	– Pigs and/or poultry– organic/other	10/86
	Mixed (crops + livestock) – organic/other	140/1 140
	Arboreal energy crop plantation (hectare)	
	Renewable energy – biomass	49 000
Result	Number of holdings introducing new products or technologies	
	Sector	
	Arable farming	3 300
	Animal husbandry	1 000
	Horticulture	2 000
	Renewable energy	4 000

	On-farm diversification	200
	Total	10 500
	Measure	
	Type of holding/enterprise	
	– Agricultural holding	9 660
	– forestry holding	630
	– food enterprise	210
	Type of redeployment of production:	
	new technique /new product	9 600/900
	Increase in gross value added in supported holdings/enterprises (EUR)	
	Measure	
	type of sector:	9 250 million
	– agriculture	8 200
	– food industry	740
	– forestry	310
Impact	Net additional value expressed in PPS (EUR)	5 440 million
	Change in gross value added per full time equivalent (EUR)	25 000

5.3.1.2.2. Increasing the economic value of forests

Articles covering 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 and the improvement of market opportunities, since 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 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 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.

The silvicultural measures in the young stands based on forestry plans, such as pruning and nursing, selection thinning and intermediary cutting help to improve the economic value of forest through improving the quality, and volume of wood.

Objectives of the measures:

The measure aims at the development and upgrading of the machinery used for forestry purposes, including the purchase of additional machinery and equipment, and improvement of the economic value of forest stand, by supporting silvicultural measures in the stand.

Investments in sustainable forestry management in Less Favoured Areas and Natura areas is also an objective of the measure.

Scope and actions:

The measure aims at supporting the purchase and development of forestry machinery and supplementary equipment, and supporting silvicultural measures in the stand.

Types of investments:

Actions within the measure:

- Purchase of machinery for forestry purposes up until the harvesting stage.
- Support for first thinning in young stands in accordance with the forestry plans.

Type of beneficiaries:

Forest holders who – based on a forest management plan – legally run forest farming on at least 50 hectares (in case of silvicultural measures, the minimal area is 20 hectares) of forest owned by private persons or municipalities, or any partnership of these two, and have been registered as a forest holder by the forestry authorities.

Type of support:

Non-refundable capital grant.

Aid intensities:

Supports may not exceed:

- 50% of the amount of investments implemented in other areas; (In case of silvicultural measures, the support may not exceed 200 EUR/ha.)
- 60% of the amount of investments in mountain areas, LFAs and NATURA 2000 areas; (In case of silvicultural measures, the support may not exceed 200 EUR/ha.)

In case of investments in Less Favoured Areas or on Natura 2000 areas – defined at block level –, the additional 10% points can only be given to the projects, which integrate investments to fulfill the environmental requirements.

Financing:

Public expenditure: 26 743 644 Euro

EAFRD contribution: 19 289 090 Euro

Complementarity and designation criteria of the measure:

Connection to other measures of the Programme:

The measure connects within Axis I. to the measure “Infrastructure related to the development and adaption of agriculture and forestry”.

Additionally this measure facilitates the realization of the objectives of Axis II., especially in case of "Measures aimed at the sustainable use of forestry areas".

This support is linked to the investments maintaining the sustainable management of Natura and LFA areas.

Quantified targets for EU common indicators:

Type of the indicator	Indicator	Target
Output	Number of forest holdings receiving investment support	2 400 pieces
	The type of the owner	
	– private owners – individuals/associations	2 350/50
	– municipalities – individuals/associations	
	– other	
	Total volume of investment (EUR)	24 million
	The type of the owner	
	– private owners – individuals/associations	21/3
	– municipalities – individuals/associations	
	– other	
Result	Number of holdings introducing new products or technologies	1 000 pieces
	Measure	
	Type of holding/enterprise	
	– Agricultural holding	60
	– forestry holding	940
	– food enterprise	
	Type of redeployment of production:	
	– new technique	750
	– new product	250
	Increase in gross value added in supported holdings/enterprises (EUR)	
	Measure	4.1 million
	Type of sector:	
	– agriculture	0,2
	– food industry	
	– forestry	3,9
Impact	Net additional value expressed in PPS (EUR)	2.4 million
	Change in gross value added per full time equivalent (EUR)	630

5.3.1.2.3. Adding value to agricultural products

Articles covering 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-materials produced by agriculture. It enables Hungary to be self-sufficient concerning all the major food materials. It has a strategic role in the employment opportunities in the rural areas as well as in nutrition and in 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 the processing industry. Therefore, the development of the processing industry is of high importance also for agricultural producers. 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 of capital resources, the low efficiency of live labour, the fact that no real restructuring has been implemented in the sector and 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 not satisfactory. The level of innovation, the application of the results produced by R&D as well as the standards of marketing activities remained 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.

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

Objectives of the measure:

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 – and non-food oriented (bio-fuel) processing activities, fostering developments that aim at the generation of novel, innovative, quality products satisfying special consumer demands and the enhancement of food safety and hygiene.

An additional objective is to encourage the primary processing of the generated biomass for energetic purposes and develop high-quality products featuring considerable added values.

Scope and actions:

Within the framework of the measure such developments can be supported that are connected to the processing of the products listed in Annex I. of the Treaty, and resulting in principle either in Annex I. products. Support of Non-Annex I. products (pálinka) under M123 was possible up till 30 November 2009. Marketing of these products is also a part of the scope of the measure.

Fishery, wooden and tobacco products are not included in the scope of the measure.

Actions within the measure:

- Action no. 1231: Added value to agricultural products
- Action no. 1232: Added value to agricultural products by means of generating semi-finished or finished products for the purpose of producing energy

Type and size of beneficiary enterprises:

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

Beneficiaries of action no. 1232 are legal entities and business entities with no legal personality that plan to implement their respective investments in Hungary.

For both actions, SMEs and enterprises with less than 750 employees or less than 200 Million Euro turnover are eligible.

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 enterprises, and thus the sector as a whole, is the closest possible cooperation among the stakeholders being active alongside the product course.

The added value of agricultural products rises, producers make more profit and the overall performance of the enterprise increases by the processing of base-materials for energy purposes and by the preparation of it.

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 dropped considerably in the 1990s. Presently, 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. The role of large retail chains gradually strengthens among the domestic channels of the meat market,.

In the oncoming years an increase of real incomes is foreseen to occur in Hungary, and therefore the volume of pig and cattle consumption is 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 has not only an outstanding position in the specific production of processed poultry, but also in the field 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 being characteristic to 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.

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 manufacturing. Enhancement of competitiveness by means of increasing efficiency and moderating prime costs. Preservation of the domestic and export markets. Increasing 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 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%. From the middle of the 1990s, demands have tended to increase slowly, yet the consumption of dairy products still lags significantly 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. Increasing the supply of quality and organic products. Increasing the supply of products featuring higher rates of processing. Reduction of environmental loading by means of disseminating good production practices. There is no increase in capacity at country level. No investments beyond quota limits are supported.

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 and 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. 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 are nearly balanced with a slight export surplus. The production of milling enterprises can be characterized by low capacity utilization so the competition among the companies concerned is sharp.

3.1. Major developments

Consolidation of the outdated, small-volume capacities. Establishment of a small number of 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. Manufacturing of special flours.

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 is outstandingly sharp. 50 percent of the production output comprises 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. Reduction of environmental loading.

5. Fruits and vegetables

As for the 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 marketed almost exclusively 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 that demand typically substantial rates of manual work but 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 of 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 manufacturing 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 is efficiently integrated into the range of wine-producing countries of the European Union. 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. "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 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 he export output is marketed in the 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 could be sold in bottled volumes in excess of the current quantities. The added values of the products have 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, Ukraine), or enter the markets of the Baltic States and Scandinavia if the further improvement of quality is going on.

In Hungary, the annual average of wine production (with a single decantation) is 4 million hectoliters. The country – unlike the large wine-grower states of the EU – has not structural surpluses. Wine-growing and wine-processing is remarkably fractioned.

By the improvement of the 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 the wines of market-leading wine-producing countries – could be competitive, and an important factor in 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.

6.1. Major developments

There is a need for technological developments and concentration both in the fields of vine cultivation and processing. Integration, 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 through the tangible (cellars, storage facilities, bottling facilities) and intangible investments, the wine production structure can be improved. Support of other type of investments from 2011 shall be made from EAGF according to regulation (EC) 479/2008 (16/2010 (IX. 17.) MRD regulation).

7. Bio-fuels

The production and utilization of bio-fuels started in 2005 in Hungary. The use of bio-fuels account for 0,4-0,6 % of the total fuel consumption of public transport, however, Hungary is committed to reach the target determined in the 2003/30/EC Directive. The amount of base-materials is sufficient to meet the national demands,

moreover a significant amount of surplus is produced in case of some resource (e.g. maize). Two medium sized plants provide the bio-ethanol production and two small sized plants provide the bio-diesel production, but the development of many plants with a larger capacity is being under preparation., so Hungary is standing before a significant development of bio-fuel production. It is reasonable to process locally certain part of the base-materials in order to reduce the costs of transportation. It may provide an opportunity to rural areas at the same time to be more active actors of the new sector and allocate the bigger part of the income originated from the production to rural areas, beyond the production of base-materials. The local processing may have favourable impacts on the animal husbandry by the utilization of by-materials for feed purposes.

7.1. Major developments

Promoting the establishment of local, small-capacity primary processing plants is envisaged within the framework of the Program.

The establishment of small capacity bio-ethanol plants – upto 10 kilotons output capacity annually – and the connected block of renewable energy resources, setting up of local and small capacity oil pressing and bio-diesel plants. Small plants may integrally link to larger final processing plants and to sales chains, and the local use near the processing plant may increase (public transport, other agricultural holdings). One crucial professional issue of the bio-ethanol production is the energy balance, thus one of the important requirements of the envisaged measures is that certain part of the energy used in the production must be derived from renewable energy resources.

Type of investments:

Tangible investments: construction and modernization of real-estate properties, purchase and commissioning of new machinery and equipment serving the processing 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-refundable capital grant.

Aid intensities:

In case of adding value to agricultural products the provisions of Reg. 1628/2006/EC Art. 4 (1) shall be respected.

In case of processing Annex I. products, which remain Annex I. products after the processing, the Aid intensity is 50%, except for Central Hungary, where the aid intensity is 40%.

In case of the processing Annex I. products, which do not remain Annex I. products after the processing, regional aid ceilings – the lower thresholds – apply.

In this case according to the Decision of the Commission No. N 487/2006 (OJ C 256, 24.10.2006) based on this regulation the regional aid ceilings in Hungary are as follows:

1. Regions eligible for aid under Article 87(3) (a) of the EC Treaty

	1.1.2007-31.12.2010	1.1.2011-31.12.2013
HU23 Southern Transdanubia	50%	50%
HU31 Northern Hungary	50%	50%
HU32 Northern Great Plain	50%	50%
HU33 Southern Great Plain	50%	50%
HU21 Central Transdanubia	40%	40%
HU22 Western Transdanubia	30%	30%

2. Regions eligible for aid as regions of economic development under Article 87(3) (c) of the EC Treaty

	1.1.2007-31.12.2010	1.1.2011-31.12.2013
HU10 Central Hungary		
HU101 Budapest	25%	10%
HU102 PEST	30%	30%

Aid intensity according to regional eligibility in the case of small enterprises can be exceeded by 20%, for medium-sized enterprises by 10%.

For enterprises with less than 750 employee , but with more than 250 employees or with an annual turn over of less than EUR 200 million, but with more than 50 million EUR, the maximum aid intensity is halved.

Amount of support:

Maximum amount of the support as per projects:

- in the case of action 123.1: 367 647 Euro/project
- in the case of action 123.1, IT developments: 36 765 Euro/project
- in the case of action 123.2: 1 000 000 Euro/project

Minimum amount of the support as per projects:

- in the case of action 123.1: 8 000 Euro
- in the case of action 123.2: 60 000 Euro

Financing:

Public expenditure:	309 180 923 Euro
EAFRD contribution:	222 999 475 Euro

Advance payment

Within the framework of the submeasures of the measure, payment of an advance can be claimed in accordance with the provisions, rate and criteria as of Article 56 of Commission Regulation (EC) 1974/2006:

– Submeasure no. 1231: Adding value to agricultural products

The amount of the advance payment may not exceed the rate defined in Article 56 of Commission Regulation (EC) 1974/2006 applicable on the total public expenditure payable to the beneficiary, which is covered in 110% by guarantee of the state.

Within the amount of the advance, the proportion of community contribution in accordance with Article 70. (3) a) i and ii of Council Regulation (EC) No. 1698/2005 is 75% in convergence areas, 50% in non-convergence areas, or, taking into account the last sentence of paragraph (3) of the same Article, the extent specified in the measure, but 20% at least.

Other issues related to advances shall be delt with by the provisions of Article 56 of Regulation (EC) No.1974/2006 and by the prevailing special regulation on the rules on claiming advance payments.

The structure of the state guarantee is equivalent to a 110% bank guarantee and the financial interests of the Community are protected in relation to advance payments.

For advances unaccounted for by Beneficiaries, which cannot be collected in the form of dues and taxes, the Budget of the Republic of Hungary will assume liability to the Budget of the Community.

Complementarity of the measure:

Coherence with other measures of the Programme:

The measure is linked to the „On-farm diversification” sub-measure of the „Modernization of agricultural holdings” measure. Within the frame of on-farm diversification the processing of own base materials, while in the case of this measure the processing of the purchased base materials is supported.

The demarcation from measure 311 Diversification into non-agricultural activities is that within the frame of 311 measure only such developments can be supported, that result in non-Annex I. products, while in case of measure 123 Adding value to agricultural products the end-products belong to Annex I. products. Support of Non-Annex I. products (pálinka) under M123 was possible up till 30th November 2009.

Complementarity with the CAP:

When the operational programme of a Hungarian recognised producer organisation (PO) in the fruit and vegetables sector includes a specific investment at the level of the member's holding and/or at the level of the PO's premises, that PO and its members are to be excluded from eligibility for support for the same types of investments under Hungary's Rural Development Programme.

As for the demarcation from the sugar restructuring/diversification programme in Kaba, the following principles are applied:

1. Applicants from the region – based on the exhaustive list of settlements involved – are eligible for support from the RDP before the submission of the „Kaba diversification programme" and after the full committment of the resources of the measures of the diversification programme.
2. Administrative tools and procedures will also ensure the avoidance of double-financing (cross-check of applications, seperate application track). Both the RDP and the „Kaba diversification Programme" will be implemented via the IACS system, which ensures the avoidance of double-financing. On-spot checks also ensures the avoidance of double-financing. Based on the above facts, the MA could guarantee the avoidance of double-financing.

Complementarity with other OPs:

The measure is closely linked to the priorities of the EDOP.

In the case of renewable energy production, the EEOP supports the non-on-farm type development for renewable energy production for non-agricultural enterprises. On the contrary the NHRDP supports the small-scale development for renewable energy production and utilisation for agricultural enterprises carried out within agriculture type of activities, and the on-farm type developments of non-agricultural enterprises.

Within the NHRDP the maximum processing capacity in the field of bio-ethanol production is 10 kt capacity annually.

Bio-diesel capacities are supported exclusively by the RDP. Under this measure, bio-diesel facilities using raw-materials from outside the farm can be supported.

The institution system of EEOP controls continuously the exclusion of support over-lapping during the assessment of applications, ensures the institutional guarantees together with the institution system of NHRDP.

The measure is in connection with the Environment and Energy Operational Programme, as the own environmental investments of the enterprises will be backed by EEOP supports.

The measure has links to the Economic Development Operational Program, since developments in the manufacturing of food products not listed in Annex I. of the Treaty of Rome are to be implemented with the support of EDOP., except the investments serving the production of fruit spirits (pálinka), which are exclusively supported by the M123 until 30th November 2009.

Quantified targets for EU common indicators:

Type of the indicator	Indicator	Target
Output	Number of enterprises supported	1 300 pieces
	Size of the enterprise (Commission Recommendation 2003/361/EC)	
	– Micro/small (< 50 employees, < 10 million € turnover)	800
	– Medium (<250 employees, < 50 million € turnover)	200
	– Semi-large (< 750 employees, <200 million € turnover)	100
	– Other	200
	Type of Sector	
	– Agriculture	335
	Type of agricultural branch (TF 8, based on 2003/369/EC)	
	– Field crops – organic/other	10/20
	– Horticulture– organic/other	5/40
	– Wine– organic/other	10/140
	– Permanent crops– organic/other	0
	– Milk– organic/other	10/20
	– Grazing livestock (excl. milk) – organic/other	10/20
	– Pigs and/or poultry– organic/other	5/20
	– Mixed (crops/livestock) – organic/other	5/10
	– Non-food	10
	– Forestry	0
	– Food industry	965
	Type of activity	
	– Processing/marketing	1 200

	– Development	100
	Total volume of investments (EUR)	811 million
	Size of the enterprise (Commission Recommendation 2003/361/EC)	
	– Micro/small	300
	– Medium	111
	– Semi-large (< 750 employees, <200 million € turnover)	300
	– Other	100
	Type of Sector	
	– Agriculture	681
	Type of agricultural branch (TF 8, based on 2003/369/EC)	
	– Field crops – organic/other	7/55
	– Horticulture– organic/other	8/57
	– Wine– organic/other	5/173
	– Permanent crops– organic/other	5/25
	– Milk– organic/other	2/28
	– Grazing livestock (excl. milk) – organic/other	6/59
	– Pigs and/or poultry– organic/other	2/34
	– Mixed (crops + livestock) – organic/other	15/170
	– Non-food	30
	– Forestry	0
	– Food industry	100
	Type of activity	
	– Processing/marketing	500/223
	– Development	100
Result	Number of enterprises introducing new products or technologies	3 600 pieces
	Measure	
	Type of holding/enterprise	
	– Agricultural holding	3 250
	– forestry holding	150
	– food enterprise	200
	Type of redeployment of production:	
	– new technique	2 800
	– new product	800
	Increase in gross value added in supported holdings/enterprises (EUR)	
	measure	830 million
	type of sector:	
	– agriculture	180
	– food industry	650
	– forestry	0
Impact	Net additional value expressed in PPS (EUR)	488 million
	Change in gross value added per full time equivalent (EUR)	32 500

5.3.1.2.5. Infrastructure related to the development and adaptation of agriculture and forestry

Articles covering 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 the changes occurring in the conditions of land ownership and land use. By today, most of the former investments in amelioration and the development of irrigation became outdated.

The proportion of irrigated and ameliorated areas is still low. Besides, a typical problem is, that a culture not fitting to the given area is planted, a not proper land usage structure has been established.. The rate of the 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 and greater emphasis shall be given to nature friendly water retention methods.

Based on the ascertainments of the analysis the defence against internal water damages of areas involved in internal water systems shall be ensured. Only the construction and added value reconstruction of energy saving irrigation plants and systems are justified that are suiting to the environmental regulations and adjusted to the integrated regional land management systems and reckoning with the established farm structure. To restore the mosaic type agricultural landscape, with the aim of infrastructure development, planting boundary strips, tree lines and forest belts are necessary.

An important field for the provision against the possible climate changes is the development of agricultural water management. Investments that are comply with the requirements of the Water Framework Directive (2000/60/EC) can only be supported in the development. New methods have been elaborated in the past 10-15 years to the new sustainability policy of sustainable regional water management, irrigation, water regulation, defence against internal water, and soil protection established.

The present agricultural (regional) water management infrastructure on most parts of Hungary is inadequate to the needs of agricultural water management and to the goals corresponding to those. In the same time, however, as a new aspect, according to the regulations stated in the Water Framework Directive of EU all surface and subsurface waters and water habitats shall be brought into good condition, including the water supply of water habitat chains, water retention, providing water management

needed for the good ecological condition of water transporting and areas and banks connected, as well as the control of water quality. The requirements of agriculture and the environmental (ecological) requirements on large areas can be fulfilled only by developing, reorganizing, and improving the state of institutions of agricultural water management (internal water regulation, water management of the mountain area, protection against erosion, water retention, soil protection, irrigation) infrastructure, reconstructing and proper establishment of the land usage and road-system. The Programme designate with priority development purposes, areas for excess surface water, making possible the integrated managing of intervention, the optimal connection to environment and landscape and the continuation of environmental conscious farming. The aforementioned aspects are crucial to realize the national policies and strategy, and besides to accomplish the EU's agricultural, water protection and soil protection policies and to get prepared to the expected adverse effects of the supposed climate change. Within the frame of the Programme activities can be supported, that assist in achieving both the aforementioned economical and environmental goals. A scientific analysis is being made by the Hungarian Academy of Sciences on the location dependent environmental aspects of communal investments in irrigation, melioration and water regulation exploring the terms of agricultural water management and sustainable development, and the relationship between them. The planned investments can only be supported if they comply with the requirements prescribed in the survey in every respect. The survey taking into consideration not only the balanced water management of Hungary but also that of the Carpathian basin according to the requirements of the Water Framework Directive (2000/60/EC), article 5 and annex V.

The infrastructural background of domestic forestry calls for considerable developments. By the modernization of forestry, the profitability of farming improves and the rate of environmental loading decreases.

The prevailing standards of the energy supply as well as the availability of roads and other public utilities for agricultural enterprises are not appropriate. Based on the thorough needs assessment of the rural areas it can be concluded that within the road system there are three special needs to be filled with regard to roads in historical wine-growing areas, accessibility of farm-steads and logistically important roads.

Due to the measures taken by ARDOP, the tackling of the above problems has been commenced, yet their solution requires further investments, and therefore the continuation of the facility with some shifted emphases is well justified. All of the investments fulfil the Community environmental requirements.

Objectives of the measure:

The objective of the measure is to improve the conditions and capacity utilization of the facilities required for the provision of irrigation water in order to develop water and energy-saving irrigation management whereby farmers can reduce the harmful impact of the foreseeable climate change. Further objective of the measure is to protect agricultural lands by means of ameliorative interventions, to improve the efficiency of damage elimination and the retaining and storing potentials of water reserves.

An additional objective of the measure is to promote the use of biomass generated in agricultural holdings and biodegradable municipal waste for high efficient energetic purposes as well as to increase the exploitation of renewable energy resources, to modernize heating systems, to harness geothermic energy in greenhouses and to establish the energy supply of farm-steads. The establishment of paved agricultural roads being solely the part of the development of agricultural logistics, serving the approach of historical wine-growing areas and allowing better accessibility of farm-steads. The improvement of forestry infrasturcture by the application of facilities made up of biological components make it possible to potect the forest soils against soil erosion, to establish mountain entrapments, to drainage of harmful waters and to establish small reservoirs in the forest if necessary. The basic condition of professional forest management is to ensure the accessibility of isolated forests by establishing forestry exploration roads.

Scope and actions:

Within the framework of the measure supports can be granted to the development of agricultural roads, the energy supply, technological and communal water supply for agricultural holdings and professional wastewater treatment, irrigation sites and ameliorative interventions within the sites, collective investments of water regulation and moreover to community investments (serving several plants at the same time) required for the operation of such facilities. In the course of the implementation of the measure supports can be provided for the establishment and reconstruction of exploration road networks in forests, the construction of constructed structures serving the protection of forest soils.

Action 1.2.5.1: Development of communal facilities of irrigation:

Communal investments in the development of irrigation outside the farms. Establishment and modernization of irrigation installations, irrigation-service work(s) serving the irrigation-developmental needs of several producers outside the farms. 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. Priority is given to the rationalisation and reconstruction of existing infrastructure, compared to the new establishments.

New irrigation installations can only be supported if the results of the water balance analysis are positive. Only those applications which comply with the requirements of the Water Framework Directive (2000/60/EC), article 5 and Annex V can be supported.

Action 1.2.5.2: Development of communal facilities of amelioration:

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 in order to cover the areas of more than one producer 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 in order to ensure 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 to be used for agricultural purposes and other water-management facilities. Only those investments can be supported that are comply with the requirement of the Water Framework Directive, have irrigation authorization, not endangering water reserves, having positive results of the water balance analysis, preserving environmental and natural assets, fulfilling the requirements of sustainable development, and in line with the survey of the Hungarian Academy of Sciences.

All investments shall be implemented in public management, outside the farm.

Investments in kind and its accounting are allowed.

Action 1.2.5.4: Development of the forestry infrastructure:

- Improvement of forestry by means of constructing forest exploration roads ensuring the accessibility of isolated forests.
- Construction of engineering structures for the protection of forest soils. (e.g. mountain entrapment).

Action 1.2.5.5: Development of agricultural roads:

Construction, reconstruction of dirt roads, improved dirt roads dust-free or paved, unnumbered agricultural roads, so as to improve the accessibility of cultivated areas, historical wine-growing areas, to allow better accessibility of farm-steads and to develop important logistical roads. It is necessary that these unnumbered roads could join to the numbered road system. For the newly established unnumbered roads to be in line with the numbered road network, investments shall be based on a road system developing plan, elaborated by the neighbouring settlements.

Action 1.2.5.6: Water- and energy-supply of agricultural holdings:

- Connection of network-based energy resources to agricultural holdings. Only investments from the energy network to the borders of the farm can be supported. Connection to other heat-supplying networks. Buildings and facilities directly linked to such investments, facilities and equipment of technological and communal water supply and the professional treatment of the generated wastewater.
- The energy supply of outskirt areas shall be supported.

Beneficiaries:

Farmers and their associations, associations of farmers for public good, registered water-management associations operating public-utility water-management works, forest holders and municipalities having water in outer areas.

Action	Beneficiaries	Aid intensity	Environmental safeguard
Action 1251	Agricultural producers, POs, producer groups, registered water-management associations	maximum 70%	Water Framework Directive (2000/60/EC)
Action 1252	Agricultural producers, POs, producer groups, registered water-management associations	maximum 70%	Water Framework Directive (2000/60/EC), 29/2006. (IV. 10.) MARD Regulation of for soil protection
Action 1253	Agricultural producers, POs, producer groups, registered water-management associations, municipalities	maximum 100%	Water Framework Directive (2000/60/EC)
Action 1254	forest holders, registered water-management associations	maximum 80%	29/2006. (IV. 10.) MARD Regulation of for soil protection
Action 1255	Agricultural producers, POs, producer groups, municipalities	maximum 80%	The Environmental Authority is involved in the licensing procedure
Action 1256	Agricultural producers, POs, producer groups, local municipalities	maximum 80%	The Environmental Authority is involved in the licensing procedure, use of renewable energy sources

The environmental authorities shall be involved in the permission-issuing procedure connected to any infrastructural investments financed under this measure.

Type of support:

Non-refundable capital grant.

Intensity of support:

- within the framework of Action 1251 max. 70% of the communal investments in irrigation development
- within the framework of Action 1252 max. 70% of the development of the communal facilities of amelioration
- within the framework of Action 1253 “Collective investments in water-flow regulations, elimination of water damages, regulation of excess surface waters” max. 100%. Priority is given to the thirty-one designated areas for excess surface water. The list of these designated areas for excess surface water can be found in Annex VI.
- for Action 1254 max. 80%
- for Action 1255 max. 80%, maximum limit of support in case action 1255: 215 866 EUR / project

- for Action 1256 max. 80%

Financing:

Public expenditure: 86 149 636 Euro

EAFRD contribution: 62 136 187 Euro

Advance payment

Within the framework of the submeasures of the measure, payment of an advance can be claimed in accordance with the provisions, rate and criteria as of Article 56 of Commission Regulation (EC) 1974/2006:

- Submeasure no. 1.2.5.1: Development of the agricultural holding and communal facilities of irrigation
- Submeasure no. 1.2.5.2: Development of the agricultural holding and communal facilities of amelioration
- Submeasure no. 1.2.5.3: Collective investments in water-flow regulations, elimination of water damages, regulation of excess surface waters

The amount of the advance payment may not exceed the rate defined in Article 56 of Commission Regulation (EC) 1974/2006 applicable on the total public expenditure payable to the beneficiary, which is covered in 110% by guarantee of the state.

Within the amount of the advance, the proportion of community contribution in accordance with Article 70. (3) a) i and ii of Council Regulation (EC) No. 1698/2005 is 75% in convergence areas, 50% in non-convergence areas, or, taking into account the last sentence of paragraph (3) of the same Article, the extent specified in the measure, but 20% at least.

Other issues related to advances shall be delt with by the provisions of Article 56 of Regulation (EC) No.1974/2006 and by the prevailing special regulation on the rules on claiming advance payments.

The structure of the state guarantee is equivalent to a 110% bank guarantee and the financial interests of the Community are protected in relation to advance payments.

For advances unaccounted for by Beneficiaries, which cannot be collected in the form of dues and taxes, the Budget of the Republic of Hungary will assume liability to the Budget of the Community.

Complementarity and demarcation of the measure:

Complementarity within the programme

In the framework of Axis I, the measure promotes the infrastructural connection of investments implemented under the measure titled "Modernization of agricultural holdings" to the existing and implemented investments of the region.

Within the framework of the measure support can be granted to connection of pipelined energy resources and of technological and communal water supply to agricultural holdings. Developments within the sites are to be supported by measure under code 121.

As for the energy supply of agricultural farms, the measure is connected to the measure „Modernisation of agricultural holdings". Under this measure, investments connecting the energy network and the borders of the farm can be supported, while the connected investments on the farm can be supported under the measure „Modernisation of agricultural holdings".

Logistic investment (roads) are supported as well within the framework of the measure. Within the framework of the NHRDP only development of the agricultural roads without registration number can be supported, while development of other superior roads with registration numbers can be supported from ROP and TOP. Within the framework of the NHRDP only development of the water buildings in outer areas can be supported.

The sub-measure of collective investments in water-flow regulations concerns the elimination of water damages and the regulation of excess surface waters in agricultural areas out of built-up areas, but in line with the regulation of excess surface waters in built-up areas carried out in the framework of other OPs.

Complementarity with the CAP

As for the demarcation from the sugar restructuring/diversification programme in Kaba, the following principles are applied:

1. Applicants from the region – based on the exhaustive list of settlements involved – are eligible for support from the RDP before the submission of the „Kaba diversification programme" and after the full committment of the resources of the measures of the diversification programme.
2. Administrative tools and procedures will also ensure the avoidance of double-financing (cross-check of applications, seperate application track). Both the RDP and the „Kaba diversification Programme" will be implemented via the IACS system, which ensures the avoidance of double-financing. On-spot checks also ensures the avoidance of double-financing. Based on the above facts, the MA could guarantee the avoidance of double-financing.

Quantified targets for EU common indicators:

Type of the indicator	Indicator	Target
Output	Number of investments supported	440 pieces
	Type of land:	
	Farmland	440
	Forest land	0
	Type of operation:	
	– access	180
	– energy supply	0
	– water management	260
	– land consolidation and improvement	0
	– other	
	Total volume of investments (EUR)	90 million
	Type of land:	
	Farmland	90
	Forest land	0
	Type of operation:	
	– access	54
	– energy supply	0
	– water management	36
	– land consolidation and improvement	0
	– other	
Result	Increase in gross value added in supported holdings/enterprises (EUR)	93 million
	Measure	
	Type of sector:	
	– agriculture	93
	– food industry	0
	– forestry	0
Impact	Net additional value expressed in PPS (EUR)	130 million
	Change in gross value added per full time equivalent (EUR)	19 500

5.3.1.3.1. Meeting standards

Articles covering the measure:

- Council Regulation 21/2004/EC on establishing a system for the identification and registration of ovine and caprine animals,
- Article 31 of Commission Regulation 1698/2005/EC,
- Aricles 21 and 53 of Commission Reulation 1974/2006/EC and point A/5.3.1.3.1.of Annex II.; Annex V.; 2 and 3 points of Annex VIII.

Measure code: **131**

Rationale for intervention:

The first reason of introduction of the measure within the frames of NHRDP is to fulfil the financial commitments arisen at same measure in previous programming period. There is no intention to reopen the measure within NHRDP with the same conditions of similar measure of NRDP.

The second reason of the introduction of the measure is the following.
The animal breeding sector is facing several problems, the sheep and goat sectors have similar problems, too.
Lack of economic operation caused by farm size, the defencelessness on the markets and the global economic crisis also hit this sector. The cumulative and stricter assumptions of animal- and food hygiene of the animal carriages and the need of identification and tracebility of single animals mean further burdens to the farmers.

According to provisions of Council Regulation (EC) No 21/2004, with particular attention to Article 9 the animals of ovine and caprine species must have a single identification as from 31 December 2009. The regulation gives detailed description for the methodology of identification, data collection, availability, too.
The electronic identification is a new requirement for the member states; it is justified to compensate its costs within the framework of this measure.

The number of ovine and caprine animals are over of the population limit written in Council Regulation (EC) No 21/2004 so as the electronic identification is obligatory. Due to the extra costs of electronic identification and the above mentioned problems of

the sector the difference of costs between present identification methods and the electronic one are financed by the NHRDP.

The identification of other species is solved already (bovine), this measure aims the farmers breeding small ruminants (sheep, goat). The normative support of this sector is scant. The cycle of sale of these species is relative fast since being mainly animals for seasonal slaughter. These animals spend only 2-3 months on the farms taking into consideration the Hungarian circumstances, in other EU member states this period is also not more than 9-12 months.
In order to have adequate identification of every single animal within this period it is necessary and well justified to give support to the farmers within the framework of this measure as follows.

Objectives of the measure:

Support for registrated sheep and goat production farms, partial reimbursement of the difference of costs between present and the new electronic identification compulsory as from 31 December 2009, facilitation of farmers in correspondence to meeting standards based on the Community regulations applied in MARD decree 182/2009.

Scope and actions:

Normative support for sheep and goat farms operating as natural or legal persons, family enterprises aiming at the partly reimbursement of the difference of costs between the normal and the electronic of single identification means. The rate of the support is to cove the price difference between the present identification equipments and the new, electronic means.

The adequate and well functioning Single Registration and Identification System (SRIS) is operated by the Central Agricultural Office (CAO), co-operating with its local offices, the Government Offices (GO) and the Agricultural and Rural Development Agency (ARDA) and the Association of Hungarian Sheep and Goat Breeders (SGB).

To ease the work and lower administrative burdens for breeders, ARDA and CAO, ordering and delivery of the electronic identification happens as follows: the breeders order the identification tags from the instructors of the SGB (defining the producer and the type of the mean as well). The breeders pay the reduced price (original price reduced with the amount of the support) of the tags for the SGB.

The lamb and kid identification tags are sent to the sheep- and goat breeders. They are responsible for the identification according to the regulation of identification. The electronic identification of adult animals are sent to the SGB instructors who are exclusively responsible for the identification of adult animals according to the regulation. The manufacturers send the identification tags and parallel they inform the CAO centre electronically about the fact of the production and mailing.

The SGB claims the support from ARDA monthly based on the official list of CAO. The SGB follows the orders of single breeders in its electronic registry in order to avoid overrunning the maximal amount of yearly support (10 000 euro/per farm). The producers invoice the produced and sent tags to the SGB monthly.

Beneficiaries:

Primary producers, natural or legal persons active in animal husbandry, operating in Hungary registrated at ARDA.

Type of support:

Non-refundable, digressive, lump sum support for a maximum duration of five years.

Rate of support:

Support for one animal: 1.02 euro.
The upper limit of support is 10 000 euro per farm per year independently from the number of animals.
The degressivity during the support period is as follows:
1. year: 100%
2. year: 80%
3. year: 60%
4. year: 40%
5. year: 20%

Period of support:

Five years.

Rate of support:

100% (The difference of the costs between the new and old identification system).

Financing:

Public expenditure: 2 701 484 Euro (of which 924 983 Euro NRDP determination)
EAFRD contribution: 1 948 469 Euro (of which 657 773 Euro NRDP determination)

On-going contribution:

There is no on-going contribution or determination.

Quantified targets for EU common indicators:

Type of indicator	Indicator	Target
Output	Number of beneficiaries (farms)	7 300
	Number of animals between 0-6 months: - lamb - kid	 850 000 20 000
	Number of animals over 6 months: - lamb - kid	 1 020 000 16 000
	Size of farm (pieces on animals): - < 500 - 500 – 2000 - 2000 <	 6 850 435 15
Result	Value of agricultural production under recognized quality label/standards	6 000
Impact	Net additional value expressed in PPS (EUR)	27 500 000
	Change in gross value added per full time equivalent (EUR)	2 750

5.3.1.4. Transitional measures

5.3.1.4.1. Supporting semi-subsistence agricultural holdings undergoing restructuring

Articles covering 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:

By basic alterations in agricultural ownership and plant structure a large number of private farms have been established, a great part of which produce only for self-subsistence or for the slender supplement of their income. A favourable trend of the past few years is, that while the number of self-subsistence farmers or those selling their excess products on markets (semi-subsinstence farmers) has decreased, the number, area and family manpower of farms mainly producing goods has increased. It is obviously seen that emphasis based on farming goal is shifting towards the production of goods, and in the meanwhile the rearrangement of semi-subsistence farms being able to develop and sell the excess goods can contribute to this. 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. Detailed information on the farm structure can be found in Annex 1. and 2.

Objectives of the measure:

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 suffer 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 primary 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 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 1–4 ESU.

Definition of future economic viability:

In terms of economy, any farm can be deemed as viable if by the end of the 5th year it is able to meet the economic viability criteria measured in ESU 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 4 ESU, but the growth of the farm is at least 1 ESU. 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 5th 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 exceed 6 ESU, then supports may be disbursed for the oncoming years only if it does not apply for any other, investment-type measure. By the end of the 5th year, at least 80% of the total output of the farm shall be marketed.

Summary of the requirements of the simplified business plan:

The beneficiaries have to submit a simplified business plan in the following structure:

- General presentation of the farm, focusing on what the main products of the farm are and what the volume of production is.
- What are the plans of the farm in 5 years time? What are the objectives to be set in terms of production structure, production volume and income generated?
- What are the investment needs in order to reach the set objectives? What kind of investments are needed?

Type of support:

Non-refundable, flat-rate support, for a maximum term of five years.

Amount of support:

Upper limit of the support value as per holdings: 1500 €/year.

Duration of support:

For a maximum term of five years

Rate of support:

The rate of support is up to 100%.

Financing:

Public expenditure: 665 959 Euro

EAFRD contribution: 480 329 Euro

Ongoing commitments of the measure:

The ongoing commitments from the previous programming period is: 2 Million Euro.

Complementarity of the measure:

Complementarity within the Programme:

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 "Vocational training and information actions" as well as the measure entitled "Use of farm advisory services". All the beneficiaries of this measure can be the beneficiaries of the „Use of farm advisory services" measure. Besides they can take part in all the training courses and information actions supported under the „Vocational training and information actions" measure.

Quantified targets for EU common indicators:

Type of indicator	Indicator	Target
Output	Number of beneficiaries	1 450
	Size of the holding (in ha)	
	– 5 ha	200
	– 5 ha ≤ size < 10 ha	250
	– ≥10 ha	1 000
Result	Value of agricultural production under recognized quality label/standards	1 100
Impact	Net additional value expressed in PPS (EUR)	0.4 million
	Change in gross value added per full time equivalent (EUR)	12 000

5.3.1.4.2. Setting up of producer groups

Articles covering 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 holders, 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. The objective of the measure is to support the establishment of around 100 new producer groups in the country.

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 established in all sectors of

agriculture according to determined requirements of national legislation 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 31 December 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. The priority sectors for producer groups are: wine sector, meet sector and diary sector.

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 vegetables sector, or producer groups being active in the tobacco and fish sector.

Type of support:

Non-refundable, flat-rate support that can be disbursed for the first five years after the date of the recognition of the group.

Rate 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:
    - a) 5% of the marketed production value for each of the first and second year,
    - b) 4% in the third year,
    - c) 3% in the fourth year,
    - d) 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:
    - e) 2,5% of the marketed production value in excess of EUR 1 million for each of the first and second year,
    - f) 2% in the third year,
    - g) 1,5 in each of the fourth and fifth year;
- for any group the actual amount of the support may not exceed:
    - h) EUR 100 000 for each of the first and second year,
    - i) EUR 80 000 in the third year,
    - j) EUR 60 000 in the fourth year,
    - k) EUR 50 000 in the fifth year;

Financing:

Public expenditure: 81 876 614 Euro

EAFRD contribution: 59 054 232 Euro

The ongoing commitments from the previous programming period is: 21.8 Million Euro.

Complementarity 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. A part of the memberships of producer groups are constituted by semi-subsistence farms.

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.

The Producer groups are not eligible for Community supports apart from the EARDF, therefore there is no possibility for double-financing.

Producer groups in the fruit and vegetable sector are excluded from support under this measure.

Quantified targets for EU common indicators:

Type of indicator	Indicator	Target
Output	Number of producer groups supported,	300 pieces
	Type of producer groups	
	– New producer groups	100
	– Existing producer groups from 2000-2006 programming period	200
	Type of agricultural branch(es) for which producer groups are created (TF 8, based on 2003/369/EC)	
	– Field crops	37
	– Horticulture	0
	– Wine	4
	– Permanent crops	17
	– Milk	15
	– Grazing livestock (excl. milk)	18
	– Pigs and/or poultry	9
	– Mixed (crops + livestock)	0

	Turnover of supported producer groups (EUR) – new producer groups versus existing producer groups from 2000-2006 programming period – branches for which producer groups are created (see indicator 26) o Field crops o Horticulture o Wine o Permanent crops o Milk o Grazing livestock (excl. milk) o Pigs and/or poultry o Mixed (crops + livestock)	3 200 million 1 000 million versus 2 200 million 970 million 96 million 50 million 320 million 480 million 420 million 320 million 864 million
Result	Gross value added by supported producer groups (EUR)	300 million
	Number of farms entering the market	1 800
Impact	Net additional value expressed in PPS (EUR)	510 million
	Change in gross value added per full time equivalent (EUR)	26 500

5.3.2. Axis II.: Improving the environment and the countryside

5.3.2.1. Measures targeting the sustainable use of agricultural land

In the application of Art.39 (3) of Regulation (EC) no. 1698/2005 the minimum requirements for the use of fertilizers and insecticides, and other relevant compulsory requirements were specified in Hungarian provisions of law. The requirements are detailed in the „Cross-compliance, minimum requirements„ sub-chapter of measure 5.3.2.1.4. Agri-environment payments.

5.3.2.1.2. Payments to farmers in areas with handicaps, other than mountain areas

Article which covers the measure:

Subpoint (ii) of Point a) of Article 36. and Articles 37. and 93. of Regulation No. 1698/2005/EC and Articles 13-20 of Chapter V. of Council Regulation of 1257/1999/EC referred therein as well as Section (3) of Article 15 of Annex I

Section (6) of Article 27. of Regulation No. 1974/2006/EC and Point 5.3.2.1.2. of Annex II

Measure code: 212

Rationale for intervention:

The measure contributes to the maintenance of grassland 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. The measure contributes to the realization of the goals of the Water Framework Directive.

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, promoting extensive cultures

(grassland and forage crops) on environmentally sensitive areas, enhancing the environment-conscious farming and sustainable landscape use. Furthermore the 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 are the main objectives of the measure.

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 in 2004 (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 production conditions exhibiting all of the three characteristics specified in the article, i.e:(areas with poor productivity, difficult land use; 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 utilised agricultural area (UAA), 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 soil acidity, severe soil salinity, extreme soil water management conditions (inundations, wetland) and extreme physical soil characteristics. The total area of such territories is 488,156 ha, representing 7.77% of the total utilised agricultural area (UAA), 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 utilised agricultural area (UAA). LFA territories are defined at block level.

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:

- Having an active farming enterprise in an area specified in Articles 19 or 20 of Regulation No. 1257/1999/EC;
- The beneficiary shall be a land user;
- Holdings with more than 50% state ownership share are not eligible for support;
- 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, corn, sugar beet, potato, industrial purpose crops and vegetables.

General provisions:

- continuation of farming activities on LFA areas for 5 years after the first transfer of the compensatory payments *;
- complies with the standards of „good agricultural and environmental condition" as provided in Annex IV. of 1782/2003/EC Regulation;
- From 2009 onwards, the rules of the cross-compliance, as provided by Annex III. of 1782/2003 EC Regulation shall be complied with as well on the whole territory of the agricultural holding keeping farm management records;
- Recording of a Farm Management Records;

Legend:

* The LFA assistance is given annually in accordance with the Regulation of 1698/2005/EC. During the period of commitment lots gaining assistance can be replaced, in case each area has LFA legitimacy.

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, in 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 Farming Practice)

Provisions of support:

Flat rate, area-based, unit price, non-refundable compensatory payment.

Amounts of Support:

The payment due to other less favoured areas shall be at least 25 euro for each hectare of the utilised agricultural area (UAA). In areas with other disadvantages, the payment shall not exceed 150 euro per utilised agricultural area.

The payment levels of the compensatory payment are determined in the National Rural Development Programme (NRDP) for the period 2004-2006:

Areas	payment level
On the areas specified by Article 19	85.9 euro/ha
On the areas specified by Article 20	10.94 euro/ha
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 (UAA= total use of arable, grassland and plantations)

Farm area (ha)	Degressivity (payment level)
1-50,99	100%
51-100,99	90%
101-300,99	80%

301-500,99	70%
501-	50%

Rationale of degressivity:

The proposed degressivity is related to economic aspects of farming, namely to economy of scale, capital availability and the standards of European Size Unit (ESU) as a unit for viable farm holding. Due to the factors mentioned over a certain threshold of size the effects of natural and economic handicaps art gradually reduced in farm holdings.

Financing:

Public expenditure: 93 602 252 Euro

EAFRD contribution: 71 922 331 Euro

Transitional arrangements:

In 2010, parallel to the introduction of a new designation methodology of the EU for LFAs, Hungary also intends to review its present designation method. As a result, a significant modification can be expected in the methodology of the designation, in the designated areas, in the range of crops allowed for production and in the determination of the amounts of the compensatory payment.
The payments delayed by the LFA commitments will continue in the EAFRD programming period, on the basis of Art. 6 of 1320/2006/EC. Expenditure outstanding with respect commitments relating to the year 2006 shall be eligible under this measure. Based on the current commitments, this total amount is approximately 1,2 Million Euro.

Control:

The control of the support is done by the Paying Agency with the assistance of the competent authority.

Compatibility of the measure:

The measure and the other measures of the Axis 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 in close connection with the complex system of agri-environmental measure (Art. 39) and with the support provided for grassland areas under Natura 2000 measure (Art. 38) to be implemented. The LFA compensatory payments can be requisited together with the agri-environmental and Natura 2000 payments , as LFA compensatory payments serve as income supplement on the one hand, and measures had mentioned committed in order to reach the goals of the payments are different from each other, on the other hand.

The measure is connected with the "Training and information activities" measure, within the framework of which a professional training of ensured for potential beneficiaries
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 Axis III.

Quantified targets for EU common indicators:

Type of the indicator	Indicator	Target
Output	Number of the beneficiaries of the payment	8 000 pieces
	number of beneficiaries under Art. 19	5 000 pieces
	number of beneficiaries under Art. 20	3 000 pieces
	type of handicap:	
	- wetlands like river basin areas	Not applicable
	- hill and upland areas	Not applicable
	- areas with poor climate conditions (very high winds, drought, cold,…)	2 500 pieces
	- coastal areas and small islands	Not applicable
	- other	1 300 pieces

	Size of the agricultural area concerned by the programme size of the area under Art. 19 (ha) size of the area under Art. 20 (ha) Type of area: - Natura 2000 areas - Directive 2000/60/EC areas (WFD) - other Type of handicap: - wetlands like river basin areas - hill and upland areas - areas with poor climate conditions (very high winds, drought, cold,…) - coastal areas and small islands - other	275 000 ha 170 000 ha 105 000 ha 114 853 ha Not applicable 160 147 ha Not applicable Not applicable 165 000 ha Not applicable 110 000 ha
	Size of the livestock affected by the programme	105 147 LU
Result	Contribution of the agricultural area used (effective land use) affected by the compensatory payments in order to avoid an abandonment of the land use	113 235 ha
	Measure Type of contribution - Improvement of biodiversity - Improvement of water quality - Mitigating climate change - Improvement of soil quality - Avoidance of marginalisation and land abandonment	 113 235 ha 0 ha 0 ha 0 ha 113 235 ha
Impact	Within the agricultural area used (effective land use), the size of the area used for arable farming, where the quantity of the useful nitrogen administered (organic and artificial fertilizers together) is less than 170 kg/ha/year (with the condition that on nitrate sensitive areas the quantity of nitrogen administered with organic fertilizers shall not exceed the value of 170 kg/ha/year)	275 000 ha
	Increase of the livestock in the areas concerned during the assistance period	105 147 LU

5.3.2.1.3. Natura 2000 payments on agricultural areas

Legal basis for the assistance:

Article 36 a) iii. and Art. 38 of Regulation No. 1698/2005/EC
Article 26, 27 Section (6) and 5.3.2.1.3 in Annex II of Regulation 1974/2006/EC

Measure code: 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 designated or proposed for designation in Natura 2000 represent about 1.9 million hectares, or 21% of the country's territory. In the areas of the European ecological network located in Hungary, 467 areas have been selected as Special Areas of Conservation (SAC) – a total of 1.41 million ha –, and 55 Special Protection Area (SPA) were specified, with a total area of 1.36 million ha.

Cultivation branch	Total area (ha)	Eligible area for support
Arable land	522 605	522 605
Grassland	483 362	483 362
Forest	829 000	183 222 (private ownership)
Fishpond	15 615	15 615
Reed	48 535	48 535
Total	1 899 117	1 253 339

Source: MRD Date of the table are estimated and used for notification purposes based on Land Registry (cadastre)

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. Annex 8. demonstrates these areas on the map of Hungary. 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 awareness raising effect.

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 2009/147/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 up keeping environmentally sound land use 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), as well as the enforcement of compliance with the rules of land use, in line with the provisions.

For areas of outstanding importance from the biodiversity point of view, and cultivating branches, to which no compensatory payment can be paid within the frame of this measure (e.g.: wetlands – reedy, swamps, sedge areas), beyond compulsory regulations voluntary supports of agri-environmental measure serve the realization of environmental protection goals.

Scope and actions:

In the Natura 2000 areas, the payment of the compensatory payment is a compensation for the compliance with the 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.

Protection shall be ensured exclusively for indicative species and habitat types that had been used for the specification of the area. In order to maintain the favourable conservation status 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 payment can be paid for this reason. The rules for land use are determined by national legislation.

Land uses implemented in the different land use sectors contribute to different extents to the maintenance of the species of the flora/fauna in the Natura 2000 areas, the conservation of biodiversity, therefore, when the compensatory payement is paid, the conservation of the grassland shall have priority. (Conservation of forests is also of outstanding importance, still, it is supported in accordance with Art. 46.) Compensatory payment measure for grasslands shall be introduced in 2007.

The maintenance of arable land designated within Natura 2000 is provided by the obligatory and general land management provisions of Regulation 275/2004 of the

Hungarian Government. In case of certain arable lands within the network, due to its high importance support will be provided by the High Nature Value nature conservation schemes of the Agri-environment measure.

A three-level system is planned to be implemented 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.

Level 1.: The Government Decree 275/2004 (X. 8.) "on the designation of nature protection areas with European interest" contains the basic requirements according to the directives that need to be met by all land users operating on a designated Natura 2000 site. Farmers can not be given any compensatory payment for meeting these requirements.

Level 2.: Those compulsory obligations related to land use prescriptions that result in extra costs or income losses can be compensated under article 38 of the New Hungary Rural Development Programme.

Level 3.: Participating in zonal and horizontal schemes of the agri-environmental measure that contribute to the development of the Natura 2000 sites.

Hungarian authorities decleare the following in order to preserve the Natura 2000 grassland and Natura 2000 arable land:

Natura 2000 grassland

The farmers claiming support for Natura 2000 grassland areas will obtain it, if they meet the requirements of the scheme. This means that there will be no scoring system for the appraisal of the claims, and claims will not be refused due to lack of funds.

The amount of Natura 2000 areas in the indicator table is only an approximate value. The allocation of funds between the Agri-environmental and the Natura 2000 schemes will be tailored according to demand.

Those agricultural producers farming on Natura 2000 areas who claim support for an agri-environmental scheme as well, will get the compensatory payment for the Natura 2000 scheme even if they do not get the agri-environmental support (given they meet the requirements of the Natura 2000 scheme and they apply for it).

Natura 2000 arable

The agri-environmental programme represents a high level of protection for environmental values, hence Natura 2000 areas are preferred in the framework of agri-environmental schemes in order to achieve the protection of these areas.

Management plans will be elaborated according to Art. 57 of Regulation No. 1698/2005/EC. In case of compulsory prescriptions, arising costs are compensated

from Natura 2000 payments integrated into the RDP through modification, after the elaboration of the management plans.

Natura 2000 territories are defined at block level.

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. 2009/147/EEC and No. 92/43/EEC:

The rate of the compensation is established, on the basis of the additional costs of complying with the provisions set by the national legislation and lost revenues connected therewith. The methodology of determining the rate of compensation was similar to the methodology used for the agri-environmental measures. The determination of the rate of support on Natura 2000 grasslands was carried out by taking into account the cost effects of 3 land use prescriptions. The methodology of the cost calculation concerning the level of incentive is shown in Annex 7.

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 LPIS (Land Parcel Identification System) determined according to the directives of 2009/147/EC or 92/43/EC;
- the beneficiary shall be a land user;
- Holdings with more than 50% state ownership share are not eligible for support;
- the minimum size of eligible area is: 0.3 hectare of grassland;
- the minimum size of the parcel shall be 0.3 ha;
- If the area is subsidised under the Guarantee unit of EAGGF – within the NRDP AE measure *(agri-environmental training in the framework of the National Rural Development Plan)* (Regulation No. 150/2004.(X.12.) MARD.), it is no longer eligible for the present assistance.

General programme prescriptions:

- complies with the standards of „good agricultural and environmental condition" as provided in Annex IV of 1782/2003/EC Regulation.

- From 2009 onwards, the rules of the cross-compliance, as provided by Annex III. of 1782/2003 EC Regulation shall be complied with as well on the whole territory of the agricultural holding.
- The beneficiaries are subject to participate at Natura 2000 trainings.
- The land use prescriptions to comply with cover the following areas:
- grasslands must be utilised by grazing and/or mowing at least once a year
- the following animal species can only be grazed: cattle, sheep, goat, donkey, horse and buffalo
- grasslands must not be overgrazed
- the surface of the grassland must not be permanently injured during nutrient management activities.
- Nutrient supply for the grassland only through manure of grazing animals, other ways of manure application on grassland is prohibited
- minimum 5% and maximum 10 % of the subsidized area – including areas as well where the authority orders occasionally obligatory limitations due conservation reasons – has to be left unharvested by every mowing on different parts of the field
- drainage of inland waters, and irrigation of grassland is prohibited
- mechanical mowing is prohibitied from sunup till sunset
- grazing between 31 October and 23 April and wiping out reed has to be officially permitted by the competent authority
- establishment of game feeder, game yard and mudbath has to be officially permitted by the competent authority.
- the field should be mowned from the centre of the field outwards without creating isolated islands of uncut grassland where animals do not have escape routes towards the edges. Using an alarm chain while mowing is compulsory in order to help games to escape
- settling and further spread of invasive and alien species can be prevented by mechanical methods or special treatment (e.g. targeted chemical use), the population of these species has to be controlled, other chemical use is prohibited
- the provisional date of mowing should be reported to the relevant national park directorate in written form at least 5 working days in advance.
- storage of fodder plants on grassland is prohibited
- sustaining old trees is obligatory

The general programme prescriptions are laid down in a government decree.

Provisions of support:

Flat rate, non-refundable, area-based compensatory payment

Amount of support:

Annual payment of 38 euro / ha of UAA*.

Legend:
*only grasslands are compensated under this present measure

Financing:

Total public expenditure: 57 257 062 Euro
EAFRD contribution: 43 995 323 Euro

Avoidance of double funding:

Beneficiaries of this measure are not eligible for support under Article 31 aimed at serving compliance with Community legislation that is to implement 2009/147 /EC and 92/43/EC Council Directives

No financial support can be provided for areas supported under this title if they are supported from agri-environmental measure of the Rural Development Plan (150/2004.(X.12.) MARD regulation) as well.

In order to avoid overcompensation, farmers operating on Natura 2000 grasslands shall get a reduced amount of agri-environmental payments compared to a farmer operating on non-Natura 2000 grasslands, because on Natura Grasslands, the baseline for AE is higher. Concerning the fact that they get Natura 2000 compensation for respecting the prescriptions according to Article 38, the compensations of these farmers participating in horizontal agri-environmental grassland schemes (B1, B2), and from the 2nd year of the conversion of arable lands into grassland management schemes shall be reduced by 31 euro/ha, in case of zonal agri-environmental grassland schemes, and from the 2nd year of the establishment of grassland for nature conservation scheme - it shall be reduced by 38 euro/ha per hectar.

Respect of standards – reduction or cancellation of payments:

In case beneficiaries do not comply with requirements implemented in Articles 4 and 5 Annex IV of Regulation 1782/2003/EC due to causes chargeable to them, then the total amount of payment shall be reduced or deleted.

In case the supported person do not accomplish partly or fully the regulations of the payment according to the Natura 2000 directives then at determining the detailed regulations concerning decrease and exclusion, severity, extent, regularity and permanence of non-compliance must be observed.

According to (3) Article 51. of Decree No 1698/2005 EC, beneficiaries till 2009 shall only apply provisions as provided for in article 143b of Regulation num. 1782/2003, the mandatory requirements to be respected are those provided for in Article 5 and Annex IV (good agricultural and environmental condition) to that Regulation.

Verifiability and controllability:

Control of the assistance is carried out by the Paying Agency, with the involvement of the competent professional authority (nature conservation organisations e.g.: Nature Conservation Authority).

Compatibility of the measure:

In the course of designing the domestic assistance system for the Natura 2000 areas, a multi-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. In case of several measures at judging the application it is of pointing value if the person is farming on a Natura 2000 area.

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 is public welfare, it is also directly connected with the measure of assistance to non-productive investments (Art. 41) that means that farmers operating on Natura 2000 sites are eligible for support to acquisition of assets and land management.

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., furthermore the training of farmers regarding NATURA 2000 compensatory payments.

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.

Transition arrangements:
In the case of this measure, no provisional measures are required.

Quantified targets based on common EU indicators:

Type of the indicator	Indicator	Target
Output	The number of subsidised farms in the Natura 2000 area - Natura 2000 areas - Directive 2000/60/EC areas (WFD)	10 000 pieces 10 000 pieces Not applicable
	Subsidised UAA on Natura 2000 area - Natura 2000 areas - Directive 2000/60/EC areas (WFD)	250 000 ha 250 000 ha Not applicable
Result	Effective agricultural use under Natura 2000 (effective land use) Measure Type of contribution - Improvement of biodiversity - Improvement of water quality - Mitigating climate change - Improvement of soil quality - Avoidance of marginalisation and land abandonment	250 000 ha Significant, positive Indirect effect Marginally Marginally Direct effect
Impact	Reversing biodiversity decline (stock index of wild birds nesting at agricultural areas: 2000=100%)	112%
	Conservation of the high natural value areas	250 000 ha
	Change of the gross nutrient balance (nitrogen surplus)	-1.25 kT

5.3.2.1.4.A. Agri- environmental payments

Legal basis of support:

Council Regulation 1698/2005/EC, Articles 36 (a) (iv) and 39
Council Regulation 1974/2006/EC, Article 27 and Point 5.3.2.1.4 of Annex II

Code of action: 214.A.

Justification of action:

In a significant part of the country it is necessary to restructure land use and to take new, nationwide directions in terms of land use as well as to determine area priorities (e.g.: the restructuring of land use of areas threatened by floods and internal waters, the restoration of semi-natural management systems). Land is still at risk due to processes impairing the quality of soil and its production potential (erosion, acidification, alkalization, soil compaction, negative nutrient balance), the low rate of environmentally friendly livestock management based on rough grazing, the lack of environment-conscious nutrient management all of which impede the validation of sustainability.

Agri-environmental payments contribute to the development of rural areas and provide environmental services for the whole of society. These payments encourage producers of agricultural lands to adopt farming and production methods which are compatible with the sustainable use of environment, landscape, and natural resources and with the preservation of genetic resources.

This action contributes to the fulfilment of the commitment taken on in Gothenburg aiming at the reversal of the decline of biodiversity until 2010 along with the accomplishment of the objectives set in the so-called Water Framework Directive.

At the establishment of agri-environmental actions close attention is devoted to the alleviation and reduction of agri-environmental problems typical in Hungary, and to the promotion of such environmentally friendly farming practices which prevent certain environmental problems to occur. In line with the above, the following specifications have been laid down in accordance with agri-environmental priorities and have been integrated into various schemes:

Soil protection: the amelioration of effects of various soil degradation procedures (land erosion, acidification, soil compaction) by the adoption of a variety of agro-technical methods. As environmentally friendly nutrient management practices are promoted, the negative balance of land nutrients is restored, and this is one of the key objectives.

Protection of surface- and ground waters: with the help of the promotion of restructuring land use and the practices of environmentally friendly nutrient management and plant protection, the quality of water resources shall be protected and possible contaminations shall be reduced.

Nature conservation: in all areas of agricultural land use (arable farming, grassland management, plantations) the target is the development of an active nature conservation system by the establishment and preservation of diverse, semi-natural habitats, by the provision of adequate feeding, reproduction and resting places for animal and plant species which are valuable from a nature conservation aspect. The above-mentioned instruments for the preservation and enhancement of biodiversity primarily serve the protection and development of Natura 2000 areas.

Genetic conservation: in various management systems plant species of high genetic and agricultural value, often endangered by extinction/genetic erosion enjoy overwhelming support.

Reducing air pollution: via extensive farming along with management methods and plant groups requiring low external input schemes contribute to the reduction of contamination produced by agriculture.

Targets of action:

The main targets of action: to support the sustainable development of rural areas, to preserve and improve environmental conditions, to reduce load on environment from agricultural sources, to offer environmental protection services, and to promote agricultural practice based upon the sustainable use of natural resources. The preservation of biodiversity under natural living conditions (on farm), the protection of nature, waters and soil with the establishment of farming structures adequate for production area features, environmentally aware farming and the establishment of sustainable land use are also strongly supported.

It is essential to note that the member state has targeted the elaboration of a programme package which is of higher level and focuses on quality more than the Agri-environmental Programme in the National Rural Development Plan.

Scope of action:

Within the framework of the measure agricultural producers and other land users (e.g. public companies conducting environmental land management, national park directorates, non-profit organisations, NGOs) taking on voluntary agri-environmental commitments may be supported for a minimum period of five years, and in case of certain schemes it may reach even ten years.

The commitments taken on besides the fulfilment of commitments met in the complete area of the farm and resulting from cross-compliance must exceed the minimum requirements referring to manure and plant protection products as specified in Articles 4 and 5 and Annexes III and IV of Council Regulation 1782/2003/EC as well as commitments exceeding additional compulsory specifications laid down in national legislation and determined in the Programme.

The payments due to the meeting of specifications laid down in the measure are made annually by area (per hectare) for agricultural producers in order to compensate extra costs and revenue losses resulting from the meeting of specifications.

The introduction schedule of schemes under the **Agri-environment Measure** is planned as follows: in 2008 (after the necessary steps taken to provide the LPIS designation) the following schemes will be opened/introduced:
arable anti-erosion schemes (wind and water erosion), environmental land use change and nature conservation lan use change schemes (grassland), maintenance of wetlands and creation of wetland habitats schemes (wetland). All the other schemes will be opened in 2009 after the currently running schemes of the NRDP will be phased out.

Cross-compliance/ minimum requirements:

The application of guidelines set out in Article 4 and Annex III of Council Regulation 1782/2003/EC, and Article 5 and Annex IV of the same Regulation the specifications referring to the sustainability of “good agricultural and environmental condition” are display in the national legislation. The minimum requirements referring to nutrient management and application and to plant protection products are imposed in the pieces of national legislation below. These minimum requirements must be met by the beneficiaries in the complete area of their agricultural land.

National legislation	Specification
Use of plant protection products	
Act XXXV of 2000 on plant protection Sections 26.-27. and 37, MARD Regulation No. 5/2001. (I. 16.) Section 16, MARD Regulation No. 36/2006. (V.18.) 16.	During agricultural activity only officially authorized plant protection products and production boosting materials shall be used parallel with fully meeting technological and authorization for use specifications.
MARD Regulation No. 89/2004. (V. 15.) Sections 34-36.	Plant protection products must be stored in a safely lockable place or cupboard separated from rooms used by humans and animals or used for the storage of foodstuff or fodder, protected against fire or explosion hazard, in a manner not endangering environment.
Act XXXV of 2000 on plant protection Section 44. (1-3)	- Plant protection products not being authorized in waters and watercourses pursuant to their licence shall be stored in the vicinity of waters and watercourses on the basis of specific legislation, by meeting the security rules as regards the distances to be kept from the shore of the waters. - Plant protection products shall not be stored within one kilometre from Lake Balaton and Lake Velencei, Lake Tisza, Along the full shore of waters designated for bathing purposes And within the protection zone of waterworks and water resources. - Within the protective zones of waterworks and water resources all kind of activity concerning plant protection products is forbidden.
MARD Regulation No. 103/2003. (XI. 11.) Sections 3-4.	Empty packaging and wrapping materials of crop protection products shall be professionally be collected, managed and eliminated (e.g.: the packaging of crop protection products shall not be used for other purposes even when cleaned).
- MARD Regulation No. 5/2001. (I. 16.) Sections 21-22.	During crop protection activity only crop protection machinery and equipment used for the dispensing of crop protection products in ideal technical condition can be used.
- Act XXXV of 2000 on plant protection Sections 31 (3) - MARD Regulation No. 5/2001. (I. 16.) Sections 12-14.	Compliance with the rules regarding the use and service of the different management category pesticides (I, II. and III.)
MARD Regulation No. 5/2001. (I. 16.) Sections 12-15.	Plant protection products belonging to the I. and II. danger category, shall be used only by persons having a licence and adequate education The person possessing the licence must paticipate in a vocational training at some time periods

MARD Regulation No. 5/2001. (I. 16.) Section 5.	When using plant protection products the rules prescribed in the licence and on the label of the plant protection product must be complied with, among the rules there are also provisions regarding the time duration to be kept between the use of chemicals and the harvest.
Nutrient management	
Referring to nitrate sensitive areas	
	The amount of nitrogen from organic manure disposed in an agricultural area on an annual basis cannot exceed 170 kg/ha.
	Manure cannot be applied on frozen ground, land filled with water or covered completely with snow.
	Manure shall not be spread in prohibited period
	Manure cannot be applied in a radius within the protection zone of surface water, source, and wells whose water is used for human consumption or watering animals.
Referring to all areas	
Act LV of 1994 on arable land Section 62. Paragraphs (2)-(4)	Improvement of acidic, saline and sand grounds can be undertaken in line with ground protection authority permit and complying with regulations of relevant legislation.
- Act LV of 1994 on arable land Section 66. Paragraph (2) - Government Decree No. 50/2001 (IV. 3.)	Treated wastewater, sewage sludge and slurry application shall be done in accordance with the permit issued by soil protection authority and meeting specifications of relevant legislation.

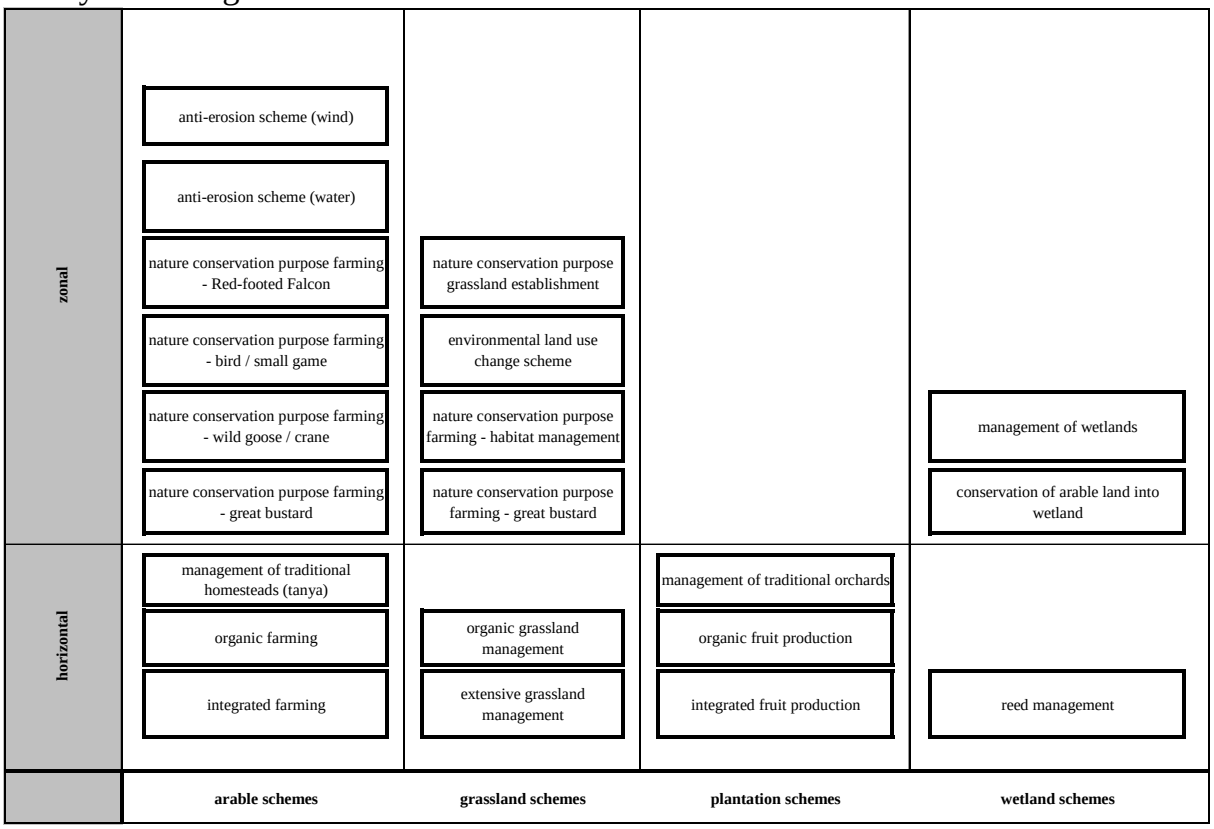
Detailed areas of action (sub-actions, activities):

The Agri-environmental support measure is realized via schemes and includes area-based supports which are composed of horizontal and zonal elements. Taking the various environmental characteristics of agricultural areas into consideration, and in order to implement high quality environmental management programmes, 21 different schemes have been defined within the framework of this action (9 for arable plant production, 6 for grassland management and planting, 3 for the environmentally friendly management of plantations and 3 for the management of wetlands). The action can be divided into 4 sub-measures on the basis of directions in agricultural land use: arable plant production, grassland management, plantation farming (fruit and grape production) and wetland management.

- Certain agri-environmental schemes can be specified in the whole eligible area of the country, i.e. payments are horizontal in nature.
- Apart from these horizontal specifications, from among the agri-environmental specifications, extra specifications can also be undertaken by producers in certain separated areas also displayed in the Land Parcel

Identification System (LPIS) or areas complying with conditions and officially authorized by relevant bodies. The specifications to be met in these areas are called zonal specifications. Three different zonal schemes have been defined: nature conservation scheme, soil protection scheme and water protection scheme.

The system of agri-environmental schemes is shown below:



Special attention has been paid to the fact that the rate of zonal schemes with higher environmental performance should increase as compared with previous data, and consequently, a significant part of the agri-environmental resources available for Hungary shall be mobilized for the solution of special problems identifiable by areas.

	horizontal		**zonal**	
	RDP	**NHRDP**	**RDP**	**NHRDP**
Share of area coverage	92%	**78%**	8%	**22%**
Share of allocated budget	88%	**75%**	12%	**25%**

The designation of agri-environment schemes see in ANNEX 10.

The objective of the AE measure to provide tailor-made solutions for the existing agri-environmental problems via different targeted schemes which combine management prescriptions in a system to reduce the negative effects of agricultural

land management and enhance environmental values and biodiversity. The following positive environmental impacts are foreseen as a result of the implementation of the different management elements of the schemes to be introduced (not exhaustive list):

Management prescriptions	Impacts
Nutrient management based on soil test and planning	Improvement of soil physical and chemical attributes, better water management of the soil, stopping of nutrient balance deficits
Use of environmentally friendly pesticides	Reduce/diminish environmental pressure from pesticide use, lower the risk of pollution, positive food safety effects
Change of the cropping pattern	Decrease the share of intensive crops, lower external input, decrease environmental load from nutrients and pesticides, support soil biologic attributes, increase agricultural diversity
Application of regular soil loosening	Improve soil structure, reduce soil compaction, improve soil water management
Limitation of intensive crops	Decrease the share of intensive crops, lower external input, decrease environmental load from nutrients and pesticides, support soil biologic attributes, increase agricultural diversity, reduce the risk of erosion
Obligatory green manuring	support soil biologic attributes, improve soil structure, reduce soil compaction, improve soil water management
Anti-erosion measures	Reduce the risk of wind/water erosion (runoff), improve soil structure, decrease environmental load from nutrients and pesticides
Application of certain grazing density	Supports maintenance of grassland habitats in optimum condition, avoid under/overgrazing
Increase the minimum grazing density	Supports maintenance of grassland habitats in optimum condition, avoid under/overgrazing
Limitation to grassland intensification	Increase biodiversity value of grasslands
Postponing the cutting date	Helps to increase population of priority bird species
Conversion of arable land into extensive grassland	Create high value habitats and increase biodiversity, decrease environmental load from nutrients and pesticides
Creation of wetlands	Create high value habitats and increase biodiversity, decrease environmental load from nutrients and pesticides
Limitations to bird deterring on fishponds	Improve valuable bird population dynamics/increase via better feed availability, increase biodiversity

The schemes cannot be combined with each other, i.e. support for one certain agricultural parcel can be supported under only one scheme.

Group of schemes	Type	Description of the scheme	Amount of support euro/ha	
Arable plant production	horizontal	A.1. Integrated (IFP) arable plant production (including arable vegetable production, too)	arable	155
			vegetable	171
		A.2. Management of traditional homestead (tanya) scheme (including arable land vegetable production, too)	arable	184
			vegetable	196
		A.3. Organic arable plant production (including arable vegetable production, too) – in case of plant production under conversion (U) and converted (C).	Arable U	212
			Vegetable U	359
			Arable C	153
			Vegetable C	203
	zonal	**A.4. Arable land nature conservation zonal schemes**		
		A.4.1. with habitat improvement specification for bustard (*Otis*)	A.4.1 arable alfalfa	303 310
		A.4.2. with wild goose and crane (*Grus grus*) protection specifications	A.4.2. arable	173
		A.4.3. with specifications of habitat improvement of bird s and small game)	A.4.3. arable	220
		A.4.4. with specifications for red-footed falcon (*Falco vespertinus*	A.4.4. arable alfalfa	233 267
		A.5. Soil protection/anti-erosion arable farming scheme	A.5.1. arable	211
		A.5.1. Anti-erosion (water) A.5.2. Anti-erosion (wind)	A.5.2. arable	213
Grassland management	horizontal	B.1. Extensive grassland management	grazing	108
			mowing	71
		B.2. Organic grassland management	grazing	116
			mowing	79

	zonal	B.3. Zonal schemes for grassland management for nature conservation	B.3.1 – G	155
			B.3.1 – Mo	116
		B.3. 1. with specification of habitat improvement for Great Bustard (*Otis tarda*)	B.3.2 – G	139
		B.3. 2. with specification of habitat improvement	B.3.2 – Mo	116
		B.4. Conversion of arable lands into grassland management		
		B. 4.1. Environmental land use change	B.4.1 – 1st year	238
			B.4.1 – 2nd year	279
		B.4.2. Nature conservation land use change	B.4.2 – 1st year	238
			B.4.2 – 2nd year	301/305
Plantation management	horizontal	C.1. Integrated (IFP) fruit and grape production	Apple (A)	625
			Stone fruit (Sf)	518
			Berries (B)	341
			Grapes (G)	486
		C.2. Organic fruit and grape production – in case of management of plantations*	A –U	900
			Sf – U	859
			B – U	757
			G- U	827
			A – C	631
			Sf-C	557
			B – C	365
			G- C	525
		C.3. Management of traditional orchards*	Apple	600
			Stone fruit	355
Management of wetlands	horizontal	D.1. Reed management	-	61
		D.2. Management of natural wetlands, marshes, mosses and sedges	-	115
	zonal	D.3. Establishment and management of wetlands	-	195

Legend:

* The level of payment in the case of mixed fruit plantations in schemes „organic fruit" and „grape production" (C2 scheme) is the same as for stone and peel fruits. In the traditional fruit production scheme (C3 scheme) the level of payment is the average of support for apple fruits, stone fruits and peel fruits.

General programme specifications:

- implementation of the management prescriptions of the scheme undertaken, compliance with the eligibility criteria during the entire term of the support (5 year, or in case of compulsory set-aside for water-protection purposes scheme 10 years)
- compliance with the guidelines set forth in Article 4 and 5, as well as Annex III of Regulation 1782/2003/EC pertaining to mutual correspondence, and the requirements stipulated in Annex IV of the Regulation on the maintenance of "good agricultural and environmental conditions" in the area of the farm.
- compliance with the minimum requirements of nutrient management and the pesticide use on the whole farm.
- keeping farm management records for the whole farm
- participation on 2 agri-environmental trainings (organised by the MRD) during the schemes period

Description of schemes and their required environmental influence

A. Arable crop production

Horizontal schemes

A.1. Integrated crop production scheme
Promotion of environmentally friendly plant production practice with rational nutrient management, integrated plant protection, crop rotation, basic soil protection and adequate land cultivation in order to conserve soils, surface and ground waters.

A.2. Management of traditional homesteads („tanya") scheme
This scheme is traditionally typical of Hungary and is intended to promote the preservation of extensive, mosaic-like and small parcel production system which is significantly in the background today as a result of intensive farming systems took over many places.

A.3. Organic crop production scheme
Production practice in accordance with the rules and regulations of organic production defined in Council Regulation 834/2007/EC (nutrient supply and plant protection) and its promotion in order to improve the conditions of the physical and natural environment (soils, waters, biodiversity).

Zonal schemes

A.4. Arable farming for nature conservation
Only in the arable land samples of previously defined High Nature Value Areas can these **arable schemes** be pursued:

A.4.1. Arable farming scheme with habitat improvement specifications for Great Bustard (Otis tarda)
Special arable land use for bird protection promoting the proper management of habitats of the great bustard, stone-curlew, roller, imperial eagle, sakeret, hen-harrier and other protected bird and small game species related to the habitat of arable land. Within the framework of this action, lucerne growing can be implemented and its main target is to ensure nesting and feeding place of exceptional importance for the great bustard.

A.4.2. Arable farming scheme with habitat improvement specifications for wild goose and crane (Grus grus)
Special arable land use for bird protection primarily ensuring the autumn and winter food, of migrating geese (Anseranatidae) and ducks (Anatidae) and the considerable stock of cranes. Special sowing structure and the limitation of harvesting promotes the protection of small game species, as well.

A.4.3. Arable farming scheme with specifications of habitat improvement for birds scheme
Arable land use for bird protection aiming primarily at ensuring the habitats and living conditions of birds of prey, partridge, quail and small game. The specifications enhance the reduction of adverse environmental effects on natural values by the more intensive regulation of agri-technology. The scheme also aims at nature conservation where the action is significant chiefly for the preservation of the land structure.

A.4.4. Arable farming scheme with specifications of habitat improvement for red-footed falcon (Falco vespertinus)
Special arable land use for bird protection which particularly helps in the proper management of habitats of the red-footed falcon. Special specifications concerning mowing and green fallows management contribute to the protection of additional protected species of birds of prey also.

A5. Soil protection/anti-erosion arable farming

A5.1. Anti-erosion scheme (water)

This scheme aims at the reduction of adverse effects of water erosion with the application of various agri-technical methods at slightly sloping arable lands requiring no land use alteration (arable land-grasslands conversion).
This can be adopted only in areas affected by erosion but of no steeper slope than 5-12% and not requiring change of farming sector.

A5.2. Anti-erosion scheme (wind)
The application of large-size parcels and the dominance of spring-sow root crops in the crop structure the negative effects of wind erosion have magnified in Hungary. This scheme targets the alleviation of these problems via the adoption of available agri-technical means.
Support can only be received for areas used as arable lands and are at the same time sand and loess soils exposed to wind erosion.

B. Grassland management

Horizontal schemes

B.1. Extensive grassland management scheme
This scheme is promoting the adoption of extensive grassland management practices based on animal husbandry (nutrient supply and plant protection) in order to preserve grassland habitats of high natural value.

B.2. Organic grassland management scheme
This scheme is promoting the adoption of grassland management practices compliant with the rules and regulations of organic production (nutrient supply and plant protection) in order to preserve grassland habitats of high natural value.

Zonal schemes

B.3. Grassland management for nature conservation

For these grassland management scheme *support can be received only in grasslands of defined High Nature Value Areas:*

B.3.1. Grassland management scheme with specifications of habitat improvement for Great Bustard (Otis tarda)
Special grassland management for bird protection promoting the proper management of habitats of the great bustard, stone-curlew, roller, imperial eagle, and meadow viper and the management and development of their habitats.

B.3.2. Grassland management scheme with specifications of habitat improvement

Grassland management for nature conservation where the key target is to restore the natural water balance of the given region, the creation of buffer zones around vulnerable natural areas, as well as the preservation of habitats and especially nesting places of protected bird species.

B.4. Schemes for the conversion of arable lands into grasslands

B.4.1. Environmental land use change scheme
Arable land farming practices are recommended to converted into less intensive land use near vulnerable water resources, on arable with poor fertility, in areas frequently threatened by floods, inland waters and erosion so as to preserve and improve the condition of the physical environment. Scheme duration is 10 years.

The support will be provided for areas in the protection zone of vulnerable water resources, or on land with a slope steeper than 12%, or in areas affected by the Vásárhelyi Plan or in flood-areas or places affected by internal waters or in Less Favoured Areas.

In these areas utilised by arable farming with unfavourable production characteristics instead of arable farming, grasslands should be promoted in order to preserve and improve the condition of the physical environment (soil and water resources).

B.4.2. Nature conservation land use scheme
Establishment of grasslands for the purpose of nature conservation aims at expanding the area of semi-natural plant assemblages and of grasslands with high biodiversity. Special production technology promotes the occurrence of indicative species from the adjacent natural and semi-natural grasslands. This grassland management scheme is available at selected lands based on the internal zone system, located in High Nature Value Areas.

C. Permanent crops

C.1. Integrated (IFP) fruit and grapes production scheme
This horizontal scheme targets the widespread adoption of environmentally friendly /integrated (IP) production methods and procedures reaching international standards (reasonable nutrient management, integrated plant production, correct land cultivation). Production of safe and healthy fruit and grapes for fresh consumption as well as for preserves industry and cooperative winery.

C.2. Organic fruit and grape production scheme
This horizontal scheme targets the widespread adoption of environmentally friendly production methods and procedures in the areas of nutrient management and crop protection in accordance with the organic procedures regulated by the European Community and the nutrient management and crop protection requirements set in

Council Regulation 834/2007/EC. Production of safe and healthy fruit and grapes for fresh consumption as well as for preserves industry and cooperative winery.

C.3. Management of traditional orchards scheme
This horizontal scheme targets the preservation of traditional fruit growing procedures and garden culture surviving in traces in the country, as well as to sustain and preserve plantations (e.g. flood-plain orchards) significant from a landscape aspect, too, together with the related species and breeds.

Traditional (scattered) orchard: a plantation which is composed by homogenous or mixed fruit trees with the density of minimum 30 tree/ha and maximum 80 tree/ha fruit tree.

Eligible fruit species are apple, pear, quince, naseberry, plum, cherry, sour cherry, apricot, peach, walnut, hazelnut, almond in homogenious and mixed stocks.

D. Management of wetlands

The hereby enlisted schemes do not aim at the support of fishing activity, but they serve environmental and nature conservation purposes in wetland habitats with high biodiversity by creating and maintaining favourable living conditions for endangered animal species connected to water.

D.1. Reed management scheme
The maintainance of a management method of utmost importance from the aspect of biodiversity in order to preserve the habitats of protected and endangered bird and mammal species.

D.2. – Management of natural wetland habitats, marshes, mosses and sedges scheme
A considerable proportion of bird species connected to water nests, feeds or rests in wet habitats in Hungary during their migration, consequently, they are significant not only in terms of the number of species but also the size of the stocks. The scheme aims at sustaining of land use of exceptional importance from a biodiversity aspect in order to preserve the habitats of protected and endangered bird and mammal species.

D.3. – Establishment and management of wetland habitats scheme
Transformation of areas less suitable for arable land farming and traditional grassland management to essential biodiversity regions in order to improve the living conditions of protected and endangered bird and mammal species.

The detailed specifications of each scheme is to be found in Annex 9.

Plant genetic conservation on farm:

Besides meeting the land use specifications of arable farm schemes, in case of growing the arable land species and vegetable species contained in the below list of endangered vegetable species and arable species of cultural-historical and genetic significance (Annexes 11 and 12), the participant of the agri-environmental measure is entitled to receive an increased support.

In case of growing rare plant species the amount of support is modified by the rate of revenue loss resulting from the loss in production due to the production potential of the species in question. The table below shows for arable vegetable species and other arable land species the considered average loss in production in case of each plant species and these values are used to correct the amount of support in the relevant schemes.

crops	Extra support resulting from yield loss (%)
arable land species	42%
arable vegetable species	35%

The rate of support cannot exceed the maximum amounts determined in the Annex of Council Regulation 1698/2005/EC. It means - per hectare - 600 Euros in case of annual crops.

On the Support of Natura 2000 Areas and the Agri-Environmental Support Schemes

The land use prescriptions of the Natura 2000 grasslands and the grassland management scheme under agri-environmental measure partly or fully overlap each other. In case the producer wishes to receive both types of support for the same area, he would be supported twice for fulfilling the same requirements. In order to avoid such overcompensation, the meeting of requirements imposed at both places and linked with compensatory payments shall be compensated only within the framework of one of the support schemes; therefore, provided that Natura 2000 supports are received, the amount of AE support eligible for the same area is decreased by the partial payment referring to the “joint” requirements.

There is only one cost-intensive obligation within the requirements of the horizontal grassland management scheme which also appears in the Natura 2000 land use prescription package for grasslands. Consequently, the producer shall receive a horizontal agri-environmental support, besides the compensatory payment due to the Natura 2000 area, decreased by the amount received for the satisfaction of requirements of the latter (31 euro/ha).

As for the requirements of the zonal grassland management scheme, it contains all the Natura 2000 land use prescriptions referring to grasslands. The producer, besides the Natura 2000 compensation, is entitled for a support, reduced by the total amount of the Natura 2000 compensation (38 euro/ha), for meeting the requirements of the zonal agri-environmental scheme. The Natura 2000 compensation and the "reduced" zonal agri-environmental support together is equivalent to the quantity of the "full-scale" zonal agri-environmental support.

Schemes	*Agri-environmental payments euro/ha*			*Natura payment euro/ha*	*AE + Natura payment euro/ha*
		Non Natura area	*Natura area*		
Horizontal Schemes					
Extensive grassland management	*Grazing*	108	77		115
	Mowing	71	40		78
Organic grassland management	*Grazing*	116	85		123
	Mowing	79	48		86
Zonal Schemes					
Grassland management for Great Bustards habitat development	*Grazing*	155	117	38	155
	Mowing	116	78		116
Grassland management for habitat development	*Grazing*	139	101		139
	Mowing	116	78		116
conversion of arable lands into grassland management schemes – 2nd year					
Environmental land use change	*Mixed*	279	241		279
Nature conservation land use change scheme	*Mixed*	301/305	263/267		301/305

Support calculation and agronomic assessment:

At the calculation of agri-environmental payments, principles established by the European Commission have been applied, namely the compensation of revenue loss and possible increase in cost caused by management specifications.
Calculation is composed of the following steps: the definition of certain agri-environmental specifications, the definition of agronomical effects of such specifications, calculation of revenue loss/ revenue increase/ cost decrease/ cost increase factors resulting from agronomical effects, and finally, concerning all specifications, the summary of all above factors and the definition of revenue loss. The very last step is to round off the amount of revenue loss to the closest thousand and thus define the recommended amount of support. In the following table there is an overview on selected (most frequent) management prescriptions, their baselines and the difference upon which the payment rate (income forgone) is calculated.

management prescriptions	baseline	Difference from baseline
Nutrient management based on soil test and planning	Soil examination and nutrient management is not obligatory	Cost of soil examination and nutrient management plan preparation
Use of environmentally friendly pesticides	Only authorised pesticide can be used	Extra costs result from more targeted frequent use/higher price of env. friendly pesticides
Change of the cropping pattern	Average of national cropping pattern	Income loss from lower share of intensive crops (corn, sunflower, wheat) higher share of leguminous crops (alfalfa, clover, etc)
Application of regular soil loosening	No obligatory soil loosening is required	Extra cost of soil loosening
Obligatory green manuring	Green manuring is not obligatory	Extra cost of green manuring
Anti-erosion measures	Minimum soil coverage	Extra cost from use of cover crops
Application of certain grazing density	Grassland must be cut once per year	Extra cost resulting from optimum utilisation of grassland (livestock related costs)
Increase the minimum grazing density to 0,3 LU/ha	Grassland must be cut once per year	Extra cost resulting from optimum utilisation of grassland (livestock related costs)
Limitation to grassland intensification	Maximum 170 kg N/ha/year organic fertiliser can be applied in Nitrate Vulnerable Zones	Income loss due to lower (natural) yield of grasslands
Postponing the cutting date	Grassland must be cut once per year	Extra costs and income loss due to extra feed for livestock and devaluation of hay quality
Conversion of arable land into extensive grassland	Arable land must be utilised with appropriate weed control	income loss due to loss of arable gross margin

Creation of wetlands	Arable land must be utilised with appropriate weed control	Cost of wetland establishment, income loss due to loss of arable gross margin, loss of SAPS/SPS payments
Limitations to bird deterring on fishponds	Protected birds and its nests must not to be destroyed or damaged	Income loss due to increased bird fish eat-up (loss of income)

The rules of Good Agricultural and Environmental Condition were officially notified by the Ministry of Agriculture and Rural Development in a letter – signed by State Secretary Mr. Gőgös – sent to Director General Mr. Demarty (reference number 7588/1/2007. (30/07/2007)) on the 13th of August.

The methodology of the cost calculation concerning the level of support is shown in Annex 7.

In line with the Article 53 of Council Regulation 1974/2006/EC, the calculation of support amount has been completed by independent experts. The basis for calculations have been the economic data of years 2003, 2004 and 2005 of the pilot operation system run by the Agricultural Economic Research Institute, and in terms of operative costs, the 2006 factual data have been used provided by the Association of Agricultural Machinery Entrepreneurs. In case of certain special subjects, the above data had to be complemented with information received from certain specialized organizations, e.g.: Association of Hungarian Organic Producers (Magyar Ökogazdálkodók Szövetsége), National Association of Fish Producers, Hungarian Vegetable and Fruit Product Board, Hungarian Chamber of Professionals and Doctors of Plant Protection, along with the Central Agricultural Office, and the Directorate for Plant, Soil and Agri-environmental Protection

In line with Paragraph (4) of Article 22 of Council Regulation 1974/2006/EC, the permanent costs resulting from the participation of quality organizations are not taken into account at the calculation of the amount of support, as cost of organic certification is not taken into consideration during the payment calculation.

Direct payment are irrelevant at the calculation of support amounts; on the one hand, because the one receiving agri-environmental support can require direct payments as well; on the other hand, until 2009 Hungary applies SAPS support scheme, meaning that identical amounts of support are allocated for all areas.

Agri-environmental commitments:

Within the framework of this action the support can be received for 5 years by agricultural producers and other land users who take on voluntary agri-environmental commitments exceeding the minimum requirements referring to nutrient management and plant protection and specified in Articles 4 and 5 and Annexes III and IV of Council Regulation 1782/2003/ECas defined in national legislation.

In accordance with principles and rules and regulations applied so far by the European Commission, unlike the 5-year period of other schemes, in case of the long-term set-aside scheme for water protection (B.4.) a period of 10 years has been determined. This decision is justified by the basic principle of the Water Framework Directive and the practice of EU member states, namely that the protection of the physical environment shall be ensured in the long run in a highly sensitive agricultural area (water resource and erosion protection) affected by the scheme.

Beneficiaries and eligibility criteria:

Every natural and legal entity registered as a client in Hungary and, furthermore:

- Farms minimum 1 hectare of arable land grassland or reed-bed, or a minimum 0.3 hectares of plantation, marsh, or moss;
- Fully possesses or rents the area to be involved in the agri-environmental programme during the whole period of time of the support; and
- Meet the eligibility criteria of the schemes.

Zonal schemes are only eligible in areas designated and recorded in the LPIS, or for producers compliant with the conditions and this is officially certified by relevant authorities.

The conservational management activities of other land users (e.g. national park directorates and their management companies) focus exclusively on areas where - because of the special conditions - the long term maintenance of the favourable conservational status is highly vulnerable. Due to the importance of the management of these areas it is proposed that these other land users should be possible beneficiaries (next to farmers) in the following agri-environment schemes:

- organic crop production scheme; organic grassland management scheme;
- arable farming for nature conservation; grassland management for nature conservation
- nature conservation land use change scheme,
- management of wetlands

Selection criteria of beneficiaries:

The assessment criteria of schemes are primarily the environmental sensitivity of the area to be involved in the programme (e.g.: Natura 2000 areas, nitrate sensitive areas, areas with vulnerable water resources, Less Favoured Areas, etc.), and the role the area plays in the regions affected by landscape management transition (e.g.: areas affected by the further development of the Vásárhelyi Plan). Additional significant criteria is to ensure the harmony between animal husbandry and plant production (e.g.:

possessing a defined amount of livestock unit), too. The experience of the applicant in environmentally friendly production (e.g.: previously the producer took on agri-environmental commitments and fulfilled them without being penalized, or the producer took part in agri-environmental training) is also important. Other horizontal issues (equal opportunity, lagging behind the micros-region, share of agriculture employment) can also play some role in the selection.

Form of support:

Flat rate, area-based payment, non-refundable.

Support value and its upper limit:

The support amount differs by schemes depending on the specifications of the undertaken schemes and defined by taking into consideration the following:

- In case of arable farm plant production and plantation management, the species/variety of the plant to grow (in case of plantations: pomme fruit, stone fruit, berries and grapes; in case of arable farm plant production: vegetable and other arable farm plants, and in certain arable farm plant production schemes for nature conservation: in case of alfalfa produced for 5 years, a different amount of support is determined).
- In case of grassland management, primarily the method of utilization of grasslands (grazing, mowing or mixed use areas).

Payments are made annually, and these amounts cover surplus costs and revenue loss resulting from undertaken commitments.

The rate of support does not exceed the maximum amounts determined in the Annex of Council Regulation 1698/2005/EC in any case, it means - per hectare - 600 Euros in case of annual plants, 900 Euros for permanent crops and 450 Euros for other land use.

The support amounts connected to certain schemes see above.

For producers working on grassland management Natura 2000 areas within the agri-environmental programmes, a decreased amount is payable in order to avoid overcompensation. Taking into account the fact that for the satisfaction of Natura 2000 specifications, based on Article 38 Natura compensation can be obtained, in case of horizontal agri-environmental grassland management programmes (B.1, B.2) and from the 2nd year of the conversion of arable lands into grassland management schemes (B.4.1, B4.2.) a reduction of 31 euro/ha, in case of zonal grassland management scheme for nature conservation and from the 2nd year of the establishment of

grassland for nature conservation scheme (B.4.3.) - a decrease of 38 euro/ha per hectar shall be calculated in the payments.

Financing

Total public expenditure: 1 087 752 479 Euro
EAFRD contribution: 835 809 944 Euro

The above figures are for the 5.3.2.1.4. 'A' measure of the Agri-environmental payments.

Planned area and budget allocation among scheme groups:

	Arable farming schemes	**Grassland management schemes**	**Permanent crop schemes**	**Wetland management schemes**
Area (%)	**58**	**34**	**7**	**1**
Budget (%)	**56**	**21,5**	**22**	**0,5**

Hungary's purpose and interest is that quality schemes with more demanding prescriptions gain more ground within the agri-environmental measures.

According to the given circumstances this can be guaranteed by the Member State with the following instruments:

- Farmers' joining into such higher level programmes will be encouraged by the engagement of professional associations and the farm advisory system and information points – set up within the framework of Axis I. – in the framework of a spacious information campaign.
- Propagation of these schemes with a higher environmental value is also supported by the planned scoring (ranking) system where the environmental sensibility of the area joining the scheme is also a primary aspect (e.g. Natura 2000 areas, nitrate sensitive areas, areas containing vulnerable water sources, less favourable areas), as well as the higher quality of the chosen scheme (e.g. environmental zonal schemes compared to the integrated arable crop production scheme).
- Within the framework of the agri-environmental measures the Member State does not intend to spend more than **35%** of the allocated funds on schemes with „lower" environmental outputs (integrated arable crop production scheme, extensive grassland management scheme).

- The Member State guarantees that in case of an internal reallocation of the funds in the measures, the funds can be reallocated only from the lower environmental value scheme to the ones with higher environmental value, except the case, when the scheme has been opened three times and the total amount of claims has not covered the resources available. In order to apply this principle, an uptake monitoring is to be introduced concerning the support.

The list of endangered vegetables and arable land vegetables that is important in respect of cultural history and genetics are presented in Annexes 11 and 12 what might be amended on occasion based on the decision of the Gene Bank Council.

Transaction cost:

The cost of the identification of united territories of land by a GPS system can be calculated as transaction cost. One single payment of EUR 20 can be paid, and additional payments of EUR 2 per hectars based on the size of supported land can be made. The maximum amount to be paid for one beneficiary is EUR 1000.

Identification cost is directly related to the transaction of the support, since it covers the farmers' costs to identify the area to be supported. The introduction of a more precise and coherent identification system was based on Commission audit remarks and was demanded by the Paying Agency (e.g. Agricultural and Rural Development Agency), so that the supported areas remain identifiable throughout the whole Programme period. This cost is in no way related to the implementation of any of the schemes' commitment. Furthermore, the identification is compulsory only for those farmers, whose application was judged positively after the administrative control (so that no excess costs may arise).

Shift between schemes:

There is no possibility to shift between schemes during the support period (commitment period).

Adjustment – modification:

During the support period, if justified, there is a possibility to decrease the lands under engagement only in case if the area to be decreased is not concerned with site

controlling or irregularity. In this case the support paid earlier for the decreased land shall to be paid back.

In accordance with Article 44 of Council Regulation 1974/2006/EC, during the support period there is a possibility to hand over a part or the whole of the lands under engagement to another beneficiary meeting the conditions of entitlement. In this case the support taken previously for the land shall not be paid back. Engagement hand-over is only possible in case of a full scheme, and is not possible for parts of schemes.

Automatical carry-over of the present engagements of the agri-environmental measures of the National Rural Development Plan to new programmes is not possible due to the following reasons: 1. the undertakings of the new schemes are different from those currently running, 2.the available financial resources are devoted to solve high priority special environmental problems as much as possible, so „automatical overtaking" from earlier schemes is not possible. Those participating in the previous schemes will be given extra points when applying for scheme participation again.

Observation of regulations – decreasing, detention of payments:

If the beneficiaries do not keep the binding requirements set forth in Article 4 and 5 and Annexes III and IV of Council Regulation 1782/2003/EC due to reasons directly imputable to them the full amount of payments shall be decreased or cancelled taking into consideration the scope, seriousness, repeatedness and permanence of the non-compliance.

The same procedure is to be followed if the beneficiary does not comply partially or in gross with the regulations related to the minimum nutrient-control and utilization of insecticides.

Until 2009, the sum of the payment to the beneficiaries can be decreased or withdrawn only if the "good agricultural and environmental condition" regulations set forth in Annex IV of Council Regulation 1782/2003/EC are not complied with.

If the beneficiary does not fulfill the requirements of the program partially or fully the importance, extent, recurrence and continuity of not complying with the rules shall be considered when defining the detailed rules concerning the decreasing and disqualification.

Supervision:

The support is supervised by the Paying Agency with the involvement of public organizations .

Determination of livestock unit:

We wish to complement the table of conversion of animals to livestock units included in Annex V. of 1974/2006/EC with the conversion rate of the donley and mule, which is permitted by Article 27 (13) of the same Regulation.

The conversion ratio for donkey and mule is 0.6 LU.

Transitional arrangements (containing estimated costs):

The expenditures of the engagements taken for 5 years within the framework of the 2004 agri-environment schemes will be going on during the EAFRD programming period based on Article 5 of Council Regulation 1320/2006/EC (between 2007-2009 the determination of the agri-environment measures of the National Rural Development Plan will be financed with a planned source of HUF 97-108 billion). Based on the current commitments, this total amount is maximum 368 M euro

Compatibility of the measure:

Links with other actions of the program

The action has a direct link with "Natura 2000" action (Article 38), these areas form one of the territorial categories of the action.

The "Non-productive investments" action (Article 41) facilitates the introduction of agri-environment management and the compliance with its regulations by carrying out the necessary non-productive investments (such as hedge plantation, grassy balk).

This action has a close link with the "Vocational training and information activities" action (Article 21), within its framework the vocational training of beneficiaries and creation of exhibition plants is a precondition.

The action has a positive impact on the realization of the "Stimulation of touristic activities" action (Article 55) by the fact that it increases the touristic attractiveness of the region. By stipulating the utilization of the landscape on an environmentally aware manner and by protecting the values of nature it increases the impact of the "Rural heritage protection and modernization" action on the rural life quality.

Those taking part in the action and the beneficiaries supported in the agri-environment measures of the National Rural Development Plan based on MARD Decree No. 150/2004 (X.12.) of the Minister of Agriculture and Rural Development have priority within the Action group no. 1 and primarily in the course of the consideration of demands submitted for the investments of Article 26.

Complementarity with the CAP

When the operational programme of a Hungarian recognised producer organisation (PO) in the fruit and vegetables sector includes an agri-environmental commitment as environmental action at the level of the member's holding and/or at the level of the PO's premises, that PO and its members are excluded from eligibility for support for the same type of agri-environmental commitments under the NHRDP. However, when the PO and/or its members are already engaged in (i.e. that they are already implementing) agri-environmental commitments under the NHRDP, the PO and/or its members concerned are excluded from support under the operational programme for the same commitments.Link with other Operative Programmes:

The realization of the "Agri-environment measures" action is a precondition for the shift in landscape utilization that is indispensable for the implementation of high-priority programs of some regions (such as the Development of the New Vásárhelyi Plan).

The Development of the New Vásárhelyi Plan that is to be realized within the framework of the Environment and Energy Operational Programme finances the physical measures linked to flood protection and the landscape management, infrastructural and investment type of activities. Within the New Hungarian Rural Development Program the promotion of the shift in land use, the shift in farming activity that are needed for the realization of the landscape management will be carried out with the help of the different agri-environment schemes. By this, the change over to such farming possibilities will be ensured that are in line with the changed characteristics of the concerned regions and are compatible with the presence of water, what is more they require the presence of water. Those areas covered by the Development of the New Vásárhelyi Plan, on the territory of which landscape management is based on built flood reservoirs have priority in case of the following schemes: integrated arable land management, management of traditional homesteads, organic arable plant production, extensive and organic grasslands management, scheme linked with establishment and utilization of grasslands for landscape management, management of traditional orchards, organic fruit and grape production, reed management, schemes linked with management of wetlands, and the zonal schemes as follows: environmental land use change scheme, establishment and management of wetland habitats scheme and the management of traditional orchards scheme.

Those receiving agri-environmental payment cannot receive support for the same activity within the frame of the technology development and presentation activities action of the Research Frame Programme.

Quantified targets based on the common EU indicators:

Indicator type	Indicator	Target
Output	**Number of agricultural farms and land users receiving support**	25 000
	- Of which Natura 2000	10 000
	- Division according to the beneficiary	
	- Farmers	24 500
	- Other land managers	500
	Total area under agri-environment support	1.2 million ha
	- Of which Natura 2000	0.5 million ha
	- Division according to the 'age' of the commitment	
	- Area that falls under an existing commitment	1.4 million ha
	- Area that falls under a new commitment	1.2 million ha
	Physical area under agri-environment support	1.2 million ha
	- Of which Natura 2000	0.5 million ha
	Total number of contracts	25 000
	- Of which Natura 2000	10 000
Result	Lands concerned with successful agri-environment measures	1.2 million ha
	Measure	
	Type of contribution	
	- Improvement of biodiversity	320 000 ha
	- Improvement of water quality	20 000 ha
	- Mitigating climate change	0 ha
	- Improvement of soil quality	640 000 ha
	- Avoidance of marginalisation and land abandonment	220 000 ha
Effect	Reversal of the decrease in biodiversity (index of wild birds nesting on agricultural areas; index: 2000=100%)	116%
	Conservation of lands with high environmental value	0.5 million ha
	Variation of gross nutrient balance (Nitrogen surplus)	- 21 kT

5.3.2.1.4. B Preservation of native and endangered farm animals' genetic resources through breeding

Legal basis for the support:

Council Regulation 1698/2005/EC, Articles 36 (a) (iv) and 39
Council Regulation 1974/2006/EC, Article 27 and Point 5.3.2.1.4 of Annex II

Code of action: 214.B.

Justification of action:

Preservation of the genetic resources in agriculture, in accordance with the Gothenburg declaration, is an activity with priority assistance. The assistance plays a major role in the preservation of the genetic resources of native and endangered species of farm animals on farms through breeding.

Targets of action:

The main target of this action is to preserve the genetic resources of native and endangered farm animals on farm among „in situ" conditions that are similar to the original traditional breeding and feeding practices and the preservation through animal husbandry in the framework of legally binding legislations on gene preservation and breeding programmes ensuring the survival of the animal species concerned.

Scope of action:

Priority gene preservation assistance is provided in the case of native and endangered animal species under agricultural utilization, referred to in the joint MARD-MEW Regulation No. 4/2007 (18 Jan) ,in those cases where the the threshold value of farm animals does not exceed the content of Annex 4 to Regulation 1974/2006/EC.

Within the framework of the measure agricultural producers and other stock-breeder taking on voluntary agri-environmental commitments may be supported. An "on farm" breeding location, beneficiary of the support, shall take a commitment to ensure the conditions prescribed in the gene preservation programme for at least 5 years, as well as the implementation of the breeding programme prescribed by the breeding organisation, ensuring the conditions for the implementation of performance checks for the stock and the progeniture. Furthermore, the headcount of ***livestock undertaken at the beginning of the programme*** shall be also ensured, throughout 5 years ***as well as the progeniture of this livestock until the end of the programme.***

Supported activity:

- The farming of pure line registered female flock under certified control for animal breeds enlisted in a separate Regulation, in accordance with the rules and regulations prescribed in the breeding programme;
  - keeping herd book registrations pursuant to regulations,
  - adhering to the mating plans prescribed in the breeding programme;
  - meeting the requirements of insuring a breeding animals for line preservation;
- Performing marking and registration tasks in line with ENAR (i.e. uniform animal registration and identification system) requirements.
- Gene preservation is a separate issue, so its requirements are not in connection with the area utilization and grassland management requirements for agri-environmental payments; therefore, the gene preservation support is independent from the area where the animal grazes. Based on all the above, farmers receiving area-based LFA, Natura 2000 and AE (agri-environmental) payments are also eligible for receiving this assistance as long as they meet the eligibility criteria and implement the breeding programme.

Support system

The farmers preserving the genetic resources of protected native and endangered farm animal breeds shall receive such support that takes into account the various extent and quality of work and differing amount of expenditure of farmers located at different levels of the so-called farming pyramid. By taking into consideration all above, a two-level support system is necessary.

Level 1

Supporting gene preservation or nucleus or elite flock: the flock of those breeders who possess a pure line, yield controlled and registered flock by strictly adhering to the farming programme of the breeding association and to the breeding programme (line preservation, selection, origin control, performance tests, appearance judgement etc.).

Level 2

Supporting flock participating in line preservation: the flock of those breeders who deal with the farming of a given breed in pure blood, They completely meet all the rules and regulations referring to the breeding programme of the breed. They play an important role in the preservation of the breed, providing breeding animals for the producers, and last but not least, in goods' production.

Support calculation and agronomic assessment:

The principles elaborated by the European Commission have been implemented at the calculation of payments, namely the revenue loss caused by the farming of native or endangered animals and the compensation of extra costs due to the adhering to the breeding programme based upon strict and detailed data collection, filling and processing. .

A part of emerging costs is specific by species, while another part is general in nature. The cost of excess foddering related to longer farming time represents a significant amount from these latter costs. The revenue loss, resulting from the difference between the performances of components involved in intensive production of the given breed of identical use-type as well as the difference between the sales prices of intensive and native breeds also belong here. The respect of the breeding programme (collection, registration and processing of appearance, yield and production data, calculation of breeding value, selection, for the means of line preservation, and the keeping of surplus male animals and the separate keeping of various groups) results in significant amount of extra work and thus, extra costs which shall be taken into account at the calculation of the amount of support.

The detailed methodology concerning the calculation of the amounts of payments is shown in Annex 7.

Scope of the beneficiaries:

- Every natural and legal entity (farmers and other land users) and, furthermore:
- those who breed a protected native or endangered farm animal breed with the certificate of its breeding organization, and certified registered female components as gene preserving flock – as nucleus or elite flock or gene preserving flock - , and bears the costs resulting from their farming.
- those who possess a minimum number of eligible registered female animals as defined for the given breed or exceeding this minimum amount. (see below)
- In order to avoid double financing, those native and endangered animal breeds cannot be supported which,
- are supported within the framework of NRDP National Rural Development Plan AE Programme (pursuant to MARD Decree No. 150/2004 (X.12.)) at the time of the reception of the support.
- are supported pursuant to Section (5) of Article 39. (e.g.: in vivo gene preservation in a registered farm, but not under the original (in situ) farming circumstances.)

Selection criteria of beneficiaries:

The gene preservation – nucleus – elite flock selected by the breeding organisation based on the breeding programme is favourable for the support than the line preserving flock. Farmers dealing with genetic lines represented by small number of animals or individuals having rare and/or valuable inheritable features can get prioritized. In case of overapplication the environmentally friendly farming practices on the farmland will appear as an aspect at the selection of beneficiaries.

The list of endangered species of farm animals:

The protected native and endangered farm animal species are listed in Annex 1 and 2 to Joint MARD-MEW Decree No. 4/2007 (18 Jan)

The size of eligible farm animals does not excess the threshold value mentioned in Annex 4 to Regulation 1974/2006/EC.Species and the number of protected native and endangered farm animals are in ANNEX 13. The registered female livestock is recorded in a registry system maintained by the Central Agricultural Office based on data of breeding organisations.

Form of support:

Flat-rate, animal-based, non-repayable assistance.

Support value and its upper limit:

The support system has two levels.

- The preservations of gene preserving nucleus flocks participating in priority breeding programme and the line preserving native and endangered flocks are eligible for different amounts of support.
- The maximum support is 200 euro/LU (exceptions in cases with relevant and correct professionally convincing explanation)

The proportion of support per registered female individuals is demonstrated in the table below:

Species/breeds	**Minimum number of animals**	**Amount of support euro / individual**	
		Gene preserving nucleus flocks	**Line preserving flocks**
cattle	1	200*	115*
buffalo	1	200	115
horse	1	200	115
donkey	1	180	100
pig	10	150	78
sheep	10	45	24
goat	5	45	24
hen	20	20	8
Guinea fowl	20	20	8
duck	20	27	10
turkey	20	35	14
goose	20	40	16

legend:
* Regarding the Hungarian grey cattle the amount of support is 284 euro/individual in case of gene preserving nucleus flocks and 160 euro/individual in case of line preserving flocks .

The amount of support determined by number of animals and referring to livestock units, the value defined in the Annex of 1689/2005/EC is exceeded in case of pig, sheep, goat, and hungarian grey cattle referring to a gene preserving – nucleus flocks, and in case of poultry. Detailed reasoning as regards the amounts of support is shown in Annex 7.

Financing:

Total public expenditure: 29 469 115 Euro
EU contribution: 22 643 552 Euro

Transaction cost:

In the calculation of the support sums of the present action the transaction costs were not implemented.

Observation of regulations – decreasing, detention of payments:

If the beneficiaries do not keep the binding requirements set forth in Article 4 and 5 and Annexes III and IV of Council Regulation 1782/2003/EC due to reasons directly imputable to them the full amount of payments shall be decreased or cancelled.

If the beneficiary does not fulfil the requirements of the program partially or fully the importance, extent, recurrence and continuity of not complying with the rules shall be considered when defining the detailed rules concerning the decreasing and disqualification.

Supervision:

The support is supervised by the Paying Agency with the involvement of the competent authority.

Temporary agreements (containing estimated costs):

The expenditures of the engagements taken for 5 years within the framework of the 2004 agri-environment schemes – include Keeping endangered breeds schemes - will be going on during the EAFRD programming period based on Article 5 of Council Regulation 1320/2006/EC.

Compatibility of the measure:

Links with other actions of the program

Gene preservation supported under this action is a separate issue, the requirements are not related to the land use and grassland management prescriptions of the agri-environmental scheme, that is the farmers beneficiaries to the LFA, Natura 2000 and AE schemes are eligible also to this action.

Ex situ conservation of agricultural genetic resources including the protected native and endangered farm animals is supported under the „preservation of genetic resources" measure (214 C) according to Article 39 section (5).

Hungary intends to implement on farm assistance to rare plant species through the agri-environmental assistance, by way of ensuring a premium level of assistance to agricultural producers for the production of species in the list attached (appendices 2 and 3), subject to compliance with the provisions for land use.

Quantified targets based on the common EU indicators:

Indicator type	Indicator	Target
Output	**Number of agricultural farms and land users receiving support**	850
	- Of which Natura 2000	Not applicable
	- Division according to the beneficiary	
	- Farmers	750
	- Other land managers	100
	Total area under agri-environment support	Not applicable
	- Of which Natura 2000	Not applicable
	- Division according to the 'age' of the commitment	
	- Area that falls under an existing commitment	Not applicable
	- Area that falls under a new commitment	Not applicable
	Physical area under agri-environment support	Not applicable
	- Of which Natura 2000	Not applicable
	Total number of contracts	850
	- Of which Natura 2000	Not applicable
	Number of actions related to genetic resources	
	- Division according to the type of actions	
	- Targeted actions	
	- Crop genetic resources	Not applicable
	- Animal genetic resources	14 000
	- Concerted actions (promoting exchanges of information)	Not applicable
Result	**Successfully preserved genetic resources**	+20%
	- Type of contribution	
	- Improvement of biodiversity	Direct positive effect
	- Improvement of water quality	Not applicable
	- Mitigating climate change	Not applicable
	- Improvement of soil quality	Not applicable
	- Avoidance of marginalisation and land abandonment	Not applicable
Effect	**Increasing proportion of local breeds within livestock taking part in agri-environmental grazing**	5%

5.3.2.1.4.C. Preservation of genetic resources

Legal basis for the assistance:

Article 39 Section (5) of Regulation 1698/2005/EC

Article 28 and Section 5.3.2.1.4 in Annex II of Regulation 1974/2006/EC

Measure code: 214.C

Justification of the measure:

Preservation of the genetic resources in agriculture, in accordance with the Gothenburg declaration, is an activity with priority assistance since it plays a major role in the preservation of the native and the rare species of the fauna and flora.

Purposes 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* and the *ex situ* collections (gene banks), as well as databases, furthermore, assistance to the information, knowledge dissemination and consulting activities as well.

Content of the measure:

This measure primarily deals with the preservation of agricultural genetic resources and its main focus is not the conservation of endangered animal and plant species threatened by extinction The gene preservation support applies to a certain size of core population in case of all breeds that is able to ensure the adequate quality standard of the genetic diversity of the breed concerned.

Sub-measures:

- Preservation of native and endangered animal species
- Preservation of rare and endangered crop varieties (plant genetic resources) and micro- organisms

1.) Preservation of indigenous farm animal breeds and breeds in danger of extinction

Priority gene preservation assistance is provided in the case of native and endangered animal species under agricultural utilization, referred to in the joint MARD-MEW Regulation No. 4/2007 (18 Jan) ,in those cases where the the threshold value of farm animals does not exceed the content of Annex 4 to Regulation 1974/2006/EC.

1.a) In vitro gene preservation – Cryopreservation of semen, embryo, ova

General prescriptions:

- ex situ cryopreservation of native breeds or breeds in danger of extinction
- genetic material collection or purchase from domestic or eventually foreign registered pure bred stocks
- storage of genetic material under laboratory conditions
- Creation of facilities for cryopreservation and support to their operations (devices, materials)
- Registration and Procurement of Pedigree of the collected, purchased genetic material
- The basis for payment in case of each farm animal breed is the implementation of the gene preservation programme included in the breeding programme

1. b) In vivo gene preservation - Preservation of live animals outside their natural habitat

General prescriptions:

- Ex situ preservation of native breeds or breeds in danger of extinction, in stock kept under different rearing and feeding conditions than in the original environment
- Breeding animal or genetic material collection or purchase from domestic or eventually foreign registered pure bred stocks
- Ex situ keeping of collected live animals
- Adequate conditions for breeding and for other operations (devices, materials)
- Registration and required herd book keeping of the eligible stock according to the breeding programme
- The basis for the payment in case of each farm animal breed is the accurate and full implementation of all requirements related to the ex situ storage places as it is mentioned in the breeding programme.

1. c) Support for activities concerning information dissemination and awareness raising of stakeholders participating in the preservation of protected native and endangered farm animal breeds

General prescriptions:

- Information dissemination and advisory actions on preservation and breeding methods and activities. Demonstration of opportunities of utilization and promotion of utilization.
- Line preservation, making and control of mating plans in stocks of breeds defined in a separate decree. Elaboration of utilization program, supporting breeders in utilization, information dissemination on the utilization programs.
- Herd-book keeping as required, meeting mating plans, line preservation and replacement of breeding animals should be made according to the breeding program. The utilization program should be developed continuously.

1. d) Ensuring the mutual information exchange among the authorities of member states

General prescriptions:

- Actions promoting the information exchange on the conservation, characterization, collection and utilization of genetic resources in member in the common EU agriculture, among competent authorities of the Member States.
- Dissemination of publications, professional materials and lists. Preparation and maintenance of websites.
- Organization of and participation at international conferences (regarding member states, future member states, or other non-EU states in case of some special animal breeds).
- Promoting the participation in the work of International NGO's involved in the preservation of genetic resources and also helping the process of becoming a member (membership fees and other costs related to the cooperation)

2.) Preservation of rare and endangered crop varieties (plant genetic resources) and micro-organisms

Priority gene preservation assistance is provided in case of plants listed in Annex 14., as well as their crop wild relatives approved by the Gene Bank Council. The sublimated, state-qualified sorts participate in line preserving sublimation, thus are not rare or endangered. The landraces and ecotypes of the cultivated plant sorts, which have been eliminated from cultivation, are all classified as endangered because the genetic material of the landraces and ecotypes will irrevocably fall under exctinction together with their propagation material, if not properly preserved. The preservation of the state-qualified and registered sorts cannot not be supported whithin the framework of this measure.

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. Items involved in gene preservation assistance are not eligible for agri-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)

In case of micro-organisms, conservation and long term maintenance of micro-organisms (viruses, bacteria, yeasts, moulds and other fungi, including cultivated mushrooms) playing useful or detrimental role in the field of plant production, animal husbandry, forestry, soil conservation, water management etc. ensuring the maintenance of their genetic characteristics unchanged.

General prescriptions:

For crop varieties:

- Collection, characterization and enhancement of utilization of the species and accessions listed in Annex 14., as well as their crop wild relatives.
- Maintenance and multiplication of the collected accessions

Ex situ preservation of seed propagated species, and maintenance of genetic resources of vegetatively propagated species in plantations and by in vitro methods

- Documentation and characterization of the national genetic resources collections using internationally standardized methodology, computerized data management, supplying the data to the institution assigned to the responsibility of the maintenance of the National Data Base in the act of No. 95/2003. (VII.14.) MARD.
- Dissemination of information concerning genetic resources at least two times a year, information delivery, extension service, organization of training courses, submission of technical reports
- Participating in coorporation programmes of the european gene bank of plants (ECP/GR, AEGIS, EURISCO, EPGRIS 2), within the frame of the integrated european gene bank system ensuring the preservation of indigenous as well as introduced landraces of Hungary, and those tranditional races which have been eliminated from public cultivation, respectively.

In case of microorganisms: Conservation and long term preservation of micro-organisms not commercialised and isolated/collected in the present territories of Hungary applying modern cryopreservation techniques (in liquid nitrogen at –196 ^{0}C or above liquid nitrogen at –145 ^{0}C), by deep freezing (-80 ^{0}C) and/or by freeze drying (liophylisation).

Scope of the beneficiaries:

Organizations engaged in gene preservation, agricultural producers

In case of sub-action 1:

1.a)

- Gene banks established or selected by the Ministry of Agriculture and Rural Development
- The applicant has to have adequate technological background for storage of genetic material of the animal species/breeds to be preserved.

1. b)

- ex situ registered pure bred stocks involved in the breeding program (research facilities, joint programmes involving breeders)
- those animals can not be supported under this sub-measure that participate in the measure 214 B (namely preservation of genetic resource of protected native and endangered farm animal species through husbandry) or those receiving support under the agri-environmental scheme of the National Rural Development Plan (according to MARD Decree No 150/2004. (X.12)

1. c)

- recognized breeding organizations and their umbrella organization
- other organizations legally involved in breed conservation

1.d)

- recognized breeding organizations and their umbrella organization,
- other organizations legally involved in breed conservation, institutions of research and education.

In case of sub-action 2:

For crop varieties:

- Those institutions, civil organizations, companies, private persons that maintain collections considered as part of the national genetic resources collection and designated by the Ministry of Agriculture and Rural Development upon the recommendation of the Gene Bank Council according to the act 95/2003. (VIII.14.) MARD 8 § (1), who/that
- Possesses a National Gene Bank inventory number, and willing to accept the regulations included in the FAO International Treaty for Plant Genetic Resources for Food and Agriculture (ITPGRFA), and

- Having a minimum of 50 accessions from the plant species/varieties listed in Annex 14., as well as their crop wild relatives.
- Only those crop species/varieties could be supported that has been approved and certified by the Gene Bank Council.

In case of micro-organisms:

- The applicant should have appropriate technical background and facilities for the conservation of the micro organisms to be maintained
- Only micro-organisms not commercialised and isolated/collected in the territory of Hungary, and their maintenance has been continuous since the original collection was made, are entitled for support (funding)

Species/breeds/varieties eligible for priority gene preservation support

- Priority gene preservation assistance is provided in the case of native and endangered animal species under agricultural utilization, referred to in the joint MARD-MEW Regulation No. 4/2007 (18 Jan) ,in those cases where the threshold value of farm animals does not exceed the content of Annex 4 to Regulation 1974/2006/EC.
- Only the species/varieties included in Annex 14. as well as their crop wild relatives, approved by the Gene Bank Council are entitled for priority gene preservation support.
- Only micro-organisms not commercialised and isolated/collected in the territory of Hungary and their maintenance has been continuous since the original collection was made, are entitled for support (funding).

Form of the assistance:

Flat rate, - depending on the sub-measure and the activity - area based, animal based, accession based, support per individual), non-refundable assistance

Value and upper limit of the assistance:

According to the provisions set in 1975/2006 EC Regulation Article 26. (5) indent support will be provided for the gene preservation actions to reimburse 90% of the eligible costs justified by invoices and other financial documents.

In case of sub-action 1 – Amounts of support related to genetic preservation of animals, accountable costs:

1a)

Costs of selection, collection, preparation for cryopreservation, cryopreservation itself of the genetic material are to be reimbursed based on list of costs. Cost of materials and assets are reimbursed according to receipts.

- Support can be granted for financing the extra labour needed for the in vitro preservation of the breeds concerned by the supported activity.

1b)

- Costs of labour and material expenditures are reimbursed based on cost lists, purchasing material and assets based on receipts.
- Support is needed for costs of keeping, feeding the animals, that amount (per individual) is calculated according to the amounts presented in measure 214B.

1c)

- Payment of the expenses of the expert(s) giving extension service on breeding and preservation. Costs of events, implemented tasks, publications informatic services are paaid according to financial records (receipt).

1d)

- Registration fees of experts participating in information exchanging events, reimbursement of their relevant costs, membership fees to international organisations
- Costs of publications, professional materials and website design are payed according to financial records (receipt).

In case of sub-action 2– amounts concerning crop genetic resources conservation, accountable expenses

<u>For crop varieties:</u>

- The amount per accessions will be defined according to the propagation methods applied for the species/variety concerned, ranging from 2 Euro/accession to 38 Euro/ accession.
- Certified costs of material expenses and labour incurred during the collection, evaluation process, characterization, documentation of the items,
- Costs of data supply and data exchange for the information system of the European Gene Bank, and the reimbursement of cost concerning the registration fees and other certified costs of the professionals, membership fees to be paid to the international organizations (ECP/GR, AEGIS)
- Certified costs of courses and trainings, and of the dissemination of publications and of the preparation and maintenance of electronic websites.

<u>In case of micro-organisms:</u>

Deep freezing (in liquid nitrogen):	40 euro/acc.
Deep freezing (at –80 ^{0}C)	24 euro/acc.
Freeze drying	32 euro/acc.

In this action:
An accession is a unit of preservation (clone, strain, line, cultivar, variety, population) depending on the type of the genetic material to be conserved.

Financing:

Total public expenditure :	20 107 137 Euro
EAFRD contribution:	15 449 971 Euro

Transaction cost:

In the calculation of the support sums of the present action the transaction costs were not implemented

Supervision:

The support is supervised by the Paying Agency with the involvement of the competent authority.

Avoiding double funding:

No assistance shall be granted on the basis of Art. 39, paragraph (5) of Regulation No. 1968/2005/EC to activities eligible for assistance under the technology development and demonstration activities framework programme of the European Community.

Compatibility Links with other actions of the program

Activities in connection with the agri-environmental commitments are not eligible for assistance under Art. 39, section (5) of Regulation No 1698/2005/EC, that is, any assistance for on farm preservation of native animal species can only be realized through the measure 214 B (namely preservation of genetic resource of protected native and endangered farm animal species through husbandry) .

Hungary intends to implement on farm assistance to rare plant species through the agri-environmental assistance, by way of ensuring a premium level of assistance to agricultural producers for the production of species in the list attached (appendices 2 and 3), 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 Operational Programmes:

No assistance shall be granted on the basis of Art. 39, paragraph (5) of Regulation No. 1968/2005/EC to activities eligible for assistance under the technology development and demonstration activities framework programme of the European Community.

Quantified targets of measure 214.C based on the common EU indicators

Indicator type	Indicator	Target
Output	**Number of agricultural farms and land users receiving support**	100
	- Of which Natura 2000	Not applicable
	- Division according to the beneficiary	
	- Farmers	25
	- Other land managers	75
	Total area under agri-environment support	Not applicable
	- Of which Natura 2000	Not applicable
	- Division according to the 'age' of the commitment	
	- Area that falls under an existing commitment	Not applicable
	- Area that falls under a new commitment	Not applicable
	Physical area under agri-environment support	Not applicable
	- Of which Natura 2000	Not applicable
	Total number of contracts	100
	- Of which Natura 2000	Not applicable
	Number of actions related to genetic resources	
	- Division according to the type of actions	
	- Targeted actions	
	- Crop genetic resources	30
	- Animal genetic resources	40
	- Concerted actions (promoting exchanges of information)	30
	Number of supported ex situ/in situ preservations	100 000 accession/animal
	Number of supported information exchange and consultations	1000
Result	**Increase in the number of registered animals - qualitative animal production**	+4%
	- Type of contribution	
	- Improvement of biodiversity	Direct positive effect
	- Improvement of water quality	Not applicable
	- Mitigating climate change	Not applicable
	- Improvement of soil quality	Not applicable
	- Avoidance of marginalisation and land abandonment	Indirect positive effect
	Number of international relations	8

	Number of samples/accessions provided for on farm conservation	500 samples/accessions
Effect	**Use of genetic resources in environmentally friendly agricultural management practices**	20-30 accession/year
	Increase in the number of registered animals	+20%
	Improvement of the quality of final product	+10%

5.3.2.1.5. Animal welfare payments

Legal basis of support:

Council Regulation 1698/2005/EC, Article 16a (e), Article 36 (a) (v) and Article 40
Council Regulation 1974/2006/EC, Article 27 and Point 5.3.2.1.5. of Annex II

Code of action:

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Justification of action:

Council Regulation (EC) No 74/2009 of 19 January 2009 amending Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and Council Regulation (EC) No 473/2009 of 25 May 2009 amending Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) provides an opportunity for the allocation of the sum of the European Economic Recovery Plan and the mandatory modulation to the measures attending the structural change of the milk sector as a new challenge.

Considering the needs and the available resources Hungary proposes to accompany the restructuring of the dairy sector. The animal welfare payment is a suitable measure for this goal as significant improvements to the welfare of the Hungarian dairy livestock, through the fulfilment of extra commitments, mainly by decreasing the livestock density, will accompany the ongoing restructuring of the dairy sector. By improving the well being of the dairy livestock, higher quality milk will be produced. The application of the animal welfare measure also has positive impacts on the environment with reducing point sources of pollution (mainly ammonia and nitrate) originated from animal husbandry and provide secure and healthy food.

The livestock of Hungary as well as the number of animal farmers has been continuously decreasing for a long time, which is characteristic for the beef sector as well. In 2000 there were 52 000 dairy farms, where 850 000 animals were held. By 2007 the number of beef farms decreased by 62%, the beef stock by 17% and the cow stock by almost 20%. The primary cause for this decrease in livestock is the low profitability which is falling continuously due to increasing costs (fodder and feeding stuff prices), and because the purchase price of milk is low for years (lower than the EU average). Because of the low cow stock Hungary utilized its milk quota for only 85% so far. The low milk consumption in Hungary (likewise under EU average) is also not favourable for the sector. The constantly low profitability level of the sector –

which is low even compared to the EU average – may result in the further decrease in stock, which would affect the rural employment in an unfavourable way. Also, further instruments of production (animal holding facilities, permanent grasslands) would become unexploited. The financial and economic crisis, as well as the restructuring of the CAP's quota regulation had an extremely harmful impact on our milk sector, being already in a difficult position.

Hungary believes that significant improvements to the wellbeing of the animals will also result in promoting the restructuring of the dairy sector and strengthening the consumer's trust in good quality milk and other dairy products.

Support for investments under this measure is excluded.

Objectives of the measure

- Decrease stocking density and provide outdoor access where possible;
- Improve the housing conditions in animal husbandry of milking cows and their calves;
- Improve the feeding conditions;
- Prevention of diseases and parasite infections;
- To apply higher standards concerning hygienic and feed requirements to the benefitl of the animals;
- Further shift of the milk sector towards high quality milk production and structural rationalization.

Scope of action:

Animal welfare payments may be received by milk producers voluntarily undertaking animal welfare commitments that exceed the baseline animal welfare standards. These payments cover new commitments exceeding mandatory standards determined by Council Regulation 73/2009/EC, Article 5 and Annex II, as well as additional mandatory requirements set in national legislation and in the Programme

Participation in the measure is voluntary. The mandatory commitments provide assurance for the substantive effect of the measure and basic production discipline. The optional commitments are undertaken voluntarily by the beneficiaries.

Detailed areas of action (sub-actions, activities):

Mandatory extra commitments:

1) Reducing stocking density
   - Foaling box (for calves)
   - Cow resting box
2) Increased frequency of mandatory surveillance
   - Up to 50 LU
   - Above 50 LU
3) Assessment of the risks to the welfare of animals on the farm and identification of needs for improvements and adjustments in the farm operations to reduce and where possible eliminate the risks.
4) Plan for proper milking technology and preventive interventions

Optional extra commitments:

5) Protection against parasites
6) Provision of natural conditions in the housing system (grazing)
7) Provision of extra hay (+1 kg/day/LU)

8) Transaction costs

Respect of animal welfare standards

The specifications of the measure exceed the mandatory requirements determined in the following pieces of national legislation:

- Act No. 46/2008. on food chain and its governmental control
- Act No. 28/1998. on the protection of animals
- Regulation No. 32/1999. MARD (III.31.) on the animal protection standards in animal husbandry.

Scope of beneficiaries and eligibility criteria:

Potential beneficiaries of the measure are milk producers

- Maintaining an operative dairy farm at the beginning of the commitment period,
- Whose dairy farm possesses a certificate from the competent Central Agricultural Office confirming that the housing place fully complies with the effectual animal welfare standards set out in the community and in the national legislation.
- Who commit themselves to reach higher animal welfare standards (specified in the table below) than the mandatory standards determined by Council Regulation 73/2009/EC, Article 5 and Annex II, as well as additional mandatory requirements set in national legislation and in the Programme and that at those implemented at the moment of submission of the support claim.

Type of support:

Flat-rate, non-refundable, compensatory support, which shall be calculated on the basis of the average annual livestock defined by livestock unit (LU).

Aid intensity: 100%

Amount of support:

Rate of EAFRD contribution:

- in convergence regions: 90%
- in non convergence regions: 65%

The transaction costs arising from the commitments - taking the amount of support related to the commitments undertaken as a basis - shall not exceed the ratio determined in Council Regulation 1974/2006/EC, Article 27 (10). Transaction cost shall mean cost related to letting the transaction take place and directly attributable to the implementation cost of the commitment it relates to, such as information gathering, cost linked to the determination of the baseline situation in the farm.

The maximum grand total sum of support is 129 EUR/LU.

Duration of the aid: 5 (five) years

Financing:

Public expenditure: 79 385 084 Euro
EAFRD contribution: 67 391 730 Euro out of which

- in the framework of the European Economic Recovery Plan: 48 348 000 Euro
- in the framework of the modulation: 5 900 000 Euro

The 90% (convergence regions) and 65% (non-convergence regions) EAFRD cofinancing rate is applicable only for funds allocated under "Health Check". In case of funds allocated in the frame of programme modification version No. 11 the EAFRD cofinancing rate of AXIS II. is applicable.

Complementarities and demarcation of the measure:

There is no other intervention co-financed by the Community or financed from national funds identical to the present support aiming at animal welfare.

Complementarities to the other measures of the Programme:

- The improvement of the results of the actions financed by the measure *1.3.1. Compliance with the environmental protection, animal welfare and hygienic requirements of the European Union* ("meeting standards") set up in the NRDP and implemented in the NHRDP as transitional commitment.

Quantified targets for EU common indicators:

Type of indicator	Indicator	Target
Output	Number of holdings supported	5 800 pcs
	out of which private holdings	5 050 pcs
Result	Husbandry meeting animal welfare standards higher than the mandatory standards	248 000 LU
	dairy cow	200 000 LU
	calf	48 000 LU

Commitment	Amount of support EUR/LU	Mandatory standards	Commitment going beyond mandatory standards	Income foregone / additional cost to be compensated
Compulsory commitments beyond mandatory standards				
1. Reducing stocking density a. Foaling box in case of calves b. Resting space (box) for stud heifer and/or primiparous heifer c. Resting space (box) for cows	42 27 27	MARD Decree No. 32/1999. (III.31.) Annex I. pts. 20-22.	Calves: 10% of additional space Stud heifer and/or primiparous heifer: 10% more space than six fourth of space for calves Cow: 10% more space than ten fourth of space for calves	Decreasing livestock and/or increasing specific cost Specific cost of littering
2. Increased frequency of mandatory surveillance a. up to 50 LU b. above 50 LU	9 2	Calves: MARD Decree No. 32/1999. (III.31.) Annex I. pt. 8. Heifer and cow: MARD Decree No. 32/1999. (III.31.) 12.§ (1) Prevalence of surveillance: MARD Decree No. 32/1999. (III.31.) 11.§	At least one more surveillance time a day	Specific cost of labour and charges
3. Assessment of the risks to the welfare of animals on the farm and identification of needs for improvements and adjustments in the farm operations to reduce and where possible eliminate the risks	2	MARD Decree No. 32/1999. (III.31.) 7.§ (1) – (4), 12.§ (3)	Assessment of the risks to the welfare of animals on the farm and identification of needs for improvements and adjustments in the farm operations to reduce and where possible eliminate the risks	Technical support and/or compensation for own labour and time
4. Procedure of good milking technology and plan for preventive interventions	2	Milking technology: Regulation (EC) No 853/2004 of the European Parliament and of the Council of 29 April 2004 laying down specific hygiene rules for on the hygiene of foodstuffs Section	Preparation and application of a procedure of good milking technology and of a plan for preventive interventions (treatment of horns and claws)	Service costs, specific cost and/or compensation for own labour and time

		IX. Chapter I. paragraphs. II. A, B, C Preventive interventions: MARD Decree No. 32/1999. (III.31.) 3.§ b)		
Amount of support for compulsory commitments **a. up to 50 LU** **b. above 50 LU**	**40–55** **33-48**			

Optional commitments beyond mandatory standards

5. Preventive protection actions against parasites	41	MARD Decree No. 41/1997 (V.28.) 629.§ (1) a), 630.§ (1)-(2)	Protection against parasites other than covered by mandatory protection (e.g. bloodsuckers, flies)	Wage of Hungarian Veterinarian Chamber Specific cost of labour and charges Specific cost of parasite protection tools
6. Provision of natural conditions in the housing system (grazing)	10	MARD Decree No. 32/1999. (III.31.) 5.§ (1) – (2)	Providing the possibility of grazing in the framework of given husbandry circumstances	Specific cost of labour and charges for grazing Specific cost of fence/electric fence
7. Provision of extra hay (+1 kg/day/LU)	20	MARD Decree No. 32/1999. (III.31.) 4.§ (2)	Providing on average an additional 1 kg/day/LU hay above existing farming practice	Purchase price and/or production cost of hay Storing
Maximum amount of support for optional commitments	**71**			

Transaction costs

Transaction costs	3	Authorized by Art. 27 (10) of Cimmission Regulation (EC) No 1974/2006		It is a maximum amount differentiation depending on the commitment taken by the beneficiary

Maximum grand total of support amounts

Maximum grand total of support amounts **a. up to 50 LU** **b. above 50 LU**	**114–129** **107–122**			

5.3.2.1.6. Assistance provided to non-productive investments measure

Legal basis for the assistance:

Art. 36 a) vi. and Art. 41 of Regulation No. 1698/2005/EC
Article 29 and Section 5.3.2.1.6 in Annex II of Regulation 1974/2006/EC

Measure code: 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-environmentalal provisions and the fulfilment 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 sustenance of the individual value of the landscape, increase of the richness in species of the fauna and flora, an improvement of the environment's condition, facilitation of the fulfilment 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 and management 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.

Areas of the measure (sub-measures, 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.

Division according to the type of activity

Asset acquisition:

The procurement of such assets that qualify as non-productive investment that enable the completion of the agri-environmental measure or that increase the Natura 2000 area or the welfare value of other areas of high natural value .

Under this measure the procurement of the following assets is eligible for support:

a) wooden fence on grasslands

b) permitted instruments for bird protection made of natural raw material (wood, reed);

Investments in area use:

At the margins of agricultural plots, the plantation of shrubs and field-protecting trees, balks, winter refuge for insects that secure the living conditions of plants and animal species contribute to the enhancement of biodiversity; to the establishment of the green corridor system and its lot-level elements, to decrease the level of wind and water erosion, to the rehabilitation of valuable open natural habitats and to secure the living conditions of living organisms.

Under this measure the following non-productive investments are eligible for support:

a) plantation of hedgerows at the edge of agricultural lots

General prescriptions:

- the smallest eligible area is 1 ha;
- the beneficiary shall be obtain an afforestation permit approved by the competent forestry authority
- the extent of the hedgerow must reach the 250 m length, the width must be at least 1,5 m and at the most 3 m;
- the area of the hedgerow cannot exceed 5% of the area of the field
- the applicable row distance is max. 1,2 m, the plant spacing is max. 0,7 m in the plantation of hedgerow. ;
- at least three shrub species shall be planted, and none of the species could exceed the 70% of the total plantation.

b) plantation of field-protecting trees

General prescriptions:

- the smallest eligible area is 3 ha;
- the beneficiary shall obtain an aforestation permit approved by the competent forestry authority
- the plantation shall be realised on an area with 250 m length and 15 m width; the width of the plantation shall be calculated based on 0.7 m distance from the margin bushrow (expected shape of the trees;
- the area of the plantation concerned with support cannot exceed 0.5 ha;

- the plantation shall be realised with native tree and shrub species with modified shape of the crown. ;

c)establishment of grass margins

General prescriptions:

- the smallest eligible area is 1 ha;
- the area of a grass margin cannot exceed 10% of the area of the field,
- 4 m wide grass margins on the border of the plot, established by grass sowing,
- the length of the grass margin shall be equal with the length of the plantation of hedgerows or field-protecting trees
- grass margin cannot be grazed or burned,
- application of fertilisers and chemicals is prohibited.

d) winter refuge for insects that secure the living conditions

General prescriptions:

- the smallest eligible area is 1 ha;
- the extent of the ridge shall reach the 250 m length, the 2 m width and the 25-40 cm altitude
- the area of the ridge cannot exceed 5% of the area of the field
- establishment of the ridge with two-way ploughing
- establishment of grassland on the ridge

e) establishment of green plant cover on the surface between the rows by grass

General prescriptions:

- the smallest eligible area is 0.5 ha;
- establishment of grassland according to provisions set under

f) establishment of grasslands

fa) establishment of grassland for environmental land use change

General prescriptions:

- eligible areas are (defined in LPIS): the protective zones of vulnerable drinking water resources, arable land with higher than 12% slope arable areas affected by floods or inland water, target areas of the Vásárhelyi Plan, arable lands within LFA
- the smallest eligible parcel is 0.3 ha,
- the smallest eligible area is 1 ha;
- establishment of grassland with a seed mixture containing at least 3 grass varieties and/or leguminous plants
- at sowing the use of fertilizers and farmland manure is allowed only with immediate application and up to a 170 kg/ha N active-agent content;

fb) establishment of grassland for nature conservation purpose

General prescriptions:

- eligible areas: arable land in designated HNVAs (defined in LPIS)
- the smallest eligible parcel is 0.3 ha,
- the smallest eligible area is 1 ha;
- grass planting with the use of sowing-seed mixture containing at least 5 grass varieties and leguminous plants,
- for grass planting, the use of fertilizers and farm yard manure is allowed up to a 90 kg/ha N;

Division based on other subsidies related to the activities:

- *Presentation of links to the requirements of Art. 36 a) iv. of Regulation No. 1698/2005 and other agri-environmental objectives:*

Non-productive investments required for voluntary commitments to **agri-environmental provisions** (measures 214. A and B) and the agri-environmental payments under the National Rural Development Plan (MARD Decree 150/2004 (X. 12.) help meeting the requirements of agri-environmental measures, enhancing biodiversity; the establishment of a green corridor system and its lot-level elements, to decrease the level of wind and water erosion and the rehabilitation of valuable open natural habitats and securing the living conditions for living organisms.

- *Presentation of the Community values in the Natura 2000 areas or other high nature value areas, in order to enhance these:*

Non-productive investments implemented on the territory of the farms do increase the public welfare value of the Natura 2000 areas or other high nature value areas, enhance biodiversity; help the establishment of a green corridor system and its lot-level elements, contribute to decrease the level of wind and water erosion and the

rehabilitation of valuable open natural habitats and securing the living conditions for living organisms. Restoration of small-size buildings, image elements, landscape elements on grassland and arable land of the farm enhance the landscape value of the area.

Scope of the beneficiaries:

Farmers:

- If they are participating in the "Agri-environmental measure" (Art. 39)
- Or in the "agri-environmental payments under the National Rural Development Plan" (based on Regulation 150/2004 MARD (October 12))
- Or in the "Natura 2000 payments on agricultural areas" (Art. 38),
- Or they are operating on high natural value areas,
- Or on areas especially designated in order to implement the sub-measures e.g. land with a slope steeper than 12%, the protection zone of vulnerable water resources and in cases when the beneficiaries undertake to apply for the support in relation to the environmental land use change shceme (B.4.1.) or to the nature conservation land use change scheme (B.4.2.) under the agri-environmental measure (214A). .

Local municipalities and government organisations are not eligible, because assistance is granted to them via EEOP.

Those areas are non eligible for support for establishment of grassy balks under this measure, which have already received support under the National Rural Development Plan" (based on Regulation 150/2004 MARD (October 12)) for establishment of grassy balks.

If these investments are not linked to agri-environment schemes, a justification is needed from the applicant, what kind of environmental benefit it has. Thus, those farmers who participate in the "Natura 2000 payments on agricultural areas" as well as farmers who operate on high natural value areas, need to have a justification of the competent national park directorate concerning the investment that is not linked to agri-environment schemes.

Concerning the measure:

High Nature Value Areas (HNVA) are defined as European areas where the main (mostly dominant) land use is agricultural utilisation and where this agricultural land

use practice supports a great species and habitat diversity, and the presence of species of high European nature conservation importance, or both.

The site designation of HNVA will be completed by the integration of the recent Natura 2000 network and the revised network of Environmentally Sensitive Areas. (Annex 15.)

Form of the assistance:

The assistance is a non-refundable assistance, with a price ceiling.

The maximum rate of the assistance have been determined in each case on the basis of adequate expert opinions, taking into consideration the local conditions and the current land use methods.

Proportion of the assistance:

100%

Support value and its upper limit:

Upper limit of the support value:

In case of asset acquisition:

wooden fence on grasslands	315 euro/100 m
instruments for bird protection made of natural row material	60 euro/instrument

In the case of activities related to land management

plantation of hedgerows at the edge of agricultural lots;	300 Euro/100 rm
plantation of field-protecting trees;	800 Euro/100 rm
establishment of grassy balks;	30 Euro/100 rm
winter refuge for insects that secure the living conditions;	30 Euro/100 rm
establishment of green cover between. the rows by grass	310 Euro/ha
establishment of grasslands	310 Euro/ha

Number of the projects per beneficiary:

Not more than one application may be submitted annually.

Financing:

Total public expenditure: 9 176 121 Euro
EAFRD contribution: 7 050 771 Euro

Compatibility of the measure:

Compatibility with other measures of the Programme

In terms of its scope of eligibility of the areas and beneficiaries, the measure is directly connected with the "Natura 2000 payments" measure (Art. 38.). If necessary, non-productive investments create the appropriate condition of the Natura 2000 areas or other high nature value areas, and increase, through auxiliary investments, their public welfare value. A similar link exists to the "Agri-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.

Complementarity with the CAP

When the operational programme of a Hungarian recognised producer organisation (PO) in the fruit and vegetables sector includes a non-productive investment at the level of the member's holding and/or at the level of the PO's premises, that PO and its members are excluded from eligibility for support for the same type of non-productive investment under the NHRDP. However, when the PO and/or its members are already implementing a non-productive investment under the NHRDP, the PO and/or its members concerned are excluded from support under the operational programme for the same commitments.

Link to other Operational 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 on the basis of the EU indicators:

Type of indicator	Indicator	Target 2007-2013
Output	Number of farm holdings and holdings of other land managers receiving support	10 000 pcs
	type of investments:	
	Investments linked to	
	○ the achievement of commitments undertaken pursuant to the measure provided for in article 36 (a) (iv)	4 000 pcs
	○ other agri-environment objectives (biodiversity, water use, nitrates etc)	3 000 pcs
	On-farm investments which enhance the public amenity value of agricultural land of	
	○a Natura 2000 area	2 500 pcs
	○ other high nature value areas to be defined in the programme	500 pcs

	Total volume of investment Type of investments: Investments linked to o the achievement of commitments undertaken pursuant to the measure provided for in article 36 (a) (iv) o other agri-environment objectives (biodiversity, water use, nitrates etc) On-farm investments which enhance the public amenity value of agricultural land of o a Natura 2000 area o other high nature value areas to be defined in the programme	13 million EUR 5.2 million EUR 3.9 million EUR 3.2 million EUR 0.7 million EUR
Result	Areas of successful land management Measure Type of contribution - Improvement of biodiversity - Improvement of water quality - Mitigating climate change - Improvement of soil quality - Avoidance of marginalisation and land abandonment	380,000 ha Direct positive effect Indirect positive effect Indirect positive effect Marginally Indirect positive effect
Impact	Reversal in biodiversity decline (farmland bird species population)	0.3 %
	Change in high nature value areas	5 200 ha
	Change in the gross nutrient balance (nitrogen surplus)	-0.76 kT

5.3.2.2. Measures aimed at the sustainable use of forestry areas

5.3.2.2.1. The first afforestation of agricultural land

Legal basis for the support

Article 43 of Regulation 1698/2005/EC

Measure code: 221

Justification of the measure:

Currently nearly 20% of the area of Hungary is used for forestry purposes. The forest cover of the country is improving but at international level it is still low when compared to the average of the 27 members of the EU (34.2%). Long term, in 35-50 years the afforestation of the country may be increased to an optimal 27% - by the afforestation of approximately 700 000 hectares of arable land- according to the afforestation conception of Hungary, which was developed considering the research done at the end of 1990's . The multifunctional and sustainable use of forests and the strengthening of their social and public welfare function can be continued under this measure. The significance and necessity of afforestation can be characterized by favorable impacts on the soil, water, air and biodiversity, in short on the environmental state, in addition to the economic benefits.

The increase of the forest cover has positive effect on the mountainous region against the water erosion, and on the plain against the wind erosion. The most of the afforestation are implemented on the areas of the Plain, where the forest cover is under the national average. In this region the precipitation is low, and the climate is extreme, but the environmental effects of the new forest stands can ameliorate the meso-climatical relations. The increase of the forested area changes the intensive agricultural areas with very important habitats considering the biodiversity.

The measure "Afforestation of agricultural land" shall contribute to the performance of international obligations undertaken by the Community and its member states. It is based on national or lower level forestry programmes and equivalent measures which take into account the obligations established by the

Ministerial Conference on the Protection of Forest in Europe. Fulfils the international obligations that have been undertaken in the Kyoto Agreement to protect the climate, and decrease the carbon dioxide level.

Purposes of the measure:

The main aims of the measure is to increase the forest cover of the country, to increase the environmental protection, social, public welfare and economic role of forests and to improve the level of employment in rural areas by developing the forestry sector, to enable the agricultural restructuring, by the help of alternative use of areas.. Objectives of forestry also include the establishment of high biodiversity natural forests, through a substantial increase in the ratio of indigenous tree species, particularly in protected areas.

Environmental development objective is to enrich biodiversity by establishing close-to-nature forests, to preserve the natural components of the rural landscape, and to facilitate appealing landscape appearance.

The whole area of afforestation contributes to protection against erosion (water or wind erosion) and combating climate change mitigation. The approval procedure of the afforestation plan ensures, that no afforestation can be implemented with negative effect to the environment.

Content of the measure:

Within the framework of the measure, support may be granted to the first afforestation of areas to be removed from agricultural cultivation. Within this support, establishment costs and maintenance costs may be supported for a maximum period of 5 years while the covering of the income lost due to the afforestation may be supported on an annual per hectare basis, for a maximum period of 15 years.

Scope of the beneficiaries:

The legal user of the eligible agricultural area may apply for the establishment and maintenance support.

The premium for loss of income may be applied for by producers, who cultivated the land before afforestation.

Areas are only eligible for support other than first afforestation if, the user (beneficiary) business association less than 50% share of the state/budgetary organisation.

Farmers eligible for higher premium for loss of income:

Farmer: a natural person pursuing agricultural activities or the association of such persons who verify that in the year of submitting the application for support devotes at least 25% of their working time in agricultural activities and derive at least 25% of their income from this activity

Eligible areas

Eligible agricultural area: an area that is eligible to support when applying for the single, area-based support based on the classification of the Land Parcel Identification System and financed from the European Agricultural Guidance and Guarantee Fund Guarantee Division and the European Agricultural Guarantee Fund. The regular actualization of the Land Parcel Identification System ensures that only areas under agricultural activation can be afforested.

Under the measure

Forest: Hungary has a more restrictive definition concerning canopy coverage and a less restrictive definition for the size of area than the definition in Article 30 of the 1974/2006 EC for which Hungary has the following reasons: because the definition of forest under Article 5 of Act LIV of 1996 and Article 3 Section 1 of its enforcement regulation, Regulation 29/1997 FM (April 30): In Hungary the area considered as forest if its area is more then 1500 square meter (including breaks and fire breaks), the canopy cover is more then 50% (30% in case of forest with erosion or nature protective function), the area is covered with trees even if some of the elements temporarily missing. The less restrictive criteria for the size of the area is explainable by the very fragmented site conditions of Hungary. All of the Hungarian forests can reach the height of five meters determined in Article 30 of the 1974/2006 EC Regulation.

Fast growing species: shall mean species with a rotation time, namely the period between two harvest cuts on the same parcel, of less than 15 years.

Designation of target area

The provisions and the criteria for selecting afforestation areas to ensure that the planned measures are in line with the local conditions and the environment protection/biodiversity requirements with regard to Article 34 of the enforcement decree and Article 50 (6) of Regulation 1698/2005/EC.

Compliance with local conditions and environment requirements is ensured by:

The afforestation on the whole area of Hungary contributes to the combating against negative effects of the global climate change.

No afforestation can be established in protected natural areas or NATURA 2000 areas and no support can be granted for these purposes where the current landscape structure and cultivation sector should be kept and it is positive from the aspect of preserving biological diversity.

The afforestation on Natura 2000 areas can be only supported if the afforestation is approved also by the *Naional Inspectorate for Environment, Nature and Water* as the competent authority in licensing procedure of panning of afforestations which clearly stipulate that the project need to meet the requirements of Article 6(3) of the counsil Directive 92/43/EEC (Habitat Directive).

The afforestation of non-protected grassland can be implemented with the agreement of the competent national park directorate.

- The beneficiary shall be obliged to obtain an afforestation permit issued to its name and approved by the forestry authority (the approving resolution of the afforestation plan). The afforestation plan according to the Act LIV of 1996 (The Act on forest, and protection of forest) should be made by professional forester, considering the site conditions and ecological features. The relevant authorities (authority of nature protection, defence, water protection) take part in the approval procedure. ;
- The planned afforestation shall be a supportable stand type in the given forestry ecological region.

The afforestation–implementation plan is to contain:

- name and address of the forestry producer,
- land registry data of the real-estate property affected by the afforestation, as well as the abstracted copy of the associated land registry map,
- abstract of the map from the district forest plan, indicating the area to be afforested and the sites of soil sampling,
- declaration of understanding provided by the owners of the area affected by the afforestation,
- habitat details of the area concerned,
- proposed function of the forest,
- main and mixture tree species, as well as varieties planned to be planted, the proportion of their mixtures, the mode of their being mixed, the planting grid (for seed sowing, row spacing and the quantity of the reproductive material foreseen to be used), the method of soil preparations, planting or seed sowing,

- planned dates for the commencement and completion of afforestation.

The afforestation–implementation plan is to be attached with the habitat survey protocol serving as the basis of the specification of habitat data whose form is contained in the forest Regularization Rules.

The approval procedure of the applications based on a scoring system, in which has advantage:

- Afforestation planned with protective function, contributing to the protection of erosion on arable land. (Estimated: 4 000 hectares)
- The afforestation planned on water shed areas. (According to the Gov. Reg. 240/200 (XII.23.)) (Estimated: 2 000 hectares)
- The afforestation planned in the regions with less forest cover than desired. (Hungarian Great Plain, and areas with low forest cover) (Estimated: 20 000 hectares)
- The afforestation planned in regions with high population where the role of the forests in air cleaning, and health protection can prevail in a higher level. (Estimated: 3 500 hectares)
- The indigenous, mixed forests with higher biodiversity. (Estimated: 28 600 hectares)
- The afforestation planned with the natural stand type of the specific forestry region. (Estimated: 10 600 hectares)
- The afforestation which are planned in the "forestry", and "mixed land use" regions according to the Law on National Physicalplanning. (Estimated: 26 500 hectares)

The distribution of the target area by cultivation branch:

Cultivation Branch	Expected area (ha)
Grassland	1 600
Orchard	500
Arable land	32 690
Wineyard	210
Total Area	35 000

The link between the planned measures and the national/partly national forestry programmes or other equivalent measures and the Community Forestry Strategy.

The measure National afforestation programme considers the relevant recommendations of the Act XXIV of 2003 on the National Regional Development Plan, and of the National Forest Programme which was accepted by the Hungarian Government in the Resolution 1110/2004 (X.27). Both document consider the afforestation as a priority. During the implementation of the Forest Programme the Community Forest Strategy were considered.

Connection with the Forest Protection Plan in areas classified as high or medium forest fire risk, and basic elements that ensure the measures' compliance with the protection plan:

On the basis of Regulation 12/1997 BM all forest areas shall be classified according to fire risk, and fire protection plans need to be developed accordingly.

Requirements concerning afforestation in Natura 2000 areas

The afforestation on Natura 2000 areas can be only supported if the afforestation is approved also by the National Inspectorate for Environment, Nature and Water as the competent authority in licensing procedure of panning of afforestations which clearly stipulate that the project need to meet the requirements of Article 6(3) of the counsil Directive 92/43/EEC (Habitat Directive).

If there is an approved and valid management plan on the Natura 2000 area, the following stand types are always excluded from support: Black locust, Improved poplar, and Pines.

Decrease or repayment of the support

It shall be regarded as an unauthorized use of the support applied for, and forest plot eligibility for support will be stopped if:

- the afforestation fails due to the mistake of the beneficiary;
- the beneficiary uses the support for a purpose other than the approved;
- after the completion, the beneficiary changes the original purpose of the support;
- regarding the given forest, the beneficiary makes a modification which is not planned in the forest plan, without notifying the forestry authority or the modification differs from the one presented to the forestry authority; in spite of a warning by the authority,
- if the beneficiary uses the area of the afforestation or part of it without a permission for another purpose in the support period.

In case of failure to comply with the conditions of the maintenance support, the maintenance support for the given forest plot may not be paid.

If the species mix will not be planted according to the plan, the forest plot eligibility for support will be stopped and the maintenance support claimed until that point will have to be repaid with interest (rate: double the base rate of the national bank).

If the support conditions are not met in any period of the support period due to the gross negligence or intentional conduct of the beneficiary, the beneficiary:

- shall be obliged to repay the support he/she has already claimed based on this regulation under the rules applicable to the unauthorized use of the support, and
- it may not receive support for a period from justification of two years.

Form of the assistance:

Non-returnable land-based support.

Proportion of the support

The rate of support for the establishment may be maximum 80% of eligible costs in mountain areas, in handicapped areas other than mountain areas. In other areas, it may be maximum 70% of eligible costs.

The rate of support is between 50 and 70% and it depends on the planned stand type, and on the degree of slope.

Value and upper limit of the assistance:

Referring to Article 48. and 53. of Council Regulation EEC 1974/2006 Payment rates are standard, calculated on a per hectare basis, so payment procedure is not by invoice.

Plantation costs and maintenance cost support depend on tree species to be afforested or the accessibility of the area by machinery.

Name of the eligibility group	**Oak and beech**	**Other hard broad-leaves**	**Other soft broad-leaves**	**black locust**	**Improved poplar**	**Pine**
Period of support for loss of income groups	Year					
	15	15	10	5	5	5
Establishment	euro per hectare					
1. below 10 degree*	1 721	1 291	1 148	1 090	1 177	853
2. above 10 degree**	2 065	1 549	1 378	1 308	0	1 023

Maintenance cost	euro/hectare/year					
below 10 degree*	432	391	369	210	301	262
3. above 10 degree**	519	469	443	252	0	314

**: Slopes 10 degree and under 10 degree*

***: Slopes over 10 degree*

Type of supplementary contributions*	**Amount of contribution**
Formation of a shoulder	EUR 12.63/100 m
Formation of a furrow	EUR 412.15/ha;
Formation of fencing	EUR 3.15/m;
Formation of an electric fence	EUR 1.37/m;

** These costs are additional to the establishment costs, in case the beneficiary chooses to add these elements to the afforestation project.*

The annual premium for loss of income for agricultural producers (or their associations) shall be maximum EUR 700 per hectare and in case of other natural persons or subjects at law it shall be maximum EUR 150/hectare.

Income support rates are dependent upon the land use of the area to be afforested and estimated to be over 50 euro per hectare.

euro/hectare/year		
	grasslands	other agricultural area
Farmer	92	242
Other non-farmer	57	150

Exclusion from the support:

No support may be received:

Communal restriction:

a) No support may be received for establishing Christmas tree plantations and ornament branches production

b) No support may be granted to a person who receives an Early retirement support from the European Agricultural and Rural Development Fund under Article 23 of Council Regulation 1698/2005/EC.

Member-state restruction:

a) for tree plantation planted for one rotation cycle

bc) for tree plantations with a shorter rotation cycle than 15 years;

dc) if the planned afforestation is a non-supportable stand type in the given forestry ecological region.

d) in the area where interrow cultivation is conducted, support for loss of income may not be applied for.

The following tree species may not be planted: box-elder (*Acer negundo*), ailanthus (*Ailanthus altissima*), **green ash (***Fraxinus pennsylvanica***), American cherry (***Padus serotina***), false indigo (***Amorpha fruticosa*).

The description of the calculation methods for plantation and maintenance costs and the lost income to be compensated are in the Annex 7. In so far as the support granted under regulation 1782/2003/EC is relevant in case of lost of income, the methods has to take into consideration the support under regulation 1782/2003/EC.

Detailed in Annex 7.

The provisions on the verifiability of the calculation method by the Commission:

The amounts of support have been calculated by the Forestry authority.

General costs:

The general costs are included in the flat rate support. These are include in the Annex "Calculation method of the amounts of payments", among the activities arising at the first instalment and maintenance.

Verifiability

Administrative and actual verifications before payments.

Financing

Public expenditure: 203 024 886 Euro

EAFRD contribution: 156 000 765 Euro

Provisional measures

The payments delayed by commitments regarding the plantings between 2004 and 2006 will continue in the EAFRD programming period, on the basis of Art. 7 of 1320/2006/EC. (the payment of EUR 100 000 000-120 000 000 will be necessary, depending on the plantings in 2006) Based on the current commitments, this total amount is maximum 115.4 M EUR.

Complementarity and designation criteria:

Complementarity to the other measures of the Programme

The measure is tightly linked to the measures of axis II: the first forestation of non-agricultural areas, first formation of agro-forestation systems in agricultural areas, forest-environmental protection measures and the Natura 2000 measure. The measure is closely linked with one of the measures in axis I: “value increase of agricultural and forestry products”.

Quantified targets on the basis of the EU indicators:

Type of the indicator	Indicator	Target
	Number of the beneficiaries of the afforestation support	4 500 pcs
	The type of land ownership	
	- private owned agricultural land (natural persons or private law corporation)	3 950 pieces
	- agricultural land owned by public authorities	550 pieces
	The 'age' of the commitment	
	- Existing commitments (Regulations 2080/2992; 1257/1999; 1698/2005)	2 900 pieces
	- New commitments	1 600 pieces
	The environmental reason	
	o Prevention form erosion or desertification	Direct, positive
	o Enhancing biodiversity	Direct, positive
	o Protection of water resources	Indirect, positive
	o Prevention of floods	Direct, positive
	o Climate change mitigation	Direct, positive
	o Other	
Output	Planted forest area (ha)	35 000 ha
	The type of land ownership	
	- private owned agricultural land (natural persons or private law corporation)	33 400 ha
	- agricultural land owned by municipalities	1 600 ha
	The environmental reason	
	o Prevention form erosion or desertification	Direct, positive
	o Enhancing biodiversity	Direct, positive
	o Protection of water resources	Indirect, positive
	o Prevention of floods	Direct, positive
	o Climate change mitigation	Direct, positive
	o Other	
	The type of tree	250 ha
	- Conifers	34 750 ha
	- Broadleaves	0 ha
	- Fast growing species for short-term cultivation	
	The 'age' of the commitment	0 ha
	- Existing commitments	35 000 ha
	- New commitments	
Result	Area of successful afforestation	35 000 ha
	Measure	
	Type of contribution	
	- Improvement of biodiversity	Direct, positive
	- Improvement of water quality	Indirect, positive
	- Mitigating climate change	Direct, positive
	- Improvement of soil quality	Indirect, positive
	- Avoidance of marginalisation and land abandonment	Indirect, positive

Impact	Reversal of the reduction in biodiversity (index number of wild birds nesting in a n agricultural area, 2000: 100%)	- 0.1 %
	Change in the gross nutrient balance (nitrogen surplus)	-3.5 kT
	Increase in the production of renewable energy (mineral oil value)	225 kT

5.3.2.2.2. First establishment of agroforestry systems on agricultural land

Legal basis for the assistance

Article 44 of Regulation 1698/2005/EC

Measure code: 222

Justification of the measure:

The agro-forestry systems are extensive land use systems where trees are attended and agricultural activities are pursued simultaneously, thus a mosaic of agricultural and forestry systems is created. The agro-forestry systems are of great ecological, landscape and social value since they combine extensive agricultural and forestry systems aimed at the production of excellent quality wood and other forestry products. Concerning agro-forestry systems grazing forests have traditions in Hungary. The measure is considered as a great possibility to introduce new land use systems. For farming point of view, introducing agro forestry system in certain special regions of Hungary (floodplains, regions of threat to wind and water erosion) are expected to achieve major positive environmental effects.

The measure due to its multifunctional character extends the income gaining opportunities of the population, and it may secure the continuation of farming in previously intensively uses areas with unfavorable conditions and in case of Natura 2000 areas. The measure has major importance in reintroducing sustainable landscape management in flood-basins. The environmental state of the areas affected by the creation and maintenance of agro-forestry systems will improve due to the strengthening of the mosaic character; biodiversity will grow and the permanent green cover will decrease the level of erosion significantly.

The measure aids the protection of rural natural resources and improves their state. It contributes to the reaching of environmental targets, to the protection of the soil and to the prevention of disappearing biological diversity.

The measure provides an good opportunity for integrated and ecological farming and the utilization of species that are typical of the region (geographical indications).

The agro-forestry systems are perfect for making the rural area more attractive, for maintaining jobs and creating new ones, and for improving the living conditions of people in rural areas.

Purposes of the measure:

Global aims:

- Improving the income possibilities on rural areas
- Contribution to environmental protection aims
- Contribution to the protection of rural landscape
- Contribution to the protection of biodiversity

Specific aims:

- Improving biodiversity, establishing mosaic structured landscape
- Maintaining the traditional and developing new landscape management practices
- Introducing new agro-forestry systems
- Diversifying income possibilities on rural areas
- Introducing alternative use of agricultural land
- Protection against wind and water erosion

Operational aims:

- Combating the abandoning of agricultural land by introducing agro-forestry systems
- Maintaining soil cover by introducing agro-forestry systems

Content of the measure:

The agro-forestry systems are extensive land use systems where trees are attended and agricultural activities are pursued simultaneously, thus a mosaic of agricultural and forestry systems is created.

Within the framework of the measure, the applicants receive support for combining agricultural and forestry systems and creating agro-forestry systems. The support covers the foundation costs.

In the course of founding agro-forestry systems, tree plantation in a broad network or tree lines, keeping animals, provide for the multi-purpose use of the given land. The selection of species that fit the needs and the conditions of the area, and, to secure the continuation of agricultural land use, the planting of arboreal plants and herbs for the creation of wooded grazing areas, grassland protecting shrubbery and tree lines and groups of trees, extensive grazing, broad network of trees for wood production for industrial purposes, forest fruit, medicinal herb and honey production.

In the course of forestry use through species that fit local conditions the wooded grazing areas, the grassland protecting shrubbery and the tree lines and the groups of trees, the broad network of trees for wood production for industrial purposes are provided and the production of forest fruit is done simultaneously.

In the course of agricultural utilization by using the advantages provided by the trees, **the production may be supplemented by** extensive grazing.

The agro-forestry systems receiving support:

- Agro-forestry system for grazing purposes:

Beneficiaries:

- Farmers registered in IACS
- The client needs to be the user, owner or tenant of the area

General criterias

- Minimum of 1 ha UAA (utilized agricultural area), parcel size larger than 0,3 ha

Establishment prescriptions for tree sized elements

Aim:

- Improving landscape value by establishing native trees
- Improving biodiversity by establishing different tree species
- To inspire farmers to establish alternative farming systems
- Provide feed for protected bird species
- to support the re-establishing of grazing forests
- improve grazing farming methods

Prescriptions:

- In case of tree sized elements establishment, species can be planted that are defined in forest act as forest species, and reaching no more than 50 % of total planted trees the following species and subspecies:

Apple (Malus domestica): Ananász renet, Batul apple, Budai Domokos, Csillagos piros renet, Dallos apple, Daru sóvári, Egri piros, Hercegnő apple, Hosszúfalusi, húsvéti rozmaring, Jászvadóka, Kanadai renet, Kálvil apple, Kecskeméti butter apple, Kenézi piros, Londoni pepin, Muskotály renet, Nemes sóvári, Nemes szercsika, Nyári csíkos fűszeres, Nyári fontos, Orbai apple, Parker pepin, Pónyik apple, Sándor cár, Sárga szépvirágú, Sikulai apple, Simonffy piros, Szabadkai szercsika apple, Széchenyi renet, Szemes apple, Téli arany parmen, Téli piros pogácsa, Tombácz apple, Tordai piros, Török Bálint apple, Zeliz apple,

Cherry (Prunus avium): Badacsonyi óriás, Gyöngyösi szívcseresznye, Márki korai, Pomázi hosszúszárú, Solymári politúr, Szomolyai rövidszárú;

Walnut (Juglans regia): Alsószentiváni, Milotai, Tiszacsécsi;

White mulberry (Morus alba)

Black mulberry (Morus nigra)

Apricot (Prunus armeniaca): Rózsabarack; Borsi-féle kései rózsa; Kécskei rózsa; Korai piros; Magyar kajszi, Rakovszky kajszi

Pear (Pyrus pyraster): Arabitka, Árpával érő, Búzával érő, Diel vajkörte, Erdei vajkörte, Hardy vajkörte, Kieffer körte, Nagy szegfűkörte, Nemes kraszán, Nyári Kálmán körte, Papkörte, Serres Olivér, Zöld Magdolna

Almond (Amygdalis communis)

Sour cherry (Prunus cerasus): Cigánymeggy

Chestnut (Castanea sativa): Iharosberényi, Kőszegszerdahelyi, Nagymarosi

Plum (Prunus domestica): Besztercei, Bódi, Gömöri nyakas, Mirabolán szilva, Nemtudom szilva (Penyigei szilva), Nyári aszaló, Späth Anna, Vörös szilva, Ageni, Olasz kék, Paczelt szilvája.

- the following species cannot be planted: box-elder (Acer negundo), tree of heaven (Ailanthus altissima), **green ash (**Fraxinus pennsylvanica**), American cherry (**Padus serotina**), false indigo (**Amorpha fruticosa).
- establishment has to be completed according to establishment plan based on complex site survey
- establishment can be completed only with forest species having certificate of origin
- tree elements and bushes has to be established within one year for the support
- on the supported area a minimum of 100 tree pieces per hectare has to be established, taking care that the number of the existing and the newly planted trees altogether shall not excedd 150 pieces per hectare. The height of the planted trees from the root to shoot apex shall be at least 80 cm.
- establishment has to be implemented with even scattering of trees on the supported area: row width min. of 10 meters, plant to plant distance min. of 4 meters, but no more than 20% of seedlings can be planted more densely
- established agro-forestry systems have to be maintained for at least 5 year.

Investment costs

- cost of seedling
- complex survey and planning cost
- soil preparation and establishment cost
- sowing cost
- cost of grass seed
- cost of individual protection of seedlings

Establishment prescriptions

- establishment of grass habitat, that has to be completed within the first year of support
- sowing has to be completed with at least four different grass species, including one legumes species

- weeds and invasive bushes can be exterminated only by mechanical methods
- in the first year two mowing is allowed, grazing is not allowed
- from the second year grass can be maintained by grazing and by mowing
- in case of grazing during the supporting period the following species are allowed for grazing by no more than 1 LU/ha grazing density: cattle, sheep, water buffalo, horse, donkey,
- individual protection of tree seedlings must be carried out
- in case of grazing clean cutting must be carried out in autumn

Requirements concerning the establishment of agro-forestry systems in Natura 2000 areas

The establishment of agro-forestry system on Natura 2000 areas can be only supported if the afforestation is approved also by the National Inspectorate for Environment, Nature and Water as the competent authority in licensing procedure of panning of afforestations which clearly stipulate that the project need to meet the requirements of Article 6(3) of the counsil Directive 92/43/EEC (Habitat Directive).

Form of the assistance:

Flat rate, area-based, non-refundable assistance

Value and upper limit of the assistance:

The rate of support for the first instalment may be maximum 80% of eligible costs in handicapped areas other than mountain areas (art. 37) and in Natura 2000 areas (art. 38). In other areas, it may be maximum 70% of eligible costs.

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Calculation methodology of the support:

Detailed in Annex 7.

The rate of support for planting costs:

Agro-forestry payments	Support (Euro/ha)
Agro-forestry system for grazing purposes int he case of a single establishment of grass and tree plantation	1050
Agro-forestry system for grazing purposes int he case of an existing grass, solely for tree plantation	740

Grounds for exclusion from the support

Everybody who fails to meet the requirements of the programme.

No support may be given to tree plantations of Christmas tree production and ornament branches production or tree plantation with a shorter coppice period than 15 years;

The following tree species may not be planted: box-elder (*Acer negundo*), ailanthus (*Ailanthus altissima*), **green ash (***Fraxinus pennsylvanica***), American sherry (***Padus serotina***), false indigo (***Amorpha fruticosa*).

Financing:

Public expenditure: 2 813 540 Euro

EAFRD contribution: 2 161 875 Euro

Provisional arrangements (containing the estimated amounts):

None.

Complementarity and designation criteria:

The measure is closely linked to payments to the agricultural producers other than mountain areas (art. 37) and to the agro-environmental management programme (art. 39) since the chemical use regulations and nutrient supply provisions are identical in the two measures. The measures of first forestation of agricultural areas and non agricultural areas (articles 43 and 45), the Natura 2000 measure (Art. 46) and the forest-environmental protection measure (Article 47) have a direct territorial and professional link with the agro-forestry systems. Regarding the economic effects, it is

connected to the "increasing the economic value of forests" measure (Art. 27) and "increasing the value of agricultural and forestry products" measure (Art. 28).

Quantified targets on the basis of the EU indicators:

Type of the indicator	Indicator	Target
Output	Number of beneficiaries:	300 pcs
	The agricultural use of the land	
	- Arable farming	Non relevant
	- Grassland	300
	- Other	Non relevant
	Number of hectares under new agroforestry systems	3 000 ha
	The agricultural use of the land	
	- Arable farming	Non relevant
	- Grassland	3 000 ha
	- Other	Non relevant
	The type of tree	
	o Oak and beech	1 000 ha
	o Other hard broadleaves	1 000 ha
	o Other soft broadleaves	1 000 ha
	o Black locust	0
	o Improved poplar	0
	o Pine	0
Result	Areas under successful land management	3 000 ha
	Measure	
	Type of contribution	
	o Improvement of biodiversity	Direct, positive
	o Improvement of water quality	Indirect, positive
	o Mitigating climate change	Direct, positive
	o Improvement of soil quality	Indirect, positive
	o Avoidance of marginalisation and land abandonment	Indirect, positive
Impact	Reversal in biodiversity decline (farmland bird species population 2000: 100%)	0 %
	Change in the gross nutrient balance (nitrogen surplus)	-30 kT
	Increase in the production of renewable energy (mineral oil value)	10 kT

5.3.2.2.3. The first afforestation of non-agricultural land

Legal basis for the assistance

Article 45 of Regulation 1698/2005/EC

Measure code: 223

Justification of the measure:

Currently nearly 20% of the area of Hungary is used for forestry purposes. The forest cover of the country is improving but at an international level it is still low when compared to the average of the 27 members of the EU (34.2%). Long term, in 35-50 years the afforestation of the country may be increased to an optimal 27% - by the afforestation of approximately 700 000 hectares of arable land- according to the afforestation conception of Hungary, which was developed considering the research done at the end of 1990s, . The multifunctional and sustainable use of forests and the strengthening of their social and public welfare function can be continued under this measure. In addition to the economic benefits, the significance and necessity of afforestation can be characterised by favourable impacts on the soil, water, air and biodiversity, in short, on the environmental state.

The significance and necessity of afforestation can be characterised by favourable impacts on the soil, water, air and biodiversity, in short, on the environmental state, in addition to the economic benefits.

The increase of the forest cover has positive effect on he mountainous region against the water erosion, and on the plain against the wind erosion. The most of the afforestation are implemented on the areas of the Plain, where the forest cover is under the national average, the precipitation is low, and the climate is extreme, that's why the developing effects of the forest for the climate prevails. The increase of the forested area changes the intensive agricultural areas with very important habitats considering the biodiversity.

Within the framework of the first afforestation of non-agricultural land, it is advisable to plant 2 thousand hectares of forest between 2007 and 2013. In addition to the economic benefits, the significance of afforestation can be characterised by favourable impacts on the soil, water, air and biodiversity.

Environmental development objective to enrich biodiversity by establishing close-to-nature forests, to preserve the natural components of the rural landscape, and to facilitate appealing landscape appearance.

The increase of the forest cover has positive effect on he mountainous region against the water erosion, and on the plain against the wind erosion. The most of the afforestation are implemented on the areas of the Plain, where the forest cover is under the national average, the precipitation is low, and the climate is extreme, that's why the developing effects of the forest for the climate prevails.

Purposes of the measure:

The main aims of the measure is to increase the forest cover of the country, to increase the environmental protection, social, public welfare and economic role of forests and to improve the level of employment in rural areas by developing the forestry sector, to enable the agricultural restructuring, to use areas in alternatively. Objectives of forestry also include the establishment of high biodiversity natural forests, through a substantial increase in the ratio of indigenous tree species, particularly in protected areas.

Environmental development objective is to enrich biodiversity by establishing close-to-nature forests, to preserve the natural components of the rural landscape, and to facilitate appealing landscape appearance.

Content of the measure:

Within the framework of the measure, afforestation of land not entitled to support under the first afforestation of the agricultural land measure (Art. 43) may be supported, and the support covers establishment costs. In case of agricultural areas removed from production, the annual support contributing to maintenance costs shall be available based on the forested hectares, for a period of 5 years.

Within the framework of the measure, flat rate unit price and area based support is available based on application for the quantity and quality improvement of forested area of Hungary and for the improvement of the public interest protection function of the forests.

For forestation areas appropriate from an environmental aspect may be selected, based on for example protection against erosion, expansion of forestry resources to decrease the effect of climate change, including increasing the biodiversity and the protection of watercourses, flood protection and the decrease of the extent of climate change. No protected natural areas or NATURA 2000 areas may be selected and supported where the current landscape structure and cultivation sector may be kept and it is positive from the aspect of preserving biological diversity.

Scope of the beneficiaries:

The legal user of the eligible agricultural area may apply for the first afforestation support.

The legal user of the eligible area may apply for the maintenance support, if the area is out of crop.

State (or privately) owned areas are only eligible for support other than first afforestation if, the user (beneficiary) business association less than 50% share of the state/budgetary organisation.

Areas eligible

Eligible non-agricultural area: an area that is not eligible to support when applying for the single, area-based support based on the classification of the LPIS and financed from the European Agricultural Guidance and Guarantee Fund Guarantee Division and the European Agricultural Guarantee Fund.

Out of crop land entitled to receive attendance support: a non-agricultural area that has been verified as out of crop by the **Institute of Geodesy, Cartography and Remote Sensing through a remote sensing examination after the application is filed.**

Under the measure

Forest: Hungary has a more restrictive definition concerning canopy coverage and a less restrictive definition for the size of area than the definition in Article 30 of the 1974/2006 EC for which Hungary has the following reasons: because the definition of forest under Article 5 of Act LIV of 1996 and Article 3 Section 1 of its enforcement regulation, Regulation 29/1997 FM (April 30): In Hungary the area considered as forest if its area is more then 1500 square meter (including breaks and fire breaks), the canopy cover is more then 50% (30% in case of forest with erosion or nature protective function), the area is covered with trees even if some of the elements temporarily missing.

The less restrictive criteria for the size of the area is explainable by the very fragmented site conditions of Hungary. All of the Hungarian forests can reach the height of five meters determined in Article 30 of the 1974/2006 EC Regulation.Fast growing species: shall mean species with a rotation time, namely the period between two harvest cuts on the same parcel, of less than 15 years.

The provisions and the criteria for selecting afforestation areas to ensure that the planned measures are in line with the local conditions and the environment protection/biodiversity requirements with regard to Article 34 of the enforcement decree and Article 50 (6) of Regulation 1698/2005/EC.

Compliance with local conditions and environment requirements is ensured by:

No protected natural areas or NATURA 2000 areas may be selected and supported where the current landscape structure and cultivation sector may be kept and it is positive from the aspect of preserving biological diversity.

The afforestation on Natura 2000 areas can be supported, if the area has a valid Natura 2000 management plan, and the plan permit the afforestation.

The afforestation of non-protected grassland can be implemented with the agreement of the competent national park directorate.

- The beneficiary shall be obliged to obtain an afforestation permit issued to its name and approved by the forestry authority (the approving resolution of the afforestation plan). The afforestation plan according to the Act LIV of 1996 (The Act on forest, and protection of forest) should be made by professional forester, considering the site conditions and ecological features. The relevant authorities (authority of nature protection, defence, water protection) take part in the approval procedure;
- The planned afforestation shall be a supportable stand type in the given forestry ecological region.

The afforestation–implementation plan is to contain:

- name and address of the forestry producer,
- land registry data of the real-estate property affected by the afforestation, as well as the abstracted copy of the associated land registry map,
- abstract of the map from the district forest plan, indicating the area to be afforested and the sites of soil sampling,
- declaration of understanding provided by the owners of the area affected by the afforestation,
- habitat details of the area concerned,
- proposed function of the forest,
- main and mixture tree species, as well as varieties planned to be planted, the proportion of their mixtures, the mode of their being mixed, the planting grid (for seed sowing, row spacing and the quantity of the reproductive material foreseen to be used), the method of soil preparations, planting or seed sowing,
- h) planned dates for the commencement and completion of afforestation.

The afforestation–implementation plan is to be attached with the habitat survey protocol serving as the basis of the specification of habitat data whose form is contained in the forest Regularization Rules.

The approval procedure of the applications based on a scoring system, in which has advantage:

- Afforestation planned with protective function, contributing to the protection of erosion.
- The afforestation planned on water shed areas. (According to the Gov. Reg. 240/200 (XII.23.))
- The afforestation planned in the regions with less forest cover than desired.
- The afforestation planned in regions with high population where the role of the forests in air cleaning, and health protection can prevail in a higher level.
- The indigenous, mixed forests with higher biodiversity.
- The afforestation planned with the natural stand type of the specific forestry region.
- The afforestation which are planned in the "forestry", and "mixed land use" regions according to the Law on National Physicalplanning.
-

The methods for determining planting and maintenance costs

Detailed in Annex 7.

The link between the planned measures and the national/partly national forestry programmes or other equivalent measures and the Community Forestry Strategy.

National afforestation programme and Act XXIV of 2003 on the National Regional Development Plan.

The National Forest Programme which was accepted by the Hungarian Government in the Resolution 1110/2004 (X.27), considers the afforestation as a priority. During the implementation of the Forest Programme the Communitiy Forest Strategy were considered.

Connection with the Forest Protection Plan in areas classified as high or medium forest fire risk, and basic elements that ensure the measures' compliance with the protection plan:

On the basis of Regulation 12/1997 BM all forest areas shall be classified according to fire risk, and fire protection plans need to be developed accordingly.

Requirements concerning afforestation in Natura 2000 areas

The afforestation on Natura 2000 areas can only be supported, if the area has an approved and valid Natura 2000 management plan, and the plan permits the afforestation.

However, even if there is an approved and valid management plan on the Natura 2000 area, the following stand types are always excluded from support: Black locust, Improved poplar, and Pines.

Form of the assistance:

Flat rate, area-based, non-refundable assistance

Amount of the support:

Referring to Article 48. and 53. of Council Regulation EEC 1974/2006 Payment rates are standard, calculated on a per hectare basis, so payment procedure is not by invoice.

Plantation costs and maintenance cost support depend on tree species to be afforested, the Natura 2000 or LFA status of the land, or the accessibility of the area by machinery.

Name of the eligibility group	Oak and beech	Other hard broadleaves	Other soft broadleaves	black locust	Improved poplar	Pine
Support period in the income losing groups	Year					
	15	15	10	5	5	5
Establishment	euro per hectare					
below 10 degree*	1 721	1 291	1 148	1 090	1 177	853
above 10 degree**	2 065	1 549	1 378	1 308	0	1 023
Maintenance cost	euro/hectare/year					
below 10 degree*	432	391	369	210	301	262
above 10 degree**	519	469	443	252	0	314

**: Slopes 10 degree and under 10 degree*

***: Slopes over 10 degree*

Proportion of the assistance

50-70% of plantation costs.

General costs:

The general costs are included in the flat rate support. These are include in the Annex "Calculation method of the amounts of payments", among the activities arising at the first instalment and maintenance.

Grounds for exclusion from the support

Exclusion from the support:

No support may be received:

Community restriction:

a) No support may be received for establishing Christmas tree plantations and ornament branches production

b) No support may be granted to a person who receives an Early retirement support from the European Agricultural and Rural Development Fund under Article 23 of Council Regulation 1698/2005/EC.

Member-state restriction:

a) for tree plantation planted for one rotation cycle

bc) for tree plantations with a shorter coppice period than 15 years;

dc) if the planned afforestation is a non-supportable stand type in the given forestry ecological region.

The following tree species may not be planted: box-elder (*Acer negundo*), ailanthus (*Ailanthus altissima*), **green ash (***Fraxinus pennsylvanica***), American sherry (***Padus serotina***), false indigo (***Amorpha fruticosa*).

Financing:

Public expenditure:	0 Euro
EAFRD contribution:	0 Euro

Provisional measures

None

Complementarity and designation criteria:

Complementarity to the other measures of the Programme

The measure is closely linked to the all forestry measures in axis II. To the measures of first forestation of agricultural areas, first formation of agro-forestation systems in agricultural areas, forest-environmental protection measures and the Natura 2000 measure. The measure is closely linked with one of the measures in axis I: "value increase of agricultural and forestry products".

Quantified targets on the basis of the EU indicators:

Type of the indicator	**Indicator**	**Target**
Output	Number of beneficiaries receiving afforestation aid	200 pcs
	The type of owner	
	o private	100 pcs
	o public authorities	100 pcs
	The environmental reason	
	oPrevention form erosion or desertification	Direct, positive
	oEnhancing biodiversity	Direct, positive
	oProtection of water resources	Indirect, positive
	oPrevention of floods	Direct, positive
	oClimate change mitigation	
	The 'age' of the commitment	
	o Existing commitments (R. 1257/1999 and R. 1698/2005)	0
	o New commitments	200

	Number of hectares of afforested land The type of ownership o private o public authorities Type of tree - Conifers - Broadleaves - Fast growing species for short-term cultivation The environmental reason oPrevention form erosion or desertification oEnhancing biodiversity oProtection of water resources oPrevention of floods oClimate change mitigation The 'age' of the commitment o Existing commitments (R. 1257/1999 and R. 1698/2005) o New commitments	2 000 ha 1 000 ha 1 000 ha 100 ha 1 900 ha 0 Direct, positive Direct, positive Indirect, positive Direct, positive Direct, positive 0 2 000
Result	Areas under successful land management Measure Type of contribution o Improvement of biodiversity o Improvement of water quality o Mitigating climate change o Improvement of soil quality o Avoidance of marginalisation and land abandonment	2 000 ha Direct, positive Indirect, positive Direct, positive Indirect, positive Direct, positive
Impact	Reversal of the reduction in biodiversity (index number of wild birds nesting in a n agricultural area, 2000: 100%)	0%
	Change in the gross nutrient balance (nitrogen surplus)	0 kT
	Increase in the production of renewable energy (mineral oil value)	13 kT

5.3.2.2.4. Natura 2000 payments

Legal basis of the support:

Articles 36 (b) (iv), 42 and 46 of Regulation 1698/2005/EC.

Article 30 and Section 5.3.2.2.4 in Annex II of Regulation 1974/2006/EC

Code of action: 224

1. Rationale for intervention

In 2004 Hungary started the designation of Natura 2000 areas, accounting for a total of 1 993 000 hectares, which designation is approved in Commission Decision 2008/26/EC (13 November 2007). Forests account for 829 000 hectares of the designated areas. Thanks to the geographical conditions and the long production cycle in forest management, the biodiversity of natural forest ecosystems is one of the highest among the various habitat types in Hungary. Besides state-owned forests, the privately owned forest areas – despite their less favourable endowments as compared to state-owned forests – include a large share of Natura 2000 areas (183,222 hectares). This share accounts for some 25% of all privately owned forests subject to forest planning.

The designation and maintenance of Natura 2000 areas play a major role in the preservation of the favourable nature conservation position of habitats and species of Community importance or high Community importance. For such purpose – starting out from the natural status serving as a basis for the designation of Natura 2000 areas – the forest management activities allowed in Natura 2000 forests must be performed in accordance with the legislative targets ensuring the country's socio-economic development and in view of the cultural needs and features as well as the local and regional characteristics. The applicable regulations are laid down by the competent public administration bodies in the district forestry plan.

Pursuant to Section 113 (15)-(16) of Act XXXVII of 2009 on Forests, Forest Protection and Forest Management (hereinafter referred to as FFPFM Act), the competent public administration bodies have performed, along Natura 2000 criteria, an extraordinary review of the requirements of forestry plans applicable to the operating areas of forest owners and their associations and prepared before Hungary's accession to the EU.

As a result – where it was necessary on Natura 2000 areas – the requirements of forestry plans were amended and the activities of the forest owners and their associations were restricted.

As to forests qualified as nature conservation areas, the expectations of nature conservation have been ensured for decades pursuant to Section 33 (3)-(6) of Act LIII of 1996 on the Protection of the Natural Environment and Sections 60 (3), 61 (1) and (3) and 62 of Act LIV of 1996 on Forests and Forest Protection, which also serve – at least partly – Natura 2000 targets during the forest management activities performed according to forestry plans.

As to Natura 2000 forest areas not qualified as nature conservation areas, the application of the habitat conservation directive (92/43/EEC) is guaranteed by the provisions of Sections 24 (2) and (5), 33 (2) and 73 (7)-(8) of the FFPFM Act. These provisions have been and will continuously be incorporated in the district forestry plans.

Thus during their annual forest management activities performed on the basis of forestry plans, the forest owners and their associations will hopefully ensure in the designated Natura 2000 forests the preservation and maintenance of the favourable nature conservation position of the habitats and species of Community importance serving as a basis for designation.

Due to the enforcement of the provisions of Directives 2009/147/EEC and 92/43/EEC applicable to Natura 2000 forest areas, the forest management activities may be performed with various restrictions as compared to former practice, leading to additional costs and loss of income for the forest holders. Forest holders are given area-based compensation payments to counterbalance this problem.

In view of the income-reducing effect of the restrictions introduced as a result of the requirements applicable to Natura 2000 areas, the Natura 2000 targets i.e. the preservation and maintenance of the favourable nature conservation position of the habitats and species of Community importance can be achieved in these areas only if the private forest owners and their associations are morally and professionally recognised and financially encouraged.

2. Objectives of the measure

The main objective of the measure is to preserve and maintain – through ecologically sustainable forest management – the species and habitats listed in the relevant EU legislation and serving as a basis for designation.

The establishment of a compensation support system for the affected forest owners and their associations is the tool for the achievement of the above objective. The measure enables forest owners and their associations to substantially reduce their additional costs and loss of income resulting from their obligations to meet EU expectations. Compensation is paid automatically to counterbalance additional costs

and loss of income. The measure encourages forest owners and their associations to perform their tasks resulting from the restrictions at high professional level, helps to raise environmental awareness and deepens the knowledge of forest owners and their associations regarding Natura 2000 conservation objectives. Through the supply of information related to the measure, forest owners and their associationsmust be convinced that the relevant restrictions will not put an end to their forest management activities but will instead bring them direct benefits in the long run.

3. Scope and action

The objectives laid down in the directives – including, in particular, **the preservation and maintenance of the favourable nature conservation position of the habitats and species of Community importance serving as a basis for the designation of Natura 2000 areas** – can be achieved through the joint application of the official regulations applicable to Natura 2000 forests and a support system matching such regulations.

Forest owners and their associations may carry out habitat development projects – that are considered significant in comparison with the natural status serving as a basis for the designation of Natura 2000 areas – mostly as part of their voluntary forest-environment projects or through non-productive investment projects aimed at forest conversion.

3.1 Eligibility criteria and rules applicable to beneficiaries:

Eligibility criteria

- Assistance may be provided to private forest owners or their associations.
- No assistance may be given for forests owned in at least 50% by the state or used in at least 50% by state-owned economic associations or central budgetary bodies.
- The area receiving assistance has been designated as a Natura 2000 area pursuant to Directives 2009/147/EEC and 92/43/EEC.
- The applicant is registered as a "forest holder" by the forestry authority in accordance with Section 17 (1) of the FFPFM Act.
- The applicant has a forestry plan approved by the forestry authority.
- Assistance may be given as long as the area is part of the Natura 2000 network.
- The minimum size of eligible area is: 1.0 hectare calculated as the total area per support claim.
- The minimum size of the lot shall be 0.3 ha.

Rules

- In the course of their forest management activities the forest owners and their associations must comply with the rules of the forestry plan in order to preserve and maintain the favourable nature conservation position of the habitats and species of Community importance serving as a basis for the designation of Natura 2000 areas.
- The beneficiary must attend a Natura 2000 training course not later than within one year after the first payment of compensation.

4. Form of the support

Normative, non-refundable, area-based compensation.

5. Rate of support

As to the compensation payable for the additional costs and loss of income incurring due to the restrictions introduced as a result of the provisions of Directives 2009/147/EEC and 92/43/EEC,

the minimum amount is EUR 40/ha/year,

the maximum amount is EUR 200/ha/year.

Intensity of support: 60%

The compensation claims of certain support groups determined at the time of calculating additional costs and loss of income were so high that it was impossible to determine them according to either the available funds or the support limits shown in Annex to Regulation 1698/2005/EC. As a result, only a part of the real compensation claims can be paid and thus the intensity of support was uniformly fixed at 60% with the amounts shown in the Table below.

The restrictions imposed by the forestry authority have been determined for each forest in view of the nature conservation demands of the habitats and species of Community importance.

The rules have been classified in view of the affected forest stand types and their typical age classes, for which 10 different compensation unit prices could be established on area basis.

Age classes/forest stand type groups	*Oak and beech*	*Other indigenous hard broadleaves*	*Other indigenous soft broadleaves*	*Other forests*
	€/ha/year			
0-5 years	40	40	40	40
6-20 years	100	90	80	70
21-60 years	150	120	110	
61 years – cutting age	200			90
above cutting age		170		

All forests in Hungary have been classified into 6 naturality categories under Section 7 (1) of Act XXXVII of 2009 on Forests, Forest Protection and Forest Management. These categories include natural forests, nature-like forests, derivative forests, transitional forests, culture forests and tree plantations. In general, the naturality categories are directly correlated with the forests that have been designated as habitats of high Community importance or as the habitats of the species of high Community importance, where the restrictions are usually more stringent.

Accordingly, the unit prices for natural and nature-like forests and the unit prices for derivative forests and transitional forests should be increased by 15% and 8%, respectively.

6. Method of detailed calculation

The rules applicable to the forest management activities and required for the maintenance of the favourable nature conservation position of the habitats and species serving as a basis for the designation of Natura 2000 areas have been determined by the forest authority in view of the natural condition of the forests described in the forestry plans of forest owners and their associations.

In general, the forest authority has established the forest-level restrictions pursuant to Section 73 (7)-(8) of the FFPFM Act or on the basis of former forestry and nature conservation legislation of similar or identical content. The main requirements can be classified as follows:

- Changes to future target forest type,
- Protection of forest edge,
- Raising the cutting age
- Introducing time restrictions for logging
- Introducing full or partial restrictions for logging
  - ❖ cleaning, selection thinning, health-related logging
  - ❖ finalthinning, logging for stock care, logging for final felling
- Maintaining and leaving certain tree species intact during forest tending interventions in order to improve the structure and composition of forests
- Maintaining and leaving dead wood

- Maintaining and leaving witness trees or groups of witness trees in case of final felling
- Maintaining and leaving trees with special features (forked, hollow, nest-holding, etc.)

The forestry plan rules determine the forest management possibilities of forest owners and their associations in the long run but at least for 10 years. These data as well as the data regarding the natural status of each forest are shown in the National Forestry Inventory.

Based on the Inventory data, the forest stand types were created and categorised into age classes as shown in the Table in order to obtain the 14 support classes within which the typical rules applicable to forest management could be consolidated according to their impacts and costs.

The compensation unit price of each class was calculated on the basis of the consolidated cost of the rules representing the restrictions.

As to the age group between 0 and 5 years, the main restriction was that in practically all wood stock types the target stocks of forest regenerations were determined in view of Natura 2000 criteria.

The final felling age is between 80 and 110 years for oak and beech trees, while it is between 40 and 60 years for other indigenous hard broadleaves and other indigenous soft broadleaves. As to tending cuts to be performed between 6 and 20 years in order to obtain a versatile forest structure, the main targets include grouped cutting for tending purposes, leaving dead wood and leaving trees with special features. Furthermore, time and space restrictions of logging were used in an effort to protect species of Community importance and, in many cases, an obligation to protect forest edges was introduced.

In stocks above 20 years of age the same rules affect a larger timber volume because of larger stock size and that is why the unit price becomes higher.

As to oak and beech, the principles are similar as in the case of other indigenous hard broadleaves and other indigenous soft broadleaves, except that in the latter case the differences in timber volumes are even greater and that the prices of wood choices show a greater versatility according to age distribution, which is why a different unit price must be used for each age group.

As to old stocks, a typical Natura 2000 restriction applicable to stocks reaching and exceeding the cutting age was a delay in final felling i.e. a prolongation of the cutting age. Formerly, the district forestry plans used cutting age as the optimum final felling date of the wood stock of a given habitat, for which economic aspects and, in particular, the technical parameters of the available timber were taken into consideration. In this case the forest owners and their associations must face the

prolongation of final felling and the technical deterioration of their timber, representing the largest loss of income in this category.

Pursuant to the applicable legislation, the forest owners and their associations must provide the Central Statistical Office with data about the composition and volume of forest wood choices each year.

The data supply is made pursuant to Section 8 (2) Act XLVI of 1993 on Statistics and pursuant to Government Decree on the National Statistical Data Collection Programme (hereinafter referred to as NSDCP) issued under the Act, also with a view to Community legislation 1618/1999/EC, 1614/2002//EC, 1668/2003/EC, 1669/2003/EC, 1670/2003/EC, 1893/2006/EC, 295/2008/EC, 2009/251/EC, 177/2008/EC and 192/2009/EC.

Therefore the unit prices have been calculated on the basis of the detailed analysis of the Inventory data referred to above and of the data collected under NSDCP and managed by the Central Statistical Office.

7. Financing

Total public expenditure: 39 221 143 Euro
EAFRD contribution: 30 136 839 Euro

Avoiding double funding:

In order to avoid any overcompensation, for certain forest environment schemes (Reduction of clear-cutting with artificial regeneration, Creation and maintenance of micro habitats, Leaving groups of trees after final felling) lower amounts are paid to those farming in Natura 2000 forest areas than to those farming in other than Natura 2000 forest areas if the restrictions established for Natura 2000 forest areas under Section (7)-(8) of the FFPFM Act show some overlapping with the provisions of the forest environment schemes listed above.

Given that the requirements of forest environment schemes are stricter than those of Natura 2000, in case of overlapping the payments made to forest owners and their associations must be reduced by EUR 42/ha for the Reduction of clear-cutting with artificial regeneration scheme and by EUR 37/ha for the Creation and maintenance of micro habitats and Leaving groups of trees after final felling schemes.

8. Verification

Compliance with the conditions of support is verified administratively by the Paying Agency, together with the forestry authority, with the use of official records.

9. Complementarity and designation criteria

- *Connection to other measures of the Programme:*

In the abovementioned regulatory system the measure is directly connected to the forest environment programme designed for development purposes and to non-productive investment projects aimed at forest conversion.

The compensation measures of Natura 2000 forest areas show partial overlapping with the provisions of the *Leaving groups of trees after final felling* and *Creation and maintenance of micro habitats* schemes.

The provisions of such schemes of the forest environment programme reach or, in general, exceed the compensation measures of Natura 2000.

- *Connection of the planned measures to national forestry programmes or any equivalent instruments, as well as to 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 target programme no. 4 is titled "nature conservation in forests". The measure is connected to such target programme.

The measure is connected to the targets specified in the Community Forestry Strategy for the preservation of the biodiversity of forests.

- *Reference to the Forest Protection Plans for areas classified as high or medium risk for forest fires and the basic elements ensuring conformity of proposed measures with these protection plans:*

For the forests situated in Natura 2000 areas, classification in accordance with the prevailing fire risks have been implemented, the associated categories have been specified in the forestry plans, and requirements for forestry activities have been shaped in the light of the above achievements.

10. Quantified targets on the basis of the EU indicators:

Indicator type	Indicator	Purpose
Output	Number of forest management units receiving Natura 2000 support	5 000
	Total forest area receiving Natura 2000 support	120 000 ha
Result	Natura 2000 area under forest management	120 000 ha
Impact	Increase in the areas of high natural values	40 000 ha
	Improvement of water quality	By preserving the favourable nature conservation position of forests, this measure directly contributes to the protection of surface waters and the improvement of water quality
	Contribution to the combat against climate change	The preservation of the favourable nature conservation position of forests helps to capture and permanently bind greenhouse gases.
	Improvement of the nature conservation position of forest habitats and species located in Natura 2000 areas.	Maintenance, improvement and category upgrade (through the improvement of the structure, function and future prospects) of the nature conservation position of certain forest habitats in the country report to be submitted every 6 years under Section 17 of the habitat protection directive.
	Increase of the share of natural forests in Natura 2000 areas.	Shifting the naturality categories towards better naturality categories.
	Presence of invasive species	Decreasing

5.3.2.2.5. Forest-environment payments

Legal basis of the support:

Article 47 of Regulation 1698/2005/EC

Measure code: 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 have not the best features according to their profitability. As a result of this, the forest management has been started on 555 000 hectares, that is almost 71 % of the private forests, with an average property size of 2.2 hectares, but typically only for maintaining the current status and due to short-term profit interests. On the remaining 232 thousand hectares the ownership conditions (big fragmentation, joint ownership), and the circumstances of the forestry are so unfavorable that practically there is no forestry activity at all, which results in their continuous - ecological and economical - degradation.

The forestry management methods of the private farmers are often characterized by being focused on short term interest. This can be explained by the typical lack of capital. Furthermore there are only a few among them who are qualified professionals, therefore they can not or do not want to execute tasks that are costly, require professional skills and are related to forest management, but mainly to silviculture.

In spite of the unfavorable conditions, forest management has to be developed in these forests in a way that the utilization option, where the professional requirements and the economic expectations of the owner meet the most, can be found.

Given the fact that these forests can be characterized by a high level of diversity, Hungary has planned 9 target programs in the forest and environmental protection program, in order to reach the largest coverage possible.

The social need for the multi-functional services of the forest areas is growing, therefore besides the interest of the owner; the interest of different members of the society has to taken into consideration more and more. Accordingly the protective and social welfare objectives have to become increasingly dominant.

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 mitigation of the climate change defined in the Kyoto Protocol.

The definition of forest used in Hungary is different from that established in Article 30 of Commission Regulation No. 1974/2006/EC because, since according to Article 6 of Law No. XXXVII of 2009 (hereinafter: Forest law) in Hungary an area is regarded as forest if it is bigger than 5000 m^2, including glades and fire strips, where the closing of the tree stock is at least 50% (in the case of forest aiming soil and habitat protection 30%).

Objectives of the measure:

As schemes, the objectives of the forest-environment payments are as follows:

1. Repression of aggressively expanding non-indigenous tree and shrub species

- The objective of eliminating aggressively expanding non-indigenous tree and bush species is to keep and expand the areas currently covered by native tree species, which is very important on floodplains. The protection of the forest soil's biological potential.
- Enhancement of the natural character of the forest areas concerned and the surrounding areas, improvement in the structure of the stock and its pattern of tree species.

2. Selection forest management

- Continuous provision and maintenance of the forest cover;
- Preservation of forest climate;
- Protection of the forest soil and ensuring its development.
- Creation and maintenance of a structure and mix of species that is close to natural conditions.

3. Conversion of forest stands and maintenance based on manual work

- Instead of non-indigenous single level or mainly offset-origin forest, natural mixed forest must be established with an adequate stand type for the specific site.

- Enrichment of biological diversity with the creation of proper mix and variability of species and stock structures.
- Ensure the optimal forest soil development processes.

4. Reduction of clear-cutting with artificial regeneration

- Support of alternative regeneration possibilities of natural forest habitats fitting into the production site, representing outstanding natural value.
- Promotion of adaptation to changes in the habitat's properties (such as diminishing ground water).
- In the course of clear-cutting, shock-type effects (i.e. warming-up of the soil, becoming overgrown with weeds and deterioration in the water regime) should be avoided in these habitats.

5. Ensuring special forest habitats, and the conditions for natural forest regeneration

5. A. Creation and maintenance of micro-habitats

- Creation of special forest habitats by leaving behind decaying and dead trees and the development of nesting, hiding, feeding, and living places attached to standing or lying trees.
- Recovery of relationships within a forest habitat by ensuring diversity of species.

5. B. Leaving groups of trees after final felling

- Protection of the forest soil
- Safeguarding special forest habitats, after the final felling
- Increase in biodiversity (differentiation in horizontal and vertical terms)

5. C. Bush regulation to ensure the success of forest regeneration

Provision of natural forest regeneration

6. Postponement of final felling in order to protect soil and habitat

- Protection of the soil in the forest and the surrounding areas from wind and water erosion.

- Improvement of micro- and mesoclimatic conditions.
- Preservation of special wetland and water habitats

7. Maintenance of forests for public welfare purposes

- Maintenance both of the forest structure ensuring public welfare services and of those services.

8. Creation and maintenance of forest clearings

- Ensuring living conditions for species associated with the forest clearings, as special forest habitats
- Maintenance of mosaic-character forest structure
- Preservation of landscape values

9. Application of environmentally friendly materials handling methods,

- Protection of forest soil, the remaining stand and the flora.
- Ensure the optimal developing process of the forest soil.

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.

Forest-environment payments will be allocated on forest-area per hectare for those beneficiaries, who voluntarily undertake forest and environmental protection obligations exceeding the obligations determined in the legislation and in the forest plans that had been elaborated in compliance with the professional principles.

The payments cover only the obligations exceeding the applicable mandatory obligations, which have to be undertakes as a general rule for a period of five to ten years. The payments cover the extra costs and income loss emerging from the obligations.

Taking into consideration the diverse features of the private and community owned forests, and in order to ensure the availability of these schemes for most of the private forests, 9 different schemes were defined in the frame of the measure. The realization of these was in harmony with the interests of the forest holders and the improvement of the state of the environment.

Sub-fields of the measure:

General programme provisions	Baseline of the forestry practice, according to the prescriptions of the forest district plan
Use of chemicals shall only be allowed (with restricted technology, chemicals or active substances) for the reduction of Calamagrostis epiegeios, locust tree, tree of heaven and desert false indigo, and in the case of contamination by or gypsy moth,. Any use of chemicals shall be reported to the controlling authority 15 days prior to the planned protection measure (hereafter: limited use of chemicals).	General restriction is only in case of protected areas: the permission of the nature conservation authority is needed for the use of bio regulators, pesticides, and other chemicals with an influence for the soil.
In case of regeneration and stand completion it is allowed to use the seed material originated from the district containing the eligible area. The districts specified in Regulation 110/2003 FVM	In case of artifical regeneration the species and the quality of the reproduction material is determined in the forest district plan, and in a specific regulation
During the programme period, waste in the subsidized area (with the exception of lumber waste left in the cutting area) shall be eliminated on a continuous basis.	There is only general provision: To place waste and garbage on forest area is prohibited.
The area covered by the programme shall be supplied with clearly visible, permanent signs.	The forest district plan has no provision for this.
Any work done in connection with the provisions of the programme shall be documented daily in the working log, which shall be handed in until the date of submission of the payment claim.	The forest district plan has no provision for this.

Definition of manual treatment: A forest management activity where, in order to protect natural regeneration or maintenance, development of planted saplings, manual tools or non self-propelling machinery are used instead of other motorised or machine-driven tools.

The schemes in a priority ranking considering the sustainable forest management, and nature protection as follows:

1. Repression of aggressively expanding non-indigenous tree and shrub species

The aggressively spreading non-indigenous tree and shrub species are increasingly spreading in the forests in Hungary. Among them the black locust (Robinia pseudoacacia), the tree of heaven (Ailanthus altissima), the red ash (Fraxinus pennsylvanica), the Manitoba maple (Acer negundo), the desert false indigo (Amorpha fruticosa), the Russian olive (Eleagnus angustifolia), the black cherry (Padus serotina), the western hackberry (Celtis occidentalis) the honeylocust (Gleditsia triacanthos), the common lilac (Syringa vulgaris) and the staghorn sumac (Rhus typhina) decrease and in some areas even endanger the habitats of the indigenous species in Hungary. Their repression can only be realised with a several year long continuous manual work. In flood-basins their spreading can be steadily restricted only in those areas, where the

canopy closure is maintained on a high level. The scheme can typically be implemented in forest stands where regeneration has ended or where final felling will happen after 10 years. There is a strict demarcation for the measure, especially compared to the presciptions of the measures “The first afforestation of agricultural land” and “The first afforestation of non-agricultural land”. In certain cases in the frame of the above-mentioned measures afforestation can be implemented by black locust. These forests are excluded from this scheme.

Possible area: 120 000 hectares

Natura 2000 area: 60 000 hectares

HNV area: 90 000 hectares

Eligibility criteria:

The forest authority issues a certificate, based on its records, on the eligibility of the forest to be included in the programme (appropriate canopy closure, significant presence of aggressively spreading tree species only on lower density in the crown level and the given portion of the forest is not linked with a forest area where the main species are non-indigenous aggressively expanding species or with an agricultural area for which an authorization has been issued to plant this type of trees in an afforestation or other arboreal energy plantation).

Requirements of the scheme:

Scheme provisions	**Baseline of the forestry practice, according to the prescriptions of the forest district plan**
During the programme period, elimination (with mechanical means and limited use of chemicals) of all viable, aggressively spreading trees and bushes of foreign origin that are older than 1 year .	The forest district plan has no provision for this.
In the course of fellings, the closing density specified in the support regulation must be complied with.	The forest district plan has no provision for this.

Period of support: 7 years

2. Selection forest management

In forests managed in gradual regeneration cutting or clear-cutting system the conditions of selection cutting have to be created and following this selection cutting has to be tailored to the site conditions according to the professional requirements. Selection forest management is the best way to achieve sustainable forest management both in ecological and economic terms.

Possible area: -55 000 hectares

Natura 2000 area: 35 000 hectares

HNV area: 55 000 hectares

Eligibility criteria:

- The forest area shall be included in the National Forest Data Base as an area under transformation or for selection forest management system.

Requirements of the scheme:

Scheme provisions	**Baseline of the forestry practice, according to the prescriptions of the forest district plan**
In accordance with the support regulation, a detailed description of the natural condition must be prepared until the 5th payment claim of the support given in the course of the programme is submitted.	The forest district plan has no provision for this.
During the period of the programme, in the course of selection cutting, the size of the clearing shall not exceed 10% of the forest stand area. Distance between the borderline of the clearings opened or increased prior to or during the programme must exceed 40 m.	The forest district plan has no provision for this.
The logging in the forest area in case of selection management can be carried out no more than 2 times during the programme by methods facilitating the formation of group structure.	The forest district plan has no provision for this.
In selection management mode the return time must not exceed 5 years.	

In the 5th year of the programme period and at the end of the submission period for the last payment claims, in the clearings opened or increased prior to or during the programme, the total area without regrowth comprising native tree species must not exceed 10% of the clearings' total area.	The forest district plan has no provision for this.
Free development of the regrowth in the clearings shall be supported by manual treatment on a continuous basis.	The forest district plan has no provision for this. The maintenance is not an obliged, but a supportable activity, in the legislation.
Appropriate natural forest combinations, with the creation of the typical mix for that type of forests shall be ensured for regrowth in the clearings by the end of the program.	The forestry authority declares the regeneration ready in a resolution, if the determined species in the appropriate number and ratio, and quality are presented in he forest, according to the forest district plan.
Saplings of aggressively spreading tree species shall be eliminated from the clearings manually or with limited use of chemicals.	The forest district plan has no provision for this.
The applicant shall ensure protection against wildlife (individual protection of the saplings, alarms or hunting to prevent damages caused by wild animals) in the clearings opened in the area involved in the program, in a way not exceeding the measures included in the support regulation.	The forest district plan has no provision for this. The following provision is obligatory just for the hunter, but not for the forest holder: It is not permitted to maintain in the forest-land area and in the hunting area directly adjacent to the forest-land area, a game stock in a number and of a species composition, which endangers, the survival of the members of the forest biocoenosis, the good condition of the forest soil, the condition of the forestation, the qualitative and quantitative development of the forest tree stand expected in accordance with its site, and which prevents the natural regeneration of the forest.

The term of support is 10 years.

3. Manual treatment of forest stands

Forest stands non adequate for the specific site (coppice, incomplete forest stand structure, non-indigenous tree species) shall be transformed into forest stand types closer to natural conditions. Further development of the native forest stocks can be ensured only by using significant amounts of manual work and with professional care.

The scheme supports among non-productive investments the conversion of forest stands and natural forest regeneration and in case of native poplar forest stands the regeneration from offset after clear-cutting.

Possible area: 35 000 hectares

Natura 2000 area: 20 000 hectares

HNV area: ---

Eligibility criteria:

The applicant shall have completed an action listed in the sub measure ***Conversion*** included in non-productive investments ***(Article 49)*** in the actual forest stand, or completed the end-cutting of the natural forest regeneration, or carries out the regeneration from offset after clear-cutting in case of native poplar or alder forest stands.

Requirements of the scheme:

Scheme provisions	**Baseline of the forestry practice, according to the prescriptions of the forest district plan**
The final felling connected with the conversion shall be carried out in such a way as to ensure less than 20% of the natural regrowth is damaged during the operation, in line with the regeneration of target stand.	The provision is not in the forest district plan, only as a non the spot check : 1996. LIV. Act on forest and protection of forest Art. 61. § (4) The forest authority may limit or prohibit the harvesting in case the forest holder does not meet the financial and professional obligations and conditions for forest regeneration in the manner and by the deadline specified in this Act and in a separate legal regulation.. According to the Article 83. of the implementation regulation of the act there is place for restricting or forbidding the tree harvesting in that case, if the forest holder has performed a permit-less or unprofessional tree harvesting, which endangers considerably the professional and sustainable forest management,
If any damage occurs, complete cutting of the trees and, if necessary, their replacement is required.	The forest district plan has no provision for this.
In line with the provisions of the support regulation, free development of the saplings in forest regeneration shall be ensured continuously by manual treatment and/ or limited use of chemicals.	The forest plan has no provision for this. The maintenance is not an obliged, but a supportable activity, in the legislation.

In the course of wood cutting and material handling, no access or drag trace of deeper than 20 cm shall be allowed.	There is only general prohibition: The forest holder is obliged to arrange for the protection against erosion and compacting of the forest soil in the course of the forest regeneration, forest tending, harvesting, hauling of timber and of the construction of the access road network.
Non indigenous tree species shall be diminished by the end of the programme, by treatment and limited use of chemicals	The forest district plan has no provision for this.

Period of support: 10 years

4. Reduction of regeneration following clear-cutting in indigenous forest stands

Where the forest regeneration was planned to be realised in an artificial way because of the changes in habitat conditions (sinking ground water, internal water, alkalization, climate change, etc) or because of the industrial forestry methods, the change for forest regeneration methods that mean lesser impact on the habitat and that use local reproductive materials should be achieved.

Indigenous plain forests with their unique natural value have an outstanding role among them, their biological importance is much higher, than the value of the wood that could be produced there.

Possible area: 10 000 hectares

Natura 2000 area: 8 000 hectares

HNV area: 10 000 hectares

Eligibility criteria:

- the mix of main tree species shall be typical to the natural forest stand type of the given site,
- final felling with clear-cutting shall be available,
- the health condition of the stock shall allow the stock's further maintenance.

Requirements of the scheme:

Scheme provisions	Baseline of the forestry practice, according to the prescriptions of the forest district plan
Logging for final felling can only be carried out in the first year of the programme, and with respect to at least 25% and not more than 50% of that portion of the forest.	The forest district plan has no provision for this.
The size of the land used for felling shall not exceed 0.5 ha.	The forest authority may approve the clear felling if the contiguous not regenerated cutting area is not bigger than ten hectares in the forest-land areas of flat-land and hilly regions, five hectares in mountainous forest-land areas, or in the forests of inundation areas there is no contiguous not regenerated cutting area between the dike and the river, but in the mountainous forest-land area, however, in exceptionally justifiable cases, a clear felling of an area larger than five hectares may also be permitted..
From Year 2 of the scheme, logging may only be carried out for health-related matters.	The forest district plan has no provision for this.
During the programme period, the presence of 5 cubic metres of dead wood, standing or laying, shall be ensured in the area.	The forest district plan has no provision for this.
In the area affected by final felling for more than 1000 m^2 continuosly, at least two healthy, area-native seed-spreading tree shall be left of the main species, that cover at least 5% of the area.	Only in case of clear cutting, but generally there is no obligation to leave trees up to 10% of the stand.
Logging may only be carried out in the period from 1 October to 31 March.	The forest district plan has no provision for this.
In the case of sapling or seed plantations, machinery may be used only for tract-type soil preparation.	The forest district plan has no provision for this.
Natural forest combinations appropriate for the habitat shall be ensured by the end of the programme, with the creation of a typical mix for that type of forest.	The forest district plan has no provision for this. According to the Article 41. § (5) of the Act: Forest regeneration shall be declared as completed by the forest authority in its resolution - with the preliminary consent of the expert authority of the nature conservation authority in respect of a section effecting a protected natural area, if the individual trees of the tree species set forth in the district forest management plan are present in an appropriate number, proportion and quality, and the tree stand requires no further replacement planting.
Non indigenuous- tree species shall be	The forest district plan has no provision for

diminished by the end of the programme through treatment.	this.

Period of support: 7 years

5. Ensuring special forest habitats, and the conditions for natural forest regeneration

Nowadays the vast majority of the wood stock are coeval, or they have at most two levels, almost completely under stocked. Important stand components are missing such as under stocked areas, old trees, trees with irregular shaped trunk and crown, standing and laying deadwood, mainly the thick deadwood and trunk stubs, and the root system of fallen wood. The creation and maintenance of microhabitats (sparing wood with cavity, preserving nestling places and conserving deadwood), forest management under cutting system, voluntary preservation of tree groups and with the aim of natural forest regeneration, bush regulation with a view to creating natural forests all play a very significant role. These actions serve ecological purposes, such as increasing biodiversity, forest protection based on natural processes, and the protection of the landscape.

5. A Creation and maintenance of the micro habitats

Eligibility criteria:

- Forests older than 60 years, in case of native osier, poplar, alder forests older than 30 years and whose cutting age index exceed 15 years.

Possible area: 40-50 000 hectares

Natura 2000 area: 40 000 hectares

HNV area: 50 000 hectares

Requirements of the scheme:

Scheme provisions	**Baseline of the forestry practice, according to**

	the prescriptions of the forest district plan
The presence of at least 10 cubic meters dead wood, standing or laying, shall be ensured in the area for the duration of programme.	The forest district plan has no provision for this.
Standing trees in the area shall be indicated and a full assessment of the body of trees shall be prepared and recorded in a report.	The forest district plan has no provision for this.

The term of the support is 7 years

5. B. Leaving groups of trees after final felling

Eligibility criteria:

- Forests offering an opportunity for final felling.

Possible area: 20 000 hectares

Natura 2000 area: 10 000 hectares

HNV area: 20 000 hectares

Requirements of the scheme:

Scheme provisions	**Baseline of the forestry practice, according to the prescriptions of the forest district plan**
The implementation of final use is mandatory in the first year,	The forest district plan has no provision for this.
In the course of final use, those groups of tree species typical for that habitat shall be selected and left on a minimum of 5% of the area eligible for assistance.	Only in case of clearcutting, but generally there is no obligation to leave trees up to 10% of the stand.
The number of trees of 20 cm elbow-height diameter comprising a group of trees has to be registered in the working log until the submission of the first payment claim.	The forest district plan has no provision for this.

The canopy closure of a group of trees shall be at least 60%.	The forest district plan has no provision for this.
The groups of trees shall be indicated in the area and a full assessment of the body of trees shall be prepared and recorded in a report..	The forest district plan has no provision for this.
No logging or access may be allowed to the selected group of trees. That group of trees may also not be damaged by logging in neighboring areas. The crown level of the tree group must not contain agressively expanding non-indigenous tree species.	The forest district plan has no provision for this.

The term of the support is 7 years

5. C. Bush regulation to ensure the success of forest regeneration

Eligibility criteria:

- 30-70% of bush cover.
- The canopy closure of the forest is at least 80%.
- The main species of the adequate stand type are present more the 50% ratio.

Possible area: 10 000 hectares

Natura 2000 area: 8 000 hectares

HNV area: 10 000 hectares

Requirements of the scheme:

Scheme provisions	**Baseline of the forestry practice, according to the prescriptions of the forest district plan**
The bush cover shall be maintained between 10% and 20% from the submission of the first payment claim in the total forest stand area in an equal distribution.	The forest district plan has no provision for this.
The bush cover shall be reduced to below 20% from the submission of the first payment claim in the total forest stand area. Only the species appropriate for the habitat and natural forest combination, listed in Annex 2	The forest district plan has no provision for this.

shall be left behind.	
Cutting of protected species of shrubs is prohibited	It is prohibited to endanger protected plants, damage, and endanger their habitat.
The overall canopy closure of the old stock and of the regrowth shall not drop to below 80% for the duration of the programme.	The forest plan has no provision for this.

The term of the support is 5 years

6. Postponement of final felling in order to protect soil and habitat

The protection of the wetlands and areas endangered by wind- or water erosion, and the further conservation and the maintenance of the natural forest cover of the plain forests with oak as dominant species, could be efficiently realized by the further conservation of the healthy forests that were however planned for final felling according to the conventional forestry practice. A postponement of the final use shall be interpreted as a voluntary commitment on behalf of the forest holder. In the seven years of the programme's operation, special attention shall be given to the promotion of natural regeneration. The long-range goal is that the forest holders in these regions apply forest management methods which ensure permanent forest cover (selection forest management, use of reserve keeping).

Possible area: 5000 hectares

Natura 2000 area: 4000 hectares

HNV area: 4000 hectares

Eligibility criteria:

- The forest is in the age of final felling,
- due to its appropriate closing density and health condition, the use of wood can be postponed
- it has a major protective role (protection against erosion and water, protection of forest combinations typical to the forest steppe climate and protective forest belts etc.)

Requirements of the scheme:

Scheme provisions	Baseline of the forestry practice, according to the prescriptions of the forest district plan
Only forest-health management can be implemented in the forests.	The forest district plan has no provision for this.
In steep areas, the wood must be stored in layers after logging.	There is only general prohibition: The forest holder is obliged to arrange for the protection against erosion and compacting of the forest soil in the course of the forest regeneration, forest tending, harvesting, hauling of timber and of the construction of the access road network.
Natural regeneration shall be ensured in the area, using the method specified in the support regulation (seed retention tract, partial preparation of the soil, building shoulders,	The forest district plan has no provision for this.

Period of support: 7 years

7. Conservation of forests with public welfare function

In forests where social welfare function predominates and that is exposed to a bigger load due to the increased human presence, the maintenance of a good quality condition of the environment as well as the high-quality social welfare services have to be ensured. Ensuring the continuous coverage is the long-term aim in these forests as well. The purpose of the scheme is to decrease the negative environmental effect of the high number of visitors, and to help the sustainable maintenance of the public forest.

Eligibility criteria:

- the forest area shall be registered as a park forest, health forest or other part of "park".
- there are no provisions for final felling.

Possible area: 1200 hectares

Natura 2000 area: 1000 hectares

HNV area: 1000 hectares

Requirements of the scheme:

Scheme provisions	Baseline of the forestry practice, according to the prescriptions of the forest district plan

Within a radius of 30 metres of park forest equipment, any trees or branches representing a danger shall be cut monthly and eliminated trees shall be replaced with trees of an appropriate size.	The forest district plan has no provision for this.
Tourist roads shall be kept free from obstructions (e.g. fallen trees and deep ruts), and a space of at least 1 m shall be kept free from bushes.	Any person may at his/her own risk walk in the forest-land area, irrespective of its function, for recreation and sport purposes.
Litter bins shall be emptied in the supported area, Full litter bins cannot be placed in the supported area.	There is only general provision: To place waste and garbage on forest area is prohibited.
Continuous free of charge access to the area must be guaranteed for visitors.	In the event the forest-land area is visited for recreational purposes the forest holder shall not be able to claim a fee therefore, he shall be entitled, however, to the reimbursement of the damages and expenses actually incurred.

Period of support: 7 years

8. Maintenance of forest clearings

The vast majority of the forest clearings emerged due to human activities, their minority emerged due to production site reasons. They often have historical significance as well, in each case they constitute a unique habitat, therefore their preservation and the creation of further clearings by conversion (crop fields, wood loading and stockpiling places within forests) is an important objective. In order to be able to preserve and maintain them it is very important to restrict and minimize the appearance of bushes, reforestation, and the non-arboreal plants of foreign origin.

Eligibility criteria:

The claimed area must be registered as clearing in the National Forest Database.

Possible area: 100-150 hectares

Natura 2000 area: 100 hectares

HNV area: ----

Requirements of the scheme:

Scheme provisions	**Baseline of the forestry practice, according to the prescriptions of the forest district plan**

No more than 20 trees or bushes of native species of the region shall be left intact on each hectare	The forest district plan has no provision for this.
The elimination of the remaining trees and bushes shall be carried out in the period between 1 October – 31 March of the first year following the submission of the support claim.	The forest district plan has no provision for this.
In the first year of the programme, stem-crushing shall be carried out twice, at a date reported in writing to the nature conservation manager in the case of a nature conservation area.	The forest district plan has no provision for this.
From the second year following the submission of the support claim, hay shall be cleaned and offshoots shall be eliminated at least once in a year in autumn between 1 September – 10 October.	The forest district plan has no provision for this.
The hay shall be removed from the land within thirty days of cutting.	The forest district plan has no provision for this.
From the second year of the programme, no intervention other than the cutting of hay shall be carried out. The trace depth may not exceed 20 cm in the case of transport use.	The forest district plan has no provision for this.
Deer yards, salt provision sites must not be established or maintained anywhere in the forest. Establishment and maintenance of forest landing sites is forbidden between 1 April – 15 October according to Article 13. § (1) a) ac) of the Forest Act.	The forest district plan has no provision for this.

The term of support is 7 years.

9. Application of environmentally friendly materials handling methods

During the forest management activities the traditional environmentally friendly materials handling methods must be used, for the effective protection of soil and the remaining stock and shrub.

Eligibility criteria:

The beneficiary must have a permission of the forestry authority for thinning, stock maintenance, selection, sanitary felling, or final felling, except clear cutting.

Prescriptions of the scheme:

- During the felling and the hauling only cableway, chute, horse skidding, logging wheels, iron horse, carriage, approaching bike, sleigh or self-propelled wheeled device can be used on the area.

- The activity must be noticed to the forestry authority 15 days prior to the start of the activity..
- During the activity the skidding tracks can not be deeper then 20 cm. The stool and trunk injury on the remaining tree stock related to the lumber mass must not exceed 5 m^3/piece.

The scheme has a positive effect for the environmental aim for protection of soil, and helps to protect against erosion.

Beneficiaries and conditions:

Beneficiaries:

Support shall be granted only for forests and wooded areas owned by private owners or by their associations or by local authorities or their associations.

The forests and wooded areas in Hungarian State ownership shall be excluded from the scope of support.

Eligibility criteria:

The applicant shall be a forest holder registered by the Central Agricultural Office on the basis of the Forest Act at the submission of the payment.

The applicant owns a forest management plan decree concerning the actual area issued by the forestry authority.

The forest area shall be registered in the *National Forest Data Base.* (where it is applicable, the land areas directly serving forestry activities will be named).

Smallest eligible area is 1.0 ha. The differences in case of each schemes will be named in the support regulation.

With a view to the measure:

The wooded land means area under Article 6 of the Forest Act.

High Natural Value area in forests: Forest areas where the mixture proportion of dominant tree species of the forest association adequate for the site is higher than 50%
.

Justification for the commitments, based on their expected environmental impact in relation to environmental needs and priorities:

- Repression of aggressively expanding non-indigenous tree and shrub species and the conversation of forest structure serves preferentially the maintenance and improvement of biodiversity and the protection of native forest associations.
- I In case of gullies, and steeply sloping areas, the postponement of the final felling and also the selection forest management play a significant role in soil protection.
- The two most important purposes of the protection of wetland habitats in forests are the preservation of water quality and habitats of protected species.
- The maintenance of oak forests, representing an outstanding nature protection value in the forest steppe climatic conditions, is supported by several target programmes.
- Forest areas emerging in the course of selection forest management shall be model areas for sustainable forest management.
- Through the maintenance of forests for public welfare purposes, environmental education regarding environment and recreation expectations of the society towards forests are realized.
- The forest clearings and the maintenance of special forest habitats play a significant role in the protection of forests, and in creating environmentally-aware forest management

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:

Detailed in Annex 7, and Annex 16.

Form of support:

Flat rate, non-refundable, land-based compensatory payment.

Support shall be granted only for the fulfillment of commitments undertaken voluntarily by the forest holder 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.

Completion of manual treatment (scheme 3) is a time consuming activity, so it is reasonable to extend the length of the support period to 10 years.

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.

Amount of assistance:

100%

Value and upper limit of the assistance:

Forest-environmental yearly payment:

- minimal payment of 40 euros per hectare,
- maximal payment of 280 euros per hectare, per schemes with the exception of the Application of environmentally friendly materials handling methods scheme, where a further maximal payment in euro equaling 50 m^3 per hectare for the whole period.

	Forest environment programme schemes	**Level of support**
		Euro/ha
1	Repression of aggressively expanding non-indigenous tree and shrub species	274
2	Selection forest management	230
3	Conversion of forest stands and maintenance based on manual work (first year)	274
3	Conversion of forest stands and maintenance based on manual work (from the second year)	106
4	Reduction of clear-cutting with artificial regeneration	224
5a	Creation and maintenance of the micro habitats	123
5b	Leaving groups of trees after final felling	129
5c	Bush regulation to ensure the success of forest regeneration (first year)	274
5c	Bush regulation to ensure the success of forest regeneration (from the second year)	106
6	Postponement of the final felling in order to protect soil and habitat	280

7	Maintenance of forests for public welfare purposes	280
8	Creation and maintenance of forest clearings (first year)	274
8	Creation and maintenance of forest clearings (from the second year)	50
9	Application of environmentally friendly materials handling methods	17,45 /m3

Specific elements of the forest environment programme, and the obligations on Natura 2000 areas will be partly overlapping. Until the introduction of the Natura 2000 support, these provisions will be voluntary as a part of the forest environment programme also in the Natura 2000 sites.. After the start of the Natura 2000 support, these provisions became obligatory, and only the other, voluntary provisions - over these provisions - will be supported, from the forest environment schemes. The Creation and maintenance of micro habitats scheme can also be used together with the Selection forest management scheme; in this case, however, the applicant will be eligible only for 50% of the support amount available under the Creation and maintenance of micro habitats scheme. The Application of environmentally friendly materials handling methods scheme can be used also together with the Repression of aggressively expanding non-indigenous tree and shrub species the Selection forest management, the Conversion of forest stands and maintenance based on manual work, and the Reduction of clear-cutting with artificial regeneration schemes.

Eligible costs:

The basic principles defined by the 1698/2006 EC regulation were considered when the forest-environmental management payments were calculated, namely the compensation of incidental increase in costs and of the loss of income as a result of economic regulations. The payments take place once a year and they are aimed at covering the additional costs resulting from the undertaken obligations.

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 2.-5 target programmes are the following: „Development of private forest management", „Rural and territorial development, forest plantation, conversion of forest structure", „Nature protection in the forests", "Modern forest protection". The measure is linked to all of these target programmes.

The measure is linked to the aims taken in the Forestry Strategy of the EU related to sustainable forest management, the protection of the biodiversity of the forests and to the objectives set concerning climate change.

The Forest Action Plan of the European Union considers 18 key action as priority of the Community. Five of them are helped directly by the forest environment schemes

These key actions are as follows:

6. key action: Facilitate EU compliance with the obligations on climate change mitigation of the UNFCCC and its Kyoto Protocol and encourage adaptation to the effects of climate change

7. key action: Contribute towards achieving the revised Community biodiversity objectives for 2010 and beyond

9. key action: Enhance protection of EU forests

11. key action: Maintain and enhance the protective functions of forests

12. key action: Explore the potential of urban and peri-urban forests

The linkage with the Forest Action Plan's key actions and the forest environment schemes is shown in the next Table.

Forest Environment Schemes	**Number of Key action**
Repression of aggressively expanding non-indigenous tree and shrub species	7., 11.
Selection forest management	6., 7., 9., 11.
Conversion of forest stands and maintenance based on manual work (first year)	6., 7.
Reduction of clear-cutting with artificial regeneration	6., 7., 9.
Creation and maintenance of the micro habitats	7., 9.
Leaving groups of trees after final felling	6., 7., 9
Bush regulation to ensure the success of forest regeneration	6., 7
Postponement of the final felling in order to protect soil and habitat	6., 11.
Maintenance of forests for public welfare purposes	12.
Creation and maintenance of forest clearings	7.

Application of environmentally friendly materials handling methods	11.

Reference to the Forest Protection Plans for areas classified as high or medium risk for forest fires and the basic elements ensuring conformity of proposed measures with these protection plans:

The classification of the forests in the areas concerned was made according to their risks of fire, this is indicated in the forest plans and the forest management rules are defined knowing these.

Financing:

Public expenditure:	30 915 031 Euro
EAFRD contribution:	23 754 568 Euro

Linkages to other programmes:

Linkages to the other measures of the Programme

In case of certain target programmes the funds included in the Structural reform sub-measures of non-production investments form an integral part of the measures. The measure is closely linked to the implementation of the measures "First forestation of agricultural and non-agricultural areas, "Natura 2000 payments". Moreover, it is linked to the „Improvement of forests' economic value", and to the „Increasing the value of agricultural and forest products", and with a view to its impact it is linked to the „Agro-environment protection payments" measures.

Given that the requirements of forest environment schemes are stricter than those of Natura 2000, in case of overlapping the payments made to forest holders must be reduced by EUR 42/ha for the Reduction of clear-cutting with artificial regeneration scheme and by EUR 37/ha for the Creation and maintenance of micro habitats and Leaving groups of trees after final felling schemes.

Rationale for intervention:

Linkages to other measures of the Programme

Certain sub-measures of the forest-environmental programme are based on the activities realized in the framework of „Non-productive investments" (conversion of forest structure) (article 49), or they complement the forest-environmental target

programmes (group scenting, planting forest bands, environmentally friendly substance movement).

The forest-environmental target programmes did not have any antecedents in the national funding system, and the measures aimed at development have not been formulated earlier in such a complex system, therefore the successful operation of the programme is largely dependant upon the proper information provided for the forest holders, on their appropriate training, and the effective functioning of professional advisor system.

Thus, the measure is linked to the measures entitled „Professional training and information activities" (article 21), „Resorting to counseling services" (article 24), and „Creating counseling activities" (article 25).

The lack of assets and capital constitutes an important problem for private forest management, while they would be the most important prerequisites for high level professional work necessary for the implementation of forest-environmental programmes. The measures entitled „Improvement of forests' economic value" (article 27) and „Development of forest infrastructure" (article 30) serve to improve these conditions.

Only a few people can make a living independently on forest management, this activity is typical linked to agricultural activities. Many of the farmers who opt for joining the forest-environmental programme have already taken part in the agro-environmental programme as well, thus the two measures complement each other and strengthen their mutual impact.

The new forests created as a result of the measure entitled "First forestation of agricultural and non-agricultural areas" can serve as the base areas for the forest-environmental programmes in the future.

The measure is closely linked to the measure to ensure the preservation of the NATURA 2000 forest areas, however, its actual impact will significantly surpass that of the previous programme.

The forests that will be created as a result of the forest-environmental programme, that will be managed in a sustainable manner and that will ensure biodiversity, will function as a biological ground contributing to the development of rural tourism, thus they will have a favourable impact on the measure entitled „Promotion of tourism activities" (article 55).

Linkages to other Operational Programmes:

The measure is linked to the measure of the Environmental and Energetic Operational Programme entitled „Preservation of natural values and natural resources".

The realization of the measure will also be linked to the accentuated regional programmes (such as the Development of Vásárhelyi Plan), and to the implementation

of watershed management plans, since developing the condition of forest symbioses is an integral part of these.

Quantified targets for EU common indicators:

Type of indicator	Indicator	Target
Output	Number of forest stands receiving support	6 000pcs
	Type of commitment o Enhancing biodiversity o Preservation of high value ecosystem o Reinforce the protective value of the forest with respect to: - Soil erosion - Maintenance of water resources/Water quality - Natural hazards o Other The 'age' of the commitment o Existing commitments o New commitments	 Direct, positive Direct, positive Direct, positive Direct, positive Direct, positive 0 6 000 pcs
	Forest area under support The type of commitment: o Enhancing biodiversity o Preservation of high value ecosystem o Reinforce the protective value of the forest with respect to: - Soil erosion - Maintenance of water resources/Water quality - Natural hazards o Other The 'age' of the commitment o Existing commitment o New commitments	170 000 ha Direct, positive Direct, positive Direct, positive Direct, positive Direct, positive 0 30 000ha
	Physical area under support	30 000 ha
	Number of contracts The type of commitment: o Enhancing biodiversity o Preservation of high value ecosystem o Reinforce the protective value of the forest with respect to: - Soil erosion - Maintenance of water resources/Water quality - Natural hazards o Other The 'age' of the commitment o Existing commitments o New commitments	6 000 pcs Direct, positive Direct, positive Direct, positive Direct, positive Direct, positive 0 6 000 pcs
Result	Areas under successful area management	30 000 ha

	Measure Type of contribution o Improvement of biodiversity o Improvement of water quality o Mitigating climate change o Improvement of soil quality o Avoidance of marginalisation and land abandonment	 Direct, positive Direct, positive Direct, positive Direct, positive Direct, positive
Impact	Change in high nature value areas	10 000
	Changes in gross nutrient balance	0 kT
	Increase in production of renewable energy (mineral oil equivalent)	850 kT

During the evaluation process of the applications, the Natura 2000 areas and the High Nature Value areas has advantage. The forest environment programme contains schemes which serves directly the maintenance of Nature 2000 areas. Through the implementation of schemes number 2., 3, and 5. B, the increase of the High Nature Value areas can expected.

5.3.2.2.6. Restoring forestry potential and introduction of preventive actions

Article (and paragraph) which covers the measure:

Article 48 of Regulation No 1698/2005/EC regulation

Measure code: 226

Rationale for intervention:

In the last 5 years in average 2000 hectares/year were hit by forest fires, the other abiotic demages (drought, water, frost, snow, wind) affected more tha 5,000 hectares, while the insects caused the death of 200 hectares per year. Forest damage mitigation payments have only been payed on ad hoc basis so far, from national sources, and only the greatest forest holders have thought of prevention.

The implementation of the natural disaster 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 authority

Drought has been very frequent in the past decade, which was and additional factor to increase the risk of fire. Thus, in the future it is worth paying greater attention to fire precautions and prevention in Hungary as well. The implementation of the measure facilitates forest management security, protective belts and fire brakes can be created as a result of prevention, the size of the area demaged by the fire can be reduced. The increase of the proportion of the multi-species forests needed for forest fire protection has a positive effect on biodiversity as well.

There are no, or only indirect effective preventive forest measures that can be taken against other abiotic sources of damage (e.g.: appropriate forest structure, creating multi-species forests, nature friendly forest management methods), in their case the emphasis is on the mitigation of damage.

Objectives of the measure

The objective of the measure is to mitigate and terminate the factors threatening the factors that threaten the fulfillment of society's welfare, leisure time and environmental needs, and to prevent and abolish the abiotic and biotic damage, thus contributing to the conservation and increase of biodiversity. An other objective is to decrease the risks related to forest management, to prevent and cease the demages that threaten the ecologic and welfare functions of the forests. The fulfilment of the forests' multifunctional existence has to be ensured for society. Another important objective is to decrease the risk of production in private forest holders lacking capital, which is the guarantee for ensuring the ecological and public wealth purposes and services of the forests, equally it is also very important to prevent and terminate the damage of the forests..

As for forest management European monitoring systems have a great significance, and the stakeholders of forest management have to be involved in these systems to a greater and greater extent. Voluntary forest management contribution and cooperation strengthens the kind of environment awareness that is the basis for sustainable forest management.

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 forest fires have to cover the high or medium fire frequency areas that are defined in the national forest protection plans of the member states. The data concerning forest fire are recorded in the monitoring systems operated by the forest holders.

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.

The environmental authorities shall be involed in the implementation of the measure integratedly, especially in the field of permission-issuing procedures.

Support can be granted for:

Preventive measures

A.1. Fire prevention

- 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;
- establish forest fire information and warning boards, information points, target group specific awareness material about forest fires
- A.2. other prevention measures following a natural disaster;

Beneficiaries:

In case of damage elimination all the forest holders that are registered by the forestry authority (17 of Act XXXVII/2009) and that own an approved agenda.

In case of forest fire preventive measures the forest holders in medium and high fire frequency areas (counties) that own an approved agenda.

Entitled areas:

In case of forest fire preventive measures the high and medium fire frequency forests.

Areas entitled for damage elimination:

Areas demaged by a natural disaster and that are contained in the National Forest Inventory.

Form of assistance:

Non-refundable support: flat rate, area based, depending on the different protection methods.

In case of participation in a monitoring system, on the basis of conditions defined in the relevant contracts.

Level of support:

Depending on the purpose of the applicant, the amount of support varies between 400 and 2 365 Euro/ha.

Calculation methodology of the support:

Detailed in Annex 7.

Minimal amount of support per project:

400 Euros

Eligible costs:

- Financial assistance for damage recovery, restoration and reforestation can be allocated after natural catastrophes and fire.
- In case of creating fire brakes, the eligible costs include the costs of the creation as well as the maintenance costs of the given area.
- In cases besides the scope of ordinary farming, financial assistance can be given for the direct costs of the preventive measures.
- In case of preventing damages, financial assistance for the direct costs of activities beyond the ordinary farming can be given.
- Financial assistance for the costs of the operation of the forest protection report system that is needed for the forest monitoring system, and of the forest insect traps.

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 2 -5 having the titles „ Development of private forestry" and „Modern forest protection". The measure is primarily linked to these target programmes.

The measure is linked to the objectives specified in the EU's Forestry Strategy in relation to sustainable forest management, to conservation of biological diversity of forests, to climate change, and to the 9. key activity of the EU Forestry Action Plan the title of which is strengthening the protection of European forests.

Linkage to Forest Protection Plan in case of areas classified as high or medium risk for forest fires, and the elements that ensure the compliance of the proposed measures with the protection plan.

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.

General costs:

According to the relevant national legislation.

Financing:

Public expenditure: 14 159 869 Euro

EAFRD contribution: 10 880 195 Euro

Linkages of the measure:

Linkage with the other measures of the Program

The damage prevention measure did not have a precedent in the national support system, and previously measures relating to damage prevention and damage recovery have not been integrated in a similarly complex system, therefore the success of the programme heavily depends on the adequate information provision for the forest holders, on their training and on the efficient functioning of the professional consultancy system. The measure is interlinked with the "Vocational training and provision of information activities" (Article 21), "Utilisation of consultancy services" (Article 24) and the „establishment of consultancy services" (Article 25) measures.

One of the serious problems of the private forestry is lack of assets and capital that are hindering the performance of a high-quality professional work needed for the realisation of the forest protection programs. The measures „Improving the economic value of forests" (Article 27) and the „Improvement of silvicultural infrastructure" (Article 30) contribute to the improvement of these conditions.

It is recommended to organise the protection of forests created in the frame of the measure „First afforestation of agricultural and non-agricultural areas" (Article 43 and 45) already in the phase of plantation or as soon as possible after the plantation, therefore the harmonisation of the two measures is essential.

The realisation of the forest-environmental protection program (Article 47) indirectly contributes to the protection of forests (mixed nature, multilevel, closed forest stands), and this measure facilitates the successful realisation of the forest-environmental protection program.

The forests, that will be conserved as a result of the forest protection programs, will be location that ensure the development of rural tourism, therefore they will have a positive impact on the measure "Promotion of touristic activities" (Article 55). The measure supports the execution of the measure "Forest and Environmental payments".

Quantified targets for EU common indicators:

Type of indicator	Indicator	Objective
Output	Number of prevention/restoration actions	28 700 pcs
	The type of action:	
	- Prevention	15 800 pcs
	o for fire risk	9 480 pcs
	o For natural disasters (float, windblow, disease, frost/snow damage, etc.)	6 320 pcs
	- Restoration	12 900 pcs
	o Of fire disasters	6 450 pcs
	o Of natural disasters	6 450 pcs
	The type of intervention	
	- Infrastructure	5 740 pcs
	- Re-plantation	8 600 pcs
	- Other re-investments in forestry holdings	1 460 pcs
	- Prevention actions	12 900 pcs
	Supported area of damaged forests	39 200 ha
	The beneficiary	
	- Private	27 500 ha
	- public	11 700 ha
	The type of action:	
	- Prevention	21 500 ha
	o for fire risk	10 750 ha
	o For natural disasters (flood, storm, disease)	10 750 ha
	- Restoration	17 700 ha
	o Of fire disasters	8 850 ha
	o Of natural disasters	8 850 ha
	The type of intervention	
	- Infrastructure	7 800 ha
	- Re-plantation	11 700 ha
	- Other re-investments in forestry holdings	2 100 ha
	- Prevention actions	17 600 ha

	Total volume of investment	109 million Euros
	The beneficiary	
	- Private	87.2 m €
	- public	21.8 m €
	The type of action:	
	- Prevention	43.6 m €
	o for fire risk	28.34 m €
	o For natural disasters (flood, storm, disease)	15.26 m €
	- Restoration	65.4 m €
	o Of fire disasters	42.51 m €
	o Of natural disasters	22.89 m €
	The type of intervention	
	- Infrastructure	43.6 m €
	- Re-plantation	43.6 m €
	- Other re-investments in forestry holdings	5.45 m €
	- Prevention actions	16.35 m €
Result	Areas under successful land management	91 000 ha
	Measure	
	Type of contribution	
	- Improvement of biodiversity	Direct, positive
	- Improvement of water quality	Marginal
	- Mitigating climate change	Direct, positive
	- Improvement of soil quality	Marginal
	- Avoidance of marginalisation and land abandonment	Direct, positive
Impact	Change in high nature value areas	60 000 ha
	Changes of gross nutrient balance (nitrogen surplus)	0 kT
	Growth of renewable energy production (mineral oil equivalent)	0 kT

5.3.2.2.7. Non-productive investments on forest areas

Legal basis of support:

Article 49 of Council Regulation (EC) No 1698/2005

Measure code: 227

Rationale for intervention:

Private forestry is characterized by a fragmented property structure, lack of capital, varying and sometimes very bad natural conditions of the forests, and a s a result of all these the level of organisation is very low. The state of the private forests is continuously degrading because of the slow invasion of the non-indigenous species and the silvicultural activities that are performed on a low level due to the above mentioned problems.

The conversion of the non-indigenous forest stands with a degraded structure into indigenous forest stands that correspond with the habitat, helps to stop this unfavorable process. This a long-term profitability investment into the forest, on the basis of which the private forestry start a durable and sustainable development. Recognizing its importance the measure was introduced on other international levels as well, thus the forest structure transformation of 2000 hectares was realised yearly out of national resources.

In Hungary the utilisation of potential habitat is endangered by the spreading of the non-indigenous tree species and the evolution of pure and sprit forest without an appropriate structure. According to the National Forestry Database the range of potential forest structure conversion in the private forests is several hundreds of thousands hectares.

It is an outstandingly important objective to separate those areas where among the non-indigenous tree species the aggressively spreading ones constitute a danger.

The social welfare, and the developing ecotourism within, generates the need for the development of social welfare services of the forests. A significant part of the forests situated along settlements are adequate for social welfare developments. The operation of high-quality social welfare establishments in the forests and forest schools

facilitates the education that determines the relationship between the society and the forests. The measure contributes – especially among in the case of the young generation – to the recognition of forest environment, and therefore to the strengthening of social responsibility regarding the conservation of natural resources.

Objectives of the measures:

The aim of the objective is the provide an appropriate rate of composition, the creation of multilevel stand structures in the forest, to improve the natural character, the biodiversity, the health of the forests. Meanwhile it is also very important to produce the most profit for the people without damaging the forests and by utilizing the given characteristics of the habitat.

The investments ensuring the social welfare services of forests contribute to the deepening of the relationship between the society and the forests. In the future where the distance between the people and forests will continuously grow, these linkages will have an outstanding importance.

Scope and actions:

In the frame of the measure those investments will be supported which are related to the fulfillment of obligations undertaken on the basis of forest-environmental or other environmental objectives, or which increase the social welfare value of the forest or woodland on the given area. Non-productive investments are investments which do not significantly influence the forests' economic value and income generating.

Conversion of forest structure

- Conversion of forest from stands with missing structural elements to indigenous close-to nature mixed stand
- Conversion of indigenous coppice forest stands to close-to-nature mixed, mainly natural seedling forest stand.
- Conversion of non-indigenous forest to close-to-nature mixed forest
- Enchancing biodiversity with establishing the diversity of the forest structure, species composition, and variability
- Ensure the optimal developing process of the forest soil.
- Start the natural forest dynamic processes.

The environmental authorities shall be involed in the implementation of the measure integratedly, especially in the field of permission-issuing procedures.

Supported activities:

Non-productive investments:
Improving forestry potential

1.a) Conversion of structure with reforestation under a forest stand,

1.b) Conversion of structure after clear cutting,

1.c) Conversion of structure with completion of stand.

General eligibility criteria:

- The forest is registered in the National Forest Inventory.
- Minimum area 1,0 hectares.
- The beneficiary possesses a registered forest management plan decision concerning the given area that was issued in accordance with Article 40, paragraphs (1) and (3) of the Law on Forest (Law No. XXXVII of 2009 on forests, protection of the forests, and forest mangement), in which the structural change was planned in the interest of creating a type of stock native in the given area.

General prescriptions:

- During the implementation of regeneration and stand completion considering the 110/2003 FVM ministerial regulation propagation material can only be used from the same district of origin.
- Establishment of regeneration and stand completion can only be done with such species composition which is adequate for the specific site.
- The area must be bordered with permanent visible signs on the field.

1. a) Conversion of structure with reforestation under a forest stand,

The essence of the scheme, that the regeneration partly based on the natural seedlings, and partly on the underplanted seedlings. The old stand for a few years provides cover for the seedlings.

Prescriptions of the scheme:

- The establishment must be implemented so, that on the first spring after the establishment an adequate number of one year old seedling must be present at the area, in proper composition for the target stock fitting for the site.

This scheme has close link to the scheme: „Conversion of Forest Structure and maintenance based on manual work" of the Forest Environment Payments measure. After entering the non-productive investments scheme it is possible to enter the relating scheme of Forest Environment Payments.

1. b) Conversion of stand structure after clear cutting

The conversion, due to the parameters of the old stand must be done by an artifical regeneration after the clear-cutting of the old stand.

Prescriptions of the scheme:

- In the case of a structural change through change of tree species, logging, root combing during the preparation of the cutting area log shoving is not allowed to be practiced.
- The establishment must be implemented so, that on the first spring after the establishment an adequate number of one year old seedling must be present at the area, in proper composition for the target stock fitting for the site.

This scheme has close link to the scheme: „Conversion of Forest Structure and maintenance based on manual work" of the Forest Environment Payments measure. After entering the non-productive investments scheme it is possible to enter the relating scheme of Forest Environment Payments..

c) Conversion of structure with completion of stand

In case of pure, single level stand which contains the main species of the adequate stand type of the site, the conversion can be implemented by planting tree corns and seedlings under the stand.

During the completion, such, adequate species are planted into the forest plot, which increases the biodiversity, the stand becomes a mixed multilevel stand. The investment makes possible the natural regeneration of the forest. The planted additional species produces negligible wood mass until the final felling, because the growing of these trees are slow in their young age due to their position under the stand. Their ecological value is higher than the economical benefit provided. According to

the forestry practice the majority of these trees are not harvested during the final felling, they consist the main level of the new stand.

Specific eligibility criteria:

According to the National Forest Inventory:

- The canopy cover of the stand is at least 60%
- In case of forests in forest-steppe climate zone the canopy cover is at least 30%.
- The main tree species of the natural stand type of the specific site are present, but the additional tree species are missing.
- The age of the stand is more than 20 years, but until the final felling at least 30 years are ahead.

Prescriptions of the scheme:

- The establishment must be implemented so, that on the first spring after the establishment at least 1000 pieces/hectare one year old seedling must be present at the area, in a composition specified in the under planning plan.

This scheme has close link to the scheme: „Conversion of Forest Structure and maintenance based on manual work" of the Forest Environment Payments measure. After entering the non-productive investments scheme it is possible to enter the relating scheme of Forest Environment Payments..

II. Establishment of public welfare and touristic facilities

Support can be granted for the establishment of the following objects:

Park forest: forest with high traffic of tourist which is easy to reach, contains public welfare facilities, with walking paths, roads and clearings.

Forest for hiker: Forest visited mainly by hikers, the number of the public welfare facilities is moderate, contains dedicated tourist routes.

Forest hiker place: Public welfare object with several facilities, appropriate for a longer recreation.

Forest resting place: Public welfare object, with a moderate number of facilities, proper for a short rest, or show an amenity.

Public welfare facilities: Facilities on public welfare object, dominantly made of wood, for sporting, resting, playing activities (forest lookouts, the equipment of forest schools, forest playfields and study paths.)

The surroundings of forest school: Surroundings of an establishment that has an environment training and educational programme, connected to the national

educational programme. The programme contains the forestry and forestry management fundamentals, possess analready signed contract for the given year for at least 50 days/year with a public institution, that performs school teaching (one school day: 4 hour lesson for at least 10 people).

Forest playground: Group of playing facilities for children, made of wood, created in a forest.

Forest look out tower: Establishment created in the forest or in a forest surroundings, made of wood or stone, having a floor height of at least 6 meters, that ensures a clear view above the trees of the forests.

Forest educational track: a path built in a forest surroundings that contains demonstration stations that serve the recognition of the forests, flora and fauna, forestry management of the area and of the environment education.

Forest gymnastics path: a path built in a forest environment aiming physicl education in open air, equipped with the demonstration tables of the exercises to be performed and the relative tools.

Eligibility criteria:

a) the beneficiary is registered as a "forest holder" by the forestry authority

b) the beneficiary is the legal user of the land

c) the beneficiary has not an unfinished project within this scheme

d) the beneficiary has an approved "forest public welfare development plan" for the area

e) The beneficiary has a valid building permit for the planned investments and an implementation plan (if it is obliged)

Prescriptions of the scheme:

The beneficiary obliged

- During the implementation, to comply with the prescriptions of the relevant legislation of support
- During the implementation to comply with the prescriptions of the approved "**public welfare development plan**"
- To let the public to use the object free of charge at lest for five years from the application

Form of the support:

Non refundable flat rate support.

Beneficiaries:

Forest holders, municiplaities, associations of micro-regions, NGOs.

Provisions of support:

Non-refundable support.

Aid intensity:

100%

Calculation methodology of the support:

Detailed in Annex 7.

Level of support:

I. Improving the forestry potential		
Schemes	Euro	
Conversion of structure with reforestation under a forest stand	1 400	ha
Conversion of structure after clear cutting (with change of tree species)	1 019	ha
Conversion of structure after clear cutting with change of tree species (with stumping)	1 670	ha
Conversion of structure after clear cutting with change of tree species (with log anointing, log injection)	2 090	ha
Conversion of structure with completion of stand	496	ha

II. Establishment of public welfare and tourist facilities	
Facility	**Maximum support**

	(Euro)
Park forest ”A” type	24300
Park forest ”B” type	23100 - 47900
Forest for hiker „A” type	23100
Forest for hiker „B” type	39900
Forest hiker place	20300
Forest resting place	3100
Surroundings of a forest school	23500
Forest playground	17300
Forest educational track	18900
Forest gymnastics path	16900
Look out tower „A” type	20000
Look out tower „B” type	45000
Look out tower „C” type	82000
Look out tower „D” type	139000

Linkage with Article 36 (b)(v) of the Council Regulation (EC) No 1698/2005 – forest-environmental payments – or with other environmental objectives:

Forest-environmental (conversion of structure) investments

Forest restructuring measures constitute one of the possible bases of forest and environmental protection target programmes no. 2 and 3 (Article 47), while the investments in fact can be linked to all the target programmes as preliminary activities or supplementary measures.

Scheme establishment of public welfare facilities is closely linked to the scheme “Conservation of forests with public welfare function” of measure Forest Environment payments, which supports the maintenance of the forest with public welfare functions.

Public welfare investments

- In semi-natural forests, the multiple functions of forests are manifested on higher levels:
- The protective functions of forests are continuously ensured,
- For forest holders, the safety of farming activities and the conditions of income-generation are improved,

- The public welfare services of forests are supplied to the whole of the society in a directly perceivable manner.

Links of the planned measures with national/partly national forestry programmes or any equivalent instruments, as well as the Community Forestry Strategy:

By way of its Resolution no. 1110/2004. (27/10), the Government has adopted the National Forestry Programme for 2006–2015 wherein the target programmes no. 3–5 are entitled "Rural and regional development, afforestation, forest restructuring", "Nature conservation in forests", "Modern forest protection". The measure is linked to all of these target programmes.

The measure is also connected to sustainable forestry, the preservation of the biodiversity of forests, as well as the objectives in connection with climatic change as defined in EU's Forestry Strategy.

Links to the Forest Protection Plan for areas classified as high- or medium-risk areas of forest fires, as well as basic elements that are to ensure the reconciliation of the planned measures with the protection plan:

For the forests situated in the affected forestry areas, classification in accordance with the prevailing fire risks have been implemented, the associated categories have been specified in the forestry plans, and requirements for forestry activities will be shaped in the light of the above achievements.

Financing:

Total public expenditure:	32 655 609 Euro
EAFRD contribution:	25 091 998 Euro

Complementarity and demarcation of the measure:

Complementarity to the other measures of the Programme

This measure has had antecedents in the national support scheme, yet the associated investments have never been set into such a complex system, and therefore the efficient operation of the programme largely depends on the adequate information and training services to be supplied to forest holders, as well as the effective operation

of the advisory system. Thus, the measure is linked to "Vocational training and information activities" (Article 21), "Use of advisory services" (Article 24), as well as "Establishment of advisory services" (Article 25).

As a major problem, private forest farming has to cope with the shortage of assets and capital resources that are also viewed as the conditions of high-standard professional activities required for the implementation of forest–environmental protection programmes. The improvement of these conditions are served by the measures entitled "Improving the economic value of forests" (Article 27) and "Improving forestry infrastructure" (Article 30).

The measure is closely tuned to the measure aiming at the preservation of Natura 2000 forest areas (Article 46), yet its potential scope far exceeds that scope of this latter measure.

These investments are indispensable for the commencement of some of the target programmes of the forest-environmental protection programme.

Such semi-natural forests ensuring the preservation of biodiversity that are established as outcomes of the investments and forest-environmental programmes, and then managed in a sustainable manner function as biological bases for the boosting of village tourism, and thus are foreseen to have a positive influence on the measure entitled „Encouragement of tourism activities" (Article 55).

Quantified targets for EU common indicators:

Type of the indicator	**Number of semi-subsistence farms supported**	**Target for 2013**
Output	Number of forest holders supported;	10 000 pcs
	Type of investment: Investments linked to o The achievement of commitments undertaken pursuant to the measure provided for in article 36(b) (iv) o Other environmental objectives Investments which enhance the public amenity value of forest and wooded land of the area concerned	 5 000 pcs 2 500 pcs 2 500 pcs
	Total volumes of investments Type of investment: Investments linked to o The achievement of commitments undertaken pursuant to the measure provided for in article 36(b) (iv) o Other environmental objectives Investments which enhance the public amenity value of forest and wooded land of the area concerned	45.9 m € 34.4 m € 5.0 m € 6.5 m €
Result	Areas efficiently involved into the scope of forest farming Measure	33 000 ha

	Type of contribution o Improvement of biodiversity o Improvement of water quality o Mitigating climate change o Improvement of soil quality o Avoidance of marginalisation and land abandonment	 Direct, positive Direct, positive Direct, positive Direct, positive Direct, positive
Impact	Increase in the areas of high natural values	33 000 ha
	Changes in the gross nutrient balance (nitrogen surplus)	0 kT
	Increase in renewable energy production (mineral oil equivalent)	230 kT

5.3.3. Axis III: Quality of life in rural areas and diversification of the rural economy

5.3.3.1. Measures to diversify the rural economy

5.3.3.1.1. Diversification into non-agricultural activities

Articles covering the measure:

Council Regulation No (EC) 1698/2005, Article 52 Point a) Subparagraph i. and Article 53

Council Regulation (EC) No 1974/2006, Article 35 and Section 5.3.3.1.1. in Annex II

Measure code: 311

Rationale for intervention:

According to the situation analysis in the NHRDP, the number of job opportunities outside of the agricultural sector is low, and even the number of jobs within agriculture has been decreasing in rural areas. High unemployment and low wages augment the problem.

On the other hand, the problems provide an opportunity for economic development generated by the cheap labour force. The alternative activities developing beside the agricultural holdings (sideline activities) has a tradition, compensating the income volatility of the agricultural production and make use of seasonal availability of the labour force. The valuable, living handicraft traditions can still be found in the rural areas that play an important role both in preservation of the employment and of the unique image of the region.

For the purpose of mitigating and reversing the mutually intensifying processes of the territorial confinement and the social-economic break-away, it is appropriate to prioritise assistance to the least developed micro-regions due to their social, environmental and economic disadvantage. It is necessary to enhance the competitiveness of the areas falling behind, to revitalize the local economy and to prepare the local communities for acquirement of EU and other available funds for the purpose of supporting sustainable social, environmental and economic development.

The measure is linked to the elimination of gender inequality in society, and the provision of support for integration of disadvantaged social groups into the labour market.

Objectives of the measure:

The purpose of the measure is primarily to improve the earning potential of the rural population living from agriculture, to create and preserve jobs outside the agricultural activities that may contribute to diminishing the migration from the rural areas and to improving the rural living conditions. Its aim is to encourage the additional income generating, product producing and service activities of households with earnings from the agriculture, promotion of products produced locally in entering the market.

The aim of the measure is to create **alternative income-generating** activities (not linked directly to agriculture but linked to their enterprise) for beneficiaries working in agriculture as main activity. With long term keeping of this alternative activity it becomes possible to increase incomes from these activities and at the same time it is possible to keep of incomes from agricultural activities. That's how they can make more stabile the income possibilities, may diversify their activities. The increase of employment, executing of new, innovative initiates, start of real diversification process and slow down of disadvantageous demographic processes can be explained on rural areas.

Beneficiaries:

Natural and legal persons, who/which are **member of a farm household and whose agricultural income represents more than** 50% of their total income can be supported.

The geographical area affected by the measure includes the settlements with population number of less than 5000 or density of population less than 100 persons pro sq. km except for the *urban settlements* and *micro-regional centres* both from 2011. The outskirt areas of *urban settlements* and *micro regional cetres* having more than 2% of total population living in outskirt territories are entitled for subsidy. The settlements of the Budapest agglomeration are not eligible under the measure. List of eligible settlements is in Annex 17 of the Programme. A map on the eligible settlements can be found in Annex 18.

Scope and actions:

Support can be received for the following types of actions:

- technological developments, purchase of machinery and equipment,

- constructing, building engineering, -construction, -renovation, -modernization (including the energy-efficiency increasing and renewable-energy utilization promoting modernizations),
- purchase of patents, licences, production technologies and quality and environmental management systems linked to the investments,
- marketing activity linked to the investments,
- introduction of non-food quality assurance systems,
- other general expenses (i.e.:engineer-fee, consultant-fee)[9].

The purchase of patents and licenses, as well as the introduction of non-food quality assurance systems can only be supported as a component of an investment project.

Purchase of land and real estate is not eligible under the measure.

Domains of diversification covered inter alia:

- Light-industry developments (e.g. machine repairing, wood- and metal working);
- Executing of business networks and associations promoting diversification activities;
- Exhibiting of new technologies, executing of pilot projects;
- Expert, technical, trade, social, agricultural services and other development of services;
- Investments aiming processing non Annex I products and support of prior marketing of them;
- Craftmanship activities, trade and technical services;
- Leisure activities, except developments supported in measure Encouragement of tourism activities (313.);
- Activities linked to use of renewable energy;
- Primery or secondary processing of agricultural products to non Annex I product.

As for the geographical scope of the measure, priority will be given to rural areas and micro-regions lagging behind.

The micro-regions lagging behind are listed in the Comprehensive Micro-Regional Development Programme for Areas with Multiple Disadvantage.

[9] Up to 12% of total eligible costs.

Type of support:

Non-refundable support.

Aid intensity:

In case the provisions of 1998/2006/EC on *de minimis* aid apply to the investment to be implemented in the framework of the measure:

The rate of public expenditure in the case of projects to be implemented at a settlement that belongs to a least developed micro-region listed in the relevant government decree or at a settlement that has multiple disadvantages, oris affected by socio-economic and infrastructural disadvantages and that an unemployment level that is significantly higher than the national average: 65%.

The rate of total public expenditure in case of developments at settlements that do not match the criteria above: 60%.

In case the provisions of Regulation (EC) 1628/2006 are applied to the investment in the measure and if the investment qualifies as an initial investment under Article 2 (c) of Regulation (EC) 1628/2006, Article 4 (1) of Regulation (EC) 1628/2006 shall apply.

In such a case, by virtue of Commission Decision (EC) No 2006/487, the maximum amount of the regional aid which may be granted in Hungary is as follows.

1. Regions eligible for aid under Article 87(3) (a) of the EC Treaty:

	1.1.2007-31.12.2010	1.1.2011-31.12.2013
HU23 Southern Transdanubia	50%	50%
HU31 Northern Hungary	50%	50%
HU32 Northern Great Plain	50%	50%
HU33 Southern Great Plain	50%	50%
HU21 Central Transdanubia	40%	40%
HU22 Western Transdanubia	30%	30%

2. Regions eligible for aid as regions of economic development under Article 87(3) (c) of the EC Treaty:

	1.1.2007-31.12.2010	1.1.2011-31.12.2013
HU10 Central Hungary		
HU101 Budapest	25%	10%

HU102 PEST	30%	30%

The ceilings specified in the table above may be raised by 20% for the subsidies of **initial** investments to small enterprises and by 10% in case of medium-sized enterprises.

Complementarity of the measure:

Complementarity to the other measures of the Programme:

In the interest of achieving the overall common goal of creation of jobs in rural areas, the measure is linked to the measures „Support for business creation and development" and „Encouragement of tourism activities" .

In case of measure „Support for business creation and development" (312.) those beneficiaries can be supported having not more than 50% income of agricultural activities from the total income. Within the frames of present measure those beneficiaries can be supported having more than 50% income of agricultural activities from the total income.

After the closure of support claim submission period of 2012, the measure M313 will be closed for beneficiaries having agricultural income more than 50% of their total income.

The base of demarcation from submeasures 121.5 – on-farm diversification – and 123.1 – adding value to agricultural products – is that within the frame of the present measure only such developments can be supported, that result in non-Annex I. products, while in case of measures „Modernisation od agricultural holdings" (121.) and „Adding value to agricultural products" (123.) the end-products belong to Annex I. products.

Demarcation of actvities within Axis III. presented below:

	On-farm	Off-farm
Income rat	Support for business creation and development (312.)	

<table>
<tr><td></td><td colspan="2">Encouragement of tourism activities (313.)
(Development of touristic services and
Development of accomodation)</td></tr>
<tr><td rowspan="2">Income rate from agricultural activity abowe 50%</td><td>Encouragement of tourism activities (313.) up to 2012</td><td>Development of accomodation and development of touristic services (313.) up to 2012</td></tr>
<tr><td colspan="2">Diversification into non-agricultural activity (including development of accomodation development of touristic services – 311.) from 2013</td></tr>
</table>

Demarcation of Axis I. and III. regarding to diversification into non-agricultural activity:

<table>
<tr><th></th><th>Annex I. end product</th><th>Non-annex end product</th></tr>
<tr><td rowspan="2">Annex I. (base product)</td><td>Adding value to agricultural products (123.1.)</td><td rowspan="2">Diversification into non-agricultural activity (311.)</td></tr>
<tr><td>Modernisation od agricultural holdings – on farm diversification submeasure (121.5.)</td></tr>
<tr><td>Non-annex base product</td><td>-</td><td>Diversification into non-agricultural activity (311.)</td></tr>
</table>

Demarcation from the measure “Support for business creation and development” is based on the place of implementation of the supported activity (on-farm vs off-farm) and on the ratio of income of agricultural origin.

Demarcation from the measure “Encouragement of tourism activities” is based other place of implementation of the supported activity on the ration of agricultural income of the beneficiary. Tourism related activities implemented on-farm are eligible for support exclusively under this measure. Tourism related activities implemented off-farm are eligible for support under the measure “Encouragement of tourism activities”.

The measure is linked to the measure "Training and information" within which, special trainings connected to agricultural diversification can be supported.

Demarcation from the measure “Modernization of agricultural holdings” is based on the category of the products processed. The process of Annex I. products can be supported under the measure “Modernisation of agricultural holdings”, while the process of non-Annex products can be supported under this measue. In case of investments in renewable energy on the farm, investments, which do not generate revenue for the farm are supported under the measure “Modernisation of agricultural holdings”, while investments generating revenue can be supported under this measure.

Links to other Operational Programmes:

The measure is linked to the Regional Operational Programmes to the Economic Development Operational Programme. However, the ROPs and the EDOP do not support on-farm diversification activities of farmers eligible under this measure.

The measure is linked to the Complex Spatial Cohesion Programme for the Integrated Development of the Least Developed Micro-Regions to maximise the benefits for the targeted micro-regions under the Comprehensive Programme.

The measure is linked to the Balaton Flagship Programme.

The enterprises may use the micro-credit granted by the EDOP for satisfaction of other financing needs.

Complementarity with the CAP

As for the demarcation from the sugar restructuring/diversification programme in Kaba, the following principles are applied:

1. Farmers from the region – based on the exhaustive list of settlements involved – are eligible for support from the RDP before the submission of

the „Kaba diversification programme" and after the full committment of the resources of the measures of the diversification programme.

2. Administrative tools and procedures will also ensure the avoidance of double-financing (cross-check of applications, seperate application track). Both the RDP and the „Kaba diversification Programme" will be implemented via the IACS system, which ensures the avoidance of double-financing. On-spot checks also ensures the avoidance of double-financing. Based on the above facts, the MA could guarantee the avoidance of double-financing.

Financing:

Total costs: 53 985 842 Euro

Public expenditure (EAFRD and state contribution): 38 561 316 Euro

EAFRD contribution: 27 630 948Euro

Quantified targets for EU common indicators:

Type of indicator	Indicator	Objective
Output	Number of beneficiaries	1 200
	Legal entity of beneficiaries	
	- Natural person	450
	- Enterprise	750
	- Gender (male/female)	400/50
	Age group	
	- younger than 25	100
	- 25 or older	350
	Types of rural non-agricultural activity	
	- tourism	200
	- crafts	100
	- trade	350
	- renewable energy production	50
	- other	500

	Total volume of investments (EUR) Type of rural activities that are not agricultural (compared to all public expenditure) - tourism - crafts - trade - renewable energy production - other	69 897 056 11 602 912 5 801 455 20 409 940 2 935 676 29 147 072
Result	Gross number of jobs created Number of new workplaces in the following categories: On-site/off-site - on-site workplace created through the subsidised activity o agrotourism o crafts o retail trade o renewable energy production o other - off-site workplace created through the subsidised activity o tourism o crafts o retail trade o renewable energy production o other Gender (male/ female) Age group - younger than 25 - 25 or older LEADER - Axis I - Axis II - Axis III	300 300 100/200 100 200

	Increase in non-agricultural gross value added in supported businesses (EUR) By measure By type of plant - agricultural plant - other enterprises	10 million
Effect	Full-time equivalent of jobs created	272
	Net added value measured by purchasing power parities (PPS)	14.1 million

5.3.3.1.2. Support for business creation and development

Articles covering the measure:

Council Regulation No (EC) 1698/2005, Article 52 Point a) Subparagraph ii. and Article 54

Council Regulation (EC) No 1974/2006,

Section 5.3.3.1.1. in Annex II

Measure code: 312

Rationale for intervention:

The analysis of the situation in rural Hungary in the NHRDP states that the number of enterprises pro thousand inhabitants in rural areas is significantly lower than the national average. Small and micro-enterprises form the majority of businesses in rural Hungary. Consequently, the promotion and support of micro-enterprises is a key objective of the NHRDP manifest in this measure. Based on the assessment of development needs the encouragement of micro-enterprise development can be achieved in a number of ways.

For the purpose of reduction of the inactivity and increase of the local income-generating facilities, expansion of the employment basis of the rural areas is necessary. General support for micro enterprises is justified by mitigation of the efficiency disadvantages arising from the lower economies of scale of the rural areas.

The entrepreneurial spirit and cheap labour force are strengths that rural development initiatives can build on. However, it is essential to ensure that support is available in the preparatory phase of the projects as well.

Parallel with the gradual decrease of the income-generating and employment role, promotion of the income-generating and business possibilities outside the agriculture has become necessary not only for the farmers but for the rural population with working capacity as well. The inactivity and unemployment that have a severe impact on rural areas, resulting in the increase of social and economic disadvantages, can be reduced by sustainable economic development based on the internal resources of the countryside.

For the purpose of mitigating and reversing the mutually intensifying processes of the territorial confinement and the social-economic break-away, it is appropriate to pay special attention to assisting the areas with multiple disadvantages due to their social, environmental and economic disadvantage. It is necessary to enhance the competitiveness of the areas falling behind, to revitalize the local economy and to prepare the local communities for acquirement of EU and other available funds for the

purpose of supporting the sustainable social, environmental and economic development.

Objectives of the measure:

The measure is specifically aimed to encourage the establishment and development of micro-enterprises characteristic of rural areas. Through enterprise development in rural areas the measure contributes to the key rural development objective of the New Hungary Rural Development Programme, specifically that of job creation in rural Hungary. The measure also contributes to the achievement of the strategic objective of reducing the outward migration from rural areas for employment.

Scope and actions:

The geographical area affected by the measure includes the settlements with population number of less than 5000 or density of population less than 100 persons pro sq. km excluding the urban settlements and micro-regional centres that are entitled for support as from 2011 the Operational Programme for Developing the Economy launched by the New Széchenyi Plan.Settlements of the Budapest agglomeration are not eligible under the measure List of eligible settlements is in Annex 19 of the Programme.

A map on the eligible settlements can be found in Annex 18.

Types of beneficiary enterprises:

Micro-enterprises registered in Hungary with their registered office in Hungary, cooperatives and private entrepreneurs having agricultural income rate under 50% of total income;

Business actors (micro-enterprises) qualified for resident status either by being registered in Hungary or having an operational branch (local seat) registered in Hungary according to the foreign exchange laws and meet the conditions defined for micro enterprises in the Commission Recommendation (EC) No 2003/361 and the national law harmonizing with it (currently: Act XXXIV of 2004).

Natural persons (not registered as a business actor) who take commitments to be registered by the time of the first payment of the project, after a successful application procedure, having agricultural income rate under 50% of total income rate.

Description of the type of operations:

- Investment support;
- Start-up support (including initial personal costs).

Under the measure any non-agricultural activity implemented in the eligible settlements and not belonging to the scope of excluded activities is eligible.

The following activities are not eligible for support:

- Production and primary processing of Annex 1 products,
- tourism developments,
- wholesale activities,
- mining activity,
- vehicle trade, fuel retail,
- financial and real estate trading services,
- public administration and education activities.

Priority is to be given to developments that contribute to job creation.

Related to the above eligible activities, activities such as:

- technological development, purchase of machinery and equipment,
- constructing, building engineering, -construction, -renovation, -modernization (including the energy-efficiency increasing and renewable-energy utilization promoting modernizations),
- purchase of patents, licences, production technologies,
- marketing activity,
- introduction of quality and environmental assurance systems,
- other general expenses[10] (i.e.:engineer-fee, consultant-fee).

can be supported.

The purchase of patents and licenses, as well as the introduction of non-food quality assurance systems can only be supported as a component of an investment project.

Purchase of land and real estate is not eligible under the measure.

Type of support:

Non-refundable support.

[10] Up to 12% of total eligible costs.

Aid intensity:

In case the provisions of 1998/2006/EC on de minimis aid apply to the investment to be implemented in the framework of the measure:

The rate of public expenditure in the case of projects to be implemented at a settlement that belongs to a least developed micro-region listed in the relevant government decree or at a settlement that has multiple disadvantages, oris affected by socio-economic and infrastructural disadvantages and that an unemployment level that is significantly higher than the national average: 65%.

The rate of total public expenditure in case of developments at settlements that do not match the criteria above: 60%.

In case the provisions of Regulation (EC) 1628/2006 are applied to the investment in the measure and if the investment qualifies as an initial investment under Article 2 (c) of Regulation (EC) 1628/2006, Article 4 (1) of Regulation (EC) 1628/2006 shall apply.

In such a case, by virtue of Commission Decision (EC) No 2006/487, the maximum amount of the regional aid which may be granted in Hungary is as follows.

1. Regions eligible for aid under Article 87(3) (a) of the EC Treaty:

	1.1.2007-31.12.2010	1.1.2011-31.12.2013
HU23 Southern Transdanubia	50%	50%
HU31 Northern Hungary	50%	50%
HU32 Northern Great Plain	50%	50%
HU33 Southern Great Plain	50%	50%
HU21 Central Transdanubia	40%	40%
HU22 Western Transdanubia	30%	30%

2. Regions eligible for aid as regions of economic development under Article 87(3) (c) of the EC Treaty:

	1.1.2007-31.12.2010	1.1.2011-31.12.2013
HU10 Central Hungary		
HU101 Budapest	25%	10%
HU102 PEST	30%	30%

The ceilings in the above table may be increased by 20 percentage points for aid for initial investment awarded to small enterprises and by 10 percentage points for aid awarded to medium-sized enterprises.

Financing:

- Total costs (including own resources): 180 678 945 Euro
- Public expenditure (EAFRD and state aid): 116 567 061 Euro
- EAFRD contribution: 83 525 639 Euro

Complementarity of the measure:

The measure is closely linked to the measures "5.3.3.1.1. Diversification into non-agricultural activities" and "5.3.3.1.3. Encouragement of tourism activities", since the common aim of all the three measures is to revitalize the rural economy and preservation and to create jobs.

Demarcation from the measure "Diversification into non-agricultural activities" is based on the rate of revenue stemming from agricultural activities. In case of measure „Support for business creation and development" (312.) those beneficiaries can be supported having not more than 50% income of agricultural activities from the total income. Within the frames of 311 Diversification into non-agricultural activity measure those beneficiaries can be supported having more than 50% income of agricultural activities from the total income.

Demarcation from the measure "Encouragement of tourism activities" is based on the scope of eligible activities.

Demarcation of actvities within Axis III. presented below:

<table>
<tr><td></td><td>On-farm</td><td>Off-farm</td></tr>
<tr><td rowspan="2">Income rate from agricultural activity under 50%</td><td colspan="2">Support for business creation and development (312.)</td></tr>
<tr><td colspan="2">Encouragement of tourism activities (313.)
(Development of touristic services and
Development of accomodation)</td></tr>
<tr><td rowspan="2">Income rate from agricultural activity abowe 50%</td><td>Encouragement of tourism activities (313.) up to 2012</td><td>Development of accomodation and development of touristic services (313.) up to 2012</td></tr>
<tr><td colspan="2">Diversification into non-agricultural activity (including development of accomodation development of touristic services – 311.) from 2013</td></tr>
</table>

Links to other Operational Programmes:

The measure is linked to the Regional Operational Programmes and to the Economic Development Operational Programme (EDOP).

After the closure of support claim submission period of 2012, the measure will be closed.

The demarcation from the EDOP is based on the geographical scope of the intervention: the EDOP does not support micro-enterprises on the territorial scope of this measure. After the closure of the measure under NHRDP, EDOP may support these activities.

The beneficiaries of this measure may use the general consulting services supported by the ROPs.

The enterprises may use the micro-credit granted by the EDOP for satisfaction of other financial needs.

The measure is linked to the Complex Spatial Cohesion Programme for the Integrated Development of the Least Developed Micro-Regions to maximise the benefits for the targeted micro-regions under the Comprehensive Programme.

The measure is linked to the Balaton Flagship Programme.

Complementarity with the CAP

As for the demarcation from the sugar restructuring/diversification programme in Kaba, the following principles are applied:

1. Micro-enterprises from the region – based on the exhaustive list of settlements involved – are eligible for support from the RDP before the submission of the „Kaba diversification programme" and after the full committment of the resources of the measures of the diversification programme.
2. Administrative tools and procedures will also ensure the avoidance of double-financing (cross-check of applications, seperate application track). Both the RDP and the „Kaba diversification Programme" will be implemented via the IACS system, which ensures the avoidance of double-financing. On-spot checks also ensures the avoidance of double-financing. Based on the above facts, the MA could guarantee the avoidance of double-financing.

Quantified targets for EU common indicators:

Type of indicator	Indicator	Objective
Output	Number of micro-enterprises supported	4 600
	Status	
	- Legal person	4 600
	- Natural person	0
	Type of micro-enterprise	
	- Newly created micro-enterprises	1 800
	- Existing micro-enterprises	2 800
	Total volume of subsidised developments (EUR)	372 600 000
Result	Gross number of jobs created	4 600
	Number of new workplaces in the following categories:	
	- on-site/off-site	0

	- on-site workplace created through the subsidised activity	0
	o agrotourism	0
	o crafts	0
	o retail trade	0
	o renewable energy production	0
	o other	0
	- off-site workplace created through the subsidised activity	4 600
	o tourism	0
	o crafts	100
	o retail trade	200
	o renewable energy production	4 300
	o other	0
	Gender (male/ female)	3 840/960
	Age group	
	- younger than 25	900
	- 25 or older	3 900
	LEADER	110
	- Axis I	0
	- Axis II	0
	- Axis III	110
	Increase in non-agricultural gross value added in supported businesses (EUR) By measure By type of plant	131.4 million
	- agricultural plant	0
	- other enterprises	131.4
Effect	Full-time equivalent (FTE) of jobs created	4 133
	Net added value measured by purchasing power parities (PPS)	210.3 million

5.3.3.1.3. Encouragement of tourism activities

Articles covering the measure:

Council Regulation No (EC) 1698/2005, Article 52 Point a) Subparagraph iii. and Article 55

Council Regulation (EC) No 1974/2006, Section 5.3.3.1.3. in Annex II.

Measure code: 313

Rationale for intervention:

The more unfavourable employment position of the rural areas in comparison with the national average (higher unemployment) can be improved by the exploitation of attractions of the favourable landscape-natural and cultural heritage to be there. The majority of the village accommodation places is characterized by the relatively low service level and utilisation of capacities, on the other hand, the popularity of village tourism and thus, the number of guest-nights at the accommodation places are continuously increasing according to the statistical data. The level of tourism-related services in rural areas is of low level, it is not always adjusted to the demand of the target groups. The presentation of the local landscape, natural and cultural values is not satisfactory. The coordinated presentation of attractions, the creation of their standardized regional offer is missing. Tourism has a considerable multiplying effect, it increases the number of consumers in the specific region, as a consequence, it can foster the expansion of direct distribution of products of the local farms, small-scale producers, and it vitalizes the turnover of the local markets. The increasing environment- and health-consciousness of the tourists results in the growing value of the natural environment and thus, of the rural landscape for recreation purposes. It appears particularly in the case of visitors from urban areas who are increasingly spending their leisure time with active relaxation in the rural areas. In this way, a new type of demand for getting acquainted with local products, cultural values and folkways is emerging.

The development of tourism-related services contributes to the economic restructuring of the rural areas. The income from tourism strengthens the local economy, thus contributing to the improvement of the quality of life and to mitigation of the regional-economic disadvantages.

Objectives of the measure:

Improvement of the hospitality capacity of the settlements by extension and development of the quality of the local tourism-related services.

Coupling of the agricultural production and local sales with the tourism offer of the villages, conservation and exploitation of the country values as well as presentation of the natural values and establishment of the conditions for an active way of passing the time.

Establishment of accommodation places providing high quality services, renovation, modernization and improvement of the running accommodation places and services and assisting them in entering the market.

Within the framework of this measure, in addition to the development of high quality accommodation, another important aspect is that related services and programmes should be suited to the demand by domestic and international guests who require higher standards. It is an objective to modernize and reconstruct the rural real estates that with tourism potential that are not or insufficiently utilised, in an innovative, environment-friendly and sustainable way (e.g. wine-press houses, craft buildings).

Further aims of the measure are to improve employment in rural areas, and to retain and create workplaces, to support the tourism-related enterprises of the region and the cooperation of the service providers, encouragement of introduction of the IT developments, quality assurance standards.

Territorial scope of the measure:

The geographical area affected by the measure includes the settlements with population number of less than 5000 or density of population less than 100 persons pro sq. km except for the *urban settlements* and *micro-regional centres* both from 2011. The outskirt areas of *urban settlements* and *micro regional cetres* having more than 2% of total population living in outskirt territories are entitled for subsidy. The settlements of the Budapest agglomeration are not eligible under the measure. List of eligible settlements is in Annex 17 of the Programme. A map on the eligible settlements can be found in Annex 18.

Beneficiaries:

- Natural persons,
- registered micro-, small and medium-sized enterprises with local seat, business domicile or branch office in Hungary,
- local municipalities,
- associations of local municipalities,
- non-profit organizations,
- for hunting tourism related services, natural persons and legal entities with a hunting management permit (members of local hunting associations),
- as well as the associations of the above–mentioned entities.

Scope and action:

The measure aims to develop the infrastructure facilities and services of the sustainable village and agro-tourism as well as of the active tourism based on features of the natural environment from among the countryside forms of tourism.

M313 from 2013 may support beneficiaries having less then 50% agricultural income for development of tourism services and development of accommodation places on and off-farm way.

Sub-measures of the measure

In order to create and/or retain workplaces in rural areas developing the infrastructure facilities and services and marketing of the sustainable village and agro-tourism as well as ecotourism from among the countryside forms of tourism in the following areas:

- The establishment and enlargement of high quality private (non-commercial) accommodations and connected services in relation to village tourism, the modernization of operating accommodations and the development of services linked to them;
- The creation of high quality accommodations and the connected services in rural areas in relation to youth tourism (child and youth holiday camps, settled camps, tourist hostels), which – according to the Hungarian law – are non-commercial accomodation places. The enlargement and modernization of operating units and the development of services linked to them can also be supported;
- The establishment and development of high quality and complex agro- and ecotourism services – not linked to the accommodation – which are based on the natural resources, agricultural, forestry, fishing and water sports features, community cultural and gastronomy heritages as attractions, seasonal and agro-tourism services
    - horse-riding services
    - services of hunting and forest tourism (purchase of game and wild fowl for breeding and hunting purposes is not eligible)
    - fishing tourism
    - wine-tourism related developments

According to decree No.137/2008 (X.18.) FVM of the Minister of Agriculture and Rural Development concerning the conditions of support for the encouragement of tourism activities 'Hunting services' should not affect negatively the bio-diversity of the area and its natural quality.

Scope of eligible activities and costs

- building, building engineering, establishment, renovation and modernization of buildings linked to accommodations or planned services
- purchase of tools and equipment linked to the establishment of services connected to indoor and/or outdoor recreational developments of real estates
- introduction of non-food quality systems and quality assurance standards
- general expenses: engineering fees, expert, consultation fees; up to 12% of the total of eligible costs of development (running costs are not eligible)
- other costs related to the investment.

Type of support:

Non-refundable support.

Aid intensity:

In case the provisions of 1998/2006/EC on de minimis aid apply to the investment to be implemented in the framework of the measure:

The rate of public expenditure in the case of projects to be implemented at a settlement that belongs to a least developed micro-region listed in the relevant government decree or at a settlement that has multiple disadvantages, oris affected by socio-economic and infrastructural disadvantages and that an unemployment level that is significantly higher than the national average: 65%.

The rate total public expenditure in case of developments at settlements that do not match the criteria above: 60%.

The rate of total public expenditure, for aid provided to local governments, churches and non-profit organizations is 100% of total eligible costs..

In case the provisions of Regulation (EC) 1628/2006 are applied to the investment in the measure and if the investment qualifies as an initial investment under Article 2 (c) of Regulation (EC) 1628/2006, Article 4 (1) of Regulation (EC) 1628/2006 shall apply. In this case according to the Decision of the Commission No. 487/2006 (OJ C 256, 24.10.2006) the regional aid ceilings in Hungary are as follows**:**

1. Regions eligible for aid under Article 87(3) (a) of the EC Treaty:

	1.1.2007-31.12.2010	1.1.2011-31.12.2013
HU23 Southern Transdanubia	50%	50%
HU31 Northern Hungary	50%	50%
HU32 Northern Great Plain	50%	50%
HU33 Southern Great Plain	50%	50%

HU21 Central Transdanubia	40%	40%
HU22 Western Transdanubia	30%	30%

2. Regions eligible for aid as regions of economic development under Article 87(3) (c) of the EC Treaty:

	1.1.2007-31.12.2010	1.1.2011-31.12.2013
HU10 Central Hungary		
HU101 Budapest	25%	10%
HU102 PEST	30%	30%

The ceilings in the above table may be increased by 20 percentage points for aid for initial investment awarded to small enterprises and by 10 percentage points for aid awarded to medium-sized enterprises.

Financing:

Total costs: 169 927 599 Euro

Public expenditure: 154 479 635 Euro

EAFRD contribution: 110 691 733 Euro

Complementarity of the measure:

Complementarity to other measures of the Programme:

The measure is closely linked to the measures “Diversification into non-agricultural activities”, “Support for business creation and development” and “Training and information".

Demarcation from the measure “Diversification into non-agricultural activities” is based on the place of implementation of the supported activity and on the ratio of agricultural income of the beneficiary.

After the closure of support claim submission period of 2012, the measure M313 will be closed for beneficiaries with more than 50% agricultural income rate.

Demarcation of actvities within Axis III. presented below:

	On-farm	Off-farm
Income rat	Support for business creation and development (312.)	

<table>
<tr><td></td><td colspan="2">Encouragement of tourism activities (313.)
(Development of touristic services and
Development of accomodation)</td></tr>
<tr><td rowspan="2">Income rate from agricultural activity above 50%</td><td>Encouragement of tourism activities (313.) up to 2012</td><td>Development of accomodation and development of touristic services (313.) up to 2012</td></tr>
<tr><td colspan="2">Diversification into non-agricultural activity (including development of accomodation development of touristic services – 311.) from 2013</td></tr>
</table>

Link to other Operational Programmes:

The measure is linked to and harmonised with the tourism development measures of the Regional Operational Programmes and the "Balaton Flagship Programme". However, the regional operational programmes do not support the above-mentioned activities (development of private accommodations and youth accommodations, seasonal agro-tourism activities, services of horse-riding, fishing, hunting and forest tourism, in the geographical scope of this measure.

As for **tourism** development projects, the ROPs support the development of accommodation classified as commercial accommodation along with the related tourism services excluding agro-tourism. Under this measure, only non-commercial accomodation places can be supported.

The ROPs support developments related to destination management, attractions and the connecting infrastructure, as well as tourism related to wine regions, and gastronomy.

With regard to **wine tourism**, the operational programmes of the regions support the beneficiaries of the NHRDP measures "Encouragement of tourism activities" (Article 55) and "Diversification into non-agricultural activities" (Article 53) if the aid applied for exceeds 100,000 Euros. For wine tourism developments below the 100,000 Euro limit, support is provided from the NHRDP.

Concerning touristic development in the field of youth tourism (child and youth holiday camps, settled camps, tourist hostels), the demarcation with the ROPs is that only the non-commercial accomodation places in this field can be supported from the RDP.

Complementarity with the CAP

As for the demarcation from the sugar restructuring/diversification programme in Kaba, the following principles are applied:

1. Applicants from the region – based on the exhaustive list of settlements involved – are eligible for support from the RDP before the submission of the „Kaba diversification programme" and after the full committment of the resources of the measures of the diversification programme.
2. Administrative tools and procedures will also ensure the avoidance of double-financing (cross-check of applications, seperate application track). Both the RDP and the „Kaba diversification Programme" will be implemented via the IACS system, which ensures the avoidance of double-financing. On-spot checks also ensures the avoidance of double-financing. Based on the above facts, the MA could guarantee the avoidance of double-financing.

Quantified targets for EU common indicators:

Type of the indicator	Indicator	Target
Output	Number of new tourism actions supported (pcs) type of action: ▪ Small-scale infrastructure (information centres, signposting of tourist sites,.) ▪ Recreational infrastructure (offering access to natural areas, small-capacity accommodation, etc) ▪ Development/marketing of rural tourism services	3 197 0 2 398 799
	Total volume of investment (EUR) Type of action: ▪ Small-scale infrastructure (information centres, signposting of tourist sites,..) ▪ Recreational infrastructure (offering access to natural areas, small-capacity accommodation,…) ▪ Development/marketing of rural tourism services	297.4 million 0 237.9 million 59.5 million

Result	Increase in non agricultural GVA in supported businesses (EUR) per measure per type of holding: o agricultural holding o other enterprises	14.4 million 0 14.4 million
	Additional number of tourist visits Number of overnight stays (hotels,..) Number of day visitors (tourism facilities, recreational activities)	800 000
	Gross number of jobs created (pcs) New jobs created according to: on farm versus off farm jobs: - on farm jobs created by assisted actions o agri-tourism o craft o retail o renewable energy production o other - off farm jobs created by assisted actions o tourism o craft o retail o renewable energy production o other gender (male/ female) age category - age < 25 - 25 ≤ age Leader o Axis 1 o Axis 2 o Axis 3	600 0 120 0 0 0 0 480 400 0 0 0 80 280/320 200 400
Impact	Net additional full time equivalent jobs created	1701
	Net additional value expressed in PPS	23 million

5.3.3.2. Measures to improve the quality of life in rural areas

5.3.3.2.1. Basic services for the economy and rural population

Articles covering the measure:

Council Regulation No (EC) 1698/2005, Article 52 Point b) Subparagraph i. and Article 56

Council Regulation (EC) No 1974/2006, Section 5.3.3.2.1. in Annex II

Measure code: 321

Rationale for intervention:

The access to the individual services is not provided or provided in improper quality for the rural population, in particular for those living in villages, because no modern, up-to-date building supplying community functions for use of the local inhabitants is available in a great part of the villages, or if available, its condition is ruined, eroded. Due to the low profitability and the specifically high maintenance costs, the services have frequently been discontinued in the villages and many of those who are still working are working under disgraceful conditions and with installations.

However, **public culture** institutions and the national library networks are present in the majority of the settlements. They are generally in bad condition in villages and their services are sporadic. Consequently, it is necessary and rational to renovate the existing buildings and include all cultural services in one institution per village. Also, new community functions should be added.

For retention of the inhabitants the improvement of the range, quality and accessibility of basic services operating locally. From among them, development of the institutional infrastructure is especially important for the cultural and leisure-time activities, for provision of a complex IT and communication infrastructure, for ensuring the client traffic of the individual trade services with monthly regularity, for creation of termination points of service providers, or for proper day-care of children or old people and for reception of lifestyle and anti-discrimination programmes. Within the circle of villages, the basic services can frequently been operated only so that they can share the operational costs, therefore, here only establishment of community areas for complex utilization can guarantee the sustainable operation for the service providers.

The parallelism in form of the services is a frequent case even for settlements located near each other. There is a considerable efficiency reserve if the forms and maintenance of services are jointly planned and organized at the micro-regional level.

Consequently, the services listed above can be efficiently and effectively delivered through **multiple service centres**.

It is reasonable to promote villages lacking services by supporting **micro-transport services** as they provide access to public services, promote the development of basic social services, extend the functions of settlements, develop community, improve the quality of life and strengthen the attachment of youth to rural areas.

There are particularly serious deficiencies in the field of services in homestead areas.

For the purpose of mitigating and reversing the mutually intensifying processes of the territorial confinement and socio-economic break-away, it is expedient to pay special attention to assisting the least developed areas assigned to development due to their social, environmental and economic disadvantage. It is necessary to enhance the competitiveness of rural areas, to revitalize the local economy and to prepare the local communities for acquirement of EU and other available funds for the purpose of supporting the sustainable social, environmental and economic development.

In order to encourage the formation of local identities and increased environmental awareness, and equal opportunities in society, the Programme needs to provide open access to every member of the public to natural and cultural locations of public value, public events, and basic services.

Objectives of the measure:

Aim of the measure is to improve the accessibility of the basic services in the settlements of the rural areas, to extend the range of services, to improve their quality and, as a consequence, to enhance the population retentivity of the rural areas, to improve the quality of life in addition to the continuous sustainability.

Firstly, the aim of the measure is to establish multiple service centres by the renovation and technical modernization of mostly unexploited buildings because of the new functions planned to be established. These multiple service centres are indispensable for providing services based on local needs.

Secondly, the aims of assisting micro-transport services are to reduce the handicaps of disadvantaged settlements lacking services (small villages, outskirt areas or other internal area and homesteads with populations), to improve life quality, access public services, promote the development of basic social services, extend the functions of settlements, develop community, reach better life quality and to strengthen the attachment of youth to rural areas. Therefore the establishment of services based on local needs and providing primarily residential, private and direct assistance, the obstacle clearing of communication of information, the innovative development of board types and setting up personal and material conditions are needed.

Territorial scope of the measure:

The measure focuses on the rural areas where the capitation of the settlements with less than 5000 inhabitants or with population density less than 100 persons pro sq km (except the settlements belonging to the Budapest agglomeration, towns and microregion centres), as well as on the outskirt areas of settlement where more than 2% of the population lives in outskirt areas. The settlements of the Budapest agglomeration, towns and centres of micro regions are not eligible under the measure. The list of eligible settlements can be found in Annex 17. A map on the eligible settlements can be found in Annex 20.

Beneficiaries:

In case of the establishment of multiple service centres and micro-transport services the beneficiaries are local municipalities, associations of local municipalities, non-profit organizations and churches.

Scope and actions:

Types of the supported services:

1. Establishment of multiple service centres

- Establishment of multiple service centres for provision of the missing and needed services. The multiple service centre is a physically single building or complex of coherent buildings primarily appropriate for provision of community and business services for the inhabitants of the settlement, in which all times at least one local resident works in charge of organization of community programs.
- The interior and exterior modernisation of the existing buildings, joining the functions of building complexes and their transformation into a multiple service centre.. The multiple service centres may receive support to establish their infrastructure, including the interior and exterior modernisation, transformation and extension of the building and to establishment of basic infrastructure necessary for rendering the services (devices, equipment and the infrastructure required for establishing an Internet connection).
- The establishment of children daycare facilities can be supported as part of the multiple service centre.
- The establishment of „animal asylum" places can be supported under this sub-measure.

The services provided in the multiple service center may contain the following:

- Administrative and commercial services

- Cultural, communication and recreation services

- Complementary health services

- Social services

Developments linked to the compulsory tasks of municipalities listed in articles 1 and 4 of the 8 § of Act LXV of 1990 on local municipalities are not eligible within the framework of this measure.

Special support should be given to projects for which other local actors (non-governmental organizations, enterprises) are involved in forming and maintenance of the service in the frame of a cooperation agreement. Projects can be prioritized in which facilities are supplied with energy deriving from power plants that are using renewable energy resources and based on local raw materials.

2. In case of the establishment of micro-transport services, the purchase of new motor vehicle can be supported. The purchase of equipment necessary for the service provision, the purchase of alarming systems (for example alarm system for caretakers) can also be supported.

Type of costs covered:

1. In case of the establishment of multiple service centres:

- Construction costs of the internal and external modernisation of the building
- purchase of machinery and installation of equipment,
- costs of landscaping,
- general costs: fees of engineers, experts, consultants; maximum share in the eligible expenditure: 12%,
- personal costs in a degressive manner.

The internal and external renovation of the buildings used as Multiple Service centres can only be supported under M321. M322 supports the internal and external renovation of non protected buildings, other than Multiple Service centres. M323A supports internal and external renovation of protected buildings, other than Multiple Service centres.

Type of support:

The running of the Integrated Communal and Service Space (ICSS) can be supported by right of 3. § (1) paragraph d) point as following:

The maximum amount of support (HUF) of the personal costs can be supported in a degressive manner, in the first year of the running is corresponding to 12 000 Euro, in the second year it is corresponding to 8000 Euro and in the third year it is corresponding to 4000 Euro. The maximum support of personal costs cannot exceed the 25% of the total support of the project;

2. In case of the establishment of micro-transport services:

- purchase of new motor vehicle in line with establishing new services
- supplement tools absolutely needed for creating the right conditions of service provision
- purchase of equipment linked to the service provision, purchase of alarming systems.

Running costs are not eligible.

Type of support:

Non-refundable support.

Rate of support:

The rate of support is 100%.

In case of establishment of multiple service centres, the maximum amount of support is 200 000 Euro per settlement between the years 2007-2013.

In case of establishment of micro-transport services, the maximum amount of support is 40.000 Euro per project.

Financing:

Total costs: 158 288 856 Euro

Public expenditure: 145 219 134 Euro

EAFRD contribution: 104 056 160Euro

Complementarity of the measure:

Complementarity to the other measures of the Programme:

The measure is directly linked to the measure "Support for business creation and development", since the supported enterprise may operate its commercial activity in multiple service centres as well. Furthermore the measure is linked to the measure "Encouragement of tourism activities", since tourism information point may operate in multiple service centres. The internal and external renovation of the buildings used as Multiple Service centres can only be supported under M321. M322 supports the internal and external renovation of non protected buildings, other than Multiple Service centres. M323A supports internal and external renovation of protected buildings, other than Multiple Service centres.

Multiple service centre cannot be established in buildings under protection, the indoor renovation of protected building is supported by the measure " Conservation of rural heritage".

Link to other Operational Programmes:

The Regional Operational Programmes contain measures aimed at establishment of community areas as well as infrastructure developments necessary for performance of compulsory human-purpose municipality tasks and related procurement of assets. emarcation from the ROPs is based on the geographical scope of the measure.

The measure is linked to the "Balaton Flagship Programme" as well.

The ROPs provide funding for the development of mandatory public services of municipalities, including education, healthcare, social infrastructure and lineal infrastructure (road, drainage, etc.). In relation to non-mandatory public services the ROPs support single or multi-purpose community and service centres only in urban areas as defined by population density (>100 residents/km2) and/or population (>5000/settlement). Therefore, developments linked to the compulsory tasks of municipalities listed in articles 1 and 4 of the 8 § of Act LXV of 1990 on local municipalities are not eligible in the framework of this measure, these will financed from the ROPs. The non-compulsury activities – on the territorial scope of the measure – can be financed from the RDP.

Activities eligible for support under the State Reform Operational Programme are not eligible for support under this measure.

Within the framework of the first priority of SIOP ("the development of the education infrastructure"), the establishment of multifunctional community centres in cities of county rank and the development of public culture and library services in connection with the scientific areas of the centres will be supported, primarily by enhancing the education, training and community role of these institutions. The results of developments supported by the NHRDP, the multiple service centres and infrastructure developments under other funds also contribute to the impact of the enhancement of the national library network services and the introduction of elenctronic library services to smaller settlements. The NHRDP supports multiple

service centres in eligible rural settlements, while the SIOP focuses on cities of county rank and other settlements not eligible under the NHRDP.

Priority 2 of EGOP: Infrastructure developments supporting access to the public administration services; within the scope of this measure the multiple service centres can provide place for public administration services.

The objectives of the 3rd priority of SROP ("Quality education and accessibility for all") are: equal opportunities in accessing public services and the development of the atypical (not formal) training services of the public culture institutions and the NGOs in the entire country (especially for the cohesion of smaller settlements and regions in decline). Also, under the SROP, the content services of the library network will be developed, mainly through making the documents in town and county libraries accessible from anywhere in the country.

Quantified targets for EU common indicators:

Type of the indicator	Indicator	Target
Output	Number of supported actions (pcs) Type of actions: ▪ ICT initiative (e.g. infrastructure) ▪ Mobility ▪ Culture and social infrastructure ▪ Environmental infrastructure (sewage, waste water treatment,…)/Energy ▪ Training ▪ Childcare ▪ Other	3 836
	Total volume of investment (EUR) Type of actions: ▪ ICT initiative (e.g. infrastructure) ▪ Mobility ▪ Culture and social infrastructure ▪ Environmental infrastructure (sewage, water waste treatment,…)/Energy ▪ Training ▪ Childcare ▪ Other	180.5 million
Result	Population in rural areas benefiting from improved services (thousand persons)	3 500
	Increase in internet penetration in rural areas (thousand persons)	60
Impact	Net additional full time equivalent jobs created	2 110
	Net additional value expressed in PPS	
Special indicators	Number of multiple service centres (pcs)	822
	Number of supported micro-transport services	1 985

5.3.3.2.2. 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

Measure code: 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 power 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. Establishing children's playgrounds can also contribute to improving the living standard in rural areas.

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. In case of renovation of buildings the measure focuses on inside and outside appearance, taking into consideration, that outside renovation may executed only together with inside renovation and the inside renovation must targets the establishment or development of a former or new community function.

Scope and actions:

The geographical scope of the measure includes the settlements with population number of less than 5.000 or density of population less than 100 persons pro sq. km. The outskirt areas of non-eligible settlements – with an outskirt population above 2 % of the total inhabitants of the settlement – are eligible for support. Settlements of the Budapest agglomeration are not eligible under the measure. The list of eligible settlements can be found in Annex 17. A map on the eligible settlements can be found in Annex 20.

As for the geographical scope of the measure, settlements covered by ROP actions – cities and micro-regional centres – are not eligible for support under this measure. irrespectively from the number of inhabitants and the density of population.

Built rural heritage with local protection is not eligible for support under this measure.

Beneficiaries:

Local municipalities and their partnerships, Non Governmental Organisations and churches.

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)
- External renovation of non-protected buildings dedicated to community and economic purposes, or playing an important role in the inside and outside appearence of the settlement.
- 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.
- Establishing children's playground.

Type of cost covered

- Costs of infrastructural developments,
- Costs of landscaping,
- Costs of procurement and installation of assets and equipment,
- Costs related to the external and internal renovation,
- General costs (including the costs of advisory).

Purchase of land and real estate is not eligible under the measure.

Type of support

Non-refundable aid

Aid intensities:

The rate of aid is 100%.

Any aid granted under this measure will be in conformity with the de minimis Regulation (EC) No 1998/2006.

The total *de minimis* aid granted to any one undertaking shall not exceed EUR 200 000 over any period of three fiscal years. These ceilings shall apply irrespective of the form of the *de minimis* aid or the objective pursued and regardless of whether the aid granted by the Member State is financed entirely or partly by resources of Community origin.

Demarcation criteria with other EU financial instruments:

Links to other measures of the Programme

The measure is linked to the measure „Conservation and sustainable development of the rural heritage" as both of the measures serve the renewal built values of the rural settlements. The demarcation between the two measures is based on whether the object of the project is under protection. The measure „Conservation and sustainable development of the rural heritage" only supports cultural values and buildings under local or national protection, while being protected is not an eligibility criteria under this measure.

The measure is linked to the measure „Encouragement of tourism activities" as through the improvement of the image of the settlement it increases the touristic attraction of the settlements.

The measure is linked to the measure Basic services for the rural economy and population (M321): the internal and external renovation of the buildings used as Multiple Service centres can only be supported under M321. M322 supports the internal and external renovation of non protected buildings, other than Multiple Service centres. M323A supports internal and external renovation of protected buildings, other than Multiple Service centres.

Connection to other OPs

Regional OPs support the infrastructural developments, which are mandatory municipality tasks.

Concerning the geographical scope of this measure, settlements covered by ROP actions–cities and micro-regional centres– are not eligible for support under this measure. The list of eligible settlements can be found in Annex 17. The list does not contain any settlement eligible under ROP.

The measure is connected to the "Complex Spatial Cohesion Programme for the Integrated Development of the Least Developed Micro-Regions". The measure contributes to the creation of equal opportunities.

Furthermore, the measure is connected to the Balaton Flagship Programme.

Financing:

Total cost:	125 779 030 Euro
Public expenditure:	112 810 294 Euro
EAFRD contribution:	80 833 742 Euro

Quantified targets for EU common indicators:

Type of indicator	Indicator	Target 2007-2013
Output	Number of villages supported where actions took place	600
	Division of actions according to the type of revitalisation:	
	- physical	360
	- social	60
	- economic	180
	Total volume of investments (euro)	140 million
	Division of actions according to the type of revitalisation:	
	- physical	83.5 million
	- social	14.5 million
	- economic	42 million
Result	Population in rural areas benefiting from improved services	1 415 700
Impact	Net additional value expressed in PPS	-
	Net additional full time equivalent jobs created	150
	Broken down by gender (male/female)	50/100
	Broken down by age (under and over 25)	40/110

5.3.3.2.3. Conservation and sustainable development of the rural heritage

Within the framework of this measure, two sub-measures can be distinguished:

A., Conservation of cultural heritage;

B., Preparation of Natura 2000 maintenance/development plans

5.3.3.2.3.A Conservation of cultural heritage

Articles covering the measure:

Art. 52 b) and Art. 57 iii) of Council Regulation no. 1698/2005/EC

Section 5.3.3.2.3 of the Annex to Regulation 1974/2006/EC

Measure code: 323.A

Rationale for intervention:

The Hungarian rural areas are rich in cultural, built and natural values. Towards the enhancement of the attraction of rural areas, it is essential to improve rural landscapes, as well as to demonstrate the associated cultural and natural heritage properly. The settlements in rural areas do not have sufficient own income for the preservation, development of their architectural heritage, cultural and natural values, assets. Apart from the built heritage, the natural values of the settlement, the connected green areas are rather neglected, and hold decreasing significance to the local communities. Towards the enhancement of the attraction of rural areas, it is essential to ensure the sustainable development and proper demonstration of the cultural and natural heritage associated with rural life.

Objectives of the measures:

The objective of the measure is to improve the landscape and environment of the settlements in rural areas, to preserve and renew the built, natural and cultural heritage and the connected green areas, as well as local identity, and to enhance the attraction of these settlements.

Geographipcal scope of the measure:

The geographical scope of the measure includes the settlements with population number of less than 5 000 or density of population less than 100 persons pro sq. km. The outskirt areas of non-eligible settlements – with an outskirt population above 2% of the total inhabitants of the settlement – are eligible for support. Settlements of the Budapest agglomeration are not eligible under the measure. The list of eligible settlements can be found in Annex 17. A map on the eligible settlements can be found in Annex 20.

As for the geographical scope of the measure, settlements covered by ROP actions – cities and micro-regional centres – are not eligible for support under this measure, irrespectively from the number of inhabitants and the density of population.

Scope and actions:

The measures aims at the protection and renewal of the constructed, natural and cultural heritage of local dimension in rural settlements. In this respect, the harmonized, interrelated improvement of built structures and the protection of local heritage are in the focus of the measure.

Beneficiaries:

Non-profit entities registered in Hungary, municipalities and their partnerships, and churches.

Type of actions supported:

Cultural heritage:

Preparation of studies, plans in relation to the renovation, maintenance and development of constructed heritage. External and internal renovation and modernization of buildings under local or national protection, of buildings that are part of the architectural and cultural heritage, the demonstration of the built cultural heritage, the development and renovation of adjacent green areas, construction of access walkways and paths, the demonstration of local folk-art, ethnographic, cultural values. Rehabilitation of such units within the settlement structure, buildings and the associated environmental elements (at least units consisting of three elements) that are under protection; development and renovation of closely related green areas.

Conservation and development of the natural heritage:

Support to developments aiming at the improvement and development of the natural and historical landscape, as well as the scenic elements constituting thereof.

Implementation of actions to develop environmental consciousness (improving the surroundings of water bodies, nature conservation areas, and improving the conditions for selective waste collection and waste management, etc.).

Type of costs covered:

Costs incurred by the purchase and installation of assets and equipment.

Costs of external and internal renovation of buildings.

Costs of landscaping and planting.

General costs (including costs of advisory services).

Purchase of land and real-estate is not eligible under the measure.

Type of support:

Non-refundable aid

Aid intensities:

The rate of support is 100%.

Any aid granted under this measure will be in conformity with the de minimis Regulation (EC) No 1998/2006.

The total *de minimis* aid granted to any one undertaking shall not exceed EUR 200 000 over any period of three fiscal years. These ceilings shall apply irrespective of the form of the *de minimis* aid or the objective pursued and regardless of whether the aid granted by the Member State is financed entirely or partly by resources of Community origin.

Complementarity of the measure:

Complementarity to the other measures of the Programme:

The measure is linked to the measure Basic services for the rural economy and population (M321): the internal and external renovation of the buildings used as Multiple Service centres can only be supported under M321. M322 supports the internal and external renovation of non protected buildings, other than Multiple Service centres. M323A supports internal and external renovation of protected buildings, other than Multiple Service centres.

The measure is linked to the measure „5.3.3.2.2. Village renewal and development", as both of the measures serve the renewal and protection of (built) values of the rural settlements. The demarcation between the two measures is based on whether the object of the project is under protection. This measure only supports cultural values under local or national level protection, while being under protection is

not an eligibility criteria for the measure "Village renewal and development". Buildings under protection are registered with the local municipality or listed with the National Office of Cultural Heritage.

The measure is linked to the measure „5.3.3.1.3. Encouragement of tourism activities" as through the improvement of the image of the settlement and by the protection of the agriculture related cultural and natural heritage, it increases the touristic attraction of the settlements.

Link to other Operational Programmes:

Regional OPs support the infrastructure developments, which are mandatory municipality tasks.

As for the geographical scope of the measure, settlements covered by ROP actions– cities and micro-regional centres– are not eligible for support under this measure, irrespectively from the number of inhabitants and the density of population.

The measure is connected to the "Complex Spatial Cohesion Programme for the Integrated Development of the Least Developed Micro-Regions". The measure contributes to the creation of equal opportunities.

Furthermore, the measure is connected to the Balaton Flagship Programme.

Financing (323):[11]

Total costs:	95 849 822 Euro out of which 323.A 93 512 597 Euro
Public expenditure:	80 723 693 Euro out of which 323.A 78 720 462 Euro
EAFRD contribution:	57 842 223 Euro out of which 323.A 56 406 816 Euro

Quantified targets for EU common indicators:

Type of the indicator	Indicator	Target
Output	Number of rural heritage actions supported ▪ Natural heritage *(see Article 57 (a) of the Regulation)* ▪ Cultural heritage *(see Article 57 (b) of the Regulation)*	600 50 550

[11] The aggregate financial numbers of the 5.3.3.2.3.A and 5.3.3.2.3.B measures equal to the numbers in the financial table in Chapter 7.

	Total volume of investments (Euro) ▪ Natural heritage *(see Article 57 (a) of the Regulation)* ▪ Cultural heritage *(see Article 57 (b) of the Regulation)*	112.9 million 17 million 95.9 million
Result	Population in rural areas benefiting from improved services	628 800
Impact	Net additional value expressed in PPS;	-
	Net additional full time equivalent jobs created	-

Additional programme-specific indicators and quantified targets:

Type of the indicator	**Indicator**	**Target**
Output	Number of supported heritage and nature sites	470
Result	Ratio of endangered monuments	33%
Impact	Improved satisfaction of rural residents targeted by the support	-

5.3.3.2.3.B. Preparation of Natura 2000 management plans

Articles covering the measure:

Article 57 of Regulation (EC) No 1698/2005

Section 5.3.3.2.3 of the Annex to Regulation 1974/2006/EC

Measure code: 323.B

Rationale for intervention:

Pursuant to Article 6 (1) of the Habitats Directive Member-States shall take the measures necessary for the protection of special nature preservation areas, if necessary by developing management plans, which expressly concern the area in question. 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 listed in Annex II of the Habitats Directive.

The management plans to be prepared and under preparation for protected natural areas cover in total 40 special protection areas (SPA) and 123 special areas of conservation (SAC). In respect both of their objectives and their content elements the Natura 2000 management/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 natural values of Community importance will be identified as Natura management plans to distinguish them from the other type of plan, the mandatory nature conservation management plans for natural areas of national significance as per Minister of Environment and Water (MEW) Decree no. 30/2001 (XII. 28.)

Objectives of the measure:

Contribution to the conservation, development and to the sustainable utilization of natural values in rural areas.

Scope and actions:

The Natura management plans might contain mandatory land use prescriptions for farmers, but they take into consideration the mandatory rules on land use determined in the Governmental Decree and the basic objectives of Natura 2000 areas as indicated by the rationale underlying their designation. 200 Natura management plans will be elaborated for the Natura sites exluding forests, because the management plans related to Natura 2000 forest areas will be included in the district forest plans. The preparation of Natura 2000 forest management plans will be financed from national resources.

The preparation of management plans on Natura 2000 areas and other areas having significant natural values:

The preparation of management plans for Natura 2000 areas pertain primarily to those areas that are not protected, and thus no associated management plans are elaborated under the relevant national legal regulations. The Natura management plans might contain mandatory land use prescriptions for farmers, but they take into consideration the mandatory rules on land use determined in the legislative provision. The Natura management plan makes clear suggestion on e.g. which agri-environment scheme (AES) promotes the most the maintenance of the favourable conservation status of the Natura 2000 site.

For protected areas of national importance, which already have nature conservation management plans prepared according to the relevant national legislation, no new plan will be elaborated, but these will be adjusted in order to fulfill the criteria of the Natura 2000 management plans.

At regional level the Natura management plans – taking into consideration community values – are aligned on the existing agri-environmental specifications, and in some cases they make proposals on taking on activities beyond the basic requirements applying to Natura 2000 areas and on occurent afforestation.. This way the Natura management plans provide for the farmers guidelines, which can help them in making better use of support schemes, if their application was submitted properly and they are helped by a professional advisory service.

Beneficiaries:

Beneficiaries can be consortiums of institutions, NGOs and universities with the necessary capacity and knowledge in this field.

Description of the type of operations covered:

- The Natura management plans will be prepared by the consortiums on the basis of the methodology jointly adopted by the Ministries concerned, that will be published in the provisions of the relevant legislation.
- The revision of already existing management plans on protected areas can be supported in line with the Natura prescriptions.
- The plan shall particularly contain the following:
- presentation and evaluation of the given habitat/species group (description of main parameters, stocks, 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 pays special attention on the impact of the relevant measures of the NHRDP and other supporting measures on the target group and its proposed applicability.
- Plan of monitoring and indicators prepared by the Hungarian Biodiversity monitoring System in accordance with the management/development goals.

Interested parties and communities concerned have to be involved by the beneficiary in the preparation of the plan and in the impact assessment.

The final plans are evaluated by the review committee consisting of governmental and non-governmental experts and independent researchers.

Selection criteria of beneficiaries:

In case of over-application, priority list will be prepared according to the following key aspects: competence of the consortium, proportion of protected area within the Natura site, number of priority species and habitats and their complexity, category of endangerment of species, size of the Natura 2000 site and the number of farmers operating on the site.

Form of the support:

Non-refundable support.

Aid intensities:

As part of the total eligible cost: 100%.

The amount of the support is mainly determined by the cultivation branch(es) of the area concerned by the Natura management plan, the size of the site, number of farmers operating on the site and the number of priority species and habitats and their complexity.

Complementarity of the measure:

Complementarity to the other measures of the Programme:

The measure is closely linked to the basic-level compensation support of Natura 2000 and voluntary agri-environmental support, as well as the support of those non-productive investments that are associated with both measures.

Financing (323):[12]

Total costs: 95 849 822 Euro out of which 323.B 2 337 225 Euro

Public expenditure: 80 723 693 Euro out of which 323.B 2 003 231 Euro

EAFRD contribution: 57 842 223 Euro out of which 323.B 1 435 407 Euro

Additional programme-specific indicators:

Type of the indicator	Indicator	Target
Output	Number of Natura management plans Area covered by these plans	250 plans 400 000 ha
Result	Size of the area involved in agri-environmental farming schemes based on the content of the Natura management plans	90 000 ha
Impact	Reversing biodiversity decline Change in trend in biodiversity decline as measured by indicative species population index (Hungarian Biodiversity monitoring System)	+ 5%

[12] The aggregate financial numbers of the 5.3.3.2.3.A and 5.3.3.2.3.B measures equal to the numbers in the financial table in Chapter 7.

5.3.3.3. Training and information

Articles covering the measure:

Article 52 c) and Article 58 of Regulation 1698/2005/EC

Section 5.3.3.3 in Annex II of Regulation 1974/2006/EC

Measure code: 331

Rationale for intervention:

Towards the enhancement of the population retention ability of rural areas, as well as the improvement of income-generating opportunities and life quality, proper information services and the provision of trainings with respect to the existing demands and feasibilities are of essence to potential applicants planning to attend non-agricultural activities as sources of income, as well as to stakeholders influencing the provision of rural services and the quality of the rural environment.

Objectives of the measures:

The objective of the measure is to improve the knowledge, learning and skills of those living in rural areas to support the diversification of the rural economy, the development of non-agricultural enterprises, the betterment of the income and employment situation, as well as the enhancement of the quality of rural life.

Scope and actions:

Within the framework of the measure, the selected and potential beneficiaries of the Axis III. measures aiming to develop enterprises – only economic actors – can take part in professional trainings organized beyond institutionalized education, courses, informative programmes involving practical demonstrations, as well as client-service information activities provided to rural entrepreneurs, municipalities, non-profit organizations and natural persons can be supported. These elements can all contribute to the improvement of the profitability of the affected enterprises, the start-up of new undertakings, the preservation and sustainable utilization of the rural cultural and natural heritage, the deployment of required and missing services, as well as the efficient operation of the same.

The target group of these trainings is the beneficiaries of the measures “Diversification into non-agricultural activities” and “Support for business creation and development”. Economic actors of the beneficiaries of the measure “Encouragement of tourism activities” can be the beneficiaries of this measure.

The geographical area affected by the measure includes the settlements relevant for the Axis III. measure, to which the training is connected.

Fields covered by the training and information:

The actual topics of eligible trainings, courses and informative events cover the full range of training required for the successful implementation of Axis III. measures.

Description of the activities:

The following training activities can be supported under Axis III. of the New Hungary Rural Development Programme.:

- trainings connected to rural and agro-tourism,
- trainings in association with the preservation and sustainable utilization of cultural and natural heritage,
- trainings connected with the start-up and operation of innovative, local solutions for basic services for economic actors,
- certified trainings regarding traditional handicraft activities and rural hospitality,
- Demonstrative, informative programmes in connection with the measures of Axis III. wherein support can be granted to the elaboration and implementation of one-day informative programmes (innovative rural development initiatives, open portals, open riding halls, chamber tours, etc.) in the framework of which projects for enterprise development, diversification, rural tourism, village renewal and heritage conservation, as well as local solutions (innovative rural initiatives) for basic services that all have been implemented under Axis III. are presented by means of practical demonstration and consultation to potential applicants.
- Trainings oriented towards developing local economic networks based on the cooperation of local enterprises (marketing of local products).
- Introduction of rural development initiatives (rural development demonstration farm/courtyards).
- Trainings for economic actors, which are in close cooperation with local municipalities in the field of service provision and common initiatives.
- Trainings for economic actors on general project-management connected to the measures of Axis III.

Type of economic actors beneficiary of actions envisaged:

The beneficiaries of the measure are the selected and the potential beneficiaries among the economic actors of Axis III. measures.

Training organisation are selected by the Managing Authority via a national public tender.

The beneficiaries can be given support for covering part of their training fees paid for trainings provided by the seleted training organisations.

Form of the support:

Non-refundable support.

Aid intensities:

100 % of eligible costs.

Financing:

Total costs:	0 Euro
Public expenditure:	0 Euro
EAFRD contribution:	0 Euro

Complementarity and demarcation of the measure:

Complementarity to the other measures of the Programme:

On the basis of the preliminary assessment of the needs of rural actors, the measure is to mediate knowledge, skills and new ideas to the potential applicants of those Axis III. measures, to which training action can be attached under this measure.

Complementarity to other Operational Programmes:

With regard to training of individuals, the Social Renewal Operational Programme does not support training programmes related to agricultural activities supported under the New Hungary Rural Development Programme.

The key demarcation principle with regard to training activities targeting rural development is that training programmes closely linked to activities eligible for support under the measures of Axis III. of the New Hungary Rural Development Programme can only be supported within the framework of the NHRDP. This includes village tourism activities as well, which is exclusively supported under the RDP.

The development of the regions with multiple disadvantages, the suppression of segregation within the settlement, as well as to social and labour-market integration of the population in the region and the settlements are to be facilitated with integrated programmes that are inciting for the local society and based on community planning. Towards taking these developments, support programmes aimed at the regions with multiple disadvantages, segregated parts of the settlements where the majority of Roma population live, as well as achieving real progress in the development of these

areas, the social and labour-market integration of the local population, targeted programmes are to be launched.

The measure is connected to the "Complex Spatial Cohesion Programme for the Integrated Development of the Least Developed Micro-Regions".

The measure contributes to the creation of equal opportunities.

Furthermore, the measure is connected to the Balaton Flagship Programme.

Main activities of operations:

Support for the integrated development of the least favoured, priority micro-regions.

The suppression of segregation within the settlements, the acceleration of the process of social integration for the local population (support for the rehabilitation of homogeneous residential environments).

Quantified targets for EU common indicators:

Type of the indicator	Indicator	Targets
Output	Number of participating economic actions to supported activities	0
	Type of actors:	
	- micro-enterprises	0
	- individual farmers	0
	- other self-employed persons (non-farmers)	0
	- non-profit organisations	0
	- public organisations	0
	- other	0
	Gender (male/female)	0
	Age category	
	- age < 25	0
	- age ≥25	0
	content of activity	
	- management, administrative (book keeping) and marketing skills	0
	- ICT training	0
	- maintenance and enhancement of landscape and protection of environment	0
	- other	0
	Participants broken down by gender:	
	Participating men	0
	Participating women	0

	Number of training days received (days)	0
Result	Number of participants successfully completing the trainings gender (male/female) age category - age < 25 - 25 ≤ age	0 0 0 0
Impact		-

5.3.3.4. Skill acquisition, animation and implementation

Articles covering the measure:

Article 59 of Council Regulation no. 1698/2005/EC

Section 5.3.3.4 of the Annex to Regulation 1974/2006/EC

Measure code: 341

Rationale for intervention:

In Hungary, the LEADER measure of the ARDOP proved to be very successful regarding the number of Local Action Groups (LAGs) and number of rural actors involved. The local communities that have taken part in the programme found it very useful for elaborating a local strategy based on local partnership. Based on the achievements of the previous programme, there is a clear need for a LEADER-like strategy-elaboration and partnership building in rural areas.

The measure supports the elaboration of micro-regional level rural development concepts based on a bottom-up approach, the elaboration of a local development plan and the implementation thereof, thereby strengthening a synergy and a regional coherence between the measures of the Axes. The provision of information, the development of skills and the acquirement of animation techniques are necessary in the process of the elaboration and efficient implementation of development strategies built upon the actual needs and opportunities.

The measure promotes the development of local human capacities necessary for creating and implementing local rural development strategies by means of improving skills and offering assistance for animation activities.

The formulation and implementation of local rural development strategies call for the preparation of local capacities to be involved in the drafting and implementation of the strategy, as well as for local information services on the development concept and the activation and awarness-raising of the stakeholders in the region.

Objectives of the measures:

The objective of the measure is to give professional and technical assistance by Local Rural Development Offices (LRDOs) in the elaboration of the integrated rural development strategies and in the preparation of the potential Local Action Groups to form and operate LEADER Local Action Groups with the involvement of the local stakeholders, respectively. the business sector and civil society.

Further objective for the proper establishment and implementation of the programmes is to encourage local capacities needed, cooperative efforts and activities required for the starting of the LEADER applications. After the establishment of the LEADER Local Action Groups, the LEADER LAGs take the role of the Local Rural Development Offices in rural development.

Beneficiaries:

Local Rural Development Offices, selected through a national procedure (call for applications). LRDOs are organisations with the capacity and capability for animating the rural actors. LRDOs will have a key role in setting up the potential LEADER LAGs.

Scope and actions:

The measure is primarily based on the statistical micro-regions – based on the scope of authority of the LRDOs – although the potential LEADER LAGs and Local Rural Development Communities do not necessarily coincide with the micro-regional structure.

The geographical area for the establishment of Public Private Partnerships includes the settlements eligible under Axis IV., the settlements with population number less than 10 000 or density of population less than 120 persons pro sq. km, excluding the settlements of the Budapest agglomeration. The list of eligible settlements can be found in Annex 23. A map on the eligible settlements can be found in Annex 24.

The geographical area for the implementation of the Local Rural Development Plans is the same as the geographical area of the various Axis III. measures integrated into the Local Rural Development Plan.

The LRDCs respect the following conditions:

- they establish area-based local development strategies at sub-regional level;
- they represent the public and private actors;
- the running costs of the community do not exceed 15% of the public expenditure relating to the local development strategy of each individual public-private partnership.

Within the framework of the measure, Local Rural Development Offices (LRDOs) will be established in the micro-regions in order to animate rural actors. The measure is expected to ensure the rational utilization of development resources as based on local demands and needs. The LRDO supported under the measure will foster the formulation and establishment of Public Private Partnerships, the potential LEADER LAGs and the so-called LRDCs.

LRDCs will have an advisory role in the selection of projects under the Axis III. measures, which will be implemented horizontally in the territory covered by LRDCs. The preparation of the potential LEADER LAGs relies on the associated LEADER principles.

The measure provides assistance to the preparation and implementation of local development plans. The LRDO carries out its activity on the basis of the guidelines given by the Managing Authority and MRD-Rural Development, Educational and Advisory Institute, and carries out basic tasks as set forth in the relevant legal regulations. The tasks of the LRDO include the organization-coordination of the potential participants of local rural development communities (non-governmental organizations, businesses and local authorities) and the collection of projects.

The detailed methodology on and the institutional structure of the delivery mechanism of Axis III. resources can be found in Annex 22.

The support will cover:

- studies of the area concerned;
- measure to provide information about the area and the local development plan;
- the training of staff involved in the preparation and implementation of a local development plan;
- promotional events and the training of leaders;
- implementation of development strategies of non-LEADER public-private partnerships
- trainings for local government officials promoting the successful implementation of activities co-ordinated by the local municipality in the following issues
    - social economy
    - housewife education (definitely for disadvantaged social groups)
    - traditions and customs of disadvantaged and minority groups (ethnography)
    - knowledge about community building
    - catching up disadvantaged young people

The measure lays strong emphasis on the preparation of the potential LEADERLAGs, LRDOs, which later will form a significant basis for the setting up the National Rural Network.

The Local Rural Development Offices perform a number of tasks related to organising local communities, communication and provision of information, animation, capacity-building, preparation support for project development, and project quality assurance.

The tasks of LRDOs are the following:

- LRDOs encourage the formation of LEADER LAGs/LRDCs by providing information and guidance to potential LRDCs/LEADER LAGs' members in their respective micro-regions.
- LRDOs carry out communication activities to all rural actors in the statistical micro-regions.
- LRDOs provide a basic level of information concerning the NHRDP Axis III. and IV. to all rural actors in the micro-regions.
- LRDOs carry out the registration procedure of the members of the potentialLEADER LAGs/LRDCs.
- LRDOs provide technical support to potential LEADER LAGs/LRDCs in elaborating their rural development strategy/plan.
- The LRDOs provide integrated and in-depth information services to the LRDC and to all rural actors from the territory covered by the LRDC.
- Applications of Axis III-IV. measures have to be submitted to the LRDOs.
- The LRDO forwards the applications after the applicants submitted them. Applications from LEADER settlements are forwarded to the LAG, while applications from non-LEADER settlements are forwarded to the LRDC, which has an advisory role in the evaluation, and afterwards to the ARDA.
- LRDOs collect data and information at local level and provide feedback to the MA regularly.
- LRDOs have a role in the setting up of the Hungarian National Rural Development Network aimed to be set up in 2008.
- LRDOs carry out a number of communication tasks to ensure the smooth implementation of the NHRDP and the Local Rural Development Plan. Their tasks among others are: preparation of local NHRDP newsletter, E-news, database of local, national, and international contacts, publications.

Actions within the measure:

At local level:

- Assistance on the preparation of the rural development plans;
- Training of staff involved in the preparation and implementation of local development plans;
- Elaboration of studies (strategy, programme) for the substantiation of (a fact-finding situation analysis of) the local development plan;

- Informative and animation activities aimed at the local communities, interactive relations with potential rural actors (in connection with the preparation, review and implementation of the local development plan);

  This activity covers the boosting of action-preparedness, activeness and cooperation of less favoured groups of the society, helping the enforcement of their special interests;
- Further training of the management of potential LEADER LAGs and LRDCs supporting intra-group exchange of experiences;The coordination of enterprise and business development initiatives to be implemented in Axis III. of the NHRDP, in particular: assistance on drafting local projects, initiatives;
- Facilitation of potential LEADER LAGs/LRDCs;
- the promotion of cohesion among the rural actors of the micro-region by means of organizing the potential LEADER LAGs/LRDCs;
- contacts and flow of information with the local communities (potential LEADER LAGs and LRDCs);
- cooperation in the least favoured micro-regions, as well as with the institutions participating in the programmes to be launched in the settlements, especially in the developments foreseen to be implemented within the framework of the operational programmes of the New Hungary Development Plan;
- Capacity-building and training for the leaders and trainers of horizontal measures.

At national level:

- Training and information of those participating in the elaboration and implementation of local rural development strategies:
- Promotion, managerial training and retraining;
- Promotion of the general development of rural areas: cooperation with regional, rural and economic development networks;

Description of partnerships:

The partnerships are based on the private and public spheres on non-LEADER territories – so-called LRDCs - wherein the members are enterprises, non-governmental organizations and municipalities concerned in rural development, and the share of the public sphere in decision-making may not exceed 40%. Only those actors can be the members of the partnership which are resident or which operate in any eligible settlements of the territory covered by the partnership.

The decision-making body of the LRDCs has an advisory role in the project selection.

Estimated number of partnerships:

Maximum 140 potential private-public partnership. Out of them minimum 70 will be selected as LEADER LAGs. Those potential private-public partnerships which didn't become LEADER LAG continue to operate as LRDC according to Article 59 of Council Regulation no. 1698/2005/EC.

Size of the population affected by potential LEADER LAGs:

Around 5 Million people. Out of them approximatelly 50% will become LEADER LAGs, 50% will become LRDCs.

Indication of Axis III. measures implemented by these public-private partnerships:

The LRDC will approve the Local Rural Development Plan. It contains information and strategy for the implementation of the measures of Axis III. The following measures will be implemented by the LRDCs or LAGs:

- Encouragement of tourism activities;
- Supporting business creation and development;
- Village renewal and development;
- Conservation of rural heritage and sustainable development.

In case of special conditions the MA can also open the above mentioned measures. This opening refers the utilization of funds available for the measure which are not allocated to local private-public partneships. This way the above mentioned call for proposal (opening) does not affect the budget of those local private-public partnerships.

However, a few measures and sub-measures will be implemented seperately, not integrated into the Local Rural Development Plan.

These measures are:

- Diversification into non-agricultural activities
- Establishment of multiple service centres
- Micro-transport services
- Natura 2000 management plans.

Form of the support:

Non-refundable support.

Rate of the support:

Rate of public resources within the total eligible costs: 100 %. Costs that can be spent on the operation of LRDCs may not exceed 15% of the public resources for local rural development plans (LRDP).

100% rate of the support for expenditures of the LRDOs and LRDCs in connection with the preparation, implementation, communication and elaboration of the LRDP.

For the implementation of local development strategies, the support rates correspond to the respective support rates defined for the individual measures.

The amount of support shall be in accordance with the „de minimis" rule.

Complementarity of the measure:

Complementarity to the other measures of the Programme:

The measure creates connection among the axes and the planned measures, promotes the rational use of resources potentially available for rural development and supports the preparation for LEADER LAG-based policy delivery.

Complementarity to other Operational Programmes:

The local rural development plans elaborated within the scope of the measure is in line with the existing development plans and creates connections among projects planned within the scope of other operational programs.

With regard to settlements falling under the integrated development programme for disadvantaged micro-regions, the Social Renewal Operational Programme supports the preparation of micro-regional development plans in all cases where these are not eligible for support under the Leader programme (NHRDP).

Financing:

Total costs:	40 776 439 Euro
Public expenditure:	40 776 439 Euro
EAFRD contribution:	29 218 185 Euro

Quantified targets for EU common indicators:

Type of the indicator	Indicator	Target
Output	Number of skill acquisition and animation actions	4 500
	Type of action	
	- Studies of the areas concerned	509
	- Measures to provide information about the area and the local development strategy	2 013
	- The training of staff involved in the preparation and implementation of a local development strategy	253
	- Promotional events	1 006
	- Other	719
	Number of participants in actions	100 000
	Type of action	
	- Studies of the areas concerned	15 599
	- Measures to provide information about the area and the local development strategy	9 527
	- The training of staff involved in the preparation and implementation of a local development strategy	23 398
	- Promotional events	7 799
	- Implementation by public-private partnerships, other than those defined by article 62 (1)(b) (i.e. the Local Action Groups under axis 4 concerning the Leader approach), of the local development strategy encompassing one or more of the measures under article 52 (a), (b) and (c)	12 479
	- Other	31 197
	Gender: male/female	60 770/39 230
	Age category	
	- age < 25	35 027
	- age ≥ 25	64 973
	Number of supported public/private partnerships	140
Result	Number of participants that successfully completed the trainings	90 000
	Gender: male/female	55 000/35 000
	Age category	
	- age < 25	27 000
	- age ≥ 25	63 000

5.3.4. Implementation of the LEADER-approach

5.3.4.1. Implementation of the local development strategies

Articles covering the measure:

Article 63 a), b) and c) and Article 64 of Council Regulation no. 1698/2005/EC

Measure code: 411, 412, 413

Objective of the measure:

The measure aims at the facilitation of the sustainable and innovative use of internal resources, building up cooperation among rural actors to prepare and implement sustainable local development strategies featuring integrated approaches, local innovative solutions and operation of broad partnerships, improving the quality of life in rural regions, preserving and generating working places and enhancing life-long learning, by enforcing all the criteria specified in Article 61 a)–g) of Council Regulation no. 1698/2005/EC. The measure also foresees the promotion of sustainable and competitive novel local procedures for strengthening the potential of agriculture, forest management, food industry, rural economy, the sustainable utilization of cultural and natural values, the development of human services and local communities.

Scope of the measure:

The territorial scope of the LEADER Programme covers the settlements with less than 10 000 inhabitants or with less than 120 inhabitants/km2 population density and the outskirt areas of non-rural settlements in the country. The settlements of the Budapest agglomeration are excluded from the territorial scope of the LEADER programme. The list of eligible settlements can be found in Annex 23. A map on the eligible settlements can be found in Annex 24.

The scope of development in the LEADER Programme covers all kinds of investment- and non-investment type of projects.

The scope of projects that can be integrated into and implemented in the framework of the LEADER Strategy of the LAGs can be broken down into two major groups:

- On the one hand, it covers the development projects that can be applied and implemented under Axes I-III. of the Rural Development Programme, and

development projects specified in the LEADER strategies, but not classifiable under the measures of Axis I-III of the NHRDP.

- On the other hand, in the framework of the LEADER Strategy, there is a strong focus on LEADER-like projects that are based on partnership of local actors and contribute to the establishment of sustainable partnerships as well.

Small-scale and complex projects are also eligible in the framework of the LEADER programme if they are specified in the LEADER strategy of the local action group.

To achieve the objectives of the LEADER programme, special emphasis will be placed on cooperation actions amongst rural actors.

Axes covered by the Leader Axis:

Within the framework of the LEADER Axis, the objective of all the three thematic Axis as deemed to be eligible for support.

Procedure and timetable for selecting Local Action Groups, including objective selection criteria:

As a first step, the Managing Authority publishes a call for interest for the formulation of LAGs. After this, the registration procedure will start. Legal entities can register at the LRDOs, with the intention of formulating a local community. The registration process is open to members of the LAGs who took part in the LEADER+. More potential local communities can be formed on the same geographical area. At the end of the registration procedure, those local communities, which fulfill the principles of the LEADER programme concerning the territorial continuity and the proportion of the civil, business and governmental sphere, will be registered. As the registered local communities can overlap each other, the Managing Authority will select – this is the pre-selection phase – out of the registered local communities approximately 140-150 non-overlapping communities, based on the structure of the partnership, the experiences of the members of the partnership and on the main strategic policy choices of the partnership. As the registered local communities can overlap, the Managing Authority will select (in a pre-selection phase) – those among the registered local communities that do not overlap. The selection is based on the structure of the partnership, the experiences of the members of the partnership and on the main strategic policy choices of the partnership. These pre-selected communities are called potential LEADER Action Groups. With the selection of the potential LEADER Action Groups, the territorial scope of the local planning is also determined. The selected potential LEADER Action Groups form a non-profit legal entity.

The selected potential LEADER groups prepare a potential LEADER strategy for the territory they cover with the help of the LRDO. In the planning phase, the LRDO provides consulting and capacity-building services to the potential LEADER groups.

At the beginning of the planning phase, the MA will inform the potential LEADER Action Groups on the financial framework broken down for each LAG. The financial framework is calculated based on the number of the settlements of the LAGs, the

number of inhabitants of the LAGs and the number of settlements lagging behind. After the potential LEADER groups elaborated their potential LEADER strategy (with a duration of 4 months approximately) the MA selects from the potential LEADER groups a **minimum of 50 LAG**s countrywide, based on the quality of the strategy.

The detailed methodology and institutional structure of the implementation can be found in Annex 22.

Eligibility criteria for the selection of Local Action Groups:

- The *composition* of the action groups is to be compliant with the requirements set forth in Article 62 (b) of Regulation 1698/2005/EC.
- Local Action Groups shall be legal entities.
- Local Action Groups shall be established in *geographically contiguous areas* as the cooperation of neighbouring settlements, and any exception to this rule may only be made for such interposed settlements interrupting such geographical contiguity that do not belong to the circle of rural settlements, and thus are not eligible for participation.
- No overlapping may occur among Local Action Groups. Any settlement may belong to only one Local Action Group.
- Based on the characteristic of Hungarian rural areas, aiming to expand territories and the number of involved rural settlements the size of the population living in any settlement that belongs to an action group may not be smaller than 5,000 people, and may not be larger than 100,000 people.
- Local Action Groups shall have an *approved LEADER Strategy*, and efficient (in terms of number, qualification and experience) *human, technical and managerial capacities* for the implementation of the Strategy. Based on Article 62 of Council Regulation (EC) No. 1698/2005, the Local Action Group may select an administrative and financial lead actor able to administer the implementation of the LEADER Strategy.

Selection criteria for eligible Local Action Groups:

- The reasonable and justifiable delimitation of the *action area*, the correspondence of the *development needs/facilities* revealed in the local rural development plan with the social and economic characteristics of the action area.
- *The cohesion of the revealed needs/facilities and the objectives, measures of the strategy*, the suitability and flexibility of the methodology of intervention (planned actions) described in the LEADER Strategy

- The inclusion of *participation-based planning* and the cooperation with the partners on the plan.
- Experiences in community-led development.
- Added value and innovation generated in the course of the elaboration of the Strategy.
- The *feasibility* of the LEADER Strategy, the social and ecological *sustainability* of the related measures, as well as the *compliance* of them with the domestic and EU regional and rural development policies.
- The *influence* of the LEADER Strategy on the *preservation of employment opportunities and the generation of new workplaces* in order to improve the labour-market positions and employment potential of – in particular – women living in rural areas, the young and social groups with multiple disadvantages, as well as people with Roma origin.
- The contribution of the LEADER Strategy for presenting and broadening modern knowledge, know-how and the use of modern technologies among the population of the action group, promoting *life-long learning* and effecting the improvement of quality of life, *preserving and generating workplaces*.
- The description of the potential of the LAG for cooperation actions and the elaboration of the cooperation ideas in the LEADER Strategy.

The LAGs will be selected by the Managing Authority.

The planned number of LAGs supported:

The existing LEADER Action Groups will participate in the development of the local rural development communities, which will have the opportunity to form Local Action Groups to complete the planning process of the local rural development strategy following the selection by the Managing Authority.

The expected minimum number of Local Action Groups between 2007 and 2013 is 70.

Minimally planned rate of the representation of business and social partners in the decision-making bodies of Local Action Groups:

Pursuant to Article 62 d) of Council Regulation no. 1268/1999/EC, the minimally planned rate of the representation of business and civil partners in the decision-making bodies of the Local Action Groups shall be at least 60%.

Planned percentage of rural territories covered by local development strategies:

On the basis of the experiences of the ARDOP LEADER+ measure, in which the selected LAGs cover 31% of the country's total area and 36% of rural areas and cover 16% of the country's total population and 35% of the rural population, the strategic objective of the LEADER programme is that from 2009, at least half of the rural areas shall be covered by Local Action Groups, and thus the size of the rural population belonging to the affected areas should reach up to 2,350,000. This altogether means that in relation to the country's total area the size of the areas covered with settlements that belong to action groups will increase upto 44% .

Procedure for selection of operations by the Local Action Groups:

As conceived by the Local Action Groups, activities to be implemented in harmony and as substantially aligned with the LEADER Strategy are foreseen to have the potential to contribute properly to the accomplishment of the objectives of Axis I-III of the NHRDP. Activities that contribute to the accomplishment of the objectives of the LEADER Strategy and fulfil the special criteria for LEADER projects can also be supported.

The detailed criteria for the selection of projects as part of the local call for projects will be prepared by the Local Action Groups, based on the guidance of the Managing Authority, in a consultation process.

The correspondence of the project proposals to the LEADER strategy, as well as the fulfilment of LEADER criteria will be reviewed by the local decision-making body of the local action group. The formal eligibility of the application will be checked by the Paying Agency. The local decision-making body of the LAG performs the final selection of projects based on the criteria set out in the call for project applications and the qualitative assessment of project according to LAG specific scoring criteria.

Timetable for the LEADER LAG's selection:

I THE SELECTION OF LEADER ACTION GROUPS AND LOCAL COMMUNITIES	
Setting up the structures: May 2007 – 10 October 2007	1. LRDOs have to be selected at micro-regional level (167 out of 168) 2. LRDOs help the local community organising the local communities by providing encouragement and capacity-building to the local partnerships. 3. Those legal entities can also be the members of Local Communities which fulfil the criteria for the LEADER concerning the proportion of civil organisations, businesses and

Local communities: Selection: 10 October 2007 – January 2008	municipalities. 4. More local communities can be formed in the same geographical area, however the aim is to have one potential local community per territory. 5. The MA selects the local rural development communities with preliminary recognition based on the experience and representation of its members. 6. In case of overlap between the Local Communities, the MA will decide on the status of "overlapping areas", that is, which rural development Action Group with preliminary recognition these areas will belong to after consulting with the local actors. The members of local communities that are not selected but represent the same area will be given an opportunity to join a local rural development Action Group with preliminary recognition.
II LOCAL PLANNING	
Local planning: 11 January 2008 to September 2008	7. The horizontal measures of Axis III can only be opened after the selection of local rural development Action Groups with preliminary recognition. 8. The local rural development Action Groups with preliminary recognition prepare the local rural development strategy for the territory they cover with the help of the LRDO, which provides consulting and capacity-building to the local rural development Action Groups with preliminary recognition. The MA will inform the local rural development Action Groups with preliminary recognition of the financial framework broken down for each local community, which is calculated based on objective criteria. 9. The MA selects around 50 LEADER Action Groups from the

Selection: July – September 2008	local rural development action groups with preliminary recognition countrywide. 10. The members of a rural development Action Group with preliminary recognition form a non-profit legal entity before they submit their local rural development strategy to the Managing Authority. 11. The founding members of the non-profit organisation elect the decision-making body of the organisation (the Decision-Making Committee). 12. In non-LEADER areas, the rural development Action Groups with preliminary recognition will continue to operate as local communities and they will execute their rural development plan.
III. IMPLEMENTATION	
	13. The LEADER Local Action Groups take an active part in the implementation. The working organisation of the non-profit entity prepares the applications for evaluation. The ARDA is responsible for the administrative supervision of the evaluation procedure. The working organisation provides ongoing expert consultancy to the final beneficiaries in order to help them in submitting their application. 14. The Local Community will make a proposal in the course of the final evaluation procedure. The working organisation provides ongoing expert consultancy to the final beneficiaries in order to help them in submitting their application.

Criteria for the correspondence of the local projects with the strategy and for the selection of the projects:

Within the framework of the local application system, the detailed criteria for the selection of the projects will be worked out by the Local Action Groups as a part of their LEADER Strategy following the guidelines of the Managing Authority. In case of LAGs, project proposals will be submitted to the decision-making body of the LAG.

The selected project proposals will be elaborated and submitted to the ARDA for conformity check.

Description of the financial circuits applicable for Local Action Groups:

The Local Action Group is responsible for the selection of the projects, while the control of conformity and the associated payments are performed by the Paying Agency.

The entire scope of financial responsibilities lies with the Paying Agency.

Form of the support:

Non-refundable support.

Financing (axis IV.):

Total public expenditure:	275 672 859 Euro
EAFRD contribution:	211 233 859 Euro

This financial framework consists of the resources available for all the three actions of the LEADER: elaboration of local strategies, cooperation activities and running costs.

Type of support:

In the case of development activities which satisfy Article 64 of Regulation (EC) No. 1698/2005, the rate of aid shall be equal to that granted for the same type of activities under the relevant measures.

If the operation do not correspond to the measure described in the NHRDP, the rate of aid is **maximum** 70% of total eligible costs (based on the applicable government decree of the least developed micro-regions) and **maximum** 100% of total eligible costs in case of local governments, non-profit entities and churches in case of non-productive investments in the least developed micro-regions.

The rules on *de minimis* aid set out in Council Regulation (EC) 1998/2006 must be applied to every LEADER development.

The maximum extent of aid granted in the given LEADER title for one project may not exceed 20% of the contribution assigned to the LAG for all projects or an amount equal to 200,000 EUR in HUF.
The detailed regulations for the application of aid are included in the rules of procedure.

If the planned project is of common interest[13], and the nature of the investment requires, support of running cost can be applied for by the beneficiary (local governments, non-government organisations, religious organisations) support can be granted for running costs (wages, operational costs, heating, lighting etc.) in a degressive manner. Running costs are eligible for support if they do not exceed the following in terms of the support granted:

- 5% (maximum EUR 10 000) in the first year of operation
- 4% (maximum EUR 8 000) in the second year of operation
- 3% (maximum EUR 6 000) in the third year of operation.

From the fourth year on running costs are not eligible for support.

Running costs are only eligible for investment projects realised under activities which correspond to measures *312, 313, 321*. Otherwise running costs are not eligible.

Demarcation criteria from Structural Funds:

The separation of the developments to be implemented within the framework of the measure from developments being eligible for financing from Structural Funds is guaranteed on two levels:

On the level of national programming: on the level of the New Hungary Rural Development Programme on the one hand, and the operational programmes of the New Hungary Development Plan – including regional operational programmes – relying on Structured Funds on the other hand, there exist national guarantees for the separation of the nature, areas and/or levels of eligibility of supports;

On the implementation level of the LEADER measure: inclusion of national-level delimitation rules among the selection criteria of Action Groups, within the control mechanisms of the applications submitted by Action Groups.

A coordination mechanism will ensure by cross-check method at project level to avoid the double-financing of projects.

[13] Investments of common interest: An investment can be regarded of common interest, if the investment serves the fulfilment of tasks listed under c) of paragraph 26. of Chapter V. of law CLVI/1997 on the activities of organizations of common interest, and the beneficiary is not an enterpreneaur or a natural person.

With the help of the LEADER method, NHRDP will shift the emphasis to locally available initiative competences of the communities for regional development purposes, as well as to the community-level development of skills. Priority 5 of the Social Renewal Operational Programme (SROP) focuses on the general development of individual opportunities and competences, as well as the transfer of the required, specialized methodological systems to professionals.

Financing (measures 411, 412, 413):

Public expenditure: 204 882 727 Euro

EAFRD contribution: 156 991 040 Euro

Quantified targets for EU common indicators:

Type of indicator	Indicator	Objective
Output	Planned number of LAGs: **New LAG:**	Min. 50 **Min. 50**
	Number of projects approved by LAGs Axis I Axis II Axis III	4500 1000 300 3200
	Total area covered by LAGs (km^2): New LAG: In percentage of the population of the settlements in the area of the LAGs compared to the population of the country; the number of projects funded by LAGs; New LAG:	Min. 50-55% of the area in the country (rural areas), min. 20-25% of the actual territory of the country 2 million 0,5 million
	Number of beneficiaries supported; 1. Axis I 2. Axis II 3. Axis III Male/ female Age group - under 25 - 25 or older	4000 project owners in 96 LAGs 800 200 3000 1500/2500 500 3500

	Private sector Public sector LAG	 2800 800 400
Result	Gross number of new jobs created by the supported activities Number of participants having successfully completed the trainings	400 3500
Effect	Net additional value expressed in PPS; Net number of new jobs created by the supported activities (FTE)	- 320

5.3.4.2. Inter-territorial and transnational cooperation

Articles covering the measure:

Article 63 b) of Council Regulation no. 1698/2005/EC

Measure code: 421

Objectives of the measure:

By enforcing the criteria specified in Article 61 a)–g) of Council Regulation no. 1698/2005/EC, the promotion and implementation of domestic and international cooperation among the regions, facilitating the share of experiences, know-how, best practices, enabling the preparation of joint actions and common projects, building up common structures and thereby the reinforcement of innovation, local capacities and local development processes. This measure contributes to a more effective implementation of the LEADER strategies, to the use of an innovative development approach through stimulating the exchange of experience and know-how, and cooperation between LEADER Local Action Groups.

Scope and actions:

There are three levels of cooperation to be implemented:

- Cooperation projects within the country;
- Cooperation projects at EU level;
- Cooperation projects with third countries (with LEADER-like groups).

Geographical scope of the measure:

- area of the selected Local Action Groups,
- areas of local cooperation as specified in Article 59 e) of Council Regulation no. 1698/2005/EC in relation to which the list of eligible settlements is contained in Annex 23. of the Programme,
- other rural cooperative efforts that comply with the following criteria:
    - a) presence of a Local Action Group that is active in rural development, and holds sufficient capacities for the formulation and implementation of the local development strategy pertaining to its own area;
    - b) the set-up of the Action Group is based on the partnership of local stakeholders representing the three sectors;
    - c) the group strives for networking operations.

Eligible activities of the measure:

Within the framework of the measure, after the signature of co-operation agreement eligible activities include preparations for national or/and international projects (quest for partners, building partnerships, building common structures technical preparation and elaboration of the joint actions and projects), as well as the implementation of preferred project(s).

The measure is to support domestic and international cooperative efforts among the various regions. Within the framework of the measure, only the following activities can be supported:

- sharing of experience, know-how, jointly prepared and executed activities, joint actions wherein the target groups of both (all the) regions benefit from the actual and well-defined outcomes,
- jointly operated organizations,

preparative activities for cooperative projects after the signature of co-operation agreement (personnel and tangible costs incurred prior to the establishment of partnerships),

- building up common structures,
- animation and coordination among the partners can also be supported (personnel and tangible costs ensuring the operation of the partnership).

Investment-type costs are also eligible within the measure 421.

From among the partners in the cooperation, at least one should invariably be a selected Local Action Group.

In case the cooperation has not been established with a selected Local Action Group, for the jointly executed activities and jointly operated organization only those costs are deemed to be eligible within the framework of the measure that have been incurred by the given Local Action Group. In such cases, the costs incurred with the preparative actions for the project, as well as animation and coordination activities can be fully supported from the resources of the measure.

In case the cooperation has not been established with the partnership of a member state of the European Union, only costs incurred in association with the activities of the Local Action Group can be supported from the funds of the measure (on the basis of the related cooperation agreement).

Cooperative projects may not target simple exchange of information and experience, but should invariably involve the implementation of joint activities, preferably within the framework of a joint organization.

Local Action Groups may integrate possible fields of cooperation and cooperation actions into the LEADER Strategy.

Procedure, timetable and objective criteria to select inter-territorial and transnational cooperation projects:

The Action Group is required to indicate its related demand to the Managing Authority, i.e. applications for the preparation of cooperative projects – wherein the Action Group describes and professionally justifies the purpose of the travel – are to be approved by the Managing Authority. The Managing Authority then sends the associated resolution to the Paying Agency.

Interregional and international projects can be both supported, and the applications for the preparation of such projects are to be approved by the Managing Authority with the actual support of the projects to be consented by the Paying Agency according to the guideline prepared by the Managing Authority.

The deadline for the submission of cooperative projects is 31 December 2013.

Eligibility criteria for cooperation projects:

- territorial eligibility,
- organizational eligibility,
- Developments should be jointly implemented by two or more regions, and the related outcomes are shared by the target groups of both (all the) regions,
- Jointly implemented activities should invariably target the accomplishment of the objectives of Axis I., II and III.

Selection criteria for cooperation projects:

The selection of the cooperation projects is based on the following factors:

- The number of local communities and people involved in the cooperation project.
- The expected outcome of the cooperation.
- The sustainability of the cooperation.

Complementarity to the other measures of the Programme :

In the frame of Technical Assistance the Hungarian National Rural Network should allocate budget for general, horizontal preparation and the exploration of the possible inter territorial and international cooperations whithout any linckage to any specific co-operation project financed under 421 measure.

Financing:

Public expenditure: 27 317 698 Euro

EAFRD contribution: 20 932 140 Euro

Quantified targets for EU common indicators:

Type of the indicator	Indicator	Target
Output	Number of supported cooperative projects;	200
	Inter-territorial: transnational:	40 160
	Axis 1 Axis 2 Axis 3	50 20 130
	Number of LAGs taking part of the cooperation:	48
	Inter-territorial: transnational:	10 38
	Axis 1 Axis 2 Axis 3	15 5 28
Result	Gross number of jobs created;	50
Impact	Net number of new jobs created with the supported activities in FTE (FTE)	40

5.3.4.3. Running the local action group, acquiring skills and animating the territory

Articles covering the measure:

Article 63 c) of Council Regulation no. 1698/2005/EC

Measure code: 431

Objectives of the measure:

The objective of the measure is to ensure adequate financial and professional backgrounds to Local Action Groups towards the efficient implementation of local rural development strategies.

Rationale of the measure:

The basis for the applicability of the LEADER methodology is the aim to establish efficient organizational structures for regional cooperation, as well as to operate the same. For Local Action Groups and partners involved in the developments, the in-depth knowledge of the region, up-to-date and accurate information supply, the acquirement of adequate skills and the existence of the operating conditions of the organization are of essence.

Scope of the measure, eligible activities:

- Administrative tasks and activites carried out related the duties of running the action group based on the contract between the action group and the Managing Authority.
- Financial management of the implementation of the programme (information services on grant application opportunities, the management of applications, evaluation, selection).
- Participation at the meetings of national and European networks.
- Execution of the animation and network tasks that are specified in the rules of procedures of Local Action Groups. It includes – inter alia – the following elements:
    - Information services on the area of the Local Action Group and the LEADER Strategy
    - Human capacity development to facilitate local cooperation and partnership; management of conflicts

- Generation of projects aiming at the implementation of the LEADER Strategy, support for the elaboration of the projects, encouragement of and assistance to multi-sectoral cooperation.
- Promotion of the activities of Local Action Groups.
- Training of the associates involved in the implementation of the LEADER Strategy.
- Training of the managements of Local Action Groups.
- Preparation of studies on affected areas.
- Representation of the Local Action Group on various meetings and events.

Limit to apply on the share of the LAG budget for overhead costs:

Maximum 20% of the budget of Local Action Groups can be spent on eligible activities within the framework of the measure.

Financing:

Public expenditure: 43 472 434 Euro

EAFRD contribution: 33 310 679 Euro

Quantified targets for EU common indicators:

Type of the indicator	Indicator	Target
Output	Number of training and animation activities;	210
	1. Studies on the area concerned	18
	2. Mesures to provide informationabout the area	21
	3. Training of staff	21
	4. Promotional events	105
	5. Others	46
Result	Number of participants that successfully completed the skill-development trainings (pers)	1500

Complementarity:

Complementarity to the other measures of the Programme:

As a methodological approach, LEADER is linked to the measures of all the three Axis, but in the light of the nature of LEADER it preferably serves the

accomplishment of the specific objectives of Axis III. From among the measures of Axis I, it is closely associated with the modernization of agricultural holdings, because it potentially contains developments for small-scale investments in diversification within agriculture, as well as for the small-scale production and sales of high-quality, local food within the generation of added values for agricultural and forestry products.

Complementarity to other Operational Programmes:

The LEADER Axis is closely linked with the operational programmes that involve integrated regional planning.

List of types of operations referred to in Article 16a(3)(a) of Regulation (EC) No 1698/2005 up to the amounts referred to in Article 69(5a) of that Regulation Axis/measure

	Type of operation	Potential effects	"Existing" or "new" type of operation	Reference to the description of the type of operation in the RDP	Output indicator – target
Axis 2 Measure 215 Animal welfare payments	measures accompanying restructuring of the dairy sector	- Further improvement of conditions in animal husbandry, - Further shift of the milk sector towards high quality milk production and structural rationalization, - Sustainable, competitive milk sector and safe food economy	„new"	Measure 5.3.2.1.5.	Number of holdings supported: 5800

NB: The column "existing or new type of operation" shall indicate whether or not the type of operation related to the priorities referred to in Article 16a of Regulation (EC) No 1698/2005 was already included in the version of the RDP applicable on 31 December 2008. In this context modifications of existing types of operations are also considered to be "new types of operations."'

6. Financing plan

6.1. Annual contribution from the EAFRD (in Euro)

Year	2007	2008	2009	2010	2011	2012	2013	TOTAL
Non-convergence regions	49 318 141	46 442 217	43 082 101	43 999 415	47 312 953	48 669 519	0	278 824 346
Convergence regions	521 493 677	491 083 444	455 553 331	465 253 079	500 290 672	514 635 100	578 709 743	3 527 019 046
Additional funds from Article 69(5a) of Regulation (EC) No 1698/2005 – non-convergence region	0	0	2 445 840	1 712 088	0	0	531 000	4 688 928
Additional funds from Article 69(5a) of Regulation (EC) No 1698/2005 – convergence region	0	0	25 994 160	18 195 912	0	0	5 369 000	49 559 072
Total	570 811 818	537 525 661	527 075 432	529 160 494	547 603 625	563 304 619	584 609 743	3 860 091 392

6.2. Financial plan per axis (in Euro, for the complete period)

Financial plan by axis in non convergence regions

	Public contribution		
	Public expenditure	EAFRD contribution rate (%)	EAFRD Contribution
Axis			
Axis I.	205 776 902	49.64%	102 147 654
Axis II.	206 876 974	54.73%	113 223 768
Axis III.	88 954 917	49.96%	44 441 877
Axis IV.	34 641 121	54.88%	19 011 047
Technical Assistance	0	0.00%	0
Total	536 249 914	51.61%	278 824 346

Financial plan by Axis for additional funds from Article 69(5a) of Regulation (EC) No 1698/2005 – non-convergence region

	Public contribution		
	Public expenditure	EAFRD contribution rate (%)	EAFRD Contribution
Axis			
Axis I.	0		0
Axis II.	7 213 735	65.00%	4 688 928
Axis III.	0		0
Axis IV.	0		0
Technical Assistance	0		0
Total	7 213 735	65.00%	4 688 928

Financial plan by axis in convergence regions

	Public contribution		
	Public expenditure	EAFRD contribution rate (%)	EAFRD Contribution
Axis			
Axis I.	2 138 090 795	74.29%	1 588 387 652
Axis II.	1 438 755 931	79.57%	1 144 818 094
Axis III.	600 182 655	74.87%	449 356 753
Axis IV.	241 031 738	79.75%	192 222 812
Technical Assistance	205 860 358	73.95%	152 233 735
Total	4 623 921 477	76.31%	3 527 019 046

Financial plan by Axis for additional funds from Article 69(5a) of Regulation (EC) No 1698/2005 – convergence regions

	Public contribution		
	Public expenditure	EAFRD contribution rate (%)	EAFRD Contribution
Axis			
Axis I.	0		0
Axis II.	55 065 636	90.00%	49 559 072
Axis III.	0		0
Axis IV.	0		0
Technical Assistance	0		0
Total	55 065 636	90.00%	49 559 072

Financial plan summary

	Public contribution

	Total Public	Average EAFRD rate (2)	EAFRD Contribution
Axis			
Axis I.	2 343 867 697	72.13 %	1 690 535 306
Axis II.	1 707 860 214	76.84%	1 312 289 862
Axis III.	689 137 571	71.65%	493 798 630
Axis IV.	275 672 859	76.62%	211 233 859
Technical Assistance	205 860 358	73.95%	152 233 735
Total	5 222 450 762	73.91%	3 860 091 392

6.3. Indicative budget related to operations referred to in Article 16a of Regulation (EC) No 1698/2005 between 1 January 2009 and 31 December 2013 (Article 16a(3)(b) up to the amounts specified in Article 69(5a) of Regulation (EC) No 1698/2005)

Axis/measure	EAFRD contribution for 2009-2013
Total Axis 1	0
Related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005	0
Total Axis 2	54 248 000
Related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005	54 248 000
Total Axis 3	0
Total Axis 4	0
Total programme	54 248 000

Total under Axis 1, 2, 3 and 4 related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005	54 248 000
Total under Axis 3 and 4 related to priorities listed in Article 16a(1), point (g) of Regulation (EC) No 1698/2005’	0

7. Indicative breakdown by Rural Development Measure (in Euro, total period)

Measure/ Axis	Measure	Public expenditure	Private expenditure	Total Cost
Measure 111	Vocational training, information activities, innovation	76 656 833	3 887 495	80 544 328
Measure 112	Setting up of young farmers	140 871 408	0	140 871 408
Measure 113	Early retirement	3 320 536	0	3 320 536
Measure 114	Use of advisory services	22 311 724	14 893 393	37 205 117
Measure 115	Establishment of special advisory services for farm management, substitution and farming as well as for forestry	0	0	0
Measure 121	Modernisation of agricultural holdings	1 593 388 936	860 430 026	2 453 818 962
Measure 122	Increasing the economic value of forests	26 743 644	15 039 649	41 783 293
Measure 123	Increasing the value of agricultural and forestry products	309 180 923	355 558 062	664 738 985
Measure 124	Cooperation for the development of new products, processes and technologies in the agricultural and food-industry sector and forestry	0	0	0
Measure 125	Improvement and development of infrastructure related to the development and	86 149 636	102 518 065	188 667 701

	modernisation of agriculture and forestry			
Measure 126	Natural disasters prevention/restoring	0	0	0
Measure 131	Meeting standards	2 701 484	0	2 701 484
Measure 132	Support of agricultural producers participating in food quality systems	0	0	0
Measure 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	0	0	0
Measure 141	Support of the semi-subsistence farms under restructuring	665 959	0	665 959
Measure 142	Support of setting up producers' groups	81 876 614	0	81 876 614
	Total Axis I.	**2 343 867 698**	**1 352 326 690**	**3 696 194 387**
Measure 211	LFA mountain areas	0	0	0
Measure 212	Payments to agricultural producers of less favoured areas, other than mountain areas	93 602 252	0	93 602 252
Measure 213	Natura 2000 payments and payments linked to Directive 2000/60/EC	57 257 062	0	57 257 062
Measure 214	Agri-environment payments	1 137 328 731	0	1 137 328 731
Measure 215	Animal welfare payments*	87 758 032	0	87 758 032

Measure 216	Support for non-productive investments	9 176 121	0	9 176 121
Measure 221.	First afforestation of agricultural land	203 024 886	60 907 466	263 932 352
Measure 222	First establishment of agroforestry systems on agricultural land	2 813 540	348 580	3 162 120
Measure 223	First afforestation of non-agricultural land	0	0	0
Measure 224	Natura 2000 payments	39 221 143	0	39 221 143
Measure 225	Forest-environment payments	30 915 031	0	30 915 031
Measure 226	Restoring forestry potential and introducing prevention actions	14 159 869	0	14 159 869
Measure 227	Support for non-productive investments	32 655 609	0	32 655 609
Total Axis II.		**1 707 912 276**	**61 256 046**	**1 769 168 322**
Measure 311	Diversification of non-agricultural activities	38 561 316	15 424 526	53 985 842
Measure 312	Supporting the establishment and development of micro-enterprises	116 567 061	64 111 884	180 678 945
Measure 313	Promotion of tourism activities	154 479 635	15 447 964	169 927 599
Measure 321	Basic services for the rural economy and population	145 219 134	13 069 722	158 288 856
Measure 322	Renewal and development of villages	112 810 294	12 968 736	125 779 030
Measure 323	Conservation and sustainable development of rural heritage	80 723 693	15 126 129	95 849 822
Measure 331	Training and information	0	0	0
Measure 341	Learning of skills, incentives and the setting up and	40 776 439	0	40 776 439

	implementation of the local development strategies			
Total Axis III.		**689 137 572**	**136 148 961**	**825 286 533**
41	Local development strategies	204 882 727	165 285 607	370 168 334
- 411	Competitiveness	90 975 375	94 433 898	185 409 273
- 412	Environment/Land management	7 334 142	513 390	7 847 532
- 413	Quality of life/diversification	106 573 210	70 338 319	176 911 529
421	Cooperation	27 317 698	0	27 317 698
431	Running costs, skills acquisition, animation	43 472 434	0	43 472 434
Total Axis IV.		**275 672 859**	**165 285 607**	**440 958 466**
Total axes 1, 2, 3 and 4		5 016 590 404	1 715 017 304	6 731 607 708
511	Technical assistance	205 860 358	0	205 860 358
- of which amount for national rural network		22 109 402	0	22 109 402
(a) running costs		5 527 351	0	5 527 351
(b) action plan		16 582 051	0	16 582 051
Grand total		**5 222 450 762**	1 715 017 304	**6 937 468 066**

*SFC technical amount of public contribution, the correct amount is 79 385 084 Euro

8. Additional national financing per axis

For the successful implementation of the Programme, additional national financing is necessary. The following table contains the amounts of additional national financing per axis, meanwhile the conditions, maximum support amounts and aid intensity remain as set in the measures concerned.

Measure	Additional national financing in Forints during the programming period (2007-2013)	Additional national financing in euros during the programming period (2007-2013)
Axis I		
121	2 500 000 000	9 191 177
Total Axis I	2 500 000 000	9 191 177

9. The elements needed for the appraisal under competition rules and the list of aid schemes authorised under Articles 107, 108 and 109 of TFEU to be used for the implementation of the programme

Table A

Measure code	Name of the aid scheme	Indication of lawfulness of the scheme	Duration of aid scheme
121	Modernisation of agricultural holdings	Chapter IV.A of the Community guidelines for State aid in the agriculture and forestry sector 2007–2013 and the Supplementary Information Sheet III.12.A annexed to Commission Regulation (EC) No 794/2004	2009-2013

Table B

Measure code	Name of the aid scheme	Indication of lawfulness of the scheme	Duration of aid scheme
111	Vocational training and information actions	Any aid granted under this measure will be in conformity with COMMISSION REGULATION (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid will be applied until 30/06/2014 and as of 01/0762014 the new de minimis regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid will be complied with (in case of forestry related intervetions).	2010-2015
114	Use of farm advisory services	Any aid granted under this measure will be in conformity with COMMISSION REGULATION (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid will be applied until 30/06/2014 and as of 01/07/2014 the new de minimis regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid will be complied with (in case of forestry related intervetions).	2010-2015
121	Modernisation of agricultural holdings	COMMISSION REGULATION (EC) No 1628/2006	2007-2013

		of 24 October 2006 on the application of Articles 87 and 88 of the Treaty to national regional investment aid Registration number:XR131/2007[14]	
122	Increasing the economic value of forests	Any aid granted under this measure will be in conformity with COMMISSION REGULATION (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid will be applied until 30/06/2014 and as of 01/07/2014 the new de minimis regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid will be complied with.	2013-2015
123	Increasing the value of agricultural and forestry products	COMMISSION REGULATION (EC) No 1628/2006 of 24 October 2006 on the application of Articles 87 and 88 of the Treaty to national regional investment aid Registration number: XR131/2007[15]	2007-2013
125	Infrastructure related to the development of and adaptation of agriculture and forestry	Any aid granted under this measure will be in conformity with COMMISSION REGULATION (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid will be applied until 30/06/2014 and as of 01/07/2014 the new de minimis regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid will be complied with.	2010-2015
221	The first afforestation of agricultural land	Any aid granted under this measure is in conformity with Treaty Art. 107 (3) c) stated by COMMISSION DECISION SA.32709 (2011/N) of 29 July 2011- C(2011) 5338	2011-2013

[14] In case of the national regional investment aid constructions, the date of the official submission of the amendment to the notification under BER is the 13th of September, 2007 (reference number of letter: 8256/1/2007.)

[15] In case of the national regional investment aid constructions, the date of the official submission of the amendment to the notification under BER is the 13th of September, 2007 (reference number of letter: 8256/1/2007.)

222	First establishment of agroforestry systems on agricultural land	Any aid granted under this measure is in conformity with Treaty Art. 107 (3) c) stated by COMMISSION DECISION SA.32705 (2011/N) of 25 July 2011 - C(2011) 5401 and amended by COMMISSION DECISION SA.37466 (2013/N) of 18.12.2013,- C(2013) 9463 final.	2011-2015
223	The first afforestation of non-agricultural land	Any aid granted under this measure will be in conformity with COMMISSION REGULATION (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid	2010-2013
224	Natura 2000 payments	Any aid granted under the modified measure will be in conformity with Article 107 (3) c) of TFEU as approved by Commission decision SA. 34640 (2012/N) (C(2013) 1923). Extension of the measure's period is approved by Commission decision SA.36957 (2013/N) C(2013) 5049.	2012-2015
225	Forest-environment payments	Any aid granted under the modified measure will be in conformity with Article 107 (3) c) of TFEU as approved by Commission decision SA. 32706 (2011/N) (C(2013) 52) and as modified by Commission decision SA. 33968 (2011/N) and subsequently approved on 10.01.2013 Extension of the measure's period is approved by Commission decision SA.36958 (2013/N) C(2013) 5068.	2011-2014
226	Restoring forestry potential and introducing prevention actions I. Restoring forestry potential	Any aid granted under this measure will be in conformity with Article 107 (3) c) of TFEU as approved by Commission decision SA.34106 (2011/N)(C(2012) 9795) on 17.12.2012 and as amended by Commission decision SA.36960 (2013/N) of 01.08.2013 – C(2013) 5107 final. Hungarian authorities notified the planned reallocation/increase of resources - SA.38292 notification in progress.	2012-2015
226	Restoring forestry potential and introducing prevention actions II. Preventive actions	Hungarian authorities notified the planned introduction of actions which received the following number:SA.38557 (notification in progress). Duration of aid scheme: from EC approval deciosion until 2015.	2014-2015

227	Non-productive investments on forest areas I. Conversion of forest structure	Any aid granted under this measure is in conformity with Treaty Art. 107 (3) c) as stated by Commission decision SA.32707 (2011/N) of 19 October 2011- C (2011) 7631 and as modified by Commission decision SA.33969(2011/N), adopted on 08.10.2012 and as amended by Commission decision SA.36959 (2013/N) of 31.07.2013 - C(2013) 5067 final.	2011-2015
227	Non-productive investments on forest areas II. Establishment of public welfare and touristic facilities	Any aid granted under this measure will be in conformity with COMMISSION REGULATION (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid. Aid is granted in conformity with COMMISSION DECISION SA.37133 (2013/N) of 17.12.2013 – C(2013) 9319 final.	2012-2015
311	Diversification into non-agricultural activities (for initial investments)	COMMISSION REGULATION (EC) No 1628/2006 of 24 October 2006 on the application of Articles 87 and 88 of the Treaty to national regional investment aid Registration number: XR131/2007[16]	2007-2013
311	Diversification into non-agricultural activities	Any aid granted under this measure will be in conformity with COMMISSION REGULATION (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid will be applied until 30/06/2014 and as of 01/07/2014 the new de minimis regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid will be complied with.	2007-2015
312	Support for business creation and development	COMMISSION REGULATION (EC) No 1628/2006 of 24 October 2006 on the application of Articles 87 and 88 of the Treaty to national regional investment aid Registration number: XR131/2007	2007-2012

regional investment aid constructions, the date of the official submission of the amendment to the notification under BER is the 13th of September, 2007 (reference number of letter: 8256/1/2007.)

312	Support for business creation and development	Any aid granted under this measure will be in conformity with COMMISSION REGULATION (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid will be applied until 30/06/2014 and as of 01/07/2014 the new de minimis regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid will be complied with.	2007-2015
313	Encouragement of tourism activities	COMMISSION REGULATION (EC) No 1628/2006 of 24 October 2006 on the application of Articles 87 and 88 of the Treaty to national regional investment aid Registration number: XR131/2007	2007-2012
313	Encouragement of tourism activities;	Any aid granted under this measure will be in conformity with COMMISSION REGULATION (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid will be applied until 30/06/2014 and as of 01/07/2014 the new de minimis regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid will be complied with.	2007-2015
323	Conservation and sustainable development of rural heritage	Any aid granted under this measure will be in conformity with COMMISSION REGULATION (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid will be applied until 30/06/2014 and as of 01/07/2014 the new de minimis regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid will be complied with.	2007-2015

Any cases of application of the schemes enumerated above for which under State Aid rules or under conditions and commitments laid down in the respective State aid approval decision, individual notifications are required, will be notified individually pursuant to Article 108 (3) of the TFEU.

10. Information on the complementarity with measures financed by the other Common Agricultural Policy instruments, through Cohesion policy as well as by the European Fisheries Fund

In the elaboration of the New Hungary Rural Development Strategic Plan (NHRDSP), targeted at the utilisation of the European Agricultural Fund for Rural Development (EAFRD), and in the development of the Programme, established on this basis (NHRDP), integrated approach is a requirement and a method. This means a connection of NHRDP to the EU strategies, action programmes, to the different national operational programmes, on the one hand, and the creation of the programme's internal consistence, on the other. The requirement of establishing synergies between the different programmes, plans and planning levels, the elimination of contradictions applies to all phases of planning.

10.1. Connection and complementarity with Community policies and priorities

The New Hungary Rural Development Programme takes largely into account the market regulation and rural development objectives of the new Community Agricultural Policy, amendments in the proportions and in the system of objectives. The purpose of the reform of the Common Agricultural Policy, launched in 2003 was to realise an aid system that is independent from production, and to increase the population retention capacity of the rural regions, the strengthening of rural development (Pillar II). The New Hungary Rural Development Programme continues to consider the modernisation of agricultural production, of the conditions of food economy (mainly the quality ones) and a mitigation of technical-technological disadvantages to be a priority. Parallel to hat, measures serving rural development, sustainable development, the retention of population, an improvement of the quality of life are enhanced and applied in a comprehensive way.

Connection with the Common Agricultural Policy

One of the most important structural concerns for the Hungarian agriculture is a disharmony between plant production and animal husbandry (a surplus of crops, a major reduction in stock-raising). The planned change in the CAP reform – due to a strengthening of variability, of landscape – may have a favourable impact on the structure of crop production, but – without the use of other funds and without further development targets – it is not expected to reduce structural tensions, in actual terms. On the basis of the production's conditions, the production of the COPF-plants (corn, oil, protein, fibre) shall remain determinant, and animal husbandry shall lose even more from its weight, representing an even lower demand for forage crops.

The Rural Development Programme is in harmony with the measures funded from EAGF.

From among the areas listed in Annex I of Commission Regulation 1974/2006/EC, there is no danger of a duplication of the assistance in the following sectors:

Hop: During 2007, Hungary does not plan to provide a production-related national supplementary aid (there is only one hop producer, on an area of 40 ha)

Direct payments: Hungary applies SAPS

Olive oil and specific measures: not relevant

In the following areas, duplication of assistance shall be eliminated:

Demarcation principles have to be defined in the following sectors:

- Fruit and vegetables
- Wine
- Bee-keeping
- Tobacco
- Sugar restructuring

As described in the measure description of "Modernisation of agricultural holdings" and "Adding value to agricultural products", the following principles apply in the demarcation:

In case of **fruit and vegetable** CMO, the POs, which support investments in machinery and equipment of production under their OPs, are not eligible for support in machinery and equipment of production under the RDP.

PO members are not entitled to submit applications for such investments under the RDP, which are integrated into the OP of the PO.

In any other case in the fruit and vegetables sector, demarcation between the RDP and the OPs of POs at project level via administrative tools (cross-check of applications, seperate application track, the use of IACS system and on-spot checks) is ensured to avoid double-financing.

Support for the plantation and replantation of orchards is supported exclusively under the Rural Development Programme.

In case of **wine CMO**, grant cannot be given within the framework of the Rural Development Programme to investments, which can be financed from the CMO (for example: vineyard restructuring is excluded from the RDP). Other investments in the sector can be supported in the RDP.

The support for **bee-keeping** for purchasing new equipment and tools for trashumance, which can be financed under the „Rationalization of beehive migration, utilizing areas of seasonal honey collection: identification of beehives and beekeepers' equipment, purchase of tools and equipment" of the Hungarian National Apiculture Programme – can not be financed from the RDP. Investments not included in the Hungarian National Apiculture Programme can be financed under the sub-measure „2. Investments in animal husbandry" of this measure.

In case of **tobacco**, those investments, which can be supported by the CMO can not be supported by the RDP. In the field of tobacco, only farmers with viable farming potential can be supported under the RDP. The farmer has to declare and justify in the business plan that the production will be sustainable, or the farmer has to declare what conversion of the production will be implemented on the farm.Investment aid can be granted also to the conversion of the farm.

As for the demarcation from the **sugar restructuring**/diversification programme in Kaba, the following principles are applied:

1. Applicants from the region – based on the exhaustive list of settlements involved – are eligible for support from the RDP before the submission of the „Kaba diversification programme" and after the full committment of the resources of the measures of the diversification programme.
2. Administrative tools and procedures will also ensure the avoidance of double-financing (cross-check of applications, seperate application track). Both the RDP and the „Kaba diversification Programme" will be implemented via the IACS system, which ensures the avoidance of double-financing. On-spot checks also ensures the avoidance of double-financing. Based on the above facts, the MA could guarantee the avoidance of double-financing.

Production-related national supplementary aids (top-up) Hungary studied the references included in Annex I to Commission Regulation No. 1974/2006 in terms of aid for bovine, as well as sheep and goat (Council Regulation No. 1782/2003, Articles 114, 119 and 132). In respect of measures included in Articles 132 and 114, supplementary aid planned for the year 2007 shall be allocated on a historical basis,

decoupled from production. In respect of the aid form mentioned in Art. 119, Hungary does not plan to grant national supplementary aid. On the basis of the above, no distinction is required.

The rational use of development funds of the New Hungary Rural Development Programme offers several possibilities for a mitigation of structural tensions. The use of the product surplus in crop production for energy generation, the launch of energy crop production promotes the change of production structure, the application of modern technologies, as well as job creation in the rural regions. A restructuring of crop production is justified also by an unfavourable change in the corn intervention system. The programme intends to ensure a restructuring role to the development of horticulture, and it considers a development of animal husbandry in line with the EU requirements, the creation of the conditions for quality production and the full use of the production potential. Incentives for environmental protection, environmental management, landscape management are also areas of outstanding importance.

Connection to the Fisheries Operational Program

The overall goal of the Fisheries Operational Program (FOP), which is co-financed by the European Fisheries Fund (EFF) is to improve the competitiveness of the participants of the fishing sector, that goes along with quality improvement, nature conservation and environmental protection, on a sustainable manner. In this relation coherence cannot be stated among the two programmes, the national priority of NHRDP focuses definitely on agricultural basic activities, while FOP on fishing product path; there is no connection between agricultural production and fishing, that could generate coherence of the two programmes.

The measures of FOP are the followings:

- modernization of existing and creation of new fish production and storing capacities
- acquisition and renewal of fisheries implements
- building and modernization of fish processing facilities
- research and quality control
- promotion campaigns and actions
- pilot research projects

Connection between NHRDP and FOP appears concerning Axis II. and III. of NHRDP, as the target system expands partly to environmental protection questions, on the full compliance of standards of environmental protection, and on the other hand on the improvement of rural income possibilities, increasing the stability of rural incomes, and by conserving traditional fishing methods to the preservation of the object and mental inheritance of the countryside. The developments of FOP, workplaces generated by the investments strengthen the population retaining ability of the countryside, because fishing plants are mainly located in rural areas, where job

opportunities are rare and incomes are low. Investments financed by FOP effectively contribute to the maintenance and development of the landscape.

A connection between agricultural production and fishing consists in careful fertilisation of arable land to avoid spill-over of nutrients in the ponds. Act No. XXXV of 2000, Art. 44 applies strict rules on the use and storage of pesticides close to surface waters. Government decree No. 49/2001 (IV.3.) Korm. on the protection of waters against nitrate pollution of agricultural origin, Annex 1., point 5. requires that fertilizers should not get into surface waters under extreme conditions.

Concerning the environmental commitments for aquaculture, special attention is paid to the complementarity of activities in order to avoid eventual gaps in support.

The similar measures of the two programs can reinforce the effect of each other, the measures of FOP can contribute to the targets of rural development.

Art. 38 of Reg. 1698/2005 allows compensation for respecting the Natura 2000 directives - costs incurred and income foregone resulting from respecting commitments going beyond the relevant standards - only in the case of Utilised Agricultural Area (UAA). Therefore Natura 2000 compensation of wetlands and fishponds on the account of the NHRDP is not possible.

Connection to EU policies

In the realisation of the New Hungary Rural Development Programme, another possibility – in some cases, a criterium for the use of such assistance – is a connection to the different EU strategies. The implementation of competitive agricultural production, restructuring, the creation of food safety are consistent with the European Action Plan for Organic Food and Farming (COM 2004 - 415), the commitment to enhance the use of renewable energy resources (COM 2004 – 366). Sources for rational land use, development of agricultural and forestry systems can increase by participation in Natura 2000 and the programmes of the Water Framework Directive. In order to provide conscious compensation for the effects of climate change, another possibility is offered by the EU's forestry strategy and action plan (COM 2005 – 84), which is particularly important in the implementation of measures connected with sustainability and job creation. All of the priorities of the New Hungary Rural Development Programme are indirectly or directly related to the environmental action programme of the EU (Regulation No. 1600/2002/EC). The tools of technical assistance, affecting all groups of measures may provide significant help already in the preparation phase of programming, in the coaching of the affected persons, in up-to-date information.

In accordance with the domestic and European conceptual documents and the Community Strategic Guidelines, NHRDP pays special attention to the validation of horizontal policies and to programme-level implementation (sustainability, equal opportunities, social/ economic/ environmental safety, territorial principle). These policies shall be taken into account in the planning of the strategy, in the preparation of the programme, in the assessment and the control process, equally.

Connection with the operational programmes in Hungary

The New Hungary Rural Development Programme is organically connected with the planning processes, concepts applicable to the other areas of the national economy. The Government, by approving the Government Regulation No. 1076/2004 (VII. 22.) made a decision on the contents and the organisational framework for the elaboration of the New Hungary Development Plan (2007-2013). In accordance with this decision, long-term (2005-2020) development policy documents were prepared – the National Development Policy Concept (NDP) and the National Regional Development Concept (NRDC) – to determine the areas and objectives for the use of the EU's structural funds and of its Cohesion Fund. The strategic framework laying down the basis for an effective and efficient use of the funds allocated for the period 2007-2013 from the Cohesion Fund and the structural funds of the EU is included in New Hungary Development Plan (NHDP), which is the equivalent of the National Strategy Reference Framework (NSRF), provided for by the European Union. The actual implementation of the development strategy outlined in NHDP and in NSRF is provided by operational programmes, with the respective details. There are seven operational programmes for the priority development areas, and another seven operational programmes for the development regions. Parallel to these operational programmes, prepared for the use of the Cohesion Fund and of the structural funds, the New Hungary Rural Development Strategic Plan (NHRDSP) was prepared. Its implementation takes place on the basis of the New Hungary Rural Development Programme (NHRDP). Most of the financing of NHRDP is provided by the European Agricultural Fund for Rural Development (EAFRD). The EAFRD finances projects that contribute to the integrated development of rural areas according to the strategic EU priorities of creating employment opportunities and conditions for growth in rural areas, as well as respecting the guidelines and recommendations for sustainability based on the Lisbon Strategy and the Gothenburg Consensus. The specific objectives related to the three general objectives concerning the competitiveness of the agricultural sector, environment, and development in rural areas will be accomplished with measures in Axis I-IV. of the NHRDP.

Axis I-II. focus on improving agriculture, forestry, and the state of the environment in rural Hungary. Axis III-IV. aim to diversify the rural economy, improve the quality of life, and implement the LEADER approach. Strong emphasis in the NHRDP on improving rural governance, development planning and implementation at a local level contributes to the sustainability of the measures and puts into practice the principle of subsidiarity.

The objectives of the national concepts and of the groups of rural development measures are interrelated, on the one hand, and represent a continuation, extension of each other, on the other hand. As a result, a basic requirement to implementation is to create the coherence of the development projects – in order to avoid any duplication of funding – with a clear separation, demarcation of the areas.

There are important demarcation principles generally applicable to the measures of the NHRDP either one by one or in combination. The demarcation with specific measures of other Operational Programmes are described in detail below and at the

relevant measure. In general, the demarcation between the NHRDP and other OPs can be drawn along the following lines:

- Geographical criteria: settlements with a population of less than 5000 permanent residents, or a population density of less than 100 inhabitants/km2, excluding the settlements of the agglomeration of Budapest. In case of Axis III. measures, aiming at promoting the economic development, settlements with a population of less than 5.000 inhabitants or with a population density of less than 100 inhabitants are eligible. In case of Axis III. measures, aiming at increasing the quality of life, settlements with a population of less than 5.000 inhabitants or with a population density of less than 100 inhabitants are eligible, excluding the cities and micro-regional centres, but including the outskirt areas of non-eligible settlements. In case of the LEADER measure, settlements with a population of less than 10.000 permanent residents, or a population density of less than 120 inhabitants/km2, including the outskirt areas of non-eligible settlements can be supported under the RDP. The settlements of the Budapest agglomeration are in all cases excluded,
- Revenue of beneficiary: 50% of net annual revenue generated from agriculture,
- Investment: according to the type of investment, in connection with agricultural products listed in Annex I of the EC Treaty (consolidated version, 1997).

The combination of the above demarcation principles ensures synergy, complementarity between strategies, and the avoidance of dual funding.

Specifically, the main characteristics of the connections of the New Hungary Rural Development Programme to the operational programmes, of the demarcation of the development projects can be summarised as follows:

Demarcation with the Environment and Energy Operational Programme

- The Axis for environment and rural development (**Axis II.**) of the NHRDP is connected in several aspects to the Environment and Energy Operational Programme (EEOP). A considerable portion of the activities to be financed from EAFRD are connected with the protection of nature and of the environment, land use, production of renewable energy, biomass utilisation and the development of infrastructure. The scope of utilisation of the EAFRD, however, are limited in respect of the eligible activities and beneficiaries, therefore, harmonisation, combination of the targets and measures in NHRDP and in EEOP are of prime importance. Between the two programmes, coordination is necessary, in order to supplement the resources and increase the efficiency of the measure:
- measures to protect the environment in agriculture and forestry, in order to finance the Natura 2000 network, water management,
- measures to preserve the values of the protected natural areas, for a new type of floodplain management relating to VPP,
- deferred environmental protection investments at the animal husbandry sites,

- the primary processing of biomass,
- development of infrastructure.
- With regard to investments aimed at the creation of renewable energy production capacities, the general demarcation principles concern the place of the development and the type of legal entity implementing the development. If the applicant is an agricultural enterprise (as defined below) or the place of the development is on-farm, the investment shall be supported by the NHRDP, while if neither of the above conditions are met, the investment will be supported from EEOP funds.
- The key demarcation principle with EEOP concerns the beneficiaries of funding. In Axis III of the NHRDP enterprises or individual entrepreneurs that generate over 50% of their net annual revenue from agricultural activities are eligible for support for measures related to renewable energy production. EEOP funding supports non-agricultural enterprises targeting the production of renewable energy.
- Crop production for energy purposes (e.g. rape, sunflower, corn) is one market compliant method to maintain the income producing capacity of agricultural producers. Together with the production and primary processing of renewable energy (crude oil, crude alcohol) it is an instrument of adding value to agricultural products as well as ensuring compliance with EU sustainability objectives.
- The central manufacturing facilities of bio-fuel finished products based on primary processing funded by the EAFRD will be supported by the EEOP. EEOP supports energy production intended for sale, in volumes.
- Another important demarcation principle in terms of renewable energy, more specifically bioethanol production, concerns the type and capacity of the plant proposed in the relevant project. EEOP supports production facilities with a production capacity of 30-40 kt/year and élarge plants with a production capacity exceeding 80 kt/year. The NHRDP supports crude alcohol plants with capacity up to 10 kt/year, production plants up to a capacity of 10 kt/year, and dehydrating plants or refineries with a capacity of 30-40 kt/year.
- The synergy between the two areas is a prime condition for the use of the resources. The preservation of the natural values in protected areas managed by the state, the infrastructural investments there are financed by EEOP.

Demarcation with the Transport Operational Programme

- The measures aimed at the construction and modernisation of rural infrastructure are to be implemented from the resources of the Transport Operational Programme (TOP). These investments can generate economic growth also in rural regions, by improving the possibilities of product sales (markets) and by bringing jobs “closer”, by improving the quality of the entrepreneurial environment. The NHRDP identifies the underdeveloped state of logistic systems in rural areas as an important factor hindering rural

economic development. The construction and modernisation of the agricultural service and access roads (unnumbered), forestry roads (unnumbered), the construction, modernisation of facilities shall be implemented from the RDP.

Demarcation with the Economic Development Operational Programme

- In the programmes, the development of the activities of micro-businesses is of prime importance, with special regard to the rural regions. For the development of agricultural activities and food processing micro businesses, the EAFRD sources shall be used. For the support of businesses belonging to other sectors of the national economy, the operational programmes for Economic Development and the regional operational programmes shall be used.
- In the framework of the NHRDP, there are a number of measures targeted at rural enterprises and micro-businesses. The geographical demarcation is based on settlement size and population density, where settlements with a population of less than 5000 permanent residents or a population density of less than 100 inhabitants/km2 are eligible for support from the NHRDP, with the settlements located in the agglomeration of Budapest excluded from NHRDP funding. In addition to the geographical demarcation, with regard to target of the investment/project, the EDOP does not support investments related to the production or processing or marketing of agricultural products as listed in Annex I of the EC Treaty (consolidated version 1997). Enterprises that generate over 50% of their net annual revenue from agricultural activities are not eligible for funding from EDOP.
- In relation to innovation measures within Axis I, the following demarcation applies between the EDOP and the NHRDP:
- In terms of beneficiaries, the EDOP does not support innovation and technological parks connected to innovation clusters that have been founded by enterprises that generate over 50% of their net annual revenue from agricultural activities (agricultural enterprises). With regard to investment or activity to be supported the EDOP does not support innovation and technological parks connected to innovation clusters that have been established for the production or processing of agricultural products as listed in Annex I of the EC Treaty (1997, consolidated version).
- Another key guideline for demarcation between the NHRDP and the EDOP is the following. If the planned investment utilizes Annex I products as raw material and the end product after processing is also included in Annex I of the EC Treaty, and the applicant is an agricultural business, the investment is eligible for support under NHRDP.
- The „marketing" of Annex I. products shall be supported under the RDP and can not be supported under the EDOP.

Demarcation with the Social Renewal Operational Programme

The demarcation between the SROP and the RDP is implemented in the different development with appropriate procedures and coordination mechanisms set up to avoid overlapping and to ensure proper implementation of the two programmes.

Secondary and higher education are excluded from the eligible areas for support from the RDP, while SROP support this activities.

The resources of the Social Renewal Operational Programme (SROP) and Social Instrastructure (SIOP) are connected with the EAFRD Axes I and III via the improvement of education, culture, employment, the social sphere, the improvement of the quality of life in rural regions, support to tourism-related activities. The sources of operational programmes expand the scope of the beneficiaries and create an environment with a higher knowledge level and expectations for the rural population, in particular, agricultural population.

The demarcation of the NHRDP with the SROP is manifold. With regard to target groups the SROP does not support primary producers and agricultural enterprises or businesses whose annual revenue from agricultural activities exceeds 50% of their net annual sales revenue. In terms of training programmes aimed at individuals, the NHRDP supports training programmes related to agricultural activities.

With regard to rural development activities, training programmes clearly linked to activities (including village tourism) supported under Axis III of the NHRDP will be funded by the NHRDP.

The geographical demarcation in relation to community development is that NHRDP supports settlements with populations less than 5000 or population densities lower than 100 inhabitants/km2, excluding the settlements in the agglomeration of Budapest. The NHRDP supports only the capacity building of local actors aiming at formulation PPP sor LAGs under the LEADER programme, in order to implement the local strategies in the eligible settlements.

In relation to the comprehensive programme aimed at the micro-regions with multiple disadvantages, the preparation of micro-regional development plans are supported by the SROP in all cases where the relevant settlements are not eligible for support under the LEADER programme. SROP supports the elaboration of local development strategies where it is not supported within the framework of the NHRDP.

As for the coherence of the RDP with the SIOP, the following demarcation principle can be defined concerning the multi-functional of service centres: the SIOP supports larger-scale investments in the cities of the six Convergence regions, while the RDP provide support only on the eligible settlements under the measures „Basic services for the rural economy and population”. The services of national library networks can be among the services provided in the multi-functional service centres supported under the RDP.

Demarcation with the Electronic Public Administration and State Reform Operational Programmes

- The measures of the Electronic Public Administration and State Reform Operational Programmes (EPAOP, SROP), through a renewal of the social, public administration services, exercise direct and indirect influence on a more efficient, smooth operation of the agricultural investments, businesses.

Demarcation with the Regional Operational Programmes

- The measures of Axis III (Quality of life in rural regions and rural economy) and Axis IV (LEADER) are connected in many aspects to the regional operational programmes (ROP). The measures aimed at rural development targets, in particular, local capacity increase, a strengthening of local partnerships, shall be implemented in connection with the comprehensive programme aimed at the micro-regions with multiple disadvantages. The implementation of the LEADER programme takes place in close coordination with the comprehensive programme, where the special considerations of the most disadvantaged micro-regions receive particular attention.
- In relation to the **development of micro-enterprises**, the Regional OPs do not support investments in connection with the production or processing of agricultural products listed in Annex I of the EC Treaty (consolidated version, 1997). Enterprises or individual entrepreneurs that generate over 50% of their net annual revenue from agricultural activities are not eligible for support under the micro-enterprise development schemes of the ROPs. In addition to the above two demarcations, investments of micro-enterprises implemented in settlements where the population densitiy does not exceed 100 inhabitants/km2 and/or the number of residents does not exceed 5000 are not eligible for support from the ROPs.
- In relation to **tourism** development projects, the ROPs support the development of accommodation classified as commercial accommodation along with the related tourism services excluding agro-tourism as defined in the NHRDP[17]. The ROPs support developments related to destination management, attractions and the connecting infrastructure, as well as tourism related to wine regions, and gastronomy.
- With regard to **wine tourism**, the operational programmes of the regions support the beneficiaries of the NHRDP measures "Encouragement of tourism activities" (Article 55) and "Diversification into non-agricultural activities" (Article 53) if the aid applied for exceeds 100,000 Euros. For wine tourism

[17] The NHRDP defines agro-tourism based on Article 59 of Act CXVII/1995 on personal income tax. Tourism services related to agro-tourism include fishing, game, forest and horse-riding tourism within the sphere of settlements as defined by population density (<100 inhabitants/km2) and population (< 5000).

developments below the 100,000 Euro limit, support is provided from the NHRDP in the framework of the two measures referred above.

- For **public services and basic rural services**, the ROPs provide funding for the development of mandatory public services of municipalities, including education, healthcare, social infrastructure and lineal infrastructure (road, drainage, etc.). In relation to non-mandatory public services the ROPs support single or multi-purpose community and service centres only in urban areas as defined by population density (>100 residents/km2) and/or population (>5000/settlement). The NHRDP supports single or multi-purpose community and service centres not providing mandatory municipality services, basic rural services, and village and farm-stead care networks in settlements or areas with a population less than 5000 permanent residents and/or a population density of under 100 residents/km2, excluding the settlements of the agglomeration of Budapest. **Training** programmes, consultancy, and provision of business advisory services for non-agricultural micro-enterprises are supported by the ROPs within their relevant areas regardless of the geographical demarcation principle .
- For measures aimed at **settlement development,** the ROPs support settlements that have a population over 5000 residents and/or a population density higher than 100 residents/km2. Village development from the NHRDP shall be concentrated on settlements not eligible for ROP support according to the geographical demarcation criteria. When aid is used, the list of the villages selected for support, as well as the size, complexity of the project shall be considered a criterium for the demarcation. Instrastructure development in villages is outside the scope of the eligible projects. The development sources for the basic services in the country can be used, depending on their origin, subject to the size of the towns and villages. The centres of the micro-regions shall receive support from the regional programmes, the development of services in small villages shall receive support from the Rural Development Programme. Development projects with synergic effects shall receive priority.

Coordination activities

The Government's coordinating body for the preparation of decision-making and making of proposals is the **Development Policy Steering Committee (DPSC).** Inter alia, DPSC accords the developments planned to be implemented from EU and national resources, coordinates the tasks connected with the strategic planning of the New Hungary Development Plan, the National Action Plan, the Sustainable Development and New Hungary Rural Development Plan, gives their position to the New Hungary Rural Development Plan.

Responsibilities for the coordination of the planning, programming and execution of the New Hungary Development Plan, as well as for the coordination of the planning, programming and implementation of the operative programmes will lie with the **National Development Agency** (NDA). The managing authority of the New

Hungary Rural Development Plan and the NDA will be responsible for the coordination among the operative programmes as required in Section g) of Paragraph 4 of Article 24 of Council Regulation 1083/2006/EC and Paragraph 4 of Article 5 of Council Regulation 1698/2005/EC, as well as between the operative programmes and the European Regional Development Fund (ERDF) and the European Fisheries Fund (EFF).

Under the mechanisms defined in the national legislation, the managing authority and NDA is to ensure the concert of the planning and utilization of the above-mentioned resources wherein regulations on governmental supports should be observed to a maximum extent.

With respect to strategic objectives, fields of intervention and the calls for applications, such coordinating activities will cover mutual information services and exchange, joint participation in the monitoring committees and work groups, as well as the grounding of concordance and cross-application in the instruments of execution.

Forums and mechanisms of coordination:

- The main instrument of coordination is the **Government**, as well as the **National Development Council** having been established as an advisory body to the Government with its members being the prime minister, the representatives of the regional development councils, the delegates of the Economic and Social Council, experts commissioned by the prime minister, as well as the members of DPSC as parties specifically invited.
- Additional forums of coordination are the **Monitoring committees** wherein the representatives of the National Development Agency will have voting rights.
- Involving the support instruments of rural development, the **substantial coordination** of the operative programmes in the New Hungary Development Plan will be ensured by the action plans specifying the planning–execution details of the operative programmes themselves. On the basis of the Government's respective framework decisions, such action plans are to be finalized by NDA.

The mechanisms of coordination thus equally embrace strategic objectives, fields of intervention, calls for applications, etc. as concerning **mutual information services and exchange, joint participation in the monitoring committees and work groups, establishment of concordance and cross-applications of the means of implementation,** thus, for instance, in ensuring the cross-application of monitoring information systems.

10.2. Demarcation criteria for the measures which target operations also eligible under another Community support instrument, in particular structural funds and the European Fisheries Fund

Detailed information on this subject can be found partly in Chapter 10.1. (general demarcation principles and in the measure descriptions in Chapter 5.3. For a better understanding the following summarizing tables provide a comprehensive overview on the demarcation between the structural funds and the rural development programme.

10. 3. Demarcation criteria for the local development strategies falling within Axis IV. in relation to local development strategies implemented by „Groups" under the EFF and for cooperation in relation to the Cooperation Objective under the Structural Funds

There will be no local development strategies in the FOP.

Complementarity with other Communitry financial instruments are promoted, while avoiding double financing is ensured by the MA at project level. The demarcation between the LEADER approach – inter-territorial cooperation – and the Cooperation Objective of the Structural Funds is ensured at technical level.

10.4. Information on the complementarity with other Community financial instruments

There is no complementarity with other Community financial instruments except for the ones mentioned above.

11. Designation of competent authorities and bodies responsible

The implementation of the NHRDP takes place on three levels.

- Certification Body (within the meaning of Article 7 of Regulation (EC) No 1290/2005)
- Managing Authority (within the meaning of Article 75 of Regulation (EC) No 1698/2005)
- accredited Paying Agency (within the meaning of Art. 6 of Regulation (EC) No. 1290/2005)

11.1. The Certification Body

In accordance with Art. 5 of Regulation (EC) No. 885/2006, the Certification Body was appointed by the Minister of Agriculture and Rural Development acting as Competent Authority, after a public procurement procedure. The Certification Body – KPMG Hungary Kft. – is a Hungarian limited liability company, and a member firm of the KPMG network of independent member firms affiliated with KPMG International, Switzerland. The Certification Body is totally independent from the Paying Agency 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 Agency – including IT system assessments – and the audit of the annual report and the issue of the certificate according to internationally accepted auditing standards taking into account any guidelines established by the Commission.

Address:	KPMG Hungária Könyvvizsgáló, Adó- és Gazdasági Tanácsadó Kft.
	H-1139 Budapest, Váci út 99.
Tel.:	+36-1-887-7100
Fax :	+36-1-887-7101
E-mail:	info@kpmg.hu

11.2. 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 the specific implementation of this task under Hungarian law to the State

Secretary for EU Affaires within the Ministry. The State Secretary as Head of the Managing Authority is assisted by the Department for Rural Development (DRD). The DRD also performs the managing authority tasks relating to SAPARD, ARDOP and EFF, and the tasks of the NRDP programme management unit.

Name of Unit of DRD	Responsibilities
Unit for Improving Agricultural Competitiveness and Restructuring (Axis I. Unit)	monitoring and coordination of the objectives of Axis I. set in the NHRDSP and NHRDP
	preparing and harmonization of annual, mid-term and long-term planning documents, furthermore the preparation and coordination of proposals for program modifications concerning the development of the agricultural sector
	contribution in preparing of documents for common agricultural policy, legal documents and development planning concerning Axis I.
	knowledge dissemination concerning non-food agricultural production, as part of restructuring the agricultural production and market. With a special focus on biomass production for energy purposes
	contribution in the preparation and realisation of the program concerning energetical use of agricultural products
	carrying out tasks concerning energy management with special focus on renewable energy
	coordination of consultancy tasks, like preparation and attending of legal documents and application notices, running expert boards within the ministry, monitoring of fund utilization of the subsidies
	improving the state of national and common cooperation in case of consultancy and performing portfolio representation tasks
Unit for Agri-environment Matters (Axis II. Unit)	monitoring and coordination of the objectives of Axis II. set in the NHRDSP and NHRDP
	contribution in preparing of documents for common agricultural policy, legal documents and development planning concerning Axis II.
	dissemination of agri-environment aspects in line with the environment friendly farming and land use methods
	preparation of decisions concerning agri-environmental farming
	tasks resulting from international agreements and arrangements in case agri-environmental farming
	tasks in connection with regulation, development and controlling of organic farming
	preparation of the introduction of agri-environmental quality management schemes (ISO, EMAS, EUREPGAP)
	designation, verification and coordination of Natura 2000 and nitrate sensitive areas
Unit for Rural Development Matters (Axis III-	monitoring and coordination of the objectives of Axis III-IV. set in the NHRDSP and NHRDP
	contribution in preparing of documents for common agricultural policy, legal documents and development planning concerning Axis III-IV.

IV. Unit)	Public relation matters concerning the Commission of the European Union in case of the NHRDSP and NHRDP
	rural and agro-tourism matters
	coordination of communities being organised in rural areas
Unit for Horizontal Matters	coordination between the NHDP and NHRDP concerning the coherence, consistency and linkage to other Operational Programmes
	tasks concerning equal opportunities
	coordination of inter-ministerial rural development questions concerning regional and framework programs
	supervision of MRD networks

Unit for Finance and Monitoring	collection of financial and statistical information, definition of monitoring indicators
	sending NHRDP monitoring data to the COM
	organisation of the work of the Monitoring Committee, operation of sub-committees (if needed), performing secretary tasks, operating a monitoring system, coordination of elaboration of monitoring indicators
	preparation of annual program reports and after having the consent of the Monitoring Committee sending to the COM
Unit for Accreditation and Management Audit	preparation of the work of the Competent Authority, supervision of ARDA
	regular follow-up and supervision of the compliance with the accreditation criteria
	evaluation of the Certification Body's report, expressing opinions about the CB's reports, procedures, programs and other documents
	correspondence with the COM concerning accreditation
	coordination of tasks connected to COM audit missions in relation to NHRDP
Unit for Communication and Coordination Matters	coordination of the drafting of legal regulations necessary to implement NHRDP
	coordination and preparation for decision of the approval of implementation manuals
	updating and management information concerning NHRDP
	implementation of NHRDP Technical Assistance, including public procurement

In addition to the organisational units mentioned above, MRD Rural Development, Educational and Advisory Institute (RDEAI) is under the supervision of the Managing Authority. The Institute carries out delegated technical and expert tasks the DRD has no capacity to perform, renders information connected with NHRDP and acts as

working organisation of the Allocation and Quality Project Selection Supervisory Committee.

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 tasks rendered to the Managing Authority by the Regulation mentioned above. Within that, the Managing Authority

- ensures that operations are selected for funding in accordance with the criteria applicable to the NHRDP and furthermore with the Community and national legislation. In this competence, even though the tasks of selecting the projects and decision-making on the applications are delegated to the Paying Agency, it shall approve and check the rules of procedure of the Paying Agency and shall have the possibility to instruct the Paying Agency, in the framework of supervisory procedure, to carry out a new procedure, if its conduct was not in line with the respective legislation or the instructions received from NHRDP. Furthermore, the Minister is entitled to establish the eligibility criteria and the legislation determining the detailed implementation rules for certain NHRDP measures.
- 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; In order to do so, an IT software shall be developed for the purpose of monitoring and appropriate statistical queries from the uniform IT system of the Paying Agency, which shall be able to carry out this task when the measures of NHRDP are launched, to complete the above task.
- 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. For that purpose, the communication plan included in the programme shall be implemented.
- ensures that programme evaluations are conducted within the time limits laid down in Regulation (EC) No 1698/2005. In order to do so, DRD shall prepare the detailed rules of procedure for its tasks as a managing authority.
- leads the Monitoring Committee and sends the documents needed to monitor the implementation of NHRDP in the light of its specific objectives. Ensures the consideration of the interests of all social players affected by agricultural and rural development in the implementation processes of the programme.
- ensures compliance with the obligations concerning publicity referred to in Article 76 of Regulation (EC) 1698/2005. For that purpose, the communication plan included in the programme shall be implemented. For that purpose, the Managing Authority launched an information campaign for the popularisation of the NHRDP measures, to provide information about the eligibility criteria. Easily understandable information papers shall be published, giving details on the application criteria for the different measures, and applications from

producers shall be supported by an advisory network consisting of well-prepared experts.

- It draws up the annual progress report and, after approval by the Monitoring Committee, submits it to the Commission.
- ensures that the Paying Agency receives all the necessary information, in particular on the procedures operated and any controls carried out in relation to operations selected for funding, before payments are authorised.
- ensures an efficient allocation of the NHRDP funds between the axes and the measures, as well as a review of the programme, and the initiation of the required programme amendments and their implementation.
- ensures the principle of equal opportunities and non-discrimination during the implementation of the Programme.
- may set up project offices with clearly defined tasks and goals, focusing on a special field of the Programme and to ensure the smooth operation and implementation of it. Project offices shall be set up if coordination is needed between more axes and measures in order to elaborate integrated operations focusing mainly on horizontal issues (eg. Roma project office, sustainable project management project office, renewable energy project office). Project generated and developed by official project offices of the MA can be prioritised during project selection.
- Has a technical supporting unit/institute (MRD-RDEAI) under the supervision of the MA, which provides technical support to implement the functions of the MA. A part of the tasks of the MA can be delegated to this body but the MA will retain full responsibility for the efficiency and correctness of management and implementation of those tasks according to Article 75 of Regulation 1698/2005.
- It shall constantly monitor and analyse, via studies, the progress made in the programme, as well as the achievement of the objectives set and the implementation of its measures.
- It supervises the institutional system in charge of the NHRDP implementation, ensures that their operation shall serve the achievement of the programme targets.
- Special attention shall be given to the implementation of the horizontal policies.
- It represents within the Government and in international relations the specialty areas covered by the programme.

In order to perform its tasks determined by Regulation (EC) No. 1698/2005, according to Act No. XVII. of 2007, the Managing Authority shall

- make decisions, on the basis of Community law and the respective programmes of the European Union, on the use of Community resources for the purpose of technical assistance,
- determine the setup of the Monitoring Committee and ensure its operation;
- issue communications of binding character on:
    - support that can be received on the basis of competition procedure,
    - the period open for submitting applications supporting a competition procedure,
    - the priorities applicable to the assessment of the applications,
    - any over-application in respect of the funds available,
    - the scores required to obtain the support,
    - the technical descriptions (such as catalogues, norm collections) applicable for the assessment of the requests for support,
    - cases specified in separate legislation.
- manages the Hungarian National Rural Network;
- in order to implement Art. 75 paragraph (1), point c) of Regulation (EC) No. 1698/2005, in respect of EAFRD measures, it approves the management and control systems applied by the Paying Agency, as well as the delegation contracts concluded.

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's 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 NHRDP. The MA establishes permanent and efficient partnership cooperation with the relevant organisations to use the special knowledge available at the partners.

Address: Ministry of Rural Development (MRD)
State Secretary for Rural Development
H-1860 Budapest POB 1.

Tel.: +36-1-301-4000

Fax : +36-1-301-4000

E-mail: avf@vm.gov.hu

11.3. The Paying Agency

The Agricultural and Rural Development Agency has been accredited as Paying Agency concerning EAFRD in accordance with Regulation (EC) No 1290/2005.

The accreditation of ARDA is, in line with Art. 1, paragraphs (2)-(3) of Regulation (EC) No. 885/2006, in the competence of the Minister of Agriculture and Rural Development. Prior to the accreditation, an audit has been carried out by an independent auditing firm (KPMG). The Minister, acting as competent authority,

- is entitled to give the accreditation to the Paying Agency and to withdraw it, if necessary,
- The Certification Body and the Department for Rural Development of the Ministry perform permanent control over the compliance of the Paying Agency with the accreditation criteria,
- is entitled to give instructions to the Paying Agency, if it considers that the latter does not comply with the accreditation criteria.

ARDA is the only Paying Agency in Hungary, performing the paying agency tasks of EAFRD and of EAGF.

ARDA operates, in addition to the above tasks, also as an accredited paying agency of the Guarantee Section of EAGGF. In addition to the tasks of a paying agency, ARDA performs in connection with the Community funds for agriculture and rural development, the following roles:

- SAPARD Agency
- ARDOP/EAGGF Guidance Section and FIFG – cooperating organisation
- EFF – cooperating organisation.

Apart from supports financed by the Community, the ARDA also handles aids financed from domestic resources.

ARDA is an organisation of the central budget, its organisation consists of a central office and 19 county offices, including 7, acting as representative offices with regional competence in respect of EAGGF Guidance Section rural development aids. The total staff off ARDA is about 1600. The Central Office has about 500 employees while the county offices between 20 and 100 depending on he size of the county. The Central Office has 8 directorates and 8 departments. The internal organisational hierarchy of ARDA ensures an appropriate separation of duties connected with the approvals, settlement and book-keeping of the payments. Within ARDA, there is an independent internal audit unit, directly subordinated to the President. The NHRDP measures' authorisation procedure is implemented through the EAFRD Divisions of the Directorate of Rural Development Supports and of the Directorate of Direct Payments, the County Offices and the delegated bodies. ARDA has written rules of procedure for each scheme, with a detailed description, in respect of the different measures, regarding the receipt, recording and processing of the applications, and each administrator performing control tasks has a detailed checklist of the tasks to be done.

The attribution of an implementation step (e.g. reception of claims, administrative, on-the-spot control, authorization etc.) to an organizational entity depends on the expected number of claims, the character and complexity of the measure taking into account the experience gained so far.

There are two Directorates dealing with authorization of NHRDP claims. The scope of authority of the Directorate of Direct Payments covers the authorisation of area or animal based measures. The scope of authority of the Directorate of Rural Development Supports covers the authorisation of NHRDP measures except for area or animal based measures. The latter Directorate performs the professional guidance of LEADER. It is the Director who is entitled to make decision on the claims. The separate EAFRD Unit within each Directorate deals with

- updating and preparation of the rules of procedures,
- organisation of the implementation of the respective measures,
- development of standard documents and fill-in-guides,
- administrative control and content evaluation (where applicable),
- reporting on measures (where applicable),
- IT development,
- data base development and maintenance.

The Directorate for County Offices in the ARDA Central Office is responsible for the supervision of the county offices and the client service. The Financial Directorate is responsible for payment, accounting, reporting, securities and debtors' ledger and debt management. The Legal Department is responsible for ensuring the uniform application and interpretation of law within the ARDA. The IT Directorate is responsible for the proper operation of the IT system and for the IT development projects and data protection. A Development Department is responsible for development of procedures and internal rules and analysis of management experience. The Administration Unit within the Organisational and Coordination Department is in charge of archiving and documentation.

There are two Units dealing with NHRDP in each County Offices. The Unit for Claim Administration is in charge of

- administrative control,
- completion procedure,
- reception of claims,
- evaluation of applications for support,
- withdrawals and modifications,
- other administrative tasks.

The Unit for On-the-Spot Controls is in charge of

- on-the-spot controls,
- Article 26 (4) visit to investment site,
- ex-post checks.

The tasks of the administrators who carry out on-site inspections are determined, including the requirements to the auditor's report, in the audit manual, and each auditor receives a checklist for the tasks to be completed during the audit. The internal procedures of ARDA ensure the faultless implementation of the four-eyes principle and the rotation of administrators working in sensitive positions.

ARDA delegates some of its authorisation and technical service tasks to other organisations. According to Article 17 (3) of Act No. XVII. of 2007, each delegated task shall be specified in a written agreement. The agreement shall contain, in particular:

- the scope of the assigned tasks,
- the financial terms for the assigned tasks,
- tasks and obligations of the organisation carrying out the assigned tasks,
- the procedure and methods applied for the assigned task,
- the conditions for issuing a performance certificate,
- a provision on the frequency of reporting on the results of the checks carried out by the body assigned with the tasks,
- a provision on the data that can be transferred to the body in charge of the agricultural and rural development support, on the contents of the data provision and its frequency,
- the rules applicable to the responsibilities of the body assigned with the task towards the body providing the agricultural and rural development support,
- the scope and the protection of the data to be transferred by the body providing the agricultural and rural development support, for the purpose of performing the task,
- an explicit statement from the body performing the assigned task about its actual performance of the task and a description of the method to be used.

According to the Act mentioned above, the scope of tasks which may be delegated by the Paying Agency and the specific organisations these tasks may be delegated to shall be specified by a Decree of the Minister of Agriculture and Rural Development. The No. of this decree is 48/2007. (VI.20.) FVM, of the Minister of Agriculture and Rural Development.

Delegated tasks are performed by:

- Central Agricultural Office (CAO – a recently established organisation of the central budget through the merger of several independent government Agencies e.g. State Forestry Service, Animal and Plant Health Service, it is responsible for agricultural administrative and authority matters in Hungary except for Paying Agency tasks), and

- Institute of Geodesy, Cartography and Remote Sensing (IGSRC - an organisation of the central budget, responsible for geodesy, cartography and remote sensing tasks in Hungary).

CAO performs the following delegated tasks within the NHRDP:

- administration of applications for support and payment, administrative and on-the-spot controls as regards afforestation (The CAO's predecessor State Forestry Service which constitutes a separate directorate within the CAO has already been performing these task under EAGGF first afforestation of agricultural land since 2004.);
- administration of applications for support and payment, administrative and on-the-spot controls as regards planting of arboreal plantations of short rotation coppice for energy production.

IGSRC performs the following delegated tasks within the NHRDP:

- administration of Land Parcel Identification System and remote sensing tasks concerning area based measures. (IGRSC has been performing these tasks concerning SAPS and area based EAGGF measures e.g. agri-environmental support since 2004.)

According to Article 18 of Act No. XVII. of 2007, the ARDA may involve in performing its tasks other organizations as experts or may use other organisations' technical support (hereinafter referred to as expert organizations) in order to render professional assistance to ARDA. The scope of tasks in which expert organisations may be involved and the concerned organisations are specified by a Decree of the Minister of Agriculture and Rural Development (currently No. 57 of 2005, to be updated soon). Although these tasks are not considered as delegated ones, they have to be specified in similar contracts as mentioned above. Expert tasks are performed by MRD Agricultural Mechanisation Institute and CAO. Their task is connected to technical support in administrative (e.g. expert opinion, technical manuals) and on-the-spot controls of relevant measures such as modernisation of agricultural holdings or meeting standards

The control competence of ARDA covers the control over the work done by the bodies assigned with the delegated or expert tasks; this shall take place in line with the written rules of procedure prepared by ARDA and approved by the Managing Authority and the ARDA stays responsible for the work done by these organisations.

ARDA implements all EAFRD and EAGF measures in a uniform IT system. This allows the performance of tasks set out in respect of the Integrated Administration and Control System (IACS) in Regulation (EC) No. 796/2004, for the relevant measures of both funds. The system carries out a cross-check, among others, with the Uniform Record and Identification System (URIS) and the Land Parcel Identification System (LPIS).

Application of a uniform IT system for the implementation of both funds certainly does not mean that the system is not flexible enough to meet the requirements of the different measures. The Hungarian approach is based on the provisions of Article 26 of Council Regulation (EC) No. 1782/2003 which, on the one hand, makes it compulsory

for certain group of aid schemes (incl. both EAFRD and EAGF measures) to use more elements of the Integrated Administration and Control System defined by the Chapter IV of Title II of the same regulation, and on the other hand, opens the possibility for the purposes of applying other Community or national support schemes to incorporate in their administration and control procedures one or more components of this system. Uniformity of IT system means, that the general environment of the software solution is common, which provide for standard use of general functions (document management, access-right management, workflow-management, etc.) and enables the use several other functions of the systems (incl. cross-checks with reference databases) if the requirements of the given measure makes it reasonable. Nevertheless this solution makes easy to use one single farmer/client registry, single general ledger etc.

This approach was also used in the initial establishment of the system, where the scope of the Hungarian IACS was successfully extended beyond the measures prescribed by the EU law covering public intervention, internal market measures, etc.

The Paying Agency 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 relevant 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 Agency

- 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 (IACS),
- prepares the annual report and issues the statement of assurance.

- Address: • Agricultural and Rural Development Agency

	H-1095 Budapest, Soroksári út 22-24.
Tel.:	+36-1-219-4593
Fax :	+36-1-219-4594
E-mail:	emva@mvh.gov.hu

12. A description of the monitoring and evaluation system, as well as the envisaged composition of the Monitoring Committee

In order to fulfil the monitoring and evaluation tasks of the Managing Authority regarding the NHRDP a special department has been appointed within the Ministry of Rural Development (MRD). This unit provides the efficient and successful implementation of the NHRDP by means of regularly comparing the objectives and the achieved results.

The monitoring and evaluation activity of the NHRDP is established on the basis of the ruling of the Common Monitoring and Evaluation Framework (CMEF). Indicators used in the NHRDP are - as much as possible - based on the specifications of the CMEF, complementing it with further indicators specific to the NHRDP.

In order to fulfil monitoring duties the Managing Authority ensures to

- build and train its necessary monitoring capacity,
- to consider tasks related to the operation and the development of the IT system (IACS),
- to help to organise and provide training for staff of the Paying Agency involved in monitoring tasks and activities,
- to provide information for and to receive information from the Commission,
- to gather information from and to transfer and transform information for those involved in the monitoring system (Monitoring Committee, beneficiaries, Paying Agency, etc.).

According to Article 6. (1) of Council Regulation (EC) No 1698/2005 the Managing Authority ensures that regional, local and other authorities, economic and social partners, organisations representing the civil society, non-governmental organisations, environmental organisations, and bodies promoting equality between man and woman are extensively involved in the work of the NHRDP Monitoring Committee.

The Managing Authority ensures that at their own initiative, Commission representatives may participate in the work of the Monitoring Committee in an advisory capacity.

The Managing Authority represents the NHRDP and its Monitoring Committee in the meetings of the monitoring committees of other national or regional development plans or operative programmes.

12.1. A description of the monitoring and evaluation systems

12.1.1. Monitoring

The Monitoring Committee shall be set up within a maximum of three months following the decision approving the NHRDP, in order to follow-up the implementation of the NHRDP and to make certain that it is effectively proceeding.

The Monitoring Committee is to be convened and organised by the Managing Authority at least two times every year.

Responsibilities of the Monitoring Committee:

- shall be consulted, within four months of the decision approving the NHRDP, on the selection criteria for projects to be financed. The selection criteria shall be revised according to programming needs;
- shall – according to its rules of procedures – periodically review progress made towards achieving the specific targets of the NHRDP, on the basis of the documents submitted by the Managing Authority;
- shall examine the results of implementation, particularly achievement of the targets set for each axis and ongoing evaluations;
- shall consider and approve the annual progress report and the last progress report before they are sent to the Commission by the Managing Authority;
- makes suggestions to the Managing Authority regarding any adjustments or the review of the NHRDP aimed at achieving the Objectives of the EAFRD defined in Article 4 of Council Regulation (EC) No 1698/2005, or improving its management, including financial management as well;
- shall consider and approve any proposal to amend the content of the Commission decision on the contribution from the EAFRD based on (4) Article 69 of Council Regulation (EC) No 1698/2005.

The Managing Authority shall carry out monitoring activities by means of financial-, output- and result indicators.

The definition, quantification, collection, summary, measuring and processing of indicators shall be done according to the CMEF in an appropriate IT system suitable for registering and storing statistical data.

The indicators and other basic data necessary for their production are collected by or under the supervision of the Managing Authority from the beneficiaries with the help of the regional offices of the Paying Agency and other organisations as set out in chapter 11.3. The time period for the collection of data is set out in the Rules of procedure.

The beneficiaries' obligation for providing data (circle of data, sanctions for failing to provide data) is regulated by the Managing Authority on legal basis and with calls for applications respectively.

The indicators and other basic data necessary for their production are delivered by the Managing Authority from the beneficiaries as follows:

- the regional offices of the Paying Agency are to inform the beneficiaries about monitoring obligations, and to store and save data provided regularly or occasionally by the beneficiaries,
- the headquarters of the Paying Agency is to collect, aggregate, process, qualitatively check, analyse and uncontradictedly deliver necessary data saved and provided by the regional offices.

The collection of horizontal indicators and statistical data specific to the agricultural- and rural development sectors is carried out by the Hungarian Statistical Office and also institutions under the supervision of MRD:

- Agricultural Research Institute,
- Central Agricultural Office,
- Rural Development, Educational and Advisory Institute.

The IT system

The IT system for entering, storing, providing and accumulating monitoring data is based on the IACS.

The system has a separate monitoring module, which handles the monitoring data.

A separate interface for the Managing Authority is to be operated in order to enable access, collection and accumulation of any monitoring data stored in the system.

Data collection

One of the main tasks of ARDA is the collection of monitoring data and to enter it into IACS. Regional offices of ARDA collect monitoring data from the applicants directly from within their applications or occasionally, too, if necessary.

As set out in cooperation agreements, other organisations may also collect and provide necessary data for ARDA and the MA.

Data on the sectors of agriculture and rural development as a whole in Hungary is to be collected by the Agricultural Research Institute.

The system in place, IACS is compatible with retrieving date for the common list of output, result, baseline and impact indicators, included int he CMEF.

The process of preparation for the monitoring and evaluation activities includes the following main steps:

Defining the actions of the actors involved (prepare, confirm etc.)	The precise definition and location of the monitoring points

The specifications of the documents	The template of the documents (at least heading level)
The listing and classification of the indicators according to source of data and occurrences	The metadata of the indicators
Schematic timetable (who, what, when, what – monthly, annually, randomly)	Deadlines (one week, three days, yearly) and the triggers

Strategic monitoring

Beyond general monitoring activities, Hungary is to perform strategic monitoring related to the New Hungary Rural Development Strategic Plan (NHRDSP), in order to look into proceeding and to inform those interested in the actual state of play of the achievement of goals, and further in what extent the implementation contributed to the achievement of Community strategic guidelines. Such strategic monitoring summary report shall be submitted for the first time in 2010 and each second year (2010, 2012, 2014). Beyond the above the report shall summarize the results of the ongoing evaluation activities.

The report shall include the following two chapters:

- results achieved by the NHRDP compared with the indicators of the NHRDSP,
- results of ongoing evaluation.

In line with (3) Article 13 of Council Regulation (EC) No 1698/2005 the annual progress report can be combined with the strategic monitoring summary report in the years 2010, 2012 and 2014.

Annual progress report

The Managing Authority, for the first time until 30 June 2008, thereafter until the 30th of June each year will send an annual progress report on the implementation of the NHRDP of the previous year to the European Commission. In 2016 this report has to present the implementation of the NHRDP in the form of a final report and sent to the Commission.

In line with Article 83 of Council Regulation (EC) No 1698/2005 – each year, on presentation of the annual progress report, the Commission and the Managing Authority shall examine the main results of the previous year, in the form of a bilateral meeting. Following that examination the Commission may make comments to the Member State and to the Managing Authority, which will inform the Monitoring Committee thereof. The Member State shall inform the Commission of action taken in response to those comments.

The monitoring system: Key players

Organization	**Tasks/Responsibilities**
Monitoring Committee	• Consultation on and revision of the selection criteria for projects to be financed. • periodically review progress made towards achieving the specific targets of the NHRDP, on the basis of the documents submitted by the Managing Authority; • examine the results of implementation, particularly achievement of the targets set for each axis and ongoing evaluations; • consider and approve the annual progress report and the last progress report before sent to the Commission by the Managing Authority; • suggestions to the Managing Authority regarding any adjustments or the review of the NHRDP aimed at achieving the Objectives of the EAFRD defined in Article 4 of Council Regulation (EC) No 1698/2005, or improving its management, including financial management as well; • consider and approve any proposal to amend the content of the Commission decision on the contribution from the EAFRD based on (4) Article 69 of Council Regulation (EC) No 1698/2005.
Managing Authority: State Secretary for EU Affairs assisted by the Department of Rural Development	Responsible for planning and programming. • Identifies the set of monitoring indicators, • Defines the monitoring and implementation system. Decides which data need to be submitted and when by the beneficiaries. Responsible for the annual monitoring reports. Requests general data on the context and the macro-level impacts of the programme from the Central Statistical Office and the Research Institute for Agricultural Economics or other research

	institutes/universities. Responsible for the capacity building, the organization and provision of trainings for staff involved in monitoring tasks and activities. Receives information from and provides information for the Commission, transfers information to the key players in the monitoring system. Chairs, operates and provides Secretariat for the Monitoring Committee: • convenes the MC meetings, • prepares agendas and minutes of the meetings, • summarizes reports to MC, • requests data from ARDA: If the need arises coordinates with other units of the MRD. Responsible for the annual implementation reports and the strategic monitoring. Observer in the NSRF MC.
ARDA • Local offices	Inform beneficiaries on the monitoring needs. Receive the support claims. Responsible for storing and saving the data of the beneficiaries, among them the monitoring data. Provide information to the beneficiaries. Beneficiaries can turn to the local offices with their enquiries. Regular collection of data from beneficiaries (annual and on the basis of the support claim)

ARDA Headquarters: Directorate for Rural Development	May be assisted by the LRDOs locally Operates the IACS system. Responsible jointly with the MA for the development of the IT system. Collects, aggregates and processes the data collected by the local offices. Prepares reports for the Managing Authority, the European Commission and the Monitoring Committee. Prepares regional, sectorial or other thematic analyses on the progress of the programme. Checks the quality of the reported data and analyses data inconsistency.
Beneficiary of support	1. Provides data for monitoring at the application phase and later as requested 2. Prepares annual reports on projects 3. Prepares the final report on projects

12.1.2. Evaluation

The evaluation aims to improve the quality, efficiency and effectiveness of the implementation of the NHRDP. The evaluation is carried out by independent evaluators. The Managing Authority ensures the human and financial resources required for carrying out the evaluations, the production and gathering of the requisite data, and use the various pieces of information provided by the monitoring system. Forms of the evaluation: ex ante, mid-term and ex post evaluation. The mid-term and the ex-post evaluation form part of an ongoing system of evaluation.

Ex ante evaluation

The ex ante evaluation is part of the drawing up of the NHRDP and its aim is to optimise the allocation of funds and improve programming quality.

It shall identify and appraise

- medium and long-term needs,
- the goals to be achieved,
- the expected results,
- 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 conclusions drawn from previous programming,
- the quality of the procedures for implementation, monitoring, evaluation and financial management.

Mid-term and ex post evaluation

For the NHRDP Hungary establishes a System of Ongoing Evaluation. It examines the progress of the NHRDP in relation to its goals by means of result and, where appropriate, impact indicators.

From 2008, the Managing Authority reports each year on the ongoing evaluation activities to the Monitoring Committee. A summary of the activities is included in the annual progress report.

In 2010, ongoing evaluation takes the form of a separate mid-term evaluation report and in 2015, a separate ex post evaluation report. The mid-term and ex post evaluations examine the degree of utilization of funds, the effectiveness and efficiency of the programming of the NHRDP, and its socioeconomic impact. They cover the goals of the NHRDP and aim to draw lessons concerning rural development policy of the Community.

A summary of ex post evaluations shall be made at the latest by 31 December 2016, under the responsibility of the Commission, in cooperation with the Member State and the Managing Authority, which shall gather the data required for its completion.

12.1.3. System of monitoring and evaluation reports

According to the above mentioned, in relation to the NHRDP the Managing Authority is responsible for the following evaluating and monitoring activities:

- preparation of the ex ante evaluation;
- setting up the ongoing evaluation system, in the framework of which the mid-term and the ex post evaluation are also prepared; informing annually the Monitoring Committee about the results of these evaluations. In case of mid-term and ex-post evaluation the Commission has also to be informed;
- preparation of annual progress report for the Commission — which is to be approved by the Monitoring Committee;
- holds annual consultations with the Commission on the results achieved;
- as from 2010 every second year the preparation of a summary report for the Commission on the progress achieved in the implementation of the objectives of the NHRDSP (strategic monitoring).

The reports shall also make reference to one another, moreover they have to contain conclusions, results, and failures. This way the monitoring and the evaluation activity form an integrated whole and follows the entire course of the NHRDP.

12.2. The planned composition of the NHRDP Monitoring Committee

Members with voting right:

- Chairman – Head of the Managing Authority (State Secretary)
- Deputy Chairman – Head of Department, Department for Rural Development, MRD

Delegates of MRD:

- State Secretaritate for Minister of State
- State Secretaritae for Environmental Affairs
- Department for Agricultural Development
- Department for Agri-economy
- Department for Agri-markets
- Department for Food Processing
- Department for Forestry, Fishery and Hunting
- Department for Finance, Audit and Acredittation

Paying Agency (ARDA):

- Agricultural and Rural Development Agency (2 delegates)

Ministries and other bodies of national competence:

- Ministry of Interior
- Ministry of Public Administration and Justice
- Ministry of National Development
- Ministry of National Economy
- Ministry of National Resources
- National Office of Cultural Heritage
- National Development Agency
- Central Directorate of Environment-, Nature Protection and Water Issues

Delegates of the following Regional Development Councils:

- Southern Great Plain Regional Development Council
- Southern Transdanubia Regional Development Council
- Northern Great Plain Regional Development Council
- Northern Hungarian Regional Development Council
- Central Transdanubia Regional Development Council
- Central Hungarian Regional Development Council
- Western Transdanubia Regional Development Council

Partner Organisations:

- Council of Agricultural Economy (Agrárgazdasági Tanács)
- Hungarian Agrarian Employers' Confederation (AMSZ)
- Animal Protection Advisory Body
- Hungarian Federation of Foodworkers' Trade Unions
- Federation of Hungarian Food Industries
- Hungarian Federation of Forestry and Wood Industries
- Hungarian Federation of Rural and Agrotourism
- Hungarian Society of the European Council for the Village and Small Town
- Agricultural and Rural Youth Association Hungary
- Joint representative of Association of Local Governments
- Hungarian Association of Craftmen’s Cooperation (IPOSZ)
- Association of Development Organisations of Micro regions
- Association of Hungarian Private Forest Owners
- Hungarian Agricultural Chamber
- Hungarian Animal Breeders Association
- National Association of Hungarian Farmers' Societies (MAGOSZ)
- Hungarian Fish Farmers’ Association (MAHAL)
- Hungarian Chamber of Commerce and Industry
- Hungarian Farmers' Association (Parasztszövetség)
- Association of Hungarian Settlements’ and Regions’ Developers
- HANGYA Association of Hungarian Producer’s Sales and Service Organisations and Co-operatives
- Hungarian Village and Homestead Caretaker Federation

- National Society of Conservationists
- Regional Research Centre of the Hungarian Academy of Sciences
- Hungarian Foundation for Enterprise Promotion
- Hungarian Rural Association (MVSZ)
- Hungarian Federation of Agricultural, Forestry and Water Supply Workers (MEDOSZ)
- National Federation of Agricultural Cooperators and Producers (MOSZ)
- National Association for Agricultural Energy
- National Parks Directorates
- National Union of Water Management Associations
- Council of Social Equality of Women and Men
- National Interest Reconciliation Council (NIRC) -Employers' Side
- National Interest Reconciliation Council (NIRC)- Employees' Side
- National Council of Issues Related to Handicapped Persons
- Council of Roma Integration
- Hungarian Rural Parliament Association
- National Union of Water Management Associations Water Boards in Hungary (VTOSZ)
- WWF Hungary

Members with consultative rights:

- Representatives of the European Commission
- Research Institute for Agricultural Economics (AKI)
- Rural Credit Guarantee Foundation
- Joint representative of LEADER LAGs
- Central Agricultural Office
- Board of Agricultural Sciences of Agricultural Deans and Directors' College
- Central Agricultural Office (MgSZH)
- National NGO Reconciliation Forum for Regional Development
- Hungarian Public Non-profit Company for Regional Development and Town Planning, Department for Rural Development (VÁTI)
- National Association of Rural Development Consultants
- Department of Controlling, MRD
- Department for EU Coordination, MRD

- Department for Legal Issues, MRD
- Department of Budgetary and Economy, MRD
- Department of Human Resources, MRD
- MRD Rural Development, Educational and Advisory Institute

In case of any changes in the legal status of the members of the members of the Monitoring Committee, the official successor organisation will keep the position in the MC.

13. Provisions to ensure that the programme is publicised

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 a part of the contributions made 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 a mobilisation for and the transparency of EAFRD assistance.

The Managing Authority shall be responsible for the publicity of the programme as follows:

- informs potential beneficiaries (especially rural population) professional organisations, the economic and social partners, bodies involved in promoting equal treatment 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;
- informs the beneficiaries of the Community contribution;
- informs 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.

Communication activities and actions will be elaborated in a separate document (communication strategy), with the help of an independent professional organisation.

13.1. Actions foreseen to inform potential beneficiaries, professional organisations, the economic, social and environmental partners, bodies involved in promoting equality between men and women and the non-governmental organisations, of the possibilities offered by the programme and the rules for gaining access to programme funding

- the Managing Authority provides clear, unambiguous and detailed information for the potential beneficiaries from the rural population;
- 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 Hungarian National Rural Network, and uses the possibilities of the Network in order to spread information.
- In accordance with the requirements of electronic customer information, set forth in the law on public administration procedure, the Managing Authority, using the Government website, provides information to potential beneficiaries and the participants of the Programme.
- 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 potential farmers and market players and 209 thousand registered agricultural producers in the database of the ARDA and sending the publication to their addresses). They have to be given guidelines on how to submit proper applications.

Tools:

- preparation of publication in order 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 an NHRDP circular, which contains the latest news, information and future events relating to rural development supports,

- preparation of a sample application in order 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 mainly for colleagues from all of agricultural institutes and ARDA involved in the effective and uniform implementation of the Programme. Following this - in cooperation with the Paying Agency workshops and professional presentations will also be organised for potential applicants throughout the country in order to ensure that they prepare and submit applications in proper quality. Handing over the sample applications to the participants.
- organisation of road shows and exhibitions and participation at events,
- operation of a MA website as well as the continuous supply of information about the NHRDP on the website of the MRD and the ARDA;
- participation at events, exhibitions, and road shows (eg,. from 15 February 2007 to 9 March 2007, 19 events on county level were organized to introduce the NHRDP where potential applicants can get a complex picture about all the planned measures with the help of different booklets)
- the application of other direct marketing tools,
- setting up special marketing channels targeted at the rural population,
- information (through media) about requirement that names of beneficiaries will be made public.

13.2 Actions foreseen to inform the beneficiaries of the Community contribution

The Managing Authority ensures that the beneficiary is informed in a notifying document about winning the support and that the activities are financed by a programme, the source of which is partly the EAFRD and partly the Hungarian budget.

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.

Main 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,
- organisation of workshops to summarize experience gathered during the implementation of the programme, drawing conclusions, making forward-looking proposals and conveying these to the general public,
- website (continuous supply of information about the NHRDP on the website of the MRD and the ARDA)

13.3 Actions to inform the general public about the role played by the Community in the programmes and the results thereof

The Managing Authority shall make every effort possible to inform the general public in the widest spectrum and through every means of communication about measures under the NHRDP.

The Managing Authority informs the general public about the adoption of the NHRDP by the EU Commission, the 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 of the NHRDP, the titles 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.

The beneficiaries of the Programme have also a significant role in the communication. Beneficieries have to make and implement a communication plan, which has to be approved by the office of the local community.

Wide-range information supply about support opportunities under the NHRDP and the results achieved in order to ensure full publicity.

Main tools:

- preparation of brochures, leaflets for a brief introduction to the NHRDP. (eg.:a booklet has been prepared called ”How to get support from the NHRDP between 2007-2013”. The NHRDP will be introduced on county road shows and other events.
- 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,
- advertising in media, personal and telephone customer service,
- TV advertising spots, advertising in agricultural programmes or in the form of a public advertisement, in order to inform the target audience on the measures in relation to which applications can be submitted, and encourage them to prepare applications,
- questionnaire survey, public opinion poll on knowing about the NHRDP (EAFRD) and the general opinion about 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,
- preparing marketing communications tools by using the NHRDP (EAFRD) image, signage and logo, which can be obtained by the parties interested and those affected by the support through the ARDA offices and at events organized in order 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 MRD and the ARDA;
- participation at events, exhibitions and road shows,
- the application of other direct marketing tools,
- setting up special marketing channels targeted at the rural population.

13.4 Main stages of communication

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 opportunities. 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.

Communication activities on the preliminary calls for application before the approval of the Programme

After the official submission of the NHRDP in February 2007, the MA has launched calls for applications concerning Axis I. and Axis II. measures. The communication connected to the opening up of the measures contained various forms. The fact, that the measures are opened before the Programme approval was always communicated to the potential beneficiaries and was also stated in the relevent Ministerial Decrees.

All-encompassing communication

Target-oriented 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.

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 experiences and prepare evaluation studies, when the planning of the next period is started.

Periods of activity connected to applying and to carry the related messages into target

Period	Target	Means
Making known the rural development programme	Raise of interest, distribution of general information	Communication through media
Communication activites on the preliminary calls for application before the approval of the Programme	Raise of interest and target oriented information for the potential beneficiaries	Direct communication Communication through media
All-encompassing communication	Target oriented information for the potential beneficiaries and agricultural institutions (actualities, results of application activity)	Direct communication Communication through media
Closing the programme	Studies on the effects, examination and making known of the realization of targets	Communication through media

13.5. Technical features of information supply activities

All information supply activity has to 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.

Publications on the activities and measures co-financed by the EAFRD (pamphlets, brochures, bulletins) and posters must clearly show on the main page that the contribution originates from the Community, the symbol of the EU, and the national or regional symbols as well. The publications have to contain the identification of the panel responsible for the information contained therein and the contact information of the MA.

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 in order to enable the efficient spread of information and exchange of opinion with the general public.

Websites supported by the MA in connection with the EAFRD:

- shall mention the ratio of EAFRD contribution at least on the main page;
- shall contain a link to the EU EAFRD web site.

In the provision of comprehensive information, the MA shall pay equal attention to both business organisations and successfully applying communities.

13.6. The administrative departments or bodies responsible for the communication

The communication activity accompanies the whole process of programme implementation, and can be divided into two levels on the basis of its actual contents, target group and applied methods:

- programme and
- measure level communication.

At programme level, MA communicates with the whole public and entire population. The programme level involves general information about NHRDP. With regard to programme level communication, the most important tasks include the organisation of meetings with the media and other technical experts, compilation of brochures, and use of Internet opportunities. In addition, the ARDA and the agricultural institutes can also perform local (regional, county) communication activities in agreement with MA, but only after the preliminary approval of the content and ways of communication by the MA, taking into account the local characteristic features. This communication already exceed the general, so-called programme level, it is more detailed, with the aim of attracting the attention of local potential applicants, and providing accurate detailed information about measures of NHRDP for all those who are interested.

NHRDP Managing Authority (Ministry of Rural Development)

Pursuant to Article 75 of Regulation (EC) No. 1698/2005 the Managing Authority is responsible for the efficient, successful and lawful management and implementation of the programme in accordance with the 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 Agency (PA, Agricultural and Rural Development Agency)

The PA is responsible for providing exact and detailed information about the measures of the NHRDP for the submission of applications.

13.7. The criteria to be used to evaluate the impact of the information and publicity measures in terms of transparency, awareness of the rural development programmes and the role played by the Community

The success of measures of the NHRDP Communication Plan shall be evaluated on a regular basis by using indicators, 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.

An annual progress report is prepared for the European Commission on the measures taken in the reference year and their success – it is a part of the annual report approved by the Monitoring Committee.

Indicators used for evaluation

- Media coverage, number of (national, regional) programmes and advertisements in regional and national papers, television and radio related to NHRDP.
- Number of published and distributed publications, brochures, fliers (leaflets), number of places and occasions involved in distribution.
- Number of participants in various events and presentations, number of participations in trade fairs and exhibitions.
- Number of seminars, training courses and workshops organised by MA.
- Number of calls made to customers services and number of people personally visiting customer services.
- Number of homepage visitors, number of completed and issued fliers.
- Number of filled in (usable) questionnaires, ratio of distributed and filled in questionnaires.

Monitoring and evaluation indicators

Level of intervention	Indicator	Current Situation	Target
Output (monitoring)	Number of prepared and distributed publications of general information (brochures, leaflets) (pcs)	0	7000000
	Number of people participating in trainings (person)	0	120000
	Number of occasions of informing the general public, number of advertisements (pcs); ▪ on television (advertisements, shorts, reports) ▪ in press (e.g.: press releases, articles) ▪ other (fairs, professional exhibitions, forums, presentations)	0	1000
	Number of organised conferences, seminars, workshops (pcs)	0	200
	Number of filled-in questionnaires (Survey for an effective campaign) (pcs)	0	3000
	Number of field trips (pcs)	0	30
Impact (assessment)	Increase of the number of people having general knowledge about the NHRDP (%)	0	90
	Increase of the awareness of NHRDP	0	20
	Number of successful applicants submitting application in the framework of the NHRDP (pcs)	0	15

14. 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 the period 2007-2013 was completed after extensive social consultation.

But the process of social partnership is not closed by the review of the Strategic Plan and the implementation of the observations received. The Ministry prepared a further breakdown of the jointly developed strategy and it opened a social consultation on the New Hungary Rural Development Programme as well.

The social consultation on the Programme took place taking into consideration the basic principles, the legislation, and methodology to be followed in the framework of Strategic Plan partnership.

14.1. The designation of partners consulted

14.1.1. Basic principles

Open character: Throughout the process of social partnership, the newly applying civil organisations were also given the possibility to join. Several social and sectoral players made use of this possibility, increasing the number of those who expressed their views on the contents of the Programme.

In line with the openness of the public debate, the position of the Council of the Equal Opportunities of Women and Men and also other – mostly roma – organisations were asked by the Ministry, besides the civil partners that are directly involved in agrar or rural development.

Ensuring access: It was important to ensure access to all professional stakeholders. Through the Internet, on the websites www.program.fvm.hu and www.fvm.hu/EMVA the Programme document could be downloaded, upon request, it was made available in hard copy or on CD.

***Creating the possibility of actual interactive expression of opinion*:** In the framework of social consultation, the Ministry paid attention to ensuring not simply unilateral commenting, but direct and two-way communication as well. The social partners received immediate feedback, on occasion of the topical discussions, consultations, regarding their questions and observations.

Making possible various forms of expression of opinion, forums: In order to ensure that all concerned and interested parties can give their opinions, the Ministry approached the partners through several channels. The Ministry offered forums, contribution possibilities via Internet. Direct observations could be made in the topical discussion forums and macro-forums.

Extensive information supply: On the process of social consultation and the opportunities for expressing their views, the social partners obtained information through the Internet and in e-mail.

Time for comments: Civil partners and participants of social debate were provided enough time to formulate an opinion on the actual versions of the RDP. In general it can be stated that three weeks time were provided on average to civil partners to share their position on the Programme with MRD.

Feedback: The Ministry provided ongoing information through the Internet on the processing of the observations received and their use in the Programme, as well as on the newest version of the Programme.

14.1.2. The process of social consultation

The process of social partnership can be split into three, well distinguishable stages. The different organisations of the agricultural profession and the civil partners were involved in the preparatory, planning and finalisation phases.

In order to initiate the social partners in the preliminary proceedings of the Programme as soon as possible, and submit a document already screened by agricultural experts to the Government, prior to the launch of the official public discussion of the Programme, expert consultations were organised on the basis of invitations sent, on the basis of the working paper of the Programme, in October 2006 for three weeks. The consultations were held on fourteen subjects in working parties. After an opinionating period lasting several days, the document was submitted.

After the Government Decision of November 8, 2006, the official phase of public discussions has started. In that framework, the Ministry ensured access to the draft document of the Programme to the wide public and gave an opportunity to all interested parties to participate.

Consultations were held not only with the non-govermental organizations but the Hungarian partner ministries, as well, above all concerning the delimitations and the further parallel programmes of these mininstries.

After the closing of this stage of the public discussions, there was another round of expert consultations with the employees of the Agricultural Directorate General in Brussels. The Ministry informed the social partners thereof in the framework of macro-forums and ensured access to the freshest versions of the Programme via the Internet. In January 2007, in the finalisation stage of the Programme, the Ministry requested, in several rounds, the civil partners to submit their written observations. The closing of the social partnership process was closed in the framework of the macro-forum held on February 5, 2007.

Channels for the expression of views

Topical discussions: The Ministry requested the civil and representative organisations of the sector, the advisory bodies, chambers and players of the educational and scientific life to express their views about the 12 topics of the Programme. The topical discussions were organised in the building of the Ministry Rural Development.

Macro-forums: The Programme was discussed, in several rounds, with the members of the Agricultural and Rural Development Interest Reconciliation Council (ARDIRC) and the topical group "Emerging Rural Regions (Agricultural Restructuring)" as well.

Product path committees: On the basis of an official request, the product path committees formulated their proposals regarding the Programme.

Consultations regarding equal chances: The Programme has been put onto the agenda and discussed by the National Council for Handicapped Persons, the Council of Social Equality between Women and Men, and the Inter-Ministry Committee on Roma Issues as well. In addition to that the Ministry invited to a successful consultation the most important Roma civil and other organisations.

Internet: The Ministry launched the www.program.fvm.hu website, where visitors could develop their opinions through 4 different channels and could submit their proposals (proposal about wording, topical forums, meeting with the Ministry Commissioner, expert meeting).

Based on the orientation provided by the Hungarian legislation in effect regarding social partnership, New Hungary Rural Development Programme has been discussed on a wide basis. For the determination of the organisations to be included in social partnership, in line with the legislation, Agricultural Economics Council, ARDIRC, the Product Path Committees, ARDOP and the NRDP Monitoring Committees represented the basis. There are significant overlaps between the member organisations of these bodies, therefore, organisations were approached through several forums and in connection with several topics of the Programme.

The schedule of the consultations already held is contained in the following comprehensive table:

Internet	
13. 11. 2006.	www.program.fvm.hu website is launching
23. 11. 2006.	Commissioner consulting hours

24. 11. 2006.	Professional consulting hours Axis I.
24. 11. 2006.	Professional consulting hours Axis II.
28. 11. 2006.	Commissioner consulting hours
29. 11. 2006.	Professional consulting hours Axis III.
01. 12. 2006.	Professional consulting hours Axis IV.
Thematic Debate Circles	
17. 11. 2006.	Water management
20. 11. 2006.	Producing groups
20. 11. 2006.	Semi subsistence farms
21. 11. 2006.	Animal breeding and animal welfare
23. 11. 2006.	Crop production and horticulture
24. 11. 2006.	Human infrastructure development, development of age structure I.
27. 11. 2006.	Food and Food Processing Industry
27. 11. 2006.	Human infrastructure development, development of age structure II.
28. 11. 2006.	Renewable energy resources
28. 11. 2006.	Rural enterprise development
28. 11. 2006.	Settlement development
29. 11. 2006.	Forestry II.
29. 11. 2006.	Forestry I.
Macroforums	
29. 11. 2006.	Agricultural and Rural Development Council for the Reconciliation of Interest (FÖVÉT)
30. 11. 2006.	Closing up Rural (Agricultural restructuring) work-group
08. 01. 2007.	Contracted meeting (Agricultural and Rural Development Council for the Reconciliation of Interest, FÖVÉT)
05. 02. 2007.	Closing forum (Ex-ante, Strategic Environmental Assessment, social discussion on Strategic Plan and Programme)
Equality of chances discussions	
24. 11. 2006.	Nationwide Council on Handicapped Affairs
27. 11. 2006.	Council on Social Equality between Men and Women
28. 11. 2006.	Interministerial Comittee on Roma Affairs

30. 11. 2006.	Roma-forum
Environmental organisation discussions	
04. 12. 2006.	Strategic Environmental Assessment forum
06. 12. 2006.	Strategic Environmental Assessment partnership forum

Invited guests of thematic debate circles

Food and food processing industry

- Hungarian Vegetable and Fruit Inter-professional Organization and Product Board
- National Association for Food Processors
- Milk Product Board
- Livestock and Meat Product Board
- Poultry Product Board
- Hungarian Agricultural Chamber
- Research Institute for Agricultural Economics

Forestry

- National Institute for Agricultural Quality Control
- Association for Forest Integrators of Szabolcs-Szatmár-Bereg County
- National Forestry Association
- National Association of Timber Industry
- National Association of Private Forest Owners and Managers
- Pro Silva Hungaria Association
- State Forest Service
- Protect the Future Society
- Palocsa Society
- Domberdő Society
- Bokartis Public Company
- Hungarian Ornithological and Nature Conservation Society
- Kerekerdő Foundation
- Western Hungarian University
- WWF Hungary
- Hungarian Agricultural Chamber

- Research Institute for Agricultural Economics

Water management

- National Association of Agricultural, Forestry and Water Managements Workers
- National Association of Water basin Management Organisations
- Hungarian Irrigation Association
- Hungarian Academy of Science, Department forAgricultural Sciences, Agricultural Water Management Committee
- Hungarian Agricultural Chamber
- Research Institute for Agricultural Economics

Settlement development

- 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 City and Village Protectors
- Hungarian Society for Urban Planning – Village Department
- National Association of Rural Development Advisors
- Village Development Society
- European Council fort the Village and Small Town
- Rural Parliament
- Scientific Association for Regional Development
- Association of Hungarian Ethnographical Houses
- Research Institute for Agricultural Economics
- VÁTI Public Company
- Communities', Small Settlements' and Micro-regions' National Self-Governmental Association
- Regional Chief Building Offices
- Association of Regional Development Councils
- Teleház Public Company
- Association of Hungarian Local Governments
- LEADER Public Benefit Association of Hungary

Renewable Energy re sources

- Hungarian Agricultural Chamber
- Hungarian National Farmers' and Co-operatives' Association
- National Association of Agricultural Research Institutes
- College of Agricultural Deans and Directors
- 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 of MRD
- Gödöllő Agricultural Centre Non-profit Organisation
- Association of Biomass Power Plants
- Innovation Cluster Gyöngyös
- Győr Distillery Ltd.

Environmental-friendly farming methods

- Hungarian Chamber of Plant Protection Professionals and Doctors of Plant Medicine
- AGRYA
- Central Plant and Soil Protection Service
- Association of Hungarian Agricultural Environment Farmers
- Hungarian Ornithological and Nature Conservation Society
- WWF Hungary

- Bioculture Society
- Hungarian Animal Breeders' Association
- CEEWEB
- Újfehértó Research Institute
- National Institute for Agricultural Quality Control

Human infrastructure development

- Hungarian Agricultural Chamber
- Research Institute for Agricultural Economics
- MRD Educational and Advisory Institute
- Central Transdanubia Advisory System
- Technical School of Agriculture and Forestry
- Csapó Dániel Secondary School, Technical School of Agriculture
- Székács Elemér Technical School
- Agricultural Chamber of Veszprém County

Rural Enterprise development

- Association for Hungarian National Artistic Craftsmen
- Hungarian Agricultural Chamber
- Research Institute for Agricultural Economics
- Association of Hungarian Wine Roads
- National Hungarian Chamber of Hunters
- Hungarian Association of Craftsman Corporation
- Hungarian National Tourist Office
- LEADER Public Benefit Association of Hungary
- Hungarian Development Bank
- National Association of Village and Agro-Tourism
- National Association of Village and Agro-Tourism
- House of Traditions
- Hungarian Equestrian Tourism Association

Animal breeding and animal welfare

- Hungarian Animal Breeders' Association

- Sheep Product Board
- Hungarian Pork Association
- Association of Hungarian cattle Breeders
- Rabbit Product Board
- National Hungarian Chamber of Hunters
- National Association of Agricultural Co-operations and Producers
- Hungarian Agricultural Chamber
- Research Institute for Agricultural Economics
- Research Institute for Animal Breeding and Nutrition
- AGRYA
- Agrar Europa Ltd
- Hungarian Farmer Association

Crop production and horticulture

- Hungarian Vegetable and Fruit Inter-professional Organization and Product Board
- AGRYA
- Cereal Association
- Hungarian Agricultural Chamber
- Research Institute for Agricultural Economics
- National Council of Wine Communities

Producing groups

- Hangya Association
- National Association of Agricultural Co-operations and Producers
- Hungarian Agricultural Chamber
- Research Institute for Agricultural Economics

Semi subsistence farms

- Hangya Association
- AGRYA
- National Association of Agricultural Co-operations and Producers
- Hungarian Agricultural Chamber
- Research Institute for Agricultural Economics

- National Council of Wine Communities

Invited guests of Macrofora

Members of the Agricultural and Rural Development Council for the Reconciliation of Interest

- National Association of Agricultural Research Institutes
- Agricultural Employers' Association
- Trade Union of Workers of Agricultural Education and Research
- National Association of AGRYA
- National Association for State Land Leasers
- Union of Veterinary and Hygiene Control Workers
- Trade Union of Workers in Forestry and Timber Industry
- Hungarian Federation of Food workers' Trade Union
- National Association of Food Processors
- National Wood Economy Professional Association
- National Association of Fish Farmers
- National Association of Gardeners and Garden-fanciers
- National Association of Private Forest Owners and Managers
- National Association of Hungarian Land Owners
- Hungarian National Farmers' and Co-operatives' Association
- Trade Union of Hungarian Civil Servants
- Hungarian Farmer Association
- Federation of Association of Hungarian Producer Merchandising and Servicing and HANGYA
- National Association of Agricultural, Forestry and Water Managements Workers
- Federation of Agricultural Management Association
- National Association of Agricultural Co-operations and Producers
- Trade Union of Scientific and Innovation Workers
- National Association of Water basin management Organisations

Members of the Closing up Rural (Agricultural restructuring) work-group

- Prime Minister's Office
- Modernization of Administration NFH

- Ministry of Local Government and Regional Development
- Ministry of Environment and Water
- Ministry of Education and Culture
- Ministry of Finance
- Ministry of Social Affairs and Labour
- Region Political Government Committee
- Ministry of Health
- Ministry of Economy and Transport
- Ministry of Foreign Affairs (for the Republic of Hungary)
- Lake Balaton Development Council
- National Region Development Civil Conciliatory Forum
- Research Institute for Agricultural Economics
- VÁTI National Rural Development Office
- Hungarian Agricultural Chamber
- Hungarian Chamber of Commerce and Industry
- National Association of Food Processors
- Rural Parliament and Hungarian Federation of Rural and Agro-tourism
- delegate of the National Meeting of Social Organizations of Environment Protection and Conservation
- Association of Hungarian Environmentalists
- Hungarian Ornithological and Nature Conservation Society
- Agricultural Economics Council (representative)
- Agricultural and Rural Development Agency
- members of the Agricultural and Rural Development Council for the Reconciliation of Interest
- Hungarian Irrigation Association
- National Association of AGRYA
- Agricultural Guaranty Fund
- Regional Development Agencies:
    - Central-Hungary
    - Central-Transdanubia
    - West-Transdanubia
    - South-Transdanubia
    - North-Hungary
    - South Great Plane

- North Great Plane

Product Path Committees

- Sugar and isoglukose Product Path Committee
- Tobacco Product Path Committee
- Tobacco Product Path Committee
- Tobacco Product Path Committee
- Grape and Wine Product Path Committee
- Milk and Milk Products Product Path Committee
- Vegetable-Fruit and Bedding-plant Product path Committee

Invited guests of Roma Civil Consultation

- Wesley János High school for Clergymen Training
- Association of Those Living under the Minimum of Subsistence and National Conciliation Association of Roma Entrepreneurs
- Ex Trade Holding Ltd.
- Studio Metropolitana
- Sopron Bau Holding Ltd.
- Pécel Roma Minority Self-Government
- ESZA Company of public utility
- Hajnalfény Public Foundation
- "Accept each other" Association
- National Roma Self-Government
- Roma Parliament
- Hungarian Musicians' and Dancers' Brotherhood
- Sárszentmihály Castle
- Budapest Amateur Box Association
- ALNAIR Commercial and Financial Advisory deposit company
- Mohács Roma Minority Self-Government
- C.T.M.T.
- Bátaszék Roma Garden-fanciers' Circle
- Bátaszék Roma Minority Self-Government
- Romédia Foundation
- Junior Achievement

- Fullgas 2000 Ltd.
- Kalyi Jag RME
- Budapest Public Employment Service Non-Profit Company
- National Cultural Association
- Szabad Tér Theatre company of public utilization
- Labour Organization of Győr- Moson Sopron County Romas
- Member Organization of MCÉSZ Pázmándfalu
- Pázmándfalu Roma Minority Self-Government
- Association of Garabonc Romas
- Association for Rural Romas
- Roma Minority Association
- Give Chance Independent Roma Civil Association
- Á Nostra Cálye – Our Way regional Independent Roma Association
- Labor and Cultural Organization of Zala County Romas
- Association for Transdanubian Graduated Romas for Everybody
- Romas' Association for Youth
- Roma Minority Culture House Foundation
- Association of Roma Self-Governments
- Association for Roma Community Developers
- Association of Roma Representatives of Nógrád County
- Together for Halmajugráért Roma-Hungarian Association
- Erdőkövesd Independent Roma Association
- Nagylóc Roma Minority Self-Government
- Gyöngyös Roma Minority Self-Government
- Roma Human Rights Movement
- South-Somogy Roma Representatives' Organization
- RomAssist Association of Public Utility
- Baxtale Rom Association
- Association for East-Hungary's Public Roma Women
- Roma Genius Nursing Foundation of Public Utility
- Foundation for Graduated Roma Youth
- Szabadszállás Municipal Association for Helping Disadvantaged Persons
- Action Group of Szarvas Youth

- Network for Integration Foundation
- Independent Roma Civil Association for Rural Romas
- Transdanubian Roma Leaders' Association
- Roma Minority Association
- Association for Zala County Romas
- Kállai Mária Association
- Association for Balassagyarmati Roma Minority

As it was already written in Chapter 3., the SEA procedure also had a public consultation.

The inclusion of the stakeholders was intensive into the elaboration of and opinion-making on the SEA. Since the New Hungary Rural Development Strategic Plan and Programme are considered as plans of national impact and importance, the notion of interested public generally covers professional, interest representing and social organisations dealing with environmental protection and nature conservation, other organisations dealing with environmental, agriculture and rural development and the general public, too. The working documents of the SEA were available on the homepage of the National Society of Conservationists (www.mtvsz.hu/skv). The MRD published a press release on the launch of the elaboration of the SEA, the NSC informed the potential stakeholders on it in direct ways and through mailing lists.

A 20-member panel of experts **(SEA Forum)** was established in order to involve the professional organisations that had two meetings (2nd November and 15th December) during the assessment process. The members of the Forum were the environmental authorities, the designers of the MRD, the representatives of the universities and the science, the representatives of the interested social organisations. the strategic environmental assessment document was negotiated on a **partnership conference**, the invited parties were about 100 organisations and institutions.

The competent committees of the **Hungarian Academy of Sciences** (with 63 scientists being present) debated on the parts of the environmental report pertaining to the water management in agriculture at their common session on 18 January 2007. The relevant opinion of the HAS was taken into account in the final version of the SEA.

A seperate Annex (Annex 25.) is devoted to the public consultation procedure of the SEA.

The public consultation continued after the first official submission of the Rural Development Programme.

Since February, 2007, the following consultations have been undertaken:

- Consultation on the content of the business plans, required for investment type measures;
- Consultation with AGRYA (Young Farmers) on the eligibility criteria set in the „Support for young farmers" measure;
- Consultation with the environmental organisations on the content of agri-environment measures and on GAEC.
- Consultation with civil partners in the field of forestry.
- Consuttation with the representative of the National Association of Water basin Management Organisations (VTOSZ).
- The Monitoring Committee of the National Rural Development Plan and the ARDOP have also discussed on the Programme.
- There was a consultation with the Vegetable-Fruit Product Path committee on the demarcation between the CAP and the RDP.
- Consultation with the LEADER Association and with LAGs on the content and procedure of the „Delivery mechanism for Axis III-IV."
- Consultation with the representatives of touristic organisations.
- Seperate macro-forum on the state-of-play of the elaboration of the Programme and on the changes undertaken in the view of the Commission's comments.

14.2.The outcome of the consultations

Social partners and the wide public made many observations in connection with the Programme. When the proposals were used, the Ministry's endeavour was to take into consideration, with justified compromises, the views expressed by all participants of the discussion and the interests should be property reflected.

The most important proposals and the most important views that were accepted are shown below, when these resulted in significant changes in a comparison with the original plans.

A large majority of the social partners thought that the Programme was an easy-to-read and well-structured document.

A significant portion of the organisations having expressed their views agreed that the farms were mostly unable, due to the lack of funding, to create the technology background for competitive production. Several proposals were received in connection with a redistribution of the funds intended for use in technology development and in connection with the increase of aid intensity. Parallel to that, some organisations, especially the green organisations, urged to increase the funds available for Axis II.

The civil partners formulated proposals to increase the intensity of aid for crop production and horticulture, and this was accepted in respect of young farmers and

producers in less favoured areas and Natura territories. Facilities for nurseling production were added to the eligible projects.

Upon a recommendation from civil organisations dealing with forestry, in the framework of forestry infrastructure, the forest schools and forestry information centres became eligible under the Programme.

As a result of the consultations, for the calculation of the revenues used as a basis for aid, the revenues of the producers (and not of the groups) are used.

In the case of semi-subsistance farms, it was accepted that in 5 years, it was necessary to achieve the plant size of 4 ESU.

A decisive majority of the social partners said that the Programme was of appropriate quality and in accordance with the legal framework set by the European Union. A different opinion was formulated by the National Association of Hungarian Farmers' Societes and Co-operatives in the course of the public discussion.

The detailed opinions of the civil partners can be found on the official website of the Ministry (www.fvm.hu).

General proposals

- Civilian organisations recommend that the allocation of resources between the axes of the Program be reconsidered. The majority of civil partners suggested the increase of the allocated resources in case of that Axis, to which the civil partner is closely linked. Therefore, the conflicting suggestion on the increase of the allocated resources of all the axes have balanced each other, resulting also a balance in the resource allocation.
- Most of the participated civilian organisations considered the Hungarian National Rural Development Network important, at the same time urged it's early realization.
- Increased social need in field of information flow and farm advisory services concerning to each Axes.

Proposals according to Axes

Axis I.

- In respect of modernisation of agriculture participants agreed in the importance of technological development in field of animal breednig. Those investments forward meeting standards based on Community legislation.
- Comprehensive need for support of machinery used in non-arable land farming in field of fruit and vegetable producing.

- In respect of water management arisen large demand to realize complex, regional development plans.

Axis II.

- In field of Less Favoured Areas it is neccessary to prepare a new impoundment.
- In connection with measure 213 concerned to the Natura 2000 payments reasonable to launch early payments, mainly in territories with high biodiversity.
- In connection with Agri-environment social partners recommend the enlargement of the range of High Natural Value Areas.
- Increasing social need to prepare more kind of zonal schemes (e.g. water related habitats).
- Lack of programmes concerning to animal breeding – in particular native and ecological animal breeding – furthermore special measures concerning preservation of genetic resources.
- Lack of measures linking to investment-kind erosion prevention, and lack in respect of measures linking to landscape-modifing elements.
- In respect of Agri-environment schemes consider the possibility of application important in several times during the period between 2007-2013.
- An early preparing of the rules of cross compliance is needed.

Axis III. and IV.

- Comprehensive need for promote empolyment investments.
- In connection with planning realization of integrated approach and complex programmes instead of disparated development plans.
- Increasing of the cohesion between local communities, at the same time giving more licences according to the operating of the Programme.
- More preferences in respect of conservation of natural and built heritage.

Amendments taken in the Programme, following the suggestions of the social partners:

The civil partners suggested to extend the scope of advisory in the Programme. It has been taken on board in the planning phase of the Programme.

The civil partners suggested that a complex approach has to be launched to tackle with the problems in the water-basins of certain regions. This request has been taken on board by the list of the territories, which are in need of special investments in the field of water and irrigation.

The civil partners suggested to establish an open National Rural Network, based on the current LEADER network. The suggestion has been taken on board in the elaboration of the structure of the HNRN.

The civil partners suggested to give more role in the decision-making process to local communities. The suggestion has been taken on board with the elaboration of the „Delivery mechanism for Axis III-IV."

The civil partners suggested modifications in the GAEC that was sent to public consultation. The suggestions have been taken on board, the GAEC has been modified accordingly.

The civil partners suggested to increase the amount in the field of investments in animal husbandry. This request has been taken on board in the farm investment measure.

15. Equality between men and women, non-discrimination

15.1. The promotion of equality between men and women and additional horizontal aspects in the various stages of programme implementation

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 will 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 non-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 such is obligatory.

For the implementation of horizontal policies, a basic requirement is that the principles of local sustainability and of the landscape approach should be taken into consideration.

On the implementation level, 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 enhancing their co-operation in the decentralised complex assessment process under the label of subsidiarity.

The scope of measures – both obligatory and those voluntarily undertaken measures –that specifically ensure the possibility to implement 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, project management and 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.

In the course of the planning, execution, monitoring and evaluation of the measures, the following main aspects occur: breakdown of data for men and women

during the mandatory collection of information, persons belonging to the Roma minority and those living with disabilities are to be indicated for each project in relation to the applicant (project owner), jobs created and retained, as well as in the case of indirect concerns. The involvement of these disadvantaged groups in the programme is encouraged by awarding extra points during the evaluation. The aspect of regional cohesion yields extra points in the measures, as well as a higher support intensity. As regards the Axis III and IV measures, local planning guidelines encourage the presentation of measures towards the improvement in the situation of women, the strengthening of Roma communities, as well as the improvement in the quality of life of people living with disabilities based on related local demands.

Local rural development plans connected with Axis III (prepared by the LEADER group, under the LEADER-type planning) shall be prepared on the basis of a methodology guideline. The methodology shall be based on the guidelines prepared for the programme's implementation, e.g. the requirements in the business and maintenance plans with respect to social responsibility, as well as integrating the latter's criteria to pay a maximum of attention to the requirement of aligning with local characteristics and the realisation of the requirements of "clean industry".

In the course of the planning, implementation and evaluation of the local projects in regions with small villages, incentives will be provided for the development of eco-tourism, eco-farming, the protection of local heritage and development projects based on local specificities.

Since the change of political regime, the situation of Roma people living in the countryside has deteriorated much more than that of the members of the majority of society. Therefore with the aim of promoting implementation, a Roma Programme Office has been set up to cooperate with RDEAI and create model projects via project generation. On the basis of its coordination activities and methodology suggestions an incentive should be provided for unfavoured regions and the effectuation of the sustainability criteria.

This Roma Programme Office is involved in the planning of assistance for local community projects concerning Roma people, and intends to encourage cooperation between Roma and non-Roma people and the implementation of joint projects.

Integrated solutions should be identified for the improvement of the circumstances of those living in less favoured areas via integrated regional development programmes. NHRDV cooperates with the players of development policy, both on central and local levels, and provides additional resources to the so-called "We do not give up anyone" flagship programme that has been launched within the framework of NHDP under the coordination of NDA for joint implementation to target the approx. 35 least favourable micro-regions.

On the basis of the SEA environmental evaluation, for measures accompanied by business plans or sustainability plans, one of the specific criteria will be social responsibility, which in turn identifies environmental sustainability and social dissemination as particular requirements to be included in an integrated manner in the project .

The basis of the making of Local Rural Development Plans and LEADER Action Plans is the local-level detailed situation analysis which pays particular attention to the preparation of the local human resource map, i.e. to the presentation of the situation of the local Roma people and women among general economic and social indicators. This is because the assessment of their demands is deemed to be a mandatory task with a view to the requirements of demand-based planning, adequate local solutions and the generation of associated projects.

In 2007, the Managing Authority is starting an ongoing evaluation process to accompany the entire programme cycle. This ongoing evaluation process also involves special, topic-based assessments that examine what achievements can be attributed to the programme in the accomplishment of horizontal objectives. It examines how efficient the efforts towards equal opportunities for men and women, the integration of Roma people, the support of disadvantaged people, as well as the effectuation of the principles of sustainable development have been.

This is backed up by continuous monitoring activities that, in association with Axis III. and IV., are largely built upon the work of the Local Rural Development Offices, thus making quality indicators and local experience traceable also on the level of micro-regions.

15.2. The description of how any discrimination is prevented during the various stages of programme implementation

Anti-discrimination is ensured in line with the national legislation during the whole procedure of the implementation of the Programme. Act. CXXV. 2004. on equal treatment and the facilitation of equal opportunities contains all the requirements concerning anti-discrimination that shall be fulfilled during the implementation of the Programme.

16. Technical assistance operations

The Technical Assistance is aimed at the efficient management and implementation of the "New Hungary" Rural Development Programme, serving the fulfilment of various needs for sources during the implementation of measures and activities, without which the implementation of the measures would be jeopardized.

The objective of this measure is to assist the management, implementation, monitoring and control of the Programme. The measure contributes to the realisation of the following main objectives:

- establishment, maintenance and operation of the Hungarian 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 opportunities between men and women);
- establishment and operation of the NHRDP Monitoring Committee;
- preparation of studies and implementation actions to support the NHRDP;
- evaluation of the NHRDP through formal independetnt mid-term and ex-post evaluations;
- ongoing evaluation work throughout the programme;
- control activities;
- supply of information, informing the public on a continuous basis about available measures, results of the rural development programme, and community contribution,
- facilitating the preparation for the next programming period, ensuring the continuity of the rural development policy. The preparatory activities are directly linked to activities of the current rural development programme and those activities are necessary to ensure continuity between both programming periods.

16.1. Description of the preparation, management, monitoring, evaluation, information and control activities of programme assistance financed by technical assistance

The technical assistance measure comprises three activities:

- **Activity 1**.: The establishment and operation of the National Rural Network (NRN) that coordinates the cooperation of organizations engaged in rural development and public administration panels concerning information supply.
- **Activity 2**.: Tasks related to the preparation, evaluation, audit, control and monitoring of the NHRDP, paying attention to horizontal topics; purchase and operation of computer system required for the proper implementation of the Programme. Based on the evaluation outcomes of the 2007-2013 programming period the tasks related to the ex-ante evaluation of the programme for the new programming period. The preparatory activities related to the next programming period may be supported if the incurring costs are directly linked to the activities of the current programme and are necessary to ensure the continuity of rural development policy between the two programming periods. **Activity 3**.: Provision of information on the opportunities and results of the NHRDP, 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.

Indicative allocation of costs among the individual activities planned:

Activity	% of TA total	Sum public expenditure (€)
Activity 1	10.74%	22 109 402
Activity 2	78.60%	161 806 241
Activity 3	10.66%	21 944 714
TA total	100%	205 860 358

Upper limit of rate of support and contribution from the Fund:

For public interest spending: 100% of all eligible costs

Contribution of the European Agricultural Fund for Rural Development (EAFRD): 75% of total eligible cost.

The measure's share from the budget of the NHRDP: 4%

Support granted under this measure is not classified as state support under Article 87 of EC Treaty.

Form of support:

Non-refundable support.

Beneficiaries:

In the Hungarian regulations (Act No. XVII of 2007 on certain issues of the process connected to the agricultural, rural development and fishery supports and other measures and connected decree of the Minister of Agriculture and Rural Development) the following organisations have been denominated/assigned as beneficiaries of the TA measure of NHRDP:

- The NHRDP Managing Authority
- Paying Agency (Agriculture and Rural Development Agency)
- National Agricultural Advisory, Educational and Rural Development Institute
- Hungarian National Rural Network (the members and the institutional structure of the Network)

According to the rules of the Hungarian Act on Public procurement (Act No. CXXIX. of 2003), based on the public procurement directives of the EU, the MA, in the case of the organisations above, is exempted from the requirements of the public procurement process, regarding the fact that these organisation have been assigned by a legislative provision to perform concrete tasks connected to NHRDP.

Nevertheless, EU and national public procurement regulations are fully applied by the Managing Authority during the implementation of the NHRDP.

Eligibility criteria:

The Managing Authority shall establish the eligibility criteria and the list of eligible costs in the Rules of procedures for TA tendering procedure following open and transparent procedures for the selection of projects.

The Managing Authority shall select and decide on the beneficiary of a certain TA project in accordance with the aim of the TA.

On the basis of of Reg. 1320/2006/EC, the ARDOP and NRDP ex post evaluations in 2009 will be financed from this measure.

Selection criteria:

Under the Technical Assistance measure projects shall be selected by tendering procedure. 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 with the objective of the project,

- 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.

The MA makes commitment that open and transparent procedures shall be followed when contracting under TA, also below the public procurement threshold.

Horizontal issues:

- **Sustainability:** The information supplied and preparations made under the measure place special emphasis on the EU's and Hungarian sustainability issues and raising the awareness on environmental protection requirements and check their enforcement.
- **Equal opportunities:** Equality of opportunities is fully strived for and ensured. The applications received are judged equal conditions. 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 and their operation integrated with wide-scale trainings 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 Reg. 1698/2005/EC.

As part of the technical assistance referred to in Article 5 of Reg. 1290/2005/EC a network for rural development should be set up at Community level.

Reg. No 1320/2006 of 5 September 2006 laying down rules for the transition to the rural development support provided for in Council Regulation (EC) No 1698/2005 (ex post ("Expenditure relating to the ex post evaluation of the current programming period as referred to in Article 64 of Regulation (EC) No 817/2004 shall be eligible under the technical assistance component of the rural development programme in the new programming period").

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 implemented through other Community or miscellaneous sources, and in formulating and strengthening the synergic effects of various instruments. Ensuring targeted and co-ordinated 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 co-operation.

By implementation of the TA measure will be ensured the effective management (preparation, implemention, control, monitoring, evaluation) of the NHRDP.

By implemetion of the information activities financed from TA the programme's implementation will become transparent and the application schemes advertised will be available for each potential beneficiary.

Monitoring and evaluation indicators

	Indicator	**Current Situation**	**Target**
Output	Indicators connected to the Hungarian National Rural Network ▪ Number of new staff (auxiliary labour) (head) ▪ Number of infrastructural equipments (informatics), pcs Number of training programs for Local Action Groups, farmers etc., pcs ▪ General distribution of information (number of fora)		
	Number of prepared and distributed publications of general information (brochures, leaflets) (pcs)	0	1000000
	Number of people participating in trainings (person)	0	2000
	Number of occasions of informing the general public, number of advertisements (pcs); ▪ on television (advertisements, shorts, reports) ▪ in press (e.g.: press releases, articles) ▪ other (fairs, professional exhibitions, forums, presentations)	0	1000
	Number of organised conferences, seminars, workshops (pcs)	0	200
	Number of filled-in questionnaires (Survey for an effective campaign) (pcs)	0	3000
	Number of studies (pcs)	0	
	Number of expert contracts (pcs)	0	
	Number of field trips (pcs)	0	30
Impact	Increase of the number of people having general knowledge about the NHRDP (%)	0	90
	Increase of the awareness of NHRDP	0	20
	Number of successful applicants submitting application in the framework of the NHRDP (pcs)	0	15

16.2. Establishment of the Hungarian National Rural Network (HNRN)

Article 68. of the Regulation 1698/2005/EC contains provisions as to the establishment of the National Rural Network. In line with these provisions, the primary aim of the Hungarian National Rural Network (HNRN) is to be an open forum for all the actors involved in rural development by setting up an information and co-operation network. The HNRN is an umbrella network of already existing private and public networks, agricultural and rural development advisory networks and and the network of independent civil actors and organisations dealing with rural development or related issues. In the course of the setting up the network, strong emphasis will be put on the network of the LEADER Local Action Groups and on the network of the Local Rural Development Offices.

List of organisations and administrations involved in rural development which will form part of the national rural network:

Participation in the network is open to any organisations, private or public bodies or private persons, which/who agree with the objectives of the network laid down in the founding document of the network.

The membership of the HNRN is based on the following existing networks:

- The Members of the Monitoring Committee will be asked by the Managing Authority to be the member of the HNRN.
- The network of advisors and advisory institutes connected to Axis I. measures of the Programme will be asked by the MA to be the members of the Network.
- The selected LEADER Local Action Groups will be the members of the HNRN.
- The Local Rural Development Offices will take part in the setting up the National Rural Network and will be the members of it.
- Public institutions and authorities at micro-regional, country, regional and central level will be asked by the MA to be the members of the Network.
- Local municipalities will be contacted by the MA to be the members of the Network.

The concrete tasks and duties of the membership will be determined in the founding document of the HNRN.

Procedure and timetable for establishing the national rural network

The structure of the HNRN will consists of the following elements:

- The organising function of HNRN is performed by the Managing Authority. The Managing Authority is responsible for the elaboration of the founding document of the HNRN. The Local Rural Development Offices will have a role in the setting up the Network.
- The first phase of the setting up is a registration procedure – accompanied by active communication – for the membership of the HNRN. The registration procedure will start in the first half of 2008.
- There will be a Council of around 300 participants, representing the membership of the Network.
- The Council will be headed by the Presidency.
- The Head of the Council, who is also the President of the HNRN. The President is supported by the Chief Secretary of the HNRN. All the elected bodies of the HNRN will be elected in the second half of 2007.
- There will be thematic working groups formulated from the members of the Network.
- The roles – tasks and duties – of the different actors of the HNRN will be laid down in the founding document of the HNRN.
- The Action Plan of the HNRN for 2008 will be elaborated by the MA in 2007. The Action Plans for the consequitive year will be elaborated by the MA, based on the expectations and suggestions of the membership of the Network.
- The MA authority may be provided help in the setting up of the Network by independent bodies selected via public procurement in 2007 and 2008.
- The membership of the Network is provided various services by independent bodies selected via public procurement from 2007 onwards.

The general obligation of the MA is to facilitate the exchange of experience at the level of member states and support the implementation and evaluation of the rural development policy, and to ensure and co-ordinate the flow of information among local, national and European levels.

The details of the tasks to be performed by the HNRN will be elaborated in the action plan to be prepared in the course of 2007.

The action plan contains the following information:

- The objectives set for the HNRN for the period.
- The tasks of the members and the bodies of the HNRN for the set period.

- The services, for what the members and the bodies of the HNRN need during the certain period.
- Information on the planned inter-territorial and international cooperations.
- The ways of changing and sharing good examples and best experiences and knowledge applicable by the members of the Network.
- information about and analysis of the good practices 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 topics connected to rural development and/or rural actors.
- information on the best examples of interterritorial and international cooperation.
- identification and analysis of practices suitable for transfer, and provision of information on the same.

The content of the action plan shall be based on the expectations and suggestions of the membership of the HNRN:

Best practices cover 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 implementation issues, 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 the promotion of the local — micro-region synergic effects of development opportunities available under the Structural and Cohesion Funds and other domestic and international sources;
- 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;
- training programmes and capacity building for the Local Action Groups;
- technical assistance for inter-regional and international co-operation (e.g. web sites, conference for partner search, training and advising for Local Action Groups);
- general information supply in relation to the NHRDP;

- project-generation, contacting parties concerned, their orientation in any topic in the NHRDP or the NHDP;
- general advising related to planning developments;
- facilitation of the establishment of multi-party developments and co-operation networks;
- facilitation of processes and animation in integrated region planning (Article 59);
- keeping contact with organizations concerned in regional planning;
- survey on needs in relation to measures under Axis III.

The funds of network - financed from the technical assistance chapter -, are allocated for the following objectives:

- structures needed to run the Network
- preparation and implementation of an action plan

The sum allocated for activity a) is limited to 25% of the sum planned for the Rural Network.

Expenditures relating to the Hungarian National Rural Network	Total public expenditure	EAFRD contribution
a) Network operation costs (1.2.1.1.a-b tasks)	5 527 351	4 087 476
b) Action plan implementation costs (1.2.1.1.1 - c tasks)	16 582 051	12 262 427
Total:	22 109 402	16 349 903

The Managing Authority ensures that the part of the amount under point a) will not unduly increase over time.