

**Minutes of the ARDOP Monitoring Committee meeting
held on 19th December 2003**

Opening	
Dr. László Vajda	<p>He welcomed the participants.</p> <p>The Committee meeting was convened to accept the Programme Complement Document of the Agricultural and Rural Development Operational Programme. On the basis of the schedule of National Development Plan the Operational Programmes must be finalised this year, in relation to which intensive discussions were held with the EU Commission recently. The Commission helped with the compilation of PC too.</p> <p>We proposed to Agenda items for today. No 1: approval of PC, and no. 2: finalisation of the rules of procedures. The EU Commission sent some written comments to the rules of procedures on the 19th in the morning. These comments must be taken in account, because they came from members of the Monitoring Committee who cannot participate in this meeting.</p> <p>No comments were made to the agenda items, and the Committee approved the agenda.</p>
Agenda item no.1: Discussion of ARDOP MC rules of procedures	
Dr László Vajda	Requested Dr. Miklós MaácZ to present the comments of the Commission in relation to the rules of procedures.
Dr. Miklós MaácZ	<p>The Commission sent a detailed list which described according to points:</p> <ol style="list-style-type: none"> 1. With regard to the legal background the Commission proposed to delete the long list of reference, and retain only a reference to Article 35 of No. 1260/1999 Council Regulation.
Tamás Tóth	This is an EU Regulation, and we are not members of the EU yet. Would it not be a problem if we do not include references to Hungarian legal regulations?
Dr. László Vajda	<p>He proposed that of the EU regulations only the No. 1260/1999 Council regulation, proposed by the Commission, should be included, and references to Hungarian legal regulations should be left in the document too.</p> <p>The Committee accepted this proposal.</p>
Dr. Miklós MaácZ	<p>2. Task and competence of the Monitoring Committee: the first sentence is proposed to be shortened significantly.</p> <p>The OPARD MC shall satisfy itself of the quality and effectiveness of the programme's implementation.</p> <p>It will fulfil the following tasks:</p> <ul style="list-style-type: none"> - draw up its own rules of procedures and agree them with the Managing Authority - approve and adjust the PC including the physical and financial indicators to be used to monitor the assistance.
István Lakatos	He proposed to change the agenda items in order to have a more

	<p>efficient meeting.</p> <p>The Committee accepted it.</p>
<p>Second agenda item: approval of the Programme Complement Document</p>	
Dr. László Vajda	<p>The approval and potential modification of the PC falls into the competence of the Monitoring Committee. It also indicates the important role of ARDOP MC. The Operational Programme has to be approved by the EU Commission, and it can only be amended with them. The approval and modification of PC, promoting the implementation of ARDOP falls into the competence of ARDOP MC. It is important to approve the PC, because it will represent a basis of work aiming at the use of funds next year. He proposed to move according to the main sections of the PC table of contents, and then the Committee should also look at each individual measure.</p>
Blanka Kozma	<p>She asked to include programme elements in the document in future that would improve the opportunities of small villages, poor Roma communities, small enterprises, NGO-s minority local governments and to create calls for proposals that would be available for them too.</p>
Dr. László Vajda	<p>The document contains such items but if you have specific comments in relation to them please raise them when we discuss the relevant issue.</p>
Gábor Horváth	<p>He raised some general issues and made a few proposals for modification. The objective of the programme is to achieve the best possible result in agriculture and to be available to use EU funds. The programme has been completed but later a government decision was adopted that withdraws a significant part of the funds. He asked whether any partner discussions were made with the other Operational Programmes when this measure was adopted. Were the impacts of the measure of its influence on the objectives reviewed? The amendments of the VAT Act eliminate 25% of the funds of the Operational Programme. It deters applicants and changes the distribution of funds, because the non-refundable VAT can only be included in own resources and involves a loss in expenditure. He thinks that this measure is a serious threat to the implementation of the programme, therefore he calls for the relevant measures to be taken in this context.</p>
Dr. László Vajds	<p>Does anybody have any comments to this?</p>
Péter Szilágyi	<p>In his opinion the new VAT Act is a serious problem, which is a problem for all operational programmes. Therefore he proposes discussions with the Office of the National Development Plan on that issue.</p>
József Ángyán	<p>He agrees with the problem raised. Ha cannot see the intention of the Hungarian government to make available the amount with which the available EU funds can be drawn. A lot of versions of ARDOP and PC have been created, it is not clear what has changed compared to the previous versions and we do not know whether this will be a version that is accepted in Brussels. We should see the questions asked by the Commission and the reactions of the drafters of the document. Another thing that is very</p>

	important is his opinion, which has become absolutely clear from evaluations from Brussels, is that a closer relationship should be maintained between ARDOP and NRDP. The two documents will form one unit. Finally, he raised another issue. He wanted to know whether there was any guarantee that the EU Commission would accept this version of PC.
Dr László Vajda	He stressed that the document was not approved by the EU Commission but by “us” i.e. ARDOP MC. The EU Commission will not change even one word in PC. If the MC approves a version, that will be the final version. Information can be obtained about previous discussions, but it would be a very long process. The changes were primarily related to the internal coherence of the document. Version nine does not mean that these are absolutely different versions. The PC relies on ARDOP. The issue that ARDOP should be in line with NRDP has already occurred to us and the Commission too many times. However, the intention of document co-ordination was not as intensive as Mr. Ángyán indicated in his question. It was aimed mainly for co-ordination of the philosophy of the two documents.
András Drotár	He intended to make a comment on the VAT subject. He pointed out that the latest version of PC did not include a former sentence namely that x percent of the investment cost without VAT, which was due to the new VAT Act. Negotiations have begun in relation to interpretation. At the moment they are still in progress but by the time the call for applications is issued, this question will be solved. The idea is to express the amount of support as a percentage of gross investment cost; therefore the 25% tax could be compensated to some extent.
Ildikó Szabó	She thanked the drafters for their work. The document contains village reconstruction and renovation, as well as industrial art programmes in rural areas, and they were drafted well. She pointed out that the Government Decree of 1992 on Popular Industrial Art Activities would be renewed, and the government would probably pass the new decree at the beginning of next year. The draft is fully in line with the contents of PC, but it must be taken into account in calls for applications too.
Zsolt Szilvácsku	In his views there is a weak relationship between the National Rural Development Plan (NRDP) and ARDOP. Coherence between the two should definitely be strengthened. In addition, the MC should have received the ex-ante evaluation, because without this no decision can be made. And we cannot know how it relates to the other programmes. The EU agricultural programming documents are also missing, and MC has never received them
Dr. László Vajda	If others also wish to see the ex-ante evaluation, everyone will receive the full version. It is the ex ante evaluation of ARDOP, and the PC. We shall send it to the members. The ARDOP is at a more progressed stage than NRDP, although ARDOP relies on relevant sections of the NRDP. Consequently, he asked for specific examples for lack of coherence. Modifications and changes may be made in PC now or at any meeting of the

	Monitoring Committee.
Gábor Horvátg	The NRDP cannot be considered final until the discussions between direct payments are concluded.
Dr. Krisztina Loncsár	The Department of Rural Development Programmes co-ordinates NRDP. The simplified horizontal payments (degree of support) do not influence the structure strategy or professional contents of measures of NRDP.
József Ángyán	ARDOP and PC are not independent from each other. The areas to be supported, systems supported on land basis and required structural changes and investments need to be defined in ARDOP. We need to know on the basis if what economic systems support can be drawn.
Dr. Vajda László	NRDP also has in own importance. They defined economic directions indicate certain support systems. ARDOP also has a strategy on which NRDP relied too. We need to make a decision as to whether we can approve PC today. He proposed that the Committee should go chapter by chapter. Are there any comments in relation to sections 1.1 – 1.6?
Mrs. Tamásné Vajda	She made a clarification comment in relation to the name of the institution. The list of the MC members should not say Ministry of Environment Protection and Water Management, but Ministry of Water Management in point 16.
László Bánker	The proposal does not contain the Employers' side of the National Interest-Conciliatory Council.
Zoltán Fórián	The employer's side is shown next to National Association of Food Producers. He would not like to accept it, because employers' organisations are already represented individually. He insisted on individual representation.
Gábor Horváth	Rule of the Managing Authority section 1.2.d: "organisation of interim evaluation in co-operation between the Commission and Members States" instead of the Members States the government should be put in the text.
Dr. László Vajda	It was quoted word by word from the translation of no. 1260/99 Council regulation.
Tamás Tóth	The tasks can be copied from the issued Government Decree. He added that most probably in Hungary there would be no interim evaluation because of the short time.
Dr. László Vajda	The name of the department contains a mistake in the Managing Authority, at the moment it is called Department of Structural Funds.
Zoltán Fórián	If there is no interim evaluation, it will be detrimental to competitiveness.
János Gábor	Fishing is a separate structural fund, but the Department of Fishing and Game Management of the Ministry of Agricultural and Rural Development is not included among the members.
Dr. László Vajda	He proposed that fishing, as a separate structural fund, should have its membership with full rights. The Committee approved that the department should be given individual representation.

Gábor Horváth	He expressed his opinion that the members of the Monitoring Committee represented the government and partnership. The Ministry approaches organisations and requests them to delegate members. The government decided that 9 employers' organisations may delegate members. The 50-50% EU and Hungarian guiding principle also appears.
Dr. László Vajda	He proposed that this issue should be discussed in relation to the rules of procedures. Are there any comments in relation to the first Chapter? Then let us take a look at Chapter II, the Communication Action Plan.
József Kapuvári	In Section II.3.1 did you mean social organisations or NGO-s instead of the public or social lobby?
Dr. László Vajda	We should change it to our taste. Instead of social lobby NGO-s should be used. The condition is that it must be an organisation. The concept is right and should stay in the case of NGO-s.
Péter Szilágyi	We should add those who are involved in the activities of ARDOP.
Dr. Krisztina Loncsár	There is no such concept as NGO-s.
János Gábor	Fishing, as a structural fund, should be indicated everywhere as Fishing Orientation Financial Instrument, because this is the official definition.
József Kapuvári	A table of contents is attached to all major comprehensive documents, so why cannot we do the same? A social lobby means the same as non-governmental organisations. Social partners are employers' and employees' organisations, and in summary they are not governmental organisations. Let us provide definitions for various concepts.
József Árgyán	After Luxembourg it is clear that the 2 nd pillar is in place and the system of support is transforming. Support and related investments are shifting towards economic systems related to rural development. It is a trend that the agricultural support system of changing and a new agricultural strategy is developing. II.5.2.2 Advertising spots and conveying messages through radio and television. The measures must be completed consistently, in the form of a series. Financial plans should also be attached to rural development publications, and the same procedures must be applied as in the case of direct payments, indicating data in tables.
András Drotár	There is a maximum limit for the degree of support. We do not know yet what will be the payment amount. In the calls for applications we must be very careful with such data.
Dr. László Vajda	He proposed that the detailed description of individual measures should be included in Section II.5.2.2 "Media press relations".
Katalin Kovács	Rural development is more than agricultural subsidy.
Zita Táncsics	Equal opportunities should be stressed for specific objectives.
Dr. László Vajda	It is a very important aspect and it is included at several places in the document. The communication part should also cover it.
Tamás Prohászka	Equal opportunities and environment protection are also horizontal subjects.
András Drotár	He warned the Committee to be careful. The question is where disadvantages are in the allocation of agricultural subsidies.

	Creation of equal opportunities cannot be the main message. It can only be retention of equal opportunities.
Dr. László Vajda	Equal opportunities is a very important aspect of ARDOP, it is a fair message.
Antal Szabadkai	The main messages should also contain local food processing, because it gives a market to agricultural producers. Local agricultural producers suffer whenever a plant is closed down.
Gábor Horváth	The main definitions should be agreed with the Commission and details must be finalised. The rules of procedures of the Monitoring Committee and the calls for applications to be issued are approved by the Commission. The most important support degrees and criteria are not included in the PC. We should make a decision on this issue.
Dr. László Vajda	The approval of calls for applications does not fall into the scope of competence of the Monitoring Committee.
Antal Szabadkai	The budgets should be decided. He added that the document only contained one table about financing with very small letters. The table is not complete either. A summary financial table would have been put into the document.
Dr. László Vajda	You mean pages 115-117. The EUR and HUF values are different, perhaps it is a little bit disturbing, but everything is contained in the table. He proposed to go back to the Communication Plan.
Dr. Krisztina Loncsár	In addition to agriculture the main message also contains opportunities of employment and income generation outside agriculture.
Dr. László Vajda	He requested the Secretariat to review the part containing the main messages in agreement with Mr. Ángyán. He asked Mr. Ángyán to help in editing. He proposed to move on to Chapter III: strategic proprieties and horizontal topics.
József Ángyán	Hungary did not take into account the principles laid down in applicable regulations in accordance with the summer evaluation. It focuses on investments related to production. Chapter III does not describe agricultural development in contrast with community expectations. The 1 st pillar is about production support, and the 2 nd pillar is about the development of a new agricultural structure. Improvement of competitiveness is in the first place for both.
Gábor Horváth	In fact this is the main issue, but we are not in the same situation as the EU Member States.
József Ángyán	We must make use of support available under the title of rural development. We should operate support related to the economic system, should have it accredited, and then rural and agricultural development can also be attached to the same package.
Dr. László Vajda	Discussions about ARDOP have been completed. The Committee has approved the document and arguments too. The situation of agriculture cannot be compared to agriculture of other countries. In ARDOP the 3 rd priority has a 26.5% share, which was already approved. Because of the economic situation of former years several measures are aimed at improving competitiveness.
András Drotár	In the present Member States of no. 1 priority area rural development's share is not more than 10% concerning the

	proportions of rural development and agricultural development support. Our 26.5% does not represent a bad position.
Tamás Tóth	Let us not continue this discussion because it was already decided. The next chapters are more important for us.
Zsolt Szilvácsku	Let us look at the rural conditions in other Member States and compare them to our situation. Certain aspects cannot be included for protect selection, because they are in place. At least the measure aiming to retain rural areas should be maintained.
Gábor Horváth	The agricultural support system has changed, and now it provides funds on two pillars.
József Árgyán	There is no contrast between agricultural and rural development, only the contents of agricultural support system are changing.
András Drotár	In fact agricultural investments take place in rural areas, for rural development purposes.
Tamás Tóth	Agricultural and rural development is not separated. There is no title for financing rural development support
Dr. László Vajda	The agricultural and rural development plan has a combined consistent objective. Let us move on to Chapter IV. This is the basis of calls for applications.
Zita Táncsics	6 target groups are supported: women, old people, Roma, disadvantaged people and children. Representation of all target groups is important.
Dr. László Vajda	He proposes to the Committee to discuss the specific amendments proposed by National Association of Agricultural Co-operations and Producers and Employers' side of the National Interest-Conciliatory Council. IV.1 Support of agricultural investments 4. Activities (development eligible for support) 4.1 Development of animal breeding facilities within which in relation to poultry apart from facilities for manure management and storage "facilities used for manure processing" were proposed for inclusion.
András Drotár	Within that he did not propose manual processing because of the limited budget.
Mrs. Tamásné Vajnai	Budgets can always be reallocated, but environmental aspects should be taken into account.
Dr. László Vajda	Support to facilities using for manure management and a placement is included. However, manure processing, i.e. processing of manure into something is not proposed for inclusion, because it is not close related to agriculture and there is no budget for it, either.
Péter Szilágyi	Management and processing of animal waste is a subject for food industry. Poultry manure is considered a secondary product. Management of animal waste is subject of the EPIOP.
Dr. László Vajda	The Monitoring Committee supports the idea, and the majority has voted for the inclusion of manure processing.
Tamás Tóth	Maybe there is a separate legal regulation governing the use of poultry manure.
András Drotár	4.3. New power and working machines, technology and IT equipment for all agricultural branches. The catalogue of

	agricultural machines and equipment protects farmers, because it reduces sales above the catalogue price. The machines included in the catalogue are fully integrated machines. However, I propose to supplement the 1st paragraph of the sub-chapter with plastic storage and fuel storage places required for operation. The English version contains this.
Dr. László Vajda	<p>The list of machines and equipment eligible for support is considered a restriction. The catalogue issued by the Ministry of Agricultural and Rural Development contains all machines, and would accept further specific proposals for loading and manure machines and storage facilities.</p> <p>IV.4.5 Economic water systems are included in the calls for applications. Is the water management and water right permit not the same?</p> <p>IV.4.6 Maximum amount of support for each product: HUF 60 million.</p> <p>On the basis of SAPARD this seems very little. What is the budget of agricultural investments?</p>
András Drotár	HUF 60 million is a maximum amount
György Magyar	Requirements and criteria must be complied with if the maximum amount is still HUF 150 million, funds should be allocated to investments supported by the authority. According to project size small, medium and large projects are distinguished.
Dr. László Vajda	On the basis of SAPARD experiences no rejections have been made referring to eligibility criteria.
András Drotár	HUF 60 million is not the top limit, but the highest degree of support. Projects of more than HUF 60, million cannot be excluded.
József Árgyán	<p>The objective is not to have large projects, but to provide such type of support to many families living from agriculture.</p> <p>Then he stated the following questions: what does the code of agricultural investments mean, who are the target groups of investments? Who do we intend the funds for? In what direction do we wish to develop agriculture? Is it more EU conform to support more smaller projects? This small amount available should not be spent in large volume investments. What do we mean by an enterprise in Section 7? He proposed that closer relationship with NRDP should be included among the selection criteria (page 34) so that coherence between the two programmes should be created sooner. With regard to investment objectives the relationship with NRDP should be given a priority. Participation in agricultural environmental programmes should be an advantage for young farmers.</p>
Erzsébet Bajtai	He proposed HUF 120 million as a compromise for the top amount of support.
Márta Ceglédiné	The support must be used, but it is necessary limit it around HUF 100 million.
Antal Szabadkai	With regard to application management it is better if support is divided more to small and large projects. Social and rural development principles must be taken into account. A set of values

	should be formed for ourselves.
Dr. László Vajda	He requested further proposals to be able to make a decision.
Gábor Bukosza	If we increase the limit, we do not reduce the chances of smaller projects.
András Drotár	The budget is limited, which may cause a serious problem.
Dr. Krisztina Loncsár	She referred to the SAPARD mid-term evaluation team, who did not understand why machines, buildings and other items had to be purchased separately. Why cannot we generate three times more applications? When support is granted one company may receive three times higher support. She proposed not to prepare applications according to titles, but according to organisations. For the purpose of rural development efficiency is measured on the basis of living food industry and production represent a different dimension, therefore a family and a plant need different amounts to invest.
András Drotár	Indicators should also be modified, and environmental protection aspects must be taken into account.
Dr. László Vajda	Are there any other proposals apart from HUF 60 and 120 million? Those should vote who support HUF 100 million, because this proposal was also made. We should have a final vote, trying for compromise. Finally, the members of the Monitoring Committee accepted a compromise, according to which the top limit of support is HUF 90, million per project.
Dr. László Vajda	Chapter IV 4.7 He proposed to modify the net revenue limit of eligibility criteria.
András Drotár	He proposed that the modified revenue should be reflected in the call for applications. Only HUF 60 million revenue was created due to draught. This is a revenue ratio.
György Magyar	In order to make sure that revenues from agricultural activities reach 50%, other activities should be reduced. What should be included in agricultural revenues?
Dr. László Vajda	Will the 50% revenue ratio be detected or controllable in the applications?
Sándor Orosz	The 50% requirement can be included in calls for applications in the case of those engaged in agricultural activities.
Dr. László Vajda	This is also considered a limitation factor. Those receive support who work in agriculture. Should this limitation remain there or should we take it in or out? If we do not take it in or out, the revenue of enterprises should be part of agricultural activities.
András Drotár	It is included so that registration support should be covered. No such conditions can be created for direct payments. The only notified support is plantation support.
Erzsébet Bojtai	Producer & Marketing Organizations and Purchaser & Marketing Organisations are exceptions from 50%, but it is also contained in PC.
Sándor Orosz	There are several support channels, and there will be a lot of administration. It would be unfortunate to regulate a different eligibility criterion for different resources. However, in such a situation it may be possible that someone receives EU support and receive a supplement in Hungary but for example cannot submit

	an application. In the case of rural development support it may occur that the revenue ratio is higher. Is agriculture or rural development the objective?
Dr. László Vajda	More and more people wish to eliminate the 50% revenue limit.
Dr. Krisztina Loncsár	There is no other support to agricultural producers, while other companies are supported from other sources too. In the NRDP even the support limits are defined differently. The support volumes must be separated. Economic activities of those living in agriculture should be supported with this.
Sándor Orosz	In a particular year the 50% ratio can easily be broken in a company even if it does not do anything. How could we correct this?
Dr. László Vajda	Let us vote whether the 50% should remain in the document or not. If it remains there the question is whether the revenue of organisations generating exports should be added or not. Should the 50% revenue obligation of agricultural production remain for support? Those who think that the 50% limit should be eliminated in the case of agricultural support should put up their hands.
Erzsébet Bojtai	She proposed to reduce 50% to 40%. There are many related activities in agriculture.
Dr. László Vajda	On the basis of the voting result should the 50% revenue ratio remain, and should the 50% ratio be added in the case of enterprises, and can all this be detected in the case of members?
András Drotár	There is an integrator who purchases and sells. The other production groups do not fall under the 50% obligation anyway.
Gábor Horváth	A co-operative is not engaged in any agricultural activities, only in sales. All agricultural activities are performed by its members. If the 50% is eliminated, the co-operative must certify how many members it has and whether a member is actually a member or not. It will fulfil the 51% ratio at the time of the application, but if there is fluctuation in price, the proportion will change. Thus, it is able to satisfy the eligibility criterion of 50% in the application period.
József Árgyán	What large integrators do you mean? Those who might contain everyone (for example a large supplier). Smaller units should be given more support, if they have a separate existence.
Sándor Orosz	It will create an uncertain situation for producers.
Tamás Tóth	Now we are making a decision on a preliminary document, because the operational programme has not been approved yet. The rules of procedures may still be changed. The selection and eligibility criteria are still being defined.
Dr. Krisztina Loncsár	We should take the opportunity of supporting producer groups.
Gábor Horváth	It is not a good solution to set up a rule first, and create exceptions later.
Dr. László Vajda	The following supplement came up as a proposal for 4.1.7 minimum environmental requirements “additional criteria” point 1: or up to HUF 10 million investment limit at least 5 years of professional experience is sufficient.
András Drotár	Professional qualification is a basic EU requirement. This provision can be replaced with an approval from Brussels. The

	calls for applications cannot be issued before the beginning of next week. He only proposed one limitation.
Dr. László Vajda	Instead of own resources a proposal was made to use the concept “equity” (page 34 paragraph 2).
András Drotár	In the applicable legal regulations the concept is called own resources. In another document he noticed that it was stated as equity. Own resources can be loan in 100%.
Erzsébet Bojtai	If somebody comes up with an idea that own resources must have 25% equity, the concept of own resources can no longer function.
Dr. László Vajda	Let us accept that in the calls for application own resources can also mean a loan. If the Managing Authority intends to create an exception, it must have it approved by the Commission. The Commission agrees that in the calls for applications the own resources can also be in the form of a loan. Any deviation has to be approved by the Monitoring Committee.
András Drotár	There is also non-repayable support. With supported loans agricultural farms could be improved. Within maximum 50% support ratio, if it is significantly lower, it should be repaid, and interest subsidy should be included in the calls for applications. Unsupported and supported loans must be separated. Interest subsidy is allowed. It should be regulated in Ministerial decree. Any amount over and above the non-repayable support is called own resources. The supported loan cannot be own resources, and we have to be very careful about the wording.
Dr. László Vajda	The next proposal is that in the case of 4.1: development of animal husbandry facilities “a certificate of Animal Health and Food Control Station should apply to the project implemented by the applicant and not to the plant.
Erzsébet Bojtai	As new statements were made, we cannot make a decision immediately. They require further discussions.
Dr. László Vajda	Next point (PC page 35). With regard to the selection criteria it should be clear that the listed criteria are not joint conditions.
András Drotár	The general description of measure III contains them, where global operational and specific objectives are defined.
József Árgyán	Integration into the supported target programmes of NRDP should be included among selection of criteria, which supports harmonisation with NRDP. What do you mean by the size of used land among the criteria? (page 35) The investment requirement for the unit of the land? We cannot see the valuation process of applications either, therefore we must be very precise.
Dr. László Vajda	It could be changed to the proportionate size of land. The department said that the most important factor was not the absolutely size of land, but co-ordination between the land and quantity required machinery. They will look at their proportions, but they will arrange a site visit too for control. The call for applications is heavily influenced.
Dr. László Vajda	Let us vote on whether the relationship with NRDP should be a priority? The Monitoring Committee has voted for it.
Erzsébet Bojtai	She had a problem with the following eligibility criteria:

	<p>- extension of the scope of activity of the farm; She does not understand why it is an advantage. She means rural tourism, basket weaving, etc. which, according to her opinion, is not part of agricultural activities.</p>
Dr. Krisztina Loncsár	<p>It is different from the separate measure under the title of Diversification that the investment of a farmer may also lead to diversification even with agricultural investment. For example production activities are extended with storage, or perhaps packaging too. Thus, the types of activities increase.</p>
Dr. László Vajda	<p>So it means that the objective of the activity would be the extension of the activities of a farm. For example it is advantage for a farmer who has a cattle farm to extend his activities with sheep farming, compared to an example when a farmer makes an additional investment into pigs on an existing pig farm. This is what is meant by diversification.</p>
Péter Szilágyi	<p>In his views it is not diversification if a storage plant is built to store products it only means that production infrastructure has been improved. Going back to 50%, it is definitely not a revenue that improves the 50% ratio, therefore the farmer will have to repay the support, because he will not be able to maintain the 50% proportion.</p>
Dr. László Vajda	<p>The milling example is no good, because within an agricultural investment there may be no investment related to a mill. Let us not forget that there is a separate diversification measure. He asked Mr. Drotár to clarify the concept of activity diversification with regard to agricultural investments</p>
Sándor Orosz	<p>Agriculture consists of several branches. Activity diversification means that a farmer whose activity is in a particular branch starts an investment in another branch too. He would like to understand whether the issue of diversification came up because in Chapter IV.1 Support of agricultural investments Section 7 Protect selection criteria point 4.6 environmental nature protection, the conditions also include diversification as a priority.</p>
Dr. Krisztina Loncsár	<p>In fact it could be explained better in comparison to Section IV.6. During the discussions with the EU it was agreed that diversification within the core activity cannot be included into Section IV.6 only in section IV.1.. Section IV.6 could only include limited production and activities, and everything else that is no longer considered agricultural core activity. This final solution for such separation of diversification has been reached after several months of negotiations with the EU Commission.</p>
Dr. László Vajda	<p>Chapter V.1 7 Project selection criteria, 4.1 development of animal husbandry facilities</p> <p>- with regard to the recovery of a building and technology investment in accordance with the business plan (page 34) the following comment was received: “if it is an investment for compliance with regulatory provisions, the return condition of the investment should not be included in the requirements”.</p>
Erzsébet Bojtai	<p>We shall include it in the business plan and take it into account.</p>

Dr. László Vajda	So the proposal is to supplement this paragraph. According to the comments the paragraph should say the following: - return of building and technology investment in accordance with the business plan (except investments for compliance or satisfaction of regulatory requirements)
András Drotár	He would like to see this sentence taken out from PC.
Dr. László Vajda	This point cannot be taken out. Therefore - after a lengthy discussion -, the proposal is to retain this paragraph, and supplement it with the following sentence i.e. except investments aiming at compliance or satisfaction of regulatory requirements. Has anybody any more comments to section IV.1 (Support of agricultural investments)? If there are no comments, let us move on to Section IV.2 Structural support of the fishery sector.
József Ángyán	Annex VIII.1 relates to section IV.1, which he wanted to mention. According to the calculation of economically viable farm criteria (page 119) a farm is not viable with less than 150 cattle. The minimum viability limit is HUF 612 000. The funding contribution for each animal is HUF 4 400, which means that dividing the two figures, the result is that a farmer should keep minimum 153 cattle (because below that a cattle farm is not viable). For J02B cattle types it is an outstanding example, because there are disproportions there. It is very important what we put into this table, because this will decide which farm is viable. Another example is melon and strawberries in fresh vegetable D14 category, which is not very clear and cannot really be explained, either.
Dr. Krisztina Loncsár	Viability is an old dispute, and it has already occurred in the case of SAPARD. However, it has to be calculated because according to EU regulations no support can be given to non-viable farms. However, the fact that a farm cannot apply for support because it does not meet the eligibility criteria does not mean that the farm is not viable. The whole evaluation should reveal, i.e. examining return and costs too, whether an applying farm is viable or not. The fact that viability is included among eligibility criteria has led to many rejections in the case of SAPARD too.
Antal Szabadkai	He thinks that these figures are not right, combined categories should be developed logically on the basis of professional criteria. Is it worse developing a system in which even 100 thousands applications can be submitted but only 1 000-5 000 applications are eligible. This may lead to dissatisfaction in the society.
Dr. Krisztina Loncsár	Referring to foreign examples she has seen such tables but categories were summarised in maximum 15 items. These materials helped the assessment of the business plan. However, all the criteria were known to applicants in advance. Before submitting an application the applicant knows what weight and index is assigned to individual criteria in the business plan and what will be taken into account in the evaluation of the application.
András Drotár	He had a feeling that the text before the table was not read.

	Because the methodology of the table is based on the EU Council Regulation. The test farm measurements have been made for several years, and these figures were not just taken out of the blue. The criteria of an economically viable farm form part of the calls for applications, therefore the applicant can calculate himself, whether his application will be eligible or not.
Dr. László Vajda	The regulation does not apply to the compilation of the table, but to the operation of the test system.
Dr. Krisztina Loncsár	Viability is the final result. It contains the business return, environmental sustainability, how the management will continue the farm in future, employment issues, etc. It can be concluded whether the planned investment is a viable idea or a viable enterprise and whether it can be operated on a long-term basis or not.
Erzsébet Bojtár	AKII calculates the test system in accordance with EU regulations. It is an eligibility requirement that the test system requirements have to be met. The latest call for applications also includes the method of calculation. The table is in fact not complete, therefore these are sectoral SFH values (2000 data). The operating SFH figures are calculated from those. If an applicant satisfies the required criteria, ARDA begins to review the business plan. In ARDOP both the business plan and viability calculation will be simplified. For example for viability the results should be available in at least one year out of the two years based on the economic indicators of the previous two years. The two-step evaluation system will remain.
Dr. László Vajda	Viability should be defined somehow.
András Drotár	It has been proposed several times that the viability test according to the business plan is not needed. It was considered superfluous already in the case of SAPARD, and finally was not even taken into account. Data must be reviewed consistently.
Erzsébet Bojtai	Statistical data must be more up-to-date. Taking into the account the distorting effects of the results/data of drought years, perhaps viability should not be calculated on the basis of the data of individual years.
András Drotár	According to is information this table was prepared by AKII using the latest available data.
Erzsébet Bojtai	In the latest call for SAPARD applications and related tests system she found completely different data. The data are from 1999, 2000,2001. For example the first item is wheat. The sectoral SFH is 48 615 in PC, and is 62 918 there. The two data should be reconciled, because the table available for her contains more favourable data. These are not unrealistic data that and they could be satisfied easier.
András Drotár	The data are updated each year.
Gábor Horváth	It is also in our interests of not setting a too high viability limit, because the objective is to include more farmers into the support system. Depending on the husbandry technology/system, the SFH values are different. If we intend to change the structure, an SFH figure calculated in a old structure were result in a completely

	different return figure then using a new economic system. The objective cannot be to set higher limits all the time.
Erzsébet Bojtai	We should appoint an individual who is responsible for reconciliation of data. She would be happy to participate in this, because she will also be involved in the compilation of goals for applications, but she cannot be the only one responsible for this. Yet she offers assistance to the Managing Authority.
Dr. Miklós Maác	The programme would start in February, and calls for applications must be completed by January.
Dr. László Vajda	He decided to close the meeting. Practically the Monitoring Committee discussed a considerable number of topics. By the first of January no calls for applications will be issued, or published. He asked for additional comments to the other points by 10 January. Items on which agreement was reached will be reflected in the new version of PC.
Erzsébet Bojtai	She stressed that it would be very important to finalise the PC as soon as possible, because after that ARDA still has to develop the calls for applications. She proposed to have another MC meeting in February, where the calls for applications can be discussed.
Dr. László Vajda	The SAPARD programme is still in progress. Tenders have been issued, therefore we are in a better situation than the other operational programmes. Deadline for submission of written comments is 10 January 2004, please respect this deadline. The Monitoring Committee shall have one more meeting in January, during which there will be a further discussion on PC, which will contain the amendments that were accepted at this meeting. He thanked Members of the Committee for their participation and work.