

# **Ministry of Agriculture and Rural Development**

## **PROGRAMME-COMPLEMENT (PC) to the AGRICULTURE AND RURAL DEVELOPMENT OPERATIONAL PROGRAMME (ARDOP) (2004-2006)**

**Budapest  
June 2009**

*ARDOP PC modified by the ARDOP MC on 7 March 2006 and by written procedures on 18 August, 29 September 2006 and on 14 August 2007, revised according to the comments of the European Commission (ref.:AGRI 004597of 06.02.2007, AGRI 022644 of 05.09.07 and AGRI 029995 of 22.11 07.)*



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# **I. INTRODUCTION**

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## **I.1 PROGRAMME COMPLEMENT**

The setting-up of the administrative capacities for the efficient management of the Structural Funds and the establishment of suitable institutional structures demand solid expertise and thorough preparation. The most important regulations on the organisational structure are Council Regulation 1260/1999 laying down the general provisions for Structural Funds as well as Commission Regulations 438/2001 and 448/2001 laying down the detailed rules for the implementation of Council Regulation 1260/99 as regards the management and control systems for assistance granted under the Structural Funds. Concerning Article 5 of EC Regulation 438/2001, the coordinator is the National Development Agency, an organisation to which the ARDOP Managing Authority has given all the necessary information.

In May 2003 the Government of the Hungary adopted the Community Support Framework (CSF) and, in connection with it, the Agriculture and Rural Development Operational Programme (ARDOP). The European Commission also adopted the Hungarian CSF on the 21<sup>st</sup> June 2004 (C(2004) 2093). However, in order to get access to the Structural Funds of the European Union, a Programme Complement (PC) is elaborated, the aim of which is to describe the ARDOP from a more application oriented approach and by this to establish a closer relationship between the applicants and the national authorities taking part in the programme.

The aim of the Program Complement is to justify the strategy and the planned support with detailed data about the different levels of measures, to describe the measures in detail and to define the concrete support. The Programme Complement describes the details of operation according to the priorities and related measures. For each measure monitoring indicators have been determined, which will be used for the assessment of the efficiency of the project.

The Program Complement consists of 7 chapters and the attachments. The first one describes the institutions participating in the management of the measures, stating the exact position they occupy in the process. Based on that, the applicants can become acquainted with the complete application process. The Communication Plan contains all procedures intended to inform the potential applicants and the general public. Chapter three describes all measures open for application, the terms and conditions for application, the financial plan, the monitoring and evaluation indicators and all other relevant information. Chapter four presents the evaluation procedure for the applications, it is followed by the ex-ante evaluation. Chapter six describes the IT background, and in chapter seven the financial tables are presented in details. Some detailed lists, analyses and explanations related to the measures are presented in the annex to the PC.

The approval and modification of the Programme Complement is the responsibility of the Programme Monitoring Committee, but the document will also be sent to the European Commission for information.

Beside the ARDOP, the National Rural Development Programme was also elaborated by the Ministry for the measures co-financed by the EAGGF Guarantee Section. The institutional background of the two programmes are explained in chapter I.2, the consistency between them in chapter I.6.

## **I.2 THE MANAGING AUTHORITY FOR ARDOP**

### ***I.2.1 GENERAL DESCRIPTION***

The Managing Authority (MA) of the Agriculture and Rural Development Operational Programme (ARDOP) was set up within the Ministry of Agriculture and Rural Development (MARD). The Managing Authority bears undivided and full responsibility for the efficient and regular execution of the operational programme in conformity with the national government policies, in a way that it facilitates the maximum utilisation of the development opportunities open to the affected regions and sectors. Council Regulation 1260/1999 defines in detail the responsibilities and tasks of the Managing Authority. According to this Regulation, the Managing Authority is responsible for:

- a) setting-up a system to gather reliable financial and statistical information for the monitoring indicators and evaluation; and for forwarding this data to the Commission;
- b) adjustment of the programme complement;
- c) drawing up, and following the the approval of the Monitoring Committee, submitting the annual implementation report to the Commission;
- d) organising the mid-term assesment, in co-operation with the Commission and the Member State,;
- e) ensuring that bodies taking part in the management and implementation of the assistance operate either a separate accounting system or an adequate accounting code for all transactions relating to the assistance;
- f) ensuring the correctness of operations financed under the assistance;
- g) ensuring compliance with Community regulations regarding the application of Community rules on the award of public contracts, notices sent for publication in the Official Journal of the European Communities shall specify those projects in respect of which contribution from the Funds have been applied for or granted;
- h) fulfilment of the obligations concerning information and publicity as provided for in Commission Regulation 1159/2000;
- i) establishing consistency between Community and national policies and enforcing the requirement of publicity;

The Managing Authority, in co-operation with the CSF Managing Authority and the Paying Authority (Ministry of Finance), elaborates the programme complement and participates in the negotiations conducted with the European Commission. The Managing Authority will execute the assistance programs in accordance with the resolutions of the OP Monitoring Committee, the relevant legislation of the Community

and the Member State, the conditions formulated in the OP and in line with the needs of the target groups. The Managing Authority will continuously strive for and take the necessary steps to achieve or, if possible, to exceed the output, result and impact indicators. Furthermore, the Managing Authority will establish permanent and efficient partner co-operation with the relevant organisations to ensure that the expertise of the partners in the implementation of the programme is exploited and to ensure the coherence of the programme with the continuously developing government policies.

An important task of the Managing Authority is to conduct programme monitoring, where two monitoring desk officers are responsible for fulfilling this task (see later on in this chapter).

## **I.2.2 THE MANAGING AUTHORITY IN HUNGARY**

### **Managing Authority (ARDOP)**

**Ministry of Agriculture and Rural Development (FVM)**  
Department of Agriculture and Rural Development

**Address:** H-1860 Budapest Pf. 1.  
Phone: +36-1-301-4584  
Fax: +36-1-301-5949  
E-mail: Agrar-vidékfejlfO@fvm.gov.hu

**Head of MA:** Dr. Barnabás Forgács, State Secretary for EU Affairs

**Deputy Head of MA: István Bondor**, Head of Department, Department of Agriculture and Rural Development

The Secretariat of the Managing Authority is the Department of Agriculture and Rural Development. This Department is responsible for fulfilling the above-mentioned tasks of the Managing Authority.

Unlike to the other Managing Authorities, the ARDOP Managing Authority (MA) has not been integrated by 1 June 2006 into the National Development Agency as set out in the Government Decree Nr. 130/2006. (VI.15.). The ARDOP Managing Authority is still being led by the State Secretariat for EU Affairs:

- The implementation of ARDOP – programme management, finance, monitoring, MC secretariat – NRDP, NHRDSP as well as the planning and future implementation of the NHRDP, are dealt with at the Department for Rural Development responsible for tasks of the ARDOP MA, which facilitates the exchange of practical experience gathered in the course of the implementation of the programmes.
- For the sake of the efficient performance of the diversified tasks of the department and also for the performance of the tasks occurring during the 2007-2013 programming period, the department was restructured in 2007.



Seven units were formed 2 of which (Finance and Monitoring Unit, Unit for Horizontal Issues) deal directly with the implementation of the ARDOP.

The above restructuring, among units dealing with the ARDOP implementation, affected the Programme Management Unit, which was first transformed into Communication and Coordination Unit, then in September 2008 it was merged with the Unit for Horizontal Issues. This unit continues to manage the ARDOP and the utilization of its TA framework, performing communication, newly arisen tasks and all legal issues concerning the department.

The tasks of the Finance and Monitoring Unit were also extended with tasks arising in the new programming period.

The tasks of the Unit for Horizontal Issues are managed with the following staff:

- 1 head of unit (and deputy head of the department)
- 1 controlling desk officer
- 2 legal desk officers
- 1 TA desk officer
- 1 desk officer for the management of the NHRDP
- 1 structural reorganization officer

The tasks of the ARDOP Finance and Monitoring Unit are managed with the following staff:

- 1 head of unit
- 3 financial desk officers
- 3 monitoring and evaluation desk officers
- 1 SMIS desk officers.

The deputy head of department is responsible for maintaining contact with the European Commission.

The operational activities of the Managing Authority are the following:

- Conciliations with the Intermediate Body on changes of the legal background, easing of implementation and professional directives. Beyond changes in legal background proposals on simplifying the application process were also done.
- Institutional guarantees, sound work-relations, instructions of the Head of MA on implementation.
- Issuing position on certain applications.
- Monitoring activity and data provision, continuous information on the progress of the implementation of the applications, for the preparation of the necessary decisions for the sake of efficient implementation.

- Supervision of the Decision-preparatory Committees. This principally meant issuing legal or professional positions in the case of applications still concerned.
- Communiqués on opening or suspension of calls for applications.

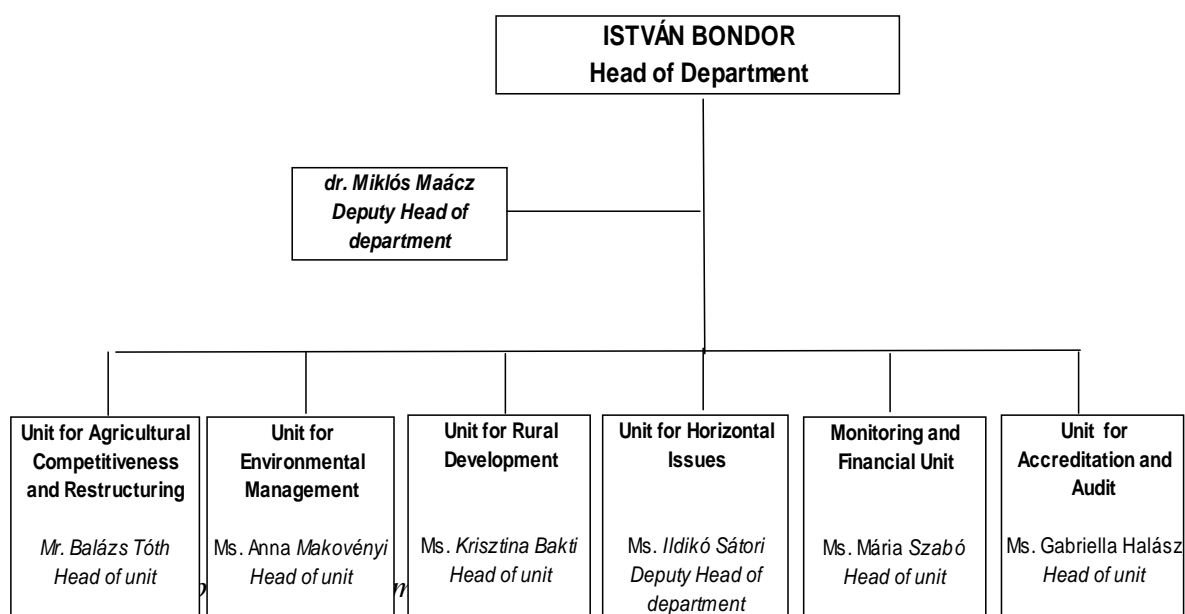
To execute the necessary tasks, the Head of the Managing Authority may directly give instruction to other departments involved in the implementation of the Agricultural and Rural Development Operational Programme. The main tasks of these departments are:

- To propose modifications of the ARDOP measure in which they are competent. The elaboration/modification of the measures of the Operational Programme is within the competence of the Managing Authority;
- Chairing the Project Selection Committees.

The relation of the Managing Authority and the Intermediate Body, with special regards to the delegated tasks is regulated by the following documents:

- Rules of procedure of the Ministry approved by the Minister; MARD Ministerial Decree 110/2004 (VI.21) on the delegated tasks (to IB), which is based on Governmental Decree 1/2004 (Responsible institutions for the management of the European Union Structural and Cohesion funds).
- Memorandum of understanding: This document contains all the tasks of the Managing Authority and the Intermediate Body, which was signed on 15 July 2004 by the Head of the Managing Authority and the president of ARDA. The memorandum was countersigned by the Minister for Agriculture and Rural Development.

### Organigramme of the Department of Agriculture and Rural Development



- a) Legal issues, public procurement and respect of Community policies: Dr. Judit Fancsali, MARD Dept. of Agriculture and Rural Development (Phone: + 36 1 3014608, E-mail: judit.fancsali@fvm.gov.hu)

- b) Horizontal Issues and Communication: Ildikó Sători, Dept. of Agriculture and Rural Development (Phone: +36 1 3015924 E-mail: ildiko.satori@fvm.gov. hu)
- c) State Aids: Dr. Endre Szöllősi, Dept of Agricultural Regulations (Phone:+36 1 3014094, E-mail: endre.szollosi@fvm.gov. hu). The Managing Authority is the main responsible in state aide issues in the ARDOP. The MA executes its tasks in coordination with the department responsible for the given issue within the MARD.

### **I.2.3 MONITORING**

#### **Aspects of monitoring:**

- The communicated information should be brief and clear.
- For the sake of correctness and transparency, an uniform data processing system, the Single Monitoring and Information System (SMIS) will be used; furthermore, data should be entered into the system at the place of its origin.

A condition of access to support is that the beneficiary supplies data, on the basis of which the impacts of the measure can be assessed. The call for application of each measure contains the list of data required from the applicants. All data which could be necessary for monitoring the financial and physical uptake as well as for assessing the impact of the measures are asked for on the application forms for support. Particular attention will be paid to the horizontal schemes (e.g. gender issues, environment) and to priority groups. Concerning equal opportunities, priority is given to women, roma people, disabled people or young farmers and those living in less favoured areas (or micro-regions). The preferences given to these priority groups are defined in each measure of the ARDOP PC.

Data will be entered into the SMIS, where indicators are generated. Indicators (financial, physical and procedural) of the operational programme are consistent with the monitoring indicators for rural development programmes proposed in the working documents by the Commission's services.<sup>1</sup>

The bodies participating in the implementation of ARDOP continuously collect data supplied by the applicants and, on a regular basis and on request, transfer it to the Managing Authority. The collection of data and analyses at macro, sectoral or technical level, needed for the evaluation of the wider economic and social impacts of the ARDOP, is the responsibility of the Managing Authority. These tasks will be carried out by the Agricultural and Rural Development Agency (ARDA) and by the competent units (responsible for the measures and sub-measures of ARDOP) of the Ministry in cooperation with the Managing Authority.

#### **Monitoring Committee**

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<sup>1</sup> Available in DG Agriculture's website at the following address:

[http://www.europa.eu.int/comm/agriculture/rur/eval/guide\\_en.pdf](http://www.europa.eu.int/comm/agriculture/rur/eval/guide_en.pdf)

The Monitoring Committee is the main co-ordinating and decision-making body of the Operational Programme. In accordance with Council Regulation 1260/1999 the Monitoring Committee is responsible for the quality and efficiency of the programme implementation. Accordingly, the Monitoring Committee has the following responsibilities and tasks:

- a) draws up its own Rules of Procedures and liaises with the Managing Authority;
- b) approves or adjust the Programme Complement (PC) including the physical and financial indicators to be used to monitor the assistance. The previous approval of the ARDOP MC is necessary to all the modifications in the PC;
- c) within six months from the approval of the assistance, the Monitoring Committee considers and approves the criteria for selecting the operations financed under each measure;
- d) examines the results of the Programme, particularly the achievement of the targets set for the different measures and for the utilization of the resources;
- e) considers and approves the annual and final implementation reports before they are sent to the European Commission;
- f) it considers and approves any proposals taken according to Rules of Procedures of the MC regarding the amendment of the content of the MC decision concerning Structural Funds contribution;
- g) in any event it may propose to the Managing Authority any adjustment or review of the programme, including the improvement of the implementing provisions and the financial management systems, in accordance with the relevant provisions of EC regulation n. 1260/1999.

## **Members of the Monitoring Committee**

### **Members with decision taking capacity:**

1. Chairman – Head of the Managing Authority (State Secretary)
2. Vice Chairman– Head of Department, Department for Agriculture and Rural Development, (MARD)
3. *Ministry of Agriculture and Rural Development(MARD):*
4. Department for Agriculture and Rural Development (deputy head of department)
5. Department for Agriculture and Rural Development (rural development)
6. Department for Agriculture and Rural Development (trainings and education)
7. Department of Institutions Audit and Asset Management (young farmers)
8. Department for the Technical Administration of Agriculture
9. Department of Food Chain Development
10. Department of Food Chain Control
11. Department of Natural Resources
12. *Other partners:*
13. College of Agricultural Deans and Directors
14. Agricultural Employers' Association
15. Southern Great Plain Regional Development Council

16. Southern Transdanubia Regional Development Council
17. Hungarian Federation of Foodworkers' Trade Union
18. Federation of Hungarian Food Industries
19. Northern Great Plain Regional Development Council
20. Northern Hungarian Regional Development Council
21. Hungarian Association of Young Farmers
22. Hungarian Fish Farmers' Association
23. Joint delegate of Seven National Associations of Local governments
24. Delegate of the National Meeting of Environment and Nature Protection Civil Organisations
25. Ministry for Environment and Water Affairs
26. Central Transdanubia Regional Development Council
27. Central Hungarian Regional Development Council
28. Hungarian Agricultural Chamber
29. Hungarian National Farmer's and Co-operatives' Association
30. Hungarian Chamber of Commerce and Industry
31. Hungarian Farmers' Association
32. Hungarian Federation of Agricultural, Forestry and water Supply Workers
33. Agricultural and Rural Development Agency
34. National Federation of Agricultural Cooperators and Producers
35. National Development Agency
36. Council of Social Equality of Women and Men
37. Western Transdanubia Regional Development Council
38. Ministry of Education and Culture
39. National Interest Reconciliation Council - Employers' Side
40. National Interest Reconciliation Council - Employees' Side
41. National Council of Issues Related to Handicapped Persons
42. Ministry of Local Government
43. Council of Roma Integration
44. Ministry of Social Affairs and Labour
45. Joint representative of the Rural Parliament and the National Association of Village Tourism
46. National Directorate of Environment-, Nature Protection and Water Issues

**The following members will participate in an advisory capacity:**

- Agricultural Research and Informatics Institute
- Representatives of the European Commission
- Control Unit, MARD
- Department of Management and Human Resources, MARD
- Government Control Office
- Ministry of Finance
- Hungarian Non-profit Company for Regional Development and Town Planning (VÁTI), Department of Rural Development

Representatives of the Managing Authorities of other Operational Programmes of the CSF for Hungary may attend the meetings of the Monitoring Committee if appropriate.

## **Secretariat of the Monitoring Committee**

- a) The Managing Authority of the ARDOP fulfils the secretarial tasks of the ARDOP Monitoring Committee.
- b) The Secretariat promotes equal opportunities (gender mainstream) between women and men during the set up and functioning of the MC.
- c) The necessary documents for the meetings of the ARDOP MC are prepared by the Secretariat. The Intermediate Body (Agricultural and Rural Development Agency) provides data on the administrative, financial and professional processes in order to fulfil the necessary documents and indicator tables.
- d) A record of each meeting shall be drawn up by the Secretariat. The draft minutes must be provided to the MC members within 10 working days with a deadline for comments or confirmation within 15 working days from the date of transmission of those documents. The minutes of the previous meeting will be approved at the next meeting of the Committee.
- e) The Secretariat of the MC ensures that there is adequate information (number of the members, Rules of Procedure, minutes of the meetings) about the work of the MC e.g. on the website of MARD. As far as possible the Secretariat continuously provides information to the media about the state of the different support schemes. It is the President's responsibility to liaise with the press. The Secretariat of the MC prepares quarterly newsletters to the members of the MC.
- f) The Secretariat of the ARDOP MC is responsible for providing information to the members of the MC about the the state of the implementation of the programme. .
- g) The Secretariat of the ARDOP MC is obliged to report to the Managing Authority of the Community Support Framework and to the Central Monitoring Committee. The reports are prepared on the basis of monitoring information sent by the Intermediate Body.
- h) An important responsibility of the Managing Authority is to provide information to the organizations and the management of the Ministry about the state of the implementation of the programme and the difficulties that may have arisen during the implementation.
- i) Letters and documentation sent via e-mail or fax are qualified as official correspondence between the Secretariat of the MC as if sent via post.

The Rules of Procedures of the ARDOP MC disposes of the work schedule and the decision-making process of ARDOP MC.

## ***I.2.4 FINANCIAL MANAGEMENT AND CONTROL ARRANGEMENTS***

### Responsibility of the OP Managing Authority:

The primary responsibility of the Managing Authority is to ensure correct management and implementation in the case of operations performed in the framework of the Operational Programme and financed under the Structural Funds (Article 34.1).

The tasks and responsibilities of the Managing Authority are clearly defined in Government Decree 233/2003. (XII.16.) on the financial implementation, accounting, control and audit of the Structural Funds and the Cohesion Fund.

The Managing Authority shall delegate its financial and accounting tasks to its Intermediate Body by keeping the ultimate responsibility. The Intermediate Body shall manage an independent accounting system, in order to fulfil the obligation of bookkeeping, reporting and data providing for reporting to the European Commission.

The Managing Authority shall perform in its own competence, the following tasks:

- a. preparing and verifying the statements of expenditure related to the given operational programme, and preparing the related verification reports, and forwarding them to the paying authority;
- b. ensuring the request of fund falling into the scope of its responsibility, on the central budgetary chapter-managed budget appropriation utilization account (used for the Hungarian central budget contribution);
- c. performing the monitoring activity at the level of the operational programme;
- d. submitting irregularity reports to the Paying Authority.

### *Bank accounts*

The account keeper for all community and public contribution accounts related to the Structural Funds and the Cohesion Fund is the Hungarian State Treasury.

1. HUF (bank) disposal accounts opened by the Paying Authority per operational programmes and subdivided into financing Funds for community contribution.
2. Chapter operated budget appropriation utilization accounts opened by the fund holder – the National Development Agency – by operational programmes for central budget contribution.
3. HUF disposal (bank) accounts – technical account - opened by the Managing Authority per measures for transferring the assistance from the Funds as well as the national contribution to the beneficiaries.

### *Financial control*

The OP Managing Authority will pursue control in order to achieve reliable financial management. It will ensure that ARDA and the final beneficiaries are appropriately informed about their responsibilities related to financial management. It will furthermore ensure that Community rules are enforced in public procurement

procedures. The MARD will perform on the spot controls to investigate the source documentation that supports requests for payment and to ensure that an operation retains the contribution from the Funds only if the operation does not undergo a substantial modification (article 30(4) of EC reg 1260/99).

#### Verification of operations

The verification of operations (first level control) set forth in Article 4 of Commission Regulation 438/2001 concerning the assistance provided under under EU Structural Funds will be performed by the Intermediate Body.

Within the framework of the management and control systems, the Intermediate Body will elaborate and operate detailed procedures to verify the delivery of the co-financed products and services, and the reality of expenditure claimed, as well as to ensure compliance with the terms of the relevant Commission decision, with the applicable national and Community rules in particular, as well as the eligibility of expenditure for the relevant support, public procurement, state aid, protection of the environment and equal opportunity Certification of the expenditure claimed can only be approved after first-level control is carried out. Procedures and Units were elaborated to meet the requirements regulated by Article 4 of Commission Regulation 438/2001.

#### *Independent Internal audits*

With regard to Government Decree No. 233/2003. (XII. 16.) on the financial implementation, accounting, control and audit of the Structural Funds and the Cohesion Fund, the independent internal audit unit (Internal Audit Unit) of the Ministry shall perform the tasks related to the internal audit tasks of the ARDOP. The unit is directly subordinated to the minister in order to ensure its functional independence.

In order to perform 5% checks and system audits on tendering and financial managements systems of the Managing Authority, the Ministry (MARD), which is responsible for operating the Managing Authority and the Intermediate Body shall establish an internal audit unit, which is functionally separated from the Managing Authority and Intermediate Body in order to ensure the performance of the above tasks.

#### *System audit*

Beside the 5% checks, the functionally independent internal audit unit of the Ministry operating the ARDOP Managing Authority shall audit the tendering and financial management system operated by the Managing Authority. Thus, the system audit is performed by the Unit for the Audit of Community Funds. Besides this, the Government Control Office and the internal audit unit of the National Development Agency operating the Community Support Framework Managing Authority shall perform system audits. The Paying Authority shall audit the entire system with regard to financial management in order to appropriately certify payments.



### *Bodies performing sample checks on operations (5% checks)*

The Government Control Office and the functionally independent internal audit unit of the Ministry operating the ARDOP Managing Authority of the Structural Funds and the Intermediate Body (Internal Audit Department) shall carry out checks – in compliance with Article 10 of Commission Regulation 438/2001 and the methodological guidelines published by the Ministry of Finance – to the extent of at least 5% of the maximum amount of the expenses to be supported by the Structural Funds.

Within the Ministry of Finance (MoF), the Central Harmonisation Unit (CHU) for Public Internal Financial Control (CHU) is responsible for the development, regulation, co-ordination and harmonisation of financial management and control, as well as and the internal audit systems relating to the entire Public Internal Financial Control system with regards to national and international funds, including the development of control and audit methodologies and the establishment of training systems. In order to perform the above-mentioned tasks, the CHU has established and operates the Consultative Inter-ministerial Committee for Public Internal Financial Control.

### *Declaration of winding-up*

The Government Control Office is designated to issue the declaration on winding-up of the assistance according to Art. 38(1)(f) of the Regulation (EC) No. 1260/1999 and Art. 15. of Reg. No. 438/2001.

## ***1.2.5 MONITORING THE CAPACITIES***

An important responsibility of the Managing Authority is to monitor capacities. For details on this activity see attachment VIII.2.

## **I.3 THE PAYING AUTHORITY**

The Government has appointed the Ministry of Finance as the Paying Authority for the Structural Funds and the Cohesion Fund. The Paying Authority is responsible for drawing up and submitting payment applications supported by certified statements of expenditures to the Commission and for receiving payments from the Commission.

The account keeper for all community and public contribution accounts related to the Structural Funds and the Cohesion Fund is the Hungarian State Treasury. The Treasury manages the HUF (bank) accounts – for community contribution - per operation programmes, which is divided into financing Funds opened by the Paying Authority. The chapter operated budget appropriation utilization accounts – for central budget contribution – is opened by the fund holder – the Prime Minister Office by operational programmes, and the HUF disposal accounts by measures is opened by the Managing Authority, from which the beneficiaries receive the assistance from the Funds as well as the national contribution.

The PA shall ascertain, that the administrative, accounting, payment and internal control arrangements of the Managing Authority are in compliance with the applicable rules with regard to the following:

1. the eligibility of claims is checked before payment is authorised;
2. the commitments and payments (both Community and national) effected are correctly and fully recorded in the accounts;
3. the eligibility of applications is checked before contracts with beneficiaries are signed and the commitment recorded.

The Paying Authority shall ascertain, that the following arrangements (rules and procedures) of the Managing Authority are regulated:

4. the maintenance of a sufficient audit trail,
5. the regular and effective functioning of management and control systems,
6. compliance with the applicable rules,
7. the verification of expenditure.

### **Tasks of the Paying Authority**

- (a) Manages the liquidity of payments (payment on account, interim payments and payments of the final balance) from the Funds and the continuous availability of the payments drawn by the Managing Authority (Community contribution);
- (b) Transfers the contribution from the Funds – on the basis of the statement complied by the OP Managing Authority - to the chapter-managed budget appropriation utilization account, against which no deduction, retention or further specific charge shall be made;
- (c) Certifies, the accuracy of the statement of expenditures, and that the data and results deriving from the accounting system are supported with verifiable documents with respect to management and control procedures, with supporting

information provided by the Managing Authority (including reports on system audits and 5% checks), and where appropriate complementary checks conducted by the PA.

- (d) Draws up and submits the certified payment application documentations by Funds (declaration of certification of expenditure, statement of expenditure, application for payment) – on the basis of the statements prepared by the Managing Authority – to the Commission on the basis of expenditure actually incurred by the final beneficiaries;
- (e) Sums up and submits yearly - not later than 30 April- to the Commission the expenditure forecasts for the current and following year on the basis of the forecasts compiled by the Managing Authorities;
- (f) Recovers sums due to the Funds re-paid (re-transferred) by the Managing Authorities and the application of financial corrections where they arise, as a result of the discovery of administrative errors, or from events arising from the management of the programme or from the occurrence of irregularities;
- (g) Sums up and submits yearly to the Commission a statement of the amounts awaiting recovery at that date, classified by the year of initiation of the recovery proceedings.
- (h) The Paying Authority keeps accounting records by measures, priorities and funds based on its own bookkeeping as well as on the accounting information system of the Managing Authority or the Intermediate Body, containing not only the contribution of the Structural Funds, but also the central budgetary financing and private contribution as well.

#### **The process of disbursement to the final recipient:**

- a) Beneficiaries submit their payment claims (paid invoices or accounting documents of equivalent probative value) to the Intermediate Body, the Agricultural and Rural Development Agency (ARDA).
- b) The Intermediate Body receives and controls the invoices, and verifies the eligibility of expenditure claimed. Based on the verified invoices the Intermediate Body authorises the payment and aggregates the supported invoices with eligible expenditure and sends the requested fund to the Managing Authority, which ensures in advance that the total public contribution from the chapter operated budgetary appropriation utilization account is transferred to the disposal account of the corresponding measure. Based on the transfer order of the Intermediate Body the Treasury shall execute payment to the Beneficiary.
- c) From the disposal account of the corresponding measure the Beneficiary receives the public contribution related to the expenditures submitted.
- d) After the Intermediate Body has disbursed the total amount of the assistance to the Beneficiary from the central budget, the Managing Authority settles the total amount of the pre-financed assistance posteriorly, and submits its claim for community contribution to the Paying Authority.

- e) On the basis of the claim of the Managing Authority the Paying Authority transfers the contribution of the Funds to the relevant chapter operated budgetary appropriation utilization account.

## **I.4 THE INTERMEDIATE BODY**

The implementation of the operational programme is basically the responsibility of the Managing Authority, however, it delegates a number of tasks associated with the implementation to the different intermediate bodies taking part in the implementation of the Programme. Hence, the Intermediate Body is responsible for the execution of the measures of the Operational Programme as set forth in the Programme Complement.

In the case of the ARDOP, the Intermediate Body is the Agricultural and Rural Development Agency (ARDA).

According to Government Decree No. 81/2003 (VI.7.), ARDA was set up on 1<sup>st</sup> July, 2003 by the merger of the Agricultural Intervention Centre (AIK) and the SAPARD Agency. The Agency will manage the financial sources received from the SAPARD and later from the EAGGF Guarantee and Guidance Sections, as well as the FIG.

The information system established by the Managing Authority for Community Support Framework is the basic tool for information flow not only between the ARDA and the MARD (IB and ARDOP MA) but also between the ARDOP MA and the CSF MA. .

The ARDA performing delegated tasks shall also take part in the financial implementation of the assistance provided in the framework of applications related to operational programme, and shall carry out all the financial and accounting tasks related to ARDOP. The ARDA uses the common accounting system created for managing financial data for the implementation of the Community Support Framework, in order to fulfil the obligation of book-keeping, reporting and data provision for reporting purposes to the European Commission. The detailed list of tasks is regulated in Government Decree No. 360/2004. (XII.26.) on the financial implementation, accounting, control and audit of the Structural Funds and the Cohesion Fund.

The division of tasks of the Managing Authority and the Intermediate Body is regulated by the cooperation agreement concluded between the two bodies (15<sup>th</sup> July 2004). According to the agreement the Managing Authority will ensure that:

- the tasks relating to the operation (management), monitoring and financial implementation of the programme are clearly defined, the responsible persons are unambiguously named, and the functions are separated;
- the Intermediate Body supplies regular information to the Managing Authority on the performance of their tasks, and the means and instruments employed, on the financial and control procedures and the related internal regulations;
- the Intermediate Body supplies appropriate information to and as specified by the Managing Authority in order to monitoring the financial, physical and procedural indicators;

- the Intermediate Body informs the Managing Authority without delay about any irregularities, which could result in the reduction or withdrawal of Community contribution;
- without delay the Intermediate Body sends all the information to the Managing Authority on civil, criminal or public administration procedures, which could affect the execution of the programme and the activities falling in the scope of responsibilities of the Managing Authority;
- data and information required for carrying out the mid-term evaluation are sent to the independent evaluators

At ARDA the number of staff employed is 1709 according to the data of 31 December 2008.

The Number of full time employees dealing with ARDOP at ARDA according to the data of December 2008:

County Offices	General administration	Legal department	Unit for Rural Development	On-the-spot Control Unit	Total
Borsod-Abaúj-Zemplén County Office	1	4	8	5	18
Csongrád County Office	1	2	4	3	10
Budapest&Pest County Office		2	2	1	5
Somogy County Office			3	2	5
Szabolcs-Szatmár-Bereg County Office		3	11	9	23
Veszprém County Office		1	5	3	9
Zala County Office	2	2	5	3	12
<b>Total</b>	<b>4</b>	<b>14</b>	<b>38</b>	<b>26</b>	<b>82</b>
<b>Central Office</b>					
SAPARD, ARDOP and Monitoring Unit					2
Authorization of Payment Unit					2
Unit for Processing Industry and Fishing Investments					1
Directorate for Rural Development Support Measures (Total)					5
Payments Unit, EAFRD					5
Accounting Unit, EAFRD					2
Securities and Debt Management Unit					1
Financial Directorate					8
Central Physical Control Department					3
Legal Department					1
Legal Remedy Department					1

Directorate for County Offices Directorate					21
<b>TOTAL</b>					<b>103</b>

### **Communication flow and system of reporting in the ARDA and between the ARDA and the Managing Authority**

The cooperation between the ARDA and the ARDOP MA is regulated by a cooperation agreement, concluded between the two bodies on the 15<sup>th</sup> of July 2004. The agreement defines the way of information flow, communication and cooperation between the two bodies and the tasks to be fulfilled by the MA and the ARDA concerning the tasks listed in the agreement.

The head of the MA coordinates the tasks with the president of the ARDA by means of correspondence and gives orders which are to be forwarded for further actions to the deputy president of ARDA and/or to the director responsible for rural development .

The head of the MA holds a meeting every week, where the director of the ARDA responsible for rural development, the heads of the central departments/units and the competent head of departments/units of the MARD are present. Those present coordinate the tasks and make decisions which are also recoded in the minutes.

Regarding the units which deal with the ARDOP at the ARDA,, the Vice President for General issues is in charge of the *Directorate of Finance* and the Directorate for Rural Development Support Measures. The Vice President is in charge of the *County Offices Directorate* and the Central Physical Control *Department*.

Within the competence of the Financial Directorate are the:

- EAFRD Payments Unit, where payments are handled and the
- EAFRD Accounting Unit, which is in charge of accounting.

Within the competence of the Central Physical Control Department is the:

- Rural Development Physical Control Unit, where on the spot controls are supervised, as well as it conducts supervisory control.

The County Offices fall within the competence of the County Offices Directorate, where the:

- Application Processing Unit deals with the management of the applications, however their application processing tasks ceased in May 2008.
- The Account Processing Unit, which conducted the management of accounts and the financial authorisation has been transformed into the Rural Development Unit according to the Organizational Manual in force. This unit is responsible for the after-care and monitoring of applications.
- On-the-spot Control Unit, which is in charge of the on the spot controls and
- The Unit for Legal Issues which carries out tasks as regards the irregularity procedures of the ARDOP applications

The units in charge of the implementation of the ARDOP within the Directorate of Rural Development:

- Food Industry Application Processing Unit which has dealt with the management of the applications submitted to measures 1.3 and 2.1, According to the new Organizational Manual issued on 1 March 2006, the tasks of the unit were taken over by the Central Application Handling Unit until the financial resources for the measures “food industry” and “fishery” were available in the programming period of 2004-2006. Once the financial resources has been depleted, in October 2007 the after care of the applications were taken over by the the SAPARD, ARDOP ad Monitoring Unit.
- Decision Preparation Unit, which was in charge of the submission of applications, compiled by the County Offices, to the Decision Preparation Committee. In March 2006 the tasks of the unit were taken over by the Central Application Handling Unit until the financial resources for the measure were available in the programming period of 2004-2006.
- Leader+ Unit, dealing with the processing and submission of the LEADER+ applications to the Decision Preparation Committee, and with the elaboration of the rules of procedures and the LEADER Operation Manual. In October 2007 the tasks of the unit were taken over by the Unit of Rural Development.
- Coordination and Monitoring Unit of Rural Development, which elaborates the calls for applications, the rules of procedures, the ARDOP Operation Manual and prepares the monitoring reports and performs the operation of the Single Monitoring and Information System (SMIS). According to the Organizational Manual in force, in October 2007 the unit was transformed into the SAPARD, ARDOP and Monitoring Unit.
- Authorization of Payment Unit, performing all the tasks related to the management of accounts and financial authorisation concerning the ARDOP and the Technical Assistance measure of the National Rural Development Plan. Furthermore it supervises the claim processing related to the ARDOP. The unit is also in charge of the management of financial authorisation related to the SAPARD measures.

The units listed above are also responsible for the management and development of the relevant chapters of the ARDOP Operation Manual.

Regarding the applications for the ARDOP, the Director of Rural Development has the right to give orders to the county offices.

All the other units get instructions from the competent director at the written request of the Director of Rural Development. The coordination and communication within the ARDA is provided by regular meetings held for the directors and head of departments/units and also by daily correspondence.

### **Agriculture and Rural Development Agency**

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**Head:**

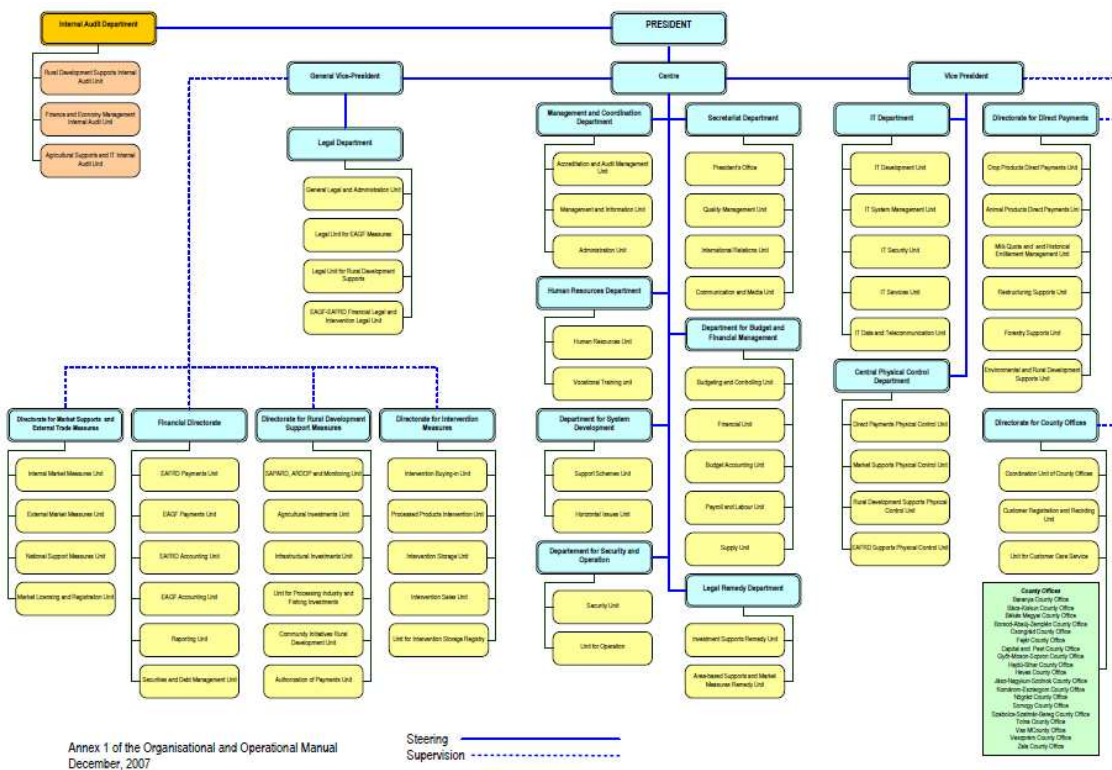
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**Director for Rural Development:** László Vulcz  
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Fax : +36-1-374 -3630  
E-mail: [vulcz.laszlo@mvh.gov.hu](mailto:vulcz.laszlo@mvh.gov.hu)



**The ARDA departmental offices which are competent at regional level:**

**Csongrád megyei kirendeltség,** (Competent for Southern-Great Plain Region, counties: Csongrád, Békés és Bács-Kiskun):  
6723 Szeged, Római krt. 21.  
Tel.: 62/814-900  
Fax: 62/814-901

**Borsod-Abaúj-Zemplén megyei kirendeltség,** (Competent for Northern Hungarian Region, counties: Borsod-Abaúj-Zemplén, Nógrád és Heves):



3530 Miskolc, Mindszent tér 1.  
Tel.: 46/814-900  
Fax: 46/814-901

**Somogy megyei kirendeltség,** (Competent for Southern-Transdanubian Region, counties: Somogy, Tolna és Baranya):  
7400 Kaposvár, Petőfi tér 1-3.  
Tel.: 82/814-900, 82/814-920  
Fax: 82/814-901, 82/814-921

**Szabolcs-Szatmár-Bereg megyei kirendeltség,** (Competent for Northern-Great Plain Region, counties: Szabolcs-Szatmár-Bereg, Jász-Nagykun-Szolnok és Hajdú-Bihar):  
4400 Nyíregyháza, Hősök tere 9.  
Tel.: 42/814-900, 42/814-906  
Fax: 42/814-901

**Veszprém megyei kirendeltség,** (Competent for Central-Transdanubian Region, counties: Veszprém, Komárom-Esztergom és Fejér):  
8200 Veszprém, Levendula u.1.  
Tel.: 88/814-900, 88/814-920  
Fax: 88/814-901, 88/814-921

**Zala megyei kirendeltség,** (Competent for Western-Transdanubian Region, counties: Zala, Vas és Győr-Moson-Sopron):  
8900 Zalaegerszeg, Kis u. 1.  
Tel.: 92/814-900  
Fax: 92/814-901

**Fővárosi és Pest megyei kirendeltség,** (Competent for Central-Hungarian Region, Budapest and Pest county):  
1054 Budapest, Alkotmány u. 29.  
Tel.: 1/814-8900, 1/814-8962  
Fax: 1/814-8901

## **I.5 THE FINAL BENEFICIARIES**

According to Article 9 of Council Regulation 1260/1999 final beneficiaries are the bodies and public or private firms responsible for commissioning operations. In the case of aid schemes pursuant to Article 87 of the Treaty and in the case of aid granted by bodies designated by the Member States, the final beneficiaries are the bodies which grant the aid.

## I.6 CONSISTENCY WITH THE RURAL DEVELOPMENT PLAN

### NRDP and ARDOP

Based on the priorities defined in the National Rural Development Plan, both programmes concentrate on the objectives of agriculture and rural development in Hungary. These **general objectives** are:

- improving the competitiveness of agricultural production and food processing;
- promoting multipurpose, environmentally sustainable agricultural production, improve employment and income possibilities;
- promoting the realignment of rural areas.

These general objectives are broken down into the following specific objectives:

Objectives	
General	Specific
Improving the competitiveness of agricultural production and food processing	Modernisation of agricultural production
	Improving the human conditions of production
	Modernisation of food processing
Environment-friendly development of agriculture, rationalisation of land use	Establishment of a production structure in line with habitat features, environmentally aware farming and sustainable landscape use
	Improvement of environmental condition
	Increasing afforestation, strengthening economic, social and welfare role of forests
Improving income earning possibilities and safeguarding employment in rural areas	Extension and improvement of income opportunities, strengthening rural employment, establishing new alternatives for agriculture in compliance with the requirements of environmental protection
	Improved economic viability and production efficiency of farms
	Improved market position of producers
Promoting the realignment of rural areas	Improvement rural economic potential, improvement of employment

	NRDP
	ARDOP

The consistency between the two programmes (ARDOP, NRDP) is based on three main points:

- The measures of both programmes are defined in accordance with the EU regulations and with the agriculture and rural development principles of the Ministry. During the elaboration of the plans, coordination was continuous between the ARDOP Managing Authority and the Unit (Department of Rural Development) responsible for the NRDP

- In the managing Phase, coordination is ensured by the ARDOP Managing Authority, in which an NRDP Managing Unit was also set up.
- A Rural Development Committee was set up within the MARD by the Minister in order to harmonize the implementation of the ARDOP and the NRDP.

Consistency is also ensured during the evaluation phase. For some ARDOP measures, extra points are given to beneficiaries, if they participate in the NRDP as well.

## **Institutional consistency**

### ***Competent Authority for the NRDP***

Financial resources for the measures of the National Rural Development Plan shall be provided by the Guarantee Section of the European Agricultural Guidance and Guarantee Fund. Pursuant to Article 1 of Government Decree 81/2003 (VI. 7.), the Competent Authority of the EAGGF Guarantee Section is the Minister of Agriculture and Rural Development. According to the organisational changes, the tasks of the Competent Authority are performed by the Unit for Accreditation and Audit established within the Department of Agriculture and Rural Development.

The programme-level management tasks of the NRDP shall be performed by a separate unit in the MARD that shall be independent from the Competent Authority. This unit was established in the Department of Managing Authority and operated as a separate unit until 10 December 2007. This way the co-ordinated programme-management of the two programmes was better solved and all the experiences gained from the implementation of SAPARD programme is to be utilised. The Department of the Managing Authority is responsible for the implementation of the ARDOP as the Managing Authority..

#### *Contact details:*

Ministry of Agriculture and Rural Development  
 Department of Agriculture and Rural Development  
 Responsible: Mr. István Bondor  
 H-1860 Budapest P.O. Box 1.  
 Telephone: +36-1-301-4657  
 Fax: +36-1-301 -5949  
 e-mail: [istvan.bondor@fvm.gov.hu](mailto:istvan.bondor@fvm.gov.hu)

*As for the ARDOP, a Management Committee and a Monitoring Committee are established for the NRDP.*



## **I.7 THE SAPARD PROGRAMME**

### **The SAPARD Mid-Term evaluation**

The ARDOP Managing Authority will take into account the conclusions contained in the SAPARD mid-term evaluation submitted to the Commission by the end of 2003. The implementing procedures for the support measures and the programme itself, which are described in this document, pay proper attention to the recommendations of this evaluation report (with regard, for instance, to the selection criteria and the scoring systems, the economic viability, the implementing procedures).

The SAPARD- as a pre-accession programme - served as a learning programme not only for those on the institutional side, but for the applicants too. The knowledge of European procedures and requirements, rural projects, the practice of writing and evaluating applications has been widely spread during the last years of the SAPARD. These experiences are extremely worthy and necessary to have in the future for Hungarian officials and entrepreneurs. SAPARD was a useful instrument to improve the level of private consulting services, too, which will results in well-based consulting services available for applicants during the implementation of future development programmes. The Programme had a positive effect on national level decision-makers and executives by providing them with the practice of partnership co-operations and harmonised activities.

All these experiences will be used in the implementation of the ARDOP.

## **II. COMMUNICATION PLAN**

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### **II.1 BACKGROUND**

The present Communication Plan includes the communication strategy and action plan for the information measures concerning assistance from the Structural Funds carried out (according to Commission Regulation 1159/2000) by the Managing Authority of the Agriculture and Rural Development Operational Programme (ARDOP MA) between 2004-2006.

Pursuant to Commission Regulation 1260/1999 the Managing Authority is responsible for carrying out information and publicity activities according to the regulations concerning the Structural Funds (in the case of the present plan the European Agricultural Guidance and Guarantee Fund – EAGGF and the Financial Instrument for Fisheries Guidance – FIFG), informing potential beneficiaries about the available information and services and the general public, farmers and people living in rural areas about the role played by the European Community in the assistance concerned.

### **II.2 OBJECTIVES**

#### ***II.2.1 GENERAL OBJECTIVES***

General objectives of the communication activity of the ARDOP Managing Authority are as follow:

- Informing the general public, farmers and people living in rural areas about the short-, medium- and long-term development policy of Hungary and the role of the assistance from the European Union played in this.
- Increasing public awareness and transparency through the Structural Funds regarding the European Union and its assistance activities.
- Presentation of the ARDOP objectives, measures and results achieved during their implementation.

## ***II.2.2 SPECIFIC OBJECTIVES***

Specific objectives of the communication activity of ARDOP Managing Authority are the following:

- To ensure continuous publicity and transparency of the assistance from ARDOP and in its framework from EAGGF and FIFG.
- To raise awareness of equal opportunities and environmental protection.
- To give exhaustive and targeted information to potential beneficiaries, target groups and intermediating bodies about the sources and application procedures, co-financed by the EU and Hungary, open for them.
- To inform the general public, farmers and people living in rural areas about the role of the European Union played in cooperation with Hungary in the assistance concerned, as well as the achievement of its results.
- To inform those participating in the implementation of the projects about the goal, role and means of the information activity they are expected to carry out.

## **II.3 TARGET GROUPS**

### ***II.3.1 GENERAL TARGET GROUP***

The general target group - which is the whole population, the general public - needs to be informed about the role of the European Union and about the basic information related to the assistance made available to Hungary from the Structural Funds, especially from EAGGF Guidance Section and FIFG, as well as the importance of assistance.

### ***II.3.2 SPECIFIC TARGET GROUP***

This category contains persons, organisations and institutions involved in the activities carried out within the framework of ARDOP, especially:

- potential applicants, farmers, and people living in rural areas,
- professional interest representation and non-governmental organisations,
- regional and local authorities (local governments),
- vocational training and employment institutions and consultation firms,
- environmental protection and forestry offices,
- organisations promoting equal opportunities,
- parties affected by the implemented projects,
- banks, consultancy companies and consultants.

In the course of communication, the ARDOP MA puts a lot of emphasis on taking into account and raising awareness of equal opportunities and of the aspects of

environmental protection, changing a method of approach to equal opportunities and decreasing preconceptions and stereotypes. In addition the ARDOP MA puts emphasis how the above mentioned target groups can benefit from the ARDOP as well.

## **II.4 KEY MESSAGES**

Key messages of the communication strategy of ARDOP MA are the following:

- Presentation of the main objectives of Structural Funds (European Agricultural Guidance and Guarantee Fund - EAGGF and the Financial Instrument for Fisheries Guidance – FIFG) reduction of regional disparities, promotion of economic and social cohesion;
- Stressing the role of the ARDOP, presentation of its priorities, objectives and measures, dissemination of information related to applications among the widest possible group of potential applicants;
- In the European Union great emphasis is given to the welfare of those living in rural areas, to the improvement of the cultural state of rural areas, the preservation of the image of villages and the competitiveness of the agricultural sector;
- The European Union and the Hungarian budgets intend to jointly promote that development of rural areas should not only mean support to agricultural production, but also rural development;
- We intend to use rural development measures to improve equal opportunities for the rural population (for example, improving opportunities of farmers living on small and medium-sized farms, in disadvantaged areas, in studying and culture, increasing rural employment, and improving the standard of services);
- The ARDOP MA puts emphasis and supports the broad involvement of the target groups in the case of equal opportunity into the implementation of the Program.
- Together with measures of other operational programmes, the ARDOP aims at reducing regional disparities, making the rural environment more attractive, and strengthening its economic basis;
- The measures contribute to the protection and improvement of rural environment and sustainable rural development;
- Introduction and description of changes of the agriculture support system;
- With regard to fisheries, the restructuring of the various parts of the fisheries sector, and particularly of aquaculture is the principal aim. This restructuring is targeted at a variety of objectives, such as -inter alia- increasing competitiveness, improving the quality of products with particular consideration to the environmental aspects..



## **II.5 CONTENTS OF COMMUNICATION**

### ***II.5.1 BASIC PRINCIPLES OF COMMUNICATION***

#### **II.5.1.1 Uniform communication, cooperation with the CSF Managing Authority**

In order that the CSF Managing Authority could coordinate the information activity of the individual Operational Programmes and the CSF , as well as promote the uniform and consistent appearance of the information and publicity material it created the following tools:

- Operating a workgroup called Information and Publicity Task Force, to which every Operational Programme Managing Authority delegates one person with full sphere of authority. A Communication desk officer has been delegated to the Information and Publicity Task Force from the ARDOP MA.
- Developing an Intranet site where documents, data, analysis etc. can be placed. Individual OP MA's and their intermediary bodies can have access to the Intranet with their own password.

In order to ensure an uniform and consistent appearance of information activities and information and publicity materials with the CSF and other OPs, the ARDOP Managing Authority takes the following steps:

- It takes an active part in the work of the Information and Publicity Task Force established by the CSF Managing Authority (to which every Operational Programme Managing Authority delegates one person with full sphere of authority). ARDOP MA has delegated the MA communication officer.
- It contributes to the development of the Intranet site created by the CSF MA and to the uploading of materials.

#### **II.5.1.2 Coordination**

ARDOP MA has created a communication working group. The members of the working group are delegates of the Communication Unit, and Department of Social Relations of the Ministry of Agriculture and Rural Development, and a delegate from the ARDA. The task force is responsible for contributing to the compilation and implementation of the communication action plan, coordination of tasks, and evaluation of completed activities.

#### **II.5.1.3 Other principles**

ARDOP MA conducts its communication activities, so that potential beneficiaries could have equal access to the means and information communicating ARDOP, and it also ensures transparency in the following ways:

- publication of the content of the support package for instance in the following national daily papers: Népszabadság, Magyar Nemzet, Szabad Föld, agricultural

and rural development periodicals: Magyar Mezőgazdaság and Agrárium and on the following web sites: [www.fvm.hu](http://www.fvm.hu), [www.mvh.gov.hu](http://www.mvh.gov.hu) including an indication of the involvement of the Structural Fund concerned, circulation of these documents and their availability to interested applicants,

- compilation of reports on the support process during the whole programming period,
- making beneficiaries and the public aware of the role of the European Union throughout the whole implementation of the programme,
- publication of the availability of national, regional and local contact persons and offices, customer services.

## **II.5.2 LEVELS OF 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, the ARDOP Managing Authority communicates with the whole public, the entire population. The programme level involves general information about the ARDOP, its priorities and measures. 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 the use of Internet opportunities. In addition, the Intermediate Bodies and county offices can also perform local (regional, county) communication activities in agreement with the MA, taking into account the local features. This communication already exceeds the general, so-called programme level, it is more detailed, with the aim of attracting the attention of potential local applicants, and providing accurate detailed information about the measures and sub-measures of the ARDOP to all those who are interested in the Programme.

Joint Decree No 14/2004 (VIII.13) 6§ contains in detail the tasks of information and publicity of Structural Funds for the MA and to the Intermediate Body. <sup>2</sup>

The communication action plan coordinates the activities of the two levels. Contact can be maintained through a responsible member of the Intermediate Body, who cooperates with the communication officer of the ARDOP MA. At the ARDA, a Unit reporting directly to the President of the ARDA is responsible for activities in relation with press and communication (Unit for Press and Communication) the head of the unit is:

Mr. Lajos Soproni Horváth  
Agricultural and Rural Development Agency (ARDA)  
Budapest, Soroksári út 24.  
Telephone: + 36 1 2198-963

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<sup>2</sup> Joint Decree No 14/2004 (VIII.13) by the Minister Without Portfolio, the Ministry of Economy and Transport, the Ministry of Employment and Welfare, the Ministry of Agriculture and Rural Development and the Ministry of Finance on the general rules of procedure applicable to the utilisation of Structural Funds and the Cohesion Fund.

The share of tasks between the Managing Authority and the Intermediary Body, as well as the communication activities are regulated by the Memorandum of Understanding signed on 15 June 2004.

Ministerial Decree of VI.21. No.110/2004. (on the delegated tasks of the ARDA as intermediary body involved in the implementation of the ARDOP) 1§ article 2e) assesses the participation of the IB within the communication tasks: “ in close cooperation with the ARDOP MA – in order to reach widescale publicity – ensure regular information to the public, operation of customer service system and webpage related to the provision of information”.

According to the above mentioned Memorandum of Understanding signed on 15 June 2004 and the Ministerial Decree No.110/2004 of VI.21. the tasks and responsibilities of the ARDA are as follow:

- manage the operation of customer call-service system;
- preparing and editing information booklets, brochures;
- creating, maintaining and updating the official webpage (www.mvh.gov.hu) related to applications - general information, applications, publications, data of implementation - ;
- participating in agricultural fairs and exhibitions, workshops,
- maintaining personal customer service system at the ARDA offices.

### **Personal customer service**

Opening hours:

<b>Regional Agencies</b>		<b>Central Office (Budapest)</b>	
Monday	9.00-12.00 and 13.00-16.00	Monday	9.00-12.00 and 13.00-16.00
Tuesday	9.00-12.00 and 13.00-16.00	Tuesday	9.00-12.00 and és 13.00-16.00
Wednesday	9.00-12.00	Wednesday	9.00-12.00
Thursday	9.00-12.00 and 13.00-16.00	Thursday	9.00-12.00 and 13.00-16.00
Friday	9.00-12.00	Friday	9.00-12.00
Saturday	Closed	Saturday	Closed
Sunday	Closed	Sunday	Closed

### **Call-service system**

Phone number: +36 1 3743-603, +36 1 3743-604.

## **II.6 COMMUNICATION ACTION PLAN**

In the previous section, the ARDOP communication activities have been divided into two levels. The implementation of the Communication Plan consists of the following phases. The communication actions of individual levels need to be developed for these phases. The programme and measure level communication steps are closely related, and complement each other; therefore, the individual actions are contained in one time schedule.

## ***II.6.1 COMMUNICATION PHASES***

### **SAPARD-ARDOP transition period**

**Objective:** Attracting the whole population and specific target groups to application opportunities. Fully comprehensive information needs to be provided about key issues relating to the programme. Conditions that applicants must meet regarding the development, eligibility for support, amount of potential support, eligibility set out in the application packages, , the time after which applications can be submitted, and further information must be made available to applicants.

### **Full communication phase**

This is the most intensive communication phase. In order to receive high quality applications, applicants need to be thoroughly prepared how to develop applications, and applicants need to be provided regular consultation and personal advice. With regard to the preparation of applications , target-oriented and effective information is important, the application management steps and conditions must be communicated to the public as of paramount importance. Special attention needs to be paid to the criteria of granting support, too. During the implementation phase of the programme, regular information needs to be supplied about the programme and the actual status of the programme, as well as the individual measures.

News should be circulated – media, printed materials, internet, intranet, forums, personal and telephone customer service - at national and local level about the implementation of the programme, concluded contracts. This also supports transparency, and attracts the attention of potential applicants.

From 2006 the Technical Assistance (and completed communication activities) measure will be evaluated.

### **Communication phases in summary:**

<b>Communication phase</b>	<b>Objective</b>	<b>Implementation date</b>
SAPARD-ARDOP transition period	Informing the general public about Structural Funds, application opportunities within the framework of the ARDOP. Because calls for applications prepared and published before and after Accession to the EU, it is vital that full information is provided to all potential applicants.	From January 2004  Important date: issue of the call for applications (31 <sup>st</sup> March 2004)
Full communication phase	Regular information to the public, reaching target groups, preparing applicants for the application process, transparency. From the second half of 2006, communication of the results of the programme, presentation of the results of the evaluation.	From 30 September 2004 to June 2006

### ***II.6.2 COMMUNICATION TOOLS***

In order to achieve the objectives set out in the action plan, the efficiency of individual communication tools with which they can convey messages to individual target groups must be taken into account. In the various phases of implementation, we plan to use the following tools in order to attract attention and provide information. The ARDOP MA supplies the listed and printed publications and brochures at technical exhibitions, agricultural fairs, workshops and training courses.

#### **SAPARD-ARDOP transition period**

In this period (from 1 January 2004 to 30 September 2004) a general communication activity is undertaken for the general public, farmers, rural people, members of the Monitoring Committee.

Key message:

The SAPARD Programme has finished, applications for supports can be submitted by 30 April 2004. Applications for the eight measures of the ARDOP can submitted from 3 May 2004.

Since the source of the Technical Assistance measure will only available until the SAPARD cut off date, during this period of communication, communicational activities were financed from national sources and from the Technical Assistance fund of the Community Support Framework (CSF) Managing Authority. In order to establish appropriate publicity, the CSF Managing Authority places the same emphasis on all Operational Programmes in the media (Newspaper, TV, Radio), including the ARDOP too.

During the transition period the ARDOP Managing Authority provided the following information about the ARDOP using national source and that of the TA of the CFS Managing Authority.

- The MA prepared the brochure titled: „Twenty questions about the SAPARD, the continuation in the ARDOP”, which shows the core questions of the SAPARD-ARDOP transition period, compares the measures within the two programmes, introduces the ARDOP measures and the contacts for the MA and the ARDA.
- The MA implemented a general, widespread, multi-channel information activity in March and April 2004 in order to inform more potential beneficiaries that applications for the eight measure of ARDOP can be submitted from 3 May 2004

The reaction from the public regarding the closure of the programme meant that huge amounts of applications were submitted during the last application submission period.

- Preliminary publication of the ARDOP call for applications on 31<sup>st</sup> March 2004 and the consequent communication of this

The Managing Authority prepared background material for the press conference held on the 2nd April 2004 the agenda of which was the publication of the ARDOP calls for applications.

The Minister informed the representatives of the media about the deadline of submitting the last call for applications for the SAPARD Programme, and drew the audience's attention to the new application possibilities within the ARDOP. Representatives of 5 TV channels, 1 radio and 10 newspapers took part in the meeting. After the press conference articles were published in newspapers such as Népszabadság, Napi Gazdaság, Népszava, Magyar Hírlap and Magyar Mezőgazdaság.

- The Managing Authority published all the calls for applications in printed forms in the official journal of the MARD on 26 November 2004 <sup>3</sup>.

All the calls for applications contain detailed requirements of the application process itself, the conditions of submission and the minimum requirements. The webpage of the National Development Agency contains Guideline of equal opportunities for applicants and the Guideline for environmental sustainability concerning the agricultural and rural development projects.

Main chapters of the calls for applications contains in detail the following:

- General objectives of support
- Eligible investments
- Support that can be won by the application
- Entities entitled to apply for support
- Criteria of application for and using support
- Requirements for the content and the form of applications
- Way of application submission
- Appraisal of applications
- Utilisation of support and giving account thereof
- Eligible costs

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<sup>3</sup> MARD, Notice to the public, Volume, LV. Issue 25. 26 November 2004.

- Settlement of support
- Control and the consequences of utilisation of the support for purposes other than those set forth in the support contract
- Public procurement
- Legal remedy
- Other arrangements
- Regulations governing applications and measures

#### *Internet*

In order to ensure publicity the following web pages contain - and continuously available- the calls for applications for the ARDOP: [www.fvm.hu](http://www.fvm.hu); [www.sapard.fvm.hu](http://www.sapard.fvm.hu); [www.mvh.gov.hu](http://www.mvh.gov.hu); [www.nfh.hu](http://www.nfh.hu). These web pages contain general information about the programme and the measures.

#### *TV*

From 17 May 2004, the Hungarian TV (MTV 1) broadcasted altogether 21 times during prime time an advertisement for the public about the ARDOP and its measures.

#### *Training*

The task of the Structural Funds and Cohesion Fund International Training Centre (SFITC)<sup>1</sup> is to help with training programmes the better use of assistance from the Structural Funds and Cohesion Fund. The aim of SFITC is to improve the transparency and the quality of the market for training with regard to EU assistance, and to make full use of Hungary's accession to the European Union in connection with the further education of those professionals, who are willing to contribute efficiently to the use of assistance received from the EU and the advantages provided by the membership.

Within the framework of training of the SFITC, the teaching material about the ARDOP has been read and checked linguistically by the ARDOP Managing Authority, followed by presentations.

It is extremely important that the most recent knowledge and skill get through quickly and in a clear manner to those concerned, therefore SFITC will be running free e-learning courses (in the field of agriculture and rural development too) for all of those who would like to receive up- to-date, well structured and essential information about the financial bases of the EU.

Summary table of the popularization of the ARDOP by 10 September 2004

<b>Events</b>	<b>Time/number of copies</b>
Press conferences/interviews	4 times
Publication of articles	40 times
Agricultural fair and exhibition	1 time
Technical meetings	10 times
Publication by the National Development Agency	20.000 copies

<sup>1</sup>On 16 April during its meeting, the Government, by Governmental Decree 1038/2004. IV.24. accepted the submission by the National Development Office (NDO) of the Prime Minister's Office and the Ministry of Education, establishing the Structural Funds and Cohesion Fund International Training Centre (SFITC) within the Tempus Public Trust.

containing a short summary of the co-financed applications including the ARDOP	
Publication by the National Development Agency about the EU Structural Funds including the topic of agriculture and rural development.	20.000 copies
Leaflet by the National Development Agency in order to popularize the National Development Plan and its operational programmes, including the ARDOP.	100.000 copies

The following tools are used to achieve these objectives:

#### Media, printed materials

- Press conferences and press background interviews in order to raise awareness and put an emphasis on the near start of the ARDOP.
- Publication of press advertisements and other articles in order to promote support available within the framework of the ARDOP in already arranged/hired national and regional, daily papers and technical newspapers, making sure that information about the ARDOP reaches the groups who are most concerned.
- TV advertising spots, advertising in agricultural programmes or in the form of a public advertisement, in order to inform the target audience about the measures to which applications can be submitted, and encourage them to prepare applications.

#### Internet, Intranet

- Internet, Intranet. Developing an ARDOP webpage within the Ministry's own homepage. The use of the Internet and electronic communication devices are increasingly important, because it supports fast and effective transition of information, and makes dialogue with the population easier. All publications, press articles, press releases, publications, the Rules of Procedures of Monitoring Committee, and the main legal background of ARDOP are published on the homepage of the Ministry of Agriculture and Rural Development, and are available for downloading to all those interested.

THE Intranet will regularly inform the employees of the Ministry of Agriculture and Rural Development about the progress of the ARDOP. In order to ensure the transparency of the ARDOP, the MA publishes all information on the website of the Ministry following the official approval..

#### Others

- Personal and telephone customer service (opening hours, telephone numbers etc. are detailed in chapter II.5.2. Levels of communication) in order to answer the questions related to the ARDOP directly and immediately. Joining the call centre operated by the National Development Agency (NDA), publishing the names of the departments of the Ministry of Agriculture and Rural Development, and the availability of certain experts of the Managing Authority. In addition, the county offices of the ARDA must operate a customer service office where interested individuals can receive information in person.



## **Full communication phase**

### **Key message:**

In the full communication phase (from 30 September 2004), fully comprehensive communication activities are conducted in relation to the ARDOP, as defined in the communication action plan, focusing on the specific target groups after Hungary's accession, and from the start of the submission of the ARDOP applications.

### **Media, printed materials**

- Organising press conferences.
- Publication of press advertisements and other articles in order to promote the available support within the framework of the ARDOP in already arranged/hired national and regional, daily papers and technical newspapers.
- Articles, studies and publications and their circulation in order to promote the available support within the framework of the ARDOP on already hired/rented pages of national and regional daily and monthly special newspapers.
- An ARDOP newsletter, containing up-to-date news and information related to the ARDOP support. The contents of the newsletter will be prepared by the ARDOP MA, and according to our plans, it will be published as a supplement in national newspapers (agricultural and rural development periodicals, regional, micro-regional and municipality media). In addition, the newsletter would also be available on the homepage of the Ministry of Agriculture and Rural Development, as well as in the county offices of the ARDA. Circulation of an ARDOP newsletter on paper and in an electronic format in order to supply regular information.
- Publication of the list of winning applicants.
- TV and radio 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.
- Regular TV series, other programmes and interviews on agricultural and rural development subjects, and their broadcasting in order to inform applicants and farmers.
- Display of promotion posters in the Ministry of Agriculture Offices, the ARDA county offices, and waiting rooms, in order to attract the attention of the public, displaying the already known image and logo of the ARDOP.
- Developing an applicant's package containing the most important publications and forms. (If possible, they should be compiled according to trade or social groups.) These packages must be placed at the Intermediary Body and other partner organisations, and they must be available continuously.
- Publication of general information about Structural Funds, with special focus on the EAGGF, the FIG and the ARDOP, describing the methods of application, the evaluation process of the applications, its principles, steps of implementation and control of projects, in order to ensure transparency. Besides providing information to the general public, our aim is to reach potential applicants and technical organisations.

- Brochures describing the individual ARDOP measures in detail, defining the objectives, beneficiaries, method of use of support, eligibility criteria, financial conditions, amount of the available support, providing accurate and fully comprehensive information to the applicants.

#### Internet, Intranet

- Calls for applications displayed on the homepage of the Ministry of Agriculture and Rural Development, the ARDA and the NDA are available for downloading to all those interested. The homepage of the MARD contains publications and press articles, the Rules of Procedures of the Monitoring Committee, and the legal background of the ARDOP.

#### Forums

- In cooperation with the Intermediary Body, organising conferences, technical meetings, workshops, training courses in order to prepare potential applicants and beneficiaries
- Representation of the ARDOP MA at the EU application forum. This forum describes all EU support programmes (including operational programmes, too). The CSF MA organises the forum, to which operational programmes join with their professional communication package. The financing and organisation of the forum is the responsibility of the CSF MA.
- Participation at trade exhibitions, major agricultural fairs and exhibitions. The objective of such participation is that MA and the ARDA can present the ARDOP to all those interested, as well as the available support opportunities with the distribution of posters, publications and other fliers. The interested parties can receive answers to their individual questions and problems in person.
- Closing conference: this event is an outstanding opportunity for comparing the set and achieved objectives, summarising experience and projecting future opportunities.

#### Others

- ARDOP promotional gifts using the designed image and logo, given to those interested in the support, as well as those visiting the information sites and events.
- Personal and telephone customer service in order to answer the ARDOP-related questions directly and immediately. The CSF MA operates a call centre, and the MA has already specified the contact persons and their availability with regard to the individual measures.
- As a marketing tool, direct marketing can be used mostly in this phase, when registered applicants can directly be informed about the current issues of the programme, organised workshops and other relevant events by post.
- In the case of infrastructural investments, where total cost exceeds HUF 500 million (or HUF 100 million in the case of support from the Financial Instrument for Fisheries Guidance), temporary advertising boards should be placed on the site (in accordance with Article 6.1. of 1159/2000/EC Regulation)

and, once they have been removed, the placement of permanent boards is necessary on all sites open to the general public (according to Section 6.2. of 1159/2000/EC Regulation). Irrespective of the investment amount, if a competent Hungarian authority provides information about the project, the Community contribution must be indicated and the supporter's representative must be invited to all events relating to the milestones of the implementation of the investment projects.

### **II.6.3 PROGRAMME CLOSURE**

Programme evaluation is of outstanding importance because the experience gained must be reflected during the preparation of the next programme for 2007-2013, as well as in the programme itself, There will be a need to prepare evaluation documents and summarise experiences in advance, because the planning of the next period will start much sooner.

Used instruments	Target group	
	General target group	Specific target group
Press conference, background interviews, paid advertisements	x	x
Publication of articles, studies, interviews, supplements	x	x
ARDOP newsletter guideline	x	x
General publication about the ARDOP	x	x
Brochures describing the measures		x
ARDOP promotion gifts		x
Internet	x	
Intranet		x
Posters		x
Television and radio advertising spots, TV series, magazine programme	x	x
Conferences, technical meetings, workshops	x	x
EU application forum		x
Trade exhibitions		x
Customer service		x
Mandatory placement of advertising boards		x
Closing conference	x	x

### **II.7 FUNDING, INDICATIVE BUDGET**

Pursuant to the European Commission Regulation 1685/2000/EC Article 11.3, the funds for preparing information materials, getting the information across and any

communication measures related to the Structural Funds may be available under the Technical Assistance measure.

The funds appropriated for the measures of the ARDOP Communication Plan for purposes of information provision and communication are to be found under the *Technical Assistance* priority of the Agricultural and Regional Development Operational Programme (ARDOP).

On the basis of the ARDOP Programme Complement (PC), EUR 10.6 million is available under Technical Assistance for the period 2004- 2006, of which in total EUR 4,240,000 can be spent on communication activities in the three years.

Indicative financial plan for communication activities:

<b>Year</b>	<b>Euro *</b>
2004	EUR 1 060 000
2005	EUR 2 120 000
2006	EUR 1 060 000
2004-2006	EUR 4 240 000

\* rounded amounts

## **II.8 IMPLEMENTATION OF THE COMMUNICATION PLAN**

The implementation of the measures of the ARDOP Communication Plan is the responsibility of the Department of Agriculture and Rural Development of the Ministry of Agriculture and Rural Development, acting as the ARDOP MA. The ARDOP MA appoints one or more persons who are responsible for publicity and communication.

Contact persons:

Ms. Ildikó Sători , deputy head of department

Ministry of Agriculture and Rural Development, Managing Authority of the Agriculture and Rural Development Operational Programme, Department of Agriculture and Rural Development

1055 Budapest, Kossuth L. tér 11.

Telephone: + 36 1 301-46-57

Fax: + 36 1 301-59-49

The Intermediate Body and its county offices will participate in the implementation of the Communication Plan.

## **II.9 EVALUATION OF THE COMMUNICATION PLAN**

The efficiency of measures of the ARDOP Communication Plan must be regularly evaluated using the indicators specified in the plan. The results and feedback of evaluation must be used further on in the communication activities. It will be easier to select the right communication channels with the help of studies and surveys.

Based on the results gained from the monitoring indicators, a broad evaluation study must be prepared in 2006 about the communication of the measures of the ARDOP Communication Plan.

### ***II.9.1 EVALUATION FOR THE EU COMMISSION***

- Annual reports prepared for the EU Commission containing the measures implemented in the current year and their efficiency, which will be part of the Annual Implementation Report approved by the Monitoring Committee.
- Participation in the closing evaluation.

### ***II.9.2 INDICATORS USED FOR EVALUATION***

Evaluation shall be based on 1159/2000 EC Regulation, using indicators reflecting the efficiency of communication.

- Media coverage, number of (national, regional) programmes and advertisements in regional and national papers, television and radio related to the ARDOP.
- Number of published and distributed publications, brochures, fliers, number of places and occasions of the distribution.
- Number of participants in various events and presentations, number of participations at trade fairs and exhibitions.
- Number of seminars, training courses and workshops organised by the ARDOP MA.
- Number of calls made to customer services and number of people personally visiting customer services.
- Number of homepage visitors, number of completed and issued newsletters.
- Number of completed (valuable) questionnaires, ratio of distributed and completed in questionnaires.

### **III. DETAILED DESCRIPTION OF THE MEASURES**

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#### **III.1 ASSISTANCE TO INVESTMENTS IN AGRICULTURE**

- 1. Measure:** 1.1. Assistance to investments in agriculture
- 2. Intervention area code:** 111 Assistance to investments in agriculture
- 3. Description of the measure:**

*Justification of the measure:*

Part of the assets of the former large-scale farms cannot be used efficiently in the new farm structure and is in a run-down condition. This hinders the production of competitive, quality basic materials. In consequence of the shortage of capital, without support farms are unable to establish the technical-technological background of production, which is today considerably different in complexity and capacity from that before. The demand for modernisation of the post-harvest phase is significant in every sector but is of special importance in the labour-intensive sectors (fruit and vegetable production).

A determinant ratio of farm buildings is also obsolete and run-down. The environmental, hygienic and livestock keeping conditions – especially on private farms – are lagging far behind the requirements.

The age and variety structure of plants in grapeyards and orchards is very unfavourable, the planting system is mostly out-of-date, and the farm structure is fragmented.

On farms, transformed according to their ownership, geographical situation and production structure, the development of run-down, obsolete irrigation systems and the increase of amelioration activities are indispensable.

The run-down condition of the assets and the capacity of buildings and machinery hardly harmonising with the new structure and farm size necessitate investments with the financial assistance of the state in order to diminish or cease the above mentioned contradictions in farming.

*Objectives of the measure (in the case of investments realised with support at least one of the following targets are to be achieved):*

**Global targets:**

- to improve the income of farms,
- to conserve existing jobs, create new ones,
- to protect and improve the environment,
- to improve the level of hygiene and animal welfare.

**Specific targets:**

- to cut production costs,
- to improve production efficiency,
- to modernise the production structure of the agriculture,
- to improve the level of technology for the sake of animal welfare (improvement of livestock keeping) and the protection of the environment,
- to improve the quality of products and to increase added value.

**Operational targets:**

- investments to reduce production costs and improve efficiency,
- investments to change/diversify the structure of production,
- investments to protect the environment and to improve the hygienic and animal welfare conditions,
- investments to introduce new technologies and improve quality.

***Description of the measure:***

On the one hand the measure will focus on investments improving the efficiency of basic agricultural activities, the modernisation of machines, technological equipment used for cultivation (including the post-harvest phase) and livestock keeping (cattle, pigs, poultry, sheep, goats, rabbits and bees), developments for increasing agro-technical and technological standards and, on the other hand, it focuses on the introduction of new technologies in order to improve product quality, and the implementation of information systems to promote production and marketing.

Furthermore, the measure will contribute to the improvement of environmental, hygienic and animal welfare conditions in livestock keeping.

In the case of apple, pear and peach, while respecting the regulations of the relevant CMOs, through the replacement plantations and the plantations to be established, which probably serve already existing markets, the measure facilitates the modernisation of the species and the variety structure, as well as of the planting systems. (Development of other fruit plantations, depending on the absorbing capacity of the market, is planned to be financed from national sources; development of grape yards is considered realisable within the wine CMO, with the help of the support from the EAGGF Guarantee section.)

The measure facilitates the renovation of outdated, water-wasting irrigation systems, the introduction of new, water-sparing irrigation methods that protect the soil structure and the prevention of soil degradation through amelioration activities.

Due to the improved, sometimes special quality of products and the positive effect of the increasing demand on supply, these developments increase the population retention capacity of rural areas.

Investment subsidies are only available for holdings that comply with the minimum standards concerning the environment, hygiene and animal welfare, or as a result of the investment, they will fulfil the criteria set out for them. Development of animal keeping can only be assisted if the investment complies with the national environmental prescriptions harmonising with the EU legislation, especially with Council Directive 91/676/ EEC on nitrate pollution, the application of which is guaranteed by Government Decree 49/2001 (IV.3.) on the protection of waters against nitrate pollution of agricultural origin. Particular attention should be paid to the density of livestock in areas already suffering from nitrate problems.

Subsidies for the establishment of manure storage facilities can only be applied for if the planned facility meets the requirements of the minimum period of storage and the farmer conducts his activities according to Best Environmental Practices.

As required by Regulation 1257/1999, for granting support under measures investment in agricultural holdings, young farmers and improving processing and marketing of agricultural products, the holdings shall comply with the minimum requirements in the field of environment, hygiene and animal welfare. Annex VIII.7. Table 1 contains those requirements, as well as the dates from which the minimum standards are applicable (mandatory for the farmer) according to the Hungarian legislation.

According to Article 1 of Regulation 817/2004 the period of grace, that the Member States may grant in which to comply with the newly introduced standards may not exceed thirty-six months from the date on which the standard becomes mandatory for the farmer. Table 2 in Annex VIII.7. shows the standards for which the period of grace can be granted to farmers and the end of such periods of grace.

In some cases - according to the regulation - the supported investments will have to be finished by 1. June 2005. At the same time, as the preamble of Regulation (EC) No. 567/2004 states: "as a result of accession, farmers in the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia must deal with a large number of new standards based on Community legislation which they have to respect from the date of accession or at the later date. It is essential to provide support to cover at least a part of the cost of investments required to meet those standards."

In the case of young farmers, according to Articles 3 and 4(2) of Regulation 817/2004, a period not exceeding five years may be allowed after starting up in order to meet minimum requirements.

### ***Harmonising with the National Rural Development Plan (NRDP)***



In order to avoid any overlapping of finance ( for investments eligible under the ARDOP Programme Complement, under measure III/1., „Assistance to investments in agriculture”, sub-measure 4.1 „Development of livestock keeping facilities” and investments under “Meeting Standards”) the following demarcation in the NRDP is to be applied:

**1) In the case of sub-measure I of the NRDP: On-site removal, treatment and leak-proof storage of manure**

1a) In Nitrate Vulnerable Zones (zones are listed in the NRDP):

- All investments aiming at the construction of **new livestock stabling places** with technological equipment, machinery and utilities will be financed from the ARDOP.

- **Additional or reconstruction** investments of operating livestock stabling places will be divided between the NRDP and the ARDOP according to the size limits which are:

- 160 LAU bovine and/or
- 200 LAU pigs and/or
- 134 LAU laying hen and/or
- 140 LAU broiler and/or
- 100 LAU sheep and/or
- 160 LAU horse.

Up to and including those limits: financing under the NRDP.

Above those limits: financing under the ARDOP.

1b) In non Nitrate Vulnerable Zones: all investments will be financed the ARDOP.

**2) In the case of sub-measures II/ a-g) of the NRDP: Animal welfare and animal hygiene**

-All investments aiming at the construction of **new livestock stabling places** with technological equipment, machinery and utilities will be financed from ARDOP.

-Investments required to enable one or more standard **as additional or reconstruction of operating livestock stabling places** to be met: eligibility of farms for application is divided between the NRDP and the ARDOP according to the size limits which are:

- 160 LAU bovine and/or
- 200 LAU pigs and/or
- 134 LAU laying hen and/or
- 140 LAU broiler and/or
- 100 LAU sheep and/or
- 160 LAU horse.

-up to and including the limits: financing under the NRDP;

-above the limits defined: financing under the ARDOP.

Summary tables:

<b>NRDP Sub-measure I (on-site manure treatment)</b>		<b>ARDOP</b>	<b>NRDP</b>
All investments related to this measure in <b>Non Nitrate Vulnerable Zones</b>		+	-
Investments in <b>Nitrate Vulnerable Zones</b>	Investments aiming <b>construction of new livestock stabling places</b>	+	-
	<b>additional or reconstruction</b> investment of <b>operating</b> livestock stabling places	-	+
	- up to and including limits	+	-
	- above the limits		

<b>NRDP Sub-measure II (animal welfare)</b>		<b>ARDOP</b>	<b>NRDP</b>
Investments aiming <b>construction of new livestock stabling places</b> with technological equipment, machinery and utilities		+	-
Investments required to enable one or more standard <b>as additional or reconstruction of operating</b> livestock stabling places to be met	Up to and including limits	-	+
	Above the limits	+	-

#### 4. Categories (submeasures and investments) eligible for support

##### 4.1. Development of livestock keeping facilities:

###### Cattle:

Construction of livestock keeping buildings with technological equipment machinery and utilities,

As part of the investment, first acquisition of livestock by purchasing breeding animals of high genetic quality for the improvement of the quality of the stock,

Modernisation of livestock keeping technology including the purchase of machinery, construction and development of buildings with connected on-farm infrastructure, social and service facilities such as dressing and washrooms, fodder storage facilities, feed mixers, and silos, establishing and

upgrading manure handling and storage facilities, as well as facilities enabling the extensive keeping of animals.

*Restrictions:* As a result of investments provided under the measure, total production may not exceed the relevant quotas (milk, cattle for slaughter) as laid down in the Accession Treaty of Hungary. In the case of installing new stock, in order to avoid increase, the certification of the Animal Identification and Registration System is required.

Demarcation between the ARDOP and the NRDP:

In nitrate vulnerable zones

**Investments are financed from the ARDOP:**

- in any case if the investment takes place in a non nitrate vulnerable zone
- if the investment takes place in a nitrate vulnerable zone, in any case if the investment aims at the construction of **new** livestock stabling places with technological equipment, machinery and utilities
- if the investment takes place in a nitrate vulnerable zone, and it aims at enabling one or more standard as **additional or reconstruction** of operating livestock stabling places to be met , and if the **farm size is above 160 LAU**.

**In any other cases the investment is financed by the NRDP.**

Animal welfare

**Investments are financed from ARDOP:**

- all investments aiming at the construction of **new livestock stabling places** with technological equipment, machinery and utilities
- if the investments required to enable one or more standard as **additional or reconstruction of operating livestock stabling places** to be met: and if the **farm size is above 160 LAU**

**In any other cases the investment is financed by the NRDP.**

**Pig keeping:**

Construction of buildings, with technological equipment machinery and utilities,  
As part of the investment, first acquisition of livestock by purchasing breeding animals of high genetic quality for the improvement of the quality of the stock,

Modernisation of livestock keeping technology including the purchase of machinery, construction and development of buildings with connected on-farm infrastructure, social and service facilities, fodder storage facilities, feed mixers, establishing and upgrading manure handling and storage facilities, as well as facilities enabling the extensive keeping of different types of animals .

*Restrictions:* As a result of the investment support under the measure, the production of pigmeat at national level may not exceed the volume before accession. The animal stock is controlled on the basis of the I&R (Animal Identification and Registration System), which is part of the IACS.

Demarcation between the ARDOP and the NRDP:

In nitrate vulnerable zones

**Investments are financed from the ARDOP:**

- in any case if the investment takes place in a non nitrate vulnerable zone
- if the investment takes place in a nitrate vulnerable zone, in any case if the investment aims at the construction of **new** livestock stabling places with technological equipment, machinery and utilities
- if the investment takes place in a nitrate vulnerable zone, and aims at enabling one or more standard as **additional or reconstruction** of operating livestock stabling places to be met, and if the **farm size** is **above 200 LAU**.

**In any other cases the investment is financed by the NRDP.**

Animal welfare

**Investments are financed from ARDOP:**

- all investments aiming at the construction of **new livestock stabling places** with technological equipment, machinery and utilities
- if the investments required to enable one or more standard as **additional or reconstruction of operating livestock stabling places** to be met: and if the **farm size** is **above 200 LAU**

**In any other cases the investment is financed by the NRDP.**

**Shepherding**

- Construction of buildings, with technological equipment machinery and utilities,
- As part of the investment, first acquisition of livestock by purchasing breeding animals of high genetic quality for the improvement of the quality of the stock,
- Modernisation of livestock keeping technology including the purchase of machinery, construction and development of buildings with connected on-farm infrastructure, social and service facilities, fodder storage facilities, feed silos and mixers, establishing and upgrading manure handling and storage facilities as well as facilities enabling the extensive keeping of animals.

*Restrictions:* As a result of investments subsidised under the measure the ewe stock cannot exceed the quota laid down in the Accession Treaty. The animal stock is

controlled on the basis of the I&R (Animal Identification and Registration System), which is part of the IACS.

Demarcation between the ARDOP and the NRDP:

In nitrate vulnerable zones

**Investments are financed from ARDOP:**

- in any case if the investment takes place in a non nitrate vulnerable zone
- if the investment takes place in a nitrate vulnerable zone, in any case if the investment aims at the construction of **new** livestock stabling places with technological equipment, machinery and utilities
- if the investment takes place in a nitrate vulnerable zone, and aims at enabling one or more standard as **additional or reconstruction** of operating livestock stabling places to be met, and if the **farm size is above 100 LAU**.

**In any other cases the investment is financed by the NRDP.**

Animal welfare

**Investments are financed from the ARDOP:**

- all investments aiming at the construction of **new livestock stabling places** with technological equipment, machinery and utilities
- if the investments required to enable one or more standard as **additional or reconstruction of operating livestock stabling places** to be met: and if the **farm size is above 100 LAU**

**In any other cases the investment is financed by the NRDP.**

**Fowl keeping**

- Construction of buildings, with technological equipment machinery and utilities,
- As part of the investment, first acquisition of livestock by purchasing breeding animals of high genetic quality for the improvement of the quality of the stock,
- Modernisation of livestock keeping technology including the purchase of machinery, construction and development of buildings with connected on-farm infrastructure, social and service facilities, fodder storage facilities, feed mixers, establishing and upgrading manure handling, storage and processing facilities, as well as facilities enabling the extensive keeping of animals.

*Restrictions:* As a result of investments provided under the measure, the output of the sector at programme level cannot increase.

## Demarcation between the ARDOP and the NRDP:

### In nitrate vulnerable zones

#### **Investments are financed from the ARDOP:**

- in any case if the investment takes place in a non nitrate vulnerable zone
- if the investment takes place in a nitrate vulnerable zone, in any case if the investment aims at the construction of **new** livestock stabling places with technological equipment, machinery and utilities
- if the investment takes place in a nitrate vulnerable zone, and aims at enabling one or more standard as **additional or reconstruction** of operating livestock stabling places to be met, and if the **farm size** is **above 140 LAU**.

**In any other cases the investment is financed by the NRDP.**

### Animal welfare

#### **Investments are financed from the ARDOP:**

- all investments aiming at the construction of **new livestock stabling places** with technological equipment, machinery and utilities
- if the investments required to enable one or more standard as **additional or reconstruction of operating livestock stabling places** to be met: and if the **farm size** is **above 140 LAU**

**In any other cases the investment is financed by the NRDP.**

#### **Other animal keeping (goats, rabbits, bees\*)**

- Construction of buildings, with technological equipment machinery and utilities,
  - In case of goats and rabbits: as part of the investment, first acquisition of livestock by purchasing breeding animals of high genetic quality for the improvement of the quality of the stock,
  - Modernisation of livestock keeping technology including the purchase of machinery, construction and development of buildings with connected on-farm infrastructure, social and service facilities, fodder storage facilities, feed mixers and silos establishing and upgrading manure handling, as well as storage facilities.
  - Supported activities in the honey sector shall not overlap with those in the framework of the apiculture programmes under Council Regulation (EC) No. 797/2004. Therefore the Managing Authority ensures, that there will be no overlaps between the supported activities under this measure, as defined in the Regulation.
-

*Restrictions:* As there are no marketing problems, no restrictions apply to the support.

#### **4.2. Construction investments in plant production and horticulture:**

- Granaries, stores, machine sheds, facilities for the storage of grain fodder, forage, artificial fertiliser and plant protection chemicals, silos, feed mixers, produce driers;
- Plant-houses, cold-storage houses, grape processing, wine storage and bottling facilities, buildings of graft, fruit tree and vine nurseries, facilities for floriculture, storage facilities for fruits, vegetables and potatoes, facilities for mushroom production, machinery and facilities for handling, grading and packing of products with technological equipment machinery and utilities, as well as the machinery and buildings connected with on-farm infrastructure.

*Restrictions:* As a result of investments provided under the measure, production increase may not exceed the quotas relevant to plant products.

#### **4.3. New machinery, power machines, technical-technological equipment effecting all agricultural sector**

In the case of agricultural and informational equipment and establishments only those machines and facilities – harvesting and farm machines, plant protectional, seed- and fertiliser drills and other agricultural and information technical equipments - will be eligible under the BTO 293 000 00 00 (Domestic Product Classification) and the corresponding customs tariffs, where the use and purchase of these machines are in line with the objectives of the ARDOP.

- a) Supported types of investment: Purchase of new, newly installed power machines, other machinery and technological equipment, including the purchase of irrigation systems not requiring independent construction, furthermore information technological equipment and software, that improve the supply of assets and the technological standard of farms, as well as promote production management and market access. Eligible for support are the physical assets necessary for the operation of agricultural machines, therefore the purchase of double-shell fuel tanks is eligible as well.
- b) Supported sectors: animal husbandry (e.g. manure pumps, fans, boilers for heating stables, etc.), plant production (e.g. tractors, harvesters, food industry (e.g. cool machines used in agriculture, wine pumps, bottle washers, fillers, presses etc.), forestry (e.g. loading machines, saw machines etc.).
- c) The situation of raw material supply, the domestic and export market possibilities, as well as the changes in processing capacities with special regard to the so called **sensitive sectors**, and those having excess capacities should be taken into consideration at national level. The same limitation in the sensitive sectors apply to the purchase of machines. These points shall be considered at the evaluation centrally by the ARDA.

- d) The Managing Authority supervises the stringent monitoring of production with regards to demand and market development in all the supported sectors. As long as there is a danger of the given product not having the placement opportunity in the market, the Managing Authority will suspend the submission of applications with regards to the investments aiming at increasing production under submeasure “New machinery, power machines, technical-technological equipment effecting all agricultural sector “
- e) The „Catalogue of agricultural machines” compiled by the Agricultural Mechanisation Institute (AMI) of the MARD, which is available at the Intermediate Body and the Local Offices of the MARD, serves as a guide for the uniform definition of purchase prices, and it facilitates the purchase of machines. The “Catalogue of agricultural machines” includes the most important technological and financial parameters of power machines sold by machine dealers. The specification listed in the catalogue does not restrict the purchase of machines and equipments from other member states.
- f) In the case of independent machine purchases (present submeasure) and further submeasures of the measure “Assistance to investments in agriculture”, in the framework of purchasing machines, technological and information technological equipment, only new, newly installed machines and equipment that are available in commercial trade, or from manufacturers are eligible for support.

#### **4.4. Development of apple, pear and peach orchards**

##### **Plantations**

- re-planting for the change and modernisation of type structure,
- plantations to be established that demonstrably serve already existing markets, including soil preparation,
- purchase of propagating material, stake systems and property protecting fences.
- Enlarging or new plantations of holdings that demonstrably serve already existing markets including the work on the land in the establishment of the new plantation (except for the costs of nutrients and fertilisers), purchase of propagating material, stake systems and property protecting fences

*Restrictions:* Coherence with the relevant CMO is to be ensured

#### **4.5. Construction and development of water sparing on-farm irrigation systems**

Realisation of irrigation development investments, construction of new buildings and equipment for irrigation purposes, value added reconstruction of existing facilities, including the technological machinery and equipment required for the regular use of the buildings.

In this category - in the case of cereal cropping, root crop cultivation, field and greenhouse vegetable, greenhouse floriculture, seed growing and plantations - the following can be constructed or renovated on the territory of the farm: underground delivery pipes, pump stations and water distribution equipment of sprinklers; in-parcel water distribution elements, booster pump stations of open or covered drains of surface



irrigation systems; drainage systems and other technological equipment of dropping and micro-irrigation facilities; installations for underground water withdrawal, interim water securing and reserving facilities for the procurement and storage of irrigation water.

Furthermore, eligible for support structures using irrigation water are the structures and technological equipment of rice farms and, in the case of liquid manure irrigation, structures supplying and utilising irrigation water connected to animal keeping technology.

*Restrictions:* As a result of investments provided under the measure production increase may not exceed the quotas relevant to plant products. Realisation of the investment is subject to expert opinions on soil mechanics and pedology, environmental impact assessment and licence of the water management authority.

#### **4.6. On-farm amelioration investments**

On-farm amelioration investment supports can be applied for the construction of new amelioration facilities, line construction investments, value-added reconstruction of existing facilities and sustained soil improvement - linked to any sector of field cropping or horticulture - according to the following:

- a) structures for the management of water supply
  - open water drains or gutters,
  - small flood retarding reservoirs of small water flows up to a capacity of 1 million m<sup>3</sup>;
  - underground drainage systems and connected facilities (including booster pump stations and their technological equipment);
  - deeper loosing, specified for underground drainage in the project documentation;
  - engineering structures (culverts, boosting equipment).
- b) Amelioration (with an effect period of 6 years at least)
- c) Structures of terrain correction
  - Terrain correction,
  - Removal of ravines, redundant roads and ditches,
  - Establishing the road system between fields,
  - Clearing prior to terrain correction.

*Restrictions:* Realisation of the investments is subject to expert opinions on soil mechanics and pedology, environmental impact assessment and licence of the water management authority.

**5. Form of assistance:** non-repayable assistance

**6. Rate of assistance:**

Share of public funds within total eligible cost: 45%.

The share of EAGGF within public funds: 75%.

In any event for investments in firms, the contribution from the EAGGF may not exceed 35 % of the total eligible cost.

**The maximum amount of eligible investment cost per project is HUF 200 million (€78314),** thus the maximum amount of assistance per project is HUF 90 million (€352941).

**The minimum amount of eligible investment cost per project is HUF 222 thousand (€8715)** thus the minimum amount of assistance per project is HUF 1 million (€3922).

Number of projects per recipient: not limited

#### *Eligible costs*

- a) the costs of technological equipments and facilities regarded as investment in building, irrigation and amelioration,
- b) purchase and installation of new machinery and equipment including computers and software,
- c) in the case of cattle, pigs, poultry and sheep solely at establishing new facilities, in the case of goat and rabbit solely at establishing new livestock stabling places: first purchase of breeding stock by obtaining breeding animals of high genetic quality,
- d) in the case of plantations: the work on the land in the establishment of plantation (except the costs of nutrients and fertilisers), the purchase of propagating material, plantation, establishment of stake systems, fences and surface coverings,
- e) general costs and expenses: fees of architects, engineers, consultants (contingent fee is not to be accounted for) technical inspectors registered at the county administration offices, the Water Management Supervision and experts eligible to conduct technical inspections, costs of feasibility studies, pedological expert opinions, licensing procedures, purchase of patents and licences. These expenses may not exceed 12% of the total eligible costs (less the above-mentioned other costs) of the investment.

Beneficiaries of this measure who cumulate aid granted pursuant to Regulation (EC) 1/2004 with ARDOP support shall not receive aid in respect of the purchase of production rights, animals, land other than land for construction purposes, plants or the planting of plants.

### **7. The cumulation of the Agricultural Development Loan Program and the Credit guarantee scheme with the ARDOP**

The Agricultural Development Loan Program (ADLP) granted in conformity with Regulation (EC) 1/2004, which was published on the website of the European Commission under the reference number XA6/05<sup>4</sup> applies to the production and first-stage processing of agricultural products and to services related to agricultural products.

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<sup>4</sup>[http://europa.eu.int/comm/agriculture/stateaid/exemption/xa605\\_hu.pdf](http://europa.eu.int/comm/agriculture/stateaid/exemption/xa605_hu.pdf)

For additional information on the scheme, please refer to the website of the Hungarian Development Bank: <http://www.mfb.hu/index.php?pageid=512>

The Agricultural Development Loan Program offers a soft loan granted through an exchange rate guarantee that may also be associated with a credit guarantee provided by the Rural Credit Guarantee Foundation and Credit Guarantee Co. Ltd.<sup>5</sup>/Credit Guarantee Ltd.<sup>6</sup> The credit guarantee scheme has been communicated to the Commission in due time as required by Chapter 4 “Agricultural legislation” of Annex IV to the Act of Accession of Hungary and is therefore deemed as existing aid.

Granting authority for Agricultural Development Loan Program: Magyar Fejlesztési Bank Rt. – MFB (Hungarian Development Bank Inc.) Nádor street 31., H-1051 Budapest, Hungary.

Granting Authority for the credit guarantee scheme: Agrár-Vállalkozási Hitelgarancia Alapítvány - AVHGA (Rural Credit Guarantee Foundation and Credit Guarantee Co. Ltd.) Kálmán I. street 20., H-1054 Budapest, Hungary/Hitelgarancia Rt. (Credit Guarantee Ltd.) Szép u. 2. H-1053 Budapest, Hungary.

The ADLP and the credit guarantee is cumulated with the assistance under the ARDOP as follows:

The beneficiaries of the ARDOP who fulfill the requirement of Regulation (EC) 1/2004 (small and medium-sized enterprises active in the production, processing and marketing of agricultural products) may also apply for the Agricultural Development Loan Program. The ADLP may be complemented by the credit guarantee provided that the conditions set by the Rural Credit Guarantee Foundation and Credit Guarantee Co. Ltd (AVHGA)/Credit Guarantee Ltd. (Hitelgarancia Rt.) are met. For any cumulation of assistance the following conditions shall be met:

- SMEs in less favoured areas who receive support of 45 % of the total eligible cost under the ARDOP, may cumulate it with the soft loan with or without the credit guarantee up to 50 % of the total eligible cost.
- SMEs run by Young farmers who receive support of 45 % of the total eligible cost under the ARDOP, may cumulate it with the soft loan with or without the credit guarantee up to 50 % of the total eligible cost.
- SMEs run by Young farmers in less favoured areas who receive support of 45 % of the total eligible cost under the ARDOP, may cumulate it with the soft loan with or without the credit guarantee up to 60 % of the total eligible cost.

In any event the maximum aid intensities for the cumulated assistance shall respect the provisions of Commission Regulation (EC) 1/2004.

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<sup>5</sup> <http://www.avhga.hu/>

<sup>6</sup> <http://www.hitelgarancia.hu>

The procedure of applying for ARDOP support and the assessment of the aid intensity of the cumulated assistance are :

1. The applicant submits her/his project application to the ARDA also indicating that he/she intends to benefit from the Agricultural Development Loan Program with or without the credit guarantee.
2. After the process of evaluation the applicant gets a notification by the ARDA that the project has been selected for ARDOP support .
3. With the notifying letter by the ARDA the applicant goes to the MFB Bank and if relevant, to the AVHGA or to Hitelgarancia Rt., where he/she gets a statement on the total aid content of the soft loan and/or the credit guarantee from which he/she will benefit if the contract with the ARDA is signed.
4. With the statement(s) the beneficiary goes to the ARDA for signing the contract. At this occasion she/he must submit a statement saying that she/he will use the soft loan offered by the MFB and, if relevant, the credit guarantee offered by the AVHGA or Hitelgarancia Rt.
5. ARDA checks that the total cumulated aid level respects the limits of aid intensity set by Regulation (EC) 1/2004 and the contract is signed by both parties.

## **8. Criteria of the selection of projects**

### **Eligibility criteria:**

#### **General criteria:**

Eligible for support are:

- Registered natural persons (licensed traditional small-scale producers [őstermelő<sup>7</sup>], private entrepreneurs), legal entities (an organisation which may have liabilities for civil law, subjective rights and liabilities as defined in Article III of Statute IV of the Civil Code of 1959) economic organisations without legal entity, if the net revenue from sales earned from agricultural production reaches or exceeds 50 percent of the total net revenue from sales, and the farms maintain this ratio throughout the period of assistance, furthermore, the farmer conducts Good Environmental Conditions. In case of vis major the amount of provenly unrealised return on sales can be added to the return on sales of the activity suffering damage;

*Registration is necessary in order to identify all the beneficiaries and control the implementation of the measure (IACS). It is not required that the beneficiary is of Hungarian nationality or resides in Hungary, however, the beneficiary has to have an establishment in the country. The establishment is fulfilled either via a primary establishment (registered office, central administration or principal place of business) or a secondary establishment (agency, branch or subsidiary) at the settlement concerned by the project.*

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<sup>7</sup> Östermelő: special administration category, app. licensed traditional small-scale producer: a non-entrepreneur private farmer, who conducts activities listed in the relevant law on his/her own farm and holds a registered licence for the activity.

- Approved or pre-approved Producer Groups, vegetable and fruit producer and marketing organisations (TÉSZ), cooperations and other organisations that provide purchasing, selling and other services (BÉSZ). These organisations are exempt from the obligation of the 50% revenue ratio coming from the agricultural activity and the obligation of Good Environmental Conditions, if their application is targeted at investments in the storing and manipulating (selecting, classifying, packing, etc.) of agricultural products produced by the members, or the investments necessary for the storage and logistic allocation of production inputs (seeds, propagating materials, chemicals, etc.) used by their members. (The TÉSZ', BÉSZ' and agriculturist groups are engaged in independent economic activities by supporting their members sales activity, at the same time they do not have any, or only limited agricultural revenues. (Due to this, and based on the eligibility criteria, these organisations must be treated with special attention.)
- Applicants who have obtained the TEÁOR<sup>8</sup> number for the activity concerned by the investment in the application.
- Applicants should respect the relating provisions of the European Communities and the Hungarian legislation on the security of the workplace.
- No support may be granted in respect of work already begun or activities undertaken before an application for support has properly been submitted to the ARDA.

In the case of building development investments support can be granted to investments on the real property in the ownership, or permanent lease of the farmer the output of which can be put into operation independently and is suitable for orderly usage.

In the case of the purchase of new machinery or equipment, furthermore irrigation or amelioration investments, certification of ownership or a lease contract valid for the period of the commitment for operation is required.

In the case of the establishment of plantations, the following certifications are required: plantation licence according to the relevant legislation; planting material controlled and qualified by the National Institute for Agricultural Quality Control; certification of the ecological suitability of the habitat.

Requirements of environmental protection, animal welfare and hygiene are listed in Attachment VIII. 7.

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<sup>8</sup> TEÁOR: National Registration of Activities and Sectors

**Additional criteria:**

- The private person submitting the application, or, in the case of economic organisation or cooperative, the manager or the full-time employee entrusted with the management of the farm has to have appropriate professional qualification<sup>9</sup> (at least that of a skilled worker) (OM Decree 37/2003 (XII. 27)) or at least five years of professional experience<sup>10</sup>.
- Declaration regarding the availability of the necessary own funds.
- No public debts,
- Simplified or full business plan and proof, that at the launch of the project or by the end of the implementation of the investment, the farm complies with the criteria of viability (the criteria for viability are listed in Attachment VIII.1.). In case of Producer Groups and other organisations with collective nature viability criteria are evaluated on the base of their business plans.
- Construction and other necessary permits of the relevant authorities.
- Undertaking compliance with the environment protection regulations (Act LIII. of 1995. on the general provisions on environment protection and the Act LIII. of 1996 on the protection of the environment). In the case of investments in building development, on farm irrigation development and amelioration investments, the expert opinion of the regionally competent environment protection authority on the project is to be attached.
- In the case of 4.1 animal keeping facilities the certificate of the County Animal Health and Food Inspection Office, that at the time of the realisation of the development described in the application, the farm complies with the provisions of MARD Decree 32/1999 (III.31.) on the animal welfare regulations of keeping agricultural livestock.
- The Treaty of Accession determines quotas for Hungary in respect of certain products (Attachment VIII 2.). In the case of these products the investment cannot result in an increase of production that would cause the exceeding of these quotas. The information necessary for this is available from the data of the competent product board, for the housing of new stock from the Animal Identification and Registration System; for animal keeping capacities from the Agricultural and Rural Development Agency (ARDA). No support can be granted if there is a risk of creating surplus capacities without proven marketing possibilities or of exceeding the relevant quota.
- Valid proof of quota.
- Proof of the existence of distribution channels (only in the case of investments that are connected to the production of basic agricultural materials).

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<sup>9</sup> With regards to the given applicant, the qualification may only be regarded as specialist, if the given qualification- as set out in the MARD Regulation 64/1994 (CXII.15) on professional and exam requirements- provides appropriate preparation for the activity, for which the applicant required support.

<sup>10</sup> This should be 5 years of practice of any kind, which was spent on agriculture related field.

## **Selection criteria**

### **According to activities**

#### **4.1. Development of livestock keeping facilities:**

- the recovery of the building and technology investment according to the business plan except those investments, which aim only at complying with the required standards,
- impact of the investment on the environment,

#### **4.2. Development of other farm buildings:**

- reduction of storage losses,
- reduction of specific energy consumption,
- usage of geothermic or renewable energy resources,
- expansion of the farm's activities,
- impact of the investment on the environment.

#### **4.3. New machinery, power machines, technological and information technological equipment:**

- size of the used land (applicants have to join a form for land usage to the applications. Based on that the ARDA assess the relation between the land size and the machines to be purchased ),
- the expansion of the scope of the farm's activities,
- membership in producer group, TЭСZ, BЭСZ,
- the impact on the efficiency of production,

#### **4.4. Development of apple, pear and peach orchards:**

- modification of the age and type structure of plantations according to market demands,
- modernisation of the planting systems of plantations,

#### **4.5.-4.6. On-farm development of irrigation and amelioration:**

- impact of the investment on the environment (e.g. reduction of erosion),
- use of water and energy saving irrigation method,
- utilisation of the capacity of the irrigation equipment,
- improvement of cultivation efficiency.

Investments resulting in the improvement of environmental protection, hygienic and animal welfare conditions, quality improvement and the utilisation of geothermic energy are given priority in the course of selection.

### **9. Intermediate Body: Agricultural and Rural Development Agency**

### **10. Recipients (Beneficiaries)**

Eligible for support are natural persons active in agriculture, and economic organisations, with or without legal personality operational in Hungary.

### **11. Final beneficiary: Agricultural and Rural Development Agency.**

## 12. Share of the measure from ARDOP budget: 52,85%

## 13. Financial plan, 2004-2006

Assistance to investments in agriculture	€, current prices				Million HUF, current prices (€=255 HUF)			
	2004	2005	2006	Total	2004	2005	2006	Total
<b>Total cost</b>	50734550	72431792	100290990	223457332	12937	18470	25574	56982
<b>Total public participation</b>	50734550	72431792	100290990	223457332	12937	18470	25574	56982
<b>Total EU assistance</b>	38050912	54323844	75218242	167592998	9703	13853	19181	42736
ERDF assistance	0	0	0	0	0	0	0	0
ESF assistance	0	0	0	0	0	0	0	0
EAGGF assistance	38050912	54323844	75218242	162754763	9703	13853	19181	42736
FIFG assistance	0	0	0	0	0	0	0	0
<b>Total government participation</b>	12683638	18107948	25072748	55864334	3234	4618	6394	14245
<b>Central government participation</b>	12683638	18107948	25072748	55864334	3234	4618	6394	14245
<b>Regional participation</b>	0	0	0	0	0	0	0	0
<b>Local participation</b>	0	0	0	0	0	0	0	0
<b>Other public participation</b>	0	0	0	0	0	0	0	0
<b>Private funds to be declared</b>								
EIB loans	0	0	0	0	0	0	0	0
<b>Other private funds not to be declared</b>	76101825	108647688	140760015	325509528	19406	27705	35894	83005

HUF amounts are indicative. Amounts calculated at 1999 prices in the National Development Plan and the Operational Programme have been transferred into 2004 prices by using the HUF/Euro multiplier of 255.



#### 14. Monitoring and evaluation indicators

Type of Indicator	Indicator	Current situation	Target	Data source	Frequency of measuring
Output	A) The number of accepted applications by category (pcs)			Monitoring system	Annually
	1. Building development investments		1273		
	<i>a) Investments relating to livestock keeping facilities</i>		525		
	<i>b) Investments relating to other farm buildings</i>		748		
	• plant houses				
	• other				
	2. Purchase of new machinery, technological and informatical equipment		14261		
	3. Investments relating to irrigation development and amelioration within the farm		166		
	• The area covered with new or modernised irrigation system (ha)		11403		
	4. Development of apple, pear and peach orchards				
	The number of young farmers from all accepted applications (persons)		124		
	B) Number of animal keeping sites, from this		321873		
	• new		37481		
	• renovated		134432		
C) Output of new power machines (KW)		490000			
D) Number of new power machines (pcs)		8000			
Result	Number of supported farms		12000		
	Capacity increasing effect of power-machines purchased by support on the national pulling power capacity (%)		5		
Impact	Number of jobs created or preserved as a result of the support in labour equivalent (FTE, AWU)		2490		
	Among farms with supported construction development investment the ratio of those implementing environment protection developments (%)		40		
	Gross increase of income of supported farms		2		

## **15. Horizontal objectives**

*Environment:* In the framework of the measure only investments that comply with the minimum environmental protection regulations of the above mentioned Act LIII of 1995 are eligible for support. To prove this the official opinion of the competent environment authority is to be attached in the case of activities 4.1; 4.2; 4.4; 4.5; 4.6.

In the course of the evaluation of applications, those aiming at environmental protection are given priority.

*Equal opportunities* In the interest of the improvement of the employment of women, Roma people and disabled people, those applicants who envisage for the employment and/or the improvement of working conditions of the concerned target groups in their business plans could be given five points in a hundred-point scoring-system. When choosing from applications with the same score, the following applicants are given preference: women, roma people, handicapped people and applications with a positive influence on the employment of the people concerned. Handicap is to be interpreted as modified working ability, which is to be certified.

In the case of the national and regional level projects that improve in the first place the employment of Roma people, supporting declarations are given by the county network of State Roma Self-Government, in the case of microregion and settlement level projects, supporting declarations are given by the Local Roma Minority Self-Government. In those microregions/settlements where a Local Roma Minority Self-Government doesn't exist, those applicants who intend to apply for applications in connection with the employment of Roma people could request a supporting declaration from the competent county network of the State Roma Self-Government.

## **15. Legal ground for assistance**

Chapter I. Articles 4-7 of Council Regulation 1257/1999.

## III.2 STRUCTURAL ASSISTANCE IN THE FISHERIES SECTOR

1. **Measure:** 1.2 Structural assistance in the fisheries sector
2. **Intervention area code:** by the 366/2001. EC Regulation and share from the total grant:
  - Priority 3.:** Protection and development of aquatic resources, aquaculture, fishing port facilities, processing and marketing, inland fishing
    - Submeasure 32 (code 144).:** Aquaculture – 70%
      - Action 1.:** Increase in aquaculture production capacity (construction of new units and/or extension of existing units)
    - Submeasure 34 (code 143).:** Processing and marketing – 10%
      - Action 1.:** Increase in processing capacity (construction of new units and/or extension of existing units)
      - Action 2.:** Modernisation of existing processing units with no increase in physical capacity
    - Submeasure 35 (code 147).:** Inland fishing – 0%
      - Action 3.:** Other measures to assist inland fishing
  - Priority 4.:** Other measures
    - Submeasure 43 (code 143).:** Promotion – 11%
      - Action 1.:** Promotion campaigns
      - Action 2.:** Participation in trade fairs
      - Action 3.:** Market studies and surveys
      - Action 4.:** Sales advice and support, services provided to wholesalers, retailers
      - Action 5.:** Quality certification and product labelling operations
    - Submeasure 44 (code 147).:** Operations by members of the trade – 0%
      - Action 1.:** Aid for setting up producer organisations
    - Submeasure 46 (code 414).:** Innovative measures – 9%
      - Action 1.:** Pilot/demonstration projects

### 3. Description of the measure:

#### *Justification of the measure:*

Most of the fish ponds in Hungary were constructed a long time ago, therefore they need to be modernised. Besides securing commodity stock, the establishment of new ponds is also important in order to replace the old ones, which are dropping out of production. There are hatcheries for the production of young fish with high genetic and biological values, but some of them are in a desperate need of modernisation. Fishes involved in production to widen the selection have to be kept in intensive plants. In order to achieve this, it is important to develop some of the existing facilities and by establishing new ones, the ratio of intensive plants within the sector can be increased. About 20% of the table fish produced on fish farms is processed.

To produce and replenish a wholesome fish stock of high biological value, it is indispensable to modernise the fish farms (fish ponds) and fish hatcheries, and to develop them in terms of technology, as well as to set up new fish ponds in order to

increase commodity stock. In Hungary the rate of fish consumption is very low; it is reasonable to increase it for the sake of healthy nutrition.

*Objectives of the measure:*

Global targets:

- to improve the income position of the fisheries sector,
- to increase the added value in fish processing units and in supported farms,
- to create and preserve jobs in the fisheries sector,
- to increase the low domestic fish consumption.

Specific targets:

- to increase competitiveness,
- to improve the quality of fishery products,
- to improve productivity and efficiency.

Operational targets:

- to develop the processing, marketing and promotion of fishery products,
- to modernise fish ponds and fish hatcheries of fish farms and their equipment in technical and technological respect,
- to construct and reconstruct industrial fish production systems.

*Description of the measure*

The measure aims at constructing and modernising ponds and fish hatcheries of fish farms, and developing their on-farm infrastructure, furthermore, duly considering the environmental requirements, and supporting the construction and modernisation of industrial fish production systems utilising geo-thermal energy. In addition to the above, it also serves the capacity improvement of the already existing fish processing plants and the setting up of new, small-sized "mini fish processing plants" as well as the introduction of new products into the market, while diversifying the fish supply at the same time. The measure, by way of supporting the marketing and other activities of the producer groups, contributes to the increase of fish consumption. The assistance to the renewal of fishing equipment promotes the preservation of natural freshwater fishing traditions and the income of local population making a living out of it.

#### **4. Activities**

##### **4.1 Aquaculture. Construction and reconstruction of fish farms and industrial fish production systems, modernisation of fish hatcheries.**

(Related intervention area code: Priority 3, Submeasure 32 Aquaculture, Actions 1)

Construction and value-adding reconstruction of fish ponds (including wintering ponds, harvesting zones, fish holders, harvesting places), and intensive fish production systems operated on geo-thermal energy, value-adding reconstruction of fish hatcheries, along with the related on-farm infrastructure.

##### **4.2. Construction and reconstruction of fish processing plants**

(Related intervention area code: Priority 3, Submeasure 34 Processing and marketing, Actions 1,2)

Development and modernisation of existing fish processing plants in order to increase efficiency and capacity utilisation. Construction of up-to-date small-scale fish

processing plants in the vicinity of the place of production. Investments that are not aimed at the production of goods for human consumption, except that they are exclusively involved in the procession and sales of fishery by-products, and retail trade are not eligible for support.

#### **4.3. Inland fishing**

(Related intervention area code: Priority 3, Submeasure 35 Inland fishing, Action 3)

New investments (small boats, outboard engine, freezer box, icemaker) by those conducting natural water fisheries. Support can be received collectively by fishery organisations or individually by fishermen.

#### **4.4. Promotion**

(Related intervention area code: Priority 4, Submeasure 43 Promotion, Action 1,2,3,4,5)

Support of activities that serve common interest, pursued by members of the fish trade, organisations operating with the active consent of the actors of commerce, or in the name of producers or by other organisations acknowledged by the Managing Authority in order to implement the common fishery policy. Support of activities for the promotion of the search for new marketing possibilities also belongs here.

- Activities related to quality certificates, labelling and standardisation.
- Assistance to advertising campaigns, publications and consumption-promoting events.
- Organisation of trade fairs and participation in such fairs.
- Preparation of projects, market analyses and assessments reviewing the responses of the consumer and of the market.
- Promotion of new products containing fish meat, not available in the market yet.

#### **4.5. Assistance to producer organisations**

(Related intervention area code: Priority 4, Submeasure 44 Operations by members of the trade, Action 1,)

Support can be given to producer organisations established according to Commission Regulation 2792/1999 amended by Commission Regulation 2369/2002 and Commission Regulation 104/2000 for a three year period after their establishment.

- a) Assistance to the establishment of producer organisation and to their operating costs.
- b) Assistance to the marketing of the products of producer organisation.

#### **4.6. Introduction of innovative technologies in fish farming (pilot projects)**

(Related intervention area code: Priority 4, Submeasure 46 Innovative measures, Action 1,)

Introduction of innovative technologies in fish farming (pilot projects), which relates to state owned, or partly state owned enterprises as well. The introduction of innovative technologies means undertakings implemented by an actor of the fisheries sector, a specialised research institute or another competent body in a size near large-scale, the results of which are publicised.

**5. Form of assistance:** non-repayable assistance

**6. Rate of assistance**

Share of public funds: maximum for measure total: 50%

Submeasures	FIFG	NATIONAL	PRIVATE
	%		
4.1 Aquaculture	35	11	54
4.2. Construction and reconstruction of fish processing plants	35	11	54
4.3. Inland fishing	0	0	0
4.4.1. Promotion (individual)	0	0	0
4.4.2. Promotion (collective)	75	25	0
4.5. Assistance to producer organisations	75	25	0
4.6.1. Innovative measures with private involvement	75	5	20
4.6.2. Innovative investment measures with the involvement of state-run enterprises (contribution of 20% from the enterprise)	35	11	54

The contribution from FIFG (Financial Instrument for Fisheries Guidance) within the public funds is calculated in relation to the total cost (11461836 €) – including private funds.

Upper and lower limits of assistance per project

Category	Upper limit of assistance per project		Lower limit of assistance per project	
	1000 HUF	1000 €	1000 HUF	1000 €
<b>4.1 Aquaculture</b>				
<b>- new construction</b>				
having no operating fish pond yet	150000	588.2	20000	78.4
already having operating fish ponds of at least 30 ha	150000	588.2	2000	7.8
<b>- reconstruction</b>				
fish pond	100000	588.2	10000	39.2
hatchery	20000	78.4	5000	19.6
<b>- industrial fish production system utilising geo-thermal energy</b>				
new construction	150000	588.2	20000	78.4
reconstruction	75000	294.1	10000	39.2
<b>4.2. Construction and reconstruction of fish processing plants</b>				
construction and reconstruction of new small scale units	50000	196.2	10000	39.2
reconstruction of medium scale units	50000	196.2	5000	19.6
<b>4.3. Inland fishing</b>	20000	78.4	1000	3.9
<b>4.4. Promotion</b>	20000	78.4	1000	3.9
<b>4.5. Assistance to producer organisations</b>	normative		normative	3.9
<b>4.6. Innovative measures (pilot projects)</b>	75000	294.1	10000	39.2

Number of projects per beneficiary: not limited, but only one application can be submitted for identical activities per year.

Maximum assistance amount per beneficiary: HUF 150 million (€ 0,6 million)

*Eligible costs in respect of assistance*

Investment expenses related to the implementation of projects relating to the activities:

- a) costs of construction investment projects,
- b) purchase and installation of new machines and equipment, including computer software,
- c) eligible costs of individually and collectively implemented actions,
- d) costs of the establishment and operation of producers' organisations,
- e) general costs such as fees for architects, engineers and consultants, feasibility studies, environmental impact assessment studies, purchase of patents and licences in addition to the costs referred to in clauses (a) and (b) and up to 12% of such costs.
- f) in the case of innovative developments, general costs not included in e) beyond costs mentioned in a) and b), at the most 30% of costs this sort.

## 7. Criteria for the selection of projects

### Eligibility criteria:

#### General criteria:

- **Beneficiaries:** natural persons, private entrepreneurs active in agriculture or fisheries, fisheries associations and groups and economic organisations, with or without legal personality, operating in Hungary,
- no public debts,
- statement on the availability of the required own resource,
- existing of number of client registration,
- existing of necessary permissions of authorities.
- existing of fisheries in activity scale
- Applicants should respect the pertinent provisions of the European Communities and the Hungarian legislation on the security of the workplace.
- no support may be granted in respect of work already begun or activities undertaken before an application for support has been properly submitted to the ARDA.

*Registration is necessary in order to identify all the beneficiaries and control the implementation of the measure (IACS). It is not required that the beneficiary is of Hungarian nationality or resides in Hungary, however, the beneficiary has to have an establishment in the country. The establishment is fulfilled either via a primary establishment (registered office, central administration or principal place of business) or a secondary establishment (agency, branch or subsidiary) at the settlement concerned by the project.*

### Criteria according to activities:

#### 4.1 Aquaculture

- the manager of the fish farm or the leader of the project has appropriate technical skills: special fishery qualification or at least five years of practice in fisheries,
- the farm complies or will comply as a result of the development with the regulations of Act LIII. of 1995 on the general provisions on environment protection, of Act LIII. of 1996 on the protection of nature, of Act XXVIII. of 1998 on the protection and sparing of animals, and of MARD Decree no. 32/1999 (III.31.) on the animal welfare regulations of the keeping of agricultural livestock,
- fish farmers who don't have an operating fish pond area of at least 10 ha, or a lease contract about at least 10 ha of operating fish pond for at least 10 years, can apply for the construction of an operating fish pond area of at least 10 ha;
- fish farmers who already have an operating fish pond area of at least 10 ha, or a lease contract about at least 10 ha of operating fish pond for at least 10 years can apply for assistance for the construction of a pond area, that does not exceed the maximum amount (HUF 150 million, € 0.6 million) perproject,
- in case of constructing intensive fish production systems, only investment projects utilising geo-thermal energy are eligible for support.

#### 4.2 Construction and reconstruction of fish processing plants:



- the manager of the fish processing plant has appropriate technical skills: special fishery qualification or at least five years of professional experience in fish processing,
- in case of constructing a new plant, only those of small sized capacity (maximum 3 tons/day) are eligible for support.
- the processing plant complies or as a result of the development will comply with the regulations of Act LIII. of 1995 on the general provisions on environment protection, of Act LIII. of 1996 on the protection of the nature, of Act XXVIII. of 1998 on the protection and sparing of animals, and of MARD Decree No. 32/1999 (III.31.) on the animal welfare regulations of keeping agricultural livestock.

#### **4.3. Inland fishing**

- Proof of having a license for fishing.

#### **4.4. Promotion**

- according to the general criteria

#### **4.5. Assistance to producer organisations**

- According to EC Regulation No. 104/2000.

#### **4.6. Innovative measures (pilot projects)**

- the leader of the project aimed at the introduction of innovative technology or technologies has appropriate technical skills: high level qualifications in fisheries specified in Article 14(2) of MARD Decree No. 78/1997. (XI.4.) and at least five years of experience in fisheries.

### **Selection criteria**

Creating and preserving jobs (in the case of all activities supported in the framework of the measure)

#### **4.1. Submeasure (aquaculture):**

- to what extent the investment project improves the whole product chain (from the propagating material through the commodity fish production and through processing),
- positive impact on the environment (flood and excess surface water hazard, preservation and increase of natural values, landscape, environment),
- improvement of the quality, hygiene and animal welfare conditions,
- composition of the fish stock according to species,

#### **4.2. Submeasure (fish processing):**

- ratio of women employed,
- operation in the form of partnership,
- degree of processing (value added).

Eligibility to the selection criteria are specified in the scoring system elaborated for the evaluation of projects.

In the interest of the improvement of the employment of women, Roma people and disabled people, those applicants who envisage for the employment and/or the

improvement of working conditions of the concerned target groups in their employment plans could be awarded three point in a hundred-point scoring-system. When choosing between applications of the same qualification, the following applicants are given preference: women, roma people, handicapped people. Handicap is to be interpreted as a modified working ability, which is to be certified.

In the case of the national and regional level projects, which in the first place improve the employment of the Roma people, a supporting declaration given by the county network of State Roma Self-Government can be considered as an advantage. In the case of microregion and settlement level projects a supporting declaration given by the Local Roma Minority Self-Government could also be considered as an advantage. In those microregions/settlements where a Local Roma Minority Self-Government doesn't exist, those applicants, who intend to apply for applications in connection with the employment of Roma people could request a supporting declaration from the competent county network of the State Roma Self-Government.

**8. Intermediate body:** Agricultural and Rural Development Agency

**9. Recipients (beneficiaries)**

Natural persons, private entrepreneurs active in agriculture or fishery, fisheries associations and groups, and economic organisations, with or without legal personality, operational in Hungary.

**10. Final beneficiaries:** Agricultural and Rural Development Agency

**11. Share of the measure from ARDOP budget:** 1.36%

## 12. Financial plan, 2004-2006

Structural assistance in the fisheries sector	€, current prices				Million HUF, current prices (€=255 HUF)			
	2004	2005	2006	Total	2004	2005	2006	Total
<b>Total cost</b>	2679696	3825700	4956440	11461836	683	976	1264	2923
<b>Total public participation</b>	1339848	1912850	2478220	5730918	342	488	632	1461
<b>Total EU assistance</b>	1026323	1465243	1898316	4389882	262	374	484	1119
ERDF assistance	0	0	0	0	0	0	0	0
ESF assistance	0	0	0	0	0	0	0	0
EAGGF assistance	0	0	0	0	0	0	0	0
FIFG assistance	1026323	1465243	1898316	4389882	262	374	484	1119
<b>Total government participation</b>	313525	447607	579904	1341036	80	114	148	342
<b>Central government participation</b>	313525	447607	579904	1341036	80	114	148	342
<b>Regional participation</b>	0	0	0	0	0	0	0	0
<b>Local participation</b>	0	0	0	0	0	0	0	0
<b>Other public participation</b>	0	0	0	0	0	0	0	0
<b>Private funds to be declared</b>	1339848	1912850	2478220	5730918	342	488	632	1461
EIB loans	0	0	0	0	0	0	0	0,0
<b>Other private funds not to be declared</b>	0	0	0	0	0	0	0	0,0

\* In the line of each measure the HUF amounts are indicative. Amounts calculated at 1999 prices in the National Development Plan and the Operational Programme have been transferred into 2004 prices by using the HUF/Euro multiplier of 255. The contribution from FIFG is calculated in relation to the total cost (11 461 836 €) – including private funds.

### Detailed financial plan(€) :

Submeasure	Share %	FIFG	National	Private	Total cost
		<b>2004-2006</b>			
4.1 Aquaculture	70	3 072 917	990 537	4 821 227	8 884 681
4.2 Processing	10	438 988	141 505	688 747	1 269 240
4.3 Inland fishing	0	0	0	0	0
4.4 Promotion	11	482 887	160 963	0	643 850
4.5 Producer organisations	0	0	0	0	0
4.6 Innovative projects	9	395 090	48 031	220 944	664 065
<b>TOTAL</b>	<b>100</b>	<b>4 389 882</b>	<b>1 341 036</b>	<b>5 730 918</b>	<b>11 461 836</b>

Proportions and rates of assistance for submeasures in the table of the detailed financial plan can be modified by the Managing Authority on the basis of the evaluation of the applications in the given year in such a manner that the total amount of FIFG assistance is not exceeded. Ratio of promotional activities by collectives or organizations to individual applicants as well as that of innovative projects by state owned companies to private enterprises are not exactly specified in the table. Due to changes in the structure of contributions the yearly total values of national and private contributions may vary. Yearly announced rates of assistance do not change.

### 13. Monitoring and assessment indicators

(indicators of projects are contained in EC Regulation No. 366/2001 in connected activities, and results are given in yearly report)

Type of indicator	Indicator	Current situation	Target	Data source	Frequency of measuring
Output	Number of adopted applications according to category types:			Monitoring system	Annually
	4.1. Aquaculture. Construction and reconstruction of fish farms and intensive fish production systems, modernisation of fish hatcheries. (pcs)		25		
	• constructed ponds		6		
	• reconstructed ponds		12		
	• reconstructed fish hatcheries		5		
	• constructed, reconstructed industrial fish production systems		2		
	4.2. Construction and reconstruction of fish processing plants (pcs)		7		
	• constructed fish processing plants (pcs)		5		
	• reconstructed fish processing plants (pcs)		2		
	4.3. Inland fishing (pcs)		25		
	4.4. Promotion (pcs)		18		
	4.5 Assistance to producer organisations (pcs)		2		
	4.6. Innovative measures (pilot projects)(pcs)		5		
	Number of constructed or modernised production units (pcs)		32		
	Number of newly introduced products (pcs)		6		
Value of purchased equipment for natural water fishing (€)		740 000			
Number of reconstructed or modernised intensive fish production systems (pcs)		2			
Result	Number of assisted fish farms and fishery enterprises (pcs)		130	Monitoring system	
	Territory of supported fish farms (ha)		200		
	Increase in the volume of processed products (ton/year)		300		
	Output of the assisted plants per hectare (euro/year)	1300	1400		
	Number of new fishery products, holding quality certificates, in the assisted plants		3		
Impact	Increase of added value created in the assisted plants (%)		2.5	Monitoring system	
	Number of jobs created and preserved owing to the assistance in full job equivalent (FTE, AWU)		180		
	Growth of domestic fish production (ton/year)	11600	400	Nat. Stat. Office	

#### **14. Horizontal objectives**

*Environment:* The measure supports the modernisation of production systems and technologies that abate the load imposed on the environment and comply with the provisions of Act XXVIII. of 1998 on the protection and sparing of animals and with the minimum environmental requirements set forth in Annex 3. of MARD Decree no.32/1999 (III.31.) on the animal welfare regulations of the keeping of agricultural livestock, and with Act XLI of 1997 on fisheries and angling. Furthermore, the utilisation of geo-thermal energy contributes to the protection of the environment.

*Equal opportunity:*

Equal opportunity is entirely provided. The submitted applications are selected under equal conditions. When choosing from applications with the same score, the following applicants are given preference: women, roma people, handicapped people, and applications with a positive influence on the employment of the people concerned. Handicap is to be interpreted as modified working ability, which is to be certified.

#### **15. Legal ground for assistance**

Articles 1-8 of Council Regulation 1263/1999., Articles 6-17 of Council Regulation 2792/1999 amended by Council Regulation 2369/2002., Commission Regulation 438/2001., Commission Regulation 366/2001 and Commission Regulation 104/2000.

State aid schemes concerning actions financed under FIGG within this programme are governed by the provisions of Article 19(2) of Council Regulation (EC) No 2369/2002 of 20 December 2002.

### III.3 SETTING UP OF YOUNG FARMERS

1. **Measure:** 1.3 Setting up of young farmers
2. **Intervention area code:** 112 Setting up of young farmers
3. **Description of the measure:**

*Justification of the measure:*

Similarly to international tendencies, the worsening age structure, i.e. the ageing of farmers performing agricultural activity as a primary occupation can also be detected in Hungary. The average age of private farm managers is 55 years. Relatively few young people choose agricultural basic activity as their primary occupation. However, it is important for the future of agriculture that young, highly qualified and well-prepared entrepreneurs set up economically viable farms, which then would create jobs in rural areas.

*Objectives of the measure:*

**Global targets:**

- to improve the age structure of agricultural labour power,
- to preserve and create jobs,
- to set up economically viable farms

**Specific targets:**

- to increase the number of entrant young farmers (especially women),
- to create harmony with the measure relating to early retirement<sup>11</sup>.

**Operational targets:**

- to encourage young farmers to set up businesses.

*Description of the measure:*

To achieve their goals, young entrepreneurs complying with the criteria and founding their first farm may be allotted a non-repayable single premium and an interest subsidy during the term of the development loan taken for the setting up of the farm. These grants may help to set up the farm, make the activity profitable, create the basic conditions of environmental protection, and provide assistance in further developing the expertise necessary for farming.

As required by Council Regulation (EC) 1257/1999, for providing support under this measure the holdings shall comply with the minimum requirements in the field of environment, hygiene and animal welfare. Table 1 of In Annex VIII.7.lists the minimum requirements to be respected according to the Hungarian legislations.

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<sup>11</sup> Early retirement scheme starts from (as planned) 2006.

#### 4. Categories

Support may be given to the following activities:

- A single provision of capital may be used for the creation of the conditions of agricultural production activities and for the costs of agricultural production. This capital can not be used for the purchase of dwelling places, costs related to dwelling (rent, overhead expenses), purchase of a car or lorry, costs related to the use of cars or lorries (rent of the lease, cost of fuel) and costs of training;
- The subsidy for the interest of the loan which is due over one year may be used for the financing of the purchase, renovation and modernisation of structures necessary for the agricultural activity (except for dwelling places other than outskirt farm sites). It may also be used for the purchase of land for own use (the cost of which can not reach 10 % of the total costs of the development) and for taking over farms from another farmer, who reaches the age of retirement, or, under the early retirement scheme, winding up their farm, and for the renovation and the modernisation of the production capacities of the overtaken farm.

**5. Form of assistance:** non-repayable assistance, which may be disbursed to the beneficiaries in the following forms:

- single provision of capital *and/or*
- interest subsidy,

#### 6. Rate of assistance:

Share of public funds: 100%

Share of EAGGF within the public funds: 75%

*The amount of assistance:*

- a. The upper limit of the single premium is HUF 6,38 million (€ 25 000),
- b. Credit subsidy may as well be granted for loans taken up to finance the costs of starting up the farming activity up to 60% of the three-month Budapest Interbank Offered Rate (BUBOR) valid at the time when the interest is due upon the condition that the applied interest rate does not exceed the three-month BUBOR by more than 3 percentage points, and the net present value of the interest subsidy does not exceed the single provision of capital.

A support higher than the maximum amount referred to in point a) but not exceeding 7,65 million (€ 30 000) may be granted to young farmers resorting to farm advisory services<sup>12</sup> linked to the setting-up of their activity during a period of three years following the set-up. The method for the selection of the advisers as well as the minimum conditions of their accreditation can be found in Appendix No. 9.

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<sup>12</sup> In the field of agriculture fisheries food and forestry (agri-food sector) the experts in well defined cases may have assistance also from public funds to their advisory activity if they are registered in the National List of Advisers conducted in accordance with the rules of the ministerial decree No 51/2001. (VII.31.) MARD. An expert at his own request may be registered if possesses BSC or MSC degree in the agri-food sector or a degree linked with this field, has a professional experience of 5 or 10 years respectively, has complementary knowledge related to the sector (production, technology, law, economy, finance) and also has a clean criminal record and does not follow commercial or broker activity in the sector. The advisors can have accreditation in the National List in 3 fields of expertise at the most, some of these only if they meet additional requirements. The ministry annually checks the professional skills of the registered advisers.

## **7. The cumulation of the Agricultural Development Loan Program and Credit guarantee scheme with ARDOP**

The Agricultural Development Loan Program (ADLP) granted in conformity with Regulation (EC) 1/2004, which was published on the website of the European Commission under the reference number XA6/05<sup>13</sup> applies to the production and first-stage processing of agricultural products and to services related to agricultural products.

The Agricultural Development Loan Program offers a soft loan granted through an exchange rate guarantee that may also be associated with a credit guarantee provided by the Rural Credit Guarantee Foundation and Credit Guarantee Co. Ltd.<sup>14</sup>/Credit Guarantee Ltd.<sup>15</sup> The credit guarantee scheme has been communicated to the Commission in due time as required by Chapter 4 “Agricultural legislation” of Annex IV to the Act of Accession of Hungary and is therefore deemed as an existing aid.

Granting authority for the Agricultural Development Loan Program: Magyar Fejlesztési Bank Rt. – MFB (Hungarian Development Bank Inc.) Nádor street 31., H-1051 Budapest, Hungary.

Granting Authority for the credit guarantee scheme: Agrár-Vállalkozási Hitelgarancia Alapítvány - AVHGA (Rural Credit Guarantee Foundation and Credit Guarantee Co. Ltd.) Kálmán I. street 20., H-1054 Budapest, Hungary/Hitelgarancia Rt. (Credit Guarantee Ltd.) Szép u. 2. H-1053 Budapest, Hungary.

The ADLP and the credit guarantee is cumulated with the assistance under the ARDOP as follows:

The young farmer beneficiaries under this measure may benefit from the Agricultural Development Loan Program with or without the credit guarantee instead of the Credit subsidy defined under point 6) b, provided that the maximum amount of support under this subsidy does not exceed the amount of the single premium granted.

The procedure of applying for the ARDOP support and the assessment the aid content of the cumulated assistance are as follow:

1. The applicant submits her/his project application to the ARDA also indicating that he/she intends to benefit from the Agricultural Development Loan Program with or without credit guarantee.
2. After the process of evaluation the applicant gets a notification by ARDA that the project has been selected for the ARDOP support.
3. With the notifying letter by ARDA the applicant goes to MFB Bank and if relevant, to AVHGA or Hitelgarancia Rt., where he/she gets a statement on the total aid content of the soft loan and/or the credit guarantee from which he/she will benefit if the contract with ARDA is signed.

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<sup>13</sup>[http://europa.eu.int/comm/agriculture/stateaid/exemption/xa605\\_hu.pdf](http://europa.eu.int/comm/agriculture/stateaid/exemption/xa605_hu.pdf)

For additional information on the scheme, please refer to the website of the Hungarian Development Bank: <http://www.mfb.hu/index.php?pageid=512>

<sup>14</sup> <http://www.avhga.hu/>

<sup>15</sup> <http://www.hitelgarancia.hu>



4. With the statement(s) the beneficiary goes to the ARDA for signing the contract. At this occasion she/he must submit a statement saying that she/he will use the soft loan offered by MFB and, if relevant, the credit guarantee offered by AVHGA or Hitelgarancia Rt.
5. ARDA checks that the total cumulated aid amount respects the limits of aid amount set by Regulation (EC) 1/2004 and the contract is signed by both parties.

## 8. Criteria of the selection of projects

### Eligibility criteria:

Applications may be submitted by young private entrepreneurs who are authorised to conduct agricultural activity in Hungary, who start for the first time their own farm, certify the viability of farming by means of an economically justified business plan, and meet the minimum environment protection criteria. Further criteria are:

- the entrepreneur is between 20 and 40 years, not having accomplished the 40th year of age, has technical suitability, holds an agricultural entrepreneur's card, is a registered agricultural producer, has qualifications at least at intermediate level (middle grade specialist), who can prove the fulfilment of this criterion with a certificate (marked OKJ or OSZJ) issued according to Act I. of 1985 on education, Act LXXIX. on public education, the MÜM Decree no. 7/1993 (XII.30.) of the Ministry of Labour on the register of professional qualifications, and the Decree no. 37/2003. (XII.27.)<sup>16</sup> of the Ministry of Education;
- the applicant has proved his/her technical suitability with an at least one year long agricultural experience;
- proves in his business plan the started (taken over) farm complies or will comply within five years after the starting date of the activity with the economically viable farm, the criteria of which is listed in Annex VIII.10, and that the farm carries out such agricultural activity, which is included in the list of Annex VIII.10.
- for the activity of the farm the applicant possesses the land or has a valid land lease contract for at least the duration of the specified period of farming, or assumes that the land will be at his/her disposal within three months after the approval of his/her application;
- he/she continues agricultural activity as it is his/her main occupation, as a private farmer, and the leader of the farm<sup>17</sup>, or if he/she operates the farm as a part time occupation then he/she undertakes that he/she will continue agricultural activity as main occupation within three years at best from the starting date of the activity (In Hungary all the young farmers applying for the setting - up support are the sole heads of their holdings.);
- he/she undertakes that from the time when the farm reaches economic viability he/she continues agricultural activity as a private farmer, the leader of the farm and as main occupation for at least 5 years;

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<sup>16</sup> This Decree keeps in order and regulates all the professional certificates and qualifications that can be given in Hungary, and all of their conditions and parameters.

<sup>17</sup> 1800 working hours, that is 225 working days with 8 working hours. This is the time spent with work by one full time farmer in a year. Part time occupation means that the farmer spends less time with work than a full time farmer

- the farm complies with the rules of the legislation listed in the Attachment VIII.7. concerning the regulations on environmental protection and animal hygiene and welfare, or complies with the regulations within five years from the starting of the business;
- the applicant certifies that he/she possesses the quota (the Treaty of Accession determines quotas for Hungary in respect of certain products (Attachment VIII 2.). In the case of these products the investment cannot result in an increase of production that would exceed the set quotas. The measure necessary for this can be determined based on the data from the competent product board, from the Animal Identification and Registration System regarding the installation of new stock, and from the Agricultural and Rural Development Agency in the case of animal keeping capacities. No support can be given if there is a risk of creating surplus capacities without proven marketing possibilities or of exceeding the relevant quota);
- the applicant demonstrates the relevant sales possibilities.
- no aid may be granted in respect of work already begun or activities undertaken before an application for support has been properly submitted to the ARDA
- the applicant undertakes that the provided capital is not used for the purchase of dwelling places, costs related to dwelling (rent, overhead expenses), purchase of a car or lorry, costs related to the use of cars or lorries (rent of the lease, cost of fuel) and costs of training.

*Applicants shall be natural and legal persons registered in Hungary. Registration is necessary in order to identify all the beneficiaries and control the implementation of the measure (IACS). ). It is not required that the beneficiary is of Hungarian nationality or resides in Hungary, however, the beneficiary has to have an establishment in the country. The establishment is fulfilled either via a primary establishment (registered office, central administration or principal place of business) or a secondary establishment (agency, branch or subsidiary) at the settlement concerned by the project.*

Minimum environment protection criteria:

The environment protection criteria towards investments realised in the framework of the ARDOP are determined pursuant to national and Community legislation and directives listed in Attachment VIII. 7.

#### **Selection criteria:**

When evaluating the applications the following criteria will be considered:

- evaluation of the size, output and viability of the farm,
- membership of producer organisation,
- taking over a farm,
- qualification of the viability of the farm,
- applicant's qualification
- extent of compliance with environment protection, animal welfare and hygienic regulations
- number of established and maintained workplaces,

- experience and time spent in agriculture<sup>18</sup>
- farmers operating in less favoured areas and environmentally sensitive areas<sup>19</sup>.
- In the case of application with the same evaluation, applications submitted by women, roma or handicapped people are given priority.

**9. Intermediate body:** Agricultural and Rural Development Agency

**10. Recipients (Beneficiaries)**

Young farmers whose primary occupation is farming, at the start of their first enterprise.

**11. Final beneficiary:** Agricultural and Rural Development Agency

**12. Share of the measure from ARDOP budget: 1,73%**

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18 Time spent in agriculture more than 1 year (but maximum 3 years) will be acknowledged during evaluation (it is an eligibility criteria to have one year long agricultural experience. In the case of practical experience between one year and three years the applicant gains extra scores at the evaluation of his/her application Even if the applicant spent more than three years with agricultural practice the extra scores do not exceed those that can be gained after three year long experience, as the objective of the measure is to support the setting up of activity.)

19 The classification of the areas is according to 1257/1999 EC Council Regulation Chapter V. Article 20 which is included in the NRDP, to be approved.

### 13. Financial plan, 2004-2006

Setting up young farmers	€, current prices				Million HUF, current prices (€=255 HUF)			
	2004	2005	2006	Total	2004	2005	2006	Total
<b>Year</b>								
<b>Total cost</b>	2799064	3996118	522324	7317506	714	1019	133	1866
<b>Total public participation</b>	2799064	3996118	522324	7317506	714	1019	133	1866
<b>Total EU assistance</b>	2099298	2997088	391743	5488129	535	764	100	1399
<b>ERDF assistance</b>	0	0	0	0	0	0	0	0
<b>ESF assistance</b>	0	0	0	0	0	0	0	0
<b>EAGGF assistance</b>	2099298	2997088	391743	5488129	535	764	100	1399
<b>FIFG assistance</b>	0	0	0	0	0	0	0	0
<b>Total government participation</b>	699766	999030	130581	1829377	178	255	33	466
<b>Central government participation</b>	699766	999030	130581	1829377	178	255	33	466
<b>Regional participation</b>	0	0	0	0	0	0	0	0
<b>Local participation</b>	0	0	0	0	0	0	0	0
<b>Other public participation</b>	0	0	0	0	0	0	0	0
<b>Private funds to be declared<sup>20</sup></b>								
<b>EIB loans</b>	0	0	0	0	0	0	0	0
<b>Other private funds not to be declared</b>	0	0	0	0	0	0	0	0

\* The amounts above are indicative. Amounts calculated at 1999 prices in the National Development Plan and the Operational Programme have been transferred into 2004 prices by using a HUF/Euro multiplier of 255.

<sup>20</sup> Private source is required for taking out loans, if the young farmer wishes to make use of the support from the interest rate in addition to the single provision of capital.

#### 14. Monitoring and assessment indicators

Type of indicator	Indicator	Current situation	Target	Data source	Frequency of measuring
<b>Output</b>	Number of supported applications submitted by young farmers (pc)*		254	Monitoring system	Annually
	<ul style="list-style-type: none"> <li>within this: submitted by women (pc)</li> </ul>		45		
	Detailing of the supported applications according to the types of activity (EMIR)				
	Age composition of applicants (persons)				
	<ul style="list-style-type: none"> <li>under 25 years of age</li> </ul>		180		
	<ul style="list-style-type: none"> <li>between 25 and 30 years of age</li> </ul>		50		
	<ul style="list-style-type: none"> <li>between 30 and 35 years of age</li> </ul>		14		
	<ul style="list-style-type: none"> <li>between 35 and 40 years of age</li> </ul>		10		
	Number of supported applications according to their targets (pc)				
	<ul style="list-style-type: none"> <li>setting up of a new farm</li> </ul>		174		
<ul style="list-style-type: none"> <li>taking over of a farm</li> </ul>		80			
<b>Result</b>	Area managed by young farmers (ha)**	0	2540	Monitoring system	
	Change in the number of farms managed by young farmers***	36	379		
	Average age of farmers taking over farms		25		
<b>Impact</b>	Number of created and preserved jobs in manpower equivalent (FTE, AWU)		274	Monitoring system	

\*The number of accepted applications, presuming that the applicants utilize the full amount of the single capital allowance and the interest support as an average amount of 20 000 EURO.

\*\* The total area of land cultivated by young farmers has been compiled on the basis of criteria of viable farms (Annex I.) and experimental data.

\*\*\* Current situation is represented by number of farms managed by young farmers supported from national sources in 2001;

In 2002 the number of farms managed by young farmers supported from the national budget was 27.

The number of young farmers supported from national funds in 2003 is 62.

## **15. Horizontal objectives:**

*Environment:* In the framework of the measure only such developments can be supported, which comply or will comply with the legislations of the EU-conform Act LIII. of 1995 on the general rules of environment protection, or the applicant undertakes the fulfilment within five years after the approval of the application.

*Equal opportunity:* Equal opportunity is entirely provided. The submitted applications are selected under equal conditions. When choosing from applications with the same score, the following applicants are given preference: women, roma people, handicapped people, and applications with a positive influence on the employment of the people concerned. Handicap is to be interpreted as modified working ability, which is to be certified.

In the case of Roma people a supporting declaration given by the Local Roma Minority Self-Government could mean an advantage. In those microregions/settlements where a Local Roma Minority Self-Government doesn't exist, applicants could request a supporting declaration from the competent county network of the State Roma Self-Government.

**16. Legal ground of assistance:** Title II Chapter II Article 8 of Council Regulation 1257/1999, and Article 1 point 3 of Council Regulation 1783/2003.

## III.4 ASSISTANCE TO VOCATIONAL FURTHER TRAINING AND RETRAINING

**1. Measure:** 1.4 Assistance to vocational further training and retraining

**2. Intervention area code:**

113 Agriculture-specific vocational training: 90%

128 Forestry and fishery-specific vocational training: 10%

**3. Description of the measure:**

*Justification of the measure:*

In Hungary, nearly 30% of private farms managers are not qualified, 64% of them only have a technical qualification of basic degree, while the economical production of good quality and competitive products requires thorough and comprehensive knowledge. Successful adaptation to the changing market conditions is based on the expedient attainment and application of the knowledge of several special fields (vertical farming, marketing, information technology, environmental protection, use of traditional or renewable energy sources, reception and entertainment of guests, command of language, tourism, craftsmanship, business knowledge).

EU accession requires new kinds of knowledge from those acting in agriculture, including forestry. This knowledge is needed partly for operating the farms (business, market and managerial knowledge) and for establishing the channels of safe product sales (networking, association) and for the alternative activities (local food-processing, servicing, craftsmanship, processing, reception and entertainment of guests) that can be associated with agriculture.

The introduction of new farming approaches (organic farming, landscape management) also requires the attainment of special skills, which serve for a better adaptation to the existing local conditions, for the reduction of the pressure on the environment through more proper waste management, cheaper and more rational usage of pesticides and fertilisers.

A special demand for training appears in Roma communities, which have already partly joined special programmes (social land programmes) launched in the past years, and these communities mostly produce for their own needs.

Objectives of the measure:

**Global targets:**

- to improve the employment conditions and opportunities of the participants of trainings;
- to raise the production standard of agriculture as an impact of training projects;
- to safeguard the environmental benefits of agriculture during its development phase.

**Specific targets:**

- to improve the vocational skills and professional standard of those involved in agriculture, mainly of certain social classes and groups (women living in rural

areas, in farming families, Romas involved in agricultural production) and particularly in the field of quality production, hygiene and animal welfare requirements, environment friendly methods, business knowledge;

- to provide environment awareness training on the water-, soil- and air-protection provisions concerning intensive farming (use of fertilisers and pesticides, irrigation and large-scale livestock farming).

**Operational targets:**

- agriculture-specific vocational further training;
- forestry and fishery-specific vocational training;
- special training on agriculture and farm management for Roma communities involved in agriculture;
- dissemination of information about activities pursuable by farmers and their families in order to earn supplementary income.

*Description of the measure:*

Within the measure, only such vocational training can be supported, which provenly contributes to the development of the occupational skills and competence of farmers and of other persons involved in agricultural activities and forestry. This also includes targeted – EU knowledge – training for teachers and trainers, which is not part of the general educational system funded by the European Social Fund under the Human Resources Development Operational Programme or the Operational Programme for Regional Development.

In particular, the measure supports training in the following technical fields:

- ecological and organic farming, including farming with use of manure and pesticides in a way that ensures soil- and water-protection;
- production methods ensuring environmental protection and conservation and enrichment of the landscape;
- management methods in forestry and fishery;
- farm management skills;
- the agricultural system of the European Union, regulating systems of the CAP, regulations related to production;
- alternative, complementary income earning opportunities for those living in rural areas;
- special demands of Roma communities involved in agricultural production;
- mainly small-scale and farm food-processing with consideration of food-safety requirements.

In the case of state accredited basic-level courses or course modules providing vocational qualification according to OKJ (National List of Qualifications) standard (See Annex VIII.9.: The levels of vocational education in Hungary), the EU/CAP regulation on the relevant field is part of the curriculum in every case.

**4.Activities**

(Related intervention area code:

113- Agriculture-specific vocational training;



## 128 Forestry-specific vocational training)

- a. While keeping in mind the global, specific and operational targets of the measure, and giving priorities to the technical fields listed above, the applicant surveys the training needs of farmers (or other potential beneficiaries) in a given area and submits the application including the results of the survey, the number, types, schedules and estimated costs of the training courses to be implemented in accordance with the training needs. In order to meet the training needs of the farmers, the applicant can choose courses from the National List of Qualifications, the requirements of which is set in ministerial regulations. In the case of special local needs, which cannot be satisfied by any of the above courses, the applicant can himself/herself work out the plan of a course. Every course has to include the relevant EU/CAP regulations, particularly those related to environmental, food safety and animal welfare issues. In every case the application has to contain the time schedule, the training program and the examination requirements of the courses, in order that they can be monitored. It is important that the courses planned by the applicant - within the above framework - meet the actual training needs of the farmers, otherwise the attendance of the courses cannot be ensured, and the applicant will not receive any reimbursement for his/her costs. Applications are evaluated by the Agricultural and Rural Development Agency on the basis of project selection criteria listed below (in point 7.). The framework, objectives and priorities of the calls for tenders for the measure are provided by the Managing Authority, benefiting the farmer. Decision on the applications is made by the Managing Authority, meaning that the training needs are decided by the MA.
- b. The winning applicants advertise the training courses for the farmers (or other potential beneficiaries), who are enrolled to the course in the order of their registration. The participants of the courses pay the winning applicant 10% of the cost of the training course (except for the members of Roma communities). The winning applicants complete the training project, then submit the documentation of the courses (list of participants, the lessons held, etc.) as well as the invoices for the eligible costs of the training project.
- c. The winning applicants are reimbursed to 90% (or 100% in the case of special Roma courses) of the eligible costs. No reimbursement will be paid for costs not directly related to the training project or used for financing the applicant's own development. Through this procedure it is ensured that the support is used for the farmers' (and other beneficiaries') further training and retraining.

**5. Form of assistance:** non-repayable assistance.

**6. Rate of assistance:**

Share of public funds: 90% (10% of the eligible justified costs is to be paid by the recipient of the training); in the case of the special agricultural training for Roma communities it is 100%.

Share of EAGGF within the public funds: 75%

Upper limit of assistance for one course: HUF 100,000 /person (€ 392/person); for one contract maximum of HUF 90 million.

*Eligible costs:*

The assistance may be used for:

- compiling and copying teaching materials;
- travel costs and fees of teachers, trainers engaged in the training, and their appropriate EU further training (the latter cannot exceed the 10% of the total cost of the application);
- covering organisational, advertising and administrative costs related to the training courses;
- covering costs related to the practical training which is necessary for the training course (travelling expenses, costs of materials and use of machines);
- covering the costs of the examination or other assessment of the participants' acquired knowledge.

Costs of investments and those of the substitutes, accommodation and boarding of the participants of the training are not eligible under this measure.

## **7. Criteria for the selection of projects**

### **Eligibility criteria:**

- the provider of the training is a natural or legal person having:
  - residence in Hungary or other EU member country, and
  - registration under the Act CI of 2001<sup>21</sup> on adult training, which entitles the provider to implement adult-training;
- the curriculum includes EU agricultural economy knowledge and CAP regulations, as well as special knowledge specified under the description of the measure section;
- in the project, the period of one training may not exceed one year, and the per capita cost may not be higher than the HUF 100,000 upper limit;
- the training courses planned in the application are to be implemented within one statistical region of Hungary, and their total amount of assistance may not exceed HUF 90 million;
- the training course may not be of secondary or higher level;
- the training program contains the EU agricultural economy and CAP knowledge but is not part of the traditional (school) educational system;
- the application contains at least 10 training courses, in the case of intervention area code 128 at least 2 training courses, 40-400 lessons per course, and each course has 20-40 participants;

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<sup>21</sup> The amendment of this Act (no. 106. Act of 2003.) in 3.§ (1) b) sets the provision that the adult training activity implemented in the territory of the Hungarian Republic by foreign organizations or persons is also governed by the said Act.

- applicants should respect the pertinent provisions of the European Communities and the Hungarian legislation on the security of the workplace;
- the training program is in connection with one or more ARDOP priorities;
- no support may be given in respect of work already begun or activities undertaken before an application for support aid has properly been submitted to the ARDA.

**Selection criteria:**

- the standard of personal and material conditions of the theoretical and practical training;
- the degree of contribution of the training to the successful implementation of other ARDOP measures;
- the training being conducted in an agricultural region, being in critical employment situation according to Government Regulation 64/2004 (IV. 15.);
- in the course of the project implementation the applicant takes into consideration the special needs of the target groups of equal opportunity taking part in the training;
- Preference is given to the applications having positive influence on the employment of women, roma people, handicapped people or young farmers;
- the training is specially aimed at the improvement of the opportunities and supplementary income earning of women living in rural areas;
- the training improves the labour market situation, the security of farming and the chances of earning alternative income in the area;
- references of previous trainings of the organisation undertaking the training,
- the proportion of young farmers or women taking part in the training is at least 20%;
- the training provides information on the rules of food-safety, animal welfare or those of environment friendly farming in particular ecological and organic farming, and landscape preservation;
- the amount of the training's per capita cost per lesson..

**8. Intermediate body:** Agricultural and Rural Development Agency

**9. Recipients (Beneficiaries):** are farmers and other people involved in agricultural activities and forestry receiving free (or reduced price) training from natural or legal entities who receive the support as reimbursement for their eligible costs.

**10. Final beneficiaries:** Agricultural and Rural Development Agency

## 11. Share of the measure from ARDOP budget: 1.09%

## 12. Financial plan, 2004-2006

Assistance to vocational training and retraining	€, current prices				Million HUF, current prices (€=255 HUF)			
	2004	2005	2006	Total	2004	2005	2006	Total
<b>Year</b>								
<b>Total cost</b>	1492834	2131263	965109	4589206	381	543	246	1170
<b>Total public participation</b>	1492834	2131263	965109	4589206	381	543	246	1170
<b>Total EU assistance</b>	1119625	1598447	723831	3441903	286	408	185	878
<b>ERDF assistance</b>	0	0	0	0	0	0	0	0
<b>ESF assistance</b>	0	0	0	0	0	0	0	0
<b>EAGGF assistance</b>	1119625	1598447	723831	3441903	286	408	185	878
<b>FIFG assistance</b>	0	0	0	0	0	0	0	0
<b>Total government participation</b>	373209	532816	241278	1147303	95	136	62	293
<b>Central government participation</b>	373209	532816	241278	1147303	95	136	62	293
<b>Regional participation</b>	0	0	0	0	0	0	0	0
<b>Local participation</b>	0	0	0	0	0	0	0	0
<b>Other public participation</b>	0	0	0	0	0	0	0	0
<b>Private funds to be declared</b>								
<b>EIB loans</b>	0	0	0	0	0	0	0	0
<b>Other private funds not to be declared</b>	165871	236807	306799	709477	42	60	78	181

\* In the line of each measure the HUF amounts are indicative. Amounts calculated at 1999 prices in the National Development Plan and the Operational Programme have been transferred into 2004 prices by using a HUF/Euro multiplier of 255.

### 13. Monitoring and assessment indicators

Type of indicator	Indicator	Unit	Current situation	Target	Data source	Frequency of measuring
<b>Output</b>	Number of teachers having received further training related to EU (persons)	person	0	230	ARDA	At the time of checking on completing each vocational training project
	Number of organised training courses	piece	0	800		
	Number of farmers having improved their farming knowledge (and their proportion) by training branches	person		24,000		
	• EU agricultural economy knowledge, CAP regulations	person	0	20,000		
	• Environment protection, "Good Environmental Conditions."	person	0	14,000		
	○ out of which: crop production, horticulture	person	0	8,000		
	○ animal breeding, livestock keeping	person	0	6,000		
	• Animal welfare	person	0	6,000		
	• Food-safety	person	0	2,000		
	• ecological production, organic farming	person	0	2,000		
	• business and farm management training	person	0	4,000		
	• opportunities of alternative income earning	person	0	1,500		
	Number and proportion of young farmers (under 40 years) having received further training and retraining	person	0	7,500		
	Proportion of women out of farmers having received further training or retraining	%	0	15		
Number of Roma people taking part in agricultural training	person	0	900			
<b>Result</b>	Number of those having completed the training courses successfully	person	0	20,000		
	Proportion of those having completed the training courses successfully out of the total number of participants	%	0	83		
<b>Impact</b>	Increase of the number of those having OKJ qualifications	person	0	15,000		
	Improvement of the qualification of women living in rural areas and of disadvantaged minorities (Romas) and of handicapped people.	person	0	5,200		

**14. Horizontal objectives:**

*Environment:* The majority of the planned training courses contain knowledge on environment friendly and sustainable farming methods, as well as on the environmental rules of agricultural production. Thus, as a result of the training courses, it is expected that the pressure imposed on the environment by the agriculture will diminish.

*Equal opportunity:* equal opportunities are fully ensured as stated before.

**15. Legal ground of assistance:**

The measure is to be subsidised on the basis of Article 9 Title II, Chapter III of Council Regulation 1257/1999.

## III.5 IMPROVEMENT OF PROCESSING AND MARKETING OF AGRICULTURAL PRODUCTS

1. **Measure:** 2.1 Improvement of processing and marketing of agricultural products
2. **Intervention area code:** 114 Improvement of processing and marketing of agricultural products
3. **Description of the measure:**

### *Justification of the measure:*

Food industry processes about 80% of Hungarian agricultural products, therefore market competitiveness and efficient operation of the sector is of basic importance both for the entrepreneurs operating in the industry and for those living on agriculture.

Only if appropriate development and investments are realised, does food industry, which traditionally has qualified and experienced manpower and good production traditions, has a good chance to keep its existing foreign markets, improve the standard of local supply and provide predictable conditions and stable marketing possibilities for producers.

Utilisation of opportunities is hindered by financial, technological and technical problems and also by the little willingness of the enterprises to cooperate. The aim of the measure is to eliminate these problems, The overall objective of the measure is to improve the competitiveness of the enterprises. Compliance with EU standards and economic viability are prerequisites of the support.

### *Main strategic elements providing basis for the measure:*

Technological modernisation of **food processing** without increasing primary processing capacities. Increasing concentration parallel to the liquidation of unutilised, obsolete capacities. Improving efficiency and competitiveness, increasing the average processing level of products, in order to improve marketing positions. Improvement of the quality and safety of products. Reduction of the impact on the environment, increasing the efficiency of by-products and wastes utilisation. Establishment of sales associations, production brand associations and regional associations, provision of necessary technical conditions.

### *Objectives of the measure:*

#### **Global targets:**

- to improve the earning capacity of agricultural production and processing,
- protection of the environment,
- to improve human health and welfare.

#### **Specific targets:**

- to improve the competitiveness of enterprises processing agricultural products,
- to rationalise and improve the relation between processing, and the sales channels,
- to improve food safety and the quality of food products,
- to reduce the impact on the environment,
- to improve the working conditions of those working in food processing.

**Operational targets:**

- development projects serving restructuring,
- development projects serving the improvement of modernisation and the reduction of production costs ,
- improvements serving the production of new, higher processed innovative products
- production development projects which help the adaptation to various sales channels,
- development projects related to food safety and quality including organic and ICM products,
- development and modernisation projects within the processing plants for reducing the impact on the environment, aiming at achieving better waste management
- development projects improving working conditions.

*Description of the measure:*

In order to achieve the targets non repayable capital support may be allocated for the enterprises through application to cover their eligible costs which are determined in details in point 6 and in the call for application.

In the framework of the measure those developments will receive support, which reach at least one of the above targets. In the framework of the measure all improvements are eligible for support that are related to the processing and marketing of the products listed in Annex I of the Treaty except for fishery products.

The supported investments cannot expand the existing processing capacities at the national level of those products on which Common Market Organisations impose any restrictions or limitations. No support for enlarging storage capacities involved in market intervention measures can be granted. Support is also excluded or restricted for sectors with surplus capacities and for products which do not show sufficient market prospects. The applicants should indicate their existing capacities and the planned changes, as well as the capacity utilisation. These data should be verified by AKII (Research and Information Institute for Agricultural Economics), and checked by the ARDA during the evaluation of the applications and at the ex-post checks of the projects.

As required by Council Regulation (EC) 1257/1999, for granting support under this measure the processing units shall comply with minimum requirements in the field of environment, hygiene and animal welfare. In Annex VIII.7. Table 1 is introduced which indicates the minimum requirements to be respected according to Hungarian legislation.

According to Art. 28(2) of Council Regulation (EC) 817/2004 the period of grace which the Member States may grant in which to comply with newly introduced standards may not exceed thirty-six months from the date on which the standard becomes mandatory for the small processing units. Table 2 in Annex VIII.7. shows the end of such periods of grace. At the same time, as the preamble of Regulation (EC) No. 567/2004 states: “as a result of accession, farmers in the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia must deal with a large number of new standards based on Community legislation which they have to respect from the date of accession or at the later date. It is essential to provide support to cover at least a part of the cost of investments required to meet those standards.”



## **Project types:**

1<sup>st</sup> project type ('small project') that meets all of the *following conditions*:

- sum of the eligible costs is between HUF 30 and 100 million;
- it does not aim at increasing capacities that are subject to restrictions;
- the applicant does not have another site in another region, or it is not a member of a holding or group of enterprises that have sites/plants in another region, and its market does not exceed the region.

These projects basically aim at modernization, improvement of quality, meeting new regulations etc., and do not have any effect on the structure of the given sector.

The 1<sup>st</sup> type of projects shall be evaluated at regional level.

2<sup>nd</sup> project type ('large project') that meets *any of the following conditions*:

- sum of the eligible costs exceeds HUF 100 million;
- it aims at increasing capacities that are subject to restrictions, compensated in parallel by the same or larger reduction in capacity;
- the applicant has another site in another region, or it is a member of a holding or group of enterprises that have sites/plants in another region.

These projects are complex in general; their implementation has an effect on the market conditions of the product chain and/or the structure of the sector, which exceeds regional level. During their evaluation process the situation of raw material supply, the domestic and export market possibilities, as well as the changes in processing capacities with special respect to the so called sensitive sectors and to those having excess capacities should be taken into consideration at national level. These view points shall be evaluated centrally by the ARDA.

## **Sectors eligible for support**

Within **the main sectors listed below**, investments related to processing products listed in Annex I of the Treaty establishing the European Community (Consolidated version, 1997) can be supported.

**Sectors to be supported are the following:**

### **Meat**

- Meat processing
- Production of meat and poultry products

### ***Supported investments***

Modernisation of the slaughtering, cutting and processing technologies. Establishment of the conditions of traceability, improvement of quality and production safety. Improvement of competitiveness through the increase of efficiency and the reduction of production costs. Increasing the selection and ratio of products that are under voluntary quality certification systems. Reduction of the impact on the environment, Improvement of the conditions of by-product and waste management.

### ***Excluded investments***

- Investments on the slaughter of cattle.

- Investments that result in the increase of pig slaughtering capacities *except* where they are aiming at winding up of obsolete slaughter houses and replacing them with the same or a smaller processing capacity (concentration, specialisation)
- Investments that result in the maintenance of mixed activities *except if* they are aiming at the separation of slaughtering and processing of different animal species (pigs, cattle, sheep), provided that the original slaughtering capacity will not grow.

### **Milk and dairy products**

- Production of milk products

#### ***Supported investments***

Improvement of efficiency and competitiveness in order to retain domestic market positions. Increasing the selection of bio-products. Increasing the ratio of high-processed products. Reduction of the impact on the environment through the spreading of best production practice.

#### ***Excluded investments***

- Investments related to the following milk products: casein, caseinate, lactose, lactose sugar syrup, butter, butteroil, milk powder and whey powder.
- Investments related to the production of fresh products, *except*: investments aiming at the creation of innovative, new products that meet new customer demands; the processing of organic and quality products as determined by Community requirements.
- Investments that exceed the overall amount of the reference milk quotas that the suppliers of the processing plant dispose with.
- Investments aiming at producing imitates or substitutes of milk and milk products.

### **Eggs and poultry**

- Poultry meat processing
- Egg processing

#### ***Supported investments***

Modernisation of the slaughtering, cutting and processing technologies. Establishment of the conditions of traceability, improvement of quality and production safety. Improvement of competitiveness through the increase of efficiency and the reduction of production costs. Increasing the selection and ratio of products that are under voluntary quality certification systems. Reduction of the impact on the environment, improvement of the conditions of by-product and waste management.

#### ***Excluded investments***

- Investments that result in the increase of poultry slaughtering capacities *except* where they are aiming at winding up obsolete slaughter houses and replacing them with the same or a smaller processing capacity (concentration, specialisation).
- Investments that result in the maintenance of mixed activities *except if* they are aiming at the separation of slaughtering and processing of different animal

species (different kinds of poultry), provided that the original slaughtering capacity will not grow.

- Investments that result in an increase of the national overall capacity of egg-processing.

## **Cereals**

- Production of milling products

### *Supported investments*

Consolidation of obsolete, small-size capacities. Establishment of a fewer modern, highly efficient mills. Investments in complete milling technology of min. 150 tons of wheat pro 24 hours capacity (equipment and building, if necessary). Modernisation of parts of milling technology with replacing obsolete equipment. Strengthening integration in order to improve quality and ensure secure basic material supply.

### *Restrictions*

- Investments can be supported only if they aim at contributing to better quality/efficiency and if they do not result in increasing the quantitative capacity of the concerned factories – **except** where an increase in capacity is compensated by the same reduction in capacity (or by a larger size reduction) in the same or another enterprise.
- Investments related to the reception, storage and drying of products that result in the growth of the overall capacity cannot be supported **except** if they aim at establishing a capacity necessary for and not exceeding the own basic material supply of the mill.

## **Oil seeds**

- Production of raw vegetable oil
- Production of refined vegetable oil

### *Restrictions*

- All investments are excluded except investments realised in units with a capacity not exceeding 5000 tons annually suitable for the production of traditional, cold-pressed products of special quality that do not result in the increase of capacity except when capacities of the same or larger size are wound up at the same or another enterprise.

## **Fodder**

- Production of animal fodder

### *Supported investments*

Establishing the conditions of traceability, separation of the production of feed for ruminants from other feeds. Improvement of quality, regulation of feed components and inner values. Reduction of the impact on the environment.

### *Restrictions:*

- Investments can be supported only if they aim at contributing to better quality/efficiency through animal breeding-feeding integrations, and if they do not result in increasing the quantitative capacity of the concerned factories – **except** where an increase in capacity is compensated by the same reduction in capacity (or by a larger size reduction) in the same or another enterprise.

- Investments related to the reception, storage and drying of products that result in the growth of the overall capacity are excluded **except** if they aim at establishing a capacity necessary for and not exceeding the own basic material supply of the plant.

### **Fruits and vegetables**

- Fruit and vegetable juice production
- Production of other fruit and vegetable products

#### *Supported investments*

Improving the packaging and processing technologies in order to increase quality, food safety, shelf life and added value of the products. Establishing traceability systems. Development of innovative products of special character, taking into consideration the changing consumer demands. Strengthening the relationship with suppliers.

#### *Excluded investments*

- Investments related to tomato paste, peeled tomato and other tomato products that would increase the global capacity of the quota stipulated in the relevant CMO.
- Investments to market products supported by the fruit and vegetable common market organizations.

### **Wine**

- Wine production

#### *Supported investments*

Promotion of producers' cooperation for the sake of large volume of even and quality product supply. Promotion of the restructuring of the sector. Improvement of quality and the conditions of market access for keeping the domestic consumers and regaining the confidence of foreign consumers.

#### *Excluded investments:*

- The processing capacity shall not be increased beyond the existing production volume of quality wine.
- No investment aiming at producing table wine are eligible.

### **Other products**

- Production of spices
- Honey production
- Natural vinegar production

The restrictions above do not apply to investments that aim exclusively at the improvement of hygienic conditions, the animal health and the condition of animal keeping, the quality and safety of products, the environment protection and related infrastructure. ('Investments aiming at the welfare of people and the safety of their environment' as per chapter 4 'Supported investments').

## Capacity

Each applicant has to attach to the application a certification of the Research and Information Institute for Agricultural Economics (AKII) which confirms that:

- a) *The beneficiary fulfilled the requirement of Government Decree 155/1998 (IX.30) concerning the obligation of the yearly report on the capacities and*
- b) *The planned investment does not result in capacity increase, which is under restriction*

*The last point is determined based on the following documents, which are submitted to the Research and Information Institute for Agricultural Economics (AKII) together with the request of capacity certificate by the applicant:*

1. *Insert to the request of capacity certificate, in which the applicant details the capacities, affected by the planned investment, which are qualified to be sensitive.*
2. *Official certificate on those expiring capacities, instead of which the applicant wishes to establish new capacities.*

## 4. Supported investments

In the framework of the measure the development of the processing and marketing of agricultural products can be supported, as listed below.

### **Investments aiming at improving competitiveness:**

#### *Restructuring*

- to develop the economical production size of companies by increasing production capacities and by the simultaneous demounting of surplus capacities,
- developments promoting specialisation.

#### *Modernisation and reduction of production costs*

- to modernise outdated technologies, replace machines and equipment,
- to introduce new efficient technologies (with a view to the better utilisation of materials, place, energy, water and labour),
- to develop cold-stores, deep freezers, storage and warehouse capacities equipped with an air control system,
- to modernise, create primary by-product treatment and processing capacities connected to the technology,
- to establish measuring, checking and registering systems necessary for a safe and economical operation,
- to introduce integrated corporate management systems (developing/introducing technical (IT) background for integrated corporate management systems).

#### *Production of new products with a higher added value*

- to introduce environment protective technologies for the production of new products, install up-to-date machines and equipment,
- development of technologies for producing 'health foods',
- development projects aiming at adopting new, modern packing systems,
- development projects assisting the corporate innovation activity,

#### *Adaptation to various sales channels*

- to introduce flexible production systems,
- up-to-date finished product store and dispatch systems,
- to create the technical conditions for the operation of sales associations, production brand associations and regional logistic associations.

#### **Investments aiming at the welfare of people and the safety of their environment:**

##### *Development projects related to food safety and quality including organic and ICM products*

- investment projects for providing safe conditions of producing foodstuffs (purchase of non-technological equipment and devices, outdoor-, area-, wall- and other covers, reconstruction of plants) with special regard to the compliance with the Good Hygiene Practices Manual,
- introduction of systems for the identification, tracing and withdrawal of products (certain components), creation of the technical conditions of quality certification
- putting raw material qualifying systems into operation, and improving the existing ones,
- establishing and developing on-plant laboratories serving the performance of quality and food safety tests, procurement of measuring and checking appliances, foreign material detectors .

##### *Development and modernisation projects within the processing plants serving for the abatement of the load imposed on the environment, for a better reduction recycling and management of wastes*

- investment projects serving the prevention and abatement of pollution emitted into air, water and soil, and the noise load,
- preventing and minimising the production of wastes,
- managing, processing and recycling wastes.

##### *Improvement of working conditions*

- investment projects serving safe performance of work, the protection of health and safety of the workers and the improvement of working conditions,
- development projects serving the in-house vocational training/further training of staff. (Purchasing equipment and fitting up space for training of employees {e.g. training relating to hygiene, safety, working methods/technics/technologies applied in the plant etc})

**5. Form of assistance:** non-repayable capital support.

#### **6. Rate of assistance**

Share of EAGGF within public funds: 75%.

*In case of investments aiming at the improvement of competitiveness:* share of public funds shall be 40%.

*In case of investments solely aiming at the improvement of welfare and safety of people:* share of public funds shall be 45%.

For investments in firms, the contribution from the EAGGF may not exceed 35% of the total eligible cost.

The upper limit of the total assistance for one project is: HUF 500 million (€ 1960 thousand).

Part of eligible costs that are in excess of the assistance must be financed from own sources. The total amount of own sources may consist of external sources (e.g. loans).

*Eligible costs:*

- a) construction and acquisition of real property essential to the investment, except for land purchase; modernisation, expansion and reconstruction of real property,
- b) purchase, and installation of new machines and equipment, including computer software,
- c) general expenses, such as fees of architects, engineers and consultants, purchase of feasibility studies, patents licences in addition to the expenses referred to in clauses (a) and (b) and up to not more than 12%. For the development of new technologies as referred to in Paragraph 4 of Article 25(2) of Regulation (EC) No 1257/1999, the ceiling can be increased up to 25%.

## **7. The cumulation of the Agricultural Development Loan Program and the Credit guarantee scheme with ARDOP**

The Agricultural Development Loan Program (ADLP) granted in conformity with Regulation (EC) 1/2004, which was published on the website of the European Commission under reference number XA6/05<sup>22</sup> applies to the production and first-stage processing of agricultural products and to services related to agricultural products.

The Agricultural Development Loan Program offers a soft loan granted through an exchange rate guarantee that may also be associated with a credit guarantee provided by the Rural Credit Guarantee Foundation and Credit Guarantee Co. Ltd.<sup>23</sup>/Credit Guarantee Ltd.<sup>24</sup> The credit guarantee scheme has been communicated to the Commission in due time as required by Chapter 4 “Agricultural legislation” of Annex IV to the Act of Accession of Hungary and is therefore deemed as an existing aid.

Granting authority for Agricultural Development Loan Programme: Magyar Fejlesztési Bank Rt. – MFB (Hungarian Development Bank Inc.) Nádor street 31., H-1051 Budapest, Hungary

Granting Authority for the credit guarantee scheme: Agrár-Vállalkozási Hitelgarancia Alapítvány - AVHGA (Rural Credit Guarantee Foundation and Credit Guarantee Co.

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<sup>22</sup>[http://europa.eu.int/comm/agriculture/stateaid/exemption/xa605\\_hu.pdf](http://europa.eu.int/comm/agriculture/stateaid/exemption/xa605_hu.pdf)

For additional information on the scheme, please refer to the website of the Hungarian Development Bank: <http://www.mfb.hu/index.php?pageid=512>

<sup>23</sup> <http://www.avhga.hu/>

<sup>24</sup> <http://www.hitelgarancia.hu>

Ltd.) Kálmán I. street 20., H-1054 Budapest, Hungary/Hitelgarancia Rt. (Credit Guarantee Ltd.) Szép u. 2. H-1053 Budapest, Hungary.

The ADLP and the credit guarantee is cumulated with the assistance under ARDOP as follows:

The beneficiaries of the ARDOP who fulfill the requirement of Regulation (EC) 1/2004 (small and medium-sized enterprises active in the production, processing and marketing of agricultural products) may also apply for the Agricultural Development Loan Program. The ADLP may be complemented by the credit guarantee provided that the conditions set by the Rural Credit Guarantee Foundation and Credit Guarantee Co. Ltd (AVHGA)/Credit Guarantee Ltd. (Hitelgarancia Rt.) are met. For any cumulation of assistance the following conditions shall be met.

SMEs who receive support under this measure may cumulate the aid with the soft loan with or without the credit guarantee up to 50% of the total eligible cost, provided that the maximum aid intensities for the cumulated assistance respect the provisions of Commission Regulation (EC) 1/2004.

In any event the maximum aid intensities for the cumulated assistance shall respect the provisions of Commission Regulation (EC) 1/2004.

The procedure of applying for the ARDOP support and the assessment the aid intensity of the cumulated assistance:

1. The applicant submits her/his project application to the ARDA also indicating that he/she intends to benefit from the Agricultural Development Loan Program with or without the credit guarantee.
2. After the process of evaluation the applicant gets a notification from the ARDA that the project has been selected for ARDOP support .
3. With the notifying letter by the ARDA the applicant goes to the MFB Bank and if relevant, to the AVHGA or to Hitelgarancia Rt, where he/she gets a statement on the total aid content of the soft loan and/or the credit guarantee from which he/she will benefit if the contract with the ARDA is signed.
4. With the statement(s) the beneficiary goes to the ARDA for signing the contract. At this occasion she/he must submit a statement saying that she/he will use the soft loan offered by the MFB and, if relevant, the credit guarantee offered by the AVHGA or Hitelgarancia Rt.
5. ARDA checks that the total cumulated aid level respects the limits of the aid intensity set by Regulation (EC) 1/2004 and the contract is signed by both parties



## **8. Criteria for the selection of projects**

### **Eligibility criteria:**

#### ***Special eligibility criteria related to the applicants:***

- The plant involved in the investment shall comply with food hygiene, animal welfare and environmental regulations. (The relevant national legislations are harmonized with the Community legislation).
- Reports and data presenting the actual situation and mid-term targets of the company justify the viability of the company. In order to determine viability, the followings are examined and evaluated: the production condition of the enterprise, raw material supply, the position of sale, policy on quality, the situation of the environment and employment, the financial-economic indices of the enterprise (the earnings after taxes of the two previous closed business years, ratio of own capital within resources, rate of liquidity, asset proportional profitability, own capital proportional profitability, labour proportional undertaking income).
- The applicant has no unfinished project supported in the framework of the measure: No new assistance contract may be concluded with the beneficiary of the assistance till his/her preceding project supported in the framework of the measure is closed except that a supportable investment is implemented in joint venture. In this case it is accepted if a joint partner- whose share in the partnership is not bigger than 25 % has an unfinished project within the framework of the ARDOP. The above statement does not imply to unfinished projects supported under the SAPARD programme. Investments once supported by the SAPARD programme cannot be supported under the ARDOP.
- Applicants should respect the pertinent provisions of the European Communities and the Hungarian legislation on the security of the workplace.
- No support may be granted in respect of work already begun or activities undertaken before an application for support has been properly submitted to the ARDA.

#### ***Special eligibility criteria relating to the application:***

- The application shall comply with at least one of the objectives listed in point 3.
- The investment project should contribute to the improvement of the situation of the particular agricultural production sector. It should provide an appropriate share of the economic profit for the producers of basic products (Council Regulation 1257/99 Article 26, Paragraph (2)). This may be verified by the following: contractual agreements, preliminary contracts, letters of intent concerning the supply of raw material.
- If the project is operated by an agricultural producer licensed to carry out processing activities he/she must purchase more than 20% of the consumed raw material from another primary producer. (In the case of projects operated by producer sales organisations and co-operatives this condition does not apply).
- The applicant must provide sufficient evidence that appropriate sales opportunities are available to the products concerned by the development project (Article 26 (3) of Council Regulation 1257/99). This may be certified by means of the following: contracts, preliminary contracts, letters of intent with the distributors, in the case of new products market analyses and forecasts prepared

by official or professional organisations, market analyses prepared by an independent expert.

- The investment project should aim at processing and selling agricultural products – listed in Annex I of the Treaty establishing the European Community – that originate from the member states of the European Union.
- The investment should comply with the restrictions and limitations resulting from the CMOs and the structural and market positions of the individual sectors.
- Investments of retail level are not eligible for support.

***Selection criteria:***

Selection will be carried out on the basis of evaluation of the project documents provided by the applicant and by the final ranking as a result of the scoring system.

During the selection, evaluation and scoring of applications the following criteria shall be taken into account:

1. Evaluation of present situation and mid-term targets of the company

- production conditions and development strategy;
- raw material supply;
- market possibilities, marketing strategy;
- quality policy, quality strategy;
- environment protection, environment strategy;
- economic, property and financial status and strategy;
- human resources, human strategy;

2. Evaluation of the project

- Existence of management/professionals responsible for managing the project;
- Justification of the investment;
- Meeting the operative objectives of the ARDOP;
- Content and up-to-dateness of the investment;
- Economic/financial evaluation of the investment (value for money, returns etc.)
- Linkage with other projects;
- Sustainability of the project;
- Horizontal issues: impact on the environment, creating/saving jobs, equal opportunity.

3. Sector/national level evaluation of large projects

- Impact of investment on national level processing capacities;
- Evaluation of domestic and export market possibilities of the investment related products;
- Harmony between geographic location of the raw material production and the processing plant;
- Impact of investment on regions of different unemployment conditions;
- Displacement – checking the possible negative effects at regional or national level of the investment (due to the support, displacement of other viable enterprise in the field of raw material, market or labour);
- Reality/risks of financial feasibility.

The evaluation of small projects shall be carried out upon points 1 and 2, the evaluation of large projects shall be done upon points 1, 2 and 3.

**9. Intermediate body:** Agricultural and Rural Development Agency

**10. Recipients (Beneficiaries):** Eligible for support are legal entities, economic organisations without legal entity and their associations that are registered and operating in Hungary, if the assisted investment is realised in Hungary and have a licence for operation in the agricultural processing sectors (except the processing of fish) listed in Annex I. of the Treaty, and complies with the national requirements.

*Registration does not involve any requirement of nationality or residence in Hungary but only the establishment in the country. It is not required that the beneficiary is of Hungarian nationality or resides in Hungary, however, the beneficiary has to have an establishment in the country (registered office, central administration or principal place of business), or a secondary establishment (agency, branch or subsidiary) at the settlement concerned by the project.*

**11. Final beneficiaries:** Agricultural and Rural Development Agency.

**12. Share of priority/measure from ARDOP budget:** 14%

**13. Financial plan, 2004-2006**

Improvement of processing and marketing of agricultural products	€, current prices				Million HUF, current prices (€=255 HUF)			
	2004	2005	2006	Total	2004	2005	2006	Total
<b>Year</b>								
<b>Total cost</b>	13839815	19758580	25598500	59196895	3529	5038	6528	15095
<b>Total public participation</b>	13839815	19758580	25598500	59196895	3529	5038	6528	15095
<b>Total EU assistance</b>	10379861	14818935	19198875	44397671	2647	3779	4896	11321
<b>ERDF assistance</b>	0	0	0	0	0	0	0	0
<b>ESF assistance</b>	0	0	0	0	0	0	0	0
<b>EAGGF assistance</b>	10379861	14818935	19198875	44397671	2647	3779	4896	11321
<b>FIFG assistance</b>	0	0	0	0	0	0	0	0
<b>Total government participation</b>	3459954	4939645	6399625	14799224	882	1260	1632	3774
<b>Central government participation</b>	3459954	4939645	6399625	14799224	882	1260	1632	3774
<b>Regional participation</b>	0	0	0	0	0	0	0	0
<b>Local participation</b>	0	0	0	0	0	0	0	0
<b>Other public participation</b>	0	0	0	0	0	0	0	0
<b>Private funds to be declared</b>								
<b>EIB loans</b>	0	0	0	0	0	0	0	0
<b>Other private funds not to be declared</b>	20759723	29637870	38397750	88795343	5294	7558	9791	22643

\* In the line of each measure the HUF amounts are indicative. Amounts calculated at 1999 prices in the National Development Plan and the Operational Programme have been transferred into 2004 prices by using a HUF/Euro multiplier of 255.

#### 14. Monitoring and assessment indicators

Type of indicator	Indicator	Data source	Current situation	Target
<b>Output</b>	<i>Number of accepted applications (pcs)</i>	ARDA	0	200
	Number of assisted projects broken down according to operational targets (pcs)	ARDA	0	
	<ul style="list-style-type: none"> <li>development projects serving restructuring</li> </ul>	ARDA	0	20
	<ul style="list-style-type: none"> <li>development projects serving the improvement of modernisation and the reduction of production costs</li> </ul>	ARDA	0	55
	<ul style="list-style-type: none"> <li>improvements serving the production of new, higher processed innovative products</li> </ul>	ARDA	0	35
	<ul style="list-style-type: none"> <li>production development projects which help the adaptation to various sales channels</li> </ul>	ARDA	0	15
	<ul style="list-style-type: none"> <li>development projects related to food safety and quality including organic and ICM products</li> </ul>	ARDA	0	35
	<ul style="list-style-type: none"> <li>Encouraging the better utilisation or elimination of by-products and wastes development and modernisation projects within the processing plants for reducing the impact on the environment, aiming for better waste management</li> </ul>	ARDA	0	25
	<ul style="list-style-type: none"> <li>development projects improving working conditions</li> </ul>	ARDA	0	15
	Number of assisted projects broken down according to sectors (pcs)	ARDA	0	
	<ul style="list-style-type: none"> <li>Meat</li> </ul>	ARDA	0	45
	<ul style="list-style-type: none"> <li>Milk and dairy products</li> </ul>	ARDA	0	25
	<ul style="list-style-type: none"> <li>Eggs and poultry</li> </ul>	ARDA	0	30
	<ul style="list-style-type: none"> <li>Other animal products</li> </ul>	ARDA	0	5
	<ul style="list-style-type: none"> <li>Cereals</li> </ul>	ARDA	0	15
	<ul style="list-style-type: none"> <li>Oil seeds</li> </ul>	ARDA	0	5
	<ul style="list-style-type: none"> <li>Protein seeds</li> </ul>	ARDA	0	10
	<ul style="list-style-type: none"> <li>Wine</li> </ul>	ARDA	0	25
	<ul style="list-style-type: none"> <li>Fruits and vegetables</li> </ul>	ARDA	0	30
	<ul style="list-style-type: none"> <li>Other products</li> </ul>	ARDA	0	10
<b>Result</b>	No. of supported enterprises	ARDA		150
<b>Impact</b>	Increase of the gross added value at the enterprises implementing developments (%)	ARDA		2
	Increase in the value of agricultural products purchased by enterprises implementing different investments (%)	ARDA		6

## **15. Horizontal objectives:**

*Environment:* Observance of environmental regulations is an eligibility criteria.

The support level of environmental investment projects will be higher.

*Equal opportunity:*

Equal opportunities are fully ensured as it is stated before. The submitted applications are selected under equal conditions.

When choosing from applications with the same score, those applicants are given preference, who at the planning stage of the project and its implementation, takes into account the special needs of women, Roma people and handicapped people, as well as ensures their accessibility to the physical environment.

In the case of the national and regional level projects that improve in the first place the employment of Roma people, a supporting declaration given by the county network of the State Roma Self-Government, in the case of microregion and settlement level projects a supporting declaration given by the Local Roma Minority Self-Government could be mean an advantage. In those microregions/settlements where a Local Roma Minority Self-Government doesn't exist, those applicants who intend to apply for applications in connection with the employment of Roma people could request a supporting declaration from the competent county network of the State Roma Self-Government.

## **16. Legal ground for assistance**

Articles 25-28 of Council Regulation 1257/1999.

## III.6 EXPANSION OF RURAL INCOME EARNING OPPORTUNITIES

### 1. **Measure:** 3.1 Expansion of rural income earning opportunities

3.1.1 Diversification of agricultural activities and activities related to agriculture

3.1.2 The marketing of quality agricultural products,

3.1.3 Encouragement of tourist activities,

3.1.4 Encouragement of craft activities related to farms

### 2. **Intervention area code:**

1304 The marketing of quality agricultural products (19%)

1307 Diversification of agricultural activities and activities related to agriculture (30%)

1310 Encouragement of tourist activities (46%)

1311 Encouragement of craft activities related to farms (5%)

### 3. **Description of the measure:**

#### *Justification of the measure:*

In rural areas, the number of job opportunities outside agriculture is low, which is worsened by the fact, that employment within agriculture is reducing. The employment situation in rural areas is worse than the national average (higher rate of unemployment). The income level in agriculture is the lowest among all economic sectors and the differences are growing. The level of processing and local added value of agricultural products is low, the range of products is poor and the characteristics of the areas enabling product diversity (energy plantations, region-specific products). The quality of local products is uneven and low, there are few local products having quality certification. Marketing channels for local quality agricultural products are missing. The standard of product marketing and producers' marketing knowledge is poor. The utilisation of landscape, natural and cultural values of the rural areas for tourism is low. The quality and capacity of village accommodation and tourist services is low. Valuable artisan traditions still exist in rural areas the preservation of which is a vital element of tradition keeping, employment and the area's individual character.

#### *Target of the measure:*

#### **Global targets:**

- to preserve and create jobs,
- to maintain and increase the economic viability and the income/revenue level of rural enterprises,
- to create wider sources of income earning opportunities.

**Specific targets:**

- to develop the quality and range of local products/services,
- to increase the efficiency of marketing,
- to increase the added value of local products

**Operational targets:**

- to diversify agricultural activities:
  - to develop the production and processing of high-quality local agricultural (food and non-food) products, encourage the production of quality products,
- to market quality agricultural products,
  - to establish and develop the marketing instruments and sales channels of local quality agricultural products (food and non-food),
- to develop tourist, craft and small-scale industrial activities,
  - to develop craft activities,
  - to develop rural and agricultural tourism.

*Description of the measure:*

The measure focuses on rural areas in the narrower sense (settlements with a population density less than 120 heads/km<sup>2</sup> or with a population less than 10.000). The measure aims at expanding the range of agricultural and non-agricultural activities, with special emphasis on specific, excellent quality products that are not necessarily of agricultural kind, and the production and processing of food and non-food products, as well as on the improvement of the marketing possibilities of the produced goods.

*Geographical coverage of the measure:*

Eligible settlements are those, where population density does not exceed 120 persons/km<sup>2</sup> and whose population does not exceed 10,000 persons. (List of eligible settlements is included in Annex VIII.4.).

**4. Submeasures****4.1 Submeasure: Diversification of agricultural activities:**

*Intervention area code: 1307 - Diversification of agricultural activities and activities close to agriculture, to provide multiple activities or alternative incomes*

*Activities:*

1.) Development of small-scale production of region-specific, market niche products, including: food and non-food, (amongst which renewable energy crops) as a new activity within the farm.

The following products are eligible for support:

- Minor animal rearing
- mammals (bred for food, sport, hobby (except for their fur)
- birds (for food, sport, hobby)
- Game breeding (except for game park, game preserve)
- Herbs, spice and aroma plants (collection, growing, preparation for sale, except for red pepper)

- Plantations: walnut, chestnut, peanut, almond, currant, raspberry, blackberry, elderberry, gooseberry, traditional species (included in the list of Traditions – Tastes – Regions as traditional species) of cherry, sour cherry, plum and apricot.
- Mushroom (collection, preparation for sale)
- Snail (breeding and preparation for sale)
- Forestry by-products and other plants (collection and preparation for sale)
- Other forestry fruits: cranberry, buckthorn, whitebeam, cornel cherry, quince, medlar, rose (rosehip), lavender (collecting, growing, preparation for sale)
- Energy plantations
  - - perennial herbage: Hungarian brome, reed canary grass, Chinese reed
  - - woody energy plantations:
    - Energy wood
    - Energy wood plantation
    - recropping energy wood plantation
      - shooting energy wood plantation

The characteristics of the supported new activities are small-scale, labour intensive, resulting in other than agricultural mass products. The products eligible for support under this submeasure are listed below and excluded from support of measure "Investments in agricultural holdings"

2.) Development of small-scale processing of raw material for food and non-food products, widening the selection of products - as far as some food products are concerned, due to an integrated approach being followed, which would make it difficult to split the projects aiming at diversification General requirement that minimum 20% of the raw material of processed products should come from another farm, or processed collectively with the co-operation of farmers. In any event, for farm investments the same eligibility conditions as stated under measure "Investment in agricultural holdings" will apply.

3.) Improvement of product quality, design and packaging (development of packaging technology, design and improvement of appearance). The aim of the support is to comply with binding standards and the quality certification systems for SMEs.

4.) "Product development by improving product quality, introducing new quality schemes, brands, trademarks, setting-up of product/production demand systems (Terms of References) and ensuring the compliance with the existing ones recognised at European level (Council Regulation 2081/92 and 2082/92) and at national level (for which the criteria indicated in Council Regulation 1783/2003 will apply)". According to the text of the ARDOP, the above development projects concerning food-products, which already have been registered under one of the schemes below.

Quality schemes regulated in Hungary in accordance with Commission Regulation (EEC) No 2081/92 (EEC) No 2082/92<sup>25</sup> and (EEC) No. 2092/1991 and other national schemes for which the criteria of Council Regulation (EC) No. 1783/2003 apply:

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<sup>25</sup> which were repealed and substituted with Council Regulations No. 509/2006 and 510/2006.



- a.) Act 1997/XI on the protection of geographical indications and designations; implementing rules: 78/2004 Gov. Decree, 16/2004 Ministry of Justice Decree
- b.) 58/2004. MARD Decree on the specific character for agricultural products and foodstuffs (the Hungarian wording of the legislation is: “special traditional characteristics”)

The operational duties of the certification system is conveyed by the MARD, in assistance with the Hungarian Council for Protection of Origin.

- c.) Traditions-Tastes-Regions collection,

The Traditions - Tastes - Regions programme was launched in 1998 as part of the EU financed Euroterritoires initiative aiming at enhancing the collection and economic utilisation of traditional, area specific agricultural products. The legal basis of the programme is Gov. resolution 87/1998. (V.6.) on the detailed rules of protection of geographical indications and designation of origin of agricultural and food products, and the MARD Ministerial decree 1/1998 (I.12.) on the certification of traditionally special characteristics of products. The above legislations are fully in line with Commission Regulation (EC) No 2081/92 and 2082/92.

The programme is professionally well established and directed by a National Council involving several MARD Departments, the Agricultural Marketing Centre (AMC), other relevant ministries as well as professionals in the field of catering and trade, tourism, media, food sciences, anthropology etc. The programme was financed by the French Government, the Phare and the AMC. The collection is being put together according to EU rules with the involvement of French and other EU experts.

- d.) **140/1999 MARD Decree on** the organic production, commercialisation and indication of agricultural products and foodstuffs implementing rule: 74/2004 MARD Decree.

- e.) Points 25-27. of 2. § of Act XVIII. of 2004 on vine-growing and the handling of wine,, that is, quality wines according to the following national schemes: quality wine produced in specific production areas; wine of protected origin and “*Tokaji*” speciality wines.

Support can be given to producers participating in quality assurance systems accredited by the EU or at national level in accordance with the above EC regulations. The conditions of national support do not make any restrictions to applicants from any EU Member States (Article 28 of the Contract): these supports will be transparent and open to all producers, and in compliance with the principles indicated in EC Regulation No 1783/2003.

Information, promotion and advertising activities may not concern commercial brands owned by individual companies as promotion of an individual product from a specific producer.

#### **4.2. Submeasure: Marketing of quality agricultural products**

*Intervention area code: 1304 - The marketing of quality agricultural products*

*Activities:*

Establishment and development of marketing instruments and sales channels of characteristically local, excellent quality agricultural products,

- support for the purchase of assets and/or specific services (not regarded as current actual cost) helping the marketability of products acknowledged by quality certification systems,
- establishing market outlets and networks specialised in the marketing of local, high quality agricultural and handicraft products.
- marketing of quality agricultural goods through organisation of exhibitions, fairs, collective (groups of individual producers having joint quality certification or producers', processors' organisations), participation, preparation of publications, establishment and development of sales points specialised in the marketing of quality products etc..

Regarding small processing units investing in order to comply newly introduced minimum standards Chapter VI. a, Paragraph 13 of Council Regulation 1783/2003 will apply.

#### **4.3 Submeasure: Encouragement of tourist and craft activities**

*Intervention area code:*

*1310 - Encouragement of tourist activities,*

*1311 - Encouragement of craft activities related to farms*

*Activities:*

1) Encouragement of craft activities:

- purchase of machinery and other equipment of handicraft enterprises, product development, marketing,
- development of marketing activities in order to improve market access and sales opportunities (marketing material, publications etc.)
- establishment of exhibition rooms, workshops,

2) Encouragement of rural tourism:

- development of existing private rural accommodation (up to 10 beds per accommodation), improvement of comfort rate,

- establishment of new private rural accommodation (up to 10 beds per accommodation),
- establishment and development of rural tourist services directly connected to private rural accommodation provision or farming activity with special regard to:
  - - traditional village catering and quality gastronomy services, (except catering trade: pubs, restaurants)
  - - angling-tourism services,
  - - development of wine tourism and cultural tourism (infrastructure of wine routes, tasting places, advertising materials etc.)
  - - development of other sport and leisure-time activities

The demarcation between this measure and the Regional Development Operational Programme and the Economic Competitiveness Operational Programme financed from the ERDF is as follows:

#### Handicraft activities:

- The ARDOP supports micro and small enterprises pursuing handicraft activities classified in Annex I of XVI law of 1994 (list of handicraft professions). These activities produce individual or small series products with small-scale method and can be categorised as traditional handicraft, folk craft, folk-art or industrial folk-art. The eligible activities are listed in Annex VIII.5.
- The listed activities are excluded from the Economic Competitiveness Operational Programme. The Regional Development Operational Programme (OPRD) does not support development of such kind.

#### Tourism:

- For the development of tourist accommodation the basis for separation is Government Resolution No. 110/1997 on the utilisation of private accommodation<sup>26</sup> for tourist purposes and Ministerial Decree no. 45/1998 on the categorisation of commercial and paying guest<sup>27</sup> accommodation and on the qualification of rural accommodations<sup>28</sup>. These decrees form the legal basis for the separation of commercial and rural accommodation categories, on the basis of which the exact separation of the measures of the two OP-s can be done.
- In the case of tourist accommodation ARDOP supports on-farm tourist accommodation and “rural accommodation” that is private accommodation with a capacity of up to 10 beds in location other than cities, tourist and health resorts (frequented and non-frequented). The Regional Development Operational Programme supports commercial accommodation. Every tourist development or tourist activity is obliged to be registered and qualified. One activity/accommodation can only fall into one category so that overlapping is excluded.

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<sup>26</sup> The category of private accommodation includes two sub-categories, the paying guest accommodation and rural accommodation

<sup>27</sup> Private accommodating activity with up to 10 places of accommodation in cities, in frequented resorts and health resorts, in resorts or health resorts.

<sup>28</sup> Private accommodating activity with up to 10 places of accommodation in other places than cities, frequented resorts and health resorts, resorts or health resorts.

In the case of the development of tourist services, the ARDOP supports services directly related to the development of on-farm and rural accommodation defined above. The beneficiaries (rural accommodation providers, farmers) are excluded from the Regional Development Operational Programme tourist related service development component.

**5. Form of assistance:** non-repayable assistance

**6. Rate of assistance:**

In the case of production and procession of tourist, handicraft and non-annex I. Products (which are not included in Attachments No VIII.5.) maximum support that can be given to the beneficiaries falls under the “de minimis” principle. The support based on Commission Regulation No. 69/2001 can only be given as “de minimis” support if the measure allocates state support for activities which are beside production, processing and marketing listed in Annex I of the contract.

**Diversification of agricultural activities:** (submeasure 4.1)

*For investments in firms:*

Share of public funds within the total eligible cost: 45%.

The share of EAGGF within public funds: 75%.

For investments in firms, the contribution from the EAGGF may not exceed 35 % of the total eligible cost.

Maximum total eligible cost of the development in case of investment: HUF 30 million (€ 117640)

**Marketing of quality agricultural products** (submeasure 4.2):

*For collective development:* share of public funds as a general rule 80% of the total eligible costs. The share of EAGGF within public funds: 75%.

*In case of individual applicants for investments in firms:*

Share of public funds within the total eligible cost: 45%.

The share of EAGGF within public funds: 75%.

For investments in firms, the contribution from the EAGGF may not exceed 35 % of the total eligible cost.

Maximum total eligible cost of development in case of investment: HUF 30 million (€ 117 640), in the case of development not regarded as investment: HUF 8 million (€ 31 373)

**Development of rural tourism and craft activities:** (submeasure 4.3)

*For investments in firms:*

Share of public funds within the total eligible cost: 45%.

The share of EAGGF within public funds: 75%.

For investments in firms, the contribution from the EAGGF may not exceed 35 % of the total eligible cost.

Maximum total eligible cost of the development

- for development of rural tourism: HUF 20 million (€ 78 431),
- for development of craft activities: HUF 30 million (€ 117 640)

*Eligible costs:*

*In case of a submeasure 4.1 diversification of agricultural activities:*

*Activity 1-3:*

- purchase of real property up to 10% of total cost of development
- construction costs of the refurbishment and reconstruction of existing buildings and costs of building new ones, purchase of technological machinery and equipment,
- purchase and installation of technological machinery, equipment, assets (except passenger cars),
- first procurement of the stock<sup>29</sup> up to maximum 20% of the total costs of tangible assets,
- general costs: engineer fees, elaboration of plans, expert fees, purchase of patents and licences, notary, public procurement costs, one-time costs of tests legally compulsory for introducing the product on the market and one-time cost of quality certification up to maximum 12% of the total eligible cost of the development project,
- costs associated with the marketing of the product(s) up to 15% of the eligible total costs (market-survey, feasibility and marketing study, design of products' appearance, leaflets, product-specific mobile showroom stands for fairs, extra costs arising from participation fee at occasional trade fairs).

*Activity 4:*

- cost directly linked to the development of new qualifications, brands, trademarks, setting-up of product/production demand systems (Terms of References) in accordance with the relevant EU regulations
- costs directly linked to national or Community level recognition of denominations of origin or certificates of specific character.

*In case of submeasure 4.2 marketing of quality agricultural products:*

- costs of the refurbishment and reconstruction of existing buildings and of building new ones for direct marketing of quality products
- purchase and installation of, equipment, assets (except passenger cars),
- first procurement of the stock<sup>30</sup> up to maximum 20% of the total costs of the tangible assets,

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<sup>29</sup> One time procurement of stock that is needed to start production activity such as empties (reusable assets for packaging and moving products, such as pallets, boxes, battles etc.), labels etc. Due to the low liquidity of the micro enterprises, supporting the first procurement of such material is essential to start up small businesses.

<sup>30</sup> One time procurement of stock that is needed to start production activity such as empties (reusable assets for packaging and moving products, such as pallets, boxes, battles etc.), labels etc. Due to the low

- costs associated with the marketing of product(s) – excluding promotion costs - up to 15% of the eligible total costs (market survey, marketing and feasibility study, design of products' appearance, leaflets, product-specific mobile showroom stands for trade fairs, sampling accessories, extra costs arise from participation fee at occasional trade-fairs,).
- general costs: engineer fees, elaboration of plans, expert fees, public procurement and notary fees, purchase of patents and licences, one-time costs of tests legally compulsory for introducing the product to the market up to maximum 12% of the total eligible cost of the development project.

*In the case procurement of assets and/or services that support the marketability of products certified by quality standard systems, organisation of exhibitions, displays, fairs, preparation of display materials for uniform appearance at exhibitions, in the case of participation:*

- costs of procurement of equipment and assets necessary for the organisation of exhibitions, fairs and displays;
- costs of preparation of publications for the marketing of products and of exhibition instalments;
- certified by invoice, the costs of participation at exhibitions, fairs and displays for the marketing of products,
- certified by invoice, the costs of procurement of services necessary for the organisation of exhibitions, fairs and displays.

*In case of submeasure 4.3 development of tourist and craft activities:*

- construction costs of refurbishing and reconstructing of existing buildings and costs of building new ones,
- in the case of craft activities, costs of on-site terrain corrections, park planting, car parking up to maximum 20% of the total eligible cost of development,
- in the case of tourist developments, costs of on-site landscaping, park planting, car parking,
- purchase and installation of equipment, assets (except for passenger cars),
- first procurement of the stock<sup>31</sup> up to maximum 20% of the total costs of the tangible assets,
- costs associated with the sales of product(s), with their marketing, up to maximum 15% of total the eligible costs (design of appearance, marketing actions),
- general costs: cost of engineering, expert and counselling fees, notary, public procurement costs, up to maximum 12% of the total eligible cost of the development project,

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liquidity of the micro enterprises, supporting the first procurement of such material is essential to start up small businesses.

<sup>31</sup> One time procurement of stock that is needed to start production activity such as empties (reusable assets for packaging and moving products, such as pallets, boxes, battles etc.), labels etc. Due to the low liquidity of the micro enterprises, supporting the first procurement of such material is essential to start up small businesses.

## 7. Criteria of the selection projects

### 7.1. Eligibility criteria

- no public debts,
- the place of the realisation of the project (in case of services the place of residence or registration of the applicant) is situated in an eligible settlement (see list of eligible settlements in Annex 5.,
- the applicant must comply with the rules concerning the beneficiaries,
- verification of ownership or right for sole use (effective leasing contract for at least 5 years) of the place of the realisation of the investment (not applicable in case of services),
- existence of licences and certificates required for activity and the implementation of the investment. According to the relevant regulation, the permission for investment may include the certification of the competent veterinary and environment protection authorities stating that the activity of the applicant complies with the minimum environment protection requirements and, in the case of food production, with the food safety and hygiene regulations. Regarding small food processing units investing in order to comply with the newly introduced minimum standards, the compliance with Paragraph 13, chapter VI a of Council Regulation No. 1783/2003 13 will apply by the end of the investment.
- declaration of the availability of own contribution,
- the total investment cost and/or maximum assistance rate does not exceed the eligibility thresholds described in the measure,
- certified economic viability based on business and marketing plans and balance sheets for the previous three years,
- Economic viability:  
An enterprise is to be considered as economically viable if it justifies that the EBIT (the result of the enterprise before taxation) of any of the previous two years is not negative. In the case of applicants with a fully completed business year the EBIT of the completed business year is not negative. In the case of applicants with an open business year the assessment of viability is completed on the basis of the balance sheet and the planned result of the business plan.
- the applicant or a permanent employee of the applicant possesses at least intermediate professional education (with OKJ (National List of Qualifications) or OSZJ (National List of Professions) certification according to the regulation 7/1993 (XII.30.) MÜM<sup>32</sup> and the Act I. of 1985 on Education) and/or minimum 3 years certified professional experience,
- in the case of nature protected areas, the permission of the competent nature protection authority on the activity (not applicable in the case of providing services)
- for the production of bio-products, the contract on control with the certified control organisation,
- the protection of health and safety of the workers and the improvement of working conditions,

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<sup>32</sup> This Decree keeps in order and regulates all the professional certificates and qualifications can be given in Hungary, and all of their conditions and parameters.

No aid may be granted in respect of work already begun or activities undertaken before an application for support has properly been submitted to the ARDA.

*Further requirements in the case of agricultural product production:*

- the product, the production of which is to be supported is among the products listed in the description of the measure.
- declaration of applicants that the activity aimed by the investment is new, resulting in new products.

*Further requirements in the case of food production:*

- all conditions listed in ANNEX VIII.7. (**minimum requirements**) for the **environment hygiene and animal welfare** should be respected. According to Paragraph 3 of Art. 3 of Council Regulation (EC) No. 1257, where investment is made in order to comply with newly introduced minimum standards relating to the environment, hygiene and animal welfare, support can be granted in order to comply with the new standards.
- the applicant's declaration in the case of non-qualified food processing: at least 20% of the processed products derive from another farm, or a valid cooperation contract, that the activity to be supported is carried out by the co-operation of more farmers,

*Further requirements in the case of herb products:*

- Compliance with the 37/1976 (X.29.) MT Regulation on the testing of herbs and oils, their certification and monitoring, and Paragraph 12 of Government decree No. 4/1997 (I.22.) on the operation of shops and conditions of commercial activities.

*Further requirements for the development of products acknowledged by quality certification systems, and in the case of procurement assets and/or services (not qualifying as current actual costs) that promote the marketing of the products acknowledged by quality certification systems*

- compliance with the relevant Council Regulations Nos.: 2081/92, 2082/92<sup>33</sup>, 2092/91 and 1783/2003.
- compliance with the Act XI of 1997 on the protection of trademarks and geographical marks
- compliance with the 87/1998 (V.6.) Government Regulation on detailed conditioning of geographical trademarks of agricultural products and food
- compliance with MARD Decree 58/2004 (IV.24) as regards the operation of quality assurance system concerning agricultural products and food products
- compliance with MARD Decree 140/1999 on the organic production, commercialisation and indication of agricultural products and foodstuffs and MARD Decree 74/2004 on the implementing rules thereof
- compliance with points 25-27 of 2. § of Act XVIII of 2004 on vine-growing and the handling of wines.

*Further requirements for rural tourism development:*

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<sup>33</sup> which were repealed and substituted with Council Regulations No. 509/2006 and 510/2006.



- Application can be submitted in eligible settlements (see Annex 4.) that are not regarded as health resorts or special recreational areas according to Government Regulation 110/1997 (VI.25.) on the utilisation of private residences for tourism or as shore settlements according to Annex 2 of Act CXII. of 2000.
- certificate of official registration by the local notary as private accommodation provider or the applicant's statement that after accomplishing the investment but before starting operation he/she provides proof of being registered.
- Further requirements for handicraft development
- the supported activity is part of the handicraft activities listed under Annex VIII.5 of the supported activities

## 7.2 Selection criterias:

- rational and justification of the need for the development,
- number of jobs created and preserved by the development,
- proof of that, as a result of the development, the activity of the applicant moves towards higher quality and/or, as a result of the development, the range of the activity or the selection of the products will be greater
- increase of income of those directly affected by the development,
- sphere and scope of the development, number of those directly affected by the development,
- partnership and compliance with the micro-regional agricultural and rural development strategy and linkage other plans,<sup>34</sup>
- pheasibility and rationality of the timing of the development,<sup>35</sup>
- organisation and authenticity of the management responsible for the implementation of the development
- positive impact on the environment of the development, environmental sustainability
- in the case of equally scored developments, positive effect on women and the most disadvantaged social groups are favoured.
- in the case of equally scored developments, developments implemented in the settlements concerned by the 1<sup>st</sup> cadence of the Vasarhelyi-Plan (Act LXVII. of 2004. on implementation the increase of safety of Tisza-valley and the rural and regional programme (improved Vasarhelyi-Plan) of the concerned area) are favoured (only in the case of submeasure "Diversification of agricultural activities")
- Providing equal opportunity:

Equal opportunity is entirely provided. The submitted applications are selected under equal conditions. When choosing between applications with the same score, the following applicants are given preference: women, roma people, handicapped people and applications with a positive influence on the employment of the people concerned. Handicap is to be interpreted as a modified working ability, which is to be certified. In

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<sup>34</sup> The rural development managers of the micro regions should prove that the application does not contain elements that have opposite affect on the region than that included in the micro-region's agricultural and rural development programmes approved by the MARD.

<sup>35</sup> The time schedule of the implementation of the development is well justified and feasible.

case of Roma people applicants and applicants, who undertake the employment of Roma people, it is necessary to enclose a supporting declaration given by the Local Roma Minority Self-Government. Where a Local Roma Minority Self-Government doesn't exist applicants have to apply for the above mentioned declaration from the competent county network of the State Roma Self-Government. The application increases the correspondence to the aspects of the equal opportunity, therefore the chance of obtaining the support in the case of applications of the same qualification, if the applicant takes the special demands of the above mentioned groups into account in the phase of the project planning and realization, and also if the applicant proves that access is easy to the physical environment.

#### **8. Intermediate body:** Agricultural and Rural Development Agency

#### **9. Beneficiaries**

##### **General eligibility:**

Natural and legal persons registered in Hungary. Registration is necessary in order to identify all the beneficiaries and control the implementation of the measure (IACS). It does not involve any requirement of nationality or residence in Hungary but only the establishment in the country. The establishment is fulfilled either via a primary establishment (registered office, central administration or principal place of business) or a secondary establishment (agency, branch or subsidiary) at the settlement concerned by the project.

*Sub-measure 4.1:* registered small-scale agricultural producers (őstermelő), private entrepreneurs, micro- and small enterprises (according to the Act XCV of 1999) registered in Hungary and other legal entities conducting agricultural activities.

*Sub-measure 4.2:* private entrepreneurs, micro- and small enterprises conducting agricultural (TEÁOR<sup>36</sup> 01.1, 01.2, 01.3, 01.05, 05.0) or food-industrial (TEÁOR 15) activities whose products already have or as a result of the development will have one or more of the certificates below <sup>37</sup>:

- Traditions-Tastes-Regions
- geographical trademark
- certification of traditional and specific product
- state certification of organic production
- quality wines according to the following national schemes: quality wine produced in specific production areas; wine of protected origin and "Tokaji" speciality wines
- or other certification recognised in the EU.

Application can be submitted by cooperations or associations with a valid cooperation contract for at least five years in accordance with the regulations. Individual producer can also apply if the product is certified or as a result of the investment going to be certified by one of the listed certifications. Exception is made to activities aimed at

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<sup>36</sup> TEÁOR: National Registration of Activities and Sectors

<sup>37</sup> to the extent that these have been designed and implemented in conformity with the provisions of Council Regulation (EC) 1257/1999, in particular of Art. 24b, and in respect of wine according to Council Regulation (EC) 1493/1999.

the development of sales premises specialised on the marketing of quality agricultural products and activities aimed at the organisation of exhibitions, fairs and displays.

*Sub-measure 4.3:*

- craft: private entrepreneurs, micro- and small enterprises, other legal entities licensed for the activity,

- rural tourism: local resident natural persons; private entrepreneurs, micro- and small enterprises (according to the Act XCV of 1999) established at the settlement concerned by the project. In the case of rural accommodation development - the provider of the service is a registered rural accommodation-provider or will become by the completion of the development.

Further condition among the beneficiaries of tourist service providers is that the provider must conduct agricultural (TEÁOR<sup>38</sup> 01.1, 01.2, 01.3, 01.05, 05.0) or food-industrial (TEÁOR 15) activities and/or must be a registered rural accommodation provider.

**10. Final beneficiary:** Agricultural and Rural Development Agency

**11. Share of the measure from ARDOP budget: 3,8%**

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<sup>38</sup> TEÁOR: National Registration of Activities and Sectors

## 12. Financial plan, 2004-2006

Expansion of rural income earning opportunities	€, current prices				Million HUF, current prices (€=255 HUF)			
	2004	2005	2006	Total	2004	2005	2006	Total
<b>Year</b>								
<b>Total cost</b>	5909135	8436248	1714012	16059395	1507	2151	437	4095
<b>Total public participation</b>	5909135	8436248	1714012	16059395	1507	2151	437	4095
<b>Total EU assistance</b>	4431851	6327186	1285508	12044545	1130	1613	328	3071
<b>ERDF assistance</b>	0	0	0	0	0	0	0	0
<b>ESF assistance</b>	0	0	0	0	0	0	0	0
<b>EAGGF assistance</b>	4431851	6327186	1285508	12044545	1130	1613	328	3071
<b>FIFG assistance</b>	0	0	0	0	0	0	0	0
<b>Total government participation</b>	1477284	2109062	428504	4014850	377	538	109	1024
<b>Central government participation</b>	1477284	2109062	428504	4014850	377	538	109	1024
<b>Regional participation</b>	0	0	0	0	0	0	0	0
<b>Local participation</b>	0	0	0	0	0	0	0	0
<b>Other public participation</b>	0	0	0	0	0	0	0	0
<b>Private funds to be declared</b>								
<b>EIB loans</b>	0	0	0	0	0	0	0	0
<b>Other private funds not to be declared</b>	656571	937361	1214411	2808343	167	239	310	716

\* In the line of each measure the HUF amounts are indicative. Amounts calculated at 1999 prices in the National Development Plan and the Operational Programme have been transferred into 2004 prices by using a HUF/Euro multiplier of 255.

### 13. Monitoring and evaluation indicators

Type of indicator	Indicator	Data source	Current situation	Frequency of measuring	Target (2006)
<b>Output</b>	<ul style="list-style-type: none"> <li>• Number of supported applications out of which:</li> <li>• diversification</li> <li>• marketing</li> <li>• tourism</li> <li>• handicraft</li> <li>• micro ventures</li> <li>• SME</li> </ul>	monitoring	0 0 0 0 0	annually	730 220 240 180 70 470 320
<b>Result</b>	<ul style="list-style-type: none"> <li>• Increase of added value of products/services getting to market from the supported ventures (%)</li> </ul>	The average marketed value (marketed quantity average price) the year before submission	*	annually	20%
<b>Impact</b>	<ul style="list-style-type: none"> <li>• Number of jobs created and preserved out of which:</li> <li>• jobs occupied by women</li> <li>• Southern Plain</li> <li>• Northern Plain</li> <li>• Northern Hungary</li> <li>• Middle Hungary</li> <li>• Middle Transdanubia</li> <li>• Southern Transdanubia</li> <li>• Western Transdanubia</li> </ul>	application, questionnaire	0		260 150 57 49 44 10 31 47 21

\*The sold amount (the amount sold multiplied by the average price of sales) by the enterprises one year prior to the submission of the application.

#### **14. Horizontal objectives**

*Environment:* A basic condition of the development projects is compliance with the minimum environmental requirements certified by an authority. Development projects that have a positive impact on the environment (waste, by-product recycling etc.) will be given preference.

*Equal opportunity:* equal opportunities are fully ensured as stated under the section selection criteria.

#### **15. Legal ground for assistance**

Article 33 of Council Regulation 1257/1999

### **III.7 DEVELOPMENT AND IMPROVEMENT OF INFRASTRUCTURE CONNECTED WITH THE DEVELOPMENT OF AGRICULTURE**

**1. Measure:** 3.2 Development and improvement of infrastructure related to agriculture

3.2.11 Collective investments aimed at the development of irrigation systems

3.2.12 Collective investments of water damage prevention

3.2.21 Construction and rehabilitation of unnumbered roads (only marked with topographical codes) specifically designed for outskirt agricultural and forestry purposes and of related infrastructure

3.2.22 Establishment/development of modern energy supply for agricultural enterprises, with special regard to the development of the use of renewable energy by agricultural farms

3.2.23 Construction, rehabilitation, modernisation and extension of local markets

3.2.3 Land improvement, amelioration

**2. Intervention area code:**

1301 Land improvement, amelioration: 7,83%

1308 Agricultural water resources management: 28,95%

1309 Development and improvement of infrastructure connected with the development of agriculture: 63,22%

**3. Description of the measure:**

*Justification of the measure:*

Agricultural infrastructure is not consistent with the changed ownership and land use structure. No access is provided to certain agricultural areas, some plots can hardly be reached. Most of the agricultural road network and the related infrastructure are deficient and in a poor, neglected condition. Amelioration and water development did not follow the changes in the ownership and farm structure.

Irrigated and reclaimed/meliorated land has a low share (the proportion of actually irrigated area is 53,2% as compared to that of permitted, accounting for app. 2% of the total agricultural area). Water management structures that ensure stability and calculability of agricultural production (replacement, storage and retention of irrigation water) are missing. Besides, excess surface waters also cause problems: the multiannual average inundation of land by excess surface waters affects 85 thousand ha, which may, in extreme cases, approximate to 600 thousand hectares. Inundation by excess surface waters is very frequent. During the last 57 years there have only been 3 years (1973, 1976 and 1990) without serious land-drainage operations. In the past few years there were a shortage of financial resources for the maintenance and development of the drains above the ones owned and managed by the government (19% of the lengths of the channels). 46% of the drainage network (19 600 km) is owned by the government but used by water management associations; municipalities own 4%, while 31% is

privately owned. It is typical that some areas are endangered by both floods and droughts as well. There is no harmony between the management of water surpluses and shortages. In certain areas the degradation of soil (erosion, deflation) is considerable: erosion damages 2.3 million ha, mostly hilly areas, while the size of areas threatened by deflation is about 1.4 million ha.

For a number of agricultural enterprises and farms, insufficient energy supply is a major problem. At this moment, the utilisation of renewable sources of energy (solar energy, biomass, etc.) has not entered in the energy panorama.

In rural areas, the number of local markets and buying up facilities endowed with an infrastructure suitable for the local sale of products is low, this is why most products change hands in large towns and are then returned to rural areas, which results in considerable price rises.

The measure concentrates first of all on non-revenue generating investments, moreover, generally, revenue-generating investments are not allowed to apply for. In some cases however, revenue generation is possible, but in these cases (e.g. energy supply) the rate of assistance is substantially lower than in the other submeasures. The Intermediate Body (ARDA), in the course of evaluating the applications, assesses whether the given investment in infrastructure generates substantial net revenue on a project by project basis. From the business plan and the project description it can be judged clearly if the investment directly generates substantial revenue or not.

*Objectives of the measure:*

**Global targets:**

- to increase the level of income and revenue of farms and agricultural enterprises,
- to improve production, living and working conditions in rural areas,
- to create and maintain jobs,
- to protect the environment and improve its condition.

**Specific targets:**

- to improve accessibility and energy supply, specially renewable energy to farms,
- to improve production and marketing conditions and enhance crop security,
- to improve product quality,
- to improve irrigation water management,

**Operational targets:**

- to construct and renovate agricultural roads and related infrastructure,
- to establish and develop energy supply to agricultural premises,
- to develop local markets and buying up facilities, wholesale markets,
- to develop irrigation systems and waterwork facilities,
- to improve agricultural land, to make it suitable for extensive utilisation,
- to prevent, reduce or avert damages due to excess surface waters by improving the conditions of the local public water management facilities,

*Description of the measure:*

As a result of this measure and assistance the necessary background infrastructure may be created, which enables the farmers to increase crop security and production efficiency, improve the quality and marketing of products as well as decrease pollution



at the same time. As a result, the often-lacking conformity between the land ownership/use structure and the serving infrastructure network may be improved.

*Geographical coverage of the measure:*

This measure is horizontal, i.e. it is not limited to eligible rural areas in the narrow sense according to Priority 2.

#### **4. Submeasures**

##### **4.1 Submeasure: Agricultural water resources management (1308)**

Support is provided for the infrastructure of water facilities - except for waters and facilities owned exclusively by the state defined in the Act LVII. of 1995 on Water Management - managed by water management associations of local governments and land users in order to improve the performance of such facilities, mitigate water damages directly caused to farmers and bring waters and linked water habitats into good ecological condition. This includes:

*Activities:*

###### **4.1.1 Activity: Collective investments aimed at the development of irrigation systems<sup>39</sup>**

In the framework of construction and modernisation for irrigation water supply: ensuring water acquisition, storage (up to one million m<sup>3</sup>), transportation and distribution, flow control, including the installation of stabile technologies, machinery and the secuder electricity line and its accessories as well. Investments of water management and supply facilities for irrigation, draught prevention and water supply to fishponds.

###### **4.1.2 Activity: Collective investments of water damage prevention:**

Establishment, development and renovation of agricultural waters and water management facilities for the prevention and averting damages caused by the inundation of excess surface waters, for the security of agricultural production and for the achievement and maintenance of the good ecological condition of waters and water habitats. The supportable investments include the establishment of new public water management facilities (constructing drains, reservoirs up the a capacity of one million m<sup>3</sup>, facilities for the retention and flow control), investments aiming at the improvement of the capacity and operational safety of the existing facilities (expansion and modernisation of pump stations, expansion of the cross-section of drains) and the restoration of the original condition according to a valid water management licence (e.g. water-course dredging, renovation of structures, reconstruction of reservoirs).

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<sup>39</sup> Collective investments are developments where the owners or managers of outskirt waters and water facilities are cooperations or associations of agricultural producers, organisations involving several producers and associations of local governments.

In the framework of Submeasure 4.1 only collective, out-of-farm investments can be supported that include transportation of irrigation water to farms. Transportation of irrigation water within a farm is supported under the title Investments of farms.

The difference between Submeasures 4.1 and 4.2 is in the objective of the activities. If the primary objective of the Submeasure is a development investment, i.e. the applicant wants, for economic reasons, to improve the quality or security of his/her products by the development of irrigation, the application belongs to Submeasure 4.1.1. If the basic objective is to prevent or avert damages, the activity belongs to Submeasure 4.1.2.

#### **4.2 Submeasure : Development and improvement of infrastructure connected with the development of agriculture (1309)**

##### *Activities:*

##### **4.2.1 Activity: Construction and rehabilitation of unnumbered roads (only marked with topographical codes) specifically designed for outskirts agricultural and forestry purposes and of related infrastructure:**

Construction or reconstruction of dust-free or paved outskirts roads (only marked with topographical codes). Construction or reconstruction of ditches, gutters, hard shoulders, bridges, culverts, drains and other facilities serving the drainage of rainwater. Planning, permissions and opening to usage. The applicant is entitled to transfer the mortgage to another of his/her own assets in case the asset subject to development is not accepted as mortgage.

##### **4.2.2 Activity: Establishment/development of the modern energy supply to agricultural enterprises, with special regard to the development of the use of renewable energy<sup>17</sup> by agricultural farms**

Purchase and installation of technologies and machinery for on-farm energy production and distribution. Increase of capacity, network development, designing, licensing. Installation and distribution of electricity and gas from the network to farms. Connection to other heat networks. Construction of buildings and facilities directly connected with the investment. In the case where the project is co-financed by the applicant and the supplier and the established infrastructure (pipes, transformers, cables) does not become the property of the project owner (applicant), but remains the property of the supplier the base for support (eligible cost) is only the share paid by the applicant. This has no influence on the fact that the agricultural supplier is the beneficiary of all of the support. It must be allowed, that the applicant puts the mortgage on other asset in his/her possession.

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<sup>17</sup> Developments which are to use renewable energy have an advantage during project selection

### **4.2.3 Activity: Construction, rehabilitation, modernisation and extension of local markets**

Construction, renovation and extension of local markets and buying-up facilities, making them comply with the standards. Building and renovation of covered and/or open-air market places, storage and warehouse facilities, waste storage premises, rooms for other services, public rooms and premises for authorities. Purchase of appliances, machinery and technology (weighting, machinery supporting loading and unloading etc.). Establishment of the necessary infrastructure such as energy, water, parking facilities, roads etc. Planning and procurement of permissions.

### **4.3 Submeasure: Land improvement, amelioration (1301)**

Establishment and renovation of amelioration and soil protection structures and facilities serving the protection of agricultural areas from erosion, deflation and leaching, carried out by the collective of several farmers (e.g. TЭСZ, BЭСZ). Such investments are, for example: amelioration road network, gutters and their structures, construction and maintenance of engineering structures, removal of ravines, redundant roads and ditches, terracing, planting of protective wood belts<sup>40</sup>.

*The demarcation with the activities supported by the ERDF in the Regional Development Operational Programme and in the Environment and Infrastructure Operational Programme is as follows:*

*In the case of the development of roads:*

The ARDOP only supports the development of unnumbered roads (only marked with topographical codes) outside residential areas, while the RDOP supports the development of roads numbered with 4-5 digits and roads in residential areas managed by the local self-governments.

*In the case of energy supply development:*

The ARDOP supports exclusively infrastructure related to the energy production supplying farms and the related agricultural activities. All other activities for energy production are supported under the EIOP.

**5. Form of assistance:** non-repayable assistance

**6. Rate of assistance:**

*As a general rule: 75% of the total eligible costs.*

*In the case of construction, rehabilitation, modernisation and extension of local markets: 65% of the total eligible costs.*

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<sup>40</sup> Not eligible as individual development only as part of a land improvement project.

*In the case of public investments in micro regions* falling under the the 3<sup>rd</sup> column of Annex 1-2 and 4. of Gov. Regulation 64/2004.(IV.15.)<sup>41</sup> 85% of the total eligible costs.

*In the case of public investments* (local governments) the rate of public participation is 100%.

*In the case of energy supply:*

For enterprises, as a general rule 50% of the total eligible costs and 60% in less favoured areas. Where investments are undertaken by young farmers, these rates are 55% and 65% in less favoured areas. In any event, investments generating substantial net revenue, the contribution from EAGGF shall respect the limit set by Article 29 4. (a) of Regulation (EC) 1260/1999 as 50 % of the total eligible costs.

In the case where the project is co-financed by the applicant, and the supplier and the established infrastructure (pipes, transformers, cables) does not become the property of the project owner (applicant), but remains the property of the supplier the base for support (eligible cost) is only the share paid by the applicant.

The share of EAGGF within public funds: 75%

Maximum amount of support per project: HUF 80 million (€ 313 720), in the case of activity 4.2.2 HUF 60 million (€ 235 254), activity 4.2.3.: HUF 25 million (€ 98 040)

Minimum amount of assistance per project: HUF 0,5 million (€1 960)

*Eligible costs:*

- costs of real property purchase up to 10% of the total cost of development,
- costs related to the development, rehabilitation and reconstruction of natural establishments and artificial establishments (buildings),
- costs of the purchase of technology, machinery, appliances and equipment<sup>42</sup>,
- “network development contribution” paid by the applicant as part of the total investment cost,
- in the case of activity under submeasure 4.3. propagating material and planting of aboriginal vegetation as a one time investment, which is part of the project,
- operational and maintenance cost are not eligible.
- general cost: engineer’s fees, public procurement and notary fees, costs of planning, costs of feasibility studies and designs, expert and counselling fees, costs related to authorisation procedures up to 12% of the total eligible cost of development.

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<sup>41</sup> The annex referred contains the list of beneficiary micro regions of regional development. Beneficiary micro regions are grouped into three main categories. 1) socially-economically under-developed, 2) structural changes in the industry, 3) rural development. The ARDOP prioritise settlements belonging to micro regions included in the 3<sup>rd</sup> column.

<sup>42</sup> under submeasures 4.1 and 4.3 the machinery costs are eligible for support if the machinery stays in the ownership of the collective for at least 5 years of operation.

## 7. Criteria for the selection of the project

### 7.1. Eligibility criteria

- no public debts,
- the place of the implementation of the project is in Hungary
- certification of ownership or right for sole use (effective leasing contract for at least 5 years) of the place of the implementation of the investment,
- the applicant must comply with the rules concerning the beneficiaries,
- declaration of availability of own contribution,
- total investment cost and/or maximum assistance rate do not exceed the eligibility thresholds described in this measure,
- all the necessary permissions and certifications issued by the relevant authorities (identified in detail as compulsory annexes)
- in the case of activities under paragraph 4.2.2 the applicant or an employee of the applicant possesses in relation to the activity affected by the development at least intermediate professional education (with OKJ (National List of Qualifications), OSZJ (National List of Professions) certification according to regulation 7/1993 (XII.30.) MÜM<sup>43</sup> (Ministry of Labour) and the Act I. of 1985 on Education) and/or minimum 3 years certified professional experience.
- the water supply unit to be renewed or built shall be covered at least 70 % by the already existing or new irrigation facility
- in the case of water development management projects, permissionis issued by the competent water management authority
- the protection of health and safety of the workers and the improvement of working conditions

No support may be granted in respect of work already begun or activities undertaken before an application for support has properly been submitted to the ARDA.

### 7.2 Selection criteria

#### *General criteria*

- impact area and extent of the investment and the number of those affected,
- evidence regarding the proposed outcome, viability and economic, environmental and operational sustainability of the project (personnel, physical and financial conditions for maintenance/operation). In the case of energy supply for agricultural investments, developments aiming at using renewable energy have priority
- conformity with the micro regional agricultural and rural development strategy, linkage with other projects.
- number of jobs created and preserved by the development,
- necessity and justification of the development,
- impact of the development on the environment,
- reality and efficiency of the timing of the implementation,

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<sup>43</sup> This Decree keeps in order and regulates all the professional certificates and qualifications which can be given in Hungary, and all of their conditions and parameters.

- organisation and authenticity of the management responsible for the implementation of the development,
- economic sustainability verified by the financial plan of the operation,
- in the case of equally scored developments, positive effect on women and the most disadvantaged social groups are favoured.
- in the case of equally scored developments, developments implemented in the settlements concerned by the 1<sup>st</sup> cadence of the Vasarhelyi-Plan (Act LXVII. of 2004 on implementation the increase of safety of Tisza-valley and the rural and regional programme (improved Vasarhelyi-Plan) of the concerned area) are favoured

*Further criteria for activities 4.1.1., 4.1.2, 4.2.1 and submeasure 4.3.*

- conditions of farming (accessibility, energy supply, irrigation water supply, local natural endowments, crop security and marketability) will improve,
- quality of products affected by the development will improve,
- the income of those affected by the development will increase.

*Further criteria for submeasure 4.3.*

- number of services and functions offered on the market

**8. Intermediate Body:** Agricultural and Rural Development Agency

**9. Beneficiaries**

**General eligibility:**

Natural and legal persons registered in Hungary. Registration is necessary in order to identify all the beneficiaries and control the implementation of the measure (IACS).. It is not required that the beneficiary is of Hungarian nationality or resides in Hungary, however, the beneficiary has to have an establishment in the country. The establishment is fulfilled either via a primary establishment (registered office, central administration or principal place of business) or a secondary establishment (agency, branch or subsidiarity) at the settlement concerned by the project.

In the case of activities under paragraph 4.1.1:

- associations of legal entities and economic organisations without legal entity
- water management associations maintaining public water management facilities according to Act no. LVII. of 1995;

In the case of activities under paragraph 4.1.2:

- water management associations maintaining public water management facilities according to Act no. LVII. of 1995;
- associations of local governments and/or associations of farmers whose primary occupation is farming and/or agricultural entrepreneurs owning or maintaining water and water management facilities located on agricultural land;

In the case of activities under paragraph 4.2.1 and 4.2.3:

- local governments, legal entities and economic organisations without legal entity and their associations.

In the case of activities under paragraph 4.2.2:

- legal entities and economic organisations without legal entity and their associations.

In the case of activities under submeasure 4.3:

Associations of legal entities and economic organisations

**10. Final beneficiary:** Agricultural and Rural Development Agency

**11. Share of measure in ARDOP budget:** 12.52%

## 12. Financial plan, 2004-2006

Development and improvement of infrastructure connected with agriculture	€, current prices				Million HUF, current prices (€=255 HUF)			
	2004	2005	2006	Total	2004	2005	2006	Total
<b>Total cost</b>	12378082	17671719	22894839	52944640	3156	4506	5838	13501
<b>Total public participation</b>	12378082	17671719	22894839	52944640	3156	4506	5838	13501
<b>Total EU assistance</b>	9283561	13253789	17171129	39708479	2367	3380	4379	10126
ERDF assistance	0	0	0	0	0	0	0	0
ESF assistance	0	0	0	0	0	0	0	0
EAGGF assistance	9283561	13253789	17171129	39708479	2367	3380	4379	10126
FIFG assistance	0	0	0	0	0	0	0	0
<b>Total government participation</b>	3094521	4417930	5723710	13236161	789	1127	1460	3375
<b>Central government participation</b>	1679883	2398305	3107157	7185345	428	612	792	1832
<b>Regional participation</b>	0	0	0	0	0	0	0	0
<b>Local participation</b>	1414638	2019625	2616553	6050816	361	515	667	1543
<b>Other public participation</b>	0	0	0	0	0	0	0	0
<b>Private funds to be declared</b>								
EIB loans	0	0	0	0	0	0	0	0
<b>Other private funds not to be declared</b>	5304893	7573594	9812074	22690561	1353	1931	2502	5786

- In the line of each measure the HUF amounts are indicative. Amounts calculated at 1999 prices in the National Development Plan and the Operational Programme have been transferred into 2004 prices by using a HUF/Euro multiplier of 255.

### 13. Monitoring and evaluation indicators

Type of Indicator	Indicator	Current situation	Target	Data source	Frequency of measurement (Periodicity)
<b>Output</b>	Number of accepted applications (pcs) of which:	-	560	Monitoring system	annually
	– roads		200		
	– energy		125		
	– water resources management, amelioration		165		
	– local markets		170		
<b>Result</b>	Number of agricultural enterprises and settlements affected by development of which		2015	Monitoring system	annually
	– municipality		305		
	– micro-enterprise		299		
	– SME		1360		
	– female entrepreneur (person)		40		
	– South Great Plain		443		
	– North Great Plain		383		
	– North Hungary		342		
	– Central Hungary		81		
	– Central Transdanubia		242		
	– South Transdanubia		363		
– West- Transdanubia		161			
<b>Impact</b>	Number of jobs created/maintained (pcs) of which	-	100	Monitoring system	annually
	– jobs filled by women		30		
	– South Great Plain		22		
	– North Great Plain		19		
	– North Hungary		17		
	– Central Hungary		4		
	– Central Transdanubia		12		
	– South Transdanubia		18		
– West- Transdanubia		8			



#### **14. Horizontal objectives**

*Environment:* A prerequisite for developments is to ensure compliance with environmental regulations. The reduction of environmental load as a result of reduced transportation distance and the improvement of efficiency in irrigation water consumption as a result of modernisation of irrigation systems have a substantial positive effect on the environment. The prevention and decrease of erosion, deflation, excess surface water and flood risk, as well as the improvement of agricultural land improves the balance of the environment and the quality of landscape. This measure supports the utilisation of renewable energy in agriculture, as a result of which the emission of greenhouse gasses and air pollution may reduce.

*Equal opportunity:* The measure improves the closing up of the less favoured settlements, hereby indirectly the realization of equal opportunities.

#### **15. Legal ground for assistance**

- Article 33 of Council Regulation 1257/1999

## **III.8 RENOVATION AND DEVELOPMENT OF VILLAGES AND PROTECTION AND CONSERVATION OF RURAL HERITAGE**

**1. Measure:** 3.3 Renovation and development of villages and protection and conservation of rural heritage

**2. Intervention area code:**

1306 Renovation and development of villages and protection and conservation of the rural heritage

**3. Description of the measure:**

*Justification of the measure:*

- Gradual degradation of the rich intellectual, cultural, man-built and natural heritage of rural areas;
- Structural erosion of the cultural landscape and local communities, gradual disappearance of natural and historic landscape components, growing alienation and migration;
- Lack of exploitation of economic opportunities lying in the preservation and development of natural and cultural heritage.;

*Objectives of the measure:*

**Global targets:**

- to reduce migration from rural areas,
- to improve living conditions in rural areas,

**Specific targets:**

- to improve rural settlement and environment,
- to preserve and renew man-built, natural and cultural heritage and local identity,

**Operational targets:**

- to support investments aimed at improving villages and their natural environment, maintaining at the same time the original community and economic functions and creation of new ones,
- to preserve and improve the condition of the natural and historic landscape, and the landscape elements
- to form and develop community places

*Description of the measure:*

Through the activities supported under this measure the living environment and the physical and aesthetic conditions of villages can be reserved and developed. Exploring, acknowledging and conserving the values enhance the collective identity of local people. The natural and man-built valuables, with their acknowledgement and maintenance, can be given new functions, which may contribute to the improvement of local employment and income situation. It may compensate the negative effects of regional disparities and decrease migration.

## Geographical coverage of the measure

Eligible settlements are those which belong to the administrative category of the village.

### 4. Activities:

- 1) Revitalization and development of existing buildings for local multi-functional purposes: external and internal renovation of buildings, which impair the appearance of a settlement for community and/or economic purposes, establishment of multifunctional buildings, with the maintenance of function and addition of new functions (except the compulsory functions of the municipalities (Act LXV. of 1990 on the municipalities) and private housing)
- 2) Renovation of buildings and elements of the settlement structure (at least three units, which can be buildings, fences, monuments etc.), maintaining or improving architectural value.
- 3) Renovation of (historical/architectural) monuments, other buildings and structures with a cultural value as well as of historical and archaeological values.
- 4) Improvement and protection of natural values and landscape elements, preserving landscape (renewal of alleys, terraces, etc., restoration of local ecosystems, watercourses, brook/river channels, etc.). Establishment and rehabilitation of playgrounds, community areas and green areas for community use.

Development shall be directed towards:

- renovation and internal modernisation of individual buildings,
- renovation of the specific components of building compounds,
- facade renewal and mass renovation,
- installation and renewal of street furniture,
- preservation of plants, new planting,
- landscaping (establishment and renewal of green areas),
- improvement and rehabilitation of natural and man-made brook/river banks and other landscape components (e.g. stone walls), including the replacement/renewal of related structures,
- gutter cleaning, development and renewal of pathways and walkways,
- renovation of buildings that enrich public area functions,
- installation and construction of information boards, building decorations and fences that fit into the landscape, preparation and installation of other information bearing and ornamental structures.

*The demarcation between the measures of the ARDOP (financed from EAGGF) and the Regional Development Operational Programme (financed from ERDF) is as follows:*

The basis for the separation is the administrative status of the settlements. The ARDOP supports the development of settlements which belong to the administrative category of villages, while the RDOP supports the development of towns and cities.

Exceptions:

- development of facilities of tourist attraction within world heritage sites are excluded from the ARDOP and supported exclusively from RDOP irrespectively of the status of the settlement. This will allow the complex development of such sites through the elaboration of integrated plans.

- the development of castles, fortresses and museums are supported by RDOP not only in towns but in frequented holiday and health resorts and in holiday and health resorts (list of settlements is the annex of Gov. Decree 110/1997). The reason of this exception is that the cost of such projects is very high, and would exceed the maximum limit of the village renewal project size in the ARDOP.
- in the case of National Parks or other nature conservation areas within frequented holiday and health resorts, and in holiday and health resorts, the RDOP supports tour routes (pedestrian and bicycle paths, existing waterways, existing narrow-gauge railway lines not owed by forestry holdings) educational paths and visitor centres as part of a more complex integrated development of such areas. The support of these activities in the defined settlements is excluded from the ARDOP.

The demarcation with the measures of the Environment and Infrastructure Operational Programme (EIOP), cofinanced by the ERDF, is as follows: the ARDOP may support activities for preserving and enhancing the landscape elements belonging to the villages as a village renewal project combining economic and ecological purposes. It does not envisage nature conservation activities and related investments within Natura 2000 sites, which are only supported by EIOP.

The measure cannot be applied concerning tasks, which are defined in the Act 65 of 1990 on self-government, about the enforcement of binding self-governmental tasks.

**5. Form of assistance:** non-repayable assistance

**6. Rate of assistance:**

For public (local governments) investments: 75 % of the total eligible cost .

In the case of public investments in micro regions falling under the 3<sup>rd</sup> column (“rural development”) of Annex1-2 and 4.of Gov. Regulation 64/2004.(IV. 15.) the rate of assistance is 85 % of the total eligible costs.

In the case of public (local governments) investments the rate of public participation is 100% with the contribution of total EAGGF and national support subject to a maximum 85% of total eligible costs.

For private investments in firms:

- 85 % of the total eligible cost for non-revenue generating investments,
- 50 % of the total eligible cost for revenue generating investments.

Share of EAGGF within public funds: 75 %.

Maximum amount of support per project: 60 million HUF (235 000 €)

No investment for economic purposes is eligible. If the applicant is a private-law company or enterprise, only the external renovation of building(s) for improving the appearance of the settlement is eligible. If the renovated building is used for economic purposes/activities, should the beneficiary be a public entity or a private person , this represents support, which should be granted under Commission Regulation 1998/2006 on “de minimis” rule.

### *Eligible costs*

In the case of construction-type developments:

- purchase of property up to 10% of total assistance,
- construction costs of the renewal, reconstruction or modernisation of buildings, parks, costs of procurement and installation of assets, equipment.
- general cost: costs of planning and design, public procurement and notary fees, procurement of permissions, expert fees up to 12% of the total eligible cost of development,
- permanent stock of first procurement up to maximum 20% of the total cost of the tangible assets.

## **7. Criteria of the selection of projects**

### **7.1. Eligibility criteria**

- the place of the implementation of the project is situated in an eligible settlement, in the case of non-investment development the place where the applicant is registered by the municipality as community,
- the applicant must comply with the rules concerning the beneficiaries,
- certifying ownership or right for sole use (effective leasing contract for at least 5 years) of the place of the implementation of the investment,
- declaration of availability of own contribution,
- total investment cost and/or maximum assistance-rate do not exceed the eligibility thresholds described in this measure,
- valid permissions and certifications of authorities identified as compulsory annexes for the launching and/or operation of the development, or if there is no such obligation, a confirmation of this fact from the relevant authorities (from the construction authority in case of building) (Not applicable in the case of non-investment developments),
- no public debts,
- approval of the competent regional construction authority about the renovation of the built environment element or town unit to be renewed,
- permission of the competent nature protection authority to the planned development of the natural environmental under nature protection,
- the protection of health and safety of the workers and the improvement of working conditions,

No support may be granted in respect of work already begun or activities undertaken before an application for support has been properly submitted to the ARDA.

### **7.2. Selection criteria**

- realisation of the preservation and improvement of architectural, cultural and environmental values,
- realisation of the re-use of architectural, cultural and environmental values,
- number of installed functions, out of this the number of services and places directly improving the quality of the life of rural communities,
- the scope of the development
- evidence regarding the proposed outcome, viability and economic, environmental and operational sustainability of the development (personnel, physical and financial conditions for maintenance/operation),

- partnership and meeting the micro-regional agriculture and rural development strategy and linkage to other plans.
- the rationality and efficiency of the timing of the development
- the necessity and justification of the development
- the organisation and authenticity of the management responsible for the implementation of the development

when ranking applications with the same score, those applications are given an advantage, which have a positive impact on the situation of women and disadvantaged groups of the society.

Providing equal opportunity:

Equal opportunity is entirely ensured. The submitted applications are selected under equal conditions. When choosing from two applications with the same qualification, the following applicants are given preference: women, roma people, handicapped people, young farmers and applications with a positive influence on the employment of the people concerned. Handicap is to be interpreted as modified working ability, which is to be certified. In case of Roma applicants and those who undertake the employment of Roma people, it is necessary to enclose a supporting declaration given by the Local Roma Minority Self-Government. Where a Local Roma Minority Self-Government doesn't exist applicants have to apply for the above mentioned declaration from the competent county network of the State Roma Self-Government. The improvement of public life is an important aspect, therefore during the evaluation process it has to be taken into account which applications can provide contribution to public life to the most number of target groups, or can increase the number of new or further developed services in the framework of community. In the case of developments related to village renewal, during the design of community areas, special attention must be paid to providing safe, comfortable and unobstructed arrangements (e.g. ramps to walkways and stairs) facilitating free movement and safe spending of leisure time (mainly of women with small children and of people bound to wheelchairs). As a result of the implementation of the measure, there will be an increase in the number and area of leisure time and other facilities, that are safer, more comfortable, and provide a nicer environment for children and disabled people.

**8. Intermediate body:** Agricultural and Rural Development Agency

**9. Beneficiaries:**

**General eligibility:**

Natural and legal persons registered in Hungary. Registration is necessary in order to identify all the beneficiaries and control the implementation of the measure (IACS). It is not required that the beneficiary is of Hungarian nationality or resides in Hungary, however, the beneficiary has to have an establishment in the country. The establishment is fulfilled either via a primary establishment (registered office, central administration or principal place of business) or a secondary establishment (agency, branch or subsidiary) at the settlement concerned by the project.

- Non-governmental organisations, foundations and the integrations of the above organisations; local governments and their associations, private entrepreneurs, small and medium enterprises (according to the Act XCV of 1999).

**10. Final beneficiary:** Agricultural and Rural Development Agency

**11. Share of the measure from ARDOP budget:** 5,64%

**12. Financial plan, 2004-2006**

Renovation and development of villages and protection and conservation of rural heritage	€, current prices				Million HUF, current prices (€=255 HUF)			
	2004	2005	2006	Total	2004	2005	2006	Total
<b>Year</b>								
<b>Total cost</b>	3421078	4884143	15543405	23848626	872	1245	3964	6081
<b>Total public participation</b>	3421078	4884143	15543405	23848626	872	1245	3964	6081
<b>Total EU assistance</b>	2565808	3663107	11657554	17886469	654	934	2973	4561
<b>ERDF assistance</b>	0	0	0	0	0	0	0	0
<b>ESF assistance</b>	0	0	0	0	0	0	0	0
<b>EAGGF assistance</b>	2565808	3663107	11657554	17886469	654	934	2973	4561
<b>FIFG assistance</b>	0	0	0	0	0	0	0	0
<b>Total government participation</b>	855270	1221036	3885851	5962157	218	311	991	1520
<b>Central government participation</b>	855270	1221036	3885851	5962157	218	311	991	1520
<b>Regional participation</b>	0	0	0	0	0	0	0	0
<b>Local participation</b>	0	0	0	0	0	0	0	0
<b>Other public participation</b>	0	0	0	0	0	0	0	0
<b>Private funds to be declared</b>								
<b>EIB loans</b>	0	0	0	0	0	0	0	0
<b>Other private funds not to be declared</b>	380120	542683	703080	1625883	97	138	179	415

\* In the line of each measure the HUF amounts are indicative. Amounts calculated at 1999 prices in the National Development Plan and the Operational Programme have been transferred into 2004 prices by using a HUF/Euro multiplier of 255.

### 13. Monitoring and evaluation indicators

Type of Indicator	Indicator	Current Situation	Target	Data source	Frequency of measurement (periodicity)
Output	Total number of accepted applications (pcs) of which <ul style="list-style-type: none"> <li>– renovation of buildings</li> <li>– green areas in and around villages (pcs)</li> <li>– landscape and the landscape object</li> </ul>	-	210 153 40 17	Monitoring system	annually
Result	Number of villages affected by the development (pcs)	-	200	Monitoring system	annually
Impact	To what extent and how has the development contributed to the increase of quality of life?	-	qualitative indicator	Questionnaires. Target group: inhabitants of the assisted settlement	Every second years



#### **14. Horizontal objectives**

*Environment:* A prerequisite is to ensure compliance with environmental and building regulations/specifications. The reconstruction of built-up green areas, nature and landscape elements will improve the quality of the environment. The renewal of the green areas and the built environment will create a balance between the natural and the man-made environment, which aims at the creation of a more liveable living area.

*Equal opportunity:* equal opportunities are fully ensured as stated under the section selection criteria.

**15. Legal ground for assistance:** Council Regulation 1257/1999, Article 33.

## III.9 LEADER+

### 1. Measure: 3.4 LEADER+

**2. Intervention area code: in the framework of the LEADER+ measure some of the activities are aimed at the preparation and training of potential Local Action Groups, at the transfer of information, activities which do not have a code in Commission Regulation No.438/2001.**

The content of the development programs of the Local Action Groups will determine the intervention codes. According to Commission Notice 2000/C 139/05 any activity is eligible for support under LEADER+ that are eligible under the EAGGF Guidance Section, the ERDF or the ESF.

### 3. Description of the measure:

*Justification of the measure:*

The disadvantages of rural areas are worsened by the erosion of communities in rural areas, lack of co-operation and partnership between public administration, enterprises and the population. The communities are usually weakly organised, community participation is occasional, and the regions do not have characteristic features, identities. Development initiatives are isolated. Therefore the sustainable use and development of internal resources is done on a low level. Besides, lack of experience, knowledge and innovation regarding the preparation of programmes and projects is a general phenomenon. The general aim of the measure is to provide the necessary skills and experience for rural communities in order to develop the LEADER+ approach throughout local developments by implementing integrated rural development strategies at a local level through local partnerships.

*Objectives of the measure:*

#### **Global targets:**

- to improve rural living and working conditions, including welfare,
- to contribute to the establishment of viable rural communities, and to improve the co-operation capacity and the related level of organisation,
- to create new, sustainable income earning opportunities,
- to preserve and create jobs.

#### **Specific targets:**

- to diversify economic activities,
- to improve the competitiveness of local products,
- to develop new/higher quality services that comply with the needs of the local population,
- to provide appropriate methods and opportunities in order to improve community participation and local level of organisation for the purpose of rural development,
- to encourage involvement of local actors in the development of the area, in order to formulate and implement grassroots initiatives.

**Operational targets:**

- to prepare the participants of regional community co-operations for the setting up of Local Action Groups and appropriate operation of the LEADER+ approach, and for an active and efficient involvement in the LEADER+ measure,
- to formulate and implement rural development strategies of a limited number of appropriately qualified local action groups,
- to develop co-operation between rural communities within Hungary and also with rural communities in other Member States,
- to transfer results, experiences and expertise, and to make information and conclusions available through networking.

*Description of the measure:*

The LEADER+ measure improves human, collective and economic mechanisms that can mobilise the inner endowments of rural areas for the implementation of programs elaborated with the involvement of local communities. This is a prerequisite of sustainable developments, keeping in mind the quality of life, through which the hidden capacities of the individual areas and the local communities can be explored, and the currently missing human, economic and information networks of the local communities can be established.

The LEADER+ measure is mainly linked to the measures of Priority 3 (Article 33.), it complements and synthesizes them into complex developments. Supportable activities of the measure differ by their nature, from the activities of other measures or other operational programmes. Their uniqueness arises from their collective planning, implementation and operation, from their innovative nature, and from their aim being the improvement of networking and co-operation. Eligible activities can be grouped as follow: 1) preparation of potential Local Action Groups, elaboration of local rural development plans in a limited number; 2) implementation of a limited number of local rural development plans; 3) improvement of the co-operation between regions through the implementation of joint development projects; 4) network development, involvement in networks.

**4. Activities****4.1. Acquisition of skills**

Organisation of training programs related to the elaboration and implementation of LEADER+ type programmes, workshops, events, elaboration of studies, manuals, elaboration of integrated development strategies based on community participation and partnership. Information and training of the population to encourage an active participation in the development process, building representative local development partnerships, methodological and administrative preparation for the planning and implementation of LEADER+ type measures, capacity building of community leaders, members of LAG and consultants, preparation and dissemination of methodological material, on-going consultancy, preparation of publications.

## **4.2. Pilot integrated rural development strategies**

Support will be provided for the adoption and implementation of integrated territorial rural development plans of a pilot nature, prepared by Local Action Groups in accordance with the principles laid down in items 12 and 14 of the Commission Notice of 14 April 2000 (such as the preparation of applications, the establishment and support of small businesses and so forth).

Support of the establishment and operation of Local Action Groups up to 15% of the support provided for the implementation of the local rural development plans.

## **4.3. Support for inter-territorial and transnational co-operation**

The activity will be in accordance with the principles laid down in items 15 to 18 of the Commission Notice. Support will not be given to the simple transfer of experience and information, as co-operation should aim at implementing commonly designed specific joint projects.

## **4.4. Communication network development at European, national and regional levels**

Setting-up of a national LEADER Centre. Involvement of rural communities into networks and ensuring the continuous and effective operation of the network.

### ***Implementation of the measure***

The four activities should be implemented in synergy, complementing and supporting each other. Invitations for applications will be published at national level.

#### **Activity 1:**

Selection of the trainers: The selection of trainers was carried out in the first half of 2005 by the Managing Authority in cooperation with experts and in accordance with the Community public procurement procedure, through a public procurement procedure. The method, criteria and schedule of selection was detailed in the call for proposals. The expert team of trainers provided a comprehensive preparatory programme of several occasions starting from the second quarter of 2005 until the end of 2006. This activity (preparation) is available for any rural community organisations or associations interested. Its subjects include general information on the LEADER programme frameworks: its special feature, approach, regulation, as well as strategy development and programming based on the partnership principle. Based on the general training the local initiatives can formulate their Local Action Groups and prepare their draft local rural development plans and submit it for pre-selection. For groups not selected, preparation will continue in order to prepare them for future LEADER-type programmes.

The pre-selection of LAGs began in the third quarter of 2005, by the LEADER+ Decision Preparatory Committee (DPC). The Committee is composed of experts from the ARDOP Managing Authority, the Department of Agriculture, Rural Development and Environmental Management of MARD, and the related partner ministries and

NGOs. The pre-selected Local Action Groups will be further trained and assisted at regional level by the expert team of trainers in co-operation with the ARDOP Managing Authority, the Department of Agriculture, Rural Development and Environmental Management of the MARD and ARDA. Subjects include theoretical and practical training on programme development, community building, partnership and networking, as well as on the rules of programme management and administration. The objective is to prepare Local Action Groups for the finalisation of their local rural development plans. The pre-selected groups have undertaken to prepare and submit their proposals for Activity 2 in the third quarter of 2005.

The final selection of the LAGs will be based on the quality of the final local rural development plan, their management and administrative capacities and preparedness. Selection of Local Action Groups implementing their local rural development plans under Activity 2 is organised at national level. For selection criteria, see 7.1.2.

Continued transfer of knowledge should be ensured for Local Action Groups participating in Activity 2 in the form of training programs and practical counselling. This includes, first of all, the issues of management and administrative control as related to the operation of Local Action Groups.

Activity 2: The selected Local Action Groups will implement their objectives set forth in their strategies between 2006 and 2008. The detailed rules of implementation are set in the Operational Manuals of the ARDOP MA and of the IB. In Activity 2, the Local Action Groups have the following responsibilities: publicity, preparation of tender packages, administration of the project management tasks, evaluation of the form and content of proposals, preparation of a decision-preparatory proposal for the LEADER+ DPC and the continuous generation of projects. The Head of the Managing Authority makes the final decision on project approval.

The LAGs carry out their tasks with the advisory assistance and legitimacy supervision of the specialised staff of the regional offices of ARDA.

The detailed description of the tasks and responsibilities of the institutions concerned in the implementation of the LEADER+ measure is included in the Operational Manuals. ARDA shall make proposals for the DPC as the LAGs to be supported. The main responsibilities of the regional offices of ARDA include legitimacy supervision of the activities of the LAGs, evaluation and control of their communication strategy and liaison with them.

In addition, ARDA is responsible for awarding contracts in relation to the approved projects, for executing payments and for the control of the ultimate beneficiaries.

Local Action Groups operating in the framework of Activity 2 may apply for Activity 3 in 2006 by submitting special projects to be designed and implemented in cooperation with other rural areas (participating in the LEADER measure is not a prerequisite).

Activity 4 will be implemented on the basis of a public procurement procedure. Further details of the tender procedure, including the eligibility criteria and schedules will be laid down in the invitation to tender. Network construction and operation is continuous until 31 December 2007.

**The role of the Local Decision and Monitoring Committees (LBMC) of the LEADER Local Action Groups according to the call for proposal and proceeding regulation**

The Local Decision and Monitoring Committees are professional decision-preparing organisations, where members are elected from the members of the Local Action Group. It follows with attention the complete local development program. The tasks of the LBMCs are as follow: preparation of the local programme; authorisation of the requirement –systems of the call for proposals at local level; professional decision-preparation of the local applications; follow-up of the realisation of the local programmes; initiation of the programme-modification if necessary.

The Local Decision and Monitoring Committees are elected from the members of the Local Action Group with at least 2/3 majority of the members being present in the meeting of the LAG where the at least 3/4 of the members participate.

Member of the gestor organisation of the LAG, or employees of the gestor organisation taking part in the implementation of the ARDOP LEADER+ type measure can not be the members of the Committee with voting right. All the members of the LBMC-s have to sign a statement of neutrality and secrecy. Where personal interest arises concerning an actual topic or an application, the member of the LDMC neither can participate in the meeting during the discussion of the given topic nor can he/she vote.

The applications are submitted by a contributor of the gestor organisation. The decision-proposals concerning the applications are made by the LDMC-s through the procedure of voting.

The LBMC through the Intermediate Body (Agriculture and Rural Development Agency) present its decision-proposals to the Decision Preparatory Committee of the Managing Authority. The Decision Preparatory Committee of the Managing Authority examines the applications according to its rules of procedure and puts forward a decision-proposal to the head of the Managing Authority. The head of the Managing Authority or a deputy person empowered by the head of the MA either approves the proposal of the Decision Preparatory Committee or rejects it.

**5. Form of assistance:** non-repayable assistance.

**6. Rate of assistance:**

In the case of activities 4.1 and 4.4: up to 100% of the total eligible costs

In the case of activities 4.2 and 4.3: The assistance rates and the ceiling of assistance correspond to the assistance rates and amounts of the same type of activities of the other measures of the programme.

- revenue generating investment: 45%
- non-revenue generating investment: 85%
- non-investment type projects (training, networking): 95%
- management costs of the LAG (max. 15% of the total “envelope”): 100%

In order to allow greater flexibility to the local action groups and to increase the number of projects supported, there is the possibility for the action groups modulating the aid intensity of the projects according to the following criteria:

- the aid intensity can be reduced, but can not be increased;
- the reduction can not be in excess of 10 percentage point, that is, the aid rate can not be lower than in the case of:
  - o revenue generating investment: 35% of the total eligible costs
  - o non-revenue generating investment: 75% of the total eligible costs
  - o non-investment type projects (training, networking):85% of the total eligible costs
- the aid rates will be defined by the action groups per measures according to the proposal of the Local Decision and Monitoring Committee, and published in the calls for proposals, there is only one aid rate within the same measure to be used.

The LAGs may decide to use the above mentioned modulation possibility when publishing calls for proposals for the implementation of the rural development plans. The applicants are also provided the possibility for applying for a lower rate of assistance. LAGs make use of the opportunity of the modulation of the aid rates through publishing calls for proposals but the LAGs didn't forbid the applicants to apply for a lower rate than the modulated rate published in the calls for proposals.

Taking into consideration the needs of the given region, the gestor organisations and the LAGs may use the opportunity of deviation form the aid intensity uniformly for a given measure. The LAGs can not distinguish in terms of aid rates published for a given measure between applicants submitting their applications to one given measure, they must use uniformly the aid intensity published.

The need of using the modulation possibility is different according to the differences between the Hungarian **regions**.

In the South Plain Region there is a need for higher number of supported micro- and small enterprises.

In the North Plain Region the supported costs generate the possibility of higher volume of investments in case of local governmental projects.

In North Hungary there are concentrated number of disadvantage settlements, and with the modulation it is possible to support more applicants especially at the disadvantage settlements.

In the Central Region the main aim is to support higher number of projects of the civil sector.

In the Central Transdanubia with the help of the modulation it is possible to help the disadvantage population and to enhance the equality through these projects.

The characteristics of South and Western Transdanubia are the high number of group of small settlements. With the modulation the regions could support them with higher number of projects.

In public investments (local governments) the rate of public participation is 100%, with the contribution of total EAGGF and central national support subject to a maximum of 85%.

Share of EAGGF within public funds: 75%

In case the assistance is aimed at activities related to the production, processing and marketing of agricultural products not listed in Annex 1 of the Treaty, this assistance can only be granted on the conditions and at the rate laid down in Council Regulation 1257/1999.

In case the measure envisages state support for activities other than the production, processing and marketing of agricultural products listed in Annex 1 of the Treaty, this support can only be granted as a “de minimis” aid pursuant to Commission Regulation (EC) n° 1998/2006..

Maximum amount of assistance for local rural development plans (“envelope” per LAG) in accordance with the indicative financial table submitted as part of the application:

- Maximum HUF 100 million (€ 392 156) if 60% or more of the total population covered by the LAG falls under Column 3 of Annex 1-2 and 4 of Government Regulation No. 64/2004 (IV. 15.),<sup>44</sup>
- Maximum HUF 90 million (€ 352 941) in all other cases.

The ceiling of productive investment in Activity 4.2 and 4.3 for each Local Action Group is 85% of the “financial envelope” received by each Local Action Group.

*Eligible costs:*

*Activity 4.1:*

- Renting fees for training facilities (room, equipment). Purchase of training assets, etc., training fees and costs related (accommodation, travel, meal, other rents, fees for presentations and lectures, printing, representation and decoration, transport and other services necessary for the events).

*Activity 4.2 :*

- Establishment and operational costs of LAG and the local rural development plan: office supplies, labour costs and different contributions, other operating costs

*Activity 4. 2. and 4.3: implementation of projects under local rural development plan:*

- purchase real property: up to 10% of the total eligible development cost,
- costs of renewal, conversion and addition of buildings and constructions,
- costs of the procurement of technologies, machines, equipment and other assets (except passenger cars), transportation, installation, training cost belonging to the procurement, according to the Act C of 2000 on Accounting, these costs are part of the historical cost of procurement,
- cost of the purchase, renewal, modernisation of conventional, traditional (therefore used) machines, equipment and other assets – special equipments, like tools and other instruments necessary for the renewal of equipments - belonging to the cultural heritage with the aim of preserving,
- costs of training courses and networking events (accommodation cost, travel cost, meal cost, room and other rents, fees for presentations and lectures,

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<sup>44</sup> This annex contains the list of beneficiary microregions of regional development. Beneficiary micro regions are grouped into three main categories. 1) socially-economically under-developed, 2) structural changes in industry, 3) rural development. ARDOP prioritise settlements that belong to micro regions included in Column 3.



printing costs, representation and decoration costs, transport costs and other services necessary for the events),

- cost of stock – the start-up stock in case of a project, for example stock can be the first amount of wool in case of a project aiming at preparing carpets - up to maximum 15% of the total costs of the project,
- general costs in the case of investments: engineer fees, elaboration of plans, expert fees, purchase of patents and licences, costs of tests and certificates compulsory for marketing products up to maximum 12% of the total eligible cost of the project (the advisory expert may be retained until an investment is completed),
- costs associated with the marketing of a product(s) (market survey, marketing and feasibility study, design of products' appearance, leaflets, product-specific mobile shelving hardware for trade fairs, sampling accessories, participation fee at occasional trade-fairs) provided that the provisions of 69/2001 Commission Regulation on “de minimis” will be respected, as the activities fall outside the scope of production, processing and marketing of products listed in Annex I of the Treaty.
- costs of preparation of publications and studies about the area covered (printing, copying costs, costs of intangible assets),
- complementary small – total cost of the project up to 20 000 Euro (5 100 000 HUF) - infrastructure developments, in the inner and outer areas of villages.<sup>45</sup>

According to point 37 of the Commission notice on LEADER+ the ceilings of productive investments is to be set by the Local Action Groups. Commission Regulation (EC) no. 1998/2006 on the application of Articles 87 and 88 of the EC Treaty to “de minimis” aid will be applied if the measure allocates state support for economic activities (actors) which are beside production, processing and marketing listed in Annex I of the Contract.

#### *Activity 4.4:*

Costs of establishing and operating the national LEADER observatory: -

- permanent costs: office supplies, costs of services, labour costs, printing costs, representation and decoration costs and other operating costs,
- occasional costs: accommodation costs, travel costs, meal costs, expert fees,

## **7. Criteria for selection LAGs and local projects**

### 7.1 Selection of LAGs (under Activity 1)

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45 The LEADER programme gave the possibility to support small-scale infrastructural investments. Considering the poor average infrastructural provision, the poor capital endowment at the same time of the Hungarian rural areas, and the high expenditures of these type of investments, in case of these small-scale projects there was a concern that through a low level of support within the eligible costs these investments will not be able to be implemented.

### 7.1.1. Eligibility criteria

*Eligibility criteria for joining Activity 4.2 (implementation of the local rural development plans of the Local Action Groups):*

- Compliance with the compositional requirements of Commission Notice 2000/C 139/05: economic and social partners and the associations thereof should constitute at least 50% of the decision-making body.
- Availability of the Local Action Group and of the contracts formalising the operation thereof .
- Local Action Groups should be formed in a geographically continuous area, in the form of cooperation between neighbouring settlements, and should constitute an economically and socially homogenous unit.
- In general, the population of the settlements in one LAG should be between 10,000 and 100,000. In Baranya, Borsod-Abaúj-Zemplén, Győr-Moson-Sopron, Somogy, Tolna, Vas, Veszprém and Zala County, the number of inhabitants covered by one LAG should be at least 5,000.
- No overlap: one settlement can only belong to one Local Action Group.
- Availability of local rural development plan approved by the LAG.
- Availability of the human and fundamental technical resources required for the implementation of the local rural development plan. Availability of local management capacity.
- Protection of the health and safety of workers and the improvement of working conditions.

### 7.1.2 Selection criteria of the LAGs:

Preparedness of the local administration for the implementation of the programme, administration of public funds (human resources, expertise, skills, attitude, etc.), experience in local cooperation and in implementing development plans .<sup>46</sup>

Content and quality of the local rural development plan, including:

- targeting one or more of special target areas (local youth, minorities, environmentally conscious area-development, other)
- focus on the special character (strength, problems, opportunities) of the area,
- level of coherence between the situation analysis, the strategy (priorities, objectives) and the vision,
- actual impact on the selected target group,
- feasibility,
- justification of need for such programmes,
- strong synergy and linkage between specific components of the local rural development plan,
- economic viability of the proposed strategy,
- economic, social and environmental sustainability,
- innovation, novelty,

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<sup>46</sup> In their application the potential Local Action Groups are obliged to summarize the relevant experience available by listing the major LEADER type projects implemented in the region within the last five years by any member of the LAG. Above that a detailed description of five of the most relevant projects is obliged. The applicant has to detail the technical infrastructure as well as the human capacity available for the implementation. Detailed assessment sheets and guidelines are included in the LEADER+ Operational Manual.

- coherence and complementarity with the micro-region's agricultural and rural development strategy and other relevant documents,
- partnership and community involvement in drafting of the plan,
  - o partnership in the proposed implementation,
  - o complementarity with other support schemes and programmes.

Priority is given if the if 60% or more of the total population covered by the LAG fall under Column 3 of Annex 1-2 and 4 of Government Regulation No. 64/2004 (IV. 15.)

The scoring system on the selection of Local Action Groups is included in the call for proposals and the Operational Manual.

## 7.2 Selection criteria for local projects (under Action 2.)

### 7.2.1 Eligibility criteria for projects

#### Project Selection Criteria

Local action groups are responsible for project endorsement.

The detailed criteria for project selection in the local tendering system should be developed by the Local Action Groups, however, the following guidance is to be followed in order to ensure consistency across the LEADER+ measure:

- I. Consistency with the principles of the LEADER+ measure and the Local Action Group development plan
  - a. how strongly does the project relates to the theme and the target group identified in the local rural development plan
  - b. is the financial scale of the project appropriate to the development plan (does not undermine the realisation of the wider objectives of the plan)
  - c. how much does the project contribute to the realisation of the objectives and targets of the local development programme?
- II. Project quality
  - a. how well the *rationale of/need for the project* is underpinned
  - b. how *realistic and logical the set up* of the project (objectives, indicators, milestones)
  - c. does the project meet the key objectives of *social, environmental and economic sustainability*?
  - d. is the project *innovative* e.g. through its mechanism of delivery, use of new technology and ideas
  - e. *financial stability and viability*: is the project budget reasonable and sound? Is the applicant financially stable?
  - f. is the *project management and delivery* set up clear and reliable? Is there evidence of appropriate skill and, experience available?
  - g. *risk assessment*: has the applicant considered various factors that might influence project delivery? Is there any realistic solution to prevent or diminish negative impacts?

#### *Basic elements for justification of selection criteria*

ad I): Conformity with a LEADER approach, (based on Commission Notice 2000/C 139/05), which are the following:

- development of a new product/service reflecting the unique features of the area,
- application of new procedures to utilise regional potentials to a greater extent,
- combination and linkage of resources in a new manner,
- establishment of a new – participatory - organisational structure,
- building on unutilised internal resources,

ad I)a – II)g:

- the place where the project is implemented should be situated in an eligible settlement, i.e. the target area of the Local Action Group (for the list of eligible settlements, see Appendix VIII.4.). If the place of implementation is not included in the list, the project will be eligible only if there is evidence that implementation benefits the target area of the Local Action Group.

- verification of ownership or right for sole use (effective leasing contract for at least 5 years) of the place of the realisation of the investment (not applicable in case of services),

- declaration of the availability of own contribution (where it is necessary),

- the total investment cost and/or maximum assistance-rate do not exceed the eligibility thresholds laid down in the relevant legislation and described in this measure, and the maximum amount identified by the Local Action Groups in the call for applications,

- permissions and certifications of authorities identified as compulsory annexes to the application, including the certificate of the compliance with the environment protection requirements,

- no public debts,

- no aid may be granted in respect of work already begun or activities undertaken before the application for aid has been received.

**The details of the of the selection procedure and criteria for project endorsement must be included to the LAG application.**

The regional offices of ARDA will pre-assess the system of the project selection criteria of each LAG. All the pre-assessed set of selection criteria will be presented to the ARDOP Monitoring Committee for assessment and approval. After the selection of the Local Action Groups and approval of their set of selection criteria, the Programming Complement will be completed accordingly.

In Activity 4.3: a further criterion of eligibility is that the project should be proposed by one or more LAG and implemented by two or more regions jointly, and the target groups of both (or all) regions should benefit from the results.

The eligibility criteria listed above are obligatory for all calls for proposals. In addition, Local Action Groups may define special criteria that better serve the objectives of the local rural development plan. Such additional criteria will be approved by the Managing Authority.

### **7.2.2 Project selection criteria**

The project selection criteria will be defined by the LAGs in accordance with the specific targets of the elements of the local rural development plan. Such criteria will be approved by the regional offices of ARDA.

## **8. Intermediate body:**

Agricultural and Rural Development Agency

## **9. Beneficiaries:**

Activity 1: For horizontal acquisition of skills: any local cooperations. In the case of organising trainings, meetings, renting rooms and presentation equipments: ARDOP Managing Authority. After the pre-selection for further training: Local Action Groups having concluded agreement for cooperation defined under 7.1.1.

Activity 2: Local Action Groups meeting the requirements of Commission Notice 2000/C 139/05 (at the decision-making level the economic and social partners and associations must make up at least 50% of the local partnership), selected according to point 7.1.1-7.1.2. above.

Activity 3: As regards the ARDOP supports, eligible organisations include municipalities and their associations, natural persons, small-scale producers, private entrepreneurs, micro- or small enterprises registered in Hungary in accordance with Act XCV/1999, NGOs and the associations thereof operating in the target area of Hungarian Local Action Groups with activities belonging to Activity 2.

Activity 4: National LEADER Centre, selected by a public procurement procedure.

## **10. Final beneficiary:**

According to the EU definition, final beneficiaries are identical with the Intermediate Bodies:

Managing Authority: authorisation phase, advisory service and legitimacy control.

Agricultural and Rural Development Agency: project-financing phase.

## **11. Share of measure from ARDOP budget: 4.53%**

## 12. Financial plan, 2004-2006

LEADER+	€, current prices				Million HUF, current prices (€=255 HUF)			
	2004	2005	2006	Total	2004	2005	2006	Total
<b>Total cost</b>	4478502	6393788	8283560	19155850	1142	1630	2112	4885
<b>Total public participation</b>	4478502	6393788	8283560	19155850	1142	1630	2112	4885
<b>Total EU assistance</b>	3358876	4795341	6212670	14366887	857	1223	1584	3664
<b>ERDF assistance</b>	0	0	0	0	0	0	0	0
<b>ESF assistance</b>	0	0	0	0	0	0	0	0
<b>EAGGF assistance</b>	3358876	4795341	6212670	14366887	857	1223	1584	3664
<b>FIFG assistance</b>	0	0	0	0	0	0	0	0
<b>Total government participation</b>	1119626	1598447	2070890	4788963	286	408	528	1221
<b>Central government participation</b>	1119626	1598447	2070890	4788963	286	408	528	1221
<b>Regional participation</b>	0	0	0	0	0	0	0	0
<b>Local participation</b>	0	0	0	0	0	0	0	0
<b>Other public participation</b>	0	0	0	0	0	0	0	0
<b>Private funds to be declared</b>								
<b>EIB loans</b>	0	0	0	0	0	0	0	0
<b>Other private funds not to be declared</b>	1119626	1598447	2070890	4788963	286	408	528	1221

\* In the line of each measure the HUF amounts are indicative. Amounts calculated at 1999 prices in the National Development Plan and the Operational Programme have been transferred into 2004 prices by using a HUF/Euro multiplier of 255.

### 13. Monitoring and Evaluation indicators

Type of indicator	Indicator	Current situation	Target	Data source	Frequency of measuring
Output	Number of supported Local Action Groups for implementing local rural development plans (pcs)	0	30 - 40	monitoring system	annually
Result	Number of supported organisations of which:	0	1220		
	• micro enterprise	0	580		
	• small and medium size enterprise	0	60		
	• local government	0	280		
	• civil organisation, foundation	0	170		
	• others	0	30		
	• woman entrepreneurs (persons)	0	340		
	• South Great Plain	0	268		
	• North Great Plain	0	232		
	• North Hungary	0	207		
	• Central Hungary	0	49		
	• Central – Transdanubia	0	146		
	• South – Transdanubia	0	220		
• West - Transdanubia	0	98			
Impact	Number of created / maintained jobs out of which	0	140		
	Occupied by women	0	28		
	South Great Plain	0	31		
	North Great Plain	0	27		
	North Hungary	0	24		
	Central Hungary	0	6		
	Central - Transdanubia	0	17		
	South - Transdanubia	0	25		
West - Transdanubia	0	11			

#### **14. Horizontal objectives**

*Environment:* A prerequisite for developments is the compliance with environmental regulations certified by an authority. One of the fundamental requirements for local rural development plans is to ensure environmental sustainability.

*Equal opportunities:* The LEADER+ measure of the ARDOP enforces the aspects of equal opportunity in three ways. On the one hand in the first round of the selection of the Local Action Groups in a hundred point scoring-system those action groups that are in their local rural development plan focusing on the improvement of the situation of women, young people and less favoured social groups especially of Roma people preferred by maximum five, in the second round maximum three points. On the other hand during the implementation of the selected rural development plans in the case of equal scores the projects aiming at improving the situation of rural women, young people, Roma people are prioritised.

(Handicap is to be interpreted as modified working ability, which is to be certified.)

Thirdly, those action groups where at least 60% of the total population falls under the microregions covered by Column 3 (“rural development”) of Annex 1-2 and 4 of Government Regulation No. 64/2004 (IV.15) could apply for an amount 10% higher. This principle also aims at compensating the territorial disadvantages.

#### **15. Legal ground for assistance**

- Article 33 (f) Chapter IX Title I of the Accession Treaty ,
- Article 20 of Council Regulation 1260/1999,
- Commission Notice to the Member States (2000/C 139/05)



## III.10 TECHNICAL ASSISTANCE

1. **Measure:** Technical assistance

2. **Intervention area code:\***

415 Publicity, informing the general public	40%	40%
411 Preparation, implementation, monitoring, publicity	60%	50%
412 Evaluation		6%
413 Studies		2%
414 Innovative actions		2%

\* Indicative table; percentage/ intervention area code

3. **Description of the measure:**

*Justification of the measure:*

The measure facilitates the efficient implementation of the ARDOP through general information and preparation, planning, and the concrete implementation of the developments. It is of vital importance that the necessary information reach the addressees in time and in a clearly understandable way and, at the same time, measurable and traceable feed-back is received from the beneficiaries. Besides the establishment of the interactive connection, the measure also finances the costs of information and publicity. The measure fulfils all needs for technical assistance that may arise in the course of the implementation of all three priorities and the activities of the ARDOP.

The Managing Authority ensures that the same project is not financed at the same time from the ARDOP TA, the NRDP TA and the SAPARD TA to avoid overlaps..

The Managing Authority will follow open and transparent procedures for the selection of its contracting partner as stated in the contract. .

Objectives of the measure:

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:

- to support the on-going monitoring and evaluation (including studies, workshops and seminars) of the Programme;
- to support the preparation, selection, appraisal and monitoring of the assistance and of operations under the Programme (including audit, on-the-spot checks, protection and improvement of the environment through the use of environmental protection criteria and help eliminate inequalities, as well as promote equal opportunities)
- to provide information and publicity on the programme, in line with EC Regulation No 1159/2000.

#### **4. Activities:**

In the framework of the measure the following activities (and their costs) are eligible for support, for which the approval of the President of the ARDOP Monitoring Committee is required:

##### 4.1. Expenditure under 2.1 of Rule 11 of Commission Regulation No 448/2004

- a) expenditure on preparation, selection, appraisal including horizontal themes and monitoring of the assistance and of operations.
- b) expenditure of the meetings of the Monitoring Committee and the Selection Committee, and covering the costs of the members, experts and occasional invitees are only eligible if the chairperson of the Monitoring Committee considers their presence essential to the effective implementation of the programme.
  - continuous financing of monitoring, preparation, organisation and management of the meetings of the Monitoring Committee.other costs related to the operation of the ARDOP Monitoring Committee namely participation in the preparation, revision of the main policies of the Programme, and of the indicatorsexpenditure relating to audits and on-the-spot controls.
- c) employment of assistants on contractual basis for the efficient effective operation of ARDOP Managing Authority, complying with the point 2.1. of Rule 11 of the regulation No. 448/2004.

##### 4.2. Other expenditure under point 3 of Rule 11 of EC Regulation No 448/2004:

- a) Organizing information actions, seminars, studies, conferences, workshops, working-groups meetings,
  - support of printing techniques, distributing brochures, newsletters, and information materials,
  - preparation of studies for the efficient utilisation of sources and assessment of the implementation of the measures
  - cost of the organisation and realisations of study trips (travel, accommodation, per diem).
- b) Procurement of IT hardware for the appropriate programme management (such actions can be financed if they are not financed from the CSF Technical assistance measure or from the Phare programme).

For the activities and expenditures under point 2.1 of Rule 11 of EC Regulation No 448/2004 maximum EUR 6459167 (EU+national assistance) is available during 2004-2006 period.

According to Article 28 of EC Regulation No 1260/99 one project can be funded from one Structural Fund programmes at the same time.

**5. Form of assistance:** non-repayable direct assistance.

**6. Upper limit of assistance:** up to 100% of total eligible costs.

## 7. Share of the priority from ARDOP budget: 2.49%

75% of costs are financed from EAGGF, 25% from national budget.

## 8. Criteria for the selection of projects

### Eligibility criteria:

The annual report takes account of the usage of eligible costs and technical assistance.

### Selection criteria:

Those projects will be implemented that:

- have good quality methodology and can significantly contribute to the objectives of the measure,
  - enforce community policies (with special regard to state aid, public procurement, environmental protection and equal opportunities),
  - ensure cost effective implementation,
  - involvement of a wide range of partners for effective implementation,
  - contain innovative solutions,
  - have clear and measurable outputs and results.
- **Recipient (beneficiary):** the ARDOP Managing Authority, and Agricultural and Rural Development Agency

## 9. Financial plan 2004-2006

Technical assistance	€, current prices				Million HUF, current prices (€=255 HUF)			
	2004	2005	2006	Total	2004	2005	2006	Total
<b>Total cost</b>	2463176	3516583	4555958	10535717	628	897	1162	2687
<b>Total public participation</b>	2463176	3516583	4555958	10535717	628	897	1162	2687
<b>Total EU assistance</b>	1847382	2637437	3416968	7901787	471	673	871	2015
<b>ERDF assistance</b>	0	0	0	0	0	0	0	0
<b>ESF assistance</b>	0	0	0	0	0	0	0	0
<b>EAGGF assistance</b>	1847382	2637437	3416968	7901787	471	673	871	2015
<b>FIFG assistance</b>	0	0	0	0	0	0	0	0
<b>Total government participation</b>	615794	879146	1138990	2633930	157	224	290	672
<b>Central government participation</b>	615794	879146	1138990	2633930	157	224	290	672
<b>Regional participation</b>	0	0	0	0	0	0	0	0
<b>Local participation</b>	0	0	0	0	0	0	0	0
<b>Other public participation</b>	0	0	0	0	0	0	0	0
<b>Private funds to be declared</b>								
<b>EIB loans</b>	0	0	0	0	0	0	0	0
<b>Other private funds not to be declared</b>	0	0	0	0	0	0	0	0

\* In the line of each measure the HUF amounts are indicative. Amounts calculated at 1999 prices in the National Development Plan and the Operational Programme have been transferred into 2004 prices by using a HUF/Euro multiplier of 255.

## 10. Monitoring and evaluation indicators

Level of intervention	Indicator	Current Situation	Target	Source of Data	Frequency of measuring (periodicity)
<b>Output (monitoring)</b>	Number of prepared and distributed publications of general information (brochures, leaflets) (pcs)	0	10000	Monitoring system	
	Number of people participating in trainings (person)	0	2000		
	Number of occasions of informing the general public, number of advertisements (pcs); <ul style="list-style-type: none"> <li>• on television (advertisements, shorts, reports)</li> <li>• in press (e.g.: press releases, articles)</li> <li>• other (fairs, professional exhibitions, forums, presentations)</li> </ul>	0	150		
	Number of organised conferences, seminars, workshops (pcs/year)	0	15-20		
	Number of filled-in questionnaires (Survey for an effective campaign) (pcs)	0	1000		
	Number of expert contracts (pcs)	0	4		
	Number of meetings the Monitoring Committee held (pcs)	0	6		
	Number of field trips (pcs)	0	10		
	Number of studies (pcs)	0	2		
<b>Result (monitoring)</b>	Number of people successfully completing trainings, conferences (persons, %)	0	2000		
	Result of survey conducted after the information campaign for the general public (%)	0	difference in % between the results of questionnaires before and after the campaign		
<b>Impact (assessment)</b>	Increase of the number of people having general knowledge about the Structural Funds (%)	0	5000		
	Increase of the awareness of the ARDOP	0	20		
	Number of successful applicants submitting application in the framework of the Agriculture and Rural Development Operational Programme (pcs)	0	15		

## **11. Horizontal objectives**

*Environment:* Information and trainings given in the framework of the measure put great emphasis on the environment protection rules of the EU and check their fulfilment.

*Equal opportunities:* Equal opportunity is entirely provided. The submitted applications are selected under equal conditions. When choosing from applications with the same score the following applicants are given preference: women, roma people, handicapped people and applications with a positive influence on the employment of the people concerned. Handicap is to be interpreted as modified working ability, which is to be certified.

## **12. Legal ground for assistance:**

The measure can be assisted on the ground of the national regulation in compliance with Article 46 of Council Regulation 1260/1999, and Commission Regulation 1685/2000 laying down detailed rules for the implementation of Council Regulation 1260/1999 as regards eligibility of expenditure of operations co-financed by the Structural Funds.

## **IV. EVALUATION PROCEDURE OF THE APPLICATIONS**

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### **The SAPARD experience**

The SAPARD programme was based on the same principles and procedures as the ones applicable for Structural Funds, especially for the agricultural and rural development programmes financed by the EAGGF Guidance Section. The measures that are already open or will soon be open for application have a similar structure to the ones included in the ARDOP. This will facilitate the acquisition of skills necessary for the reception of Structural Funds for the potential applicants, as well as the institutions (Managing Authority and Intermediate Body) which evaluate the applications for the ARDOP. This contributes to the efficient management of the funds allocated for the implementation of ARDOP.

Based on the SAPARD experience, the following major modifications took place regarding the ARDOP.

- In order to describe the information and regulations given in the application guidelines more clearly, the ARDA continuously improves and refines its procedural guidelines, it issues internal directives and communicates this information to the applicants through its customer service.
- To decrease the number of incomplete applications, rationalization has been carried out regarding the documents required from the applicants concerning the two new measures published in January 2004 (some official documents don't need be submitted at the submission of the application, only before the conclusion of the contract – e.g. certificate for exemption from public tax debt, building permit in force, expert opinion from the building authority). With these rationalisations the problems criticized in the Mid-Term Report – the applicant does not have enough time to obtain these documents – will be solved.
- The SAPARD paper-based system created substantial added workload, and it increased the risk for errors, however the ARDOP applications will be handled electronically
- In the ARDOP the datasheet substituting the business plan will be simpler with a greater consideration for the circumstances in agriculture.
- The time spent with the application processing significantly decreased compared to the SAPARD. In the central office application processing ceased, and the tasks have been delegated to the County Offices of the ARDA.
- The on- the- spot control which has been compulsorily at every milestone ceased, it is compulsory only before the last milestone.
- For the ARDOP we negotiations have started with commercial banks about the possibilities to raise agricultural loans.
- In the case of the ARDOP, an application cannot be refused following its acceptance by the offices of the ARDA.

- The special natural and financial characteristics of companies in certain sectors will be given greater attention in the evaluation procedures. In order to achieve this we have established contacts with the Research and Information Institute for Agricultural Economics, and with external consulting companies, and we will obtain the financial data of the potential bidders from the Hungarian Tax and Financial Control Administration. These actions would greatly promote the examination of the economic viability of the applicants.

## **The ARDOP project evaluation procedure**

Applications for the ARDOP should be submitted according to the place of implementation, to the county office of the Agricultural and Rural Development Agency (hereinafter: Regional Office) having regional authority. The employees at the Regional Office process the submitted applications.

### 1) Receiving Applications

a) By receiving applications we mean the:

- Receipt,
- Opening,
- Distributing,
- Data recording in the Single Monitoring and Information System (SMIS),
- Filing,
- Identification of applications.

b) The senior application processing officer selects the application processing officer to deal with an application according to the following aspects of priority:

- Work load,
- Area of specialization,
- If more than one application is submitted by an applicant these should be handled by the same application processing officer as far as possible.

### 2) Checking of the applications from the point of view of basic eligibility

a) checking takes place based on the checking list of basic eligibility.

b) The technical officer for application processing checks whether there are any disqualifying conditions in connection with the application or the investment to be implemented.

### 3) Checking of Applications for Completeness, Form and Content

a) The check for completeness extends to checking whether the Application *Form* has been filled in properly and whether the necessary documents have been submitted.

- b) Based on a *Checklist for Completeness and Form* the application processing officer has a look at:
- The mandatory content of the application package,
  - The appropriateness of certificates and documents,
  - Whether the forms have been filled in with the appropriate data
  - Whether the documents and attachments have been filled in.
- c) It is checked that the accountable and non-accountable costs included in the *Application Form* are in line with the cost items defined under the given measure.
- d) When checking the level of support and the structure of the financial resources, the application processing officer looks at the following:
- The rate of support in percentages requested by the applicant,
  - Whether the rate of support is in line with those contained in the ARDOP Program Complement and the Call for Applications,
  - Whether the structure of financial resources received is in line with the cost plan of the application.
- e) Preliminary on the spot inspection
- To facilitate the reply to the questions arising in the course of evaluation and checking, the technical officer for application processing can perform on the spot inspection in justified cases on the premises of the applicant. The senior technical officer for application processing and the head of the regional office decide on the necessity of the preliminary on the spot inspection based on the proposal of the technical officer for application processing.
  - Implementation of the preliminary on the spot inspection starts with the issue of the *Letters of commission*.
- f) In the framework of the measure "Setting up young farmers" it is possible to set up farms for the activities/sectors listed in annex VIII.10. The control of these activities takes place in the evaluation process and after the approval of the project. The post-approval controls may be carried in the following phases: payments, evaluation of the progress reports or on the spot checks.
- g) If an applicant submits an application that is incomplete or contains mistakes related to the form or the content, having recorded such a mistake, the ARDA on one occasion, requests the applicant to complete the application by sending a document entitled *Notice for Completion* to be completed within fifteen days as of the receipt thereof.
- h) The application processing officer fills out the letter entitled *Notice for Completion* in two copies, to be checked and signed by the senior application processing officer and the Head of the Regional Office, and to be also countersigned and registered by the legal officer in the Single Monitoring and Information System. The application processing executive



sends one copy to the applicant and attaches the other copy to the application processing management file.

- i) In the letter entitled *Notice for Completion* the application processing executive, who handles the application specifies the documents to be submitted by the applicant within 15 days as well as the relating deadlines.
- j) The application management officer monitors the replies sent by those applicants who were requested to submit supplementing documents, paying special attention to the deadline for completion. Completion is monitored with assistance provided by the Single Monitoring and Information System.
- k) If necessary, the Agency may request further information to establish its own position,
- l) If an application is still incomplete following the submission of supplementary documents, the ARDA will reject the application.
- m) If an applicant fails to fully submit the supplementary documents within the requested deadline, the application processing officer will submit the application to rejection.
- n) If an applicant does not agree with those contained in the notice he may take an objection to the President of the ARDA within fifteen days as of the receipt of such notice.

#### 4) Admitting Applications

- a) If an application meets the criteria relating to eligibility and completeness it will be admitted. The Regional Office notifies the applicant as to the admittance in writing, about the following:
  - The fact that the application has been admitted,
  - The date of admittance,
  - The identification number of the applicant.
- b) The statement of admittance only certifies that the application meets the requirements relating to form and content, however, it does not constitute the granting of support.
- c) The day of the admittance is the date of establishing the eligibility, completeness and formal correspondence, which is contained in the notification letter on the admittance.
- d) The ARDA notifies the applicant within twenty five days as of the receipt of an application certified by return receipt as to the admittance or rejection of the application, or requests the submission of supplementary documents.
- e) The ARDA submits the applications to decision-making within twenty five days as of the admittance thereof.

#### 5) Processing Applications

After admittance the applications go through the following work phases (evaluation process):

- Preliminary site examination (in justified cases),
- Evaluation and decision-making based on points given to the applications (Application Form and Attachments),
- Conciliatory evaluation (if there is no consensus),
- Summary Evaluation.

Further processing and evaluation of the applications are carried out by an application processing officer who makes decisions as to admitting an application, and whose work is controlled by the senior application processing officer.

#### 6) Evaluation of Applications (Application Form and Attachments)

Complete and eligible applications are evaluated professionally and financially according to the following aspects:

- Long-term competitiveness of the applicants as regards economic ability, viability and competitiveness,
- Personal conditions of the undertaking,
- Financial resources necessary for the investment,
- Examination of cost-efficiency,
- Financeability of the project.

The application processing officer, at the same time, establishes whether the eligibility criteria to be determined based on the Application Form and its attachments are well founded, checks the viability and competitiveness of the undertaking, the necessity of the investment and its conformity with the objectives relating to the measure.

The application processing officer, as regards the evaluation of the application (Application Form and its Attachments), considers that an expense only qualifies for Community support if the use of such support is in accordance with the principles of sound financial management, with special emphasis on economic efficiency and cost-efficiency.

Based on the information received from the National Support and Monitoring System (NSMS), the application processing officer checks, whether the applicant has received support for the given project from any other national or EU resources.

#### Conciliatory Evaluation

Following the four- eye principle, the senior application processing officer checks the steps of application processing and also verifies, evaluates and judges these points. If he/she does not agree with the scores given by the application processing officer assigned to evaluate the application, they make efforts during a “conciliatory evaluation” held between them to form a common position and agree on a number of points accepted by both of them, which is recorded on the Evaluation Form. During the conciliatory meeting the application processing officer performing the evaluation may defend his/her position based on his/her experience and the information collected during the on-the spot inspection.

If, during the conciliatory meeting, the application processing officer and the senior application processing officer cannot reach a common agreement as to the number of scores to be given, the final decision will be made by the Head of the Regional Office.

#### Summary Evaluation

The application evaluation is certified via the preparation of the Summary Evaluation Sheet containing the summary proposals of the Regional Office. The senior application processing officer and the Head of Reginal Office sign the document. The Head of the

Regional Office is responsible for ensuring that the rules of procedure are kept at all times.

Summary evaluation lists are prepared per Application and per Measure.

The Submission List contains the objective and brief description of the application. (Remark column), which will be attached to the document entitled *Protocol on the result of ranking*. Based on this document the representative of the ARDA will present the individual applications submitted for decision to the Decision Preparing Committees

On a weekly basis the Single Monitoring and Information System automatically prepares the rankings of the applications for decision-making per Regional Office and per measure, it forwards them to the Central Evaluation Unit and files them. The system also prepares food industry applications of a large value, which are forwarded to the Central Evaluation Unit.

#### 7) Tasks of the Central Evaluation Unit

- a) The ARDA prepares by measure a national ranking of the evaluated applications, which is called a National Submission List, and these lists are forwarded to the Decisions Preparing Committees established for each measure. The Committees hold meetings on a monthly basis or more often when justified. The Committees make proposals to make decisions on the support up to the available resources.
- b) The Unit asks for the application documents required by the Decision Preparing Committee from the Regional Offices and forwards them to that Committee.
- c) Based on national aspects the Central Evaluation Unit evaluates food industry applications of a large value, and prepares the national ranking, which also includes food industry applications of a small value.
- d) The employees of the Central Evaluation Unit prepare National Submission Lists (Lists of applications processed and suggested for support, and the National List of applications processed which don't reach the minimum score) and Decision preparation sheets to the Decision preparing Committee, as well as prepare themselves for the meetings based application documents. Based on the proposals by the Decision preparing Committee, the Head of Managing Authority will make decisions as to applications to be supported or rejected. Based on the list the employees of the unit record the dates and results of the decision in the Single Monitoring and Information System..
- e) The ARDA notifies the applicants about the result of the decision (support or rejection ) following the decision made by the Head of the Managing Authority.

#### 8) Ranking and Decision

The ARDA prepares a national ranking on the evaluated applications per measure for the Decision Preparation Committees of the ARDOP measures, which hold meetings monthly or more often in justified case. The Committees will, on the basis of the lists of eligible projects ranked by the Intermediate Body, as well as the resources available under the OP, make a proposal to the Head of the Managing Authority on the list of the projects to be selected. Following the decision of the Head of the Managing Authority,

the ARDA sends a letter to the applicants containing the decision for the support or the rejection of the application.

If the available fund is not enough, the applications which cannot be financed are rejected. The requested amount of support can only be entirely (not partially) granted.

If the amount of support of the submitted applications exceeds twice the overall budget for the period 2004-2006, or exceeds the budget for commitment of the Hungarian Act on Budget in force, the ARDOP MA can suspend the submission of applications for the relevant measure/sub-measure and publishes a public notice concerning this.

The Decision Preparation Committee can propose to the head of the MA to suspend the submission of applications in case of low commitment as well.

The Decision Preparation Unit submits the applications to the Decision Preparation Committee in the order of arrival until the budget is used up. The rejection of applications or the reallocation of resources is accomplished according to the decision of the head of the MA. The preliminary approval of the ARDOP Monitoring Committee is necessary to the reallocation of resources between measures as to all the modifications in the PC.

If the applicant disapproves the decision of the Managing Authority, may submit a written protest addressed to the Minister for Agriculture and Rural Development within 15 days from the receipt of the decision.

## V. EX-ANTE EVALUATION

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The ARDOP and the Programme Complement were evaluated by an independent team of evaluation experts and led by ECORYS-NEI, Rotterdam, the Netherlands (lead contractor) and assisted by the International Training Center for Bankers (ITCB), Budapest, Hungary. This ex-ante evaluation was carried out in the period April-December 2003 and was commissioned by the Hungarian Ministry of Agriculture and Rural Development (MARD), as acting managing authority of the ARDOP.

The evaluation consisted of a full-scope evaluation of the ARDOP and its Programme Complement and - at the same time - technical assistance was provided by the evaluation team **to the staff of** MARD, VÁTI and AKII responsible for the programme, with the aim of improving the programme during the evaluation process. Several times, the ex-ante evaluation team made various suggestions and recommendations in order to improve the programme's structure and content. To this end various discussions and 'brain storming' sessions with the staff of MARD, VÁTI and AKII were held. The evaluation team reported to both MARD and the PMO, and established contacts with the evaluation teams of the other Operational Programmes, the evaluator of the NDP. It had discussions with staff from the EU Delegation in Hungary and the European Commission in Brussels (DG Agri).

### **The Ex-ante evaluation of the Programme Complement to the Operational Programme on Agriculture and Rural Development**

#### 1 Introduction

##### 1.1 Introduction

This final evaluation report on the Programme Complement (PC) of Agriculture and Rural Development Operational Programme (ARDOP) of 2004-2006 for Hungary assesses the last, definitive version of the Programme Complement, i.e. version 13 of 28 April 2004. This report replaces all earlier reports with respect to PC version 13.

With the evaluation of the PC, the last of the 8 tasks identified in the Terms of Reference describing the Ex-ante Evaluation of the ARDOP has been accomplished, i.e. Task 8: Evaluation of the measures in the Programme Complement.

The Programme Complement (PC) has been evaluated at various moments during the evaluation process, and has commented on different versions of the PC (see earlier reports by the evaluation team ARDOP, PC versions 2, 5, 7). This is proof of the interactive way of evaluation. The focus of this technical report will be on version 13.

In accordance with Council Regulation (EC) No 1260/1999, Article 41 (3), it evaluates on a measure-by-measure basis:

- The consistency of the PC with the aims of the corresponding priorities
- The quantification of targets & indicators, and
- The relevance of the project selection criteria.

Notice was taken of the remarks of the European Commission on the PC version of 22 February 2004 and of the results of the mid-term evaluation of the SAPARD programme.

Contents. Its contents are as follow. In section 1.2 the evaluation approach is shortly discussed, followed by section 1.3 with a number of important general remarks that apply to all measures. Chapter 2 reports on the changes compared with the last evaluated version of the PC, and provides a general assessment as to the acceptability of the report. Chapter 3 evaluates the individual measures as sketched above.

## 1.2 Evaluation approach

### Evaluation goal

Task 8. Evaluation of the measures in the Programme Complement (PC). Assess consistency of the PC's measures with the aims of corresponding priorities.

### Results

- Findings about the consistency with regard to corresponding priorities and relevance of selection criteria
- Concrete and elaborated proposals for revision of the relevant chapters of the PC (made also in earlier phases of conceptualizing the PC).

### Working method

The working method consisted of the desk analysis of the PC and other relevant documents.

## 1.3 General comments and remarks

Overall judgement of the PC. Concerning the most important objective of the ex-ante evaluation of the Programme Complement, i.e. the assessment of the consistency of the PC's measures with the aims of the corresponding priorities, the evaluators' judgment is positive. On the whole, the PC is consistent with the ARDOP.

Potential improvements. Although the PC is judged by the evaluation team as sufficiently adequate, some comments still apply. We list a number of comments which hold for the PC as a whole and on a measure-by-measure basis.

I. Explanation on the choice of indicators and their methodology. Missing is the explanation of the methodology for quantification of each of the indicators. This will have to be added as an explanatory note under each of the tables. This is both relevant for the ex post evaluation and for future programming exercises.

II. Baseline indicators. Baseline indicators are still often set at zero. Where possible the baseline indicator should contain relevant figures.

III. Regional disparities and programme impact. With respect to the decrease of disparities between the regions the evaluators note that from the quantified targets the Southern plain region can expect the highest (absolute) impact. The 'problem regions' Northern Plain, Northern Hungary and Southern Transdanubia can expect more impact

than the other regions, which is in line with the objective. However, there is no explanation for the highest impact in a region, which is not one of the problem regions.

IV. Weighting of the selection criteria. Although the selection criteria have been improved it is not clear how different aspects will be weighted against each other in the selection process. Transparency and openness about weighting criteria (how many points for what) to potential beneficiaries is important as it gives them an opportunity to assess their chances of receiving support. If this is not properly addressed – which can be arranged for in a later stage though - this could turn out to be a weak point in the selection process of projects.

V. Selection of projects over the programme period. The evaluator did not find a section on how the allocation of projects over the programme period will be organized: will projects be selected on a first in, first out basis, or differently?

VI. Project applications and the project evaluation process. For all measures an extensive number of eligibility and selection criteria has been defined. Especially with respect to the latter, no clear indications are given of the importance of the criteria vis-à-vis each other, nor their relative weighting in the selection process. Insight in how the checklist procedure will be implemented is important to potential beneficiaries. While adequate attention is paid to the project application evaluation procedure in the PC (chapter VI), this remains a weak point.

Earlier experience (e.g. SAPARD) shows that the project evaluation process is regarded by most beneficiaries as slow. A clear checklist procedure for each measure might be able to speed up the procedure.

VII. Eligibility and selection criteria. The eligibility and selection criteria for each of the measures as reported now in the PC form in fact a long list which includes substantive explanatory texts but lacks coherence and transparency. It is usually not clear what the most important criteria for selecting a project application are. The criteria section of each of the measures would benefit greatly from a thorough revision, in which a clear distinction is made between main and minor criteria/points. See also points IV, V, VI. The long list as it stands now will no doubt lead to lengthy, burdensome and bureaucratic procedures during the implementation phase. This gives the reason for the critical look at and reconsideration of the criteria.

#### VIII. Equal opportunities

For each measure a separate text dealing with preferential treatment ('positive discrimination') of women, handicapped people, young farmers and Roma has been added. In other words, a generic preference is given to these groups.

IX. Use of English language. The English used in the PC is (still) regarded as less than adequate. This leads sometimes to unnecessary confusion. Adequate changes should be made.

## 2 Evaluation by chapter & accomplished changes

### 2.1 Introduction

Several positive changes have been made compared to the last version of the PC. An inventory of these changes in line with the interactive evaluation process, is listed here on a chapter-by-chapter basis. Subsequently, a general assessment in terms of acceptability of each chapter from the point of the evaluator is provided.

Various additional text parts have been added to this latest version 13 of the PC. Its size in terms of pages increased from 150 pages (version 9 December 2003) to 187 pages in the final version. The additional 37 pages have improved the understanding of the measures described in the PC, the implementation of the ARDOP and its organizational set-up. Especially the financial tables for the individual measures, the eligibility criteria and the section on indicators (new indicators and adjustment of target levels) have been strengthened. The paragraphs on selection criteria and supported investments contains important changes to a positive direction.

## 2.2 Chapter I, Introduction

A number of different parts have been added, including:

- an organisational overview and description of the ARDOP Managing Authority
- a richer description of the monitoring system, as well as the Committee
- same on the SAPARD mid-term evaluation
- same on the Management Committee
- same on the financial management and control arrangements
- same on Monitoring capacities (comment: rightly situated in the current text?)
- same on Co-financing aspects
- same on the role of the Paying Authority, its tasks and the payment process
- same on its Consistency with the Rural Development Plan.

Furthermore, the introductory part has been supplemented by various contact details.

Assessment: the changes have definitely strengthened the latest version of the PC. Useful material was added. Chapter 1 is judged as acceptable.

## 2.3 Chapter II, Communication Plan

Various changes have been made, including:

- a more focused description of the target groups
- inclusion of new key messages in part II.4 (inter alia equal opportunities, (FIFG) fishery measures, the dissemination of what the ARDOP means and does)
- inclusion of coordination and other principles as well as the distinction between levels of communication in part II.5 Contents of communication
- the earlier section II.6 Time schedule has been replaced by a more precise Communication Action Plan, and supplemented by new sub-section on tools
- a handy table on the various communication instruments and linked target groups
- the inclusion of evaluation indicators.

Assessment: the changes have improved this part of the PC. Useful new materials were added.

One minor comment applies: it is not always clear to the evaluator how parts of the added text relate to the 'old' text. Especially, the positioning of new parts could be



reconsidered. E.g., in two different parts the importance of evaluation is mentioned. It would have been more transparent if both parts had been merged.

Chapter 2 is judged as acceptable.

#### 2.4 Chapter III, Detailed description of measures

The new chapter III is a revised version of the 'old' chapter IV. The 'old' chapter III Strategic Priorities and horizontal objectives has been taken out of the PC. The reason for this has not been explained. Most of the material originally presented under this header can also be found in the ARDOP itself. However, it does not change the quality of the PC.

Various changes have been made with respect to the detailed description of the measures. Changes include:

- Extended explanatory texts regarding the individual measures (more detailed description of the measures)
- More detailed description of the support given, including quantitative data on support levels
- Eligibility criteria, including beneficiaries (natural persons, producer groups, etc.)
- A redrafted and actualized section on applicable laws
- Additional criteria
- Financial plans 2004-2006, i.e. detailed tables with split out cost items by year and in euros and HUFs, private funds and assistance from other funds.
- Adequate indicators and targets.

And more specifically by measure:

- Adaptation and increase in indicators and associated targets for the assistance to the fisheries sector measure III.2 (considered an improvement)
- training (III.4) measure: Roma have been included as a target group.
- training (III.4) measure: Trained handicapped people has been added under impact indicators (minor comment: not mentioned under output indicators though)
- improved marketing & processing measure (III.5): added are excluded investments (eligibility) for various categories
- expansion of rural income opportunities (III.6) measure: various major improvements including the inclusion of eligibility criteria, financial plan and indicator schemes
- Leader+ (III.9) measure: various revised indicator targets

Assessment. The changes have strengthened the final version of the PC compared to the last version. Useful new material was added, with major improvements on the part of eligibility criteria, financial target levels and the fine-tuning of the indicators part.

Comment: in case of restricted periods of calls for applications – if any -, it is not clear how this will be communicated to the potential beneficiaries apart from the internet. Special advertisements in local newspapers or even a targeted direct mailing could be a possibility.

Chapter 3 is judged as acceptable.

## 2.5 Chapter IV, Evaluation procedure of the applications

New chapter. The starting point is the SAPARD experience which is judged as adequate. It is assumed that improvements based on the SAPARD experience have been introduced. This was checked by the evaluator (marginal check on the basis of the mid-term evaluation SAPARD); various improvements have been taken on board.

A precise description of the full cycle of project evaluation is given, including a paragraph on ranking and decision making.

Comment: it is not quite clear whether projects will be granted on a first in, first out basis or otherwise, and what quality criteria for ranking will be applied. This is important though, given the sentence “If the available fund is not enough, the applications which cannot be financed are rejected” (see p. 138) and the relative ‘newness’ of the programme, which makes interest and uptake difficult to predict. In the case of an unexpectedly high number of applications this might lead to difficulties and frustration among applicants and implementing bodies.

Chapter 4 is judged as acceptable.

## 2.6 Chapters VI-VIII: Exchange of Computer Data, Indicative Financial Plan, and Attachments

Additional explanation on the Information system and the constituent modules is given in chapter VI.

The financial tables in HUF in chapter VII have been left out. In the attachments of Chapter VIII figures have been shown in HUF amounts again. This is not consistent, therefore we recommend re-including the old tables in HUF as well in Chapter VII.

Furthermore:

- Section VIII.3 on investments excluded from support (food processing) has been added
- An extensive table on animal welfare and hygiene requirements has been added in Chapter VIII (i.e. VIII.8 Minimum requirements).

Assessment: the changes have positively contributed to the overall quality of chapters VI to VIII. Overall, their content is judged as adequate and acceptable.

## 3 Evaluation by measure

### 3.1 Introduction

This final evaluation comments on the final version of the PC - version 13 - only. In accordance with Council Regulation (EC) No 1260/1999, Article 41 (3), it evaluates on a measure-by-measure basis:

- The consistency of the PC with the aims of the corresponding priorities
- The quantification of targets & indicators, and
- The relevance of the project selection criteria.

The part on consistency includes a judgement on the consistency with the aims of the priorities, and it also determines whether the justification and the description are in reasonable conformity with the corresponding text in the OP.

The part on the quantification of targets and indicators examines whether the targets in the PC are in reasonable conformity with the corresponding targets in the OP, and assesses whether a good link between the targets and the corresponding monitoring and evaluation indicators has been made.

The verification part on the relevance of selection criteria assesses the relevance of both the eligibility and selection criteria mentioned in the PC.

### 3.2 Assistance to investments in agriculture

Consistency with the aims of the corresponding priorities

Measure 1.1 Assistance to investments in agriculture is one of the measures to be applied under Priority 1 Establishment of competitive basic material production in agriculture.

The aim of priority 1 (see OP, page 84) is “to modernize production in agriculture, forestry and fishery, and more specifically:

- To reduce specific costs of production and perform a technical/technological renewal;
- To increase productivity
- To improve production structure
- To establish a better age structure of the agricultural labour force and agricultural entrepreneurs
- To increase occupational skills.”

In the evaluator’s opinion measure 1.1 is consistent with the corresponding priority, in particular with the following sub-aims:

- To reduce specific costs of production and perform a technical/technological renewal;
- To increase productivity
- To improve production structure.

According to the evaluator the intended support to investment to each of the six investment categories is in line with each sub-aims, and will positively contribute to these sub-aims. Investment in new modern production capacity – which in essence is the subject of all six sub-measures including orchards and irrigation - can be expected to improve the overall production structure; to improve the quantity and quality of agricultural produce, and therefore productivity; and to reduce the costs of production (more efficient and more rational ways of production).

Priority. There is no clear reference in the PC that clearly links the measure to the priority in the Operational Programme (OP).

Justification. The justification given in the OP does not correspond with the justification in the PC. The OP text is the leading with respect to the justification issues and there is no need to repeat this text in the PC. By adding new elements to the justification, while leaving out other elements, the justification in the PC has become confusing instead of making the explanation easier.

Description. The description [(3), but more in particular (4)] is more extensive than in the OP, as it should be and a further delineation of the investment support is offered on a sub-sector by sub-sector basis. Instead of the categories ‘facilities related to animal husbandry’, as well as plant production, six categories are now distinguished in the OP.

In (3) sometimes eligibility criteria seem to have been mixed up in the description of the measure, e.g.:

- page 39: “investment subsidies are only available for holdings... etc.”
- page 40: “investment support can only be granted to agricultural holdings that fulfil ... etc.”

The text should be reshuffled accordingly. The explanatory text on economic viability is useful but should be repositioned to the section Selection criteria.

#### Overall judgement on consistency

The measure is judged broadly consistent with the aims of the corresponding priority. However, in order to make this correspondence more clear and visible, a number of changes need to be accomplished in the PC to bring it in line with the remarks above, in particular:

- the inclusion of a concise explanation to which priority the measure applies and how the measure relates to the aims of the corresponding priority in the OP.
- redrafting of the ‘justification’ part accordingly.
- more generally, a critical reassessment of the description and ‘justification’ of the measure by keeping it in line with the text of the OP, and evading unnecessary duplications .

In the opinion of the evaluator, the measure contributes to three of the five aims mentioned under priority 1 Establishment of competitive basic material production in agriculture (see above).

#### Quantification of targets & indicators

The PC largely repeats the targets of the OP. The global, specific and operational targets are, however, not in all cases identical to the global, specific and operational targets listed in the Operational Programme. For example the OP mentions as specific target “the diversification of basic agricultural activities, to change the structure of production”. This was subsequently changed in the PC as “to modernize the production structure of agriculture”. Yet the degree of conformity can be judged as acceptable.

There is no clear link between the targets identified in (3) and the monitoring and evaluation indicators (and targets) mentioned in (13). At least, a reference and explanation of the relationship between the two should be given, e.g. in terms of the four investment types distinguished under the heading Operational targets. As it stands now, it is hard to measure and verify whether the stated targets at the end of the programme will have been met.

The intended improvement of the quality of products is not included in the current set of indicators.

No initial rough allocation of the six eligible expenditure categories is given (e.g. in terms of intended percentages of total investment support), unlike for instance measure

### III.2 Structural assistance in the fisheries sector [see page 53, item (2)].

#### Verification of the relevance of selection criteria

Under this heading both eligibility and selection criteria are described. Reshuffling of section 7 could improve the readability and comprehensiveness of this section. The text on economic viability and eligibility (now both in 3) should be placed here.

With respect to selection criteria, various criteria per investment support category are distinguished, yet without a clear weighting between the criteria. This choice makes this selection process flexible, however does not make it transparent neither for the applicant, nor for the selection committee.

Economic viability should be an important criterion. Logically economic viability follows from a sound business plan. Except for Producer Groups, economic viability, however, appears to be assessed on the basis of Standard Gross Margins (SGM) and ESU (see page 40). The role - and esp. the quality - of the business plan vis-à-vis the viability assessment remains, however, unclear.

How will the intended improvement in terms of quality (of products and production) be weighted in the selection of projects? The special preference that is given in the selection criteria to young farmers, disadvantaged groups or women means that when choosing from two applications with the same qualification these groups will be given preference (i.e. positive discrimination).

The investment measure as a whole is not very selective or focused in terms of type of investments and sub-sectors to be supported. This bears the risk of fragmentation and eventual dissipation of support which detracts from the effectiveness of total support.

The PC does not include an explicit indication of regions to be supported (e.g. in terms of number of projects; this is unlike some of the other measures). It might well be that support to some 'well-favoured' regions would be more beneficial to the competitiveness of the agricultural sector as a whole than support to less favoured areas. It should be noted that in the mid-term evaluation of the SAPARD Programme recommendations in favour of this more focused form of support were made.

#### Overall judgement on the relevance of selection criteria

Although the presented criteria as such are judged sufficient, the eligibility and selection criteria should be reshuffled in order to improve readability and comprehensiveness.

A number of improvements could, moreover, be accomplished. The following recommendations are made:

- Highlighting the importance of a sound business plan and (future) economic viability should be highlighted. The same applies to intended quality improvements in relation to the selection of projects.
- When selecting projects, sector-perspective should not be forgotten. I.e. due to the broad scope of the measure (various investment categories and goals), the measure runs

the risk of supporting a fragmented structure instead of focusing the support toward viable and competitive parts of the sector. A more regionalised perspective could improve the focus of the measure.

### 3.3 Structural assistance in the fisheries sector

Consistency with the aims of the corresponding priorities

Measure 1.2 Structural assistance in the fisheries sector is one of the measures to be applied under Priority 1 Establishment of competitive basic material production in agriculture.

The aim of priority 1 (see OP, page 84) is “to modernize production in agriculture, forestry and fishery, and more specifically:

- To reduce specific costs of production and perform a technical/technological renewal;
- To increase productivity
- To improve production structure
- To establish a better age structure of the agricultural labour force and agricultural entrepreneurs
- To increase occupational skills.”

Confusingly, in the PC the term ‘priority’ is also used but in relation to EC regulation 366/2001 (priorities 3 and 4, see page 53 and 54).

In the opinion of the evaluator measure 1.2 is consistent with the corresponding OP priority, in particular with the following sub-aims:

- To increase productivity (vide submeasures 32; 34; 43)
- To improve the production structure (vide submeasure 34)
- To increase occupational skills (vide submeasures 44 and 46).

The measure includes the (re)construction of fish farms, fish production systems, fish processing plants, investment in inland fishing equipment and promotion.

Priority. There is no clear reference in the PC in the introduction that clearly links the measure to the priority in the Operational Programme (OP). However, short references to priorities are made in section 4 Measures taken.

Justification. The justification given in the OP does not fully conform to the justification in the PC. New elements have been added to the justification, which better illustrate the rationale behind the measure. Judged as acceptable.

Description. In the description slight and tailored changes have been made compared to the OP. The categorization is in conformity with Reg (EC) No 366/2001. The description in terms of measures taken is clear, especially the split into 6 submeasures. Judged as adequate.

Overall judgement on consistency

The measure is judged broadly consistent with the aims of the corresponding priority. However, in order to make this correspondence more clear and visible, a number of

changes need to be accomplished in the PC to bring it in line with the remarks above, in particular:

- the inclusion of a concise explanation to which priority the measure applies and how the measure relates to the aims of the corresponding priority in the OP.
- an according redrafting of the 'justification' part
- more generally, a critical reassessment of the description and 'justification' of the measure by keeping it in line with the text of the OP and evading unnecessary duplications.

In the opinion of the evaluator, the measure contributes to three of the five aims mentioned under priority 1 Establishment of competitive basic material production in agriculture (see above).

#### Quantification of targets & indicators

The PC largely repeats the targets of the OP, with global, specific and operational targets being identical. The indicators are largely congruent to the specified targets and are judged as adequate. The only aspect that could be given more attention is the improvement of the quality of fishery products for which no indicator has been defined.

#### Verification of the relevance of selection criteria

Economic viability following project implementation – i.e. a prior assessment of whether the enterprise and/or activity is sustainable in economic terms after the project has ended - is missing as a criterion.

A well-defined business plan should be part of the selection procedure, at least where entrepreneurs (private and/or (semi)public) are concerned.

With respect to the sub-measure Inland Fishing, 'proof of being licensed for fishing' as the only additional criterion - apart from the general eligibility criteria – and without any economic assessment whatsoever is judged as meager.

With respect to the sub-measure Promotion, 'according to general criteria as the only additional criterion' and without any economic assessment whatsoever is judged as meager.

With respect to sub-measure Assistance to producer organisations, the statement 'according to 104/2000 EC Regulation' should be explained.

The selection criteria only mention sub-measures 4.1 and 4.2. It should be extended to include 4.3 – 4.6 as well.

It is not clear why only for sub-measure 4.2 the ratio of women employed is mentioned as a criterion and why not for other measures.

#### Overall judgement on the relevance of selection criteria

The eligibility criteria are judged adequate for activities 4.1, 4.2, 4.6. For activities 4.3, 4.4 and 4.5 they should be elaborated and better explained. See above.

The selection criteria only mention sub-measures 4.1 and 4.2. Should be extended to include 4.3 – 4.6 as well.

A further possible improvement would be to include economic viability as a criterion, for sub-measures 4.1, 4.2 and possibly for sub-measures 4.5 and 4.6. The same applies to the inclusion of a business plan.

### 3.4 Setting up of young farmers

Consistency with the aims of the corresponding priorities

Measure 1.3 Setting up of young farmers is one of the measures to be applied under Priority 1 Establishment of competitive basic material production in agriculture.

Priority. There is no clear reference in the PC that clearly links the measure to the priority in the Operational Programme (OP).

The aim of priority 1 (see OP, page 84) is “to modernize production in agriculture, forestry and fishery, and more specifically:

- To reduce specific costs of production and perform a technical/technological renewal;
- To increase productivity
- To improve production structure
- To establish a better age structure of the agricultural labour force and agricultural entrepreneurs
- To increase occupational skills.”

In the opinion of the evaluator measure 1.3 is consistent with the corresponding priority, with the following sub-aims, and in particular the last one:

- To increase productivity
- To improve production structure
- To establish a better age structure of the agricultural labour force and agricultural entrepreneurs.

Remark: it not clear how the measure will deal with the agricultural labour force at large, as the measure appears to be specifically aimed at young private entrepreneurs.

Justification. The justification given in the OP differs from the justification in the PC, but is broadly consistent with it. Judged as acceptable.

Description. The description clearly explains what the measure entails (3) and for which activities (4).

The congruence of the measure with the measure Assistance to Investments in Agriculture is not fully clear to the evaluator, especially with respect to the interest support (loan) element and – generally - the possibility of ‘double’ support. This part should be clarified.

Overall judgement on consistency



The measure is judged broadly consistent with the aims of the corresponding priority. However, in order to make this correspondence more clear and visible, a number of changes need to be accomplished to bring it in line with the remarks above, in particular:

- the inclusion of a concise explanation to which priority the measure applies and how the measure relates to the aims of the corresponding priority in the OP.
- the redrafting of the section ‘justification’ accordingly
- more generally, a critical reassessment of the description and ‘justification’ of the measure by keeping it in line with the text of the OP and evading unnecessary duplications.

In the opinion of the evaluator, the measure contributes to three of the five aims mentioned under priority 1 Establishment of competitive basic material production in agriculture, and in particular towards the aim of “establishing a better age structure of the agricultural labour force and agricultural entrepreneurs”

#### Quantification of targets & indicators

Targets are acceptably consistent with the targets in the OP. The quantification in terms of indicators is acceptable.

Monitoring of special groups (Roma, handicapped) should be considered.

#### Verification of the relevance of selection criteria

The selection criteria include ‘agricultural experience’ which is not further described apart from experience of 1 to maximum 3 years in agriculture. Would this mean that people applying with more than 3 years of experience but falling within the target category (below 40 years of age) will be excluded? Why? And how is agricultural experience defined? Does it, e.g., include part-time work experience on a farm?

What are the crucial factors that determine economic viability? How will this be tested after the indicated period of 3 years?

Like other measures, the selection criteria do not show the relative importance of the different elements for selection. How will certain criteria, in particular “taking over a farm”, “membership of producer organization” and “farmers operating in less favoured and environmentally sensitive areas” be weighted in selecting projects? This part should be clarified.

#### Overall judgement on the relevance of selection criteria

Eligibility and selection criteria as such are judged sufficient. They are acceptable if the following improvements are made:

The selection criterion ‘agricultural experience’ should be elaborated, i.e. further defined.

The same applies to the criterion economic viability.

It should be clarified in which way the selection criteria “taking over a farm”, “membership of producer organization” and “farmers operating in less favoured and environmentally sensitive areas” will be used in selecting projects.

### 3.5 Assistance to vocational further training and retraining

Consistency with the aims of the corresponding priorities

Measure 1.4 Assistance to vocational further training and retraining is one of the measures to be applied under Priority 1 Establishment of competitive basic material production in agriculture.

The aim of priority 1 (see OP, page 84) is “to modernize production in agriculture, forestry and fishery, and more specifically:

- To reduce specific costs of production and perform a technical/technological renewal;
- To increase productivity
- To improve production structure
- To establish a better age structure of the agricultural labour force and agricultural entrepreneurs
- To increase occupational skills.”

In the opinion of the evaluator measure 1.4 is consistent with the corresponding priority, in particular with the following sub-aims:

- To increase productivity
- To increase occupational skills.

Priority. There is no clear reference in the PC that clearly links the measure to the priority in the Operational Programme (OP).

Justification. The justification given in the OP differs from the justification in the PC. New elements in the justification of the PC have been added (e.g. the paragraph on safe product sales etc) and others have been left out (e.g. training courses for women) while they reappear later on in the text.

Description. The description clearly explains what the measure entails (3) and for which activities (4). Compared to the OP, more focus has been added with a the list of ‘technical fields’ eligible for support.

#### Overall judgement on consistency

The measure is judged broadly consistent with the aims of the corresponding priority. However, in order to make this correspondence more clear and visible, a number of changes need to be accomplished to bring it in line with the remarks above, in particular:

- the inclusion of a concise explanation to which priority the measure applies and how the measure relates to the aims of the corresponding priority in the OP.
- the redrafting of the section ‘justification’ accordingly

· more generally, a critical reassessment of the description and ‘justification’ of the measure by keeping it in line with the text of the OP and evading unnecessary duplications .

In the opinion of the evaluator, the measure contributes to two of the five aims mentioned under priority 1 Establishment of competitive basic material production in agriculture, partly to increase occupational skills.

#### Quantification of targets & indicators

The “safeguarding of environmental benefits” has been added as a global target. The two specific targets have been positively adapted. It is not clear why only Roma are mentioned in the operational targets, and why not other groups as well, or women.

A difference in terms of the available budget has been modified between agriculture-specific training and forestry/fishery-specific training. In the monitoring and assessment evaluation indicators this distinction does not reappear. Inclusion should be considered.

#### Verification of the relevance of selection criteria

Under eligibility criteria providers of training - either natural or legal persons - are mentioned, whereas farmers are mentioned as beneficiaries. As it stands now, the providers are the de facto beneficiaries.

Under selection criteria it is mentioned that “the training be(ing) conducted in an agricultural region, being in critical employment situation”. It should also be made clear how the term ‘critical’ is defined. Furthermore, the logic of this statement as it stands now is not entirely convincing to the evaluator. It would be logical within a region to select on the basis of the revealed needs amongst farmers, rather than on the considerations for employment.

#### Overall judgement on the relevance of selection criteria

Eligibility and selection criteria as such are judged sufficient, and acceptable if the following improvements are made:

Clarification on who will be eligible: training providers or farmers?

It should be considered whether and how the selection criterion “the training be(ing) conducted in an agricultural region, being in critical employment situation” can be adapted (see the above) and explained how exactly it will be used in selecting projects.

### 3.6 Improvements of processing and marketing of agricultural products

#### Consistency with the aims of the corresponding priorities

Measure 2.1 Improvements of processing and marketing of agricultural products is the only measure to be applied under Priority 2 Modernisation of food processing.

The aim of priority 2 has not been described in the OP (see page 100-101), as it has already been indicated in the ex-ante evaluation of the OP. Due to this, a check on consistency could formally not be accomplished.

A marginal check on the usefulness of the measure and the eligible support under the measure vis-à-vis the aim of “modernizing food processing” is, however, positive in the view of the evaluator.

Priority. There is no clear reference in the PC that clearly links the measure to the priority in the Operational Programme (OP).

Justification. The justification given in the OP differs strongly from the justification in the PC. The rationale given is short but adequate. The paragraph ‘strategic elements ..’ is judged unnecessary as it broadly covers (a selection of) the targets dealt with subsequently.

Description. The description clearly explains what the measure entails (3) and for which activities (4). Compared to the OP, more focus has been added with a the list of ‘technical fields’ eligible for support.

Remark: the description of the sectors eligible for support and restrictions on a sector-by-sector basis [highlighted in (3)] precedes section (4) Supported investments. This is not logical. Integration of the two in (4) would greatly enhance readability and comprehensiveness.

A distinction is made between small (30-100 m HUF) and large (>100 m HUF) projects and between investment aiming at improving competitiveness and aiming at the welfare of people/environment. Remark: development projects related to food safety, organic and ICM products are ranked under the latter and are eligible for a higher percentage of support. It is questionable whether this categorization is justifiable.

#### Overall judgement on consistency

The aim of priority 2 has not been described in the OP (see page 100-101), as it has already been indicated in the ex-ante evaluation of the OP. Due to this, a check on consistency could formally not be accomplished.

If the aim of the priority is defined as “the modernization of food processing”, i.e. identical to the priority itself, the measure can be regarded as being in line with that priority. The specific targets (improved competitiveness of processing enterprises, rationalization between processing and sales channels, improved food safety and quality of food products, improvement of working conditions, and reduced environmental impact) of the measure are considered to contribute towards the modernisation of food processing. A more apt title would be the “modernisation of the food industry”.

#### Quantification of targets & indicators

While global and specific targets conform to the ones mentioned in the OP, some of the operational targets differ. For example the PC mentions improvement of the production of ‘new, higher processed innovative products’ instead of ‘new products with added’value (OP). The changes are within limits and therefore judged acceptable. In

the remainder of the text sometimes the old denominations are still used. This is not consistent.

Organic and ICM products are included in one of the operational targets.

Levels of support indicated in (6) differ from the maximum aid level of 50% mentioned in the OP.

The listed monitoring and assessment indicators conform to the targets.

Verification of the relevance of selection criteria

Eligibility criteria. With respect to (economic) viability a list of various factors to be assessed are mentioned. No indication is given as to what are the acceptable benchmarks in this respect. Furthermore, the applicant is requested to provide evidence on sales opportunities created by the project. This directly relates to viability and should therefore be integrated and the text readjusted accordingly.

A redrafting of the text on eligibility criteria would improve the readability and comprehensiveness and should be seriously considered.

Selection criteria. Selection criteria apply to the company (refer mainly to viability), to the project, as well as include additional criteria for large projects. Selection will be based on a comparative scoring. It is important that applicants are informed about the weighting of the different elements in the final score.

Overall judgement on the relevance of selection criteria

Eligibility and selection criteria are judged as sufficient. Improvements could be made with respect to:

Explaining and elaborating the viability criterion.

Redrafting the eligibility criteria text in order to improve its comprehensiveness

Making clear to potential beneficiaries what the relative importance of the various selection criteria will be in the selection process.

### 3.7 Expansion of rural income earning opportunities

Consistency with the aims of the corresponding priorities

Measure 3.1 Expansion of rural income earning opportunities is one of the measures to be applied under Priority 3 Development of rural areas.

The aim of priority 3 (see OP, page 107) is “to promote the realignment of rural areas. Within this:

- To reduce the economic and social disadvantages in rural areas

- To improve the quality and conditions of life and income positions of the rural population
- To diminish the ageing and depopulation of small settlements, the further deterioration of human potentials (...) and the further erosion of the landscape and the image of the rural world.”

In the opinion of the evaluator measure 3.1 is consistent with the corresponding priority, in particular with the following sub-aims:

- To reduce the economic and social disadvantages in rural areas
- To improve the quality and conditions of life and income positions of the rural population.

The variety in support – through the sub-measures diversification of agricultural activities (sub-measure 4.1), the marketing of quality agricultural products (sub-measure 4.2), development of rural tourism and craft activities (sub-measure 4.3) warrant a broad base of potential beneficiaries.

Priority. There is no clear reference in the PC that clearly links the measure to the priority in the Operational Programme (OP).

Justification. The justification given in the OP differs from the justification in the PC. Yet the rationale given is short but adequate.

Description. The description in the sub-measures is clear and well-structured.

Remark to submeasure 4.1: new percentages compared to the OP are mentioned with respect to sales revenue (15-20% in 5 years vis-à-vis 30% in 2 years).

Remark to submeasure 4.1: it is not clear on what basis the limitative list of eligible products has been exactly made and whether similar categories have been left out. Yet the activities all appear to be labour-intensive and small-scale.

Remark to submeasure 4.1: additional evidence has been put forward to substantiate the claims with respect to the Excellent Food and Traditions – Tastes – Regions schemes.

Overall judgement on consistency

The measure is judged as broadly consistent with the aims of the corresponding priority. However, in order to make this correspondence more clear and visible, a number of changes need to be accomplished to bring it in line with the remarks above, in particular:

- the inclusion of a concise explanation to which priority the measure applies and how the measure relates to the aims of the corresponding priority in the OP.
- the redrafting of the section ‘justification’ accordingly
- more generally, a critical reassessment of the description and ‘justification’ of the measure by keeping it in line with the text of the OP and evading unnecessary duplications.

In the opinion of the evaluator, the measure contributes to at least two of the three aims mentioned under Priority 3 Development of rural areas.

## Quantification of targets and indicators

Targets have been sometimes slightly altered compared to the OP. E.g.:

- (global target) “to create wider sources of income earning opportunities” (PC) instead of “to create income opportunities”.
- (operational target) “to improve the marketing of quality agricultural products” (OP) and “to improve the marketing of quality agricultural products” (PC).

Remark: Impact is now only measured in terms of jobs created and preserved. Income/revenue levels receive no attention while this is an important global target as well.

## Verification of the relevance of selection criteria

Eligibility criteria are clear and judged as sufficient. The definition of economic viability is clearer described than elsewhere in the PC.

Selection criteria are judged as sufficient. It is, however, not clear what is meant by the term ‘development’. Most probably the term ‘project’ is meant instead.

## Overall judgement on the relevance of selection criteria

Eligibility and selection criteria are clear and judged sufficient.

It would be to the benefit of potential applicants to notify them in advance of how the various criteria will be weighted in the selection process.

## 3.8 Development and improvement of infrastructure connected with the development of agriculture

### Consistency with the aims of the corresponding priorities

Measure 3.2 Development and improvement of infrastructure connected to the development of agriculture is one of the measures to be applied under Priority 3 Development of rural areas.

The aim of Priority 3 (see OP, page 107) is “to promote the realignment of rural areas. Within this:

- “To reduce the economic and social disadvantages in rural areas”
- “To improve the quality and conditions of life and income positions of the rural population”, and
- (as a result of the above) “To diminish the ageing and depopulation of small settlements, the further deterioration of human potentials (...) and the further erosion of the landscape and the image of the rural world.”

In the evaluator’s opinion measure 3.2 is consistent with the corresponding priority and aims. While the development and improvement of agricultural infrastructure has a direct and foremost effect on the development of agriculture, it can be expected to have positive indirect effects on the development of rural areas as a whole, by increasing the accessibility and hence the mobility opportunities of rural areas.

Priority. There is no clear reference in the PC that clearly links the measure to the priority in the Operational Programme (OP).

Justification. The justification given in the OP differs from the justification in the PC. Yet the rationale given is judged as adequate.

Description. The description in the sub-measures is clear and well-structured.

It is not clear from the text, whether maximum amounts apply to submeasures apart from those for sub-measures 4.2.2 and 4.2.3.

Overall judgement on consistency

The measure is judged broadly consistent with the aims of the corresponding priority. However, in order to make this correspondence more clear and visible, a number of changes need to be accomplished to bring it in line with the remarks above, in particular:

- the inclusion of a concise explanation to which priority the measure applies and how the measure relates to the aims of the corresponding priority in the OP.
- the redrafting of the section ‘justification’ accordingly
- more generally, a critical reassessment of the description and ‘justification’ of the measure by keeping it in line with the text of the OP and evading unnecessary duplications.

In the opinion of the evaluator, the measure contributes indirectly to all three aims mentioned under Priority 3 Development of rural areas.

Quantification of targets & indicators

The specific target “to improve the conditions of irrigation water facilities ... etc.” was reformulated into “to improve irrigation water management”. Some elements have been added to the specific targets, e.g. “to develop local markets etc.” was extended to include “...buying up facilities, wholesale markets”. The specific target “to preserve and to improve fertility of land, melioration” was modified as “to improve agricultural land, to make it suitable for extensive utilisation”. The latter is in fact quite different from the target stated in the OP.

In the monitoring and evaluation indicators no distinction has been made between the various targets, whilst items like land amelioration, energy supply and irrigation – to mention only some of the items – are rather different and can be easily measured and monitored. Moreover, the division in submeasures lends itself to a more extensive and better monitoring and evaluation system. Indicators could therefore be elaborated. The split into different regions is a good one and should be maintained.

Does the indicator “number of agricultural enterprises affected... ”: mean how many enterprises are actually connected (e.g. by roads)? The term “affected “ is too broad as in principle it serves society as a whole.



With respect to environmental protection (see global targets), no indicators are provided. The same holds for income, revenue, and working/production/living conditions. Some – albeit rough - indicators should be defined to address this undesirable situation.

Verification of the relevance of selection criteria

The eligibility criteria include two specific criteria which – apparently - specifically apply to measure 4.1. This should be stated as such. Furthermore, it is not clear how the eligibility criterion “no public debts” relates to the actual status and jurisdiction of water management associations, and local governments.

Selection criteria include evidence regarding outcome, viability and sustainability. The relationship between the three – which obviously exist – is not made clear.

Selection criteria also mention positive discriminatory treatment of women and disadvantaged groups. At the same time under point 14 it is mentioned that equal opportunities are neutral. How do these two statements relate?

Classification and especially the ranking of projects will be expected to be difficult, as high support rates might engender a great number of applications. How will the selection proceed? According to region? Other criteria?

For submeasure 4.3 the number of services and functions offered on the market are mentioned as ‘further criteria’ (page 107). What does it mean exactly?

Overall judgement on the relevance of selection criteria

The eligibility criteria are clear and judged as sufficient.

The selection criteria are in principle judged sufficient, provided that certain amendments are made, in particular:

- a clarification of the relationship between outcome, viability and sustainability
- how projects will be judged in terms of assessed needs – as clearly in some regions there is more urgent needs for improved infrastructure than elsewhere.

3.9 Renovation and development of villages and protection and conservation of rural heritage

Consistency with the aims of the corresponding priorities

Measure 3.3 Renovation and development of villages and protection and conservation of rural heritage is one of the measures to be applied under Priority 3 Development of rural areas.

The aim of Priority 3 (see OP, page 107) is “to promote the realignment of rural areas. Within this:

- To reduce the economic and social disadvantages in rural areas

- To improve the quality and conditions of life and income positions of the rural population
- To diminish the ageing and depopulation of small settlements, the further deterioration of human potentials (...) and the further erosion of the landscape and the image of the rural world.”

In the opinion of the evaluator measure 3.3 is consistent with the corresponding priority and its three consecutive sub-aims. Through the revitalization and development of existing buildings for multi-functional purposes; the renovation of buildings and of monuments; and by improving and protecting natural values and the landscape, positive effects can be expected to directly and positively affect the “quality and conditions of life” and prevent “further erosion of the landscape and the image of the rural world”. The measure can be expected to have a positive yet indirect impact on reducing existing disparities, on diminishing the ageing and depopulation of small settlements and on the further deterioration of human potentials.

Priority. There is no clear reference in the PC that clearly links the measure to the priority in the Operational Programme (OP).

Justification. The justification given in the OP differs from the justification in the PC. Yet the rationale given is judged as adequate.

Description. The description in sub-measures is clear and well-structured.

Maximum rates of support differ from the rates laid down in the OP.

Overall judgement on consistency

The measure is judged broadly consistent with the aims of the corresponding priority. However, in order to make this correspondence more clear and visible, a number of changes need to be accomplished to bring it in line with the remarks above, in particular:

- the inclusion of a concise explanation to which priority the measure applies and how the measure relates to the aims of the corresponding priority in the OP.
- the redrafting of the section ‘justification’ accordingly
- more generally, a critical reassessment of the description and ‘justification’ of the measure by keeping it in line with the text of the OP and evading unnecessary duplications.

In the opinion of the evaluator, the measure contributes directly to (parts) of two of the three sub-aims mentioned under Priority 3 Development of rural areas, and more indirectly to all of the mentioned sub-aims.

Quantification of targets & indicators

Slight differences appear to exist between the targets listed in the OP and in the PC:

- Global objective “to improve living and working conditions in rural areas”(OP) versus “to improve living conditions in rural areas” (PC)
- Specific objective “to improve the appearance of rural settlements and environment” (OP) versus “to improve rural settlements and environment” (PC)

The monitoring and evaluation indicators are restricted. The increase in the quality of life is the only impact indicator listed. Reduction of migration, the other global target, is not monitored.

Verification of the relevance of selection criteria

Regarding the eligibility criteria, it is not clear how the eligibility criterion “no public debts” relates to the actual status and jurisdiction of local governments.

It is not clear how applications will be evaluated, given the broad number of very different beneficiaries. What are the more important selection criteria, and how, for instance, will applications by private entrepreneurs be evaluated?

It is not clear how viability and operational sustainability will be measured when talking about, e.g., the preservation of plants, new plantings.

In the paragraph on equal opportunities, several ‘hidden’ selection criteria are mentioned, especially with respect to village renewal. These appear to make sense, yet they are of a different nature than the other criteria, and almost resemble the objectives.

Overall judgement on relevance of selection criteria

The eligibility criteria are clear and judged sufficient.

The selection criteria are in principle judged sufficient, provided that certain amendments are made, in particular:

- a clarification of the relationship and measurement of viability and sustainability for specific categories, e.g. preservation of plants, new plantings
- how projects will be evaluated in terms of assessed needs – and in particular how a balanced selection of projects is guaranteed, given the variety in the private and public background of potential beneficiaries.

### 3.10 Leader+

Consistency with the aims of the corresponding priorities

Measure 3.4 Leader+ is one of the measures to be applied under Priority 3 Development of rural areas.

The aim of Priority 3 (see OP, page 107) is “to promote the realignment of rural areas. Within this:

- To reduce the economic and social disadvantages in rural areas
- To improve the quality and conditions of life and income positions of the rural population
- To diminish the ageing and depopulation of small settlements, the further deterioration of human potentials (...) and the further erosion of the landscape and the image of the rural world.”

In the evaluator's opinion measure 3.4 is consistent with the corresponding priority, and its sub-aims. The actions (1. acquisition of skills; 2. pilot integrated rural development strategies; 3. support for inter-territorial and transnational co-operation) and the communication network development at various levels can be expected to have a positive and direct impact on improving the quality and conditions of life, and the income positions of the rural population. Through this, and therefore indirectly, the measure can also be expected to have a positive impact on the two other sub-aims.

Priority. There is no clear reference in the PC that clearly links the measure to the priority in the Operational Programme (OP).

Justification. The justification given in the OP differs from the justification in the PC. Yet the rationale given is judged as adequate.

Description. The description in sub-measures should be clarified, especially where the setting up of LAGs is concerned (how the organization into LAGs is foreseen).

The denomination and content of Action 1 "Acquisition of skills" should be rethought. As it is understood by the evaluator from the current text, the formation of active LAGs is part of the measure itself. It is understood that this is part of Action 1. Yet, it is questionable whether the activities described under Action 1 are sufficient for the creation of operational LAGs. Training and 'marketing' of the Leader+ approach are important but not sufficient.

The description of Action 3 (interregional and trans-border co-operation) is rather limited, and in terms of implementation it is judged as marginal. Learning from other, especially foreign LAGs with some history (e.g. Austria) might be a productive form of co-operation and of moving forward.

It is not entirely clear who can / should join the LAGs and what criteria are set for a functioning LAG (i.e.: add to 7.1.1). More in general, the distinction between (the formation of) LAGs, integrated rural development plans and strategies should be clarified.

Overall judgement on consistency

The measure is judged broadly consistent with the aims of the corresponding priority. However, in order to make this correspondence more clear and visible, a number of changes need to be accomplished to bring it in line with the remarks above, in particular:

- the inclusion of a concise explanation to which priority the measure applies and how the measure relates to the aims of the corresponding priority in the OP.
- the redrafting of the section 'justification' accordingly
- more generally, a critical reassessment of the description and 'justification' of the measure by keeping it in line with the text of the OP, and evading unnecessary duplications.

In the opinion of the evaluator, the measure contributes directly to the second of the three sub-aims mentioned under Priority 3 Development of rural areas and more indirectly to all of the mentioned sub-aims.

## Quantification of targets and indicators

The targets stated in the PC have slightly been adapted compared to those stated in the OP yet are judged to be in conformity. The indicators are judged as adequate but judged as the bare minimum.

## Verification of the relevance of selection criteria

The Leader+ measure should promote bottom-up processes and should mainly stimulate innovations, in terms of products / process / organization.

The formation of ‘working’ active LAGs is crucial to the success of the Leader+ measure. It is not clear how the setting up of the LAGs is promoted apart from Action 1.

It is not fully clear from the current text, which eligibility criteria apply to which of the listed activities. E.g. Action 4.2 is mentioned first. The logical approach is to choose appropriate Local Action Groups first based on the eligibility and selection criteria, and then focus on the activities to be accomplished, again based on the eligibility and selection criteria.

See 7.1.2: selection criteria of the LAGs. This section seems to concern the selection of pilot strategies / local development plans rather than LAGs. To what extent do micro-region’s agricultural and rural development strategies relate to the ARDOP and what are to restrictions / margins to manoeuvre for LAGs when defining a local development plan?

With respect to the selection criteria for projects, which are to be defined by the LAGs, clear framework rules should be defined by the ARDOP authorities as to what is and what is not possible.

## Overall judgement on the relevance of selection criteria

Although all relevant eligibility criteria appear to have been listed, the section on eligibility needs reshuffling in order to improve readability and comprehensiveness, and to make the extent of the eligibility of LAGs and of the projects clear.

A similar comment applies to the listing of selection criteria

## 3.11 Technical Assistance

### Consistency with the aims of the corresponding priorities

Measure 4 Technical assistance is a measure to be applied under Priority 4 Technical Assistance.

Priority. There is no clear reference in the PC that clearly links the measure to the priority in the Operational Programme (OP).

Justification. The justification given in the OP is in line with the justification in the PC.

Description. The description of the measure is clear and judged as adequate.

Overall judgement on consistency

The measure is judged as broadly consistent with the aim of the corresponding priority which is to “support the effective implementation of the Structural Funds (...) and to give guidance on the activities supportable in the framework of Technical Assistance”.

Quantification of targets & indicators

The section on indicators is judged as satisfactory.

The indicative figures mentioned at the section on impact should be checked.

A budget breakdown is missing.

Verification of the relevance of selection criteria

Overall judgement of selection criteria

The eligibility criterion “The annual report takes account of the usage of eligible costs and technical assistance” requires clear explanation.

The current selection criterion formulated as “Those projects will be implemented that can significantly contribute to the objectives of the measure and effect community policies (...)” is vague. It can and should be made more specific.

### **Position of the Managing Authority on the conclusions and recommendation of the ex-ante evaluation**

The Terms of Reference state the task to be performed by the ex ante evaluation team on behalf of the Programme Complement as follows: The Ex Ante Evaluation should assess whether the measures in the Programme Complement demonstrate consistency with the aims of the corresponding priorities, quantify their specific targets where the measures lend themselves thereto and subsequently should verify the relevance of the selection criteria. During the execution of this evaluation this developed version of the PC had not been available, the evaluation concerned especially the chapters on the measures, the Communication Plan and the Project selection process, eligibility and selection criteria and equal opportunities. In the PC the main part is the description of the measures themselves, of course the assessment focused on that part.

During the preparation of the Programme Complement the ex-ante evaluators worked intensively together with the planners and with the Managing Authority. The evaluators have very much appreciated the open discussions that could take place on the proposed drafts of the PC. As a consequence of the feedback given by the evaluators, and comments of the Commission, the PC had been adapted and strongly improved during the course of this process. It is important to mention that in general the evaluators

assessed that the PC is consistent with the ARDOP, and the evaluators' judgement was positive, and they were quite satisfied with the final results.

The ex-ante evaluation of the PC is a very important document in the assessment of the work carried out up to now by the Agricultural and Rural Development Agency, as well as the Managing Authority. Those who prepared this document have done a significant job, their remarks are mostly acceptable, their suggestions are suitable and worth to be utilised.

We would like to point out, however, that certain remarks are not timely because of the accelerated pace of the implementation of the ARDOP, the organisational changes that took place in the meantime, the measures for improvement of procedures carried out by the new management of the Agency, and the effect of these measures and changes. Regardless of the effects of the late start of the Programme it can be ascertained that the re-organisation of the MARD and of the ARDA, and work carried out in both bodies up to now can be viewed as a substantial achievement. It is important to notice that the implementation of the programme and its effect on the Hungarian agriculture will be really measurable only when the beneficiaries implement the supported projects. The majority of the supported investments will be realized in the years 2005-2007, only after the closing of payments will it be possible to disclose a sound, measurable result of the achieved objectives of the supported projects. Having in mind the previously mentioned arguments it can be said that during the implementation phase of ARDOP, the assessment of the results of the SAPARD implementation provided great assistance in the elaboration and implementation of the ARDOP for the years 2004-2006.

#### Monitoring and information system

The monitoring indicators were set up according to the EU Guideline with close consultation of the different departments of the MARD. The IT system for structural funds (EMIR) is able to work with the monitoring indicators and tables. The general aim of this IT system, which has been used by the Managing Authority and by the ARDA as well, is to gather reliable financial and statistical information on implementation for the monitoring and evaluation activities in compliance with Article 34 of the Council Regulation (EC) No 1260/1999. Learning from the SAPARD experiences a missing IT system and a human resource shortage made it really difficult to establish an adequate monitoring and information system.

#### Organisation

The previous version of the PC has been strengthened with the description of the organisational background, monitoring system, and the implementation structure. This concerns, in particular, the more detailed description of the responsibilities and the tasks of the Managing Authority; the precise structure and functions of the departments in charge, its position within the MARD (organigramme) in terms of the reporting line and the provisions to ensure regular co-ordination with the various departments associated with the programming and implementation – and with ARDA. Reporting and communication between the ARDA, the Management Authority, the concerned departments of the MARD and the Regional Offices, and also external communication and co-operation is continuously being improved. Regular weekly meetings have been introduced by the head of the MA with participation of the management of the

concerned departments of the MARD, the ARDA and representatives of the National Development Agency (CSF MA).

### Equal opportunities

In the PC each measure contains a special text part – discussed by a sub-committee for this issue – dealing with preferential treatment (positive discrimination) of women, handicapped people, young farmers and roma. A sub-committee is being set up by the Managing Authority for horizontal issues, in particular for equal opportunities.

### Project applications and the project evaluation process

Earlier experience (SAPARD mid-term evaluation) showed that the project evaluation process is judged as slow by most beneficiaries. The evaluation of applications takes a long time, as more than 8000 pieces of SAPARD, and more than 4000 pieces of ARDOP applications arrived at the ARDA, therefore many steps have been taken in order to speed up this process at ARDA. The simplification of procedures were expected and started to introduce in 2004 with revision of the Operation Manuals.

### Communication

An important issue is to inform beneficiaries, and it is crucial that extensive information is provided to the general public, and to the potential beneficiaries and applicants, to ensure full transparency and guarantee open procedures. Information and publicity about assistance from the Structural Funds is intended to increase public awareness and transparency regarding the activities of the European Union, as well as create a coherent picture of the assistance concerned across all Member States. In order to ensure transparency, the aim of the measures on information and publicity is to inform potential and final beneficiaries about the opportunities offered by the joint assistance from the EU and the Hungarian government.

The evaluators assessed the Communication Plan which they considered well elaborated, and added further useful materials to it. It forms a good basis for the further elaboration and implementation of the proposed activities. The MA has started the implementation of the Communication Plan according to the quite large list of possible communication tools presented in the plan, and to the objectives laid down in it .



## **VI. EXCHANGE OF COMPUTER DATA**

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The development of the IT system, permitting the exchange of data with the Commission according to Article 34(1)(a) of Council Regulation (EC) No 1260/1999, is under way. Information required is defined in Annex IV.(1) of Commission Regulation (EC) No 438/2001.

A single IT system will be used by all the managing authorities, the intermediate bodies and the paying authority. In order to enhance the reliability of the monitoring information and supporting the management of the Funds, the IT system will also have management and financial functions.

According to Paragraph 15 of Government Decree No.124/2003, the monitoring of programs implemented with the assistance of national budgetary support, international aid and support has to be handled in the data exchange system set up for this purpose (EMIR). Therefore, all Operational Programmes, financed from the Structural Funds and Cohesion Fund have to use the Single Monitoring and Information System and upload it with data.

The development of the IT system is managed by the National Development Agency, with the direct involvement of the managing authorities and the paying authority. The system was finalised and handed over on 30<sup>th</sup> of November 2003, the service provider is also responsible for the maintenance and the further potential development of the system.

### **The concept of the Information System**

The planned information system has to be able to support the programmes throughout the whole programming period to the greatest possible extent. The procedures, which are the basis for the processes for the programs (application phases, statuses) are not finalised yet, and are subject to constant changes. Therefore, special attention has to be paid to designing the information system in such a way that it will be able to handle changes in the program processes without any major modification.

Therefore, it is advisable to create appropriate tools that are able to carry out the above-mentioned task of handling these changes.

The tools to be established, will considerably decrease the time needed for the adaptation of modifications into the IT system, meeting the requirements of the project application managing organisations. Of course, even if these tools are established, some remaining functions can only be handled through IT programming.

The goal of the Single Monitoring and Information System (SMIS) is to support the record keeping and processing of data in connection with the efficient and transparent operation of support schemes with the assistance of modern information technology. This enables the organisations and organisational units of the national institutions of the Structural and Cohesion Funds that are physically and - in terms of tender administration - technically separated, to work with the same data set and database, thus avoiding redundancy and multiple input of data.

The display of the SMIS is based on Windows Terminal Services, which runs on a Windows Server 2003 server. The SMIS ensures data mining and further processing of input data, contributing to the ongoing database update. Furthermore, it enables the users to carry out their daily work in an easy and efficient way. The system delivers information to the statistics and project assessment functions from the processed data.

## **Description of the modules**

### ***System co-ordination module***

This module monitors the work and activity of the users, as well as the modifications of the versions of each module, about which the system provides notification.

In this module, the correspondence (document) templates can be defined; therefore, all outgoing mail created by the users will have a uniform appearance.

The system co-ordination operates together in an integrated way with the relevant Oracle database functions in every aspect.

The system continuously maintains a log. The system will not allow logging to be disabled.

### ***System data module***

The module enables a faster, more accurate, uniform data input process.

The core data will be used and interpreted in a single way in each module. The components can be enhanced and modified with the maintenance of the core data.

### ***Registry module***

The registry module is designed to register the template mails used for incoming proposals, documents related to proposals, invoices and other documents (opinions related to proposals, weekly reports, etc.) as well as for outgoing mails used during the tender administration. The incoming and outgoing documents entered into the system receive a registration number, which is connected to a particular application. Based on these registration numbers, the incoming and outgoing documents can be easily traced both within and outside the module.

If an application meets the criteria, it receives a unique identification number from the system, based on which the relevant operational program, priority, measure and the call for application can be identified.

The information system is able to generate different documents, such as registration notifications, rejection letters, application identification sheets, as well as bar coded identification labels.

### ***Decision preparation module***

The decision preparation module of the single monitoring system is suitable for recording data arising at different decision making levels throughout the whole application evaluation process, up to the final decision. Furthermore, it is able to produce documents based on these data.

Within the module, it is possible to record the entire content of paper-based applications, since the application templates in the system are identical with the officially-published templates for the calls for application. Data input here will meet the basic information requirements for the functions of this and other modules.

### ***Contract module***

In the contract module, the contracts, contract modifications and related processes can be registered.

The contract to be made with the eligible beneficiaries and its annexes (source-, and cost breakdown, project progress, undertaking of obligations with restrictive conditions), will be prepared, and the data of the contract and the date from which it is effective, will be recorded in this module.

The documents necessary for the contracting can be registered, therefore there is the opportunity to enter and approve data about the enforceable deposits (tangible, intangible deposits, bank guarantee) related to non-performance, or performance not in compliance with the contract.

A further functional feature is the registration of the reason and the time of a contract modification.

The printing of the documents related to processes within the module can be carried out with a given template.

### ***Financing module***

A basic principle of the financing of the Structural Funds is that payments are made based on settled invoices only. Therefore, the (final) beneficiary advances the payment, and submits paid invoices to the Intermediate Body. Therefore, the main rule is that through the treasury system, only the share for eligible EU and budgetary support will be refunded.

The structure of the module:

- Invoice recording
- Spendings from the funds
- Verification
- Bank account
- Financial tables

### ***The monitoring of the project implementation and progress module***

Among the activities related to project implementation, monitoring is of crucial importance.

Monitoring is the tracing/checking of the realisation of the goals defined during the project planning thus the ongoing monitoring of the financial and physical implementation and progress.

This module of the Single Monitoring and Information System provides the opportunity to create reliable basic data and different indicators, to evaluate the implementation activity, as well as to transfer data. The system, and this module, also

support the monitoring activities of the annual progress reports, with particular attention to the standard monitoring tables needed for the EAGGF and the FIFG, respectively.

The goal of the module:

- systematic gathering of data required
- analysis of the appropriateness of input, output, result and impact indicators
- preparation of letters for the beneficiaries
- preparation of required reports

### ***Control module***

The system supports the risk analysis and planning process, registers the yearly and mid-term plans, and provides further IT support for audit activities.

The Audit module consists of the following main sections:

- On site control
- 5-15 % control
- Internal control

### ***Managing irregularities module***

The goal of the managing irregularities module is the checking of irregularities and monitoring the measures in order to investigate and correct them.

The module provides the opportunity to enter and register data related to observation, inspection, management and monitoring of irregularities.

### ***Monitoring module***

In the monitoring module, all reports are included which are obligatory according to the Hungarian and the EU regulations, or necessary for the efficient operation and up-to-date monitoring of the managing support tasks.

The interconnections between the modules of the SMIS, the building upon each other of the data input techniques, the accurate and detailed data storage provided by the system, the user-friendliness of the monitoring module enables the organisations to prepare the statistical tables and summary reports necessary for the reporting system of the entire procedure of the programming process, such as:

- Support of monitoring activities related to each element of the procedure, or
- Monitoring measuring the efficiency of the project, or the support scheme (component), as well as
- Preparation of reports to be sent on a regular basis to the Managing Authorities, Paying authorities and to the EU (438/2001 EC Regulation).

The content of data can be manipulated at many levels, such as:

- Queries can be run in order to show detailed information about the projects
- Statistical tables containing summarised projects' data can be prepared

For detailed monitoring of the support, the system provides the opportunity to demonstrate

- How much support was applied for within the support construction (decision preparation module),

- How many applications were accepted by the relevant organisations (decision preparation module),
- The committed amount of support by signed contracts (contract module), or,
- How much money has actually been paid, or where relevant, withdrawn from the contracted amount of support (financing module).

The indicators at project level are summarised by components, based on which, it is possible to monitor the progress and efficiency of each measure, priority, and operational program.

Besides the data-inputting organisation, the monitoring module enables the superior authorities, -depending on their access authorisation - to gain up-to-date information directly.

All query lists of data can be exported into MS Excel, contributing to further practical technical solutions, such as processing, highlighting, and thus facilitating the users' daily work.

The monitoring module is able to create the following summarised data for each support scheme (calls for application, central projects/programs) based on the requirements of the CSF Managing Authority:

- Number of incoming applications (project/program plans), the requested amount, and the value of quantified targets
- Number of eligible applications (project/program plans), the amount of requested and awarded support, and the value of quantified targets
- Number of rejected applications (project/program plans), the requested amount, and the value of quantified targets
- Number of signed contracts for support, the amount of contracted support, and the value of quantified targets and settled payments
- Number of projects in the implementation phase, support paid, and the value of quantified targets and settled payments
- Number of project realised, support paid, and the value of quantified targets and settled payments
- Number of projects in the claim management phase, amount of support paid but reclaimed
- Date of arrival of the main status points (application , project/program plan), the decision concerning support/rejection, signing the support contract; as well as the time period between the date of fund spending request, and the date of payment

The eligible support is indicated in all cases - requested, proposed, awarded, under financing, etc. – the share of the national and EU source, as well as the total amount.

## **VII. FINANCIAL PLAN**

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### **Co-financing of the Operational Programme**

According to the principles of the mid-term directive of the Ministry of Finance, it is stated that the main principle is to ensure the co-financing of all EU programmes.

Government Decree 233/2003. (XII.16.) on the establishment of financial implementation, accounting and control systems of the Structural Funds and the Cohesion Fund establishes the basic regulation for ensuring national contribution to the Structural Funds and to the Cohesion Fund.

The central budgetary contribution of the ARDOP is provided by the fund holder – the National Development Agency – being responsible for the planning of the national contribution.

The fund holder – the National Development Agency – in consultation with the Managing Authority – who is responsible for involving the Intermediate Body and the relevant departments of the Ministry of Agriculture and Rural Development in the budget planning -shall plan in the Hungarian budgetary year the budget appropriations for the priorities of the ARDOP, taking into consideration the following:

- a) payment forecasts based on the payments effected in the previous year and on the payments expected until the date of realisation and/or the closure of the operational programme, and data concerning the budget appropriations committed for the programming period;
- b) the ARDOP and the Programme Complement approved by the European Commission

The central budgetary contribution of the ARDOP is provided by the fund holder on the chapter operated budget appropriation utilization accounts. The Managing Authority has disposal right on the ARDOP chapter operated budget appropriation utilization account. The Managing Authority ensures in advance the total public contribution from the ARDOP chapter operated budgetary appropriation utilization account to the disposal account – technical account - of the corresponding measure. The Intermediate Body shall execute payment from the disposal account of the corresponding measure to the beneficiary, paying out the eligible expenditures.

After the total amount of the assistance is paid to the Beneficiary, the Managing Authority settles the total amount of the pre-financed assistance posterior, and submits its claim for community contribution to the Paying Authority.

The community contribution shall be transferred by the Paying Authority on the basis of the post-settlement from the ARDOP HUF bank account to the ARDOP chapter operated budget appropriation utilization account.

The detailed regulation regarding the disposal on public contribution is settled in the framework of the 1/2004. (II.16.) Common Decree of the Minister without Portfolio,

Minister of Employment and Labour, Minister of Agriculture and Rural Development, Minister of Economy and Transport, Minister of Environmental Protection and Water Management and Minister of Finance on rules of using the budget relating to the support provided by the Structural Funds and ISPA/Cohesion Fund of the European Union and of the co-finance provided by the Hungarian Government.

*With a view to Article 29(2) of (EC) Regulation 1260/1999, the contribution from the FIG is calculated in relation to the total eligible cost.*

*The contribution from the EAGGF guidance section is calculated in relation to the total public or similar expenditure (national, regional or local and Community) for all measures of the programme.*

*Private co-financing has been inserted for all the measures of the Operational Programme, while distinguishing amongst resources to be declared (FIG) and not to be declared (EAGGF). For this reason, the financial table only includes private co-financing to be declared for the activities to be co-financed by the FIG.*

EUR current prices

Year	Priority	Measure	Total cost	Total public participation	Total EU assistance	ERDF assistance	ESF assistance	EAGGF assistance	FIFG assistance	Total government participation	Central government participation	Regional participation	Local participation	Other public participation	Private funds to be declared	EIB loans	Other private funds not to be declared
<b>2004</b>			<b>100 195 932</b>	<b>98 856 084</b>	<b>74 163 497</b>	<b>0</b>	<b>0</b>	<b>73 137 174</b>	<b>1 026 323</b>	<b>24 692 587</b>	<b>23 277 949</b>	<b>0</b>	<b>1 414 638</b>	<b>0</b>	<b>1 339 848</b>	<b>0</b>	<b>104 488 629</b>
		<i>1. Establishment of competitive material production in agriculture</i>	57 706 144	56 366 296	42 296 158	0	0	41 269 835	1 026 323	14 070 138	14 070 138	0	0	0	1 339 848	0	76 267 696
		1.1 Assistance to investments in agriculture	50 734 550	50 734 550	38 050 912	0	0	38 050 912	0	12 683 638	12 683 638	0	0	0	0	0	76 101 825
		1.2 Structural assistance in the fisheries sector	2 679 696	1 339 848	1 026 323	0	0	0	1 026 323	313 525	313 525	0	0	0	1 339 848	0	0
		1.3 Setting up young farmers	2 799 064	2 799 064	2 099 298	0	0	2 099 298	0	699 766	699 766	0	0	0	0	0	0
		1.4 Assistance to vocational training and retraining	1 492 834	1 492 834	1 119 625	0	0	1 119 625	0	373 209	373 209	0	0	0	0	0	165 871
		<i>2. Modernisation of food processing</i>	13 839 815	13 839 815	10 379 861	0	0	10 379 861	0	3 459 954	3 459 954	0	0	0	0	0	20 759 723
		2.1 Improvement of processing and marketing of agricultural products	13 839 815	13 839 815	10 379 861	0	0	10 379 861	0	3 459 954	3 459 954	0	0	0	0	0	20 759 723
		<i>3. Development of rural areas</i>	26 186 797	26 186 797	19 640 096	0	0	19 640 096	0	6 546 701	5 132 063	0	1 414 638	0	0	0	7 461 210
		3.1 Expansion of rural income earning opportunities	5 909 135	5 909 135	4 431 851	0	0	4 431 851	0	1 477 284	1 477 284	0	0	0	0	0	656 571
		3.2 Development and improvement of infrastructure connected with agriculture	12 378 082	12 378 082	9 283 561	0	0	9 283 561	0	3 094 521	1 679 883	0	1 414 638	0	0	0	5 304 893
		3.3 Renovation and development of villages and protection and conservation of rural heritage	3 421 078	3 421 078	2 565 808	0	0	2 565 808	0	855 270	855 270	0	0	0	0	0	380 120
		3.4 LEADER+	4 478 502	4 478 502	3 358 876	0	0	3 358 876	0	1 119 626	1 119 626	0	0	0	0	0	1 119 626
		<i>4. Technical assistance</i>	2 463 176	2 463 176	1 847 382	0	0	1 847 382	0	615 794	615 794	0	0	0	0	0	0
		4.1 Technical assistance	2 463 176	2 463 176	1 847 382	0	0	1 847 382	0	615 794	615 794	0	0	0	0	0	0
Year	Priority	Measure	Total cost	Total public participation	Total EU assistance	ERDF assistance	ESF assistance	EAGGF assistance	FIFG assistance	Total government participation	Central government participation	Regional participation	Local participation	Other public participation	Private funds to be declared	EIB loans	Other private funds not to be declared
<b>2005</b>			<b>143 045 934</b>	<b>141 133 084</b>	<b>105 880 417</b>	<b>0</b>	<b>0</b>	<b>104 415 174</b>	<b>1 465 243</b>	<b>35 252 667</b>	<b>33 233 042</b>	<b>0</b>	<b>2 019 625</b>	<b>0</b>	<b>1 912 850</b>	<b>0</b>	<b>149 174 450</b>
		<i>1. Establishment of competitive material production in agriculture</i>	82 384 873	80 472 023	60 384 622	0	0	58 919 379	1 465 243	20 087 401	20 087 401	0	0	0	1 912 850	0	108 684 495
		1.1 Assistance to investments in agriculture	72 431 792	72 431 792	54 323 844	0	0	54 323 844	0	18 107 948	18 107 948	0	0	0	0	0	108 647 688
		1.2 Structural assistance in the fisheries sector	3 825 700	1 912 850	1 465 243	0	0	0	1 465 243	447 607	447 607	0	0	0	1 912 850	0	0
		1.3 Setting up young farmers	3 996 118	3 996 118	2 997 088	0	0	2 997 088	0	999 030	999 030	0	0	0	0	0	0
		1.4 Assistance to vocational training and retraining	2 131 263	2 131 263	1 598 447	0	0	1 598 447	0	532 816	532 816	0	0	0	0	0	236 807
		<i>2. Modernisation of food processing</i>	19 758 580	19 758 580	14 818 935	0	0	14 818 935	0	4 939 645	4 939 645	0	0	0	0	0	29 637 870
		2.1 Improvement of processing and marketing of agricultural products	19 758 580	19 758 580	14 818 935	0	0	14 818 935	0	4 939 645	4 939 645	0	0	0	0	0	29 637 870
		<i>3. Development of rural areas</i>	37 385 898	37 385 898	28 039 423	0	0	28 039 423	0	9 346 475	7 326 850	0	2 019 625	0	0	0	10 652 085
		3.1 Expansion of rural income earning opportunities	8 436 248	8 436 248	6 327 186	0	0	6 327 186	0	2 109 062	2 109 062	0	0	0	0	0	937 361
		3.2 Development and improvement of infrastructure connected with agriculture	17 671 719	17 671 719	13 253 789	0	0	13 253 789	0	4 417 930	2 398 305	0	2 019 625	0	0	0	7 573 594
		3.3 Renovation and development of villages and protection and conservation of rural heritage	4 884 143	4 884 143	3 663 107	0	0	3 663 107	0	1 221 036	1 221 036	0	0	0	0	0	542 683
		3.4 LEADER+	6 393 788	6 393 788	4 795 341	0	0	4 795 341	0	1 598 447	1 598 447	0	0	0	0	0	1 598 447
		<i>4. Technical assistance</i>	3 516 583	3 516 583	2 637 437	0	0	2 637 437	0	879 146	879 146	0	0	0	0	0	0
		4.1 Technical assistance	3 516 583	3 516 583	2 637 437	0	0	2 637 437	0	879 146	879 146	0	0	0	0	0	0

The contribution from FIFG is calculated in relation to the total cost (11,461,836 EUR), including private funds.

The contribution from EAGGF Guidance section is calculated in relation to the total public expenditure.

Private co-financing has been inserted for all measures of the Operational Programme, while distinguishing amongst resources to be declared (FIFG) or not to be declared (EAGGF)

For all EAGGF-cofinanced measures of the OP, indicative private resources indicated in the financial table are only informative.



EUR current prices

Year	Priority	Measure	Total cost	Total public participation	Total EU assistance	ERDF assistance	ESF assistance	EAGGF assistance	FIFG assistance	Total government participation	Central government participation	Regional participation	Local participation	Other public participation	Private funds	EIB loans	Other private funds not to be declared
2006			185 325 137	182 846 917	137 174 836	0	0	135 276 520	1 898 316	45 672 081	43 055 528		2 616 553	0	2 478 220		193 265 019
		1. Establishment of competitive material production in agriculture	106 734 863	104 256 643	78 232 132	0	0	76 333 816	1 898 316	26 024 511	26 024 511		0	0	2 478 220		141 066 814
		1.1 Assistance to investments in	100 290 990	100 290 990	75 218 242	0	0	75 218 242	0	25 072 748	25 072 748		0	0	0		140 760 015
		1.2 Structural assistance in the fisheries	4 956 440	2 478 220	1 898 316	0	0	0	1 898 316	579 904	579 904		0	0	2 478 220		0
		1.3 Setting up young farmers	522 324	522 324	391 743	0	0	391 743	0	130 581	130 581		0	0	0		0
		1.4 Assistance to vocational training and retraining	965 109	965 109	723 831	0	0	723 831	0	241 278	241 278		0	0	0		306 799
		2. Modernisation of food processing	25 598 500	25 598 500	19 198 875	0	0	19 198 875	0	6 399 625	6 399 625		0	0	0		38 397 750
		2.1 Improvement of processing and marketing of agricultural products	25 598 500	25 598 500	19 198 875	0	0	19 198 875	0	6 399 625	6 399 625		0	0	0		38 397 750
		3. Development of rural areas	48 435 816	48 435 816	36 326 861	0	0	36 326 861	0	12 108 955	9 492 402		2 616 553	0	0		13 800 455
		3.1 Expansion of rural income earning opportunities	1 714 012	1 714 012	1 285 508	0	0	1 285 508	0	428 504	428 504		0	0	0		1 214 411
		3.2 Development and improvement of infrastructure connected with agriculture	22 894 839	22 894 839	17 171 129	0	0	17 171 129	0	5 723 710	3 107 157		2 616 553	0	0		9 812 074
		3.3 Renovation and development of villages and protection and conservation of rural heritage	15 543 405	15 543 405	11 657 554	0	0	11 657 554	0	3 885 851	3 885 851		0	0	0		703 080
		3.4 LEADER+	8 283 560	8 283 560	6 212 670	0	0	6 212 670	0	2 070 890	2 070 890		0	0	0		2 070 890
		4. Technical assistance	4 555 958	4 555 958	3 416 968	0	0	3 416 968	0	1 138 990	1 138 990		0	0	0		0
		4.1 Technical assistance	4 555 958	4 555 958	3 416 968	0	0	3 416 968	0	1 138 990	1 138 990		0	0	0		0

Year	Priority	Measure	Total cost	Total public participation	Total EU assistance	ERDF assistance	ESF assistance	EAGGF assistance	FIFG assistance	Total government participation	Central government participation	Regional participation	Local participation	Other public participation	Private funds	EIB loans	Private resource not to be declared
2004-2006			428 567 003	422 836 085	317 218 750	0	0	312 828 868	4 389 882	105 617 335	99 566 519		6 050 816	0	5 730 918		446 928 098
		1. Establishment of competitive material production in agriculture	246 825 880	241 094 962	180 912 912	0	0	176 523 030	4 389 882	60 182 050	60 182 050		0	0	5 730 918		326 219 005
		1.1 Assistance to investments in	223 457 332	223 457 332	167 592 998	0	0	167 592 998	0	55 864 334	55 864 334		0	0	0		325 509 528
		1.2 Structural assistance in the fisheries	11 461 836	5 730 918	4 389 882	0	0	0	4 389 882	1 341 036	1 341 036		0	0	5 730 918		0
		1.3 Setting up young farmers	7 317 506	7 317 506	5 488 129	0	0	5 488 129	0	1 829 377	1 829 377		0	0	0		0
		1.4 Assistance to vocational training and retraining	4 589 206	4 589 206	3 441 903	0	0	3 441 903	0	1 147 303	1 147 303		0	0	0		709 477
		2. Modernisation of food processing	59 196 895	59 196 895	44 397 671	0	0	44 397 671	0	14 799 224	14 799 224		0	0	0		88 795 343
		2.1 Improvement of processing and marketing of agricultural products	59 196 895	59 196 895	44 397 671	0	0	44 397 671	0	14 799 224	14 799 224		0	0	0		88 795 343
		3. Development of rural areas	112 008 511	112 008 511	84 006 380	0	0	84 006 380	0	28 002 131	21 951 315		6 050 816	0	0		31 913 750
		3.1. Expansion of rural income earning opportunities	16 059 395	16 059 395	12 044 545	0	0	12 044 545	0	4 014 850	4 014 850		0	0	0		2 808 343
		3.2 Development and improvement of infrastructure connected with agriculture	52 944 640	52 944 640	39 708 479	0	0	39 708 479	0	13 236 161	7 185 345		6 050 816	0	0		22 690 561
		3.3 Renovation and development of villages and protection and conservation of rural heritage	23 848 626	23 848 626	17 886 469	0	0	17 886 469	0	5 962 157	5 962 157		0	0	0		1 625 883
		3.4 LEADER+	19 155 850	19 155 850	14 366 887	0	0	14 366 887	0	4 788 963	4 788 963		0	0	0		4 788 963
		4. Technical assistance	10 535 717	10 535 717	7 901 787	0	0	7 901 787	0	2 633 930	2 633 930		0	0	0		0
		4.1 Technical assistance	10 535 717	10 535 717	7 901 787	0	0	7 901 787	0	2 633 930	2 633 930		0	0	0		0

The contribution from FIFG is calculated in relation to the total cost (11,461,836 euros), including private funds.

The contribution from EAGGF Guidance section is calculated in relation to the total public expenditure.

Private co-financing has been inserted for all measures of the Operational Programme, while distinguishing amongst resources to be declared (FIFG) or not to be declared (EAGGF)

For all EAGGF-cofinanced measures of the OP, indicative private resources indicated in the financial table are only informative.

## VIII. ATTACHMENTS

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### VIII.1 Criteria for an economically viable farm

As one of the results of adapting the *acquis communautaire*, the Hungarian Farm Accountancy Data Network has been operating with national coverage since 2001, pursuant to Council Regulation 79/1965 setting up a network for the collection of accountancy data on the incomes and business operation of agricultural holdings in the European Economic Community.

In the framework of the Farm Accountancy Data Network (FADN) farms above the minimum economic size are observed.

The EU determines the economic size according to the potential income producing capacity of the farm and expresses it in European Size Units (ESU). According to the definition 1 ESU equals to € 1200 standard gross margin (SGM). 1 ESU, calculated at a HUF/euro rate of 255, equals to HUF 306 000.

In the Farm Accountancy Data Network farms above 5 ESUs are observed, and in the ARDOP support system this farm size is regarded as the basis of economic viability.

Calculation of the minimum economic size of a given farm is based on the standard gross margins of the activities according to the different agricultural sectors and carried out in line with a prescribed methodology. The value of the standard gross margin is calculated in the following way: the specific values determined on the basis of the FADN data, indicated in the table below, are multiplied by the area data according to the cultivation structure of the farm and the number of livestock named in the table, the sub-results are then added up. If the calculated SGM of a farm is over 5 ESUs (i.e. HUF 1 530 000), it can be considered economically viable.

#### **Economic viability in the ARDOP:**

Investment support can only be granted to agricultural holdings which fulfil the criterion of economic viability, to be assessed on the basis of the Standard Gross Margin and the ESU. Economic viability must be used as a primary criterion. In the course of evaluation other additional criteria must be taken into account such as profitability, rate of indebtedness, creditability. If the holding fails to fulfil the criterion of economic viability, no support shall be granted.

ESU is defined in a way so that most producers and holdings would be able to take advantage of the support. In this respect, on the basis of the surveys referring to the FADN, holdings over 5 ESUs satisfied this need. More than 90 % of agricultural land cultivated by agricultural enterprises and farms belong to this category. In the year 2002, which serves as a basis for the calculations, the SGM-based size dispersion of the concerned agricultural enterprises was as follow as shown in the table.

According to the table 86.717 individual farm and 4.411 joint enterprise reached the 2 EME (ESU). Among them 5 EME (ESU) was reached by 27674 (31,9%) individual farms, and 3947 (89,5%) by joint enterprises. The final number of potential applicants is 31.621. These potential applicants use 60,3% of the total agricultural territory of individual farms, and 99,7% of the total agricultural territory of joint enterprises, so farmers can receive support on 81,2% of Hungary's agricultural territory.

Size categories by	Number of farms			Size of the Agricultural land (ha)		
	Private Farms	Economic Organisation	Total	Private Farms	Economic Organisation	Total
2-5 ESU	59043	464	59507	753037,6	5417,0	758454,7
Above 5 ESU	27674	3947	31621	1143028,0	2132375,5	3275403,5
Total:	86717	4411	91128	1896065,7	2137792,5	4033858,2
Size categories by	Distribution (%)					
	Number of Farms			Size of the Agricultural land		
	Private Farms	Economic Organisation	Total	Private Farms	Economic Organisation	Total
2-5 ESU	68,1	10,5	65,3	39,7	0,3	18,8
Above 5 ESU	31,9	89,5	34,7	60,3	99,7	81,2
Total:	100,0	100,0	100,0	100,0	100,0	100,0

The indices of economic viability had to be revised as compared to the previous version of the Programme Complement because the basic economic parameters of the year 2000, which served as the basis for calculations in the first version, had been updated with the figures derived from the 2001-2002 FADN survey. This way, based on authentic basic data, the index of economic viability could be identified as 5 ESUs.

At the same time, this index ensures harmony with the index of semi-subsistence farms expressed in the annual return on sales in the National Rural Development Plan. Consequently, semi-subsistence farms that are assisted from the National Rural Development Plan are not eligible for support under the ARDOP, for failing to meet the criteria of economic viability.

Those farms, which do not reach 5 ESU, are not eligible for investment support. Their source of support is the NRDP, the measure "semi-subsistence farms". Under 2 ESU all farms are excluded from all types of support. This decision was determined by the fact that resources available for support (ARDOP and NRDP together) are very limited.

The investment support measure operated in connection with the Sapard Plan has been modified several times. A significant ratio of the modifications was required by the imprudent definition of economic viability in the first version as well as the optimal determination of the deadlines for the submission of applications, and authority certificates, as well as documents to be presented at the time of concluding the contract of support. After the modification, the method of determining economic viability was simplified and the quantifiable values to be taken into account in the calculation of viability were lowered. This way, the overwhelming majority of the economic enterprises have become eligible for SAPARD supports.

In the case of large agricultural holdings **introduction of further indicators is not regarded as justified, however, the evaluation of the index of economic viability** is facilitated and supplemented by the analysis of the financial and economic figures presented in the business plan and the practical limit values derived therefrom.

**Standard gross margins of the activities  
(Average of the 1999-2000-2001 years )  
SGM 2000**

Code	Name	Unit	SGM
D01	Wheat and spelt wheat	HUF/ha	64 590
D02	Durum wheat	HUF/ha	60 466
D03	Rye	HUF/ha	36 930
D04	Barley	HUF/ha	56 640
D05	Oats	HUF/ha	41 647
D06	Grain maize	HUF/ha	83 720
D07	Rice	HUF/ha	120 359
D08	Other cereals	HUF/ha	48 862
D09	Dried legumes (total)	HUF/ha	48 138
D09E	Dried legumes: pea, bean, lupin	HUF/ha	49 162
D09F	Dried legumes: lintil,chick pea, Hungarian vetch	HUF/ha	60 913
D09G	Other dried legumes	HUF/ha	76 085
D10	Potato (including early and seed potato)	HUF/ha	430 716
D11	Sugar beet (except seed production)	HUF/ha	186 626
D12	Feeding beets and brassica (except seed production)	HUF/ha	50 556
D23-25	Industrial crops	HUF/ha	65 139
D23	Tobacco	HUF/ha	222 202
D24	Hop	HUF/ha	526 782
D26	Rape (Cabbage and beet)	HUF/ha	55 578
D27	Sunflower	HUF/ha	58 263
D28	Soya	HUF/ha	54 669
D29	Oilflax	HUF/ha	49 622
D30	Other oil plants	HUF/ha	53 560
D31	Flax	HUF/ha	44 692
D32	Abaca	HUF/ha	95 620
D34	Essential oil plants, medicinal and culinary herbs	HUF/ha	345 459
D35	Other industrial crops	HUF/ha	61 110
D14	Fresh vegetables, melon and strawberry, freerange produced or produced in field covered with low (impassable) protective blanket	HUF/ha	347 181
D14A	Fresh vegetables, melon and strawberry (a) freerange – field produced	HUF/ha	292 955
D14B	Fresh vegetables, melon and strawberry (b) garden – field produced	HUF/ha	401 406
D15	Fresh vegetables, melon and strawberry produced in area covered with glass or in other (passable) manner	HUF/ha	5 965 891
D16	Flowers and ornamental plants (except tree nursery) produced in field or low (impassable) area	HUF/ha	5 631 457
D17	Flowers and ornamental plants (except tree nursery) produced in area covered with glass or in other (passable) manner	HUF/ha	18 771 522
D18	Feed plants	HUF/ha	52 669
D18A	Feed plants, annual grasses	HUF/ha	17 290
D18B	Feed plants, other green feeds	HUF/ha	61 588
D18B1	Feed plants, green maize (silo)	HUF/ha	65 832
D18B3	Feed plants, other	HUF/ha	51 899
D19	Seed production and young plant nursery in field (except cereals, dry vegetables, potato and oil plant seeds)	HUF/ha	52 720
D20	Other field plants	HUF/ha	51 749
E	Herb gardens	HUF/ha	423 893
F	Grassland and pasture	HUF/ha	17 423
F01	Grassland and pasture, except naturally growing pastures	HUF/ha	16 979
F02	Natural pastures	HUF/ha	17 576
G01	Fruit and berry plantations	HUF/ha	397 735

Code	Name	Unit	SGM
G01A	Fruit and berry plantations, temperate zone, fresh	HUF/ha	397 735
G01C	Fruit and berry plantations, shell plants	HUF/ha	118 847
G04	Vine plantations	HUF/ha	312 282
G04A	Vine plantations, quality wine grape	HUF/ha	335 226
G04B	Vine plantations, other wine grape	HUF/ha	289 185
G04C	Vine plantations, table grape	HUF/ha	312 492
G05	Tree nurseries	HUF/ha	504 506
G07	Perennial plants under glass cover	HUF/ha	6 200 376
I01	Secondary weeds (total)	HUF/ha	187 812
I02	Mushroom production	HUF/100m <sup>2</sup>	406 167
J01	Horses	HUF/animal	26 607
J02	Cattle, younger than one year	HUF/animal	14 704
J02A	Cattle, younger than one year, male	HUF/animal	15 230
J02B	Cattle, younger than one year, female	HUF/animal	14 179
J03	Cattle, one-year old or older, but younger than two-year old, male	HUF/animal	19 790
J04	Cattle, one-year old or older, but younger than two-year old, female	HUF/animal	19 056
J05	Cattle, two-year old or older, male	HUF/animal	22 843
J06	Cattle, two-year old or older, heifer	HUF/animal	20 798
J07	Cattle, two-year old or older, dairy cow	HUF/animal	194 732
J08	Cattle, two-year old or older, other cow	HUF/animal	10 194
J09	Sheep (at any age)	HUF/animal	3 663
J09A	Sheep, female, breeding	HUF/animal	3 622
J09B	Sheep, other	HUF/animal	3 719
J10	Goat (at any age)	HUF/animal	20 740
J10A	Goat, female, breeding	HUF/animal	24 539
J10B	Goat, other	HUF/animal	16 857
J11	Pig, piglet with a live weight under 20 kg	HUF/animal	3 244
J12	Pig, brood sow with a weight of 50 kg or more	HUF/animal	35 778
J13	Other pig	HUF/animal	15 956
J14	Broiler	HUF/100 animals	38 857
J15	Layers of gallinaceous birds	HUF/100 animals	113 560
J16	Other poultry (duck, turkey, goose, guinea fowl)	HUF/100 animals	129 927
J16A	Turkey	HUF/100 animals	133 760
J16B	Duck	HUF/100 animals	121 882
J16C	Goose	HUF/100 animals	130 882
J16D	Other Poultry	HUF/100 animals	127 278
J17	Rabbit (Breeding rabbit) (Doe)	HUF/animal	7 022
J18	Bees	HUF/bee-hive quantity	5 111

In case of the measure “Improvement of processing and marketing of agricultural products”:

Reports and data presenting the actual situation and mid-term targets of the company justify the viability of the company. In order to determine viability, the followings are examined and evaluated: the production condition of the enterprise, raw material supply, the position of sales, quality policy, the position of environment and employment, the financial-economic indices of the enterprise (the earnings after taxes of the two previous closed business years,

ratio of own capital within resources, rate of liquidity, asset proportional profitability, own capital proportional profitability, labour proportional income of the undertaking).

In case of the measure “Expansion of rural income earning opportunities”:

Verified economic viability based on business and marketing plans and balance sheets for the previous three years.

*Economic viability:* An enterprise is to be considered as economically viable if it can certify that the average of EBIT (the result of the enterprise before taxation) of one of the previous two years is not negative. In the case of applicants with a full completed business year the EBIT of the completed business year is not negative. In the case of applicants with open business year the assessment of viability is completed on the basis of the balance sheet and the planned result of the business plan.

### Content of the codes for the standard gross margins of the activities

Code	designation (FSS)	Unit of measurement	Content EU		
D01	Wheat and spelt wheat	ha	wheat (without durum): Triticum aestivum, T. spelta, T. monococcum	as cereals (including seed), but excluding garnded green forage!	
D02	Durum wheat	ha	durum wheat		
D03	Rye	ha	mixture of rye with wheat in ratio 1:1 or 1:2		
D04	Barley	ha	winter barley; spring barley		
D05	Oats	ha	oats		
D06	Grain maize	ha	maize (without hybrid seed); hybrid maize seed		
D07	Rice	ha	rice		
D08	Other cereals	ha	Triticale; millet; buckwheat (Polygonum fagopyrum, Fagopyrum esculentum); sorghum (seeds); canary seed (canary grass, toowoomba canary grass); indian rice		
D09	Dried legumes (total)	ha	bean (dried); pea (including eating pea and field pea); lentil; field bean; chick pea; vetchling (Lathyrus sativus also known as grasspea); cowpea (Vigna sinensis); lupine; lupine seed	plants grown for their protein content, harvested as dry grean (including seed and grain legumes seed-mix)	D09E+D09F+D09G
D09E	Dried legumes: pea, bean, lupin	ha	grain pie, grain bean (field bean), sweet lupin (Pisum sativum, Vicia faba, Lupionus ssp.)		
D09F	Dried legumes: lintil, chick pea, Hungarian vetch	ha	lentil, chick pea, Hungarian vetchling (Lens culinaris, Cicer aretinum, Vicia pannonica, Vicia varia)		
D09G	Other dried legumes	ha	vetchling, cowpea (Lathyrus sativus, Vigna sinensis)		
D10	Potato (including early and seed potato)	ha	potato	including seed tuber and early potato	
D11	Sugar beet (except seed production)	ha	sugar beet	grown for sugar- and/or alcoholindustrial purposes, excluding seed	
D12	Feeding beets and brassica (except seed production)	ha	wet mashes: wild carrot, turnip and other feeding beets (Beta vulgaris), feeding borecole, feeding cabbage, feeding cucurbit, green oil radish, feeding parsnip, yam, maniocroot, sweet potato	for feeding purposes, primarilly grown for their root or fleshy stalk (excluding seed)	

D23-D35	Industrial crops	ha			D23+D24+D25+D26+D27+D28+D29+D30+D31+D32+D33+D34+D35
D23	Tobacco	ha	tobacco	excluding seed	
D24	Hop	ha	hop	excluding seed	
D25	Cotton	ha	cotton		
D26	Rape (Cabbage and beet)	ha	coleseed and bird rape seed (Brassica napus és B. rapa)	harvested as grain crop, for vegetable oil producing purposes (including seed)	
D27	Sunflower	ha	sunflower for other purposes; sunflowerseed for vegetable oil producing purposes	including seed	
D28	Soya	ha	Soyabean	including seed	
D29	Oilflax	ha	oilflax seed (types of Linum usitatissimum)	primarily grown for vegetable oil producing (including seed)	
D30	Other oil plants	ha	peanut; crocus seed (safflower, bastard saffron); mustard-seed; castor-oil bean; poppy, eating poppy, industrial poppy; oil radish seed; hempseed; oil squash seed; Guisotia abessinia; charlock seed; gold of pleasure seed; oil squash seed, without shell	grown primarily for their oil content, dry harvested (grain) (including seed)	
D31	Flax	ha	common flax plant	types primarily grown for fibre production (excluding seed)	
D32	Abaca	ha	Manila hemp (abaca)	primarily grown for fibre production (excluding seed)	
D33	Other fibre plants	ha	jute, abaca (Musa textilis), sisal plant (Agave sisalana)		
D34	Essential oil plants, medicinal and culinary herbs	ha	medicinal herbs and basic material for essential oils; seasoning paprika; other culinary herbs	excluding seed	
D35	Other industrial crops	ha	other industrial crops; root chicory; arista of broomcorn	excluding seed	
D14	Fresh vegetables, melon and strawberry, freerange produced or produced in field covered with low (impassable)	ha	D14A+D14B		D14A+D14B



	protective blanket				
D14A	Fresh vegetables, melon and strawberry (a) freerange – field produced	ha	vegetables; strawberry	vegetables grown in crop rotaion with agricultural plants, melon and strawberry, which primarily are going to be processed (excluding seed)	low surface: growing facility unpassable by man
D14B	Fresh vegetables, melon and strawberry (b) garden – field produced	ha	vegetables; strawberry	vegetables grown in crop rotaion with horticultural plants, (vegetables, strawberry, ornamental- and medicinal plants), melon and strawberry, which primarily are going to be sold on the market (excluding seed)	
D15	Fresh vegetables, melon and strawberry produced in area covered with glass or in other (passable) manner	ha	vegetables; strawberry	excluding seed	passable surface: man is able to pass under the facility
D16	Flowers and ornamental plants (except tree nursery) produced in field or low (impassable) area	ha	ornamental plants and flowers (excluding nursery-garden)		low surface: growing facility unpassable by man
D17	Flowers and ornamental plants (except tree nursery) produced in area covered with glass or in other (passable) manner	ha	ornamental plants and flowers (excluding nursery garden)		
D18	Feed plants	ha	D18A+D18B		D18A+D18B
D18A	Feed plants, annual grasses	ha	periodical grassland	Grass field sowed as part of the plough-land (minimal 1, maximal 5 years long at the same location ), which is cultivated for grazing and/or hay, silo. Before resowing the former grass field is going to be exterminated by ploughing and/or with weedkiller (herbicide). Including mixed with oter plants (papilionaceae), if the herbs are dominant. (excluding seed)	
D18B	Feed plants, other	ha	D18B1+D18B3	Usually one-year-old feeding crops	D18B1+D18B3

	green feeds				
D18B1	Feed plants, green maize (silo)	ha	silo (also soya); green maize (including also pea- and sunflower-like)	All kinds of feeding maize (mixture of corn and maize ear, green without ensilage or silo) (excluding seed)	
D18B3	Feed plants, other	ha	cow-grass ( <i>Trifolium incarnatum</i> ); melilot ( <i>Melilotus</i> ); feeding soya; alfalfa ( <i>Medicago sativa</i> ); big English clover ( <i>Trifolium pratense perenne</i> ); sainfoin ( <i>Onobrychis sativa</i> ); bird's foot trefoil ( <i>Lotus corniculatus</i> ); clover-grass-mix hay, setaria; Sudan grass ( <i>Sorghum vulgare sudanense</i> ); feeding millet; feedign sorghum (sweet sorghum); winter forage-mix; spring forage-mix; other green roughage; other roughage-hay	Including the dominant feeding legumes. Green or harvested as hay. (excluding weat)	
D19	Seed production and young plant nursery in field (except cereals, dry vegetables, potato and oil plant seeds)	ha	coronilla seed; melilot seed, bird's foot trefoil-seed; seradilla seed; grass seeds; anthyllis seed ( <i>Anthyllis vulneraria</i> ); setaria seed; Sudan grass seed; green foxtail-seed; tankard-turnip ( <i>Brassica rapa</i> ); phacelia-seed; other forage seed; seeds and other stock seeds of sugar beet and other industrial plants; stock seed of wet feeds	Excluding: cereals, dried legumes, seed-potatoes and oil-seed plants	
D20	Other field plants	ha	Other field plants	plough-land plants not being listed among D01-D19, D21, D22	
D21	Fallow, lea-land without support	ha	Plants sowed as green manure; fallow and lea-land; perished land	Land included in the alternation of crops, but not cropping (blank), nut supported	
D22	Fallow, lea-land supported (set-aside)	ha		Supported maximal 5 years long, land cultivated for non-food purposes	
E	Herb gardens	ha			
F	Grassland and pasture	ha	F01+F02		F01+F02
F01	Grassland and pasture, except naturally growing pastures	ha	Good or mid-quality land, land related to intensive stock farming		
F02	Natural pastures	ha	Generally low-quality land, unmanured, uncultivated, unseeded, undrained low-produce grass-land. Mostly to cater limited head of stock, unmowed, but used (grazed).		
G01	Fruit and berry plantations	ha	G01A+G02C		G01A+G02C

G01A	Fruit and berry plantations, temperate zone, fresh	ha	apple, pear, quince, cherry, sour cherry, plum, apricot, peach, other fruit-trees, types of berries		
G01B	Fruit plantages, subtropical, fresh	ha			
G01C	Fruit and berry plantations, shell plants	ha	almond, walnut, hazelnut, chestnut		
G02	Citrus plantages	ha			
G03	Budding-plantages (oleaceae)	ha			
G03A	Budding-plantages - eating olive	ha			
G03B	Budding-plantages - for producing olive-oli	ha			
G04	Vine plantations	ha	G04A+G04B+G04C		G04A+G04B+G04C
G04A	Vine plantations, quality wine grape	ha			
G04B	Vine plantations, other wine grape	ha			
G04C	Vine plantations, table grape	ha			
G04D	Raisin plantations	ha			
G05	Tree nurseries	ha	grape nursery garden, fruit-tree nursery garden, ornamental tree nursery garden, forestry nursery garden (commercial, or cannot be found in the woods to supply demands)		
G06	Other plantations	ha	woody plants suitable for weaveing and basket-work (basket-osier)		
G07	Perennial plants under glass cover	ha			
I02	Mushroom production	ha	Grown mushroomms		
J01	Horses	pcs	horse, donkey, mule	Domestic animals included in the family "equus". Including riding horses, racehorses, and horses belonging to the farm, only for spare-time	

				activities (of family members) (riding, turning, hurling, etc.) But excluding riding horses and race horses, belonging to units which are not specified as a farm - e.g. except that those not having any agricultural activities except for horse keeping and horse racing (e.g. breeding, cultivation...)	
J02	Cattle, younger than one year	pcs	calves total		J02A+J02B
J02A	Cattle, younger than one year, male	pcs	Calves, younger than one year, male for slaughter and other purposes		
J02B	Cattle, younger than one year, female	pcs	Calves, younger than one year, female for slaughter and other purposes		
J03	Cattle, one-year old or older, but younger than two- year old, male	pcs	1-2 years old cattle		
J04	Cattle, one-year old or older, but younger than two- year old, female	pcs	Cattle, one-year old or older, but younger than two- year old, female for slaughter (heifer for slaughter) and others	Cows already calved included in J07 or J08!	
J05	Cattle, two-year old or older, male	pcs	Cattle, two-year old or older, male		
J06	Cattle, two-year old or older, heifer	pcs	Cattle, two-year old or older, female, heifer and other (cow in first calf)		
J07	Cattle, two-year old or older, dairy cow	pcs	Cattle, two-year old or older, dairy cow, dual purpose cattle		
J08	Cattle, two-year old or older, other cow	pcs	Cattle, two-year old or older, cattle for meat	Including all cattles fattened before slaughtering.	
J09	Sheep (at any age)	pcs	total sheeps		J09A+J09B
J09A	Sheep, female, breeding	pcs	ewe, milk sheep an other	sheep, already lambed, female	
J09B	Sheep, other	pcs	lamb (weanling and 12 months older) stud ram, other sheeps		
J10	Goat (at any age)	pcs	total goats		J10A+J10B
J10A	Goat, female, breeding	pcs	mother goat	mother goat, already lambed	
J10B	Goat (other)	pcs	other goats (goatling, ram, etc.)		

J11	Pig, piglet with a live weight under 20 kg	pcs	pig, live weight under 20 kg		
J12	Pig, brood sow with a weight of 50 kg or more	pcs	sow: first farrowing sow, other heavy with young, non-pregnant	Sows at least 50 kg live weight, which are bred for multiplication, irrespectively of having been brimmed or not. Excluding winnowed brood-sowes.	
J13	Other pig	pcs	porkling for fleshing: 20-50 kg, store-pig: 51-79 kg, 80-109 kg, 110 kg and more, intact gilt, stock boar	Pisgs, 20-50 kg live weigt, and heavier porkers (including winnowed brood-sowes) and stock boars	
J14	Broiler	pcs	broiler		
J15	Layers of gallinaceous birds	pcs	gallinaceous birds, laying hen	Hens for egg production (breeding and feeding purposes) (Gallus domesticus), including young stocks for production and winnowed laying hens, and breeding cocks.	
J16	Other poultry (duck, turkey, goose, guinea fowl)	pcs			J16A+J16B+J16C+J16D
J16A	Turkey	pcs			
J16B	Duck	pcs			
J16C	Goose	pcs			
J16D	Other poultry	pcs	pl.: fürj, fácán, gyöngyös, galamb, strucc	Including rabbits only for meat production, captive bred for huntig purposes excluded!	
J17	Rabbit (Breeding rabbit) (Doe)	pcs	doe	rabbits for fattening producing progeny, which have already kindled.	
J18	Bees	hive	bee colony		

## **VIII.2 Monitoring the capacities, quotas for agricultural products, Capacities for the food industry sector**

### **A. Responsibilities of the Managing Authority**

- 1) In the case of sensitive products, where no quotas are applied (e.g.: Pig meat, Poultry, Egg) it is the responsibility of the Head of the MA to monitor that the total increase of production capacities at programme level will not exceed the figures of 2000 (for example: the number of pig pens, poultry house) at the end of the programming period in 2008,
- 2) In case of products where quotas are applied (e.g.: Milk, Bovine animals, Sheep, Plant products), the production due to investments may not increase beyond relevant quotas and reference quantities applicable in the sector as laid down in the Accession Treaty of Hungary. There is a quota monitoring system operated by the Agriculture and Rural Development Agency (ARDA). In this way the increase of quota can be evaluated during the project selection procedure.
- 3) The Market Information System, operated by the Research and Information Institute for Agricultural Economics (AKII) provides up-to-date information, forecast on the demand, the supply and the prices. Based on this, the AKII compares the production and the market prices and prepares a mid-term price prognosis related to the investment period. This document is sent to the MA twice a week. Beside this, the Head of the MA receives regular reports from the Market Development Department of the Ministry, which is based on the decisions taken by the Management Committees of the EU Commission and the intervention decisions.

Based on this and the market analyses, the Head of the MA evaluates the market situation and may take the decision of suspending capacity increasing investments. If the applicant has an authentic certification of an existing market (example: with valid contracts) the investment may be authorised.

- 4) In the case of orchards (Apple, pear, peaches), the applicant by all means has to present an authentic certification that the increase in capacity is supported the demand. In this case a decision is taken on the base of the certification attached to the application.
- 5) Concerning the capacities for the food processing an agreement was signed between the MA and the AKII (Research and Information Institute for Agricultural Economics). According to this, the applicants should indicate their existing capacities and the planned changes, as well as the capacity utilisation. These data should be verified by the AKII and checked by the ARDA during the evaluation of applications and ex-post checks of the projects.

## B. Quotas and capacities

Product		Unit	Quota value
Cereals, oil, protein and fibre plants	area	ha	3487792
	yield	t/ha	4,73
Durum wheat		ha	2500 in traditional producer areas 4305 in non-traditional producer areas
Sugar		t	401684 from which: A quota: 400454 B quota: 1230
Iso-glucose		t	A quota: 127627 B quota: 10000
Milk		t	1990060
Special beef premium		pcs	94620
Suckler cow premium		pcs	117000
Slaughter premium		pcs	141559 adult bovine + 94439 calf
Ewe premium		pcs	1146000
Leguminous plants		ha	1954
Dried fodder		t	49593
Rice	area	ha	3222
	yield	t/ha	3,1
Fibre hemp		t	2061
Tobacco		t	12355
Hop		ha	36
Industrial tomato		t	130790
Industrial peach		t	1616
Industrial pear		t	1031

Preliminary capacity data of enterprises listed by the HCSO under operations 'DA 15. Food and beverage production'

Activity	Capacity	Quantity/year
Pig slaughtering	840	1000 T/year
Cattle slaughtering	148	1000 T/year
Sheep slaughtering	67	1000 T/year
Poultry (calculated)	629	1000 T/year
Poultry (calculated)	189 696	1000pc/year
Egg packaging	283	Mil. Pc/year
Drinking milk (calculated)	2 086	1000 T/year
Grape processing	4 862	1000 T/year
Cereals processing (calculated)	3 186	1000 T/year
Feed mixing	2 736	1000 T/year

### **VIII.3 Market and development possibilities of highly important sectors (Assessment of market outlets)**

Assistance to investments in agriculture and the improvement of food processing exerts its effects through the increase of added value, efficiency and the ratio of higher quality products. Disposal of the products improved in content and quality but not increased in quantity is regarded as secured. The occasionally occurring marketing problems of certain products (fruits and vegetables) may be considerably reduced by producer organisations and cooperations. Due to the agroecological and economic geographical situation of Hungary, if vertical interests appear on a permanent basis, it becomes possible to exploit comparative advantages. Fruit and vegetable production will become more and more export oriented, expectedly towards the East and the West.

The expected increase of domestic and foreign tourism will entail an increase in demand, especially for the special, traditional products of the different regions. As a result of the advantageous natural endowments, the products of the sectors affected by the assistance have excellent internal values, taste and flavour. These values may materialise in their marketing in the European Union, but favourable marketing prospects will open in third countries as well.

The EU conform selection criteria of investment supports guarantee that in the case of products limited by quota laid down in the Accession Treaty production due to investments supported under the measure may not exceed the prescribed quotas. (Products limited by quota: cereals, oil plants, protein plants, rice, durum wheat, sugar, iso-glucose, milk, beef-cattle, sheep, leguminous plants, dried fodder, fibre hemp, tobacco, hop, industrial tomato, pear, apple, peach and grapes.) The most important aim of the investments is to facilitate the joining and cooperation of producers in the most effective way in order to secure uniform, good quality supply in increasing volume. It is of high importance that, as a result of the investments, the quality of goods and the conditions of market access should noticeably improve, and the investments should help retain domestic consumers and win over foreign consumers again.

In 2004 the Managing Authority commissioned the Agricultural Research Institution to survey the food processing capacities and follow the changes in capacities during the programming period. The Managing Authority will take care, that the survey of the agricultural growing capacities is carried out (and the actualisation of the data on the ÁMÖ survey in 2000). In 2005 the market perspective of the affected products is also constantly appraised using the data of the Agricultural Research Institution.

This annex contains information on the main supported sectors, by referring to the production areas, quantities produced, the trends in consumption or demand which allow for a sufficient assessment of the normal market outlets. It is based on the most recent available data, which may change in the course of the programming period.



## Sectors

### 1. Fruit and vegetables

In Hungary the ratio of self-supply in the production of fruits and vegetables is 135%. The sector is traditionally export-oriented; the ratio of export compared to the value of production is 40% on the average.

#### 1.1. Vegetables

##### *Main characteristics of vegetables production, 2004*

Denomination	Harvested area, hectare	Total harvested production, tons	Average yields tons/hectare
Vegetables	102762	2033336	-
Onions	3996	118765	25,2
Tomatoes	9538	269239	35,4
Sweet pepper	3963	99123	15,4
Red paprika	5245	52377	16,6
Sweet corn	30284	508039	16,3
Green peas	15882	93220	5,2

Sources: Statistical Yearbook of Hungarian Agriculture 2002, CSO 2003. Fruit-, grapes- and vegetable cultivation, 2003. CSO 2004

#### 1.2 Export of vegetables in 2002/2003

tons

Denomination	Export 2002	Export 2003	Export 2002/2003 %
Vegetables	221022	181205	82,0
Onions	13359	1066	8,0
Tomatoes	760	682	89,7
Sweet pepper	39687	32258	81,3
Red paprika	5177	5443	105,3
Sweetcorn	227	301	132,5
Green peas	88	4	4,5

Between 1998 and 2003 in Hungary the area of field vegetables varied between 90- and 116 thousand hectares, which falls behind the area of 121 thousand hectares in 1980 and the area of 116 thousand hectares in 1990 (in 2004 it was 103 thousand hectares)

Between 1998 and 2003 the aggregate yield reached or exceeded 1.9 million tons, which corresponds to 1.9 million tons in 1980, however it is still below the yield of 2 million tons in 1990 (2004 2.033 000 tons).

In 2001, 25% of the vegetable and fruit export was directed to the EU, while 16% of the import arrived from EU member states. The majority of the exported produce was shipped to Germany, Russia and Austria, while import arrived mainly from Germany, Spain and Greece. According to the forecasts Hungary can expect stable export markets.

Among field vegetables, tomato was produced on 6,5 –12 thousand hectares between 1998 and 2003, its yield made up 12-20% of the total yield of field vegetable production. This area is smaller than the area of 15 thousand hectares in the period between 1980 and 1990, when the produced amount of tomato made up 22-26% of the total vegetable production. Between 1998 and 2001 the quantity of tomato produced in gardens and under foil and glass varied between 50-70 thousand tons.

In the last years the traditional free-range production of industrial tomato decreased significantly, although to varying extent. While the volume of export has decreased, more than 50% of the yield is exported. Although the production could ensure a significant export commodity stock besides meeting domestic demands, Hungary is a net importer. Export of fresh tomato is increasing, the main target countries are Russia, Poland, Lithuania and Lebanon. The largest buyer of frozen tomato is Germany. Fresh tomato is imported from South European countries, mainly from Spain.

Although domestic production of several vegetables (green pepper, onion, cucumber, cabbage and root vegetables) slightly exceeds domestic demand, at the same time they are imported mainly in seasons when domestic products are not yet present on the market. Market conditions of these vegetables are balanced, surplus does not occur.

During the last years the production of the following vegetables increased: onions, potatoes, green and red pepper and sweetcorn.

Approximately one fourth of the Hungarian watermelon is exported to countries lying to the north of Hungary, but in early summer it is also imported from southern countries. The market of watermelon is stable, however, in certain years producer prices are relatively low due to fierce competition.

### 1.3.1. Fruit

#### *Main characteristics of fruits, grapes and wine productions, 2004*

Denomination	Productive area, hectare	Production on productive area, ton	Average yields ton/hectare
Grapes	93000	789000	8,4
Wine <sup>2*</sup> (hectolitre)	-	5272000	-
Fruits total	103182	1037823	-
Apples	43420	700391	16,2
Pears	3245	18377	5,7
Sour cherries	15930	77153	4,8
Peaches	8228	82609	10,2
Plums	8707	66995	7,6

\*(2 drawn off once)

Sources: Statistical Yearbook of Hungarian Agriculture 2002, CSO 2003. Fruit-,grapes and vegetable cultivation, 2003. CSO 2004.

### 1.3.2 Export of fruits, 2002-2003

tons

Denomination	Export 2002	Export 2003	Export 2003/2002, %
Grapes	6145	9193	122,7
Wine <sup>2*</sup> (hectolitre)	n.a.	n.a.	n.a.
Fruits total	233883	287045	149,6
Apples	9148	8450	92,4
Pears	186	762	409,8
Sour cherries	15466	15243	98,6
Peaches	41	6	15,0
Plums	12004	8783	73,2

In Hungary between 1998 and 2003 the total area of orchards grew from 96 thousand hectares to 101 thousand hectares, but this is still only 75% of the fruit area in 1980. The area of apple, pear and peach orchards were 43486, 2984 and 8228 hectares in 2003.

Between 1998 and 2003 the harvested yield of fruits varied between 820 thousand tons and 1 million tons (in 2003 it was 724 thousand tons), 54-67% of which was apple, varying from year to year. This is only 57% of the yield in 1980 and 65% of that in 1990.

As a result of new plantations and due to the increasing demand, production of sour cherry, plum, walnut and raspberry is expected to grow. Within apple production the ratio of industrial apple (apple for juice) is 70 percent and the ratio of fresh apple is 30 percent. The markets of apple for juice and fresh apple are both satisfactory. Import of fresh apple exceeds export. Germany is the most important market for apple products, Russia, Romania and Austria are the main buyers of fresh apple. Italy and Austria are the most important importers.

Production of other fruits is small compared to market demand. In 2003, 19 thousand tons of pear, 48 thousand tons of sour cherry, 45 thousand tons of plum, 31 thousand tons of apricot and 32 thousand of peach was produced, the yield varies according to the weather conditions. The determinant part of the yield is consumed domestically (fresh and canned fruit). Export is only possible seasonally, mainly when the supply of countries to the south of Hungary decreases.

### 1.4. Processing and marketing of fruits and vegetables

Quick-frozen products have a stable market at present, more than 50% of the production volume is exported. On the EU markets there is a possibility to sell only quality products that can fill out the supply shortage due to their different vegetation period (seasonal niche products).

In Hungary the overall consumption of fresh and processed fruits and vegetables has not changed in the past decade. The situation of the different fruit and vegetable processing sectors, the canning and the refrigerating industry is similar, but their prospects are different.

While in the market of traditional products preserved by heat permanent increase cannot be expected, the demand for products preserved by freezing will significantly grow due to changes of consumers' habits.

Export markets for Hungarian frozen and canned products can mostly be found in the neighbouring countries. Small and medium-size companies can also find their place in the market of canned food. These enterprises are able to produce popular labour-intensive products with high added value. The ratio of imported canned food is around 10%, but after the accession next year it is expected to grow by nearly 1-2%. Export orientation of fruit and vegetable procession is expected to strengthen further, both towards the East and the West.

Export volume of cooked and frozen vegetables was 89084 tons in 2000 and the volume of imports was 19596 tons. The main partner is Germany.

In 2005, in the export of fresh and frozen fruits and vegetables a slight increase can be foreseen, due to the common market. The traditional market of the Hungarian fruit and vegetables has always been the EU (Germany and Austria) and with the abolition of customs, our positions improved slightly.

### **1.5.Grapes and wine**

In the 1990s the area of vineyards gradually reduced in Hungary. Today the plantation area is 93 thousand hectares (this is only 56% of the area in 1980 and 67% of that in 1990), out of which production area is 83 thousand hectares.

Wine production (quantity also varies with vintage) in 2003 was nearly 4 million hectolitres, and in 2001 it was 5 million hectolitres. The establishment of new plantations accelerated in the second half of the 1990s, in 2001 the annual rate reached 1700 hectares, however, it is still less than what would be expedient for the modernisation of plantations. During modernisation it is necessary to utilise fewer species that accommodate themselves better to the local conditions in a way that the reconstruction should concentrate on areas with higher altitude where there is lower risk of frost. Plantations with higher stocking density are therefore preferred.

Two thirds of the produced wine is sold in the domestic market, one third is exported. The main markets for Hungarian wines are Germany and the United Kingdom, furthermore Poland, the Czech Republic and Slovakia.

The domestic market is significantly polarised. The selection of wine varieties cover a wide range from ordinary to high quality bottled ones. Approximately 1 million hectolitres are sold in bottle, the rest is sold in cans and self-consumed. Self-consumption of producers is one fifth of the average consumption rate. By satisfying the varied demands, an average consumption of 30-33 litres per capita seems to stabilise. In the past decade "self-consumption" and direct sales of producers have notably increased.

Export has moved from the rock-bottom of 1992 (663 thousand hectolitres) and has almost doubled by today. 25-30% of grapes is exported as end-product of different procession level. 40% of this quantity is sold in the EU member states. In the future, only good or excellent quality white and red wines will sell, bottled in an increasing ratio. Added value should be increased (e.g. gastronomic suggestions).

Domestic consumption has shown a slow upward trend in the last ten years. Imported wines represent an increasing pressure on the domestic market. In spite of this, the only way to keep the markets and to regain some of the lost ones is to further increase the quality of Hungarian wines. The common market regulation of wine may have a favourable effect on the Hungarian

wine sector. The annual average volume of (once-decanted) wine production is 4-4.5 million hectolitres on the average, domestic consumption is around 3.1-3.3 hectolitres.

The competitiveness of the wine sector has not increased with the accession, in 2005 the export remains at the same level. The only slight increase can be foreseen in the export of barrel wine.

## 1.6.Cereals

In Hungary over 1 million tons of cereals are milled for consumption every year. The milling industry has an important role in providing basic material for certain further processing sectors and in the efficient processing of the domestically produced raw material.

In the nineties 40% of the milling companies sold their products in CEFTA countries and 30% in CIS countries. Hungary does not export milling products to the EU. Accession will not threaten the domestic flour market.

Investments in this sector will only be supported if they aim to contribute to a better quality/efficiency and which do not result in an increase in capacity.

### Production of cereals

	Area, thousand hectares		Average yield, kg/ha		Yield, thousand tons	
	2003	2004	2003	2004	2003	2004
<b>Wheat</b>	1114	1173	2640	5130	2941	6020
<b>Rye</b>	46	45	1460	2750	67	125
<b>Winter barley</b>	176	184	2490	4530	437	834
<b>Spring barley</b>	165	147	2260	4010	373	589
<b>Oats</b>	68	69	1490	3120	102	216
<b>Other cereals</b>	172	157	-	-	318	607
<b>Total cereals</b>	<b>1741</b>	<b>1775</b>	-	-	<b>4238</b>	<b>8391</b>
<b>Maize</b>	1145	1188	3950	7000	4532	8317
<b>Total grains</b>	<b>2886</b>	<b>2963</b>	-	-	<b>8770</b>	<b>16708</b>

The EU grain market organization gives an impetus to the Hungarian grain sector and in 2005 this will mean a slight increase in the export of cereals both in the EU and third markets.

## 1.7.Animal feed and dried fodder

The output of the mixed fodder sector greatly depends on the performance of animal production. Competition is very fierce between feed producers. 50% of the products is pig feed, 40% is poultry feed and 10% is cattle premix or concentrate. The relatively large number of feed mixers results from that this activity is relatively well integrated with animal breeding or cereal warehousing. The average utilisation of capacities is 50%.

Investments in this sector will aim essentially at establishing the conditions of traceability, separating the production of feed for ruminants from other feeds and improving the quality of produce as well as reducing environmental load.

## 2. Animal husbandry

### *Characteristics of animal production, 1 December 2004*

Denomination	Stock/pieces	Capacity <sup>a</sup> (room)	Production 1000ton	Total consumption <sup>b</sup> 1000 ton	Consumption <sup>b</sup> kg/capita
Cattle	723	1436798	110	43,7	4,3
Of which cows	345				
Pig	4059	8911068	730	288,0	28,4
Of which brood sow	296				
Sheep	1397	1929223	18	3,1 <sup>c</sup>	-
Of which ewes	1088				
Chicken, cock	32814	11077,7 <sup>d</sup>	630	356,3	35,1
Of which hen	15445				

<sup>a</sup>)data concerning year 2001

<sup>b</sup>)data concerning year 2002

<sup>d</sup>)m<sup>2</sup>

Sources: Statistical Yearbook of Hungarian Agriculture 2001.,2002. CSO 2002, 2003, 2004. Agricultural production 2003. CSO 2005.

### 2.1 Milk products

Hungary is traditionally (net) self-sufficient of milk products, the changing volume of surplus of (usually 5-10%) basic materials is disposed of in foreign markets. The production in 2003 was 1977 million litres, in 2004 it was 1890 million litres.

Foreign trade only has a marginal role; the majority of exports serve as a buffer, while imports have a 6.8% ratio in the domestic market. Nevertheless, in the case of certain products with high added value such as specialty cheeses, the volume of imports is very significant.

Until the mid-nineties the demand for milk products decreased and consumption reduced by 20% as a result of the increase in consumer prices and the deterioration of the standard of living. Since the mid-nineties a slow increase have been detected, but the consumption of milk products is still below the figures registered at the beginning of the decade. As a result of the improving income, an increase in consumption is projected in the domestic market; however, import of the determinant products is not expected to grow.

Investments will aim at improving the efficiency and competitiveness of the sector, in order to preserve the domestic market position, increasing the selection of organic products and other quality products, reducing environmental load.

Hungary's entry onto the EU market brought a steep increase in the import of both milk and milk products, both from the EU 15 and the new Member States. In this situation in 2005, the only target of the Hungarian milk industry is to satisfy the needs of the domestic markets by domestic products.

## **2.2 Meat and poultry**

### **2.2.1 Meat**

### **2.2.2 Meat processing**

Meat industry is a traditionally export-oriented sector. The ratio of self-supply of pig, cattle and sheep meat is 135% on the average. Due to the decrease in real income and the changes in consumer preferences that are unfavourable for red meats, the domestic demand for the products of the meat industry considerably fell in the nineties.

At present the domestic market is balanced, but the structure of consumption is noticeably shifting towards products of higher processing level.

In the distribution channel the position of big chain stores is continuously strengthening. In the coming years real income is expected to grow in Hungary, this is why the economic forecasts calculate with an increase in the consumption of pigmeat and beef.

The export of the meat sector includes three big product groups: live animals, meats and meat products. The grouping shows the level of processing as well. In the 1990s the level of processing of the Hungarian export did not increase.

In 2005 the competitiveness of the meat industry is rather moderate regarding the elements of marketing, the market positions outside and inside the country and the concentration of the market. This situation makes it doubtful if the sector can keep its former position on the larger EU market as well. The export- and the price-competitiveness prove to be good on the EU market, however these are rather weak on the Japanese and USA markets.

### **2.2.3 Poultry meat**

#### *Processing of poultry meat products*

Production of poultry is export oriented, the ratio of self-supply is around 130-160%. Export is an important goal of production in the case of broiler chickens, and is determinant in the case of other species (turkey, goose, and duck). An overwhelming majority of processed poultry products is marketed in the European Union.

The characteristics of the Hungarian poultry meat industry is that the selection of processed products is considered wide in international comparison.

Most of the poultry processing plants deal with two or more types of poultry, which is also a Hungarian characteristics.

Compared to the other countries of the world it can be stated that Hungary has an outstanding figures not only in the specific production of poultry for slaughter but also in consumption. The average annual consumption per capita in Hungary exceeds the EU average and almost equals to that of the countries with the highest levels. There was an increasing tendency in the nineties. From the average of 20-24 kg/capita, which was typical in the early 1990s, the Hungarian consumption of poultry meat grew over 30 kg/capita.

The poultry meat industry is in a favourable marketing position, exports are not expected to decrease after Hungary's accession to the EU.

Investments in this sector will essentially aim at modernising the slaughtering, cutting and processing technologies, establishing the conditions of traceability, improving quality and production safety, increasing the selection and the ratio of products under voluntary quality

certification systems, reducing the environmental load by improving the conditions of by-product and waste management.

In 2005 the export of the poultry sector on the EU market will be slightly lower than in the former years, mainly because of more competitive production and low prices of the American, Brazilian and Thai poultry industry. However, our positions in duck- and goose meat are stable.

## **2.3 Others**

### **2.3.1 Goats**

In 2003 the goat stock consisted of 85 thousand animals in Hungary. The production of slaughter animals fluctuates even in consecutive years, in 2000 it was 774 , in 2001 it was 35 and in 2002 it was 1167 tons. The production of milk in 2001 was 10,9 million, in 2002 it was 9,8 million litres. The export of goat-meat was 56 thousand tons in 2001, 84 thousand tons in 2002. The demand for goat products is balanced.

### **2.3.2 Rabbits**

In 2003 there were approximately 1.3 million domestic rabbits in Hungary. The production of rabbit for slaughter was 11,4 thousand tons in 2001 and 14 thousand tons in 2003. Hungary is in the 20<sup>th</sup> place in the world production of rabbit meat. The largest importer of the world is Italy, the majority of Hungarian rabbit export is directed here. Besides, Hungary exports to Switzerland, Germany, Belgium and France. Demand is stable on these markets.

### **2.3.3 Ostrich, Emu**

In the past decades ostrich breeding/husbandry commenced in several areas of the World (Israel, South-Africa, Western-Europe). This animal provides several good selling products. There is a solid demand on its meat, skin, feather, eggs and the breeder itself, and the ostrich generates income for the farmers, as a tourist spectacle, too.

Currently, there are about 4 to 5 thousand ostriches and 1 to 2 thousand emus in Hungary.

Their meat is highly appreciated in Western-Europe, practically, there is no limit for selling fresh, chilled or frozen meats produced by approved slaughter houses meeting EU standards.

As we are informed in Europe only France has some establishments suitable for slaughtering ostriches and emus.

### **2.3.4 Apiculture**

Hungary has favourable natural endowments for the production of honey, under favourable weather conditions the annual production is over 16 thousand tons, in 2002 it was 15 thousand tons. The quality of Hungarian honey is acknowledged in Europe, 50 % of the total volume is acacia honey, which is relatively rare in Europe. In Hungary there are approximately



17 thousand bee-keepers, taking care of nearly 612 thousand bee colonies. The sector is subdivided, the ratio of apiaries eligible for support in the European Union, i.e. having over 150 bee colonies, is only 17 percent. Domestic consumption of honey is extremely low, 0.4 kg/person/year. This is 50-57 % less than the 0.7-0.8 kg. average consumption in Western Europe, therefore domestic consumption is expected to increase.

Honey has 1 percent ratio in the Hungarian food export, but in international comparison Hungary is not a small exporter. The total world export of honey varies between 280 thousand and 339 thousand tons annually, from which Hungary has a 4.5-5 % ratio. In 2000-2001 the European Union's ratio of self-supply of honey was 46 %. 10-13 thousand tons of Hungarian honey was exported, the main markets are Germany, Italy, France and Austria.

### **3 Spices**

Within the production of spices, Hungary's traditional national product, the red pepper plays a significant role. The technological level of the red pepper processing industry is lagging behind. A significant part of the machinery is 20 years old or even older and does not meet the hygiene and environmental requirements. Storage and cleaning of the sewage coming from washing is a severe problem. Investment will therefore aim at improving equipment and the conditions of raw material storage.

## VIII.4 Eligible settlements (for measures “Expansion of rural income earning opportunities” and LEADER+)

Aba	Alsóbogát	Árpás	Bakonykoppány
Abádszalók	Alsódobsza	Ártánd	Bakonykúti
Abaliget	Alsógagy	Ásothalom	Bakonynána
Abasár	Alsómocsolád	Ásványráró	Bakonyoszlop
Abaújalpár	Alsónána	Aszaló	Bakonypéterd
Abaújkér	Alsónémedi	Ászár	Bakonypölöske
Abaújlak	Alsónemesapáti	Ászár	Bakonyság
Abaújszántó	Alsónyék	Aszód	Bakonysárkány
Abaújszolnok	Alsóörs	Aszófő	Bakonyszentiván
Abaújvár	Alsópáhok	Áta	Bakonyszentkirály
Abda	Alsópetény	Átány	Bakonyszentlászló
Abod	Alsórajk	Atkár	Bakonyszombathely
Ábrahámhegy	Alsóregmec	Attala	Bakonyszücs
Ács	Alsószerterzsébet	Babarc	Bakonytamási
Acsa	Alsószentiván	Babarcszölös	Baks
Acsád	Alsószentmárton	Babócsa	Baksa
Acsalag	Alsószölnök	Bábolna	Baktakék
Ácsteszer	Alsószuha	Bábonymegyer	Baktalórántháza
Adács	Alsótelekes	Babosdöbréte	Baktüttös
Ádánd	Alsótold	Babót	Balajt
Adásztevel	Alsóújlak	Bácsalmás	Balástya
Adony	Alsóvadász	Bácsbokod	Balaton
Adorjánháza	Alsózsolca	Bácsborsód	Balatonakali
Adorjás	Ambrózfalva	Bácsszentgyörgy	Balatonalmádi
Ág	Anarcs	Bácsszölös	Balatonberény
Ágasegyháza	Andocs	Badacsonytomaj	Balatonboglár
Ágfalva	Andornaktálya	Badacsonytördemic	Balatoncsicsó
Aggtelek	Andrásfa	Bag	Balatonederics
Agyagosszergény	Annavölgy	Bagamér	Balatonendréd
Ajak	Apácatorna	Baglad	Balatonfenyves
Aka	Apagy	Bagod	Balatonfőkajár
Akasztó	Apaj	Bágyogszovát	Balatonföldvár
Alacska	Aparhant	Baj	Balatonfűzfő
Alap	Apátfalva	Bajánsenye	Balatongyörök
Alattyán	Apátistvánfalva	Bajna	Balatonhenye
Alcsútdoboz	Apátvarasd	Bajót	Balatonkenese
Aldebrő	Apc	Bak	Balatonkeresztúr
Algyő	Áporka	Bakháza	Balatonlelle
Alibánfa	Apostag	Bakóca	Balatonmagyaród
Almamellék	Aranyosapáti	Bakonszeg	Balatonmáriafürdő
Almásfüzitő	Aranyosgadány	Bakonya	Balatonószöd
Almásháza	Arka	Bakonybánk	Balatonrendes
Almáskamarás	Arló	Bakonybél	Balatonszabadi
Almáskeresztúr	Arnót	Bakonycsernye	Balatonszárszó
Álmosd	Ároktő	Bakonygyirót	Balatonszemes
Alsóberecki	Árpádhalom	Bakonyjákó	Balatonszentgyörgy

Balatonszepezd	Becskeháza	Bihardancsháza	Bordány
Balatonszőlős	Becsvölgye	Biharkeresztes	Borgáta
Balatonudvari	Bedegkér	Biharnagybajom	Borjád
Balatonújlak	Bedő	Bihartorda	Borota
Balatonvilágos	Bejczyertyános	Biharugra	Borsfa
Balinka	Békás	Bikács	Borsodbóta
Balkány	Bekecs	Bikal	Borsodgeszt
Ballószög	Békéssámson	Biri	Borsodivánka
Balmazújváros	Békésszentandrás	Birján	Borsodnadasd
Balogunyom	Bekölce	Bisse	Borsodszentgyörgy
Balotaszállás	Bélapátfalva	Boba	Borsodszirák
Balsa	Bélavár	Bocfölde	Borsosberény
Bálványos	Belecska	Boconád	Borszörcsök
Bana	Beled	Bócsa	Borzavár
Bánd	Beleg	Bocska	Bosta
Bánfa	Belezna	Bocskaikert	Botpalád
Bánhorváti	Bélmegyer	Boda	Botykapeterd
Bánk	Beloianisz	Bodajk	Bozsok
Bánokszentgyörgy	Belsősárd	Bodmér	Bozzai
Bánréve	Belvárdgyula	Bodolyabér	Bózsva
Bár	Benk	Bodonyhely	Bő
Barabás	Bénye	Bodony	Bócs
Baracs	Bér	Bodorfa	Böde
Baracska	Bérbaltavár	Bodrog	Bödeháza
Báránd	Bercel	Bodroghalom	Bögöt
Baranyahídvég	Beregdaróc	Bodrogkeresztúr	Bögöte
Baranyajenő	Beregsurány	Bodrogkisfalud	Böhönye
Baranyaszentgyörgy	Berekböszörmény	Bodrogolaszi	Bököny
Barbacs	Berekfürdő	Bódvalenke	Bölcske
Barcs	Beremend	Bódvarákó	Böny
Bárdudvarnok	Berente	Bódvaszilás	Börcs
Barlahida	Beret	Bogács	Börzönce
Bárna	Berettyóújfalu	Bogád	Bősárkány
Barnag	Berhida	Bogádmindszent	Bőszénfa
Bársonyos	Berkenye	Bogdása	Bucsa
Basal	Berkesd	Bogyiszló	Bucusu
Baskó	Berkesz	Bogyoszló	Búcsúszentlászló
Báta	Bernecebaráti	Bojt	Bucsuta
Bátaapáti	Berzék	Bókaháza	Budajenő
Bátaszék	Berzence	Bokod	Budakalász
Baté	Besence	Bokor	Bugac
Bátmonostor	Besenyőd	Boldog	Bugacpusztaháza
Bátor	Besenyőtelek	Boldogasszonyfa	Bugyi
Bátorliget	Besenyőszög	Boldogkőújfalu	Buj
Battonya	Besnyő	Boldogkővára	Buják
Bátya	Beszterc	Boldva	Buzsák
Batyk	Bezedek	Bolhás	Bük
Bázakerettye	Bezenye	Bolhó	Bükkábrány
Bazsi	Bezeréd	Bóly	Bükkaranyos
Béb	Bezi	Boncodfölde	Bükkmogyorósd
Becsehely	Biatorbágy	Bonnya	Bükkösd
Becske	Bicsérd	Bonyhádvarasd	Bükkszék

Bükkszenterzsébet	Csécse	Csolyospálos	Dejtár
Bükkszentkereszt	Csegöld	Csoma	Délegyháza
Bükkszentmárton	Csehbánya	Csomád	Demecser
Bükkszérc	Csehi	Csombárd	Demjén
Bűrüs	Csehimindszent	Csongrád	Dencsháza
Büssü	Csém	Csonkahegyhát	Dénesfa
Büttös	Csemő	Csonkamindszent	Derecske
Cák	Csempeszkopács	Csopak	Derekegyház
Cakóháza	Csengele	Csór	Deszk
Cece	Csenger	Csorna	Detek
Cégénydányád	Csengersima	Csorvás	Detk
Ceglédbercel	Csengerújfalu	Csót	Dévaványa
Cered	Csengőd	Csöde	Devecser
Chernelházadamonya	Csénye	Csögle	Dinnyeberki
Cibakháza	Csenyété	Csökmő	Diósberény
Cigánd	Csép	Csököly	Diósd
Cikó	Csépa	Csömend	Diósjenő
Cirák	Csepreg	Csömödér	Dióskál
Cún	Csér	Csömör	Diósviszló
Csabacsúd	Cserdi	Csöngye	Doba
Csabaszabadi	Cserénfa	Csömyeföld	Doboz
Csabdi	Cserépfalu	Csörög	Dobri
Csabrendek	Cserépváralja	Csörög	Dobronhegy
Csáfordjánosfa	Cserháthaláp	Csörötnek	Dóc
Csaholc	Cserhátsurány	Csősz	Domaháza
Csajág	Cserhátszentiván	Csővár	Domaszék
Csákány	Cserkeszölő	Csurgó	Dombegyház
Csákánydoroszló	Cserkút	Csurgónagymarton	Dombiratos
Csákberény	Csermely	Dabas	Dombrád
Csákvár	Cserszegtomaj	Dabronc	Domony
Csanádalberti	Csertalakos	Dabrony	Domoszló
Csanádapáca	Csertő	Dad	Dormánd
Csanádpalota	Csesznek	Dág	Dorogháza
Csánig	Csesztreg	Dáka	Dozmat
Csány	Csesztve	Dalmand	Döbörhegy
Csányoszró	Csetény	Damak	Döbröce
Csanytelek	Csévharaszt	Dámóc	Döbrököz
Csapi	Csibrák	Dánszentmiklós	Döbrönte
Csapod	Csikéria	Dány	Döge
Csárdaszállás	Csikóstóttós	Daraboshegy	Dömös
Csarnóta	Csikvánd	Darány	Dömsöd
Csaroda	Csincse	Darnó	Dör
Császár	Csipkerek	Darnózseli	Dörgicse
Császártöltés	Csitár	Daruszentmiklós	Döröske
Császló	Csobád	Darvas	Dötk
Csátalja	Csobaj	Dávod	Dövény
Csatár	Csobánka	Debercsény	Drágszél
Csataszög	Csókakő	Debréte	Drávacsehi
Csatka	Csokonyavisonta	Decs	Drávacsepely
Csávoly	Csokvaomány	Dédestapolcsány	Drávafok
Csebény	Csolnok	Dég	Drávagárdony

Drávaiványi	Égerszög	Fábiánsebestyén	Ferencszállás
Drávakeresztúr	Egervár	Fácánkert	Fertőboz
Drávapalkonya	Egervölgy	Fadd	Fertőd
Drávapiski	Egyed	Fáj	Fertőendréd
Drávaszabolcs	Egyek	Fajsz	Fertőhomok
Drávaszerdahely	Egyházasdengeleg	Fancsal	Fertőrákos
Drávasztára	Egyházásfalu	Farád	Fertőszentmiklós
Drávatamási	Egyházasgerge	Farkasgyepű	Fertőszéplak
Drégelypalánk	Egyházasharaszti	Farkaslyuk	Fiad
Dubicsány	Egyházashetye	Farmos	Filkeháza
Dudar	Egyházashollós	Fazekasboda	Fityeház
Duka	Egyházaskesző	Fedémes	Foktó
Dunaalmás	Egyházaskozár	Fegyvernek	Folyás
Dunabogdány	Egyházasrádóc	Fehérgyarmat	Fonó
Dunaegyháza	Elek	Fehértó	Fony
Dunafalva	Ellend	Fehérvárcturgó	Fonyód
Dunaföldvár	Előszállás	Feked	Forráskút
Dunakiliti	Emőd	Feketeerdő	Forró
Dunapataj	Encs	Felcsút	Földeák
Dunaremete	Encsencs	Feldebrő	Földes
Dunaszeg	Endrefalva	Felgyő	Főnyed
Dunaszekcső	Endrőc	Felpéc	Fulókércs
Dunaszentbenedek	Enese	Felsőberecki	Furta
Dunaszentgyörgy	Enying	Felsőcsatár	Füle
Dunaszentmiklós	Eperjes	Felsődobsza	Fülesd
Dunaszentpál	Eperjeske	Felsőegerszeg	Fülöp
Dunasziget	Eplény	Felsőgagy	Fülöpháza
Dunatetőtlen	Epöl	Felsőjánosfa	Fülöpkab
Dunavarsány	Ercsi	Felsőkelecsény	Fülöpszállás
Dunavecse	Erdőbénye	Felsőlajos	Fülöpösdaróc
Dusnok	Erdőhorváti	Felsőmarác	Fürged
Dúzs	Erdőkertes	Felsőmocsolád	Füzér
Ebergőc	Erdőkövesd	Felsőnána	Füzérkajata
Ebes	Erdőkürt	Felsőnyárad	Füzérkomlós
Écs	Erdősmárok	Felsőnyék	Füzérradvány
Ecséd	Erdősmecke	Felsőörs	Füzesabony
Ecseg	Erdőtarcsa	Felsőpáhok	Füzesgyarmat
Ecsefalva	Erdőtelek	Felsőpakony	Fűzvölgy
Ecseny	Erk	Felsőpetény	Gáborján
Ecser	Érpatak	Felsőrajk	Gáborjánháza
Edde	Érsekcsanád	Felsőregmec	Gacsály
Edve	Érsekhalma	Felsőszenterzsébet	Gadács
Egerág	Érsekvadkert	Felsőszentiván	Gadány
Egeralja	Értény	Felsőszentmárton	Gadna
Egeraracsa	Erzsébet	Felsőszölnök	Gádoros
Egerbakta	Esztár	Felsőtárkány	Gagyapáti
Egerbocs	Eszteregnye	Felsőtelekes	Gagybátor
Egercsehi	Esztergályhorváti	Felsőtold	Gagyvendégi
Egerfarmos	Ete	Felsővadász	Galambok
Egerlövő	Etes	Felsőzsolca	Galgaguta
Egerszalók	Etyek	Fényeslitke	Galgagyörk
Egerszólát	Fábiánháza	Fenyőfő	Galgahévíz

Galgamácsa	Gömörszőlős	Gyügye	Héhalom
Gálosfa	Gönc	Gyüre	Hejce
Galvács	Göncruszka	Gyűrűs	Hejőbába
Gamás	Gönyű	Hács	Hejőkeresztúr
Ganna	Görbeháza	Hagyárosbörönd	Hejőkürt
Gánt	Görcsöny	Hahót	Hejőpapi
Gara	Görcsöndoboka	Hajdúbagos	Hejőszalonta
Garáb	Görgeteg	Hajdúböszörmény	Helesfa
Garabonc	Gósfa	Hajdúdorog	Helvécia
Garadna	Grábóc	Hajdúnánás	Hencida
Garbolc	Gulács	Hajdúszoboszló	Hencse
Gárdony	Gutorföldre	Hajdúszovát	Herceghalom
Garé	Gyalóka	Hajmás	Hercegkút
Gasztony	Gyanógeregye	Hajmáskér	Hercegszántó
Gátér	Gyarmat	Hajós	Heréd
Gávavencsellő	Gyékényes	Halastó	Héreg
Géberjén	Gyenesdiás	Halászi	Herencsény
Gecse	Gyepükaján	Halásztelek	Herend
Géderlak	Gyermely	Halimba	Heresznye
Gégény	Gyód	Halmaj	Hermánszeg
Gelej	Gyomaendrőd	Halmajugra	Hernád
Gelénes	Gyóró	Halogy	Hernádbúd
Gellénháza	Gyömöre	Hangács	Hernádcéce
Gelse	Gyöngyfa	Hangony	Hernádkak
Gelsesziget	Gyöngyösfalu	Hantos	Hernádkércs
Gemzse	Gyöngyöshalász	Harasztifalu	Hernádnémeti
Gencsapáti	Gyöngyösmellék	Harc	Hernádpetri
Gérce	Gyöngyösoroszi	Harka	Hernádszentandrás
Gerde	Gyöngyöspata	Harkakötöny	Hernádszurdok
Gerendás	Gyöngyössolymos	Harkány	Hernádvécse
Gerényes	Gyöngyöstarján	Háromfa	Hernyék
Geresdlak	Gyönk	Háromhuta	Hét
Gerjen	Gyórásszonyfa	Harsány	Hetefejércse
Gersekarát	Györe	Hárskút	Hetes
Geszt	Györgytarló	Harta	Hetvehely
Gesztely	Györköny	Hásságy	Hetyefő
Geszteréd	Győrladamér	Hédervár	Heves
Gétye	Győröcske	Hedrehely	Hevesaranyos
Gic	Gyórság	Hegyesd	Hevesvezekény
Gige	Gyórsövényház	Hegyeshalom	Hévíz
Gilvánfa	Gyórszemere	Hegyfalu	Hévízgyörk
Girincs	Győrtelek	Hegyháthodász	Hidas
Gógánfa	Győrújbarát	Hegyhátmaróc	Hidasnémeti
Golop	Győrújfalu	Hegyhátsál	Hidegkút
Gomba	Győrvár	Hegyhátszentjakab	Hidegség
Gomboszeg	Győrzámoly	Hegyhátszentmárton	Hidvégardó
Gór	Gyugy	Hegyhátszentpéter	Himesháza
Gordisa	Gyulaháza	Hegykő	Himod
Gosztola	Gyulaj	Hegymagas	Hirics
Gödre	Gyulakeszi	Hegymeg	Hobol
Gölle	Gyúró	Hegyszentmárton	Hodász

Hódmezővásárhely	Ipolydamásd	Jéke	Karácsond
Hollád	Ipolytarnóc	Jenő	Karád
Hollóháza	Ipolytölgyes	Jobaháza	Karakó
Hollókő	Ipolyvece	Jobbágyi	Karakószőröcsök
Homokbödöge	Iregszemcse	Jósvafő	Karancsalja
Homokkomárom	Irota	Juta	Karancsberény
Homokmégy	Ispánk	Kaba	Karancskeszi
Homokszentgyörgy	Istenmezeje	Kacorlak	Karancslapujtó
Homorúd	Istvándi	Kács	Karancsság
Homrogd	Iszkaszentgyörgy	Kacsóta	Kárász
Hont	Iszkáz	Kadarkút	Karcag
Horpács	Isztimér	Kajárpéc	Karcsa
Hort	Ivád	Kajászó	Kardos
Hortobágy	Iván	Kajdacs	Kardoskút
Horváthertelend	Ivánbattyán	Kakasd	Karmacs
Horvátlövő	Ivánc	Kákics	Károlyháza
Horvátzsidány	Iváncsa	Kakucs	Károlyháza
Hosszúhetény	Ivándárda	Kál	Karos
Hosszúpályi	Izmény	Kalaznó	Kartal
Hosszúpereszteg	Izsák	Káld	Kásád
Hosszúviz	Izsófalva	Kálló	Kaskantyú
Hosszúvölgy	Jágónak	Kallósd	Kastélyosdombó
Hosztót	Ják	Kállósemjén	Kaszaper
Hottó	Jakabszállás	Kálmánca	Kaszó
Hőgyész	Jákfa	Kálmánháza	Katádfa
Hövej	Jákfalva	Kálódfa	Katafa
Hugyag	Jákó	Káloz	Kátoly
Hunya	Jánd	Kám	Katymár
Hunyadfalva	Jánkmajtis	Kamond	Káva
Husztót	Jánoshalma	Kamut	Kávás
Ibafa	Jánosháza	Kánó	Kazár
Iborfia	Jánoshida	Kántorjánosi	Kázsmárk
Ibrány	Jánossomorja	Kány	Kazsok
Igal	Járdánháza	Kánya	Kecel
Igar	Jármi	Kányavár	Kecskéd
Igrici	Jásd	Kapolcs	Kehidakustány
Iharos	Jászágó	Kápolna	Kék
Iharosberény	Jászsalsószentgyörgy	Kápolnásnyék	Kékcse
Ikervár	Jászapáti	Kapoly	Kéked
Iklad	Jászárokszállás	Kaposfő	Kékesd
Iklanberény	Jászboldogháza	Kaposgyarmat	Kékkút
Iklódbördöce	Jászdózsa	Kaposhomok	Kelebia
Ikrény	Jászfelsőszentgyörgy	Kaposkeresztúr	Keléd
Iliny	Jászfényszaru	Kaposmérő	Kelemér
Ilk	Jászivány	Kapospula	Kéleshalom
Illocska	Jászjákóhalma	Kaposszekcső	Keleviz
Imola	Jászkarajenő	Kaposszerdahely	Kemecse
Imrehegy	Jáskisér	Kaposújlak	Kemence
Ináncs	Jászladány	Káptalanfa	Kemendollár
Inárcs	Jászszentandrás	Káptalantóti	Kemeneshőgyész
Inke	Jászszentlászló	Kapuvár	Kemeneskápolna
Ipacsfa	Jásztelek	Kára	Kemenesmagasi

Kemenesmihályfa	Királyhegyes	Kislőd	Komlóska
Kemenespálfa	Királyszentistván	Kismányok	Komoró
Kemenessömjén	Kisapáti	Kismarja	Kompolt
Kemenesszentmárton	Kisapostag	Kismaros	Kondó
Kemenesszentpéter	Kisar	Kisnamény	Kondorfa
Keménfa	Kisasszond	Kisnána	Kondoros
Kémes	Kisasszonyfa	Kisnémedi	Kóny
Kemestaródfa	Kisbabot	Kisnyárád	Konyár
Kemse	Kisbágyon	Kisoroszi	Kópháza
Kenderes	Kisbajcs	Kispalád	Koppányszántó
Kenéz	Kisbajom	Kispáli	Korlát
Kenézlő	Kisbárapáti	Kispirit	Koroncó
Kengyel	Kisbárkány	Kisrákos	Kórós
Kenyeri	Kisbér	Kisrécse	Kosd
Kercaszomor	Kisberény	Kisrozvágy	Kóspallag
Kercseliget	Kisberzseny	Kissikátor	Kótaj
Kerecsend	Kisbeszterce	Kissomlyó	Kovácsghida
Kerecseny	Kisbodak	Kisszállás	Kovácsszénája
Kerekegyháza	Kisbucsa	Kisszékely	Kovácsvágás
Kereki	Kisbudmér	Kisszekeres	Kozárd
Kerékteleki	Kiscsécs	Kisszentmárton	Kozármisleny
Kerepes	Kiscsehi	Kissziget	Kozmadombja
Keresztéte	Kiscsős	Kisszőlős	Köblény
Kerkabarabás	Kisdér	Kistamási	Köcsk
Kerkafalva	Kisdobsza	Kistapolca	Kökény
Kerkakutas	Kisdombegyház	Kistarcsa	Kökút
Kerkáskápolna	Kisdorog	Kistelek	Kölcse
Kerkaszentkirály	Kisecset	Kistokaj	Kölesd
Kerkateskánd	Kisfalud	Kistolmács	Kölked
Kérsemjén	Kisfüzes	Kistormás	Kömlő
Kerta	Kisgörbő	Kistótfalu	Kömlőd
Kertészsziget	Kisgyalán	Kisújszállás	Kömörő
Keszeg	Kisgyőr	Kisunyom	Kömpöc
Kesznyéten	Kishajmás	Kisvarsány	Környe
Keszőhidegkút	Kisharsány	Kisvásárhely	Köröm
Kesztölc	Kishartyán	Kisvaszar	Köröshegy
Keszü	Kisherend	Kisvejke	Körösładány
Kétdodony	Kishódos	Kiszombor	Körösnyagyarsány
Kétegyháza	Kishuta	Kiszsídány	Köröstarcsa
Kéthely	Kisigmánd	Kláralfalva	Köröstetétlen
Kétpó	Kisjakabfalva	Kocs	Körösújfalva
Kétsoprony	Kiskassa	Kocsér	Körösszakál
Kétújfalu	Kiskinizs	Kocsola	Körösszegapáti
Kétvölgy	Kiskorpád	Kocsord	Kőszárhegy
Kéty	Kisköre	Kóka	Kőszegdoroszló
Kevermes	Kiskunlacháza	Kokad	Kőszegpaty
Kilimán	Kiskunmajsa	Kolontár	Kőszegszerdahely
Kimle	Kiskutas	Komádi	Kötcse
Kincsesbánya	Kisláng	Komjáti	Kötegyán
Királd	Kisléta	Komlódtótfalu	Kötelek
Királyegyháza	Kislippó	Komlósd	Kővágóórs



Kővágószőlős	Legénd	Madocsa	Máriakéménd
Kővágótöttös	Legyesbénye	Maglóca	Márianosztra
Kövegy	Léh	Mágocs	Máriapócs
Köveskál	Lénárdaróc	Magosliget	Markaz
Krasznokvajda	Lendvadedes	Magy	Márkháza
Kulcs	Lendvajakabfa	Magyaralmás	Márkó
Kunadacs	Lengyel	Magyaratád	Markóc
Kunágota	Lengyeltóti	Magyarbánhegyes	Markotabödöge
Kunbaja	Lenti	Magyarbóly	Maróc
Kunbaracs	Lepsény	Magyarcsanád	Marócsa
Kuncsorba	Lesencefalu	Magyardombegyház	Márok
Kunfehértó	Lesenceistvánd	Magyaregregy	Márokföld
Kunhegyes	Lesencetomaj	Magyaregres	Márokpapi
Kunmadaras	Létavértes	Magyarföld	Maroslele
Kunpeszér	Letenye	Magyargéc	Mártély
Kunszállás	Letskés	Magyargencs	Martfű
Kunszentmárton	Levél	Magyarhertelend	Martonfa
Kunszentmiklós	Levelek	Magyarhomorog	Martonvásár
Kunsziget	Libickozma	Magyarkeresztúr	Martonyi
Kup	Lickóvadas	Magyarkezi	Mátételke
Kupa	Liget	Magyarlak	Mátraballa
Kurd	Ligetfalva	Magyarlukafa	Mátraderecske
Kurityán	Lipót	Magyarmecske	Mátramindszent
Kustánszeg	Lippó	Magyarnádalja	Mátranovák
Kutas	Liptód	Magyarnándor	Mátraszele
Kutasó	Lispesztadorján	Magyarpolány	Mátraszentimre
Kübekháza	Liszó	Magyarsarlós	Mátraszőlős
Külsősárd	Litér	Magyarszecsőd	Mátraterenye
Külsővat	Litka	Magyarszék	Mátraverebély
Küngös	Litke	Magyarszentmiklós	Mátyásdomb
Lábatlan	Lócs	Magyarszerdahely	Matty
Lábod	Lókút	Magyarszombatfa	Mátyus
Lácacséke	Lónya	Magyartelek	Máza
Lad	Lórév	Majosháza	Mecseknádasd
Ladánybene	Lothárd	Majs	Mecsekpölöske
Ládbesenyő	Lovas	Makád	Mecsér
Lajoskomárom	Lovasberény	Makkoshotyka	Medgyesbodzás
Lajosmizse	Lovászhetény	Maklár	Medgyesegyháza
Lak	Lovászi	Makó	Medina
Lakhegy	Lovászpátona	Malomsok	Meggyeskovácsi
Lakitelek	Lőkösháza	Mályi	Megyaszó
Lakócsa	Lőrinci	Mályinka	Megyehíd
Lánycsók	Lövő	Mánd	Megyer
Lápfő	Lövőpetri	Mándok	Méhkerék
Lapáncsa	Lucfalva	Mánfa	Méhtelek
Laskod	Ludányhalászi	Mány	Mekényes
Lasztonya	Ludas	Maráza	Mélykút
Látrány	Lukácsháza	Marcalgergelyi	Mencshely
Lázi	Lulla	Marcaltó	Mende
Leányfalu	Lúzsok	Márfa	Méra
Leányvár	Mád	Máriaalom	Merenye
Lébény	Madaras	Máriakálnok	Mérges

Mérek	Misefa	Nagybarca	Nagymányok
Mernye	Miske	Nagybárkány	Nagymaros
Mersevát	Miszla	Nagyberény	Nagymizdó
Mesterháza	Mocsa	Nagyberki	Nagynyárád
Mesteri	Mogyoród	Nagybörzsöny	Nagyoroszi
Mesterszállás	Mogyorósbánya	Nagybudmér	Nagypáli
Meszes	Mogyoróska	Nagycenk	Nagypall
Meszlen	Moha	Nagycsány	Nagypeterd
Mesztegyő	Mohora	Nagycsécs	Nagypirit
Mezőberény	Molnári	Nagycepepy	Nagyrábé
Mezőcsát	Molnaszecsőd	Nagycerkesz	Nagyrada
Mezőcsokonya	Molvány	Nagydém	Nagyrákos
Meződ	Monaj	Nagydobos	Nagyrecse
Mezőfalva	Monok	Nagydobsza	Nagyréde
Mezőgyán	Mónosbél	Nagydorog	Nagyrév
Mezőhegyes	Monostorapáti	Nagyecsed	Nagyrosvágy
Mezőhék	Monostorpályi	Nagyér	Nagysáp
Mezőkeresztes	Monoszló	Nagyesztergár	Nagysimonyi
Mezőkomárom	Monyoród	Nagyfüged	Nagyszakácsi
Mezőkovácsháza	Mórág	Nagygeresd	Nagyszékely
Mezőladány	Mórahalom	Nagygörbő	Nagyszekeres
Mezőlak	Móricgát	Nagygyimót	Nagyszénás
Mezőnagy Mihály	Mórichida	Nagyhajmás	Nagyszentjános
Mezőnyárád	Mosdós	Nagyhalász	Nagyszokoly
Mezőörs	Mosonszentmiklós	Nagyharsány	Nagytálya
Mezőpeterd	Mosonszolnok	Nagyhegyes	Nagytarcsa
Mezősas	Mozsgó	Nagyhódos	Nagytevel
Mezőszemere	Mőcsény	Nagyhuta	Nagytilaj
Mezőszentgyörgy	Mucsfa	Nagyigmánd	Nagytótfalu
Mezőszilas	Mucsi	Nagyiván	Nagytóke
Mezőtárkány	Múcsony	Nagykamarás	Nagyút
Mezőtúr	Muhi	Nagykapornak	Nagyvarsány
Mezőzombor	Murakeresztúr	Nagykarácsony	Nagyváty
Miháld	Murarátka	Nagykerek	Nagyvázsony
Mihályfa	Muraszemenye	Nagykeresztúr	Nagyvejke
Mihálygerge	Murga	Nagykinizs	Nagyveleg
Mihályháza	Murony	Nagykónyi	Nagyvenyim
Mihályi	Nábrád	Nagykorpád	Nagyvisnyó
Mike	Nadap	Nagykovácsi	Nak
Mikebuda	Nádasd	Nagykozár	Napkor
Mikekarácsonyfa	Nádasdladány	Nagykökényes	Nárai
Mikepércs	Nádudvar	Nagykölked	Narda
Miklósi	Nágocs	Nagykörös	Naszály
Mikófalva	Nagyacsád	Nagykörű	Négyes
Mikóháza	Nagyalásny	Nagykutas	Nekézseny
Mikosszéplak	Nagyar	Nagylak	Nemesapáti
Milejszeg	Nagybajcs	Nagylengyel	Nemesbikk
Milota	Nagybajom	Nagylóc	Nemesborzova
Mindszent	Nagybakónak	Nagylók	Nemesbőd
Mindszentgodisa	Nagybánhegyes	Nagylózs	Nemesbük
Mindszentkál	Nagybaracska	Nagymágocs	Nemescsó

Nemesdéd	Nyergesújfalu	Olaszfa	Ősagárd
Nemesgörzsöny	Nyésta	Olaszfalva	Ősi
Nemesgulács	Nyim	Olaszliszka	Őskü
Nemeshany	Nyírábrány	Olcsva	Öttevény
Nemeshetés	Nyíracsád	Olcsvaapáti	Öttömös
Nemeske	Nyírád	Old	Ötvöskónyi
Nemeskér	Nyíradony	Ólmod	Pácin
Nemeskeresztúr	Nyírbéltek	Oltárc	Pacsa
Nemeskisfalud	Nyírbogát	Onga	Pácsony
Nemeskocs	Nyírbogdány	Ónod	Padár
Nemeskolta	Nyírcaholy	Ópályi	Páhi
Nemesládony	Nyíracsászári	Ópusztaszer	Páka
Nemesmedves	Nyírderzs	Orbányosfa	Pakod
Nemesnádudvar	Nyírgelse	Orci	Pákozd
Nemesnép	Nyírgyulaj	Ordacsehi	Palé
Nemespátró	Nyíri	Ordas	Pálfa
Nemesrádó	Nyíribrony	Orfalu	Pálfiszeg
Nemesrempehollós	Nyírtjókó	Orfű	Pálháza
Nemessándorháza	Nyírkarász	Orgovány	Páli
Nemesszalók	Nyírkáta	Ormándlak	Palkonya
Nemesszentandrás	Nyírkércs	Ormosbánya	Pálmajor
Nemesvámos	Nyírlövő	Oroszi	Pálmonostora
Nemesvid	Nyírlugos	Oroszló	Palotabozsok
Nemesvita	Nyírmada	Orosztony	Palotás
Németbánya	Nyírmártonfalva	Ortaháza	Paloznak
Németfalva	Nyírmeggyes	Osló	Pamlény
Németkér	Nyírmihálydi	Ostffyasszonyfa	Pamuk
Nemti	Nyírparasznya	Ostros	Pánd
Neszmély	Nyírpazony	Oszkó	Pankasz
Nézsa	Nyírpilis	Oszlár	Pannonhalma
Nick	Nyírtass	Osztopán	Pányok
Nikla	Nyírtelek	Ózdfalu	Panyola
Nógrád	Nyírtét	Ozmánbük	Pap
Nógrádkövesd	Nyírtura	Ozora	Pápadereske
Nógrádmarcál	Nyírvasvári	Öcs	Pápakovácsi
Nógrádmegyer	Nyomár	Öcsény	Pápasalamon
Nógrádsáp	Nyögér	Öcsöd	Pápateszér
Nógrádsipek	Nyugotszenterzsébet	Ökörítőfülpös	Papkeszi
Nógrádszakál	Nyúl	Ölbő	Pápoc
Nóráp	Óbánya	Ömböly	Papos
Noszlop	Óbarok	Őr	Páprád
Noszvaj	Óbudavár	Őrbottyán	Parád
Nova	Ócsa	Öregcsertő	Parádsasvár
Novaj	Ócsárd	Öreglak	Parasznya
Novajdrány	Ófalu	Órhalom	Paszab
Nőtincs	Ófehértó	Órimagyarósd	Pásztori
Nyalka	Ófölségek	Óriszentpéter	Pat
Nyárad	Óhíd	Örkény	Patak
Nyáregyháza	Okány	Örményes	Patalom
Nyárlőrinc	Okorág	Örménykút	Patapoklosi
Nyársapát	Okorvölgy	Órtilos	Patca
Nyékládháza	Olasz	Örvényes	Pátka

Patosfa	Pilisszentiván	Pusztamiske	Rápol
Pátroha	Pilisszentkereszt	Pusztamonostor	Raposka
Patvarc	Pilisszentlászló	Pusztaoatlaka	Rásonysápberencs
Páty	Pincehely	Pusztaradvány	Rátka
Pátyod	Pinkamindszent	Pusztaszabolcs	Rátót
Pázmánd	Pinnye	Pusztaszemes	Ravazd
Pázmándfalu	Piricse	Pusztaszentlászló	Recsk
Pecöl	Pirtó	Pusztaszer	Réde
Pécsbagota	Piskó	Pusztavacs	Rédics
Pécsdevecser	Pitvaros	Pusztavám	Regéc
Pécsely	Pócsa	Pusztazámor	Regenye
Pécsudvard	Pocsaj	Putnok	Regöly
Pécsvárad	Pócsmegyer	Püski	Rém
Pellérd	Pócspetri	Püspökhatvan	Remeteszőlős
Pély	Pogány	Püspökladány	Remeteszőlős
Penc	Pogányszentpéter	Püspökmolnári	Répáshuta
Penészlek	Pókaszeptk	Püspökszilágy	Répcelak
Pénzesgyőr	Polány	Rábacsanak	Répceszemere
Penyige	Polgár	Rábacsécsény	Répceszentgyörgy
Pér	Polgárdi	Rábagyarmat	Répcevis
Perbál	Porcsalma	Rábahídvég	Resznek
Pere	Pornóapáti	Rábakecöl	Rétalap
Perecse	Poroszló	Rábatatona	Rétközberencs
Pereked	Porpác	Rábataty	Rétság
Perenye	Porrog	Rábapordány	Révfülöp
Peresznye	Porrogszentkirály	Rábasebes	Révleányvár
Peresztég	Porrogszentpál	Rábaszentandrás	Rezi
Perkáta	Pórszombat	Rábaszentmihály	Ricse
Perkupa	Porva	Rábaszentmiklós	Rigács
Perócsény	Pósfa	Rábatamási	Rigyác
Peterd	Potony	Rábatöttös	Rimóc
Péterhida	Potyond	Rábcakapi	Rinyabesenyő
Péteri	Pölöske	Rácalmás	Rinyakovácsi
Pétermására	Pölöskefő	Ráckeresztúr	Rinyaszentkirály
Pétfürdő	Pörbölly	Ráckeve	Rinyaújlak
Pethőhenye	Pördefölde	Rád	Rinyaújnép
Petneháza	Pötréte	Rádfalva	Rohod
Petőfibánya	Prügy	Rádóckölked	Románd
Petőfiszállás	Pula	Radostyán	Romhány
Petőháza	Pusztapáti	Ragály	Romonya
Petőmihályfa	Pusztaberki	Rajka	Rózsafa
Petrikeresztúr	Pusztacsalád	Rakaca	Rozsály
Petrivente	Pusztacsó	Rakacaszend	Rózsaszentmárton
Pettend	Pusztadobos	Rakamaz	Röjtökmuzsaj
Piliny	Pusztaderics	Rákóczibánya	Rönök
Pilisborosjenő	Pusztafalu	Rákóczibánya	Röszeke
Piliscsaba	Pusztaföldvár	Rákóczifalva	Rudabánya
Piliscsév	Pusztahencse	Rákócziújfal	Rudolftelep
Pilisjászfalu	Pusztakovácsi	Ráksi	Rum
Pilismarót	Pusztamagyaród	Ramocsa	Ruzsa
Pilisszántó	Pusztamérges	Ramocsaháza	Ságújfalu

Ságvár	Sárszentlőrinc	Somogyegres	Szabadszentkirály
Sajóbáony	Sárszentmihály	Somogyfajszt	Szabás
Sajóecseg	Sarud	Somogygeszti	Szabolcs
Sajógalgóc	Sásd	Somogyhárságy	Szabolcsbáka
Sajóhídvég	Sáska	Somogyhatvan	Szabolcsveresmart
Sajóivánka	Sáta	Somogyjád	Szada
Sajókápolna	Sátorhely	Somogyemegegyes	Szágy
Sajókaza	Sávoly	Somogysámson	Szajk
Sajókeresztúr	Sé	Somogysárd	Szajla
Sajólád	Segesd	Somogysimonyi	Szajol
Sajólászlófalva	Sellye	Somogyszentpál	Szakácsi
Sajómercse	Selyeb	Somogyszil	Szakadát
Sajónémeti	Semjén	Somogyszob	Szakáld
Sajóörös	Semjénháza	Somogytúr	Szakály
Sajópálfala	Sénye	Somogyudvarhely	Szakcs
Sajópetri	Sényő	Somogyvamos	Szakmár
Sajópüspöki	Seregélyes	Somogyvár	Szaknyér
Sajósenye	Serényfalva	Somogyviszló	Szakoly
Sajószöged	Sérsekszőlős	Somogyzsitfa	Szakony
Sajóvamos	Sikátor	Sonkád	Szakonyfalva
Sajóvelezd	Siklósbodony	Soponya	Szákszend
Sajtóskál	Siklónagyfalva	Sopronhorpács	Szalafő
Salföld	Sima	Sopronkövesd	Szalánta
Salköveskút	Simaság	Sopronnémeti	Szalapa
Salomvár	Simonfa	Sorkifalud	Szalaszend
Sály	Simontornya	Sorkikápolna	Szalatnak
Sámod	Sióagárd	Sormás	Szálka
Sámsonháza	Siójut	Sorokpolány	Szalkszentmárton
Sand	Sirok	Sóshartyán	Szalmatercs
Sándorfalva	Sitke	Sóskút	Szalonna
Sántos	Sobor	Sóstófalva	Szamosangyalos
Sáp	Sokorópátka	Sósvertike	Szamosbecs
Sáránd	Solt	Sótony	Szamoskér
Sárazsadány	Soltszentimre	Söjtör	Szamosszályi
Sárbogárd	Soltvadkert	Söpte	Szamoszeg
Sáregres	Sóly	Söréd	Szamosatárfalva
Sárfimizdó	Solymár	Sukoró	Szamosújlak
Sárhida	Som	Sumony	Szanda
Sárisáp	Somberek	Súr	Szank
Sarkad	Somlójenő	Surd	Szántód
Sarkadkeresztúr	Somlósztőlős	Sükösd	Szany
Sárkeresztés	Somlónásárhely	Sülysáp	Szápár
Sárkeresztúr	Somlóvecse	Sümege	Szaporca
Sárkeszi	Somodor	Sümegecsehi	Szár
Sármellék	Somogyacsa	Sümegeprága	Szárász
Sárok	Somogyapáti	Süttö	Szárász
Sárosd	Somogyaracs	Szabadbattyán	Szárász
Sárospatak	Somogyaszaló	Szabadegyháza	Szárliiget
Sárpilis	Somogybabod	Szabadhídvég	Szarvas
Sárrétudvari	Somogybükkösd	Szabadi	Szarvasgede
Sarród	Somogyicsicsó	Szabadkígyós	Szarvaskend
Sárszentágota	Somogydöröcske	Szabadszállás	Szarvaskő

Szarvaskő	Szentistvánbaksa	Szorosad	Tápszentmiklós
Szászberek	Szentjakabfa	Szőc	Tar
Szászfa	Szentkatalin	Szőce	Tarany
Szászvár	Szentkirály	Szöd	Tarcal
Szatmárcseke	Szentkirályszabadja	Sződliget	Tard
Szátok	Szentkozmadombja	Szőliget	Tardona
Szatta	Szentlászló	Szőke	Tardos
Szatymaz	Szentliszló	Szőkéd	Tarhos
Szava	Szentlőrinc	Szőkedencs	Tarján
Szebény	Szentlőrincváta	Szőlősardó	Tarjánpuszta
Szécsénke	Szentmargitfalva	Szőlősgyörök	Tárkány
Szécsény	Szentmártonkáta	Szörény	Tarnabod
Szécsényfelfalu	Szentpéterfa	Szúcs	Tarnalelesz
Szécsisziget	Szentpéterföldre	Szuha	Tarnaméra
Szederkény	Szentpéterszeg	Szuhafő	Tarnaörs
Szedres	Szentpéterúr	Szuhakálló	Tarnaszentmária
Szegerdő	Szenyér	Szuhogy	Tarnaszentmiklós
Szeghalom	Szpetnek	Szulimán	Tarnasdadány
Szegi	Szerecseny	Szulok	Tárnok
Szegilong	Szeremle	Szurdokpüspöki	Tárnokréti
Szegvár	Szerep	Szücsi	Tarpa
Székely	Szergény	Szügy	Tarrós
Székelyszabar	Szigetbecse	Szűr	Táska
Székkutas	Szigetcsép	Tab	Tass
Szeleste	Szigetmonostor	Tabajd	Taszár
Szelevény	Szigetszentmárton	Tabdi	Tát
Szellő	Szigetújfalva	Táborfalva	Tataháza
Szemely	Szigliget	Tác	Tatárszentgyörgy
Szemenye	Szihalom	Tagyon	Tázlár
Szemere	Szijártóháza	Tahitótfalu	Téglás
Szendehegy	Szikszó	Takácsi	Tékes
Szendrő	Szil	Tákos	Teklafalu
Szendrőlád	Szilágy	Taksony	Telekes
Szena	Szilaspogony	Taktabáj	Telekgerendás
Szenta	Szilsárkány	Taktaharkány	Teleki
Szentantalfa	Szilvágy	Taktakenéz	Telki
Szentbalázs	Szilvás	Taktaszada	Telkibánya
Szentbékállá	Szilvásvár	Taliándörög	Tengelic
Szentborbás	Szilvásszentmárton	Tállya	Tengeri
Szentdénes	Szin	Tamási	Tengőd
Szentdomonkos	Szinpetri	Tanakajd	Tenk
Szente	Szirák	Táp	Tényő
Szentegeát	Szirmabesenyő	Tápióbicske	Tépe
Szentes	Szob	Tápiógyörgye	Terem
Szengál	Szokolya	Tápióság	Terény
Szengáloskér	Szólád	Tápiószecső	Tereske
Szengothárd	Szomód	Tápiószele	Teresztenye
Szentyörgyvár	Szomolya	Tápiószentmárton	Terpes
Szentyörgyvölgy	Szomor	Tápiószőlős	Tés
Szentimrefalva	Szorgalmatos	Táplánszentkereszt	Tésa
Szentistván	Szorgalmatos	Tapsony	Tésenfa

Téseny	Tiszasas	Tótszentmárton	Und
Teskánd	Tiszasüly	Tótszerdahely	Úny
Tét	Tiszaszalka	Tótújfalu	Uppony
Tetétlen	Tiszaszentimre	Tótvázsony	Ura
Tevel	Tiszaszentmárton	Tök	Uraiújfalu
Tibolddaróc	Tiszasziget	Tököl	Úrhida
Tiborszállás	Tiszaszólós	Töltéstava	Úri
Tihany	Tiszaszólós	Tömörd	Úrkút
Tikos	TiszatarDOS	Tömörkény	Uszka
Tilaj	Tiszatarján	Törökkoppány	Uszód
Timár	Tiszatelek	Törtel	Uzsa
Tinnye	Tiszatenyő	Töttös	Üllés
Tiszaadony	Tiszaug	Trizs	Üröm
Tiszaalpár	Tiszavalk	Tunyogmatolcs	Vácduka
Tiszabábolna	Tiszavárkony	Tura	Vácegres
Tiszabecs	Tiszavasvári	Túristvándi	Váchartyán
Tiszabercel	Tiszavid	Túrkeve	Váckisújfalu
Tiszabezdéd	Tisztaberek	Túrony	Vácrátót
Tiszabő	Tivadar	Túricse	Vácszentlászló
Tiszabura	Tóalmás	Tuzsér	Vadna
Tiszacsécse	Tófalu	Türje	Vadosfa
Tiszacsege	Tófej	Tüskevár	Vág
Tiszacsermely	Tófű	Tyukod	Vágáshuta
Tiszadada	Tokaj	Udvar	Vaja
Tiszaderzs	Tokod	Udvari	Vajdácska
Tiszadob	Tokodaltáró	Ugod	Vajszló
Tiszadorogma	Tokorcs	Újbarok	Vajta
Tiszaeszlár	Tolcsva	Újcsanáros	Vál
Tiszafüred	Told	Újdombrád	Valkó
Tiszagyenda	Tolmács	Újfehértó	Valkonya
Tiszagyulaháza	Tolnanémedi	Újhartyán	Vállaj
Tiszaigar	Tomajmonostora	Újiráz	Vállus
Tiszainoka	Tomor	Újireg	Vámosatya
Tiszajenő	Tompa	Újkenéz	Vámoscsalád
Tizakanyár	Tompaládony	Újkér	Vámosgyörk
Tizakarád	Tordas	Újkígyós	Vámosmikola
Tizakécske	Tormafölde	Újlengyel	Vámosoroszi
Tizakerecseny	Tormás	Újléta	Vámospércs
Tizakeszi	Tormásliget	Újlőrincfalva	Vámosújfalu
Tizakóród	Tornabarakony	Újpetre	Vámosszabadi
Tizakürt	Tornakápolna	Újrónafő	Váncsod
Tizaladány	Tornanádaska	Újsolt	Vanyarc
Tizalök	Tornaszentandrás	Újszalonta	Vanyola
Tizalúc	Tornaszentjakab	Újszász	Várad
Tizamogyorós	Tornyiszentmiklós	Újszentiván	Váralja
Tizanagyfalu	Tornyosnémeti	Újszentmargita	Varászló
Tizanána	Tornyospálca	Újszilvás	Váraszó
Tizaörs	Torony	Újtelek	Várbalog
Tizapalkonya	Torvaj	Újtikos	Varbó
Tizapüspöki	Tószeg	Újudvar	Varbóc
Tizarád	Tótkomlós	Újvárfalva	Várda
Tizaroff	Tótszentgyörgy	Ukk	Várdomb

Várfölde	Versend	Zajta	Zemplénagárd
Varga	Vértesacsá	Zákány	Zengővárkony
Várgesztes	Vértesboglár	Zákányfalu	Zichyújfalu
Várkesző	Vérteskethely	Zákányfalu	Zics
Várong	Vértessomló	Zákányszék	Ziliz
Városföld	Vértestolna	Zala	Zimány
Városlőd	Vértesszőlős	Zalaapáti	Zirc
Varsád	Vése	Zalabaksa	Zók
Varsány	Veszvény	Zalabér	Zomba
Várvölgy	Veszprémfajs	Zalaboldogfa	Zubogy
Vasad	Veszprémgalsa	Zalacsány	Zsadány
Vasalja	Veszprémvarsány	Zalacséb	Zsáka
Vásárosbéc	Vésztő	Zalaerdőd	Zsámbék
Vásárosdombó	Vezseny	Zalagyömörő	Zsámbok
Vásárosfalu	Vid	Zalahaláp	Zsana
Vásárosmiske	Vigántpetend	Zalaháshágy	Zsarolyán
Vásárosnamény	Villány	Zalairice	Zsebeháza
Vasasszonyfa	Villánykövesd	Zalaistvánd	Zsédény
Vasboldogasszony	Vilmány	Zalakaros	Zselickisfalud
Vasegerszeg	Vilonya	Zalacomár	Zselickislak
Vashosszúfalu	Vilyvitány	Zalaköveskút	Zselicszentpál
Vaskeresztes	Vinár	Zalalövő	Zsennye
Vaskút	Vindornyafok	Zalameggyes	Zsira
Vasmegyer	Vindornyalak	Zalamerenye	Zsombó
Vaspör	Vindornyaszőlős	Zalasárszeg	Zsujta
Vassurány	Visegrád	Zalaszabar	Zsurk
Vasszécseny	Visnye	Zalaszántó	
Vasszentmihály	Visonta	Zalaszegvár	
Vasvár	Viss	Zalaszentbalázs	
Vaszar	Visz	Zalaszentgrót	
Vászoly	Viszák	Zalaszentgyörgy	
Vasszilvág	Viszló	Zalaszentiván	
Vát	Visznek	Zalaszentjakab	
Vatta	Vitnyéd	Zalaszentlászló	
Vázsnok	Vízvár	Zalaszentlőrinc	
Vécs	Vizslás	Zalaszentmárton	
Végegyháza	Vizsoly	Zalaszentmihály	
Veji	Vokány	Zalaszombatfa	
Vékény	Vonyarcvashegy	Zaláta	
Vekerd	Vöckönd	Zalatárnok	
Velem	Völcsej	Zalaújlak	
Velemér	Vönöck	Zalavár	
Velence	Vöröstó	Zalavég	
Velény	Vörs	Zalkod	
Véménd	Zabar	Zamárdi	
Vének	Zádor	Zámoly	
Vép	Zádorfalva	Zánka	
Vereb	Zagyvarékas	Zaránk	
Verőce	Zagyvaszántó	Závod	
Verpelét	Záhony	Zebecke	
Verseg	Zajk	Zebegény	



## VIII.5 Handicraft Activities Eligible for Support under the ARDOP

The basis for classification is Act No. XVI (1994) on economic chambers (amended by Act No. CXXI (1999) on economic chambers, keeping the original annex 1 with the list of handicraft vocations)

### Building industry

- 4. tile stove maker
- 5. oven and fireplace maker
- 19. stone-dresser, stone-mason
- 20. stone restorer
- 21. artificial stone and mosaic restorer

### Metalwork

- 71. smith
- 72. agricultural smith, blacksmith
- 74. brazier

### III. Woodwork

- 78. joiner
- 79. marquetry inlay maker
- 81. boat maker, shipwright
- 83. coach-builder, wheel-wright
- 85. wood sculptor
- 87. wood- and bone-carver
- 88. wood-carver
- 89. cooper, barrel-maker
- 90. brush-maker
- 91. basketwork maker
- 94. household woodworks maker
- 95. wooden toy maker

### IV. Clothing, textile and leather industry

- 100. hand and machine embroiderer
- 101. knitter
- 102. weaver
- 103. weaver, webster, fuller
- 104. spinner, twine-maker
- 105. rope-maker
- 108. furrier
- 109. boot-maker
- 110. cap- and hatmaker
- 115. slipper and sandal maker
- 117. orthopaedic shoe maker
- 119. saddler, belt-maker
- 121. leather-work maker
- 122. saddler
- 127. art and machine embroiderer
- 128. carpet maker and restorer
- 134. blues dyeing maker

- 137. handmade folk art weaver
- 138. braid maker and button knitter
- 141. weaver and lace maker
- 142. wickerwork maker: wattle, reed-mace, cornhusk, straw

### V. Food industry

- 153. gingerbread and beeswax-works maker

### VII. Glass, paper, ceramic and other small industries

- 172. glassware maker
- 175. glass and china painter
- 176. waxwork maker, wax-chandler
- 179. book restorer
- 184. ceramic
- 185. musical instrument maker and restorer – dulcimer
- 186. musical instrument maker and restorer – wooden and brass wind instruments
- 187. musical instrument maker and restorer – harmonica
- 188. musical instrument maker and restorer – organ
- 189. musical instrument maker and restorer – string instruments
- 190. musical instrument maker and restorer – piano
- 200. reed-works maker
- 201. folk art souvenir maker
- 210. potter
- 221. ornamental enamelling maker

## VIII.6 TIMETABLE FOR THE IMPLEMENTATION OF THE LEADER+ MEASURE

<i>Activity</i>	No. of activity*	2 <sup>nd</sup> half of 2004	1 <sup>st</sup> half of 2005	2 <sup>nd</sup> half of 2005	2006-2008
Comprehensive preparatory programme for all community organisations or associations.	1.				
Pre-selection of first round of local groups.	1.				
Detailed preparation of pre-selected local action groups at local action group level on programming, partnership and implementation.					
Preparation of strategies of the pre-selected action groups, submission for implementation; final selection; transfer of knowledge in the form of trainings and practical counselling.	2.				
Implementation of the approved strategies of local action groups selected in the first round.	1. and 2.				
Preparation at local action group level for the next pre-selection in 2005.	1. and 2.				
Pre-selection of second round of local groups.	1. and 2.				
Preparation of local action groups pre-selected in the second round at local action group level on programming, partnership and implementation.	1. and 2.				
Preparation of strategies of the action groups pre-selected in the second round, submission for implementation; final selection; transfer of knowledge in the form of trainings and practical counselling.	1. and 2.				
Implementation of the approved strategies of local action groups selected in the second round.	1. and 2.				

*\*activities 3. and 4. are on-going activities*

## VIII.7 MINIMUM REQUIREMENTS OF THE PROTECTION OF ENVIRONMENT, HYGIENE AND ANIMAL WELFARE

There are three separated areas of EU-legislation, where minimum standards are applicable: environment, hygiene and animal welfare.

Regarding agricultural activities the two main areas are the soil and water protection against overloading of manure-originated pollution, and animal protection.

According to Articles 1, 3, 4(2) and 28(2) of EC Regulation No. 817/2004 the period of grace which the Member States may grant in which to comply with newly introduced standards may not exceed thirty-six months from date on which the standard becomes mandatory for the farmer. This means that in some cases the date when the farmer had to finish his investment is 1 June 2005, but there are many types of this kind of investments, which will have to be finished between 2008 and 2013.

For young farmers a period not exceeding five years may be allowed after starting up in order to meet the requirements relating to minimum standards regarding the environment, hygiene and animal welfare, if the young farmer needs a period of adaptation in which to start up or to restructure the holding.

In the case of hygiene a number of regulation are already applicable (mandatory), in most cases the period of grace is not relevant, they have been already applicable for more than 5 years.

The basic legislation background of soil and water protection within the EU Member States is Council Directive 91/676/EEC of 12 December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources. The national legislation of Hungarian Government Decree 49/2001 (IV.3.), corresponding to Council Directive 91/676/EEC and the Action Plan as Annex 1 of the Decree introduced it into the national practice.

Government Regulation 2070/2001 (IV.10.) on necessary activities required for the protection of waters against pollution caused by nitrates from agricultural sources and Government Decree 33/2000. (III.17.) on the protection of groundwater against pollution caused by certain dangerous substances, which corresponds to Council Directive 80/68/EEC also emphasises the importance of this field.

The farmers, depending on the place of farming activity (nitrate-vulnerable zones) and the size of the farm have to fulfil the requirements regarding manure-placement and storage in different dates. At first, the bigger livestock stables operating in nitrate-vulnerable zones are forced to comply with the requirements.

Basic legislation of animal protection within the EU is differentiated by animal species. Council Directive 1998/58/EC concerning the protection of animals kept for farming purposes is a general legislation about animal species. Act XXVIII of 1998 on the protection of

animals and MARD Decree 32/1999. (III. 31.) on rules keeping of agricultural animals and MARD Decree 20/2002. (III. 14.) amending MARD Decree 32/1999. (III. 31.) ensure the implementation of animal protecting legislation in Hungary.

The main fields of animal protection over the general principles are the following:

- ❖ Compliance with provisions concerning floors,
- ❖ Compliance with provisions concerning micro-climate,
- ❖ Compliance with provisions concerning the safety of animal husbandry sites,
- ❖ Compliance with provisions concerning space requirements,
- ❖ Compliance with provisions concerning keeping and foddering technology.

The detailed requirements can be read in the above mentioned acts and regulations.



**Table 1: Minimum requirements to be respected according to the Hungarian legislation**

Content of the legislation	EU legislation	National Legislation	Date from which the standard is applicable	Link between the requirements and the relevant measures	Short explanation summing up the main requirements of standard
<b>ENVIRONMENT</b>					
Protection of water against pollution from nitrates	Council Directive 91/676/EEC	Act LIII of 1995 on the general rules of environmental protection  49/2001 (IV.3) Government Decree on the protection of water against nitrate pollution of agricultural origin	16 July 2004  03 May 2001	Assistance for Investments in Agriculture  Setting up of young farmers	Designation of nitrate sensitive areas, measures to be taken to lessen the nitrate content of waters
Protection of water against pollution caused by certain dangerous substances	Council Directive 76/464/EEC of 4 May 1976	203/2001(X.26.) Government Decree on certain rules of the protection of the quality of surface waters	01 January 2003	Assistance for Investments in Agriculture  Setting up of young farmers	General rules concerning the protection of waters, duties of the emitter

<b>Content of the legislation</b>	<b>EU legislation</b>	<b>National Legislation</b>	<b>Date from which the standard is applicable</b>	<b>Link between the requirements and the relevant measures</b>	<b>Short explanation summing up the main requirements of standard</b>
Protection of groundwater against pollution caused by certain dangerous substances	Directive 80/68/EEC	33/2000 (III.17.) Government Decree on certain tasks in connection with activities related to the quality of subsurface waters Government Decree No 203/2001. (X.26.) Korm. on the quality protection of surface water  Act LVII of 1995 on water management	01 January 2003  01 January 1996	Assistance for Investments in Agriculture  Setting up of young farmers	General rules concerning the protection of waters, duties of the emitter
Framework for Community action in the field of water policy	Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000				

<b>Content of the legislation</b>	<b>EU legislation</b>	<b>National Legislation</b>	<b>Date from which the standard is applicable</b>	<b>Link between the requirements and the relevant measures</b>	<b>Short explanation summing up the main requirements of standard</b>
Requirements with regards to the protection of atmosphere	1980/68/EEC 1984/360/EEC 1991/692/EEC 1996/61/EC 1996/62/EC 1997/101/EC	Government Decree No 21/2001. (II.14.) regarding certain regulation about the protection of atmosphere	01 July 2001	Assistance for Investments in Agriculture  Setting up of young farmers	General rules of protecting the atmosphere, controlling the level of air pollution
Protection of water against pollution from nitrates	Council Directive 91/67/EEC	Act LIII of 1995 on the general rules of environmental protection  49/2001 (IV.3) Government Decree on the protection of water against nitrate pollution of agricultural origin	16 July 2004  03 May 2001	Assistance for Investments in Agriculture  Setting up of young farmers	General rules concerning the protection of waters, duties of the emitter



Content of the legislation	EU legislation	National Legislation	Date from which the standard is applicable	Link between the requirements and the relevant measures	Short explanation summing up the main requirements of standard
Habitats and wild birds					
Conservation of natural habitats and of wild flora and fauna	Directive 92/43/EEC	<i>Act LIII of 1996 on nature conservation</i>  <i>Act LV of 1996 on game preservation, management and hunting</i>  <i>Decree No 30/1997 (IV.30) FM of the Minister of Agriculture on the implementation of Act LV of</i>	01 January 1997  01 March 1997  01 March 1997	Assistance for Investments in Agriculture	General rules concerning nature conservation

Conservation of wild birds	Directive 79/409/EEC	<p><i>1996 on game preservation, management and hunting</i>  <i>Government Decree No 139/1999. (IX.3.) Korm. on the rules of keeping, showing and make use of protected animals</i></p>	11 September 1999	Setting up of young farmers	General rules concerning nature conservation
		<p><i>Government Decree No 67/1998. (IV.3.) Korm. on restrictions and prohibitions applied in protected or in highly protected areas of habitats and ecosystem</i></p>	11 April 1998		
		<p><i>Joint Decree of the Minister of Agriculture and Minister of Environment and Regional Development No. 73/1997. (X. 28.) FM-KTM on fish species and aquatic animals that cannot be caught as well as on seasonal fishing bans by fish species, modified by Decree</i></p>	28 October 1997		
		<p><i>Decree No. 13/2001. (V. 9.) KoM of the Minister of Environment on protected and strictly protected plant and animal species, strictly protected caves as well as on the plant and animal species of Community importance</i></p>	17 May 2001		

<b>Content of the legislation</b>	<b>EU legislation</b>	<b>National Legislation</b>	<b>Date from which the standards are applicable</b>	<b>Link between the requirements and the relevant measures</b>	<b>Short explanation summing up the main requirements of standard</b>
Placing of plant protection products on the market	Council Directive 91/414/EEC of 15 July 1991	Ministerial Decree 6/2001 (I.16.) FVM on the use, placing on the market and packaging of plant protection products	01 February 2001	Assistance for Investments in Agriculture Setting up of young farmers	General rules of marketing and packaging of plant protection products
Use of sewage sludge in agriculture	Directive 86/278/EEC	Government Decree 50/2001. (IV. 3.) on the rules of the agricultural utilisation and treatment of sewage and sewage sludge	18 April 2001	Assistance for Investments in Agriculture	Rules of agricultural utilisation of sludge
Integrated Pollution Prevention and Control	Council Directive 96/61/EC of 24 September 1996	Government Decree 193/2001 (X. 9) Korm. on the detailed rules of uniform licensing process of the use of environment	30 October 2001	Assistance for Investments in Agriculture Setting up of young farmers	Rules of uniform licensing process
Environmental Impact Assessment	Council Directive 85/337/EEC of 27 June 1985 on the assessment of the effects of certain public and private projects on the environment	Government Decree 20/2001 on environment impact assessment	14 April 2001	Setting up of young farmers	Rules of impact assesment

Content of the legislation	EU legislation	National Legislation	Date from which the standards are applicable	Link between the requirements and the relevant measures	Short explanation summing up the main requirements of standard
<b>HYGIENE</b> Meat products					
Health problems affecting intra-Community trade in fresh meat to extend it to the production and marketing of fresh meat	Council Directive 64/433/EEC 91/497/EEC 92/5/EEC	Act XCI. 1995 on animal health	01 July 1996	Improvement of processing and marketing of agricultural products  Assistance for Investments in Agriculture  Setting up of young farmers	Animal health requirements, duties of the operator and the veterinarian, management of animal waste

Content of the legislation	EU legislation	National Legislation	Date from which the standards are applicable	Link between the requirements and the relevant measures	Short explanation summing up the main requirements of standard
Health problems affecting intra-Community trade in fresh meat to extend it to the production and marketing of fresh meat	Council Directive 64/433/EEC 91/497/EEC 92/5/EEC	Joint Ministerial Decree 100/2002 of the Ministry of Agriculture and Rural Development on hygiene circumstance of production and placing on the market of fresh meat	13 November 2002	Improvement of processing and marketing of agricultural products  Assistance for Investments in Agriculture  Setting up of young farmers	Requirements concerning meat, requirements concerning slaughterhouses, control of meat, duties of the operator, duties of the veterinarian
General animal health rules	Council Directive 64/432/EEC 71/118/EEC 77/99/EEC 80/215/EEC 80/217/EEC 82/894/EEC 85/511/EEC 88/146/EEC	Decree No 41/1997 (V.28.) FM of the Minister of Agriculture on the issue of animal health rules	01 July 1997		General rules of animal keeping (buildings, food, grazing), duties of keeper, marketing of live animals

<b>Content of the legislation</b>	<b>EU legislation</b>	<b>National Legislation</b>	<b>Date from which the standards are applicable</b>	<b>Link between the requirements and the relevant measures</b>	<b>Short explanation summing up the main requirements of standard</b>
Requirements for the production and placing on the market of minced meat and meat preparations	Council Directive 94/65/EC	Joint Ministerial Decree 77/2002. (VIII.23.) FVM-EszCsM on the hygiene conditions of the production and placing on the market of minced meat and (spiced) meat preparations	31 August 2002	Improvement of processing and marketing of agricultural products  Assistance for Investments in Agriculture  Setting up of young farmers	General rules of the marketing of meat
<b>Egg products</b>					
Hygiene and health problems affecting the production and placing on the market of egg products	Council Directive 89/437/EEC	Ministerial Decree 23/2002. (IV.5.) FVM on the food hygiene conditions of the production and placing on the market of egg products	1 May 2004	Improvement of processing and marketing of agricultural products	Conditions of producing eggs, duties of the operator, requirements of imported eggs
Specific public health conditions for the placing on the market of certain types of eggs	Council Decision 94/371/EC	Joint Ministerial Decree 90/2003. (VII.30.) FVM-EszCsM on the food hygiene conditions of the production and placing on the market of food products	15 August 2003	Improvement of processing and marketing of agricultural products	Rules on marketing egg products, order of hygiene controls

<b>Content of the legislation</b>	<b>EU legislation</b>	<b>National Legislation</b>	<b>Date from which the standards are applicable</b>	<b>Link between the requirements and the relevant measures</b>	<b>Short explanation summing up the main requirements of standard</b>
Specific public health requirements for imports of egg product for human consumption	Commission Decision 97/38/EC	Ministerial Decree 23/2002. (IV.5.) FVM on the food hygiene conditions of the production and placing on the market of egg products  Joint Ministerial Decree 90/2003. (VII.30.) FVM-EszCsM on the food hygiene conditions of the production and placing on the market of food products	1 May 2004  15 August 2003	Improvement of processing and marketing of agricultural products	Rules on marketing egg products, order of hygiene controls
<b>Game meat products</b>					
Public health and animal health problems affecting the production and placing on the market of rabbit meat and farmed game meat	Council Directive 91/495/EEC	Ministerial Decree 23/2002. (IV.5.) FVM on the food hygiene conditions of the production and placing on the market of egg products  Joint Ministerial Decree 90/2003. (VII.30.) FVM-EszCsM on the food	1 May 2004  15 August 2003	Improvement of processing and marketing of agricultural products	Rules on marketing egg products, order of hygiene controls
Public health and	Council Directive				

<p>animal health problems relating to the killing of wild game and placing on the market of wild game meat</p>	<p>92/45/EEC</p>	<p>hygiene conditions of the production and placing on the market of food products</p> <p>Ministerial Decree 9/2002. (I.23.) FVM on the killing of wild and farmed game, inspection and marketing of game meat and the inspection of domestic rabbit meat.</p>	<p>01 January 2003</p>		
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Content of the legislation	EU legislation	National Legislation	Date from which the standards are applicable	Link between the requirements and the relevant measures	Short explanation summing up the main requirements of standard
Milk products					
Health rules for the production and placing on the market of raw milk, heat treated milk and milk based products	Council Directive 92/46/EEC	Joint Ministerial Decree 1/2003. (I.8.) MARD-Ministry for social matters, health and family joint decree on production, placing on the market and food hygiene conditions for raw milk, heat treated milk and milk-based products	16 January 2003	Improvement of processing and Marketing of agricultural products	Requirements of producing, marketing and control of milk products.
Additives					
Food additives other than colours and sweeteners	Council Directive 95/2/EC	Decree No 27/1998. (IV.22) FM of the Minister of Agriculture on the amendment of Decree No 40/1995. (XI.16) on the obligatory requirements of the Hungarian Food Codex  Hungarian Food Codex 1-3-95/2 The new edition of Hungarian Food Codex 1-2-95/2 on food additives other than colours and sweeteners is going to enter into force on 01/05/2004.	30 April 1998    01 May 2004	Improvement of processing and Marketing of agricultural products	

		Joint Ministerial Decree 1/1996 (I.9.) FM-NM-IKM on the execution of the Act XC of 1995 on foodstuffs (Food Act)	09 January 1999		
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Content of the legislation	EU legislation	National Legislation	Date from which the standards are applicable	Link between the requirements and the relevant measures	Short explanation summing up the main requirements of standard
<b>ANIMAL WELFARE</b>					
<p>Protection of animals kept for farming purposes</p> <p>Minimum requirements for the inspection of holdings on which animals are kept for farming purposes</p> <p>Compliance with provisions concerning floors</p>	<p>Section 8 of the Annex of Council Directive 98/58/EC</p> <p>Commission Decision 2000/50/EC</p>	<p>MARD Decree 32/1999. (III.31.), Article 8, paragraph (4)</p>	<p>General: Art. 8. (4) 1 June 2002</p> <p>Calves: Point 11. 14 May 2004</p> <p>Pig: Point 1.14, 5.1 1 June 2002</p> <p>Point 1.2.3. 1 January 2013</p> <p>Laying hen: Point 6.7 1 January 2007</p> <p>Point 2.5, 2.6 1 June 2002</p>	<p>Assistance for Investments in Agriculture</p> <p>Setting up of young farmers</p>	<p>Stable floors must be easy to clean with non-slip surfaces.</p>

Content of the legislation	EU legislation	National Legislation	Date from which the standards are applicable	Link between the requirements and the relevant measures	Short explanation summing up the main requirements of standard
<p>b</p> <p>Compliance with provisions concerning micro-climate</p>	<p>Section 10 of the Annex of Council Directive 98/58/EC</p>	<p>MARD Decree 32/1999. (III.31.), Article 6</p>	<p>General: Art. 6 1 June 2002</p> <p>Calves: Point 4. 1 June 2002</p> <p>Pig: 1.5, 1.12 1 June 2002</p> <p>Laying hen: Point 7. 1 June 2007</p> <p>Point 14, 20 1 June 2002</p>	<p>Assistance for Investments in Agriculture</p> <p>Setting up of young farmers</p>	<p>It must be ensured that lighting, temperature, relative humidity, the dust content of air and other environmental conditions (gas concentration or noise levels) do not reach levels that are harmful to the animals at the place where they are kept.</p>
<p>Compliance with provisions concerning the safety of animal husbandry sites</p>		<ul style="list-style-type: none"> <li>Act XXVIII of 1998, Article 5, paragraph (1)</li> </ul>	<p>General: Art. 5 (3) 1 June 2002</p> <p>Calves:</p>	<p>Assistance for Investments in Agriculture</p>	<p>Must ensure that the animal is kept so that it cannot escape</p>

	<ul style="list-style-type: none"> <li>Section 12 of the Annex of Council Directive 98/58/EC</li> </ul>	<ul style="list-style-type: none"> <li>MARD Decree 32/1999. (III.31.), Article 8, paragraph (5)</li> <li>Act XXVIII of 1998, Article 5, paragraph (3), MARD Decree 32/1999. (III.31.), Article 5, paragraph (3)</li> </ul>	<p>Point 3,8,10: 1 June 2002</p> <p>Pig: Point 1.11, 3.7 1 June 2002</p> <p>Laying hen: Point 8.2 1 June 2007</p> <p>Point 9.1, 15, 22 1 June 2002</p>	<p>Setting up of young farmers</p>	<p>Must comply with provisions concerning the prevention of fire hazards</p> <p>In the case of free-range keeping, animals must be provided with an area or facility where they can find shelter against extreme weather conditions, against predators and against other effects that are damaging to their health</p>
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Content of the legislation	EU legislation	National Legislation	Date from which the standards are applicable	Link between the requirements and the relevant measures	Short explanation summing up the main requirements of standard
Compliance with provisions concerning space requirements	<ul style="list-style-type: none"> <li>• Section 15 of the Annex of Council Directive 98/58/EC</li> <li>• Council Directive 91/629/EEC laying down minimum standards for the protection of calves, its amendment, Council Directive 97/2/EC, and Commission Decision 97/182/EC,</li> <li>• Council Directive 91/630/EEC laying down minimum standards for the protection of pigs, its amendment, Council Directive 2001/88/EC and Commission Directive 2001/93/EC,</li> </ul>	<ul style="list-style-type: none"> <li>• MARD Decree 32/1999. (III.31.), Article 4, paragraph (3)</li> <li>• MARD Decree 20/2002 (III.14.), Annex 1, section (20)</li> <li>• MARD Decree 20/2002 (III.14.), Annex 1, section (22)</li> </ul>	<p>General: Art. 4. (3) 1 June 2002</p> <p>Calves: Point 20, 22. 1 June 2007</p> <p>Pig: Point 1.2.1, 1 May 2004</p> <p>Point 2.1, 2.1.1, 3.6 1 June 2002</p> <p>Point 1.2.2, 1.2.10 1 June 2013</p> <p>Point 2.1.2, 1 January 2003</p> <p>Point 2.1.2</p>	<p>Assistance for Investments in Agriculture</p> <p>Setting up of young farmers</p>	<p>The amount of space allocated to individual animals must be consistent with the species, variety, age and sex of the animals concerned and the animals must have access to the resting, feeding, drinking and manuring places</p> <p>Space requirements of calves kept in groups and of calves kept in individual boxes</p>

	<ul style="list-style-type: none"> <li>• Council Directive 88/166/EEC laying down minimum standards for the protection of laying hens kept in battery cages,</li> <li>• Council Directive 1999/74/EC laying down minimum standards for the protection of laying hens,</li> </ul>	<ul style="list-style-type: none"> <li>• MARD Decree 20/2002 (III.14.), Annex 2, sections (1.2.1.), (2.1.2.), (4.2.)</li> <li>• MARD Decree 20/2002 (III.14.), Annex 3, sections (6.3.) (6.6.) (9.2.) (10.1.a)</li> </ul>	<p>1 January 2005</p> <p>Annex 2, 4.2 14 May 2004</p> <p>Laying hen: Point 6.8 1 January 2007</p> <p>Point 7 1 January 2012</p> <p>Point 9.2, 10.1. a) 1 June 2002</p>	<p>space requirements of raised piglets and porkers kept in groups Each hen should have at least 250 cm<sup>2</sup> of littered area, with the litter covering at least 1/3 of the area. In the compartments used for natural mating, boars must have unhindered access to a minimum area of 10 m<sup>2</sup></p> <p>Space requirements of sows about to litter kept in enclosed litter pens</p> <p>Laying hens kept in an alternative system, one nest should be</p>
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				<p>occupied by up to seven hens, or in case of group nests, a maximum of 120 hens should occupy one m<sup>2</sup> of nest space.</p> <p>In improved battery cages, each hen should have at least 750 cm<sup>2</sup> of cage area of which 600 cm<sup>2</sup> should be usable.</p>
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Content of the legislation	EU legislation	National Legislation	Date from which the standards are applicable	Link between the requirements and the relevant measures	Short explanation summing up the main requirements of standard
Compliance with provisions concerning keeping and foddering technology	Article 3 and sections 14, 16, 17 and 18 of the Annex of Council Directive 98/58/EC	<ul style="list-style-type: none"> <li>• MARD Decree 32/1999. (III.31.), Article 3, section (c)</li>   <li>• MARD Decree 32/1999. (III.31.), Article 4, paragraph (2)</li> </ul>	<p>General: Art. 4. (1), (2) 1 June 2002</p> <p>Calves: Point 12, 13, 14, 15 1 June 2002</p> <p>Pig: Point 1.2.7, 1.2.8, 1.15, 1.16, 1.17, 6.2, 6.3, 1 June 2002</p> <p>Laying hen: Point 6.1, 6.2, 8.1. c) 1 January 2007</p> <p>Point 9.7, 9.8, 16, 17, 10.2, 10.3, 1 June 2002</p>	<p>Assistance for Investments in Agriculture</p> <p>Setting up of young farmers</p>	<p>Animals should be fed, watered and cared for in accordance with their species, variety, age, development, adaptive ability, degree of domestication, physiological status and ethological requirements</p> <p>With some exceptions, animals may only be given fodder that, according to the present level of scientific</p>

		<ul style="list-style-type: none"> <li>MARD Decree 32/1999. (III.31.), Article 4, paragraph (1)</li> </ul>			<p>knowledge, does not have a detrimental effect on their welfare.</p> <p>Foddering and watering equipment must be installed, assembled, placed, operated and maintained so as to comply with detailed provisions</p>
f Technological developments associated with site technology	<ul style="list-style-type: none"> <li>Section 13 of the Annex of Council Directive 98/58/EC</li> <li>Section 13 of the Annex of Council Directive 98/58/EC</li> </ul>	<ul style="list-style-type: none"> <li>MARD Decree 32/1999. (III.31.), Article 7, paragraph (1)</li> <li>MARD Decree 32/1999. (III.31.), Article 7, paragraph (2)</li> </ul>	<p>General: Art. 7 (2-3), Art. 8 (1-3), (5) 1 June 2002</p> <p>Annex No. 1 (11): 14 May 2004</p> <p>Art. 1 (4): 1 January 2005</p> <p>Calves: Point 5,9,18,24 1 June 2002</p>	<p>Assistance for Investments in Agriculture</p> <p>Setting up of young farmers</p>	<p>Electrical equipment used around animals must be safe. Shock protection must be provided for.</p> <p>Technical equipment used in the course of animal husbandry must be checked at least once a day</p>

	<ul style="list-style-type: none"> <li>Sections 8 and 9 of the Annex of Council Directive 98/58/EC</li> </ul>	<ul style="list-style-type: none"> <li>MARD Decree 32/1999. (III.31.), Article 8, paragraph</li> </ul>	<p>Art. 7 (4) 1 January 2005</p> <p>Pig: Point 1.2.4, 1.2.9, 1.5, 1.7, 1.8, 1.9, 1.10, 3.4, 3.5 1 June 2002</p> <p>Point 1.2.5, 1.2.6, 1.2.10, 1 January 2013</p> <p>Point 1.3 1 January 2006</p> <p>Point 1.6 14 May 2004</p> <p>Laying hen: Point 2, 1 January 2003</p> <p>Point 6.3, 6.4, 6.5, 6.6, 8.1 1 January 2007</p> <p>Point 9.3, 9.4, 9.9, 10.1 b-d), 10.4, 10.5 11, 12, 13, 18, 19, 21, 23,</p>	<p>and any malfunctions discovered must be remedied immediately, and all necessary protective measures must be taken immediately to protect the welfare and health of the animals. When animals are kept in enclosed spaces, sharp edges and elevations of the building structure must be eliminated, the materials used may not irritate or injure the animals. The surfaces in contact with the animals must be possible to clean and disinfect appropriately and</p>
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	<ul style="list-style-type: none"> <li>Section 13 of the Annex of Council Directive 98/58/EC</li> <li>Section 13 of the Annex of Council Directive 98/58/EC</li> </ul>	<p>(3)</p> <ul style="list-style-type: none"> <li>MARD Decree 20/2002. (III.14.) Article 7, paragraph (3) (under amendment)</li> </ul>	<p>1 June 2002</p>	<p>they may not be made of materials hazardous to the health of animals.</p> <p>In stables with artificial ventilation, a supplementary, back-up system must be put in place to provide for sufficient air replacement required for the health and comfort of the animals, even if the artificial ventilation system malfunctions.</p> <p>Animal husbandry buildings equipped with artificial ventilation systems must be fitted with a</p>
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					malfunction alarm system.
	Directives referred to points I/a1-5 and II/a1-f3	National legislation referred to points I/1-5 and II/a1-f3		Assistance for Investments in Agriculture  Setting up of young farmers	Complex reconstruction in order to meet all the standard conditions and technologies referred to in sub-measure I/1-5 and II/a1-f3

<b>Content of the legislation</b>	<b>EU legislation</b>	<b>National Legislation</b>	<b>Date from which the standards are applicable</b>	<b>Link between the requirements and the relevant measures</b>	<b>Short explanation summing up the main requirements of standard</b>
Protection of animals at the time of slaughter and killing	Council Directive 1993/119/EC	26/2002 (IV.13.) Decree of MARD on the amendment of Ministerial Decree 9/1999 (I.27.) FVM on the regulation of animal protection concerning slaughter and killing	28 April 2002	Improvement of processing and marketing of agricultural products	General rules of animal protection concerning slaughter and killing
<b><i>Transport</i></b>					
Protection of animals during transport	Council Directive 1991/628/EC	87/2003 (VII.24.) Decree of MARD on the animal hygiene rules of the circulation and transportation of animals	1 May 2004	Improvement of processing and marketing of agricultural products	Rules of the hygiene and animal welfare requirements of animals during transport

Content of the legislation	EU legislation	National Legislation	Date from which the standards are applicable	Link between the requirements and the relevant measures	Short explanation summing up the main requirements of standard
Fisheries					
Health conditions for the production and the placing on the market of fishery products	Council Directive 91/493/EEC as amended by Directive 95/71	Ministerial Decree 40/2002 (V.14.) FVM on the hygiene conditions of the production and the placing on the market of fishery products	22 May 2002	Structural assistance for the fisheries sector	General rules of production and marketing of fishery products
Common marketing standards for certain fishery products	Council Regulation (EC) 2406/96				
Marketing standards and consumers' information about fishery and aquaculture products.	Council Regulation 104/2000 and implementing rules regulation (Commission regulation) n° 2065/2001	Joint Ministerial Decree 90/2003 (VII.30.) FVM-EszCsM on the food hygiene conditions of the production and placing on the market of food products	15 August 2003		
Animal health conditions governing the placing on the market of aquaculture animals and products	Council Directive 91/67				

Minimum hygiene rules applicable to fishery products caught on board on certain vessels	Council Directive 92/48/EEC				
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**Table 2: Minimum standards for which a period of grace can be granted in line with Reg. 817/2004 Art. 1, and 28(2) and the end of period of grace**

<b>EU legislation</b>	<b>National legislation</b>	<b>End of period of grace*</b>
Council Directive 91/676/EEC	Act LIII of 1995 on the general rules of environmental protection	16 July 2007
Council Directive 76/464/EEC of 4 May 1976	203/2001(X.26.) Government Decree on certain rules of the protection of the quality of surface waters	01 January 2006
Council Directive 80/68/EEC	33/2000 (III.17.) Government Decree on certain tasks in connection with activities related to the quality of subsurface waters	01 January 2006
Council Directive 64/432/EEC 71/118/EEC 77/99/EEC 80/215/EEC 80/217/EEC 82/894/EEC 85/511/EEC 88/146/EEC	Joint Ministerial Decree 100/2002 of the Ministry of Agriculture and Rural Development on hygiene circumstance of production and placing on the market of fresh meat	13 November 2005
Council Directive 94/65/EC	Joint Ministerial Decree 77/2002. (VIII.23.) FVM-EszCsM on the hygiene conditions of the production and placing on the market of minced meat and (spiced) meat preparations	31 August 2005
Council Directive 89/437/EEC Council Directive 91/495/EEC Council Directive 92/45/EEC	Ministerial Decree 23/2002. (IV.5.) FVM on the food hygiene conditions of the production and placing on the market of egg products	1 May 2007
Council Directive 89/437/EEC Council Directive 91/495/EEC Council Directive 92/45/EEC	Joint Ministerial Decree 90/2003. (VII.30.) FVM-EszCsM on the food hygiene conditions of the production and placing on the market of food products	15 August 2006
Council Directive 89/437/EEC Council	Ministerial Decree 9/2002. (I.23.) FVM on	01 January 2006

Directive 91/495/EEC Council Directive 92/45/EEC	the killing of wild and farmed game, inspection and marketing of game meat and the inspection of domestic rabbit meat.	
Council Directive 98/58/EC Commission Decision 2000/50/EC	Joint Ministerial Decree 1/2003. (I.8.) MARD- Ministry for social matters, health and family joint decree on production, placing on the market and food hygiene conditions for raw milk, heat treated milk and milk-based products	16 January 2006
Council Directive 98/58/EC	MARD Decree 32/1999. (III.31.), Article 8, paragraph (4)	1 June 2005, calves 14 May 2007, laying hen 1 January 2010 point 1.2.3: 1 January 2016
Council Directive 98/58/EC	MARD Decree 32/1999. (III.31.), Article 6	1 June 2005, laying hen 1 June 2010
Council Directive 98/58/EC	MARD Decree 32/1999. (III.31.), Article 8, paragraph (5)	1 June 2005, laying hen 1 June 2010
Council Directive 98/58/EC Council Directive 91/629/EEC Council Directive 91/630/EEC Commission Directive 2001/93/EC 88/166/EEC Council Directive 1999/74/EC	MARD Decree 32/1999. (III.31.), Article 4, paragraph (3)	1 June 2005, calves 1 June 2010, pigs 1 May 2007, laying hen 1 January 2010
Council Directive 98/58/EC	MARD Decree 32/1999. (III.31.), Article 3, section (c)	1 June 2005, laying hen 1 January 2010
Council Directive 98/58/EC	MARD Decree 32/1999. (III.31.), Article 4, paragraph (2)	1 June 2005, laying hen 1 January 2010
Council Directive 98/58/EC	MARD Decree 32/1999. (III.31.), Article 4, paragraph (1)	1 June 2005, laying hen 1 January 2010
Council Directive 98/58/EC	MARD Decree 32/1999. (III.31.), Article 7, paragraph (1)	1 June 2005, laying hen 1 January 2006
Council Directive 98/58/EC	MARD Decree 32/1999. (III.31.), Article 8, paragraph (1)	
Council Directive 98/58/EC	MARD Decree 32/1999. (III.31.), Article 8,	1 June 2005

	paragraph (3)	
Council Directive 93/119/EC	26/2002 (IV.13.) Decree of MARD on the amendment of Ministerial Decree 9/1999 (I.27.) FVM on the regulation of animal protection concerning slaughter and killing	28 April 2005
Council Directive 91/628/EC	87/2003 (VII.24.) Decree of MARD on the animal hygiene rules of the circulation and transportation of animals	1 May 2007
Council Directive 91/493/EEC as amended by Directive 95/71	Ministerial Decree 40/2002 (V.14.) FVM on the hygiene conditions of the production and the placing on the market of fishery products	22 May 2005
Council Regulation (EC) 2406/96 Council Regulation 104/2000 and implementing rules regulation Council Directive 91/67 Council Directive 92/48/EEC	Joint Ministerial Decree 90/2003 (VII.30.) FVM-EszCsM on the food hygiene conditions of the production and placing on the market of food products	15 August 2006

**Justification related to the specific problems involved in complying with these standards**

(Council Reg. 817/2004, Annex II, point 9. 3. I. B, 9.3. IX. B)

Investment: A period of grace is granted to the farmers, in order to allow an adequate period of time in which the farmer can be prepared to apply the new EU standards for hygiene, environment and animal welfare. Although the original deadline for the adoption of most of the new standards was at latest the date of accession, it appeared clearly that the preparation takes more time. The only possibility of assisting the farmers in the preparation were the investment supports within the ARDOP and the NRDP. In the three year period of grace the farmers can apply for support and can finish the reconstructions which are necessary to comply with the standards.

Food industry: A period of grace is granted to the small processing units in order to allow an adequate period of time in which the entrepreneur can be prepared for applying the new EU standards for hygiene and environment. Most of the new requirements must have been met by the accession, however some has remained, therefore a longer period of preparation and financial assistance through the ARDOP had to be provided

## VIII.8 THE LEVELS OF VOCATIONAL EDUCATION IN HUNGARY

Level of qualification	Level code of OKJ* number
University degree	
College degree	
Post-secondary level (higher vocational training)	55, 71
Secondary level (technician training)	51, 52, 53, 54
Medium level (skilled worker training)	31, 32, 33, 34
Basic level (semi-skilled worker training)	21

OKJ: National List of Vocational Qualifications

## VIII.9 THE METHOD FOR THE SELECTION OF ADVISERS AND THE MINIMUM CONDITIONS OF THEIR ACCREDITATION

The accreditation of advisors to the national register takes place according to the MARD regulation (95/1999 (XI.5.) FVM on the Register of Agricultural Advisors), which contains the procedures and criteria to be selected as a registered advisor.

The main selection criteria for the advisors are the following:

- Applications to the Register can be submitted by natural persons
  - a. who do not pursue any commercial and/or agent activities related to agricultural economy and prove this in the form of a declaration, furthermore,
  - b. who are in possession of a degree proving the qualification gained in higher education, in the profession fields listed in the above legislation, 3 § (1) (e.g.: arable crop production, animal husbandry, horticulture, veterinary medicine and animal hygiene, plant protection, environmental management, agricultural economics and farm management, ecological farming, nutrient management and soil conservation),
  - c. who have minimum five years of experience in the specialization of choice pursued at the time of application and it is identical with the specialization indicated in the degree both in its name and its full content, or who has agricultural advisory certification gained in agricultural higher education and three years of experience,
  - d. who have ten years of experience in the specialization of choice pursued at the time of application and it is related to the specialization indicated in the degree in its content,
  - e. who possess knowledge of production, technology, law, economy and finance related to agricultural economy,
  - f. who possess police clearance certificate.

The would-be advisor is allowed to select up to three special professional areas out of the 24 listed in the above MARD regulation. These professional areas cover farm management, environmental and public health issues, too.

The young farmer is allowed to select advisors from this register according to his/or her special needs. If the young farmer needs more complex advice, he/she can turn to an advisory body that employs several registered advisors.

The service is provided on the basis of a contract made between the young farmer and the selected advisor(s) or advisory body. The contract is checked and registered by the local authority of MARD. After the young farmer accepted and paid the service he/she can reclaim a certain part (75%) of the cost as state aid.

The copy of the contract and the certificate of the bank transfer for the service cost are the official documents to prove the use of the advisory service.

Registered advisors can do their extension activity as private entrepreneurs or in the name of educational institutions, research institutions, legal entities, economic associations without legal entity whose scope of activity is connected to agriculture excluding those who have commercial activity and/or act as agents in connection with agriculture. These organizations or bodies do not need accreditation. They are entitled to enter into advisory contract with the farmers on condition that their employees, who actually do the advisory activity are registered advisors.

Taking part in the regular (yearly) further training and passing the examination is compulsory for the registered advisors. Their work is evaluated each year by the Ministry of Agriculture and Rural Development, and those who do not meet the criteria are cancelled from the Register. The procedures and the selection criteria are made public in all possible ways (newspapers, homepage of the ministry, information sheets in the county offices of the Ministry etc.).

## VIII.10 CLASSIFICATION OF ECONOMIC ACTIVITIES

According to the publication titled “Standard Sectoral Classification System and Definition of Economic Activities” (Central Statistical Office, 2003.) the economic activities are the following:

### **01.1 Growing of crops; market gardening; horticulture**

01.11 Growing of cereals and other crops n.e.c.

01.12 Growing of vegetables, horticultural specialities and nursey products

01.13 Growing of fruit, beverage and spice crops

### **01.2 Farming of animals**

01.21 Farming of cattle, dairy farming

01.22 Farming of sheep, goats, horses, asses, mules and hinnies

01.23 Farming of swine

01.24 Farming of poultry Farming of

01.25 Other Farming of animals

### **01.3 Growing of crops combined with farming of animals (mixed farming)**

01.30 Growing of crops combined with farming of animals (mixed farming)”