

“Courtesy translation”



***REPORT ON IMPLEMENTATION OF
NATIONAL RURAL DEVELOPMENT PLAN OF HUNGARY
IN 2007***

**Budapest
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Executive summary

The National Rural Development Plan (NRDP) of Hungary consists of the **rural development measures financed from the Guarantee Section of the European Agricultural Guidance and Guarantee Fund (EAGGF)**. The NRDP identifies the objectives that would ensure the sustainable development of rural areas, the measures realising these objectives and the activities eligible for support within this framework. In addition, the NRDP lays down the conditions for granting support and the detailed rules of implementation. The NRDP promotes environmentally-favourable agricultural production, provides support for production in less favoured areas and for increasing the ratio of forested areas in Hungary. Furthermore, the measures of the NRDP will contribute to the improvement of the economic viability of semi-subsistence farms and to the establishment and operation of producer groups.

NRDP does not cover all rural development measures. The complex rural development will be implemented as joint strategies and activities identified in a variety development documents in accordance with each other (i.e., National Development Plan and the operational programs thereof, in particular the Agricultural and Rural Development Operational Program (ARDOP)).

The NRDP was approved by **European Commission by Decision No (C) 3235/2004 of 26 August 2004**, but had been modified since several times – presently the decision **B(2006/7301)** of the Commission of 29 December 2006 is in force. In Hungary, a total of **EUR 754 140 000** will be available for support within the framework of the NRDP, from which **almost 80%, EUR 602 300 000 will be financed from Community funds**.

As regards the proposed date of accession to the European Union (1 May 2004), the planning process of the NRDP started late (in February 2003). Upon approval of the NRDP, the organisations responsible for the implementation commenced their activities in the fall of 2004 (Competent Authority: Ministry of Agriculture and Rural Development (MARD); Program Management Unit: the Managing Authority Department, later the Department of Agricultural and Rural Development of the MARD; the institution in charge of implementation: Agricultural and Rural Development Agency (ARDA), which is also the Payment Agency for the EAGGF Guarantee Section).

In the autumn of 2004 six measures have been opened for submission of the application (support for “early retirement” has not been announced). The same situation sustained in 2007, with the difference that in the year 2007 the measure support for agri-environment was still not opened for submitting new applications.

The content of this report is briefly summarised as follows.

Chapter 2 following this introduction will describe how *the changes of the general conditions (socio-economic trends, national and sectorial policies and developments related to other funds available for the implementation) laid down in the NRDP affect the (actual or proposed) utilisation of the NRDP support*.

Chapter 3 describes *the achievements made in 2006 and since the launch – first in general terms and then in a detailed format for each measure*. These include a brief description of each measure, the financial plan, the legal background, the main characteristics of the applications received, the monitoring indicators (where appropriate) and their status of implementation.

Chapter 4 describes *the status of financial realisation*.

Chapter 5 addresses *program management* issues and describes the operation of the Monitoring Committee, the consistency with the principle of partnership during the planning and prior implementation of the program, the state of development of the related information system, as well as the problems encountered during implementation and the measures taken for eliminating them.

Finally, **Chapter 6** addresses consistency with the Community policies and other horizontal issues concerning the NRDP.

1 INTRODUCTION

The National Rural Development Plan (NRDP) of Hungary refers to the three-year period from 2004 to 2006. The plan documentation was **adopted by the European Commission on 26 August 2004** and its implementation could be started only afterwards. Thus the results of the incomplete first year were not too outstanding: the time available was sufficient for the establishment of legislation and the organizational background, moreover the announcement of the calls for application, acceptance of applications and - in some cases - making the first decisions on support.

The NRDP consists of four rural development measures defined by Council Regulation (EC) No 1257/99 and financed from the Guarantee Section of EAGGF (agri-environment, early retirement, afforestation and compensatory support for less favoured areas and areas with environmental risks) and the **specific “transitional measures” for the new Member States**. The latter include support for the establishment of producer groups, support for semi-subsistence farms (i.e., farms marketing a proportion of their output) undergoing restructuring, meeting standards and technical assistance. The complex rural development will be implemented as joint strategies and measures identified in a variety of development documents in accordance with each other (i.e., National Development Plan and the operational programs thereof, in particular the Agricultural and Rural Development Operational Program (ARDOP)).

The NRDP – together with the Agricultural and Rural Development Operational Program (ARDOP) financed from the Guidance Section of the EAGGF – form the framework of integrated rural development measures. The individual rural development programs take account of the fact that currently, rural populations are compelled to face a variety of problems (i.e., social, economic and environmental problems). The objective of the ARDOP measures is to improve the rate of employment, the opportunities for revenue-making, the living conditions and, partly, the availability of infrastructure. The LEADER+ measure promotes these processes by mobilising the local communities and internal resources and therefore affects social aspects as well. **On the other hand, the measures of the NRDP primarily address environmental challenges and contribute to the mitigation of the economic and social difficulties resulting from the restructuring.**

Support under the NRDP - similarly to direct payments also financed from the Guarantee Fund – are normative type support: the same amount of compensation for loss of income is provided each year for a defined period of time (5 years) provided certain undertakings (e.g., the system of conditions for environmental management) are met.

Certain measures of the NRDP can be found also in the New Hungary Rural Development Programme for 2007 to 2013, thus facilitating the transition to the new programming period.

2. CHANGES IN THE ECONOMIC AND POLICY CONDITIONS

2.1.SOCIO-ECONOMIC TENDENCIES

2.1.1. External coherence

The growth of the European Union has continued in 2007, although signs of slowing down have appeared. The growth has been undisturbed in the first half of the year, but then, due to the crisis rooted on the financial markets of the United States some decrease of the speed has occurred. Up to now, the impacts of the crisis have been less significant in European countries than expected.

The decrease of the growth was accompanied by the fall of investment development. The most obvious setback was experienced in the external trade.

The continuing growth will presumably result further workplace creation.

During the past two years the firm recovery of the economy was followed by the strengthening of the public finance (within the EU-27 the negative balance of the government sector reached an average of 1%). Hence, this positive tendency is not expected to last in 2008 and 2009.

The consumer price index has changed according to the price stability criterion set by the European Central Bank (i.e. risen by 2%).

The arguable motives of the food price boom are the biofuel production, the speculative market activities and the changing consumption habits of the Asian markets. These global aspects complemented by the competitive edge of the surrounding countries and the drastically rising fodder prices leave a remarkable touch on the Hungarian agriculture and food market. Therefore the support provided by the NRDP has advantageous effects on producers of the primary sector as well.

The Hungarian agricultural external trade has managed to pull through the changed global conditions so far. On the contrary, the increasing demand with high prices ensures new possibilities in certain regions. Whereas the internal processes – although in a more suppressed way – clearly reflect the price rise. Unacceptable increase of food prices is not probable in Hungary, because the food products processed with high added value may be able to compensate it. Not so, as those producing unprocessed or semi-processed food products (e.g. flour, sugar). In their case the influence of the global price rise is more significant.

Table 1 – Major economic indices of the European Union (EU-27)

	2005	2006	2007	2008*
<i>GDP and its main components (percentage change, year/year)</i>				
GDP	1,9	3,0	2,9	2,4
Final consumption	1,8	2,1	2,0	2,3
Gross accumulation of fixed assets	3,2	6,0	5,5	3,5
Domestic demand	2,0	3,0	2,8	2,6
Export	5,7	8,9	4,7	5,8
Import	6,1	8,9	4,4	6,1
<i>Labour market (data relating to 15 to 64 years old age group)</i>				
Employment rate	63,5	64,5		
<i>General economic indices</i>				
Workforce-productivity (EU15=100)	87,6	87,9		
Labour force cost (PPS)	20,35			
Consumer price index (2005=100)	2,2	2,3	2,2	
Balance of government sector in the percentage of GDP	2,4	1,6		
Debt of government sector in the percentage of GDP	62,7	61,4		

*Forecast

Source: EUROSTAT.

2.1.2. Internal processes

In 2007, despite the relatively favourable external environment, the increase of the Hungarian economy has considerably slowed down. The main reason of it was the consolidation of the government sector, the result of which was the decrease of the public finance deficit. The consolidation has been followed by the rise of prices. The consumer price index has almost been doubled compared to the previous year.

The increase was supported mainly by the expansion of export. The investments generally remained unchanged, while the consumption-type expenditures were less as those of last year.

The situation has not changed as regards of the labour force market during the year.

Table 2 – General socio-economic indices of Hungary

	2005	2006	2007	2008*
<i>GDP and its main components (percentage changes, year/year) (EUROSTAT)</i>				
GDP	4,1	3,9	1,3	2,6
Final consumption	3,1	2,6	-2,2	-0,2
Gross accumulation of fixed assets	5,3	-2,8	1	4,8
Domestic demand	1,3	1	-0,3	0,9
Export	11,5	18,9	14,2	10,5
Import	6,8	14,5	12,2	8,7
<i>Labour market (data relating to 15 to 64 years old age group) (HCSO)</i>				
Activity rate	61,4	62	61,9	
Employment rate	56,9	57,3	57,3	
Unemployment rate	7,2	7,5	7,4	
<i>General economic indices (EUROSTAT)</i>				
Workforce-productivity (EU15=100)	54,8	55,8		
Labour force cost (PPS)	6,14	6,34		
Consumer price index (year/year)	3,5	4	7,9	
Balance of government sector in the percentage of GDP	7,8	9,2	5,4**	4,4
Debt of government sector in the percentage of GDP	61,6	65,6	66,1**	66,3

*Forecast

**Estimation

Economic growth

Calculating at constant prices, in 2007 the gross domestic product (GDP) increased by 1.3% compared to the previous year, which not only significantly falls behind the growth of the countries in Central and Eastern Europe, but also reaches one-third of the previous rate of increase. The tendency has been experienced mainly in the first half of the year. In the second half the economy has slightly smartened.

The domestic demand has decreased, in particular due to the fall in the consumption (both private and community), the increase is supported by the export.

There is some reason for confidence, since the decline of investments has stopped, but the share of the investments among the different sectors shows a very heterogenous picture. The great decline of government orders led to drastic fall e. g. in the building industry, that even the community supports could not counterweight. Whereas within the sectors based on processing for export a remarkable acceleration was achieved.

The slowing down of external boom is signalled by the decrease of export intensity. This tendency is bound to continue in 2008 as well and the domestic demand would not be able to compensate.

Labour market

The 15 to 64 years old age group of the economically active population has decreased by 13000 capita (0.3%), that consist of the decrease of employed persons by 9000 (0.2%) and that of unemployed persons by 4000 (1.5%). Parallel to that the number of inactive persons and the concerned age group has also decreased slightly (by 2000 and 15000, respectively). This phenomenon can explain why the indices of the labour market remained practically unchanged.

The presence of the 15-24 year old age group in the job market was 26.8% in 2005. The absence of young people can still mainly be explained by the lengthened period of education and training. While the employment ratio of young people showed a decreasing tendency in previous years, stagnation was characteristic to 2006.

The regional disproportions of labour market are still significant. While the employment ratio was 56.2% and the unemployment ration was 5.1% in Central Hungary, which is in the most favourable situation, employment is more than 10 percentile lower and unemployment is more than twice as high in Northern Hungary, where the indices are the worst.

Demand for workforce exceeded that of last year by 4.5% in the first quarter of 2006 at the level of national economy, it fall behind last year's figures by 0.5% and 1.5% in the second and third quarters, respectively, and in the fourth quarter it again significantly exceeded that - by 15.6%. The demand for workforce which developed at the enterprises played the main role in the increase in the growing number of vacant positions of the national economy compared to 2005.

Figure 1 – Employment and unemployment rate of 15 to 64 years old age group in the European Union in the 2nd quarter of 2007

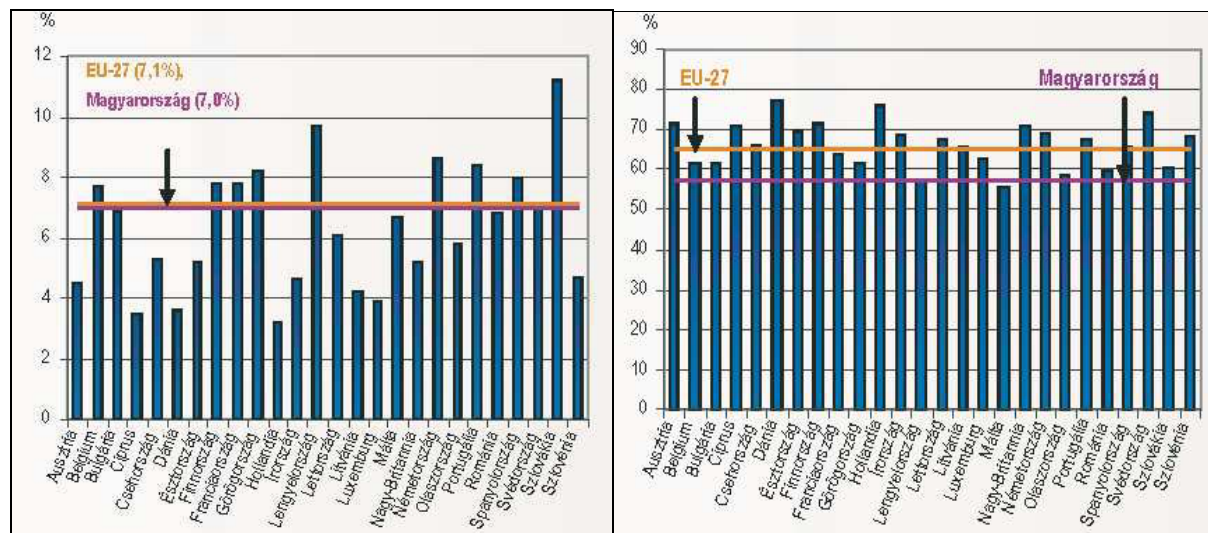


Table 3 – Main labour market indices by category in 2007 and their changes regarding 2006

Total	Employed persons	Unemployed	Economically active population	Inactive population	Population	Rate of activity	Rate of unemployment	Rate of employment
	1000 capita	1000 capita	1000 capita	1000 capita	1000 capita	%	%	%
2006	3 906,0	316,5	4 222,5	2593,3	6 815,8	62,0	7,5	57,3
2007	3 897,0	311,7	4 208,7	2591,0	6 799,7	61,9	7,4	57,3
Change %	-0,2	-1,5	-0,3	-0,1	-0,2	-	-	-
Male								
2006	2 122,1	164,4	2 286,5	1041,6	3 328,1	68,7	7,2	63,8
2007	2 125,5	164,0	2 289,5	1029,4	3 318,9	69,0	7,2	64,0
Change %	0,2	-0,2	0,1	-1,2	-0,3	-	-	-
Female								
2006	1 783,9	152,1	1 936,0	1551,7	3 487,7	55,5	7,9	51,1
2007	1 771,5	147,7	1 919,2	1561,6	3 480,8	55,1	7,7	50,9
Change %	-0,7	-2,9	-0,9	0,6	-0,2	-	-	-

Source: HCSO

The existence of the 15 to 24 years old age group in the labour market has further declined to 25.6%. The non-attendance of young people can be explained mainly by the elongation of education. The time spent on learning and the period of labour market transition becomes longer while the regular employment beside school is still not typical.

As for the older, 55 to 64 years old age group – cutting off the tendency of the previous years – the employment characteristics have not improved in 2007. The decrease of employed persons' number with 0.9% (meaning the same time the decrease of rate of employment by 0.5%) was accompanied by the growth of number of unemployed persons with 7.2% (increasing the unemployment rate by 0.3%). The latter is generally connected to the reforms aiming to change the national pension system.

Table 4 – Main labour market indices by age groups in 2007 and their changes regarding 2006 (15 to 64 years old)

Total	Employed persons	Unemployed	Economically active population	Inactive population	Population	Rate of activity	Rate of unemployment	Rate of employment
	1000 capita	1000 capita	1000 capita	1000 capita	1000 capita	%	%	%
15-24	261,6	57,6	319,2	927,0	1 246,2	25,6	18,0	21,0
25-54	3 232,5	236,3	3 468,8	866,6	4 335,4	80,0	6,8	74,6
55-64	402,9	17,8	420,7	797,4	1 218,1	34,5	4,2	33,1
15-64	3 897,0	311,7	4 208,7	2 591,0	6 799,7	61,9	7,4	57,3
Change (%)								
15-24	-3,6	-10,1	-4,9	0,9	-0,6			
25-54	0,1	0,2	0,1	-2,3	-0,3			
55-64	-0,9	7,2	-0,6	1,2	0,6			
15-64	-0,2	-1,5	-0,3	-0,1	-0,2			

Source: HCSO

Although the level of employment stagnated on a national level, the relative employment situation within regions has altered. The territorial inequalities within the labour force market are still remarkable. The employment rate within the 15 to 64 years old age group increased most dynamically in Central Hungary. In 2007 this increase has come to a halt. Although the employment rate has grown slightly in the Central and Western Transdanubian region, in Northern Hungary and in the Southern Great Plain, the rate nowhere exceeded 1%. The Western Transdanubian region has retained its leading role, as the region with the most favourable position regarding employment issues. This region falls behind by only 2% from the average of the EU (65.4%). In the field of employment unfavourable changes occurred in the Southern Transdanubian region, where the rate of employment has declined by more than 2%, to 51.2%. Thus the Southern Transdanubian region has joined to the poorer Northern Hungary and Northern Great Plain regions.

Table 5 – Number of persons belonging to certain activity category and the main labour force market indices by regions in 2007

Region	Employed persons	Unemployed	Economically active population	Inactive population	Population	Rate of activity	Rate of unemployment	Rate of employment
Central Hungary	1 233,6	61,9	1 295,5	671,7	1 967,2	65,9	4,8	62,7
Middle Transdanubia	464,1	24,6	488,7	261,8	750,5	65,1	5,0	61,8
Western Transdanubia	432,1	22,9	455,0	226,1	681,1	66,8	5,0	63,4
Southern Transdanubia	333,7	37,2	370,9	280,4	651,3	56,9	10,0	51,2
Northern Hungary	422,5	59,4	481,9	349,6	831,5	58,0	12,3	50,8
Northern Great Plain	517,6	63,1	580,7	443,6	1 024,3	56,7	10,9	50,5
Southern Great Plain	493,4	42,6	536,0	357,8	893,8	60,0	7,9	55,2
total	3 897,0	311,7	4 208,7	2 591,0	6 799,7	61,9	7,4	57,3

Source: HCSO

One of the explanations for the very adverse Hungarian employment rate is the extremely poor employment opportunities of those with low level of education. Among the 15 to 64 years old age group with elementary education only 27.3% is considered as employed in 2007. Four Member States renders lower rates, while the EU-27 average is 48.3%. 64.8% of the same age group with secondary level education was employed in 2007 that lags behind by 6% of the EU-27 average. As regards of those with higher education the difference is even smaller – but shows a small increase compared to the last few years. (The Member States are generally more homogenous regarding the employment rate of the population with higher education)

Prices and wages

The consumer price level accelerated considerably in the year. The reasons of it are the increase of regulated prices and the arriving external impacts. The most significant increase has been experienced in the field of globally rising food prices.

The wages of the private sector has increased in an average of 10%, caused mainly by the measures aiming the whitening of the economy. Meanwhile the wages in the public sector have not risen.

Public finance

As a result of the fiscal consolidation the balance of the government sector improved notably, but the annual debt related to the GDP is still higher than the Eurozone criterion (i.e. 3%). Despite the improvement of the balance the debt of the government sector has increased.

The role of agriculture in the national economy

The Hungarian agriculture is one determining sector of the national economy. The unique natural and geographic features, climatic conditions and the rich soils provide the ability of reaching outstanding yields both in quality and quantity. These factors ensured the creation of a well-established agriculture within the past millennium.

Besides the favourable geographic conditions the well-educated workforce, the affection of the population towards agricultural activities, the high quality research and educational background and the implementing system of institutions provide further advantages. Due to these factors the Hungarian agriculture is traditionally export-oriented.

During the one and a half decade following the transition the Hungarian social changes and the restructuring of the international markets has resulted the alteration of the proportion of agricultural economy within the domestic economy. In the year of the transition (in 1989) agriculture produced 13.7% of the GDP, employed 17.4% of the total work force and resulted 22.8% of the export incomes. Whereas the weight of the agricultural economy has significantly declined by the first years of the new millennium. Recently its share of the GDP is set around 3.7 to 4%. When measuring the role of the agriculture it must be emphasised that the 3.7% of 2006 reflects only the production of agricultural basic commodities. The tendency can be observed in Hungary as well that the weight has gradually shifted from the basic commodity production to the wider range of agricultural economy (agri-business), i.e. the phases preceding and following the production. According to the calculations the proportion of agri-business is around 12 to 13% of the Hungarian GDP.

Today the agriculture creates approximately 4% of the GDP. In an international comparison this ratio is more or less similar to that of countries with similar natural conditions and level of economic development. In Poland and Slovakia the share of agriculture is also around 4 to 4.5%. In the Czech Republic and Slovenia this figure is a bit lower (between 2 and 3%).

The added value of agriculture after the extraordinarily high yield of 2004 has decreased year by year. In 2007 it was 13% lower than in the previous year, although exceeded the level of 2003, the year before the highest yield. The agricultural production distressed by the draught – in spite of its relatively small weight within the national economy – contributed to the slowing of the economic growth in 2007. Considering the whole output of the sector, the crop production, the animal husbandry and the agricultural services and non-detachable secondary activities represent 57, 34 and 9 percent respectively.

Although the share of the food economy in the total national export shows a decreasing tendency on the basis of the data collected by HCSO, the income from the export of agricultural and food industry products has had a steady increase since 2000, in 2007 it reached 1 208.6 billion HUF. The positive trade balance of agricultural and food industry products increased again after the drop in 2005. In 2007 the surplus was 401.7 billion HUF.

Table 6 – Weight of agriculture

Weight of agriculture in national economy					
	2000.	2004.	2005.	2006.	2007.
Share of agriculture from GDP	5,4	4,8	4,3	4,3	4,0
Share of food industry from total exports of national economy.	8,0	6,9	6,6	6,3	7,0
Income from export of agricultural and food industry products (billion HUF)	637,0	778,9	825,4	966,2	1 208,6
Value of import of agricultural and food industry products (billion HUF)	286,7	503,1	597,6	701,6	806,9
Export surplus of foreign trade of agricultural and food industry products (billion HUF)	350,4	275,8	227,9	264,5	401,7
Employees in the agriculture, in the forestry and fishery sector (thousand persons)	255,5	204,9	194,0	190,7	182,9
Employees in the national economy (thousand persons)	3 856,2	3 900,4	3 901,5	3 930,1	3 926,2

Source: HCSO

Hungarian food industry is 16th as regards its output compared to the Union, the sector is more concentrated than the average of the EU-25. It steadily exports nearly one quarter of its products, at least half of it goes to an EU member state, however, the positive balance of the products steadily decreased in the past years.

Crop production

The total territory of Hungary is 9.3 million hectares, out of which nearly 70% cultivation area (in 2000: 86.3%). The country's agricultural territory is 5.8 million hectares (in 2000: 6.2 million hectare), which is incomparably high in Europe as regards of its ratio. 77% of this is arable land, 18% is grass, while vegetable gardens, orchards and vineries make up altogether 5%, these ratios mainly stayed unchanged.

The importance of crop production has strengthened in the past decade. Almost three quarters of the business organisations deal only with crop production, such as 47% of the private farms. No notable change has occurred in the structure of the crop production. The crop structure is basically based on cereals (wheat, winter and spring barley, triticale, oat, rye, maize). During the previous decade the degrading natural forces has not spared the Hungarian agriculture. Series of draughts, floods and inland inundations, hailstorms and spring frosts caused significant backsliding in the production and damages measured in billion HUF. An exception were the years 2004 and 2005 when the weather was extremely favourable for cereal production.

In 2004 an all-time record of 16.8 million tons of cereals has been harvested. The yield of the following year was almost as high and the 14.5 million tons of 2006 was way above the average as well. Due to the exceptionally hard draught only 9.6 million tons (two third of the previous year) has been harvested in 2007, out of which the maize reached only 4.0 million tons (less than half of the year before). The decrease was escalated by the severe frostbite concerning the fruit orchards. The total production has been less than half of the previous year. In Szabolcs-Szatmár County 70 to 90% of the properly developed apple and apricot has been damaged during the 4 freezing nights in the end of April and beginning of May.

Table 7 – Cereal production

Cereal production					
	2000	2004	2005	2006	2007
Harvested area of cereals (1000 ha)	2763	3002	2934	2838	2780
Harvested yield of cereals (1000 ton)	10036	16779	16212	14467	9628

Animal husbandry

The decreasing tendency of the previous years is still characteristic in animal husbandry. The amount of livestock has constantly declined in the last years, the reasons of which are the restructuring following the transition, the change of market conditions and the competitiveness issues.

The number of cattle has not fallen in 2007, although it was 5% less than in December 2003. Within the cattle stock a slight movement can be noticed towards the beef animals. The number of porks has decreased by 3% in 2007, altogether by one fifth in 4 years. Considering the low level of the domestic stock, the slaughterhouses acquired part of the raw material from external markets. The import of living pork and also porkmeat has been increasing since the EU accession.

Within the poultry sector similar decrease could be experienced. The number of the different species changed in a diverse way.

The production of fat stock and animal products also tend to decrease between 2003 and 2006. In 2007 it has slightly risen or stagnated. The fall in the number of cows was partly compensated by the increase of milk production. At the same time the decline in the number of poultry was not accompanied by the increase of egg production.

Table 8 - Livestock

Livestock							
					Degree of change (2004. = 100%)		
	2004.	2005.	2006.	2007.	2005.	2006.	2007.
	Livestock on 1 December (thousand animals)						
cattle	723	708	702	705	97,9	97,1	97,5
out of this: cow	345	334	322	323	96,8	93,3	93,6
pork	4 059	3 853	3 987	3860	94,9	98,2	95,1
out of this: sow	296	277	290	260	93,6	98,0	87,8
sheep	1 397	1 405	1 298	1231	100,6	92,9	88,1
out of this: ewe	1 088	1 082	1 030	981	99,4	94,7	90,2
poultry	32 814	31 902	30 303	29877	97,2	92,3	91,0

Agricultural prices

The gradual increase is characteristic to the producer prices of agricultural products. With the exception of fodder prices that increased heavily in the past year, it can be mentioned at the same time that the purchase prices of artificial fertilisers and agricultural machines, furthermore the investment costs of agricultural buildings also show a falling tendency.

Table 9 – Agricultural price indexes

Price indexes				
	2004.	2005.	2006.	2007
Producer price of agricultural products	94,6	100,7	110,6	122,2
Producer prices of arable and horticultural products	86,2	99,4	118,0	140,5
Producer prices of animal products	103,9	101,8	104,0	112,3
Price level of agricultural expenditures	108,0	100,0	105,7	114,2
Price level of fodders	111,9	87,3	104,7	133,4
Price of fertilizers	105,0	103,6	114,6	111,2
Price of pesticides	102,5	105,2	100,5	102,8
Initial cost of agricultural machinery	105,8	102,5	106,1	103,0
Investment costs of buildings of agricultural purposes	106,5	103,4	107,2	105,8

Weather conditions

2007 has been the hottest year of the past 100 years in Hungary. The mean annual temperature was 1.7 degree higher than the average of 1971 to 2000. The national mean annual temperature was 11.75 degree Celsius that exceeds the 30 years average between 1971 and 2000 by 1.7 degree.

Besides the unusually warm weather the late spring frosts caused considerable damages. In Szabolcs-Szatmár County 70 to 90% of the properly developed apple and apricot has been damaged during the 4 freezing nights in the end of April and beginning of May.

The most characteristic feature of the weather has been changeability in recent years. In the last year an average of 611 millimetres precipitation has fallen, that is 8% higher than the multi-annual average. The regional distribution of the precipitation correlated to the average. The areas receiving the most precipitation, i.e. the Southwestern Transdanubian and the mountainous regions got two and a half times as much precipitation as the middle of the Great Plain.

As regards of sunshine, in 2007, the amount of yearly sunshine hours was 2 198. With the exception of September, October and December the number of sunny hours significantly exceeded the many-year average. The month with the most sunshine was July in 2007. The duration of sunshine has reached its maximum in the Southern Great Plain and in Baranya county, while the minimum was measured in the Alpokalja and the Northeastern part of the country. The most sunny regions were found in Middle Transdanubia and the Southeastern parts of Hungary, the lowest level was detected in the Southern areas.

Environmental protection

Water quality

The quality of our waters is threatened by – although not solely – the nitrate pollution of agricultural origin and the emission of ammonia. As regards the nitrate pollution of the waters it can be seen that the nitrate content in subsurface and surface waters have decreased significantly in the past decade. This figure compared to the average of 1992 to 1994 shows 22.5% decline. The nitrogen surplus influences greatly the nutrient balance of the water. This surplus is – with extended annual fluctuation – is 20 kg/hectare (the average of 2002 to 2004).

The environmentally critical, nitrate-sensitive areas in Hungary total 4,337,500 ha, including 2,788,800 ha in agricultural use. Organizations and self-employed farmers cultivating nitrate-sensitive lands number 450,700. According to the General Agricultural Census (2000) data by the Hungarian Central Statistical Office, the farmers breeding livestock in nitrate-sensitive lands number 320,700. From the point of view of protecting water supplies, the greatest problems are presented by the liquid manure and waste water discharges of large, industrialized livestock farms raising pigs, cattle, and poultry.

The implementation of the Nitrate directive

Hungary's Government Decree 27/2006 (7 February) lists nitrate-sensitive areas specifying the settlements (1779 settlements) and makes reference to "Good Agricultural Practices" whereby farmers will be able to meet the criteria articulated in Directive 91/676/EC, known as the Nitrate Directive. The rules of these "Good Agricultural Practices" are set forth in Annex I to Government Decree 49/2001 (3 April) as amended by Section 14 paragraph (2) of the Government Decree 27/2006 (7 February). The action programme includes the pursuit and enforcement of "Good Agricultural Practices," with aid and funding allocated for this purpose in the National Rural Development Plan and under the ARDOP. The analysis of the sensibility and the nitrate concentration of waters led to the designation of nitrate-sensitive areas and the compilation of an Action Programme for the period 2002-2012. The nitrate-sensitive areas with respect to underground water supplies were designated, on the basis of sensitivity categories established by Government Decree 219/2004 (21 July) "on the protection of the underground water supplies." In respect of surface waters, the "highly nitrate-sensitive" designation was reserved for areas subject to Government Decree 240/2000 (23 December) "on the designation of surface waters and their catchment areas that are sensitive to settlement waste water treatment." (watershed areas of larger lakes and watershed areas of drinking water reservoirs.) The action programmes are divided into four-year phases by enabling revision every four years based on data reported regularly by farmers and on the findings of periodic site inspections.

The nitrate pollution of underground water supplies from agriculture is primarily associated with large, industrialized stock farms, with large stocks, notably those using liquid manure methods. (According to a survey conducted in 1996-1998, Hungary produced some 11 million m³ of liquid manure annually, requiring approximately 80,000 ha of farmland to be spread on. Nitrate-sensitive areas generate 3.4 million m³ of farmyard manure annually.) Harmful nitrate discharge in this country comes partly from inadequate manure storage methods at livestock farms as noted above and partly from the disposal of untreated sewage from settlements, neighbourhoods, and buildings without drain canals. The "Nitrate Directive" of the EU (Directive No. 91/676/EEC) had to specifically provide for the highly intensive livestock raising schemes.

Air quality

Air pollution caused by agricultural activities in Hungary is in line with the EU average. With the application of appropriate level environmental measures (afforestation, agro-environmental measures, grassland development) the commitments made under the Kyoto Convention in order to moderate the effects of climate change can be realised. In addition to an expansion of renewable energy sources (biomass), the afforestation of agricultural land is crucial in the reduction of carbon-dioxide (CO₂) and among gases causing acidification, the nitrate (NO₃) emissions. Among the greenhouse gases emitted by agriculture, game management and forestry, the emission of carbon-dioxide (CO₂) is 5502.2 thousand tons, which is 9.8% of Hungary's total emission (in 2004), and the methane (CH₄) emission is 331.1 thousand tons (52.5 of total emissions). Concerning with gases causing acidification in 2004 the agriculture responsible for the emission of 3366,3 tons sulphur-dioxide (SO₂) (1,7% of the total emission), 4349,1 tons nitrogen-oxides (NO_x) (2,4%), and 96251,5 tons ammonia (NH₃) (98,62%).

Significant efforts to reduce air pollution have been already made in the past, accounting for more than a quarter of all agricultural investments aimed at protecting the environment. Since 2000 the reduction of the agricultural sector's carbon dioxide and methane emissions is 11.3% and 1.0% respectively, while among gases causing acidification the emission of sulphur-dioxide was reduced by 37.6%, nitrogen-oxides by 7.5% and the reduction of ammonia emission amounted to 2.0%. The national initiatives primarily focus on the reduction of air pollution from the processing industry, transport and energy production, thus agriculture only has a 3.6% percent share of the funds allocated to the protection of air quality. Reducing ammonia, nitrous oxide and methane emissions originating in the inadequate storage and use of manure and dung, is therefore still an objective, and can be handled efficiently under Axis I.

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

Climate change

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

Besides the reduction in the emissions of greenhouse gases to the atmosphere and the increase of its absorption, preparation for the adaptation to the changed weather and climatic conditions is also indispensable, which means the forecast of the foreseeable changes as well as the prevention and preparation for the mitigation of caused damages and the elaboration of the opportunities of restoration. The preparation for and the adaptation to the climate change also provides facilities for further improvements of favourable processes. The transformation of the energy use may not only reduce the emission of greenhouse gases but also entails significant savings. The replacement of fossil fuels with renewable energy resources provides opportunities for new technological investments. The introduction of the trade system of CO₂ emission promotes basically the effective reduction of emissions. By means of the synergistic connections, further reduction in the emission can be achieved and the development – based on local resources – may enhance. Hungary intends to reduce its greenhouse emissions until 2015 by 15%, of which agriculture will take its share proportionally by 10-12%. Besides mitigating the emissions, basic tasks of agriculture and forestry are soil management (which

has a considerable water storing and CO₂ absorption capacity) taking into consideration the changed climatic conditions as well as establishing „double function” water management systems (excess surface water-drought), increasing the ratio of plant production for energy purposes and the afforestation, which includes the development of native forest communities on abandoned agricultural lands and the spread of forest management systems ensuring permanent forest cover.

The production and utilization of biomass help reduce fallow acreage and provide farmers with alternative income. Production focused on renewable resources and the use of biomass for energetic purposes may be instrumental in fighting climatic changes as well. The ongoing developments in Hungary in this area have been harmonized with EU objectives in the exploitation of biomass for energy purposes (Biomass Action Plan, EU Strategy for Biofuels, EC Directive 77/2001 on support of green electricity originated from renewable energy sources, EC Directive 30/2003 on support of bio-fuels for transportation purposes).

In accordance with the latter EU directive, member states should increase the share of bio-fuels to 5.75% by 2010.

Hungary has a good potential for biomass production, owing in part to the country's outstanding natural conditions and in part to the centuries-old traditions of agricultural production. The country's annual biomass energy potential is nearly 60 petajoule. Renewable energy sources provide only 5.3% of the country's energy needs according to data of 2005. Considerations of environmental security and sustainable regional systems have increasingly urged the identification and preferred application of renewable sources. The criteria of environmental protection, over and above the energy conservation aspects, demand the increase of ratio of renewable energy sources.

At present bio-fuels have a share of 0.4% in the total fuel consumption in Hungary, about a tenth of the EU figure. In order to achieve the objectives set in Government decree 2058/2006. (III.27.) the implementation of coordinated measures and actions is needed. The country has only a minimum processing capacity for the generation of renewable energy. Only 8-10% of the total biomass produced is used for energy purposes. The construction of a decentralized energy structure relying heavily on biomass utilization may make a vital contribution to reducing Hungary's unhealthy dependence on energy imports, which supply over 70% of the country's energy needs.

Rural areas

A significant ratio of the rural areas is rich in natural and cultural values, traditions and has varied cultural and man-built heritages. Nevertheless, during the past fifteen years, the disparity between the developed, dynamic regions, cities and the rural areas has grown despite the endeavours of the regional and rural development policies. The economy is underdeveloped, employment possibilities are hard to find, the infrastructure is insufficient, and differences are palpable in other fields as well. It is also obvious that rural areas are also more and more differentiated; micro-regions the socio-economic situation of which is getting more difficult can be inevitably identified.

Table 10 – Population migration

Migration balance in rural and non-rural areas (2000, 2005)									
	Number of emigrations (permanet ang temporary altogether)	Number of immigrations (permanet ang temporary altogether)	Migration balance for 1000 capita*	Number of emigrations (permanet ang temporary altogether)	Number of immigrations (permanet ang temporary altogether)	Migration balance for 1000 capita*	Number of emigrations (permanet ang temporary altogether)	Number of immigrations (permanet ang temporary altogether)	Migration balance for 1000 capita*
	2000			2005			2006		
Rural areas	183 640	202 573	4,07	212 671	208 651	-0,87	248 289	242 005	-1,32
Non rural areas	221 339	202 406	-3,38	220 479	224 501	0,72	240 906	247 190	1,17

Source: HCSO, TSTAR

*Calculation: immigration - emigration / popularion X 1000

Table 11 – Migration balance

Regional distribution of the migration balance (2000, 2005)										
	Number of emigrations (permanent and temporary altogether)	Number of immigrations (permanent and temporary altogether)	Migration balance for 1000 capita*	Number of emigrations (permanent and temporary altogether)	Number of immigrations (permanent and temporary altogether)	Migration balance for 1000 capita*	Number of emigrations (permanent and temporary altogether)	Number of immigrations (permanent and temporary altogether)	Migration balance for 1000 capita*	
Southern Great Plain	48842	48126	-0,52	52155	50845	-0,97	59773,	58034,	-1,28	
Southern Transdanubia	45154	44849	-0,31	49720	47923	-1,85	54675,	52394,	-2,32	
Northern Great Plain	58194	55930	-1,45	64795	60242	-2,97	73071,	66691,	-4,09	
Northern Hungary	55968	54566	-1,08	62492	58706	-3,00	68380,	62254,	-4,79	
Middle Transdanubia	49286	52810	3,14	52871	53622	0,68	60195,	61564,	1,22	
Central Hungary	110442	110173	-0,10	108833	118281	3,31	124833,	139369,	5,08	
Western Transdanubia	37093	38525	1,43	42287	43534	1,25	48268,	48889,	0,62	

Source: HCSO, TSTAR

*Calculation: immigration - emigration / population X 1000

Table 12 – Employment in regional division

Employment in regional division (2000, 2004)						
Region	Number of employed persons in agriculture (15 to 74 years age group)	Percentage of employed persons in agriculture (15 to 74 years age group)	Number of employed persons in industry (15 to 74 years age group)	Percentage of employed persons in industry (15 to 74 years age group)	Number of employed persons in service sector (15 to 74 years age group)	Percentage of employed persons in service sector (15 to 74 years age group)
2000						
Southern Great Plain	75 425	14,82	159 788	31,40	273 620	53,77
Southern Transdanubia	35 973	10,04	117 970	32,92	204 426	57,04
Northern Great Plain	44 090	8,66	171 748	33,75	293 023	57,58
Northern Hungary	22 752	5,30	164 388	38,27	242 387	56,43
Middle Transdanubia	30 019	6,73	192 535	43,13	223 803	50,14
Central Hungary	20 297	1,73	319 636	27,25	832 986	71,02
Western Transdanubia	26 927	6,24	177 940	41,26	226 432	52,50
Hungary	255 483	6,63	1 304 005	33,82	2 296 677	59,56
2005						
Southern Great Plain	50 283	10,31	160 271	32,85	277 286	56,84
Southern Transdanubia	28 311	8,01	114 849	32,48	210 464	59,52
Northern Great Plain	36 812	7,11	166 487	32,18	314 123	60,71
Northern Hungary	16 701	3,99	156 053	37,27	245 920	58,74
Middle Transdanubia	22 411	4,88	198 078	43,11	238 987	52,01
Central Hungary	16 671	1,35	301 745	24,36	920 501	74,30
Western Transdanubia	22 739	5,34	166 539	39,14	236 269	55,52
Hungary	193 928	4,97	1 264 022	32,40	2443 550	62,63
2006						
Southern Great Plain	46 998	9,57	155 267	31,63	288 601	58,79
Southern Transdanubia	27 389	7,79	117 502	33,44	206 514	58,77
Northern Great Plain	41 324	7,81	171 068	32,31	317 046	59,88
Northern Hungary	17 444	4,13	154 210	36,47	251 170	59,40
Middle Transdanubia	23 030	4,94	205 315	44,02	238 074	51,04
Central Hungary	14 107	1,14	296 021	23,85	930 968	75,01
Western Transdanubia	20 429	4,77	170 045	39,73	237 552	55,50
Hungary	190 721	4,85	1 269 428	32,30	2 469 925	62,85

Source: Workforce survey 2000, 2005, 2006

Table 13 – Economic activity in regional division

Economic activity in regional division (2000, 2004)			
Region	Economically active population (15 to 74 years age group)	Economically inactive population (15 to 74 years age group)	Percentage of employed persons among the economically active population
2000.			
Southern Great Plain	536 515	507 821	94,84
Southern Transdanubia	388 809	375 850	92,17
Northern Great Plain	560 395	605 908	90,80
Northern Hungary	477 509	504 917	89,95
Middle Transdanubia	469 047	385 024	95,16
Central Hungary	1 237 324	958 319	94,79
Western Transdanubia	450 297	321 676	95,78
Hungary	4 119 896	3 659 515	93,60
2005.			
Southern Great Plain	531 291	498 108	91,82
Southern Transdanubia	387 736	362 961	91,20
Northern Great Plain	569 004	589 550	90,93
Northern Hungary	468 387	492 007	89,39
Middle Transdanubia	490 388	366 176	93,70
Central Hungary	1 306 242	884 474	94,85
Western Transdanubia	452 306	323 841	94,08
Hungary	4 205 354	3 517 117	92,77
2006.			
Southern Great Plain	532 670	495 708	92,15
Southern Transdanubia	386 122	359 276	91,01
Northern Great Plain	594 575	562 722	89,04
Northern Hungary	475 110	479 588	88,99
Middle Transdanubia	496 446	357 891	93,95
Central Hungary	1 307 818	900 423	94,90
Western Transdanubia	454 084	319 325	94,26
Hungary	4 246 825	3 474 933	92,54

Source: Workforce survey 2000, 2005, 2006

Table 14 – Unemployment according to rurality

Munkanélküliség a vidéki és nem vidéki térségekben (2000, 2005)						
Area	Number of registered unemployed 2000 (capita)	Rate of unemployment (registered unemployed / 15 to 59 years old population) % 2000	Number of registered unemployed 2005 (capita)	Rate of unemployment (registered unemployed / 15 to 59 years old population) % 2005	Number of registered unemployed 2006 (capita)	Rate of unemployment (registered unemployed / 15 to 59 years old population) % 2006
Hungary	372 238	5,71	410 649	6,33	403 439	6,22
Rural areas	232 951	8,13	266 540	9,20	262 669	8,68
Non-rural areas	139 287	3,82	144 109	4,01	140 770	4,07

Table 15 – Regional indices of unemployment

Region	Number of registered unemployed 2000 (capita)	Rate of unemployment (registered unemployed / 15 to 59 years old population) % 2000	Number of registered unemployed 2005 (capita)	Rate of unemployment (registered unemployed / 15 to 59 years old population) % 2005	Number of registered unemployed 2006 (capita)	Rate of unemployment (registered unemployed / 15 to 59 years old population) % 2006
Southern Great Plain	55 304	6,33	62 562	7,24	61 988	7,20
Southern Transdanubia	44 618	6,98	56 128	8,89	54 942	8,73
Northern Great Plain	90 875	9,11	95 390	9,54	96 856	9,70
Northern Hungary	83 925	10,22	87 665	10,86	85 670	10,65
Middle Transdanubia	33 531	4,61	36 545	5,00	34 857	4,78
Central Hungary	41 055	2,27	40 580	2,24	40 908	2,26
Western Transdanubia	22 930	3,55	31 779	4,92	28 218	4,36
Hungary	372 238	5,71	410 649	6,33	61 988	7,20

Source: HCSO, TSTAR 2000, 2005

Table 16 – Regional indices of the Gross Domestic Product

Per capita Gross Domestic Product in regional division (2000, 2004)			
Region	Per capita Gross Domestic Product 2000 (1000 HUF)	Per capita Gross Domestic Product 2004 (1000 HUF)	Per capita Gross Domestic Product 2005 (1000 HUF)
Southern Great Plain	929	1 395	1 482
Southern Transdanubia	973	1 442	1 517
Northern Great Plain	827	1 323	1 391
Northern Hungary	840	1343	1 441
Middle Transdanubia	1271	1933	2 055
Central Hungary	2013	3210	3 568
Western Transdanubia	1486	2111	2 169

Source: HCSO, System of Statistical Data for Counties and Regions

The emigration from rural areas has significantly accelerated in the past decade. While the migration balance for 1000 inhabitants was 4.07 in rural areas in 2000 – meaning practically immigration – the same figure was -1.32 in 2006. The negative prefix shows that emigration occurred towards the non rural areas (6284 persons).

In regional division the migration balance is mostly in the negative range in the Northern Great Plain and in Northern Hungary, but also remarkable in the Southern Transdanubian region. When comparing the data of 2000 and 2006 it becomes obvious that the rate of emigration has risen with a great extent in the above-mentioned regions. The balance is in the positive range, mainly in Central Hungary, where a slight emigration was observed in 2000. Besides, moderate immigration is characteristic in the Western and Middle Transdanubian regions as well.

The sectorial division shows that the Southern Great Plain has exceptionally high – although decreasing – agricultural employment. The Southern Transdanubian and the Northern Great Plain can achieve similarly high figures, while the role of agriculture is definitely low in Central Hungary. The employment in the industry is the highest in the Middle Transdanubian region with more than 44%. Besides, it is above the average in Western Transdanubia and Northern Hungary, while the lowest is in Central Hungary which stands off with its 75% ratio in the service sector. By comparing the data of 2000 and 2005 it can be concluded that the proportions have not changed considerably.

As regards of the economic activity, the Northern Great Plain and Northern Hungary have the most disadvantages, since the ratio of the economically inactive population is high (around 50%). The Central Hungarian region is in the most favourable situation (the ratio is approximately 40%), followed by the Middle and Western Transdanubian region. Out of the economically active population the rate of employment shows favourable picture in the same regions as well.

The rate of unemployment is more than double than that of non rural areas. This ratio has remained unchanged since 2000, although the figures have slightly risen. In regional division it can be observed that the rate of unemployment is the highest in the otherwise lagging behind regions. Northern Hungary leads the statistics, while the Northern Great Plain and Southern Transdanubia provide high figures, too. The most favourable situation is in Central Hungary, the rate of unemployment is one fifth compared to that of Northern Hungary. The Western Transdanubian region enjoys a relatively good position as well.

The per capita Gross Domestic Product is the highest in Central Hungary. It is approximately two and a half times as much as in the Northern Great Plain, Northern Hungary and Southern Great Plain.

NATURA 2000 and the implementation of the Water Framework Directive

The proposed list of sites to be included in the Natura 2000 network is included in Government Decree 275/2004. (X.8.). The designated Natura 2000 areas occupy approximately 1.91 million hectares, which make up 20.5% of the territory of Hungary. On the Hungarian areas of the European ecological network 467 special protection areas, altogether 1.41 million hectares, and 55 special bird protection areas on 1.29 million hectares were designated. The degree of overlapping of the two types of areas is nearly 42%. The Nature 2000 network is partially built upon the already existing network of protected natural areas (37% of the designated areas), but so far unprotected areas have also been included. The list of Natura 2000 areas according to topographical numbers has been published in the Hungarian Official Journal in June 2005. A 90 days period has been opened for public remarks. The deadline has been several times extended, and the list has been finalised by 8th December 2006. The whole list has been announced in KvVM Ministerial Decree 45/2006. (XII.8.) on areas affected by natural conservation areas of Community importance. The lists proposed areas, both according to the Bird Protection Directive and the Habitats Directive, were submitted to the European Commission. In 2007 The DG Environment of the European

Commission technically approved the delineation. Hence in Hungary the “designated Natura 2000 areas” have been transformed into “approved Natura 2000 areas”. The integration of Natura 2000 areas into the Land Parcel Identification System (MEPAR) has already started which can provide the basis of the eligible agricultural support claims.

The objective of the Water Framework Directive 2000/60/EC of the European Parliament and of the Council is to prevent the deterioration in the status of waters and to achieve good status of waters throughout the Community by 2015. The whole area of Hungary belongs to the Danube catchment district. The connected developments affect four sub-basins (Rivers Danube, Tisza, Dráva and Lake Balaton) and their 42 sub-units. As a result of the public negotiations implemented according to the Water Framework Directive the schedule and working programme of the water catchment management plan has altered. Therefore instead of the previously set 17 sub-units 42 has been designated where water catchment management plans would be completed. Both the agri-environmental and the Natura 2000 measures to be introduced include stipulations the observation of which ensures the good water status in the above-mentioned river basins. With the aim of law harmonisation, 2 acts were amended (Act LVII. of 1995 on water-management and Act LIII. of 1995 on environment protection), furthermore, three governmental decrees were approved in June 2004 on the protection of subsurface waters, on the rules of protection of the quality of surface waters and on the rules of catchment area management.

According to Art. 5 of the Directive, the report containing the specialities of the parts in Hungary of the Danube catchment area, the environmental effects of human activities and an economical study on water utilisation was submitted to the European Commission on the 22nd March 2005. Also in 2005, the delineation and specification of natural bodies of water and the preliminary delineation of artificial bodies of water were completed. The first specification of under-surface water bodies and the review of the environmental impacts of human activity were completed.

According to Art. 8 of the Directive, the report on the monitoring programmes implemented on the surface and under-surface waters of the Danube catchment district in the area of Hungary was submitted to the European Commission in March 2007.

2.1.3. Changes in the national, regional and sectoral policies

In 2007 no changes have occurred in the implementation of the National Development Plan. on either national, regional or sectoral policy level.

The New Hungary Development Plan has been ceremoniously signed by the European Commission and the government of Hungary in 8th May 2007 in Hof, Germany. The approval of the Operational Programmes has been executed between the end of July and beginning of September 2007. The planning documents for the period 2007 to 2013 have no influence on the implementation of the programmes for 2004 to 2006.

The national, regional and sectoral policies have not induced changes in the use of supports. Nevertheless, few areas can be mentioned where the natural and sectoral policy specialities demanded for adjustment.

1. Natural disasters (frost, draught) in 2007 and the system of risk management

Since the insurances available on the market do not provide sufficient protection against losses caused by the adverse weather, and certain events (e.g draught) cannot be insured, a new agricultural damage mitigation system has been introduced. The legal background was established by the Act LXXXVIII of 2006. Those agricultural producers joining the system by

a contract have to pay annual contribution that gets into the damage mitigation fund and the state adds up at least the same amount of support. The payments alleviating the damages caused by natural forces are made by this fund.

During the spring of 2007 extra governmental intervention became necessary due to the severe frosts in the Eastern part of Hungary. The 5 billion HUF provided by the government made possible that the producers involved could receive more than 40% of compensation, the 90% of which (5.4 billion HUF) has been granted as advance payment in 2007.

As regards of the approximately 1600 hectares damaged within residential areas 61 million HUF 'de minimis' support has been paid. The cultivators of orchards suffered 100% loss have also received 'de minimis' support, altogether 750 million HUF. These measures were able to ease the severe situation evolved in the fruit and vegetable sector.

However the producers suffer from draught were compensated by the money collected in the damage mitigation fund (with 1.1 billion HUF), this amount covered only 6% of the total damage in 2007.

2. Measures alleviating the situation of animal husbandry in 2007

The surplus expenditures regarding measures facilitating compliance with animal welfare standards can again be supported. The subsidy methods approved by the European Commission (MARD decrees 139/2007 and 140/2007) were introduced in 1st December 2007. The legislation provides possibility for granting the poultry and the pork sectors with 4 billion and 6 billion HUF respectively.

New support system has been launched for the decrease of animal health expenditures, and assumption of costs for certain animal health measures (MARD decree 53/2007 (VII.2.)). The change of the implementation and the widening of the involved diseases created the basis for the MARD decree 148/2007 (IX.4.). This regulation includes the product boards during the implementation.

Also the decrease of the animal health expenditures is aimed by the MARD decree 46/1999 (V.19.). This regulation has made the animal health fees connected to stowage both for porks and poultry.

As for the measures providing fodder, the MARD decree 94/2007 (IX.4.) sets down rules of the 'de minimis' support for animal breeders who buy and store the fodder in public warehouses. The form of subsidy is interest support and storage support.

By the modification of MARD decree 75/2003 (VII.14.) the assessment system of fat stock has become simpler and cheaper. Furthermore, the effectiveness of the control has been improved.

3. Elaboration and notification of a new national support system (2007)

The three-year-long transitional period that made possible the requisition of national subsidies as of the date of accession has expired on 30th April 2007.

The support system has been reformed, the priorities are the increase of farming effectiveness, the improvement of market competitiveness and the establishment of the conditions of quality production. During the transformation – in accordance with the community provisions and the objectives of the agricultural policy – the primary aim is to develop animal husbandry, to facilitate of establishing competitive land size, to encourage investments serving the modernisation of agricultural production, to strengthen the food security and to support the agricultural marketing activities. In 2007 the animal husbandry has been designated as the most important area.

Among the support measures financed solely by national resources a considerable proportion is going to represent the subsidies connected to loans. The scope of support includes interests and bails, in particular among producers suffered most of the damages caused by the froze and the draught.

The programmes connected to land protection, game and fish management, forestry and water management have also been supported by using national resources in 2007. Particular attention has been paid to supports related to agricultural marketing, market access and the deepening of knowledge of producers as regards of marketing information.

4. Renewal of the ‘top up’ system

The previously completely production-based national complementary supports can only be connected to production, or cultivation of certain crops according to the rules set in the CAP reform from 2007 onwards.

Taking into account the updated principles of the ‘top up’ system, the subsidy granted from 2008 – based on the eligibility determined in 2007 – shows the domination of the income support totally detached from production.

As a conclusion full-scale decoupling will be implemented as regards of COPF plants, milk premia, cattle extensification support, beef premia and supplementary ewe support. In case of tobacco, rice, ewe, cow and the incentive payment for energy crops the support will be partially subject to the production.

2.1.4. Alteration in the strategy of employment policy: the change of reference frame set in Art. 9. of Council regulation 1260/99

The government of Hungary submitted the action programme covering three years to the European Commission in October 2005. The programme has been revised by the new government according to the adjusted convergence programme in June 2006. The reviewed programme identifies the following priorities regarding the employment strategy for the period until 2010:

- strengthening the role of the active labour market policies,
- aimed support schemes for the sake of employment of those out on a limb,
- supporting of lifelong learning,
- enhancing the quality, efficiency and effectiveness of education.

As a result of the assessment of the revised programme the European Council has suggested to Hungary that in order to improve the sustainability of fiscal policy and the economic effectiveness the reforms of health care, pension system and education should be carried on. This includes:

- steps aiming the restriction of early retirement, the decrease of new beneficiaries in the disability pension system and the restructuring of health care services;
- efforts on active labour market policies that can improve the position of disadvantaged groups in the labour market.

- ambitions to decrease the permanent regional inequalities observed in the field of employment.
- goals that ensure access for everyone to the high quality education, improve skill levels and boost the compliance of the education and schooling systems with the demands of the labour market.

The reviewed national action programme designated the establishment of macro-economic equilibrium as its main objective, since it is the prerequisite of the economic growth and the increase of employment rate. The past year can be regarded successful in this aspect as the correction – due to the measures introduced in the action programme – has continued according to the deficit-reducing course set by the convergence programme. Based on the recommendations of the Commission, the deficit has been cut back partly by the restrictions of the public expenditures (changes of the subsidies regarding gas and district heating and pharmaceutical products, alteration of the healthcare system, measures related to education and public administration, modifications in transport subsidies, temporary freezing of wages in the public sector). The sustainability of the equilibrium is ensured by the launched structural reforms. Nevertheless, the creation of this equilibrium on the macro-economic level has been accompanied by the deceleration of the economic growth and was followed by the slight decrease in the number of employed persons.

In accordance to the recommendations of the European Commission the reform of public administration, education, healthcare and pension system has continued in 2007, taking into account the principles of sustainability and providing quality services. The system of disability benefits has been transformed, the government had made a decision on the elaboration of a new system that improves working abilities and incites integration within the labour market.

Positive processes have been initiated in the field of employment, due to the active labour market policies, the measures supporting the disadvantaged groups and the modernisation of the social security system. As a consequence of these measures the ‘whitening’ of the economy could be observed. Meanwhile based on the education reform and the measures aiming vocational training the education has been adjusted to the demand of the labour market. The strengthening of active labour force policies and the modernisation of social security systems has been made possible by the development of the Public Employment Service and the cooperation among employment-related and social services.

The measures taken by the government in 2007 have facilitated the berth of young entrants and the return to the labour market of those permanently out of work or after childbirth. The reduction of non-incentive impacts of unemployment and social benefits has become one important tool of preserving the labour market activity. The unemployment benefit has been replaced by the job seeking support system, while the social benefit has been transformed into family subsidy.

2.1.5. Consistency between the Funds and other financial instruments

The European Regional Development Fund (ERDF), the European Social Fund (ESF), the Guidance Section of the European Agricultural Guidance and Guarantee Fund (EAGGF) and the Financial Instrument for Fisheries Guidance (FIFG) take part in the financing of the

Community Support Framework (CSF). Consistency between the individual funds has been obtained by the harmonisation of the measures of the five operative programs already in the planning phase, the identifying of the overlaps and the coordination of the contents of the calls for applications.

From an organisational point of view, consistency between the OPs is ensured by the CSF Managing Authority operating at the National Development Office and jointly coordinating the programs and the Monitoring Committee operated by it on a regular basis.

The measures of the National Rural Development Plan are financed by the Guarantee Section of the EAGGF, and aim to respond the environmental challenges and to contribute in the alleviation of socio-economic difficulties caused by the transition. The harmonisation of the ARDOP and the NRDP has already been completed during the planning phase. Therefore the unambiguous delineation and the total avoidance of overlaps are ensured. The competence issues arose during implementation have all been satisfactorily resolved by the Managing Authority.

The harmonised implementation of the two above-mentioned programmes is facilitated by the fact that the MARD Department of Agricultural and Rural Development (the successor of the Managing Authority Department) fulfils the Managing Authority functions in both cases.

3 RESULTS OF THE IMPLEMENTATION OF THE NATIONAL RURAL DEVELOPMENT PLAN

3.1. SUMMARY OF THE PROGRESS OF THE PROGRAM

The NRDP sets the objectives of the **sustainable development of rural areas**, the measures for realising those objectives and the activities eligible for support within the framework of the measures. The NRDP promotes environmentally-favourable agricultural production, provides support for production in less favoured areas and for increasing the ratio of forested areas in Hungary. Furthermore, the measures of the NRDP will contribute to the improvement of the economic viability of semi-subsistence farms and to the establishment and operation of producer groups. **Between 2004 and 2006**, a total of **EUR 754 140 000** was available for support within the framework of the NRDP, **from which almost 80%, EUR 602 300 000 will be financed from Community funds.**¹

The National Rural Development Plan of Hungary **was adopted by the European Commission on 26 August 2004**. Upon approval of the NRDP, the organization responsible for the implementation² commenced their activities in the fall of 2004. However, due to the delayed starting, it was impossible to fulfil the appropriations for 2004.

The **finalization of the necessary legal background** was an achievement of the first phase of implementation of the NRDP. In other words the followings have been accomplished:

¹ Less than the general ratio of Community funding of the NRDP (80%) only because of the reallocation into the SAPARD Programme, which has a ratio of Community funding of 75%.

² Competent Authority: Ministry of Agriculture and Rural Development (MARD) Accreditation Department; ProgramManaging Unit: the Department of Managing Authority, MARD; the institution in charge of implementation: Agricultural and Rural Development Agency (ARDA), which is also the Payment Agency for the EAGGF Guarantee Section). Other organisations are responsible for the delegated tasks related to individual measures, and for the technical services.

1. acts regulating the organisation and functioning of the system of institutions responsible for implementation,
2. general rules regarding the eligibility for the various supports, and
3. acts laying down the detailed conditions of the various schemes for support.

After the publication of MARD Decrees in September-October 2004 on the detailed rules of using the various forms of support (these make up the third group) in total six measures (seven with technical assistance) were opened for the submission of application (agri-environment, support for less favoured areas, meeting standards, afforestation of agricultural land, establishment and operation of producer groups, semi-subsistence farms undergoing restructuring). The introduction of the “Early retirement” measure was planned to be announced only in 2006. Finally it was opened neither in 2005 nor in 2006, its fund was reallocated to the other measures. A scheme which can support the aims of this measure, financed by EAFRD from 2007.

To assist the applicants, MARD has published information leaflets and ARDA has published communications and information documents, which contain all the professional and technical information required for filling in the application forms.

It was necessary to amend the structure of the NRDP budget so that Hungary can allocate the available funds. The financial table of NRDP was modified on two occasions in a communication procedure, and by a modification claim in 2006.

Smaller changes needed in 2007, which were initiated in a communication procedure by Hungary on 20th of July in 2007. The modification affected three measures:

- Budget of Semi-subsistence farms undergoing restructuring decreased by EUR 597 538,14.

- Fund for establishment procedure groups increased by EUR 648 702,55.
- Sum available for Top-up was reduced by EUR 51 164,41.

The Table 17 contains the results of the amendments of the NRDP. By deducting from this the sums reallocated for the SAPARD applications³, and sums available for Technical Assistance and reallocated for the top-up, in total EUR 602,6 million was available for the actual support of the applications in the three-year period.

17. Table

The NRDP funds available in 2007

EUR

	2004-2006 public expenditure total*	2004-2006: public expenditure modified procedures in 2006	2004-2006 public expenditure modified by communication procedure in 2007
Agri-environment	299 473 863,0	451 126 289,0	451 126 289,0

³ On 25 June 2004, before the adoption of the NRDP, a decision was made to integrate the SAPARD supports into the financial structure of the NRDP because of the extremely high rate of application and to reallocate EUR

Less favoured areas	67 708 000,0	14 810 000,0	14 810 000,0
Meeting standards	141 809 846,0	25 170 000,0	25 170 000,0
Afforestation of agricultural land	79 678 000,0	79 675 000,0	79 675 000,0
Early retirement	19 378 000,0	0,0	0,0
Semi-subsistence farms undergoing restructuring	21 001 605,0	3 460 000,0	2 862 461,9
Establishment of producer groups	28 375 000,0	28 375 000,0	29 023 702,6
Technical Assistance	37 500 000,0	37 500 000,0	37 500 000,0
Top-up	39 215 686,0	94 012 500,0	93 961 335,6
SAPARD assistance	20 000 000,0	20 011 211,0	20 011 211,0
TOTAL	754 140 000,0	754 140 000,0	754 140 000,0

Source: NRDP

*By Decision No. (C) 2005/IX/02

The modification ensures to avoid losing sources and provides the appropriate use the budget of NRDP. Demand for support establishment producer groups can be paid.

1 899 applications were submitted only for the measure “Meeting Standards” in 2007 and 1 033 applications submitted in 2006 were also evaluated in this year. 21 applications from the previous year for the measure Establishment of producer groups, and 243 for the measure Semi-subsistence farms were also processed in 2007. (Table 18.) There were no evaluation of the applications in the other three measures in 2007, applications for the measure Less favoured areas were no accepted for the budget of NRDF (applications could be submitted for the sources of EAFRD).

Demand for support calculated on the basis of applications submitted in 2007 (not including complement to direct payments) totals **EUR 8,55 million (of this: EAGGF EUR 6,84 million)**, which is significantly less than the demand in 2006.

Request for support for the whole period calculated on the basis of approved applications in 2007 was the tenth of the previous year’s EUR 21,2 million, of which the support for the first year was EUR 9,8 million.

Obviously there was no decline in the number of the payment claims submitted, in 2007 more than 33 000 payment claims were submitted by the supported applicants. Primarily for this reason, 28 842 applicants were paid EUR 201,07 million in 2007. There was a minimal increasing in the number of claims paid and but payment was almost 10 % less than in 2006.

Main characteristics for the NRDP measures in 2007

	Agri-environment	Less favoured areas	Afforestation of agricultural land	Semi-subsistence farms	Producer groups	Meeting standards	Complements to direct payments
Number of applications received	0	0	0	0	0	1 899	157 862
Share of the applications received (%)	0%	0%	0%	0%	0%	100%	0
Demand for support as calculated on the basis of the applications received (EUR)	0	0	0	0	0	8 553 995	0
Area covered by the applications (ha) / livestock unit	0	0	0	0	0	0	0
Number of approved applications*	0	0	0	10	21	740	155 463
Request for support calculated on the basis of approved applications	0	0	0	10 000	1 251 216	8 567 358	0
From this EMOGA (€)	0	0	0	8 000	1 000 973	6 853 886	0
Number of applications paid**	19 661	3 602	3 700	849	156	874	0
Support paid** (€)	142 577 785	6 545 806	36 342 828	848 650	9 572 115	5 178 054	54 796 006

Source: ARDA

*The figures of approved applications and applications paid can contain data of applications submitted in the previous years. Detailed figures shown in Table 19 and in Chapter 3.2.

**Here and hereafter support paid shall mean sums approved for payment by the ARDA, regardless of the actual financial performance that is remittance. As a result of this and the difference of exchange rates applied at approval and payment a minor alteration is caused in comparison to actual payments made. The actual payment of ARDA is in Annex 3.a.

Main characteristics for the NRDP measures in 2007

	Agri-environment	Less favoured areas	Afforestation of agricultural land	Semi-subsistence farms	Producer groups	Meeting standards	Complements to direct payments
<i>Number of applications accepted in 2006, processed in 2007</i>	0	0	0	243	21	1 033	0
Number of applications received	0	0	0	0	0	1 899	157 862
Share of the applications received (%)	0	0	0	0	0	1	0
Demand for support as calculated on the basis of the applications received (EUR)	0	0	0	0	0	8 553 995	0
Area covered by the applications (ha) / livestock unit	0	0	0	0	0	0	0
Number of applications accepted	0	0	0	0	0	1 899	157 858
Number of approved applications	0	0	0	10	21	740	155 463
<i>from accepted applications in 2006</i>	0	0	0	10	21	740	0
<i>from accepted applications in 2007</i>	0	0	0	0	0	0	155 463
Request for approved applications for the whole period of the measure (EUR)	0	0	0	50 000	5 250 000	15 851 832	0
<i>from accepted applications in 2006</i>	0	0	0	50 000	5 250 000	15 851 832	0
<i>from accepted applications in 2007</i>	0	0	0	0	0	0	0
Request for approved applications for the first year of the measure (EUR)	0	0	0	10 000	1 251 216	8 567 358	0
<i>from accepted applications in 2006</i>	0	0	0	10 000	1 251 216	8 567 358	0
<i>from accepted applications in 2007</i>	0	0	0	0	0	0	0
From this EAGGF (EUR)	0	0	0	8 000	1 000 973	6 853 886	0
Number of applications rejected	0	0	0	230	0	222	2 363
<i>from accepted applications in 2006</i>	0	0	0	230	0	222	0
<i>from accepted applications in 2007</i>	0	0	0	0	0	0	2 363
Number of applications withdrawn	0	0	0	3	0	71	32
<i>from accepted applications in 2006</i>	0	0	0	3	0	71	0
<i>from accepted applications in 2007</i>	0	0	0	0	0	0	32
<i>Number of payment claims accepted in 2006, processed in 2007</i>	2 679	5 229	0	739	0	161	0
Number of payment claims received	22 498	0	4 353	889	198	1 114	0
Number of approved payment claims	19 233	3 602	3 844	593	121	776	0
<i>from accepted payment claims in 2006</i>	1 576	3 602	0	593	0	128	0
<i>from accepted payment claims in 2007</i>	17 657	0	3 844	0	121	648	0
Number of applications paid*	19 661	3 602	3 700	849	156	874	0
<i>by applications</i>	0	0	0	256	30	201	0
<i>from accepted applications in 2006</i>	0	0	0	256	30	201	0
<i>by payment claims</i>	19 661	3 602	3 700	593	126	673	0
<i>from accepted payment claims in 2006</i>	2 004	3 602	0	593	5	153	0
<i>from accepted payment claims in 2007</i>	17 657	0	3 700	0	121	520	0
Support paid* (EUR)	142 577 785	6 545 806	36 342 828	848 650	9 572 115	5 178 054	54 796 006
<i>by applications</i>	0	0	0	256 000	1 939 258	991 646	54 796 006
<i>from accepted applications in 2006</i>	0	0	0	256 000	1 939 258	991 646	54 796 006
<i>by payment claims</i>	142 577 785	6 545 806	36 342 828	592 650	7 632 857	4 186 408	0
<i>from accepted payment claims in 2006</i>	31 549 348	6 545 806	0	592 650	253 332	647 939	0
<i>from accepted payment claims in 2007</i>	111 028 437	0	36 342 828	0	7 379 525	3 538 469	0
Number of payment claims rejected	575	454	0	146	3	34	0
<i>from accepted payment claims in 2006</i>	209	454	0	146	0	33	0
<i>from accepted payment claims in 2007</i>	366	0	0	0	3	1	0
Number of payment claims paid from EAFRD	0	0	0	0	74	0	0
<i>from accepted payment claims in 2006</i>	0	0	0	0	0	0	0
<i>from accepted payment claims in 2007</i>	0	0	0	0	74	0	0
Number of payment claims approved, but not paid in 2007	0	0	0	0	0	128	0
<i>from accepted payment claims in 2006</i>	0	0	0	0	0	0	0

The figures in the table show in detail the number of applications submitted in previous years and in 2007. In case of payments a separate line contains data connected to applications for support and that of payment claims. Comments on the figures can be found in the chapters of each measure.

In table N° 19 and the further tables the number of accepted applications means the received and accepted (ready to evaluate) number of applications of one certain year. Number of supported applications means the applications have been supported (paid) after the evaluation. In practice, number of received and accepted applications are equal. The difference between the two categories – mainly at payment claims – comes from the fact, that the number of

supported claims contains such claims, those were submitted – and accepted – in previous year(s).

Number of payment claims paid from EARDF is given in order to be able to follow the change of number of received payment claims. Connecting information contained by the Annual Implementation Report of New Hungary Rural Development Plan.

3.2. ACHIEVEMENTS IN THE IMPLEMENTATION OF THE MEASURES

3.2.1. Agri-environment

3.2.1.1. Introduction to the measure in brief A brief introduction?

The support provided under the Agri-environment measure is designed to protect the environment maintain the countryside or improve animal welfare thereby contributing to the Community's policy objectives as regards agriculture. Support, or compensation for loss of income can be provided. The non-repayable support based on area size and livestock numbers concern a period of 5 years.

In 2006 The professional content and the budget of the measure did not change.

3.2.1.2. The measure's financial plan The financial plan of the measure

The measure's previously modified appropriation increased further for the year 2006 by more than EUR 150 million. The forms of assistance in the framework of the measure *Agri-environment* account for the largest share **among the measures of the NRDP**. According to the (amended) financial plan this is where 60% of the fund available for applications for support (Table 20). The modified whole budget, reduced by the demand of the application approved in the previous years, was EUR 139 737 714 for 2007.

20. Table

The financial plan of the measure Agri-environment

Year	Financial sources (EUR)		
	EU	National	Total
2007	111 790 171,2	27 947 542,8	139 737 714,0
2004-2006*	360 898 000	90 228 289	451 126 289

Source: NRDP and MARD

* Appropriation modified with reallocation for the year 2006

3.2.1.3. Achievements in 2007

The producers showed high interest for the measure *Agri-environment*. This was due in part to an intensive communications campaign, the experience gained under the National Agri-environment Program and the favourable amount of support available. Since the sum of support calculated on the basis of the applications received in 2004 were four-times as high as the funds available for that year, no new applications for support could be submitted after 2005. The actual processing of the applications for the year 2004 was started only in 2005. Due to the extremely high number of applications the (on-site) audit of the system of conditions of processing and payments posed a task of great difficulty for the ARDA, so the first payment were fulfilled in October 2005.

21. Table

Main features of year 2007 applications for the Agri-environment measure

Agri-environment	2004*	2005	2006	2007
<i>Number of applications accepted in 2006, processed in 2007</i>		32 685	0	0
Number of applications received	32 685	0	0	0
Demand for support as calculated on the basis of the applications received (EUR)	296 082 898	0	0	0
Area covered by the applications (ha) / livestock unit	1 957 063/62 490	0	0	0
Number of applications accepted	32 685	0	0	0
Number of approved applications	0	24 160	0	0
<i>from accepted applications in previous years</i>	0	24 160	0	0
Request for approved applications for the whole period of the measure (EUR)	0	880 000 000	0	0
<i>from accepted applications in previous years</i>	0	880 000 000	0	0
Request for approved applications for the first year of the measure (EUR)	0	176 000 000	0	0
<i>from accepted applications in previous years</i>	0	176 000 000	0	0
From this EAGGF (EUR)	0	140 800 000	0	0
Number of applications rejected	0	6 423	0	0
<i>from accepted applications in previous years</i>	0	6 423	0	0
Reasons for rejection				
submitted outside the deadline		308		
other administrative alteration		1 236		
lack of sources		4 879		
Number of applications withdrawn	0	2 102	0	0
<i>from accepted applications in previous years</i>	0	2 102	0	0
<i>Number of payment claims accepted in 2006, processed in 2007</i>				2 679
Number of payment claims received	0	0	23 681	22 498
Number of approved payment claims	0	0	20 718	19 233
<i>from accepted payment claims in previous year (2006.)</i>	0	0	0	1 576
<i>from accepted payment claims in this year (2007.)</i>	0	0	20 718	17 657
Number of payment claims rejected	0	0	0	575
<i>from accepted payment claims in previous year (2006.)</i>	0	0	0	209
<i>from accepted payment claims in this year (2007.)</i>	0	0	0	366
Number of applications paid*	0	21 672	22 413	19 661
<i>by applications</i>	0	21 672	2 123	0
<i>by payment claims</i>	0	0	20 290	19 661
<i>from accepted payment claims in previous year (2006.)</i>	0	0	0	2 004
<i>from accepted payment claims in this year (2007.)</i>	0	0	20 290	17 657
Support paid* (EUR)	0	141 585 001	169 803 574	142 577 785
<i>by applications</i>	0	141 585 001	32 564 816	0
<i>by payment claims</i>	0	0	137 238 758	142 577 785
<i>from accepted payment claims in previous year (2006.)</i>				31 549 348
<i>from accepted payment claims in this year (2007.)</i>				111 028 437
Number of payment claims approved, but not paid in 2007				0
<i>from accepted payment claims in previous year (2006.)</i>				0
<i>from accepted payment claims in this year (2007.)</i>				0
Number of payment claims will be processed in 2008				5 369
<i>from accepted payment claims in previous year (2006.)</i>				894
<i>from accepted payment claims in this year (2007.)</i>				4 475

Source: ARDA

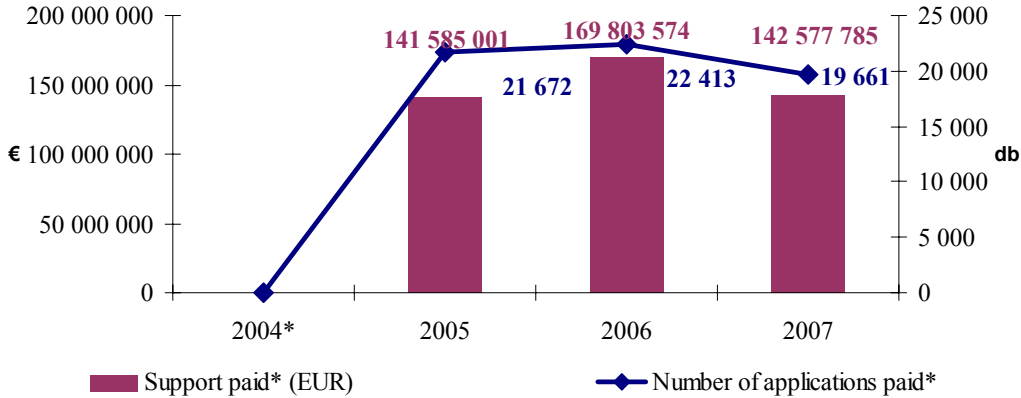
*The data shown in the table for 2004 differ from those shown in the NRDP report on 2004. The reason for this is that the overall processing of the applications was closed only 2005, and thus data were modified.

Approving of 2 679 payment claims and starting 428 approved payments were postponed to 2007. From 2 679 applications 1 576 were approved, 209 were rejected and 894 will be evaluated in 2008. In 2007 22 498 payment claims were submitted (it is a little bit less than in 2006), 17 657 were approved, 366 were rejected, 4 475 were processed in 2008. All of the claims were paid. It is important from the aspect of procession and ability of control that, the claims could be submit along with the claim for territory-based support and for the support for less favoured areas till 15 of May and who farms over 200 ha could fill electronic datasheets.

84% of the previous year, EUR 142 577 785 was paid assigned to the measure, whereof more than EUR 30 million was based on the claims submitted in 2006. (Figure 3.)

2. Figure

Payments in the measure of "Agri-environment"



The left axis of the chart shows the support paid, the right axis shows the number of applications paid.

Considering the fact that in one application applicants may have applied for more than one scheme (one application may have included several insets), the number of schemes referring to the approved applications (19 661) was more than 24 000 (Table 22.) where the “Area covered by the applications” is nearly 1,2 million hectares, and the number of livestock heads affected was 8 000.

Main data of the applications supported under the Agri-environment schemes in 2007

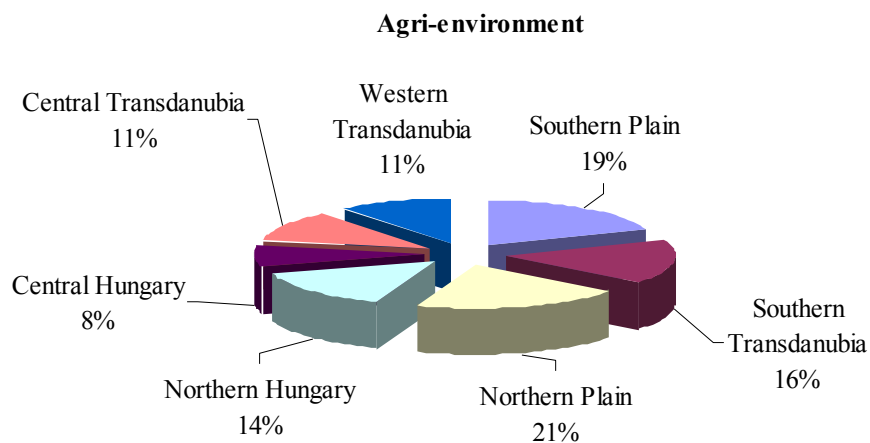
Scheme support

<u>Schemes</u>		<i>Payment rate (EUR/ha)</i>	<i>Supported area (ha)</i>	<i>Number of supported applications</i>	<i>Total payment (thousand HUF)</i>
Arable stewardship		172,55 *	653 287,2	9 596	16 280 209,5
		98,04**			
“Tanya” farming system		215,69*	2 410,9	334	91 386,3
		145,10**			
Apiculture cropping		74,51	67,5	19	1 257,5
Integrated crop management		223,53*	200 917,5	2 705	6 799 563,2
		133,33**			
Organic farming	In conversion	325,49*	2 006,3	54	90 127,0
		146,47**			
	Converted	200*	29 308,5	427	929 990,3
	125,49**				
Arable farming for habitat development		192,16	1 746,8	34	83 917,7
Arable farming for bird protection		203,92	16 835,2	556	858 259,5
Arable farming for great bustard habitat development		250,98			
Alfalfa production for great bustard habitat		266,67	3 999,5	150	266 640,0
Grassland		58,82	148 554,2	3 132	2 184 490,1
Organic grassland		58,82	29 365,4	224	431 817,8
Grassland management for bird		98,04	908,7	43	22 273,0
Grassland management for		109,80	5 636,4	214	154 719,7
Grassland management for great		125,49	36 475,4	377	1 144 324,8
Grassland development in High		294,12	1 378,2	26	101 341,3
Integrated fruit and		388,24	36 121,7	4 982	3 505 971,2
Organic fruit and	In	396,08	129,0	19	12 773,6
	Converted	278,43	1 107,6	164	77 095,9
Extensive fishponds		203,92	15 746,4	107	802 753,5
Reed management		86,27	8 028,8	122	173 161,6
Füves mezsgye			159,2	93	18 416,4
TOTAL:			1 215 676,51	23 660	35 378 620
<u>Schemes</u>			<i>Supported livestock</i>	<i>Number of supported applications</i>	<i>Total payment (thousand HUF)</i>
Horse			1 827	355	54 718,7
Cattle			3 726	81	105 883,6
Pig			1 478	77	72 449,7
Sheep			955	34	32 774,1
TOTAL:			7 986	547	265 826,1
TOTAL:				24 207	35 644 446,3

Regional distribution of support paid in 2007 is shown on Figure 4. The most support got to the region of Plain (40%) and the share of Western Transdanubia and Northern Hungary was also significant.

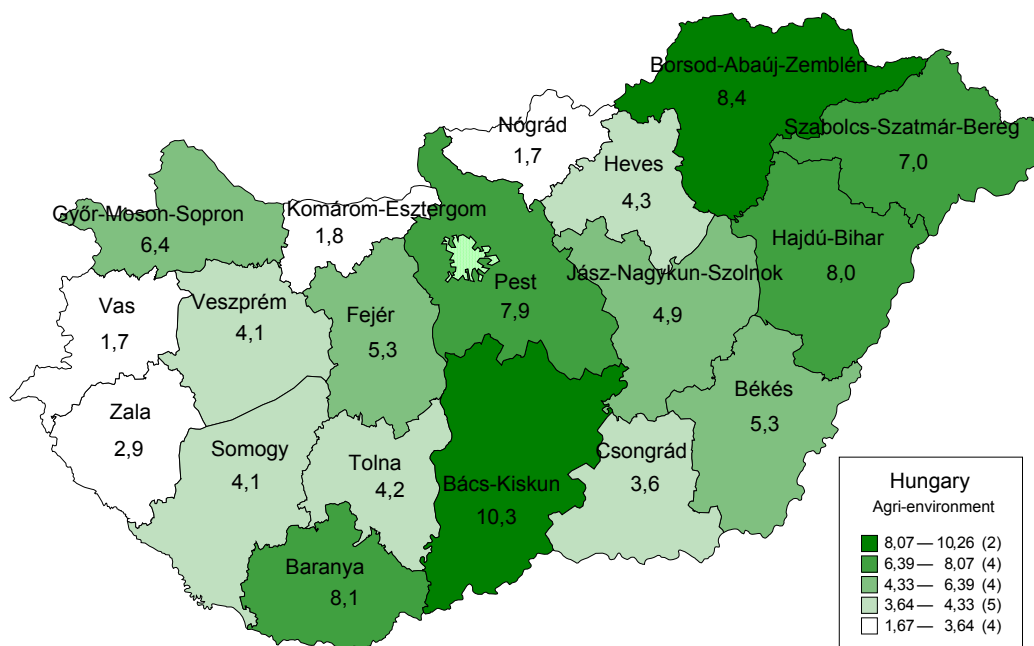
3. Figure

Regional distribution of support paid under the „Agri-environment” measure



4. Figure

*Distribution of support by counties paid under the „Agri-environment” measure**



*Pest county contains figures of Budapest.

Tenth of the support got to Bács-Kiskun, Borsod-Abaúj and Hajdú-Bihar counties, share of Csongrád county (3,6%) was smaller than the surrounding areas and the distribution of the payment to the beneficiary was lower than 2% in 3 counties. The different performance of the certain areas mainly caused by the different capabilities. The areas of Vas, Zala, Nógrád and Komárom-Esztergom counties are less appropriate for arable cultivation because of the relief (hills and mountains), and the relative high rate of forests.

23. Table

Item		Agri-environment			
		2004-2007.		2007	
		absolute figures	%**	absolute figures	%***
Number of beneficiaries	plan	15 998		0	
	fact	24 160	151,0%	0	0%
Total size of supported areas (ha)	plan	699 758		0	
	fact	1 486 792	212,5%	0	0%
Paid: total expenditure (€)	plan*	451 126 289		139 737 714	
	fact	453 966 360	100,6%	142 577 785	102,0%
Paid: EAGGF (€)	plan*	360 901 031		111 790 171	
	fact	363 173 088	100,6%	114 062 228	102,0%

Monitoring indicators of the "Agri-environment" measure

Source: ARDA

* Appropriation modified with year 2006 reallocation

** In proportion to data planned for 2004-2006.

*** In proportion to data planned for 2007.

No new applications for support could be submitted in 2007, since it was possible to plan the total allocation on the basis of the demand for support received in 2004. Payments in 2007 was slightly bigger than the total available budget. Considering the three-year period, the number of beneficiaries and the total size of supported areas were significantly higher than the planned figures. 100% of the notably increased budget was spent till the end of 2007. (Table 24.)

The higher interest towards the measure resulted some scores. On first hand the farmers had increased interest for the measure because of the favourable experiences of the former, national, similar measure (National Agri-environmental Programme), on the other hand the farmers found to be easy to complete the requirements of some submeasure/scheme – completing their incomes (e.g. arable stewardship)

The different weight of the schemes mainly arisen from the fact, that some submeasure, scheme did not start or started only very limited rate. Such as extensive breeding, where the ecological breeding submeasure did not start; or in case of supplementary agri-environment measures, where the erosion prevention and scrub control submeasures did not start. Due to the above mentioned ones the measures begun had more sources to utilise.

Monitoring indicators of the “Agri-environment” measure

Agri-environment		2004	2005	2006	Fact figure 2007		Achievement 2007				
Number of contracts[1]	Total number of new contracts, of which[2]	8 384	12 989	15 998	19 661		123%				
	Agri-environment measures on arable land	4 325	5 189	6 426	14 157		220%				
	Agri-environment measures on grassland	3 180	3 815	4 725	4 016		85%				
	Agri-environment measures in permanent cultures	3 768	4 521	5 598	5 165		92%				
	Agri-environment measures on wetland	188	226	280	229		82%				
	Livestock measures	1 207	1 658	1 945	547		28%				
	Supplementary agri-environment measures	689	827	1 024	93		9%				
Size of contracted agricultural land[3] (ha)	Total size of contracted agricultural land, of which	390 456,00	565 071,75	699 758,09	1 215 676,51		174%				
	Agri-environment measures on arable land	235 514,61	282 535,87	349 879,04	932 065,39		266%				
	Agri-environment measures on grassland	188 411,69	226 028,70	279 903,24	222 318,40		79%				
	Agri-environment measures in permanent cultures	37 682,34	45 205,74	55 980,65	37 358,27		67%				
	Agri-environment measures on wetland	9 420,58	11 301,43	13 995,16	23 775,26		170%				
	Livestock measures	-	-	-							
	Supplementary agri-environment measures[4]	27 565,69	33 069,57	40 953,51	159,19		0%				
Total public contribution (in million €)		75,55	66,71	100,04	80,03	123,88	99,11	142,58	114,06	115%	115%
of which EAGGF		43,08	34,46	51,68	41,34	63,98	51,19	107,00	85,60	167%	167%
	Agri-environment measures on arable land	17,84	14,27	21,41	17,12	26,51	21,21	16,16	12,92	61%	61%
	Agri-environment measures on grassland	14,25	11,4	17,1	13,68	21,17	16,94	14,38	11,51	68%	68%
	Agri-environment measures in permanent cultures	1,55	1,24	1,86	1,49	2,3	1,84	3,90	3,12	170%	170%
	Agri-environment measures on wetland	2,5	2	3	2,4	3,72	2,98	0,07	0,06	2%	2%
	Livestock measures	4,17	3,34	5	4,19	6,19	4,96	0,01	0,01	0%	0%
	Supplementary agri-environment measures										

[1] The line of new contracts contains cumulated data so the data of year 2007 means also cumulated ones, not new contracts signed for 2007. [2] this figure is not the sum of the data listed below, since (according to last year experiences) one applicant applies for more than one measure [3] cumulated data [4] the area of this measure is not calculated included in the total area, while it is calculated included in the arable, grassland and permanent cultures schemes already.

On the basis of the payments for the claims submitted in 2007 – especially for Agri-environment measures on arable land - the number of beneficiaries and the total size of supported areas were significantly higher than the planned figures. At the same time more measures impact in the figures above and in the support paid fall away from the expectation: only 2% of the planned sum was paid for the livestock measures, and this figure was smaller than 1% for the supplementary agri-environment measures, whilst more schemes' payment for one year were higher than the 3 years original budget.

Monitoring indicators of the "Agri-environment" measure

No.	Monitoring data	Forecast / targeted figure 2006	Fact figure 2007	Achivement 2007
1	Farmland under agreements preventing/reducing soil loss (ha)	340 000	922 878	271%
2	Farmland under agreements reducing soil contamination (number of holdings)	15 000	23 460	156%
3	Farmland under agreements reducing soil contamination (hectares)	395 000	1 199 771	304%
4	(c) of which the object of assisted actions explicitly targeting soil contamination (%)	6	-	-
5	Farmland under agreements reducing soil contamination (hectares)/ Total UAA (ha)	0,05	24	48108%
6	Area subject to input-reducing actions thanks to agreement (hectares)	680 000	1 191 742	175%
6a	(a) of which with reduced application per hectare of chemical fertiliser (%)	40	100	250%
6b	(b) of which with reduced application per hectare of manure or reduced livestock density (%)	80	19	23%
6c	(c) of which with crops and/or rotations associated with low inputs or low nitrogen-surplus (in case of fertiliser) (%)	50	84	168%
6d	(d) of which with reduced application per hectare of plant protection products (%)	58	100	172%
7	Area subject to supported actions reducing the transport of pollutants to aquifers (through run-off, leaching or erosion) (hectares)	48 000	876	2%
7a	(a) of which with particular cover/crop (%)	85	0	0%
7b	(b) of which with non-crop barriers to run-off (field margins, hedgerows, contour cultivation, field size) (%)	15	100	667%
8	Area not irrigated thanks to agreement (hectare)	390 000	266 386	68%
8a	(a) of which due to direct limitation of irrigated area (%)	100	100	100%
9	Area of farmland under agreements targeting particular wildlife species or groups of species (hectares)	120 000	290 161	242%
10	Area of farmland under agreements targeting particular wildlife species or groups of species (specification of species)	150	290 161	193441%

No.	Monitoring data	Forecast / targeted figure 2006	Fact figure 2007	Achivement 2007
11	High nature-value farmland habitats that have been protected by supported actions (number of agreements)	3 100	7 912	255%
12	High nature-value farmland habitats that have been protected by supported actions (total hectares)	140 000	87 027	62%
13	High nature-value farmland habitats that have been protected by supported actions (total ha) / HNV Hungary Area (total ha)	60	15	25%
14	High nature-value farmland habitats that have been protected by supported actions (average size)	42	11	26%
14a	(a) of which resulting from specific land-uses or traditional farming systems (%)	100	100	100%
14b	(b) of which located in Natura 2000 areas (%)	-	39	-
15	Assisted ecological infrastructure with habitat function or non-farmed patches of land linked to agriculture (hectares)	75 000	5 989	8%
16	Assisted ecological infrastructure with habitat function or nonfarmed patches of land linked to agriculture (number of sites)	2 500	11 621	465%
17	Animals/plants reared/cultivated under agreement (number of individuals or hectares broken down to breed/variety)		0	
17a	rare plants (ha)	12 000	-	-
17b	endangered breeds (LU)	10 000	7 986	80%
17ba	(a) of which figuring on EU or international lists: World Watch List of FAO; International Undertaking on Plant Genetic Resources for Food and Agriculture (pending)[5]		7 986	
18	Reduction of agricultural input per hectare thanks to agreement (%)	15	-	-
19	Adjacent valuable wetland or aquatic habitats that have been protected thanks to the assisted actions (hectares)	10 000	23 775	238%
19a	(a) of which protected from eutrophication and/or sediment flows (%)	60	66	110%
19b	(b) of which protected from toxic substances (%)	80	-	-
19c	(c) of which habitats that particularly benefit specific species or groups of species (%)	40	100	250%
19d	(d) of which considered rare habitats at the relevant geographical level (%)	20	63	315%

Overfulfilment was observable at the bigger part of the monitoring indicators alike the number of beneficiaries, supported areas, payments. At the same time there are some indicators – like the Area subject to supported actions reducing the transport of pollutants to aquifers with particular cover/crop the High nature-value farmland habitats, or Assisted ecological infrastructure with habitat function or non-farmed patches of land linked to agriculture – which did not reach the planned figures.

3.2.2. Support for less favoured areas

3.2.2.1. Introduction to the measure in brief

The objective of the measure is to partly compensate – if various conditions are met - the impacts of economic, social and natural factors having an adverse affect on the success of farming, and thus sustain production on less favoured areas and stop increasing depopulation.

The eligibility criteria for granting support to less favoured areas (LFAs) include a minimum of 1 hectare of land, which may either be grasslands or arable lands used for the production of forage crops and in which the following plants must not be produced: winter and spring wheat, rice, sunflower, corn, sugar beat, potato, industrial plants (turnip rape, oil-linseed, sunflower seed, hemp grown for fibre, hop) and vegetables.⁴ Producers must upkeep agricultural activities in the less favoured areas for five years after the year submitting the application.

In Hungary, the measure “Support for less favoured areas” will be implemented in accordance with in Articles 13-20 of Council Regulation (EC) No 1257/1999 of 17 May 1999. Hungary will not use the opportunity given by Article 16, because the list of areas to be included in the *Natura 2000* network has been completed, but its finalization with GIS tools has not been finalized.⁵ Article 18 shall not be used either, because in Hungary there are no areas complying with the criteria set out in the EU regulatory framework. The support is intended to compensate disadvantages, so pursuant to Article 15 over-compensation is not allowed.

Article 19 areas are homogeneous in terms of natural production conditions that satisfy all three criteria laid down by Article 19 (land of poor productivity and difficult cultivation; extremely low agricultural performance indicators; a low or dwindling population predominantly dependent on agricultural activity). The size of the area concerned is 395 402 ha, the rate of support for Article 19 areas is **EUR 85.9/ha/year**.

Article 20 areas are areas affected by specific handicaps, in which farming should be continued, where necessary and subject to certain conditions, in order to conserve or improve the environment, maintain the countryside and preserve the tourist potential of the area. In Hungary, Article 20 areas include those areas where at least two of the following four special

⁴ Such cultures may be cultivated in the case of a successful application, but no support may be requested for the area they occupy. Of course this way eligibility for the coming years will not cease to exist.

⁵ To be detailed in sub-chapter 6.2.

disadvantages are simultaneously present: severe soil acidity, severe soil salinity, extreme soil water management conditions (water logging, inundation) and extreme physical soil characteristics. The total size of the areas satisfying the conditions laid down in Article 20 is 488 156 hectares, and the rate of support on these areas is **EUR 10.94/ha/year**.

In combination, the total size of less favoured areas in Hungary is 883 558 hectares representing 9.5% of the total area of the country and 14% of the total size of cultivated areas. In order to avoid overcompensation, payments are reduced over a certain holding size; i.e., the rate of support is 100 % for areas up to 50 hectares, but is only 50% for areas exceeding 500 hectares.

3.3.2.2. The measure's financial plan

The support for less favoured areas after the substantial cuts of the reallocation for the year 2004, was decreased again significantly in 2006. Its budget has sintered to one fifth of that of the previous year. There was no change in 2007. The financial resources of the measure represent nearly 11% of the year 2006 budget of the NRDP and 2% of the three-year budget. (Table 26)

Financial plan of the “Less favoured areas” measure

Year	Financial sources (EUR)		
	EU	National	Total
2007	5 317 134,4	1 329 283,6	6 646 418,0
2004-2006*	11 848 000,0	2 962 000,0	14 810 000,0

Source: NRDP

* Appropriation modified with the reallocation for the year 2006.

3.3.2.3. Achievements in 2007

New applications were not received in 2007, and the payment claims could be submitted for EAFRD (not for NRDP), so only the postponed evaluation started for 5 229 claims submitted in 2006 (Table 27).

3 602 payment claims were approved, 454 were rejected, and processing of 1 173 claims is delayed to 2008. EUR 6 545 806 was paid for the approved claims (Figure 5).

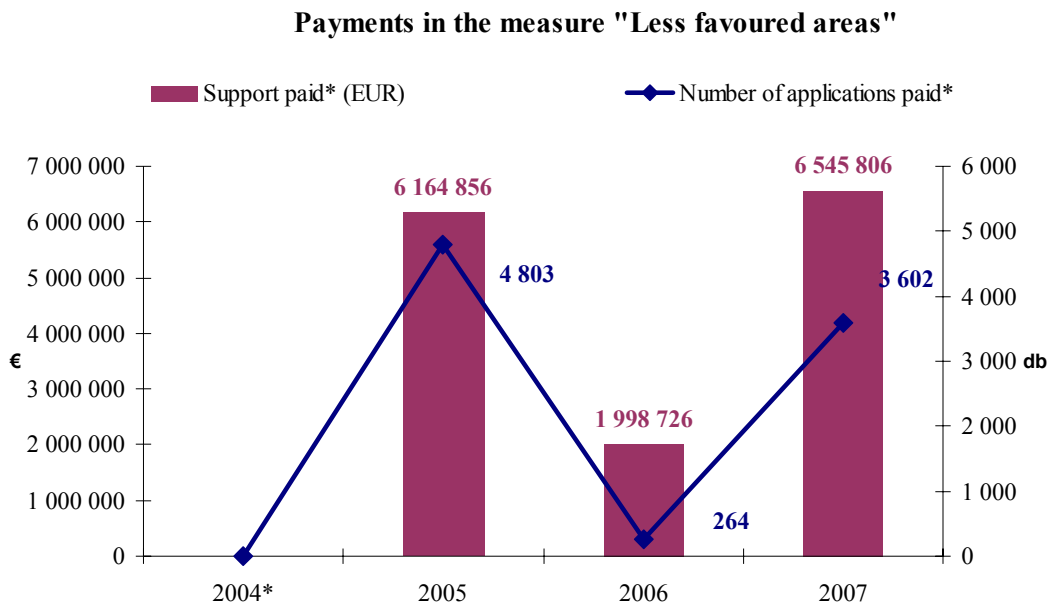
The main characteristics of year 2007 applications for support under the “Less favoured areas” measure

Less favoured areas	2004*	2005	2006	2007
<i>Number of applications accepted in 2006, processed in 2007</i>		5 761	787	0
Number of applications received	5 761	787	1 192	0
Demand for support as calculated on the basis of the applications received (EUR)	11 036 039	705 239	1 567 353	0
Area covered by the applications (ha) / livestock unit	223 264	28 435	41 623	0
Number of applications accepted	5 761	787	1 192	0
Number of approved applications	0	5 137	526	0
<i>from accepted applications in previous years</i>	0	5 137	526	0
Request for approved applications for the whole period of the measure (EUR)	0	42 688 135	3 397 595	0
<i>from accepted applications in previous years</i>	0	42 688 135	3 397 595	0
Request for approved applications for the first year of the measure (EUR)	0	8 537 627	679 519	0
<i>from accepted applications in previous years</i>	0	8 537 627	679 519	0
From this EAGGF (EUR)	0	6 830 102	543 615	0
Number of applications rejected	0	330	53	0
<i>from accepted applications in previous years</i>	0	330	53	0
Reasons for rejection				
failure to supply missing items		138	10	0
failure to meet the specifications of laws		192	43	0
Number of applications withdrawn	0	294	208	0
<i>from accepted applications in previous years</i>	0	294	208	0
<i>Number of payment claims accepted in 2006, processed in 2007</i>				5 229
Number of payment claims received	0	0	5 229	0
Number of approved payment claims	0	0	0	3 602
<i>from accepted payment claims in previous year (2006.)</i>				3 602
<i>from accepted payment claims in this year (2007.)</i>				0
Number of payment claims rejected				454
<i>from accepted payment claims in previous year (2006.)</i>				454
<i>from accepted payment claims in this year (2007.)</i>				0
Number of applications paid*	0	4 803	264	3 602
<i>by applications</i>	0	4 803	264	0
<i>by payment claims</i>	0	0	0	3 602
Support paid* (EUR)	0	6 164 856	1 998 726	6 545 806
<i>by applications</i>	0	6 164 856	1 998 726	0
<i>by payment claims</i>	0	0	0	6 545 806
Number of payment claims will be processed in 2008				1 173
<i>from accepted payment claims in previous year (2006.)</i>				50 173
<i>from accepted payment claims in this year (2007.)</i>				0

Source: ARDA

*The data shown in the table for 2004 differ from those shown in the NRDP report on 2004. The reason for this is that the overall processing of the applications was closed only 2005, and thus data were modified.

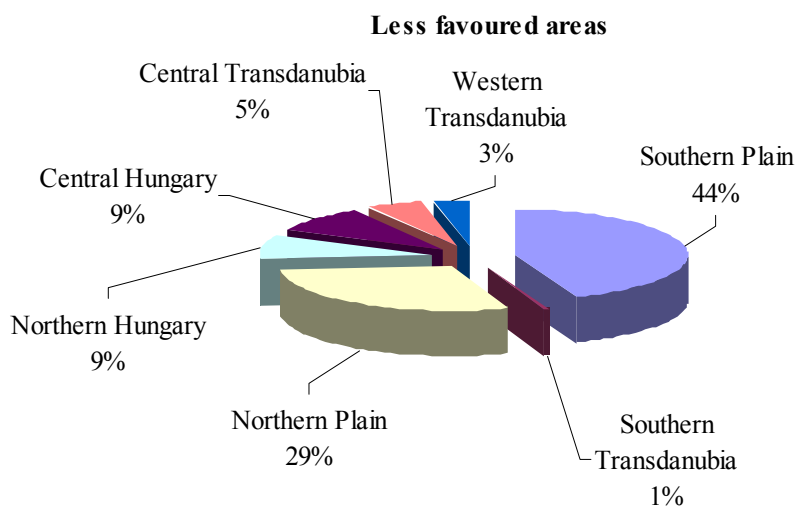
5. Figure



The left axis of the chart shows the support paid, the right axis shows the number of applications paid. The Figure below in distribution by regions and counties (Figure 6-7).

6. Figure

Regional distribution of support paid under the „Less favoured areas” measure



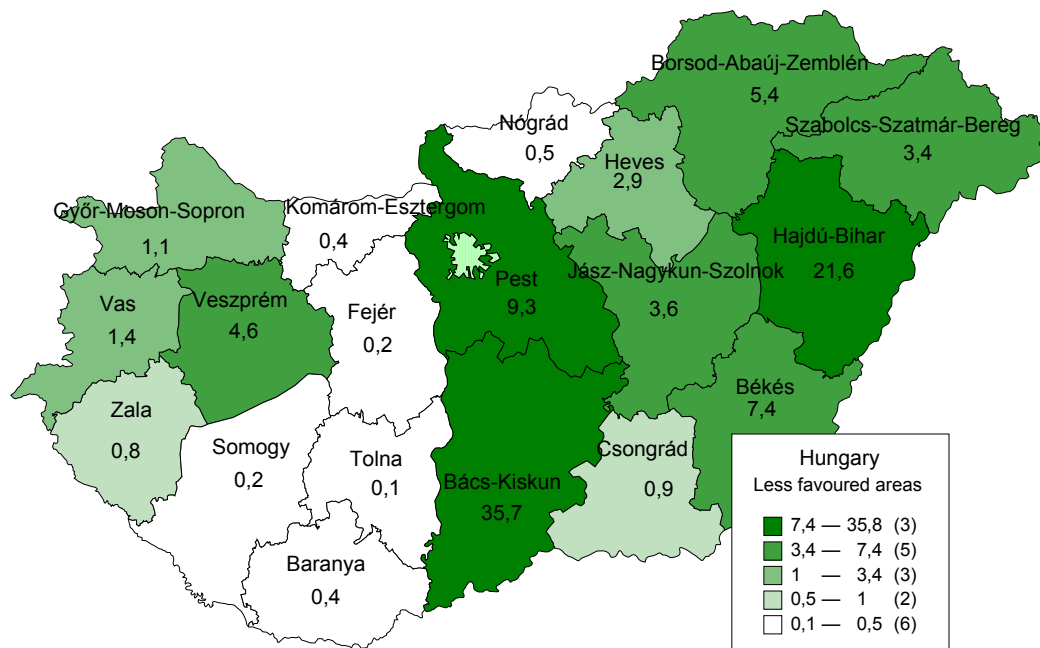
Source: ARDA

Considering payments changed the order of Northern Plain and Southern Plain changed in the regional distribution, Almost half of the supports (44%) was awarded to farmers operating on

the latter area, and the former's participation decreased from 50% to 29% (like in 2005). The figures of other regions did not change in similar rate, share of Western Transdanubia set back to the level of 2005. The results of Hajdú-Bihar county and Bács-Kiskun county determine the regional distribution, as in the previous years 60% of total payment was denoted to farmers in these areas.

7. Figure

Distribution of support by counties paid under the „Less favoured areas” measure*



*Pest county contains figures of Budapest.

Considering the distribution of less favoured areas results of Jász-Nagykun-Szolnok county lag behind their possibilities as regards payments and share of Vas and Zala counties decreased significantly. The proportion of less favoured areas is minimal in Fejér, Tolna and Baranya counties. In this case it also applies to the regions, that the activity of farmers in lagging behind regions are higher (e.g. Békés and Baranya counties) like in the developed ones. In case of Hajdú-Bihar and Bács-Kiskun counties the higher rate of LFA areas explains the higher number of beneficiaries.

Table 28 shows plan and fact monitoring indicators for the entire duration of the program (2004-2006) and for 2007, moreover the realization of the same.

Monitoring indicators of the “Less favoured areas” measure

Item		Less favoured areas			
		2004-2007.		2007	
		absolute figures	%**	absolute figures	%***
Number of beneficiaries	plan	17 671		0	
	fact	5 663	32,05%	0	0,00%
Total size of supported areas (ha)	plan	883 558		0	
	fact	205 157	23,22%	0	0,00%
Paid: total expenditure (€)	plan*	14 810 000		6 646 418	
	fact	14 709 388	99,32%	6 545 806	98,49%
Paid: EAGGF (€)	plan*	11 848 000		5 317 134	
	fact	11 767 510	99,32%	5 236 644	98,49%

Source: NRDP and ARDA

* Appropriation modified with the reallocation for the year 2006

** In proportion to data planned for 2004-2006.

*** In proportion to data planned for 2007.

The measure has not reached the intended aim, in 2006 significant part of the budget, almost its 80% was reallocated in favour of the agri-environment measure.

The figures of the table show a notable default in the three-year period in the number of beneficiaries, and the size of supported areas. There were no changes in 2007, on the figures of the total period less than one third of the plan was completed. The result of total size of supported areas indicator is even less, 25% of the target value, 205 thousand hectares were covered by support. Thanks for the modifications, almost the measure's total budget has already been paid.

The number of applications for the measure is significantly lower than planned. The new categories was inducted in the period of EAFRD.

The difference between the planned and the fact figures is mainly caused by the small overlapping of eligible crops and crops promoted for cultivation by farmers. The relatively low level of support and the requirements of good farming practice aslo were against the higher interest.

29. Table

Monitoring indicators of the “Less favoured areas” measure

Item		2007.		2004-2007.	
		absolute figures	%	absolute figures	%
Total number of holdings receiving LFA payments, of which	plan	0		17 671	
	fact	0	0,00	5 663	32,05
according to Article 19	plan	0		7 908	
	fact	0	0,00	3 867	48,90
according to Article 20	plan	0		9 763	
	fact	0	0,00	1 796	18,40
Total size of area receiving LFA payments, of which	plan	0		883 558	
	fact	0	0,00	205 157	23,22
according to Article 19	plan	0		395 402	
	fact	0	0,00	129 374	32,72
according to Article 20	plan	0		488 156	
	fact	0	0,00	75 783	15,52
Total public contribution (€)	plan	6 646 418,00		14 810 000	
	fact	6 545 805,56	98,49	14 709 388	99,32
according to Article 19	plan				
	fact	6 053 311,88	-	13 568 529	-
according to Article 20	plan				
	fact	492 493,68	-	1 140 858	-
of which EAGGF (€)	plan	5 317 134,40		11 848 000	
	fact	5 236 644,45	98,49	11 767 510	99,32
according to Article 19	plan	0,00		0	
	fact	4 842 649,50	-	10 854 823	-
according to Article 20	plan	0,00		0	
	fact	393 994,95	-	912 686,48	-

Looking the number of beneficiaries and the size of supported are grouped by Article 19-20., it is obvious that from the point of whole 3 years period the lack from the target number was significant on the field of Article 20. Only one fifth of the planned number, 1 796 applicants were supported. According to Article 19 half of the plan was completed. The same ratios examining the total size of area supported are 15% and 33%.

There is a much bigger difference in the payments because of the maximum payable support for one hectare: less than 10% got to the area according to Article 20. while the share in the number of beneficiaries is 30%. (Table 29.)

30. Table

Monitoring indicators of the “Less favoured areas” measure

Support for Less Favoured Areas	2004	2005	2006	Fact figure 2007	Achivement 2007	Fact figure 2004-2007	Achivement 2004-2007							
Total number of holdings[1] receiving LFA payments, of which	15 020	16 788	17 671	0	0%	5 663	32%							
- according to Article 19 (number)	6 722	7 513	7 908	0	0%	3 867	49%							
- according to Article 20 (number)	8 299	9 275	9 763	0	0%	1 796	18%							
Total size of area[2] receiving LFA payments, of which	334 206	839 380	883 558	0	0%	205 157	23%							
- according to Article 19 (ha)	336 092	375 632	395 402	0	0%	129 374	33%							
- according to Article 20 (ha)	414 933	463 748	488 156	0	0%	75 783	16%							
Total	of which EAGGF													
	11	19,77	27,63	22,1	29,078	23,26	6,55	5,24	23%	23%	14,71	11,77	51%	51%
Article 19 LFA	21,251	17,002	23,762	19,006	25,008	20,004	6,05	4,84	24%	24%	13,57	10,85	54%	54%
Article 20 LFA	3,459	2,767	3,868	3,094	4,07	3,256	0,49	0,39	12%	12%	1,14	0,91	28%	28%

As we can see in the indicator table set in the annex of NRDP, there is a big lack in the payment, but it is also smaller than in the number of holdings and the size of supported areas. If there had not been any modification, the achivement would have been 51% due to Article 19.

3.2.3. Meeting Standards

3.2.3.1. Introduction to the measure in brief

The farmers can use **environmental protection, animal welfare and animal hygiene purpose investment support** in case of livestock keeping sites not meeting standards. If the livestock keeping site is in full compliance with specifications on the number of spaces, the livestock keepers can use **animal welfare and animal hygiene support** to compensate their extra costs partly.

The investment support is available at a maximum yearly sum of EUR 25 000 per livestock keeping site through a maximum of three years. On the other hand, compensation for loss of income may be granted for a total period of five years and in amounts of up to EUR 10 000 per year and per site, with the sum decreasing evenly from year to year. For a single site, support may be granted for more than one scheme, however, the cumulated amount of support may not exceed EUR 25 000 per year.

In 2004 and 2005 the demand for support was far below expectations primarily due to the nature of the programme (in case of investment support the compilation of the applications, the implementation of the investment, and after that the drawing of the sum of the support took a lengthy period of time) and because of the complex nature of eligibility conditions. For this reason, in addition to **2005/2006 financial amendments**, the MARD initiated so-called **professional amendment proposals** to make availability of the support easier and to facilitate the use of the funds.

In 2006 finally the eligibility criteria were modified by the Hungarian authorities as follows:

- eligible animal species
- restrictions on the size of the farm.

All the species held with farming aim is eligible instead of the 6 restricted species, especially goats, waterfowl (ducks, geese, etc.) and rabbits.

The restriction for the limit of livestock was cancelled.

The introduction of modifications makes it possible for many farmers in Hungary – especially farming in nitrate sensitive areas – to submit application for the measure. The modification has two effects: it increases the absorption capacity of the measure, which enhances the farmers financial and market position, and on the other hand contributes to the NRDP aim, which popularises farming with environment protection. More farmers will be able to operate appropriate farms, which ensures non-polluting farming and safe food production.

3.2.3.2. The measure's financial plan

The measure's original appropriation was also reduced by the reallocation of the NRDP sources in 2004, then in 2006 its budget was reduced twice by almost EUR 60 million, so it decreased to EUR 25 million, which is fraction of the fund available at the end of 2005 (EUR 140 million).(Table 31.)

The modification approved by the Monitoring Committee cut EUR 57,02 million in favour of the Agri-environment measure .

The modification procedure in 2006 finished with the approval of the European Commission reallocated

- EUR 54 800 000 for TOP-UP and
- EUR 4 817 500 for the measure Agri-environment.

So the budget of the measure is 3,3,% of the total NRDP fund. 80% of the modified budget, EUR 20 million was available in 2007.

31. Table

Financial plan of the measure „Meeting standards”

Year	Financial sources (EUR)		
	EU	National	Total
2007	15 935 211,4	3 983 802,8	19 919 014,2
2004-2006*	20 136 000	5 034 000	25 170 000

Source: NRDP and MARD

* Appropriation modified with the reallocation for the year 2006.

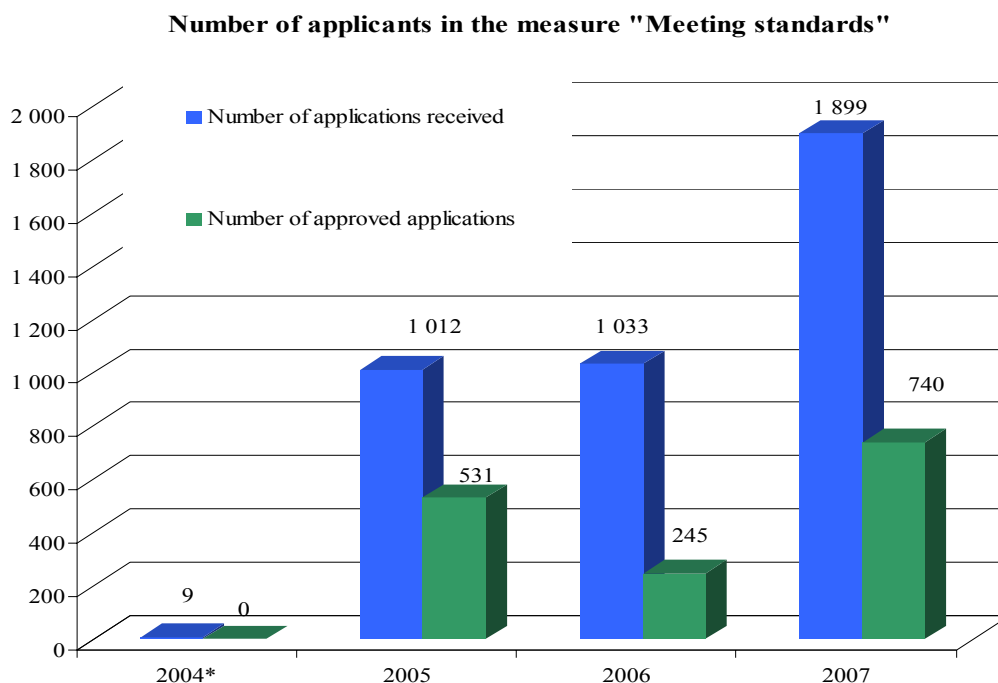
3.2.3.3 Achievements in 2007

Applications for support could be submitted between **16 July 2007 and 1 October 2007**, and payment claims were received between **1 November 2006 and 30 July 2007** and then from 1 November 2007. (The statements contain only the data of claims received in 2007.)

In the first year applications for support submitted on **compensation for loss of income** were at the same time payment claims, which means that it is not necessary to submit a separate payment claim. However, from the second year it is necessary to submit a payment claim each year. In the case of applications for support for investments (environmental protection, animal welfare and animal hygiene) the investment project is to be realized within one year from the receipt of the decision on approval, but at latest till the submission of the payment claim. Therefore payments were available only in case of compensation for loss of income in the first support period .

Until 1 October 2007 1 899 applications were submitted with demand for support at EUR 15 851 8318 701 438. Both the number of applications and the demand for support increased compared to the previous year. (Figure 8.)

8. Figure

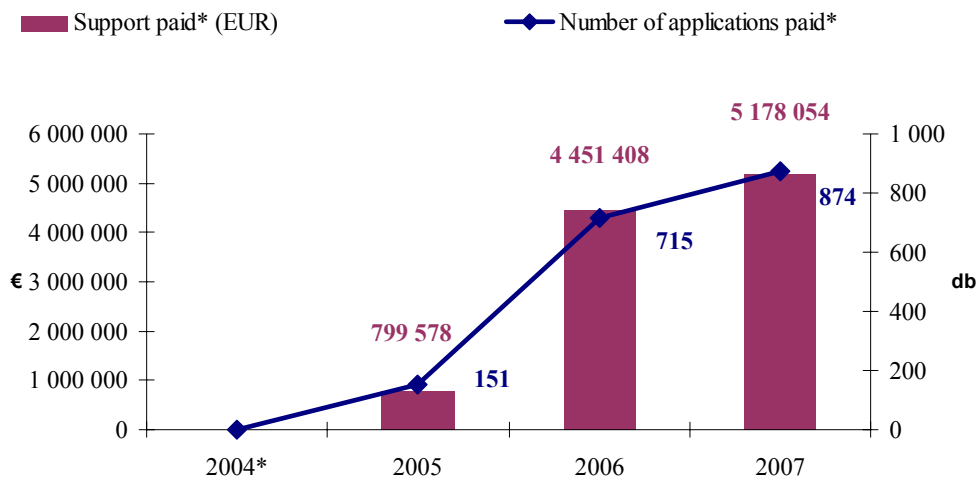


In 2007 these applications were not processed, 1 033 applications received in previous years were evaluated. 222 were rejected, 71 were withdrawn. (Table 32.) The three primary reasons for rejection were ineligibility (115 pieces - application submitted on ineligible animal species, farming carried out on non nitrate-sensitive area, support requested for the establishment of new building, etc.), the submission of applications with missing items (59 pieces - the applications for support does not contain the certification by the construction authority or a valid construction permit, animal health certificate or the permit on the operation of the livestock keeping site, etc.) and ineligible applications (48 pieces). As in the previous years, 70% of the applications processed were approved, request for 740 approved applications for the whole period of the measure was EUR 15,85 million and EUR 8,6 million for the first year.

In 2007 from the approved 740 applications 201 were submitted for compensation for loss of income. Their applications were at the same time payment claims, so payments were completed in 2007. 161 payment claims submitted in 2006 were evaluated in 2007, 128 were approved, 33 were rejected. In the two submission period 1 114 payment claims arrived (18 affects the payment period of 2008), 648 were approved, 1 was rejected, evaluation of 465 claims was postponed to 2008. Application for support submitted on **compensation for loss of income (201 pieces)** and the payment claims approved effected 874 payments in EUR 5,17 million. This value was higher by 16% than in 2006. (Figure 9.)

9. Figure

Payments in the measure "Meeting standards"



The left axis of the chart shows the support paid, the right axis shows the number of applications paid.

The procession of claims was not finished till the end of 2007. Disbursement of the approved claims, the evaluation of the part of the payment claims received and the examination of all the applications for support received in 2007 will be managed in 2008. Remaining EUR 14,7 million covers the demand.

Demand for support per applicant fell significantly to 2007 so it was almost EUR 4,5 thousand. The average sum was EUR 11,6 for the payments submitted in 2006 and approved in 2007, because these connected to applications submitted in the previous years. The average size of support paid is EUR 5,9 thousand per applicant, which is just higher than one half of the EUR 10 000 upper limit, and a little bit smaller than the average in 2006.

32. Table

Characteristics of applications submitted for the measure „Meeting standards”

Meeting standards	2004*	2005	2006	2007
<i>Number of applications accepted in 2006, processed in 2007</i>		9	353	1 033
Number of applications received	9	1 012	1 033	1 899
Demand for support as calculated on the basis of the applications received (EUR)	114 916	6 756 870	8 701 438	8 553 995
Number of applications accepted	9	1 012	1 033	1 899
Number of approved applications	0	531	245	740
<i>from accepted applications in previous years</i>			245	740
<i>from accepted applications in this year</i>			0	0
Request for approved applications for the whole period of the measure (EUR)	0	7 814 654	3 658 528	15 851 832
Request for approved applications for the first year of the measure (EUR)	0	3 669 509	2 415 199	8 567 358
From this EAGGF (EUR)	0	2 935 607	1 932 159	6 853 886
Number of applications rejected	0	95	71	222
<i>from accepted applications in previous years</i>			71	222
<i>from accepted applications in this year</i>			0	0
Reasons for rejection				
illegitimate request		25	25	115
the site was not in operation during the on-the-spot-check		1	5	
missing items after the supply of missing items		59	41	59
application submitted with missing items				48
application submitted late		5	-	-
the applicant had not replied to the request to supply missing items		4	-	-
false data supplied		1	-	-
Number of applications withdrawn	0	42	43	71
<i>from accepted applications in previous years</i>			43	71
<i>from accepted applications in this year</i>			0	0
<i>Number of payment claims accepted in 2006, processed in 2007</i>				161
Number of payment claims received	0	0	728	1 114
Number of approved payment claims	0	0	567	776
<i>from accepted payment claims in previous year (2006.)</i>				128
<i>from accepted payment claims in this year (2007.)</i>				648
Number of payment claims rejected				34
<i>from accepted payment claims in previous year (2006.)</i>				33
<i>from accepted payment claims in this year (2007.)</i>				1
Number of applications paid*	0	151	715	874
<i>by applications</i>			173	201
<i>by payment claims</i>			542	673
<i>from accepted payment claims in previous year (2006.)</i>	0	0	0	153
<i>from accepted payment claims in this year (2007.)</i>	0	0	542	520
Support paid* (EUR)	0	799 578	4 451 408	5 178 054
Number of payment claims approved, but not paid in 2007				128
<i>from accepted payment claims in previous year (2006.)</i>				0
<i>from accepted payment claims in this year (2007.)</i>				128
Number of payment claims will be processed in 2008				465
<i>from accepted payment claims in previous year (2006.)</i>				0
<i>from accepted payment claims in this year (2007.)</i>				465

Source: ARDA

*The data shown in the table for 2004 differ from those shown in the NRDP report on 2004. The reason for this is that the overall processing of the applications was closed only 2005, and thus data were modified.

The applicants could submit applications in a single support application package for several support purposes (environmental investment, animal welfare and animal hygiene investment, and animal welfare and hygiene compensation for loss of income). In 2007 the vast majority of the approved applications related to the animal welfare and animal hygiene submeasure like in 2006. The number of support for environmental investment did not change, but the number of applications for support submitted on compensation for loss of income increased significantly. (Table 33.).

Applications for support per support objectives under the measure „Meeting standards”

Item	Number of applications* 2005	Number of applications** 2006	Number of applications*** 2007
Support for environmental investment	25	25	25
Support for animal welfare and hygiene investment	255	242	542
Animal welfare and hygiene compensation for loss of income	322	2	201

Source: ARDA

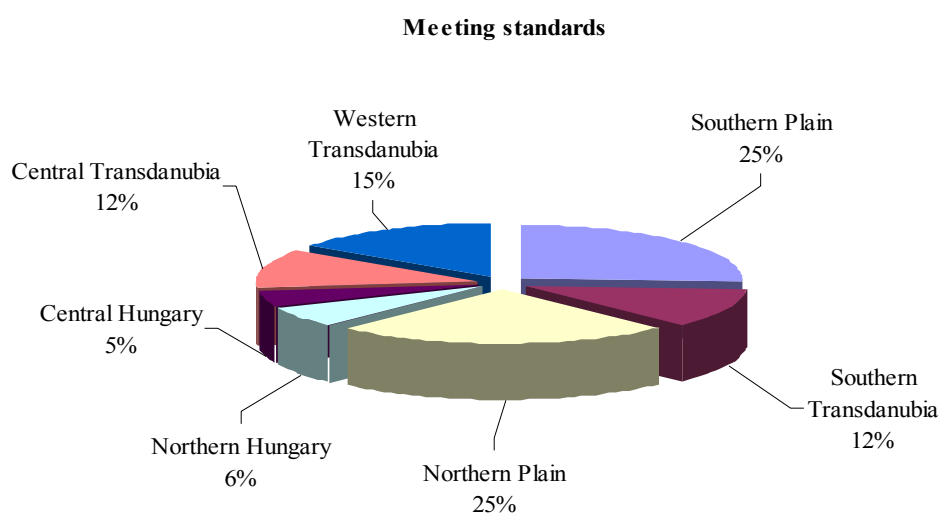
*The number of applications shown contains in double the applications which refer to both the compensation for loss of income and the support for investments (56), and the ones containing request for support for both environmental and animal welfare investments (15)

**The number of applications shown contains in double the applications which refer to both the compensation for loss of income and the support for investments (2), and the ones containing request for support for both environmental and animal welfare investments (22)

***28 applications request both the compensation for loss of income and the support for investments, these are shown in double.

The support paid under Meeting Standards measure was the highest in the Northern and the Southern Plain (25-25%) and the lowest in the Central Hungary region (Figure 10.):

10. Figure

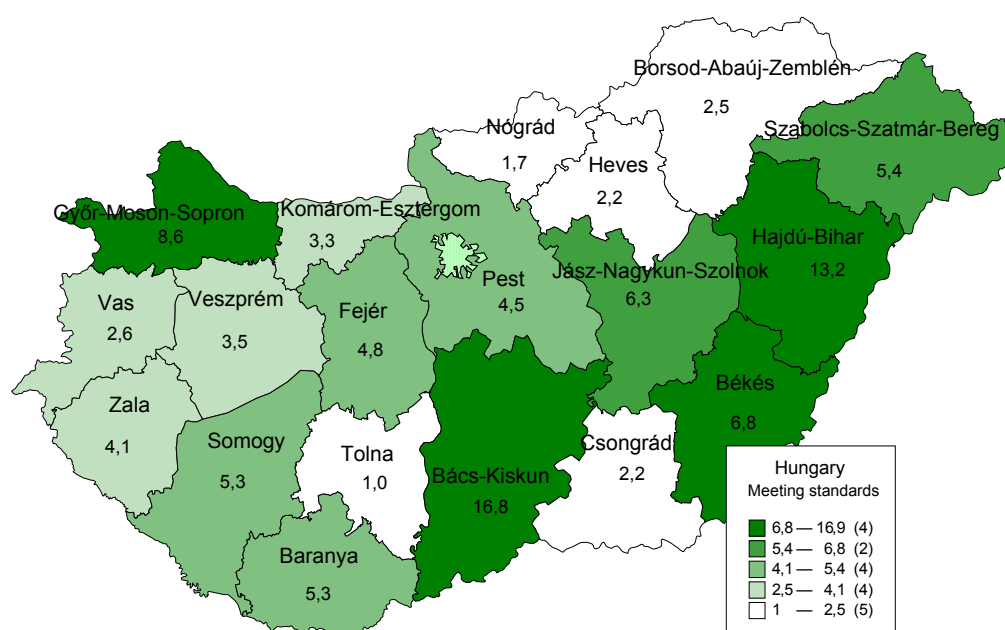
Regional distribution of support paid for the „Meeting standards” measure

Source: ARDA

In 2007 there were a significant decrease from the previous year in the proportion of payment in several regions, while the proportion of the Northern Plain increased with 300%, and the half of the payment got to the regions of Great Plain. There is also a big difference between the counties, one sixth of the total payment went to Bács-Kiskun county, while proportion of Tolna was not realised nor 1%. (Figure 10.) The payments well representate the stock of animals on the significant forage crops area; the counties of the Great Plain and Győr-Sopron county (northwest) mirrors the distribution of stocks.

11. Figure

Distribution of support paid per counties for the „Meeting standards” measure*



*Pest county contains figures of Budapest.

Source: ARDA

34. Table

Monitoring indicators for the measure „Support for Meeting standards”

Item	Meeting standards			
	2004-2007.		2007	
	absolute figures	%**	absolute figures	%***
Number of beneficiaries	plan	2 618	1 842	
	fact	1 516	740	40,17%
Paid: total expenditure (€)	plan*	25 170 000	19 919 014	
	fact	10 429 039	5 178 054	26,00%
Paid: EAGGF (€)	plan*	20 136 000	15 935 211	
	fact	8 343 232	4 142 443	26,00%

Source: NRDP and MARD

* Appropriation modified with the reallocation for the year 2006

**In proportion to data planned for 2004-2006.

***In proportion to data planned for 2007.

In the year 2007 among monitoring indicators the number of beneficiaries shows a further improvement compared to previous years, the new supported 740 applications were 40% of that 1 842 applications needed for the planned number of NRDP. Number of applications evaluated and approved is close to the 60% of the planned number, and it can easily increase in 2008 with the evaluation of that 2 000 applications received in 2007. The situation in respect of the sums paid is also better, because the one fourth of the remaining budget got to the beneficiaries in 2007 . 41% of the funds available for the three-year period was paid till the end of 2007 (Table 34.).

The originally planned resources for the measure has not been utilised. The conditions were modified, but the fund was reduced significantly is two steps with almost EUR 120 million so that the sources could be used in other measures. It was the biggest absorption under NRDP. The modified budget can be utilised, remaining EUR 15 million covers the demand for support of the applications and payment claims which are approved but not paid or not evaluated.

The significant difference between the fact and planned data – and in the same time the reason of decreases of sources – mainly comes from the maximalised 25 000 euros per year for investments. This amount was not enough for the preparation of investments even for the smaller farms suffering lack of capital.

Monitoring indicators for the measure „Support for Meeting standards”

Meeting standards		2004	2005	2006	2004-2006	Fact figure 2007		Achievement 2007		Fact figure 2004-2007		Achievement 2004-2007					
Number of beneficiaries		1 757	708	153	2 618	740		28%		1 516		58%					
• Of which : Environmental protection sub-measure	Removal, treatment and on-site storage of manure	291	165	32	488	21		4%		46		9%					
	• Of which: Animal welfare and animal hygiene sub-measure																
• Of which: Animal welfare and animal hygiene sub-measure	Compliance with provisions concerning floors	36	21	4	61	83		136%		173		284%					
	Compliance with provisions concerning micro-climate	21	33	14	68	171		251%		316		465%					
	Compliance with provisions concerning the safety of animal	34	52	22	108	262		243%		455		421%					
	Compliance with provisions concerning space requirements	590	334	66	990	173		17%		262		26%					
	Compliance with provisions concerning keeping and foddering technology	28	16	3	47	271		577%		485		1032%					
	Technological developments associated with site technology	18	28	12	58	198		341%		322		555%					
Complete reconstruction	729	59	-	788	0		0%		0		0%						
Total public contribution (in EUR millions)		43,71	34,97	68,44	54,75	29,66	23,7	141,81	113	5,18	4,14	4%	4%	10,43	8,34	7%	7%
of which EAGGF																	
• Of which: Environmental protection	Removal, treatment and on-site storage of manure	7,29	5,83	11,41	9,13	4,94	3,96	23,64	18,91	0,22	0,18	1%	1%	0,37	0,30	2%	2%
• Of which: Animal welfare and animal hygiene sub-measure	Compliance with provisions concerning floors	0,91	0,73	1,43	1,14	0,62	0,50	2,96	2,37	0,12	0,10	4%	4%				
	Compliance with provisions concerning micro-climate	0,54	0,43	0,84	0,67	0,36	0,29	1,74	1,39	0,39	0,31	22%	22%				
	Compliance with provisions concerning the safety of animal	0,84	0,67	1,31	1,05	0,57	0,46	2,72	2,18	0,77	0,61	28%	28%				
	Compliance with provisions concerning space requirements	14,76	11,81	23,11	18,49	10,02	8,01	47,89	38,31	0,58	0,46	1%	1%				
	Compliance with provisions concerning keeping and foddering technology	0,71	0,57	1,11	0,88	0,48	0,38	2,30	1,84	1,27	1,02	56%	56%				
	Technological developments associated with site technology	0,46	0,37	0,72	0,58	0,31	0,25	1,49	1,19	0,47	0,38	32%	32%				
Complete reconstruction	18,21	14,57	28,52	22,81	12,36	9,89	59,09	47,27	0	0	0%	0%					

Monitoring indicators for the measure „Support for Meeting standards”

Meeting standards	Type of indicator	Data source	Basic year	Basic data	Forecast / targeted figure 2006	Fact figure 2007	Achivement 2007	Fact figure 2004-2007	Achivement 2004-2007
Capacity of on-site manure management / placement (re)constructed thanks to assistance (tons)	R	Monitoring system	2004	-	1 050 444	10456,23 m ³	-	20679,8 m ³	-
Large Animal Units involved in manure management (storage and/or spreading) of assisted farms (thousand item/year)	R	Monitoring system	2004	-	14 589	1 381	9,5%	2 665	18,3%
Large Animal Units involved in compliance with provisions concerning floors (LAU)	R	Monitoring system	2004	-	81 497	4 098	5,0%	10 146	12,4%
Large Animal Units involved in compliance with provisions concerning micro climate change (LAU)	R	Monitoring system	2004	-	81 620	11 209	13,7%	24 152	29,6%
Large Animal Units involved in compliance with provisions concerning the safety of animal husbandry sites (LAU)	R	Monitoring system	2004	-	81 602	16 968	20,8%	29 610	36,3%
Large Animal Units involved in compliance with provisions concerning space requirements (LAU)	R	Monitoring system	2004	-	81 564	7 149	8,8%	11 325	13,9%
Large Animal Units involved in compliance with provisions concerning keeping and foddering technology (LAU)	R	Monitoring system	2004	-	81 655	19 327	23,7%	36 209	44,3%
Large Animal Units involved technological developments associated with site technology (LAU)	R	Monitoring system	2004	-	81 525	15 252	18,7%	25 317	31,1%
Large Animal Units involved complete restructuring regarding EU standards (LAU)	R	Monitoring system	2004	-	81 566	0	-		0,0%
Number of standards met	I	Monitoring system	2004	-	7 850	1 179	15,0%	2 199	28,0%

[1] Animal Unit (AU): unit applied in the European Union for ruminant animals. In case of adult animals, one individual is one AU, cattle between the age of 6 and 24 months count for 0.6 AU while sheep and goats of that age worth 0.15 AU.

In the Table 35 the row of number of beneficiaries contains the number of supported applications, the row of total public contribution contains the payment by applications and payment claims (it shows that without the modification of the budget, achievement would be only 7%). The further rows and Table 36 were fulfilled by the numbers of payment claims. There were big numbers of applications for compliance with provisions concerning keeping and foddering technology, and compliance with provisions concerning the safety of animal husbandry sites both in 2007 and in the whole NRDP period. Technological developments associated with site technology and Compliance with provisions concerning micro-climate submeasures also generated a much bigger demand than planned.

There is a big lack in the field of the „Removal, treatment and on-site storage of manure” and the „Compliance with provisions concerning space requirements” (achievement was 9% and 26%).

As Table 36 shows achievement is 12-44% according to the planned monitoring figures (in accordance with the number of applications former proportion is for the Large Animal Units involved in compliance with provisions concerning floors, latter is the indicator of Large Animal Units involved in compliance with provisions concerning keeping and foddering technology). In accordance with the payments, the procession of the year 2007 contributed to the increasing of the value of monitoring indicators, several indicators were doubled to the end of the year.

Table N° 35 shows the distribution by submeasures of approved applications of the meeting standards measure within the period years 2004-2007. It should be noted, that the number of received and approved applications were more over the planned ones in case of all submeasures, mainly in keeping and foddering technology, and micro-climate provisions.

The higher number of beneficiaries and the less amount of utilised sources – comparing to the targets – in this regard must be recognised as planning shortcoming.

Table N° 36 shows the data of **paid** investments in large animal unit (LAU) and in tons. The rate of planned and realised performance shows different picture as above, probably because the planned number of farms was less with higher LAU levels, as it realised: the applicant farms had lower LAU-levels but realised more investments as it was planned. It is also apparent, that supports for keeping and foddering technology, and micro-climate provisions were the most popular. The data of the table based on the payment claims.

3.2.4. Afforestation of agricultural land

3.2.4.1. Introduction to the measure in brief

The objectives of the support realised by the afforestation of agricultural land include:

- to promote agricultural restructuring and to extend employment and improve income opportunities in rural areas;
- to increase the size and improve the quality of forested areas in Hungary in the long term;
- to improve the public (environmental, economic, social/welfare) protection function of forests.

Eligible agricultural areas are areas classified as supportable under the MePAR classification, and have been subject to agricultural cultivation in the two consecutive years directly preceding the submission of the application for support.

The measure contains three different types of support: support for establishment, and for the related complementary measures, support for maintenance and compensation for loss of income in the form of non-refundable, normative supports. The minimum eligible size is 1 hectare; in case the area is smaller (but at least 0,3% hectares), it will be eligible for support only if adjacent to a forest area.

Under the support for afforestation of agricultural lands the applications are not payment claims at the same time, so payment claims could be submitted by the supported applicants between **1 February and 15 June 2006**. In 2006 the new applications for support could be submitted between **1 June and 31 July** (unlike the other measures, to the local offices of the *State Forestry Service* acting on behalf of the ARDA). For these the first payment claims may be submitted in 2007. On average, the measure would be realised by a proposed afforestation of 10 000 hectares per year, which would represent afforestation of 30 000 hectares between 2004 and 2006. The rate of support depends on the wood species, on the degree of slopes and on the type of area (protected or not) and ranges between **EUR 842 and EUR 2 780 per hectare**. Support for maintenance of the newly afforested areas is available for five years after plantation. The rate of support depends on the wood species and the degree of slopes and **ranges between EUR 126 and EUR 463 per hectare per year**. The compensation for loss of income may be granted for up to 20 years. **The rate of support ranges between EUR 13.86 and EUR 281.90 per hectare per year** depending on the cultivation categories and the ownership status of the area.

3.3.4.2. The measure's financial plan

As regards the order of magnitude, the measure "Afforestation of agricultural land" is the second most significant measure of the NRDP, its budget decreased by EUR 3 000 because of technical reallocation, so it is EUR 79 675 000, which is 10.6% of the three-year budget. (Table 37.).

37. Table

Financial plan of the measure "Afforestation of agricultural land"

Year	Financial sources (EUR)		
	EU	National	Total
2007	32 588 445,6	8 147 111,4	40 735 557,0
2004-2006*	63 740 000	15 935 000	79 675 000

Source: NRDP

* Appropriation modified with the reallocation initiated in 2004 and approved by the Commission.

3.3.4.3. Achievements in 2007

Applicants could not submit new applications in 2007, and every application and payment claim submitted in previous years was evaluated before 2007. (Table 38.)

38. Table

The main characteristics of year 2007 applications for support under the “Afforestation of agricultural land” measure

Afforestation of agricultural land	2004*	2005**	2006	2007
<i>Number of applications accepted in 2006, processed in 2007</i>			<i>516</i>	<i>0</i>
Number of applications received	723	2 044	1 994	0
Demand for support as calculated on the basis of the applications received (EUR)	11 778 864	42 530 132	38 570 931	0
Area covered by the applications (ha) / livestock unit	6 664	20 414	18 932	0
Number of applications accepted	723	2 044	1 994	0
Number of approved applications	647	1 473	2 427	0
<i>from accepted applications in previous years</i>	<i>0</i>	<i>0</i>	<i>489</i>	<i>0</i>
<i>from accepted applications in this year</i>	<i>647</i>	<i>1 473</i>	<i>1 938</i>	<i>0</i>
Request for approved applications for the whole period of the measure (EUR)	32 210 258	98 124 593	143 033 724	0
Request for approved applications for the first year of the measure (EUR)	11 451 688	30 373 903	43 589 285	0
From this EAGGF (EUR)	9 161 350	24 299 122	34 871 428	0
Number of applications rejected	67		64	0
Reasons for rejection				
lacking approved documentation	54		45	0
afforestation envisaged on non-supportable area	7		6	0
submitted outside the deadline	5		2	0
other administrative fault	1		10	0
Number of applications withdrawn	64		19	0
Number of payment claims received	0	847	2 560	4 353
Number of approved payment claims	0	773	2 490	3 844
Number of applications paid*	0	638	2 351	3 700
Support paid* (EUR)	0	11 889 443	27 050 000	36 342 828
Number of payment claims will be processed in 2008				509

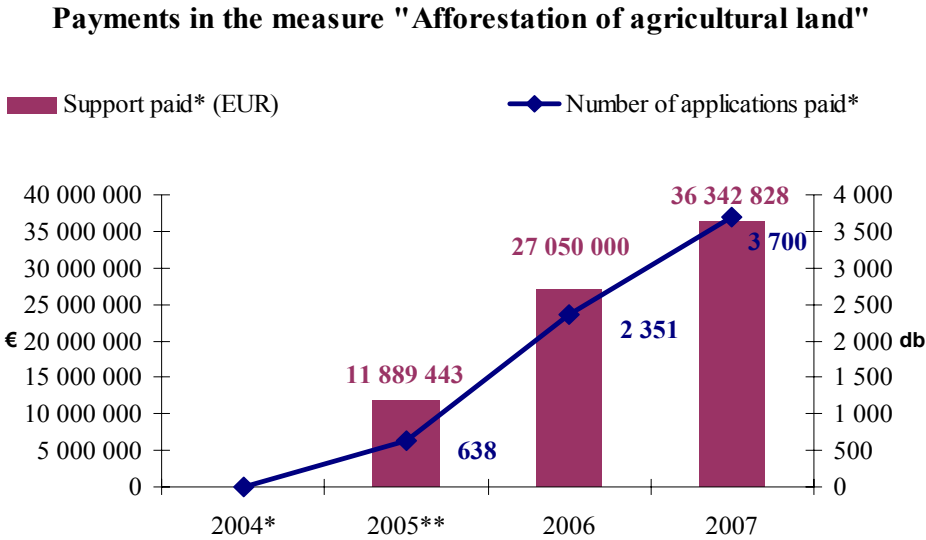
Source: ARDA

*The 213 applications submitted in 2005 related to 2004 is presented for 2005.

**Among the applications submitted in 2005, the applications for the summer period (between 1 June and 31 July) were evaluated till 31 December 2005.

From the 4 761 applicants supported 408 did not submit payment claims in 2007. 3 844 were approved, 509 will be processed in 2008 from the payment claims (its number was twice as large as in 2006).

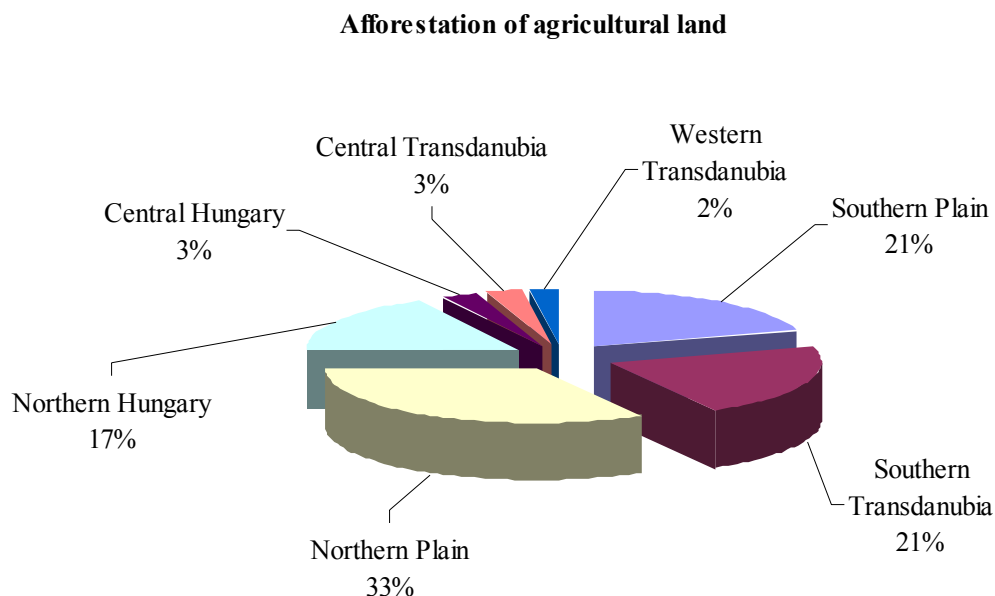
12. Figure



The left axis of the chart shows the support paid, the right axis shows the number of applications paid.

Number of claims paid was almost 1,5 times higher than in 2006, more than EUR 36 million was paid for **3 700 claims**. (Figure 12.) Implementation is planned later for 144 applications, that is why payment did not connect to these cases.

In 2007 the payment per application was behind the demand for support, because more applicants asked payment for smaller area than the eligible size.

Regional distribution of support paid for the „Afforestation of agricultural land” measure

Source: ARDA

The dominance of the Plain regions – similarly to previous years - is also observable in support paid, since more than one-half (54%) of all was in relation to them (Debrecen and Kecskemét local offices). Proportion of Southern Transdanubia decreased a little (21%), but EUR 7,5 from every EUR 10 support went to these 3 region. 2% of the total payment was disbursed across the Zalaegerszeg and Szombathely local office. (Figure 13.)

The low performance of Western-Transdanubia can be explained by the primarily large scale forest areas. In Central Hungary and Central Transdanubia the closeness of the capital, the relative good quality of soil and the horti- and viticulture utilisation are the main reasons for the lower level of measure's performance.

39. Table

Monitoring indicators of the measure "Afforestation of agricultural land"

Item		Afforestation of agricultural land			
		2004-2007.		2007	
		absolute figures	%**	absolute figures	%***
Number of beneficiaries	plan	13 875	32,77%	0	0,00%
	fact	4 547		0	
Total size of supported areas (ha)	plan	30 000	146,89%	0	0,00%
	fact	44 068,20		0	
Paid: total expenditure (€)	plan*	79 675 000	94,49%	40 735 557	89,22%
	fact	75 282 271		36 342 828	
Paid: EAGGF (€)	plan*	63 740 000	94,49%	32 588 446	89,22%
	fact	60 225 817		29 074 262	

Source: ARDA

* Appropriation modified with year 2006 reallocation

** In proportion to data planned for 2004-2006

*** In proportion to data planned for 2007

Although in the number of beneficiaries only one third of the three-year aim was reached, the area covered by them is one and half bigger than the total area proposed for support. Covered area by one approved application was much bigger than proposed, it was almost 10 ha instead of 2 ha. Because there was no new application accepted in 2007, these figures have not changed. (Table 40.) In payments financial performance was around 90% in 2007, and almost 95% of the total budget was paid to the beneficiaries. The remaining EUR 4,4 million can cover the demand for support of 509 payment claims which will be evaluated in 2008. The measure reached its intended aims.

40. Table

Afforestation of agricultural land				2004	2005	2006	2004-2006	2004-2007	Achievement 2004-2007
Number of beneficiaries ^[1] (private and state), of which				4 160	4 625	5 090	13 875	4 547	33%
For planting in total, out of which									
Conifers		Private: 96%	Public: 4% (state, and private tenant of the state owned area)	85	90	100	275		0%
Broad leaves (including mixed)				4 075	4 535	4 990	13 600	4 547	33%
Mixed plantations				2 280	2 545	2 800	7 625	95	1%
Total size of supported area (ha)				9 000	10 000	11 000	30 000	44 173	147%
of which									
For maintenance				9 000	19 000	30 000	30 000	42 313	141%
For income losses				9 000	19 000	30 000	30 000	42 419	141%
For planting in total, out of which									
Conifers		Private: 96%	Public: 4% (state, and private tenant of the state owned area)	180	200	220	600		0%
Broad leaves (including mixed)				8 820	9 800	10 750	29 370	44 170	150%
Mixed plantations				4 900	5 500	6 050	16 450	314	2%
Total public contribution (million €)				20,1	24,2	35,4	79,7	272,0	341%
of which									
by type of activity									
For maintenance costs ¹						6,8	6,8	50,9	746%
For income losses				1,9	4,0	6,3	12,2	9,3	76%
For planting costs in total, of which				18,2	20,2	22,2	60,6		0%
Conifers				0,4	0,4	0,4	1,2		0%
Broad leaves (including mixed plantations)				17,8	19,8	21,8	59,4	71,8	121%
Mixed plantations				10,0	11,1	12,2	33,4		0%

Monitoring indicators of the measure “Afforestation of agricultural land”

[1] Considering that the number of the state beneficiaries is insignificant, and one support decision contains the support for the establishment, maintenance and support for loss of income, the number of the beneficiaries is practically the same in case of support for establishment, maintenance and support for loss of income.

[2] The maintenance support for the implemented work in year 2004 and 2005 can be disbursed in 2006 depending on the success of the work. That’s why the resources for the maintenance support are included only in the column of year 2006.

Table 23 contains the data of approved applications for the whole NRDP period. There is a specification at the conifers, which requires 20-30% ratio from broad leaves, so that kind of applications were categorized to mixed plantations, along with there is a minimal number of the beneficiaries. At the same time size of supported areas exceeded the plan both for the maintenance, and for income losses. Examining the utilised budget, figures do not show a clear picture, because they contain the support for the whole period.

41. Table

Monitoring indicators of the measure “Afforestation of agricultural land”

Afforestation of agricultural land	Type of indicator	Data source	Basic year	Basic data	Forecast / targeted figure 2006	Fact figure 2007	Achivement 2007
Decrease of agricultural land (thousand ha)							
- plough-land				4516	4492	4 492	100%
- grassland				1063	1060	1 060	100%
- vineyard, orchards				289	287	287	100%
- reed area, fishpond	R	CSO	2002	93	92	92	100%
Increase of forest cover (thousand ha)	R	SFS	2002	1823	1853	1890	102%
Contribution of planted forests according to purpose (thousand ha)							
- economic				1 182	1 206	1 184	98%
- protection				612	617	674	109%
- health care-social				25	26	27	104%
- research & development	R	SFS	2002	4	4	4	100%
Area planted/managed with a view to protective functions (ha)	R	SFS	2002	829	1650	1 650	100%
UAA planted/improved with indigenous tree species (ha)	R	SFS	2002	5 155	18 000	11 775	65%
UAA planted in zones with low or missing forest cover (ha)	R	SFS	2002	1 941	3 900	3 900	100%
Size of forests planted in disadvantaged areas covered by the 3 rd column (“rural development”) of Annex 1-2 of Gov. Regulation 91/2001 (VI. 15.) (ha)	R	SFS	2003				
Increase of number of forest farmers (capita)	I	SFS	2002	24 669	27 500	33 239	121%
Number of settlements significantly affected by afforestation (more than 50 ha)	I	SFS	2002	38	198	95	48%

Increasing of number of forest farmers exceeded the targeted figure, which was 27 500 capita, and the fact is 33 239. Number of settlements significantly affected by afforestation grew from 38 to 95, which is half of the planned number. There is a similar lack on the field of UAA planted//improved with indigenous tree species. The targeted figures achieved at the other indicators.

3.3.5. Early retirement

3.3.5.1. Introduction to the measure in brief

The primary objective of the support is to ensure that elderly (from the age of 55 till reaching the official retirement age, but maximum for a period of 15 years).

The measure “Early retirement” affects approximately 10 000 individuals. The size of the agricultural area affected is expected at 50 000 hectares, while the average size of agricultural holdings may be increased by approximately 0.5 hectares. Opening of this scheme is important because it would ensure life annuities for the producers above 55 years of age without their families losing their lands.⁶

Within the present planning period, this measure was not opened. The reason for the late introduction is the time required for the necessary amendments of the relevant acts and regulations. The budget of this measure for the whole period was EUR 19 378 000 which equals to 2.6% of the total program budget. However, the Early retirement measure is affected drastically by the modification procedure in 2006, approval of the program was not announced in the 2004-2007 NRDP period, its fund was reallocated to the other measures

The Deputy Undersecretary Meeting of the MARD adopted a resolution on 6 September 2005, whereby the earliest date of introduction – following approval by the Commission of the European Union – is 1 January 2007. The reason for this is that presently the scheme is not in compliance with formal requirements, the basis of calculation of the sum of support and the rules of procedure are missing. The measure can be financed by EAFRD from 2007.

⁶Because it is sufficient for the farmers applying for this titlescheme to present a contract of sale or a gift-deed wherein the buyer or beneficiary (typically, a direct descendant, relative or family member) is less than 40 years old and undertakes to continue the agricultural production for at least 5 years and not to sell the holding for at least 10 years. Therefore, this measure contributes to the relationship between the different generations, the continuity and the reinforcement of family holdings and hence represent a much better alternative than the “Program of life annuities for cultivable land”, which disrupts this continuity by the expropriation of the lands.

3.3.6. Support for semi-subsistence farms undergoing restructuring

3.3.6.1. Introduction to the measure in brief

The objective of the measure “Support for semi-subsistence farms undergoing restructuring” is to facilitate the conversion of only semi-subsistence farms into market-orientated production holdings by providing compensatory allowance.

The typical obstacles of the development of semi-subsistence farms include the lack of capital required for the development and the lack of skills, up-to-date knowledge and information about the market, as well as threats relating to single-sided production structures. In order to facilitate the elimination of these obstacles the beneficiaries will receive an annual support of EUR 1000 under the measure.

The support is available for individual agricultural entrepreneurs and full-time primary producers operating in Hungary, where the output of the farm was between 2-5 ESU in the year preceding the implementation, the applicant holds the relevant professional qualification or three-year professional experience. Further conditions include the compilation of a 5-year business plan forecasting at least 5 ESU output or a 50% growth by the end of the fifth year. During the awarding of the support preference will be given to applicants from less favoured areas and young farmers.

In case of the measure Support for semi-subsistence farms the interest did not meet the expectations. The primary reason for the low number of applications for support was the disproportion between the complex nature of eligibility conditions (specific farm size, professional qualification, strong increase in output by the end of the 5th year) and the low sum of support. As regards easing the conditions of the support it was considered that the lower limit of the farm size should be decreased to 1 ESU which however threatens criteria for viability.

3.2.6.2. The measure's financial plan

After the previous modifications the adjusted fund of the Support for semi-subsistence farms under restructuring (EUR 21 million) was reduced by EUR17,5 million to EUR 3 460 000 by the year 2006 reallocation of NRDP funds, and in 2007 further EUR 0,6 million was reallocated to the measure “Establishment producer groups (Table 42.). However the second smallest budget was also planned originally for this measure, but the starting 2.6% proportion decreased to half per cent. More than 50% of the three-year source, was available in 2007.

42. Table

Financial plan of the Support for semi-subsistence farms measure

Year	Financial sources (EUR)		
	EU	National	Total
2007	1 178 986	294 7464	1 473 732
2004-2006*	2 289 970	572 492	2 862 4626

Source: NRDP and MARD

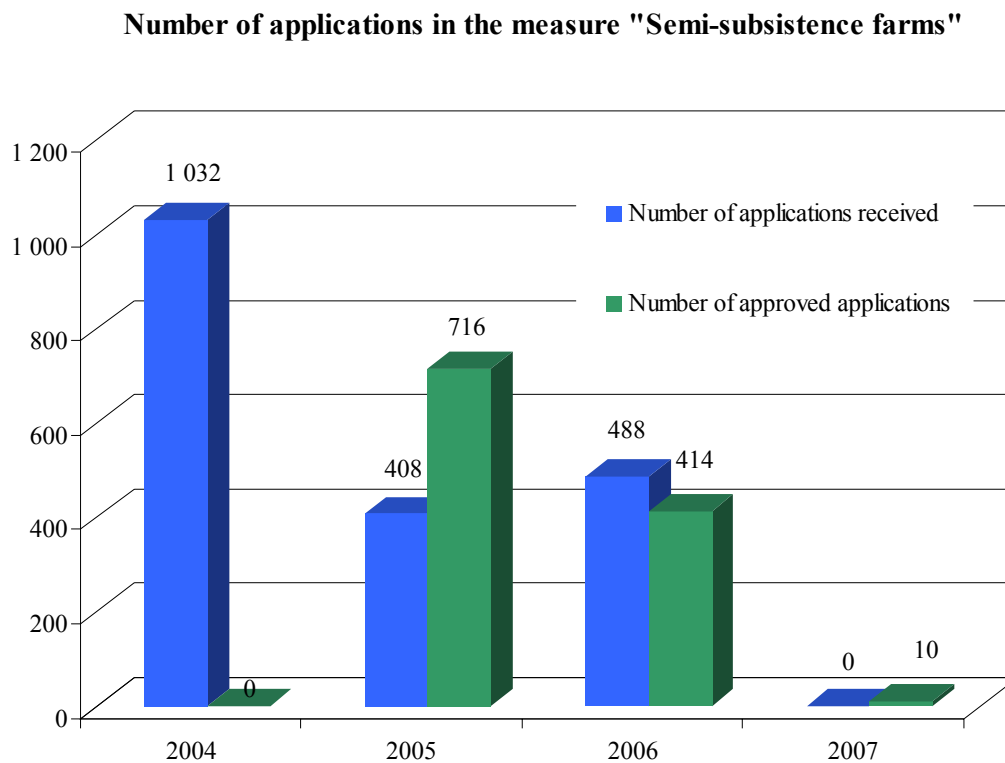
*Appropriation modified with reallocation initiated in 2007 and approved by the Commission.

3.2.6.3 Achievements in 2007

In 2007 there was no submission period for applications for the Support for semi-subsistence farms undergoing restructuring scheme. 243 applications received in 2006 were processed in that year. So the evaluation resulted only 10 approvals besides 230 applications rejected and 3 withdrawn (Table 43.). Reasons of rejection was ineligible request (202), formal fault or application submitted with missing items (20) and 8 applications were submitted outside the submission period.

Accordingly the big ratio of rejection the number of applications decreased significantly. Because of the fixed EUR 1 000 support, the demand sum changed the same way. (Figure 14.)

14. Figure

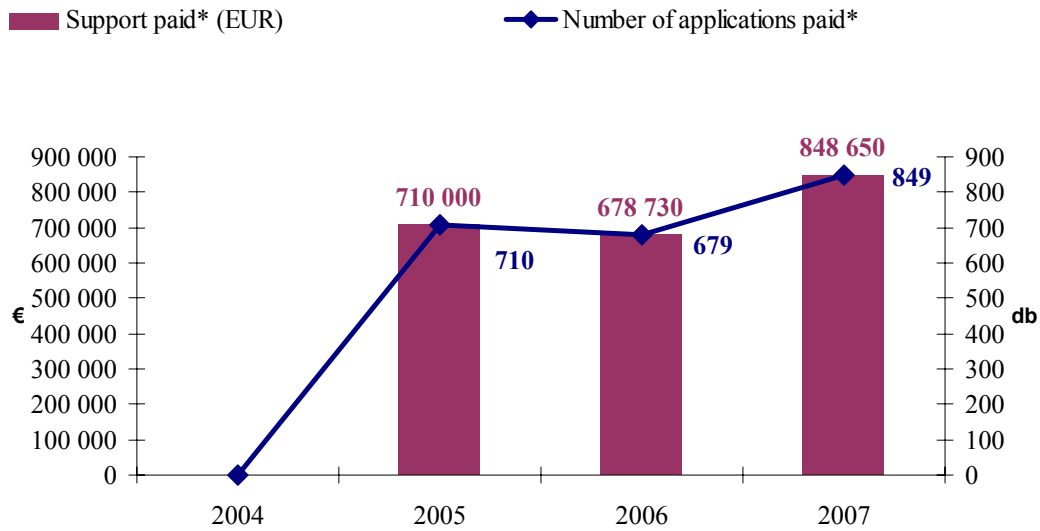


There was a significant decline in the proportion of applications approved correlated to applications submitted, while it was almost 70% this figure in the previous period, decreased to 46% in 2006, and to 4% in 2007. So the sum of the support also notably reduced. There was no change in the number of applications withdrawn, the lower proportion in support was effected by the number of rejections

In 2007 889 payment claims submitted in the submission period in July, but they will all be processed in 2008. 739 payment claims submitted in previous years were evaluated in 2007.

15. Figure

Payments in the measure "Semi-subsistence farms"



The left axis of the chart shows the support paid, the right axis shows the number of applications paid.

Result of the process was 593 approved payments. Out of that, 246 applications for support received and approved in 2006, and 10 approved in 2007 were paid. Because of delay of few applicants EUR 350 was deducted from the support calculated for the 849 payments – which is higher with 25% than in 2005 -, so EUR 848 650 was paid. (Figure 15.)

43. Table

Year 2007 applications for support under the measure „Support for semi-subsistence farms undergoing restructuring”

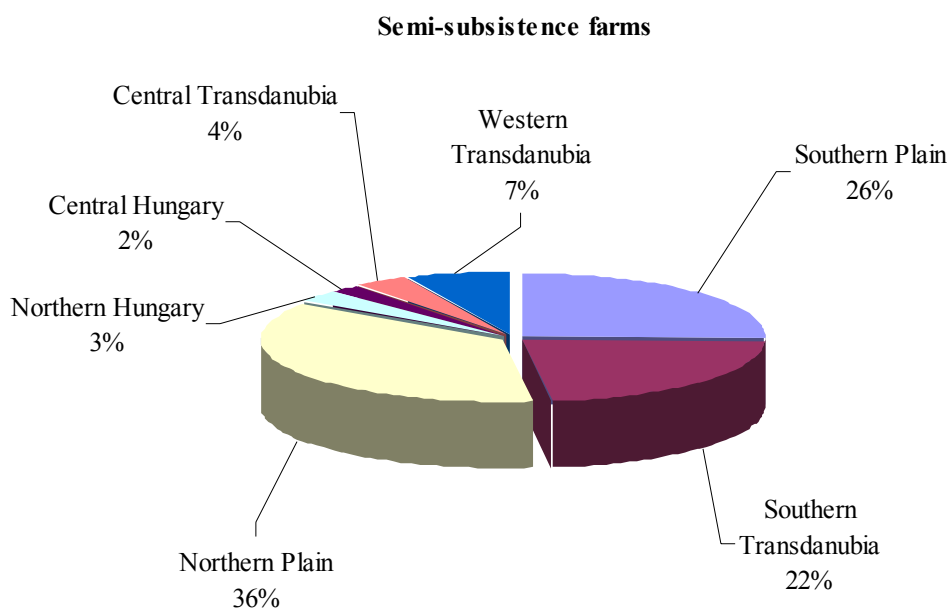
Semi-subsistence farms	2004	2005	2006	2007
<i>Number of applications accepted in 2006, processed in 2007</i>		1 032	410	243
Number of applications received	1 032	408	488	0
Demand for support as calculated on the basis of the applications received (EUR)	1 032 000	408 000	488 000	0
Number of applications accepted	1 032	408	488	0
Number of approved applications	0	716	414	10
<i>from accepted applications in previous years</i>	0	716	168	10
<i>from accepted applications in this year</i>	0	0	246	0
Request for approved applications for the whole period of the measure (EUR)	0	3 580 000	2 070 000	50 000
<i>from accepted applications in previous years</i>	0	3 580 000	840 000	50 000
<i>from accepted applications in this year</i>	0	0	1 230 000	0
Request for approved applications for the first year of the measure (EUR)	0	716 000	414 000	10 000
<i>from accepted applications in previous years</i>	0	716 000	168 000	10 000
<i>from accepted applications in this year</i>	0	0	246 000	0
From this EAGGF (EUR)	0	572 800	331 200	8 000
Number of applications rejected	0	305	236	230
<i>from accepted applications in previous years</i>	0	305	236	230
<i>from accepted applications in this year</i>	0	0	0	0
Reasons for rejection				
ineligible request		292	226	202
formal fault or application submitted with missing items		10	8	20
application submitted outside the submission period		1	2	8
applicant had not replied to the request to supply missing items		2	-	0
Number of applications withdrawn	0	9	5	3
<i>from accepted applications in previous years</i>	0	9	5	3
<i>from accepted applications in this year</i>	0	0	0	0
<i>Number of payment claims accepted in 2006, processed in 2007</i>				739
Number of payment claims received	0	703	739	889
Number of approved payment claims	0	0	505	593
<i>from accepted payment claims in previous year (2006.)</i>				593
<i>from accepted payment claims in this year (2007.)</i>				0
Number of payment claims rejected				146
<i>from accepted payment claims in previous year (2006.)</i>				146
<i>from accepted payment claims in this year (2007.)</i>				0
Number of applications paid*	0	710	679	849
<i>by applications</i>	0	710	174	256
<i>by payment claims</i>	0	0	505	593
Support paid* (EUR)	0	710 000	678 730	848 650
<i>by applications</i>	0	710 000	174 000	256 000
<i>by payment claims</i>	0	0	504 730	592 650
Number of payment claims will be processed in 2008				889

Source: ARDA

More than 50% of paid support was realised in the two Plain regions. Thanks to Szabolcs-Szatmár-Bereg county 36% of the total payment got into the northern part. The proportion of Southern Transdanubia remained above 20% similarly to the previous year, share of Western Transdanubia after rising in 2006 got back the level of 2005. (Figure 16-17.)

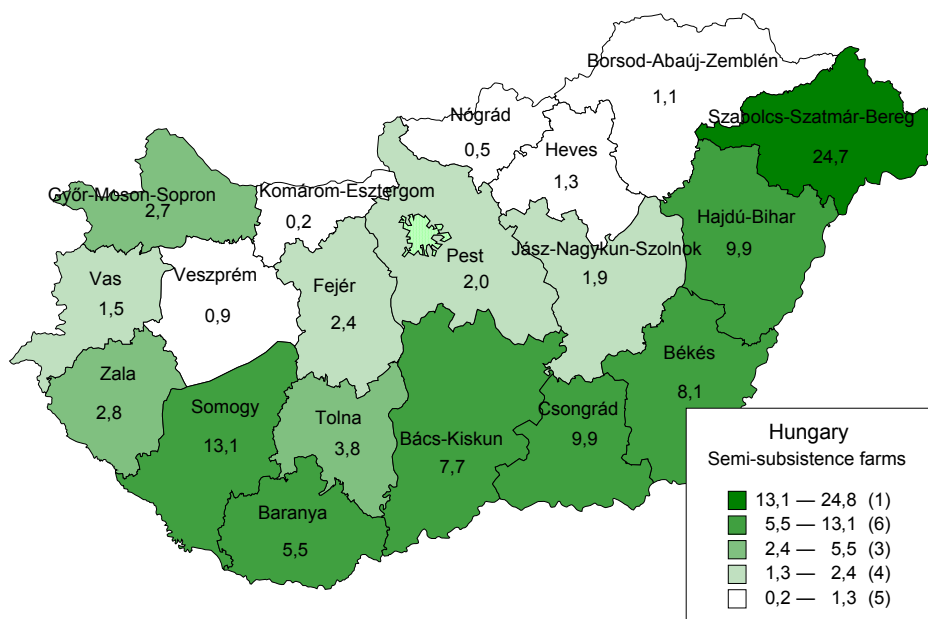
16. Figure

Regional distribution of support paid for the „Semi-subsistence farms” measure



17. Figure

*Distribution of support paid by counties for the „Semi-subsistence farms” measure**



*Pest county contains figures of Budapest.

Monitoring indicators of the measure „Support for semi-subsistence farms undergoing restructuring”

Item		Semi-subsistence farms			
		2004-2007.		2007	
		absolute figures	%**	absolute figures	%***
Number of beneficiaries	plan	12 320		11 190	
	fact	1 140	9,25%	10	0,09%
Paid: total expenditure (€)	plan*	2 862 462		1 473 732	
	fact	2 237 380	78,16%	848 650	57,59%
Paid: EAGGF (€)	plan*	2 289 969		1 178 985	
	fact	1 789 904	78,16%	678 920	57,59%

Source: NRDP

*Appropriation modified with year 2006 reallocation

**In proportion to data planned for 2004-2006.

***In proportion to data planned for 2007.

There is a big difference between the planned and the fact figures of the measure: 9% of 12 320 targeted for the whole NRDP period was supported. After the significant decline in the budget, utilization shows a more favourable picture both in relation to 2007 and the three-year period. (Table 44.) The difference is much bigger if we examine the original plan. (Table 45.)

The low interest is attributable partly to the lack of the information supplied and partly to the lack of documentation of agricultural activity (eligibility is conditional on revenue and the increase thereof, but the target farms are unable to present invoices for most of their revenue and to thereby certify them) and partly to the strict eligibility criteria. One of the latter is a 50% increase in output and the 5 EUME production value, which is to be reached by the participants by the end of the 5th years. It may be difficult to fulfil this for agricultural undertakings, because farming, in comparison to other sectors, is much riskier due to damage caused by natural disasters, and thus the farmers are not willing to take the risks of fulfilling this condition.

For the distribution of beneficiaries by region it could be the reason that the income circumstances in Western Transdanubia are better, which does not justify the resort of the relatively low amount support. It is confirmed by the performance of the southern and eastern counties, where the statistical average incomes are significantly lower. This is increase relevant for the owners of small-scaled farms.

The measure did not reach the targeted aims, the reallocation of the budget is done. EUR 625 000 remaining at the end of 2007 can partly cover the 889 payment claims postponed to 2008.

45. Table

Monitoring indicators of the measure „Support for semi-subsistence farms undergoing restructuring”

Support for semi-subsistence farms undergoing restructuring	2004	2005	2006	2004-2006 plan	2005	2006	2007	Achivement 2007	Fact figure 2004-2007	Achivement 2004-2007
Number of new contracts	1 030	5 950	5 340	12 320	716	414	10	0,1%	1 140	9%
Total public contribution in contracts (in million €)	1,21	7,16	12,63	21,00	0,716	0,41	0,01	0,0%	1,136	5%
from this EAGGF	0,97	5,73	10,11	16,81	0,57	0,33	0,01	0,0%	0,91	5%
Total public contribution paid (in million €)	1,21	7,16	12,63	21,00	0,71	0,68	0,85	4,0%	2,24	11%
from this EAGGF	0,97	5,73	10,11	16,81	0,57	0,54	0,68	4,0%	1,79	11%

46. Table

Monitoring indicators of the measure „Support for semi-subsistence farms undergoing restructuring”

Support for semi-subsistence farms undergoing restructuring	Type of indicator	Data source	Basic year	Basic data	Forecast / targeted figure 2006	Fact figure 2007	Achivement 2007	Fact figure 2004-2007	Achivement 2004-2007
Ratio of female beneficiaries (%)	R	Monitoring system	2004	0	30	20	67%	34,7	116%
Ratio of young farmers (%)	R	Monitoring system	2004	0	30	40	133%	35	117%
Ratio of beneficiaries joining other support schemes (%) investments supported by ARDOP, agri –environment LFA others	R	Monitoring system	2004	0	10		-		0%
					30	0	0%	14,81	49%
					50	20	40%	0,7	1%
					10		-		0%
Size of supported agricultural land (ha)	R	Monitoring system	2004	0	94 700	41,52	0%	2212,47	2%
Size of supported animal stock (LU)	R	Monitoring system	2004	0	68 000	312	0%	514,76	1%
Increase of share of income derived from agricultural activities among the assisted beneficiaries (%)	I	Monitoring system	2004	-	60	21,39	36%	14,9	25%
Increase of agricultural income among the beneficiaries (thousand €)	I	AKII	2002	3 920	300	707,35	236%	1044,3409	348%
Increase of net revenue (cost to turnover) in assisted farms (%)	I	Monitoring system	2004	-	5 - 10			14,75	

However number of claims was lower than planned, some monitoring indicators were achieved, which can be examined concerning applicants supported in 2007. The ratio of young and farmers is above 30%, and agricultural income increased above planned. In the whole NRDP period out of the former indicators the ratio of female farmers hit the target, while there are a big lack at several monitoring indicator: ratio of the beneficiaries who got agri-environment support is half of the planned, and the increase of share of income derived from agricultural activities among the assisted beneficiaries is only 15% in stead of 60%. (Table 46.)

3.2.7. Supporting the establishment and administrative operation of producer groups

3.2.7.1. Introduction to the measure in brief

The measure provides support for the establishment and administrative operation of producer groups to remedy structural deficiencies caused by the lack of self-organization by the producers and to strengthen the ability of producers to enforce their interests in the market.

The support is available exclusively for producer groups who have been recognized by the Minister of Agriculture and Rural Development. Another condition for the support to be granted is that the producer group should operate in any of the following plant production and livestock keeping sectors: cereals, rice, potato, oil seeds, sugar beat, textile plants, cut flowers, buds and living plants, grape and wine, herbs and spices, nursery products; and, raw milk, other raw milk, bovine, pig, rabbit, sheep and goat, fish, fur animals, poultry and eggs and honey. Producer groups in the fruit/vegetable and tobacco sector are not eligible for support within this measure. Each producer group may use the support once, and may not submit a new application for support after the five-year period. The sum of the support is dependent on the production value marketed by the producer group.

3.2.7.2. The measure's financial plan

The original appropriation of the measure Support for the establishment and administrative operation of producer groups was reduced by the year 2004 reallocation of the NRDP sources, and it was the only measure which was not modified in 2006, but it was increased in 2007 by EUR 648 703. (Table 47.) The significant part of the three-year period sources was available in 2007.

47. Table

Financial plan of the measure "Supporting the establishment and administrative operation of producer groups" Year	Financial sources (EUR)		
	EU	National	Total
2007	7 276 233	1 819 058	9 095 292
2004-2006	23 218 962	5 804 741	29 023 703

Source: NRDP

3.2.7.3 Achievements in 2007

New applications were not received in 2007, but began the procession of 21 applications submitted in 2006. (Figure 18.).

47. Table

Year 2007 applications for support under the measure "Supporting the establishment and administrative operation of producer groups"

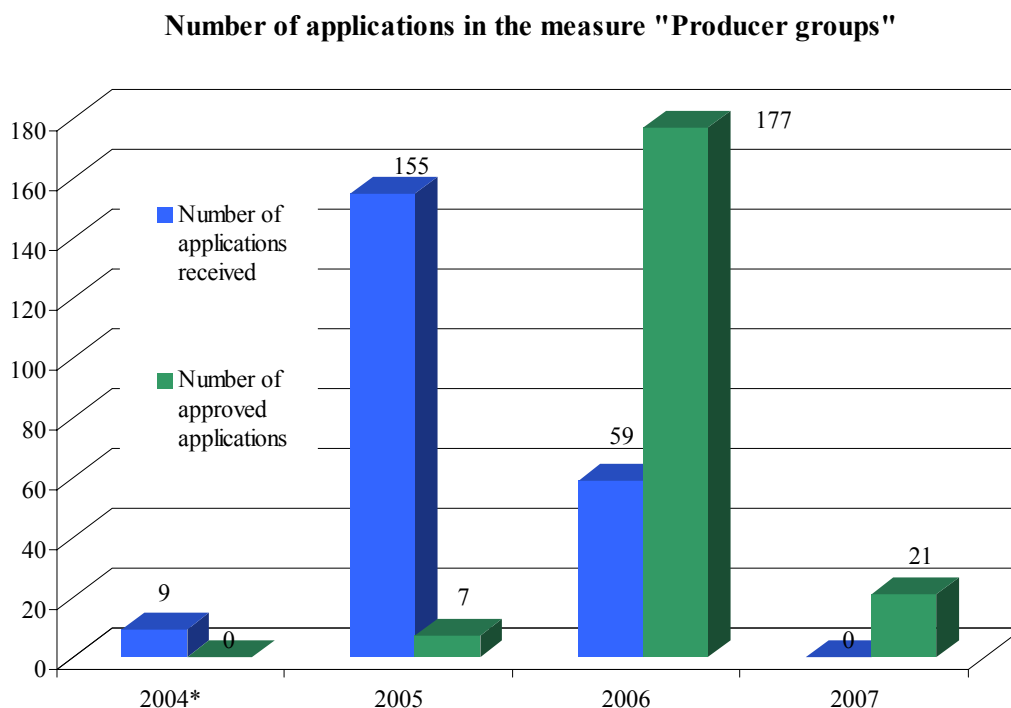
Producer groups	2004*	2005	2006	2007
<i>Number of accepted applications in previous years, processed in 2006</i>		9	155	21
Number of applications received	9	155	59	0
Demand for support as calculated on the basis of the applications received (EUR)	604 204	9 117 077	3 334 378	0
Number of applications accepted	9	155	59	0
Number of approved applications	0	7	177	21
<i>from accepted applications in previous years</i>	0	7	144	21
<i>from accepted applications in 2006</i>	0	0	33	0
Request for approved applications for the whole period of the measure (EUR)	0	2 071 495	44 250 000	5 250 000
<i>from accepted applications in previous years</i>	0	2 071 495		5 250 000
<i>from accepted applications in 2006</i>	0	0		0
Request for approved applications for the first year of the measure (EUR)	0	442 075	10 625 957	1 251 216
<i>from accepted applications in previous years</i>	0	442 075	8 514 022	1 251 216
<i>from accepted applications in 2006</i>	0	0	2 111 935	0
From this EAGGF (EUR)	0	353 660	8 500 766	1 000 973
Number of applications rejected	0	2	15	0
<i>from accepted applications in previous years</i>	0	2	10	0
<i>from accepted applications in 2006</i>	0	0	5	0
Reasons for rejection				
lack of recognition by the state		2	11	0
higher revenue in the application		-	3	0
applicant has not registration number		-	1	0
Number of applications withdrawn	0	0	1	0
<i>from accepted applications in previous years</i>	0	0	1	0
<i>from accepted applications in 2006</i>	0	0	0	0
Number of payment claims received	0	14	151	198
Number of approved payment claims	0	6	148	121
Number of payment claims rejected				3
Number of applications paid*	0	13	311	156
<i>by applications</i>	0	7	168	30
<i>by payment claims</i>	0	6	143	126
<i>from accepted payment claims in previous year (2006.)</i>	0	2	0	5
<i>from accepted payment claims in this year (2007.)</i>	0	0	143	121
Support paid* (EUR)	0	931 495	18 996 916	9 572 115
<i>by applications</i>	0	442 075	9 937 915	1 939 258
<i>by payment claims</i>	0	489 420	9 059 001	7 632 857
<i>from accepted payment claims in previous year (2006.)</i>				253 332
<i>from accepted payment claims in this year (2007.)</i>				7 379 525
Number of payment claims paid from EAFRD				74

Source: ARDA

*The data shown in the table for 2004 differ from those shown in the NRDP report on 2004. The reason for this is that the overall processing of the applications was closed only 2005, and thus data were modified.

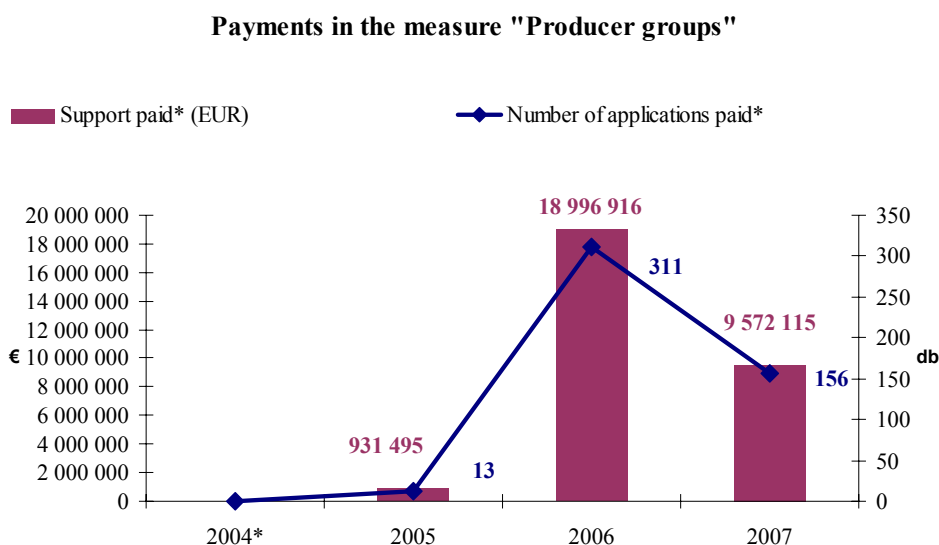
All of the applications were approved. (Table 48.)

18. Figure



Number of applications were significantly lower in 2007, than in 2006 (177), like approved support it was only EUR 1,2 million. The average sum of support request per producer group was EUR 59,5 thousand which was less than the value of the previous year (EUR 60-63 thousand) and far away to the upper limit of EUR 100 000 per applicant.

19. Figure



The left axis of the chart shows the support paid, the right axis shows the number of applications paid.

The eligible parties may receive support through five years under the measure “Supporting the establishment and administrative operation of producer groups”. The applications for support submitted in the first year - if approved - are regarded as payment claims at the same time. However, an payment claim is to be submitted in every year starting from the second year for the disbursement. (Figure 19.)

These payment claims could be submitted in 2007 from 31 May to **30 June** by producer groups, which had approved application .

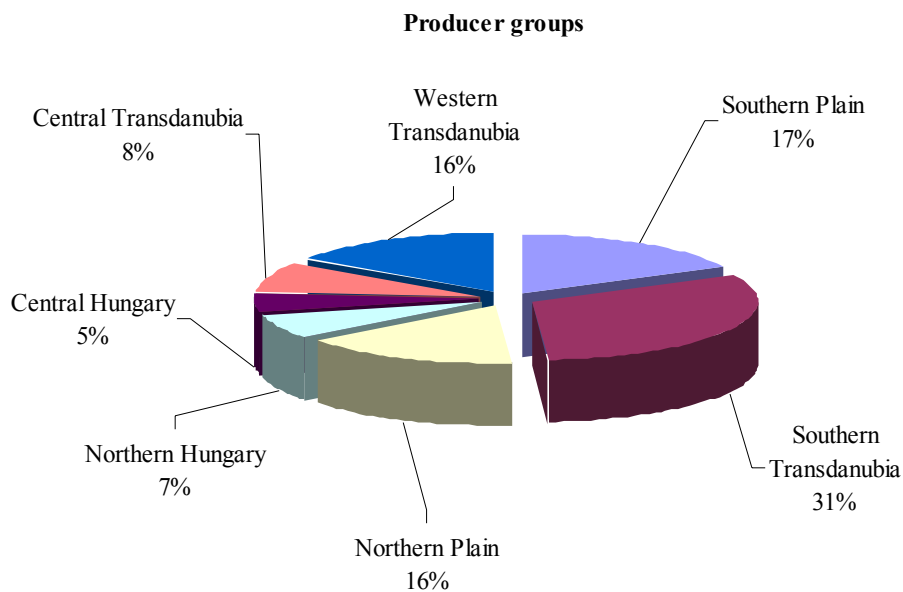
Producer groups submitted 198 payment claims till the above date, of which 3 were withdrawn, and there was no rejection. 168 from the 177 approved applications, All of the approved payment claims (121) were paid in 2007 from the sources of NRDP, 74 claims were already paid by EAFRD. With the payment for 9 applications and for 5 claims delayed from 2006 ARDA paid almost EUR 10 million for 156 applications, which was the half of 2006 payment. Evaluation of 21 applications submitted in 2006 was finished in 2007.

The average sum of support paid per producer group was about EUR 60 thousand, like in the previous years.

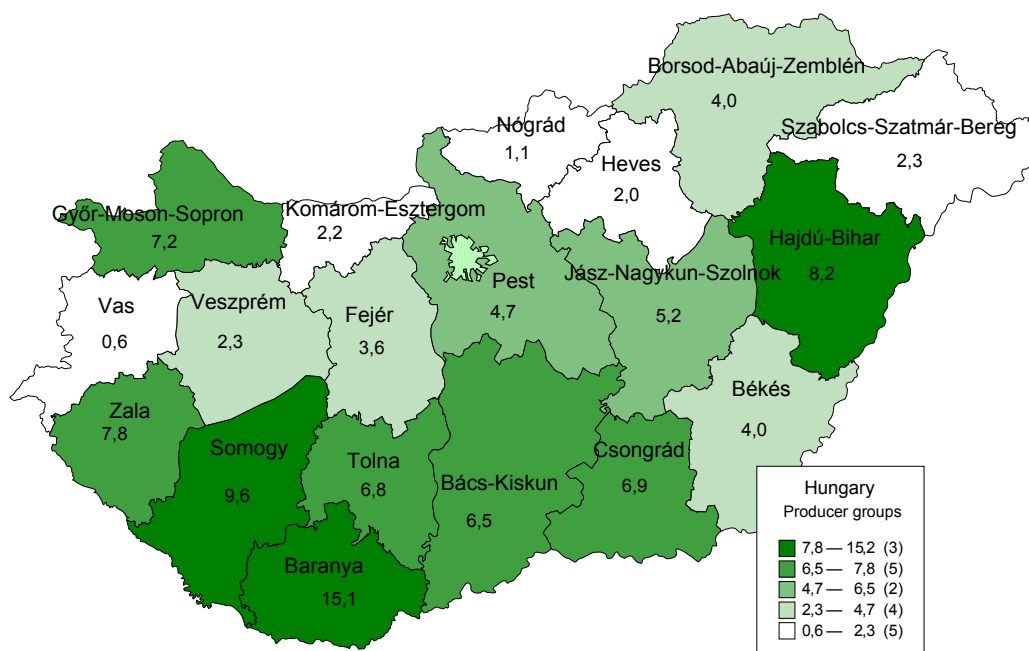
The regional distribution of support paid in 2007 is shown on Figure 20.

20. Figure

Regional distribution of the support paid



Source: ARDA

*Distribution by counties of the support paid**

*Pest county contains figures of Budapest.

Like in the previous years in 2007 half of payments got into the Southern regions, proportion of Southern Transdanubia was 31%, Southern Plain was 17%. Concerning the other measures Northern Hungary has an outstanding high rate, and Northern Plain has a very low proportion in 2006, but it changed in 2007. (Figure 21.)

The number of producer groups is higher at the traditional agricultural areas, as in the Great plain (Southern and Northern Plain Regions) mainly in cereale-sector and Southern Transdanubia, where the poultry and the milk production are also typical. The same reasons are valid also for Győr-Sopron county.

Because already in 2006 the number of beneficiaries was higher with 30% in the three-year period than planned, we did not calculate plan figures for 2007. Both the payment remained for 2007 and planned for the whole period was paid. More payment claims were financed from EAFRD. (Table 49.)

48. Table

Monitoring indicators of the measure “Supporting the establishment and administrative operation of producer groups”

Item		Producer groups			
		2004-2007.		2007	
		absolute figures	%**	absolute figures	%***
Number of beneficiaries	plan	155		0	
	fact	205	132,26%	21	-
Paid: total expenditure (€)	plan*	29 023 703		9 095 292	
	fact	29 500 526	101,64%	9 572 115	105,24%
Paid: EAGGF (€)	plan*	23 218 962		7 276 233	
	fact	23 600 421	101,64%	7 657 692	105,24%

Source: NRDP

* Appropriation modified with year 2007 reallocation

** In proportion to data planned for 2004-2006.

*** In proportion to data planned for 2007.

49. Table

Number of applications by activity

Supporting the establishment and administrative operation of producer groups	2004	2005	2006	2004-2006	2005 fact	2006 fact	2007 fact	Achivement 2007	Fact figure 2004-2007	Achivement 2004-2007
Number of new contracts, of which	10	125	20	155	7	177	21	14%	205	132%
animal production	5	80	12	97	3	77	13	13%	93	96%
plant production	5	45	8	58	4	100	8	14%	112	193%
Total public contribution (in million €)	1,98	12,40	14,00	28,38	0,9	19,0	9,6	34%	29,5	104%
from this EAGGF	1,58	9,92	11,20	22,70	0,7	15,2	7,7	34%	23,6	104%

Source: ARDA

Noticeable, that the number of beneficiaries was also higher than the total planned figure for the three-year, but it was resulted by the producer groups which have plant production: 112 contracts were entered in contrast to planned 58. In 2007 13-14% of the targeted figures were complied. (Table 50)

Both the number of producer groups and the number of farmers effected by the measure was higher than planned for the three-year period: 1 577 farmers participated in groups supported in 2007 and totally 13 509 participated. The land size, the number of livestock units and the increase of sold production income of assisted producer groups was higher with orders of magnitude than the planned figures. There are moderate success in other impact indicators: share of production income on foreign markets is only 1% instead of expected 5% and only 2,2% of all the registered private producers participating in assisted producer groups, not the planned 6-7%. (Table 51.)

Result and impact indicators

Setting up of producer groups	Type of indicator	Data source	Basic year[1]	Basic data	Forecast/targeted figure 2006	Fact figure 2007	Achivement 2007	Fact figure 2004-2007	Achivement 2004-2007
Number of farmers participating in assisted producer groups (capita)	R	Monitoring system, CSO	2003	10 000	13 500	1 577,0	12%	13 503,0	100,0%
Land size of farmers participating in assisted producer groups (ha)	R	Monitoring system	2003	45 000	60 750	12 931,0	21%	586 955,3	966%
Number of livestock units of farmers participating in assisted producer groups (LU)	R	Monitoring system	2003	10 800	14 580	134 876,0	925%	2 533 405,0	17376%
Ratio of private producers participating in assisted producer groups among all the registered private producers (%)	R	Monitoring system, CSO	2003	5	6-7	0,3	5%	2,2	34%
Increase of sold production income among the beneficiaries (%)	I	Monitoring system	2004	0	1,5	4,5	298%	20,8	1388%
Increase of sold production income of assisted producers groups (thousand Euro)	I	Monitoring system	2003	252	278	2 127,2	765%	98 722,9	35512%
Share of production income sold by the assisted producer groups on foreign markets (%)	I	Monitoring system	2004	0	5	0,9	17%	1,1	22%
Total cost of investments carried out as a co-operative investment by assisted producer groups (thousand €)	R	Monitoring system	2004	-	30 000	n.a.	-	26 987,5	90%
Number of full time employees working for the assisted producer groups (FTE, AWU)	I	Monitoring system	2004	-		6,0	-	146,0	-

3.3.8. Complement to direct payments supporting the cultivation of various plants (hereinafter: top-up support for plant cultivation)

3.3.8.1. Introduction to the measure in brief

The objective of complimentary national direct payments is to ensure – by providing complementary income – the reduction of the competitive disadvantage of Hungarian farmers against farmers in older member-states of the EU. The support contributes to the improvement of the income position of the farmers and increases their liquidity required for making innovations.

The NRDP, approved by Decision No C3235/2004 of the European Commission, had not contained any measures on support for complement to direct payments. Since the launch of implementation of the NRDP was delayed significantly the vast majority of funds allocated for 2004 were paid in 2005. Therefore support for one vegetation period was missed till the payments were first started. At the same time the highly unfavourable agricultural season in 2005 and the year 2006 budget restrictions made questionable the potential for the payment of the year 2005/2006 complementary national payments already approved. These circumstances had made it necessary to draw in additional sources.

In line with Article 1c of Council Regulation 1259/1999 Hungary intended to use the opportunity to increase and to finance partly the top-up support for plant cultivation through the reallocation of the sources of the year 2004. The proposal for amendment contained the sum of funds, the rate of unit support, the quotas and the rules of implementation and checking. In Decision No C3425/2005 the European Commission adopted the corrected proposal for amendment on the year 2004 sources of the NRDP. The proposal for amendment affected 17% of the year 2004 sources of the NRDP. The reallocated funds can be allocated for complementing the area-based support of plant cultivation of the top-up support of plant cultivation.

3.3.8.2. *The measure's financial plan*

51. Table

The financial plan of the measure „Complement to direct payments to the top-up support for cultivation of plants”

EUR

2004-2006		
Financial sources		
EU	National	Total
75 169 068	18 792 268	93 961 336

Financial sources of the measure was modified in 2007, decreased with EUR 51 164,41.

The Minister of Agriculture and Rural Development Decree No. 87/2004 (V. 15.) maximized the sum of support available for complement to direct payments for plant cultivation at HUF 11 000/ha that is EUR 49.929/ha. The Minister of MARD set, on the basis of 5§ (1)c of 6/2004. (I. 22.) Government Decree, the amount of the TOP-UP support for plant cultivation at 9 000/HUF/ha. The regulation of MARD 53/2006. (VII. 24.) has maximised the top-up support for area-based arable crops in 12 765 HUF (46.758 EUR) financed by the EAGGF Guarantee Section . The real payments – based on MARD regulation 25/2006 (III.31.) has been done by 12 405 HUF / hectare.

3.3 8.3. *Achievements in 2007*

Support for application based on the Minister of Agriculture and Rural Development Decree No. 25/2006 (III.31.) was not paid in 2006., payment started in 2007.

157 862 applications for support were submitted for the measure. Out of the applications received 155 463 were approved, 32 were withdrawn and 2 363 were rejected.

52. Table

Year 2007 applications for support under the measure “Complement to direct payments to the top-up support for cultivation of plants”

	Number	Demand for support (EUR)		
		EAGGF	National	Total
Applications submitted	157 862			
Applications accepted	157 858			
Applications approved	155 463			
Applications rejected	2 363			
Applications withdrawn	32			
Applications paid	155 463	10 959 197*	43 836 809*	54 796 006*

Source: ARDA

*payments between 1 January 2007 and 31 December for the applications submitted in 2006.

Regional distribution of the year 2006 approved applications

Region	Approved applications		Eligible area	
	number	proportion	size (ha)	proportion
Central Hungary	8 693	5,59%	234 453,35	6,42%
Central Transdanubia	10 810	6,95%	429 667,90	11,77%
Western Transdanubia	12 876	8,28%	433 160,60	11,86%
Southern Transdanubia	15 197	9,78%	602 042,55	16,49%
Northern Hungary	11 438	7,36%	349 961,00	9,58%
Northern Plain	50 667	32,59%	773 717,34	21,19%
Southern Plain	45 782	29,45%	828 533,47	22,69%
Total	155 463	100,00%	3 651 536,21	100,00%

Source: ARDA and own calculations

The **breakdown by regions** shows the regional distribution of the suitability of plant cultivation on arable lands, and the weight of the Plain regions dominating in the cultivation of plants on arable lands. (Table 54.)

In 2007 under the measure **a total of EUR 54 796 006 was paid.**

4. FINANCIAL REALISATION

The 94% of NRDP budget has been paid for the beneficiaries by the end of 2007. In csae of two measures (Meeting standards and Semi subsistence farms) the payment was less than the financial frame of 2004-2006, that can be explained with the low level of interest for these measures.

55. Table

Cumulated data								
Priority/Measure	Public expenditure 2004-2006		number	Received payment claims		Due to the total sources 2004-2006 (%)	Approved	
	Total	EAGGF		Total	EAGGF		száma	Public expenditure
								Total
A) Safeguarding and improving the conditions of the environment								
Agri-environment	451 126 289	360 898 000	-	-	-	-	-	-
Meeting standards	25 170 000	20 136 000	1 838	9 990 000	7 992 000	39,69%	1 338	12 042 000
A) Priority	476 296 289	381 034 000	1 838	9 990 000	7 992 000	2,10%	1 338	12 042 000
B) Supporting the conversion of the production structure towards better matching to the ecological and market conditions								
Afforestation	79 675 000	63 740 000	7 760	97 634 726	78 107 780	122,54%	6 972	81 828 904
B) Priority	79 675 000	63 740 000	7760	97 634 726	78 107 780	122,54%	6972	81 828 904
C) Increasing the economic viability, financial conditions and market position of producers								
Semi subsistence farms	2 862 462	2 289 969	2331	2 331 000	1 864 800	81,43%	1098	1 098 000
Producer groups	29 023 703	23 218 962	363	22 173 129	17 738 503	76,40%	349	20 884 942
Early retirement	-	-	-	-	-	-	-	-
C) Priority	31 886 164	25 508 932	2 694	24 504 129	19 603 303	76,85%	1 447	21 982 942
D) Maintaining and improving agricultural activities hereby providing additional income and job opportunities for farmers active on areas with weaker production site conditions								
LFA	14 810 000	11 848 000	-	-	-	-	-	-
D) Priority	14 810 000	11 848 000	0	0	0	0	0	0
Technical assistance	37 500 000	30 000 000	617	38 567 251	30 853 801	102,85%	586	36 984 397
SAPARD	20 011 211	15 000 000	314	20 464 565	15 348 424	102,32%	314	20 464 565
TOP-UP	93 961 336	75 169 068						
Total	754 140 000	602 300 000	13 223	191 160 671	151 905 309	25,22%	10 657	173 302 808

The table below shows the payments of 2007 by each measure. In 2007 there were 5074 claims paid, totally 261.629.001 EUR of which the EAGGF part was 209.338.015 EUR.

56. Table

Priority/Measure	Payments of 2007								
	Received payment claims			Approved payment claims			Paid claims		
	number	Public expenditure (€)		number	Public expenditure (€)		number	Public expenditure (€)	
		Total	EAGGF		Total	EAGGF		Total	EAGGF
A) Safeguarding and improving the conditions of the environment									
Agri-environment	-	-	-	-	-	-	-	135 956 238	108 799 685
Meeting standards	1 110	4 360 026	3 488 021	771	8 172 476	6 537 981	655	5 590 462	4 472 370
A) Priority	1 110	4 360 026	3 488 021	771	8 172 476	6 537 981	655	141 546 701	113 272 055
B) Supporting the conversion of the production structure towards better matching to the ecological and market conditions									
Afforestation	4 353	50 228 334	40 182 667	3 844	38 314 469	30 651 575	3 700	36 485 898	29 188 718
B) Priority	4 353	50 228 334	40 182 667	3 844	38 314 469	30 651 575	3 700	36 485 898	29 188 718
C) Increasing the economic viability, financial conditions and market position of producers									
Semi subsistence farms	889	889 000	711 200	593	593 000	474 400	593	836 162	668 930
Producer groups	198	12 094 434	9 675 547	195	11 478 160	9 182 528	126	9 443 450	7 554 760
Early retirement	-	-	-	-	-	-	-	-	-
C) Priority	1 087	12 983 434	10 386 747	788	12 071 160	9 656 928	719	10 279 612	8 223 689
D) Maintaining and improving agricultural activities hereby providing additional income and job opportunities for farmers active on areas with weaker production site conditions									
LFA	-	-	-	-	-	-	-	6 808 721	5 446 977
D) Priority	-	-	-	-	-	-	-	6 808 721	5 446 977
Technical assistance	252	10 830 085	8 664 068	255	11 741 035	9 392 828	-	11 735 909	9 388 727
SAPARD	-	-	-	-	-	-	-	-	-
TOP-UP	-	-	-	-	-	-	-	54 772 161	43 817 849
Total	6 802	78 401 879	62 721 503	5 658	70 299 140	56 239 312	5 074	261 629 001	209 338 015

Based on the regulation EC 1320/2006 it is possible to pay NDRP commitments from EAFRD-financed New Hungary Rural Development Programme. The financial utilisation of EAFRD-financed NRDP measures are in the table 57.

57.Table

Payments from NHRDP based on NRDP commitments by 31. December 2007.												
Priority/Measure	Received payment claims up to 31 December 2007						Approved payment claims up to 31 December 2007					
	Convergence region			Non convergence region			Convergence region			Non convergence region		
	number	Public expenditure (€)		number	Public expenditure (€)		number	Public expenditure (€)		number	Public expenditure (€)	
Total		EAGGF	Total		EAGGF	Total		EAGGF	Total		EAGGF	
A) Safeguarding and improving the conditions of the environment												
Agri-environment												
Meeting standards												
A) Priority	0	0	0	0	0	0	0	0	0	0	0	0
B) Supporting the conversion of the production structure towards better matching to the ecological and market conditions	0	0	0	0	0	0	0	0	0	0	0	0
Afforestation	0	0	0	0	0	0	0	0	0	0	0	0
B) Priority												
C) Increasing the economic viability, financial conditions and market position of producers	0	0	0	0	0	0	0	0	0	0	0	0
Semi subsistence farms	0	0	0	0	0	0	0	0	0	0	0	0
Producer groups												
Early retirement	0	0	0	0	0	0	0	0	0	0	0	0
C) Priority	74	4 516 812	3 387 609	0	0	0	74	4 084 259	3 063 194	0	0	0
D) Maintaining and improving agricultural activities hereby providing additional income and job opportunities for farmers active on areas with weaker production site conditions	0	0	0	0	0	0	0	0	0	0	0	0
LFA	74	4 516 812	3 387 609	0	0	0	74	4 084 259	3 063 194	0	0	0
D) Priority												
Technical assistance	0	0	0	0	0	0	0	0	0	0	0	0
SAPARD	0	0	0	0	0	0	0	0	0	0	0	0
TOP-UP	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0	0	0
TOP-UP	0	0	0	0	0	0	0	0	0	0	0	0
Total	74	4 516 812	3 387 609	0	0	0	74	4 084 259	3 063 194	0	0	0

Remark: In case of Producer groups 198 pc of payment claim were received in 2007 out of which 195 were approved and due to the insufficient NRDP source 74 claim were payed ot from NHRDP sources.

The ARDA, as Payment Agency has been fulfilled the payment forecast sigend to the Commission, but in case of certain measures the payment got the worst of it. During the year the assets allocated to the top-up measure facilitated the fulfilment of the forecast.

58. Table

Priority/Measure	April 2007 projection		Payment Claim submitted by Paying Agency		Completion%	
	Total	EU	Total	EU	Total	EU
A) Safeguarding and improving the conditions of the environment						
Agri-environment	149 437 349,70	119 549 879,76	91 802 031,98	73 486 969,91	61,43	61,47
Meeting standards	10 957 464,00	8 765 971,20	5 131 920,69	4 105 536,55	46,83	46,83
A) Priority	160 394 813,70	128 315 850,96	96 933 952,67	77 592 506,46	60,43	60,47
B) Supporting the conversion of the production structure towards better matching to the ecological and market conditions						
Afforestation	42 815 403,99	34 252 323,19	28 520 540,81	22 816 432,69	66,61	66,61
B) Priority	42 815 403,99	34 252 323,19	28 520 540,81	22 816 432,69	66,61	66,61
C) Increasing the economic viability, financial conditions and market position of producers						
Semi subsistence farms	1 429 876,00	1 143 900,80	857 213,79	685 771,04	59,95	59,95
Producer groups	7 780 290,37	6 224 232,30	19 575 421,45	15 660 337,14	251,60	251,60
Early retirement	-	-	-	-		
C) Priority	9 210 166,37	7 368 133,10	20 432 635,24	16 346 108,18	221,85	221,85
D) Maintaining and improving agricultural activities hereby providing additional income and job opportunities for farmers active on areas with weaker production site conditions						
LFA	6 808 303,91	5 446 643,13	6 807 290,03	5 445 831,94	99,99	99,99
D) Priority	6 808 303,91	5 446 643,13	6 807 290,03	5 445 831,94	99,99	99,99
Technical assistance	12 127 038,98	9 701 631,18	15 601 333,61	12 481 066,90	128,65	128,65
SAPARD	-	-	-	-		
TOP-UP	139 699,88	111 759,90	54 770 810,32	43 816 881,59	39 206,05	39 206,26
Total	231 495 426,83	185 196 341,46	223 066 562,68	178 498 827,76	96,36	96,38

The payments towards the beneficiaries were financed by the Community funds granted in two details, together 96.34 million EUR, national budget and advance from the Treasury Single Account. In 2007 the ARDA has been submitted payment claim to the EU for the refund of the payments fulfilled. The need of the ARDA was 178,52 million EUR totally of which 142,52 million EUR has been paid by the Commission up to December 2007.

59. Table

Fund	Amount (Euro)
Advance remitted by EU	
2004.10.07	60 230 000,00
EAGGF – total 2004	60 230 000,00
2005.03.07	36 138 000,00
EAGGF – total 2005	36 138 000,00
Advance total	96 368 000,00
Request by Paying Authority	
2004 total	-
2005.12.07	100 243 772,25
2005 total	100 243 772,25
2006.07.25	99 676 930,50
2006.09.22	92 814 863,91
2006.11.15	40 573 845,09
2006 total	233 065 639,50
2007.03.02	76 528 879,38
2007.08.31	34 795 837,37
2007.10.15	67 193 588,72
2007 total	178 518 305,47
Request by Paying Authority total	511 827 717,22
Support remitted by EU	
2004 total	-
2005.12.22	90 000 000,00
2005.12.28	10 243 217,00
2005 total	100 243 217,00
2006.08.09	99 675 042,00
2006.10.12	92 813 928,00
2006.12.13	40 564 505,00
2006 total	233 053 475,00
2007.04.10	76 515 030,00
2007.10.25	34 790 210,00
2007.11.14	31 215 068,00
2007 total	142 520 308,00
Support remitted by EU total	475 817 000,00

5. PROGRAMME MANAGEMENT

5.1 AMENDMENTS OF THE NRDP

The National Rural Development Plan has been amended two times in 2007.

In the first case the amendment has involved a notification process, therefore was no subject of Commission decision. The other modification has been connected to a communication procedure and required no Commission decision, either.

Notification procedure in 2007

The notification amendment submitted to the Commission at the end of 2006 was the antecedent of the notification of 2007. The reason of the repeated submission was the proper disclosure of the Hungarian proposal established by the negotiations carried out with Commission experts. The document submitted to the Commission was signed on 17th January 2007. The file number of the answer is 004046 that has been dated 12th February 2007. The Commission confirmed the approval of the notification procedure.

Brief content of the 2007 notification

The notification has included two measures, namely the Meeting Standards and Agri-environment. The practical experience gained during the implementation of the NRDP, the need of simplification, the elimination of superfluous restrictions and the extension in the scope of eligibility made the substantive modifications necessary.

Detailed motives of the modifications are as follows:

- poor utilisation of the resources allocated to the measure that is caused mainly by the low annual ceiling of the support payments (a maximum of 25 000 EUR in case of investment),
- the farmers demanded expansion as regards of the scope of eligible animal species,
- the target groups of the measure were those small- and medium-sized holdings which – due to the post-finance nature of the payments – could hardly or not realise the investment using own resources or showing creditworthiness towards the banks. The amendments made the enlargement of the target group possible.

In case of the measure Meeting standards Hungary on the one hand has broadened the scope of eligible animal species, on the other hand has eliminated the large animal unit (LAU) restriction. Numerous farmers indicated that while the measure had included six species (cattle, pork, layers of gallinaceous birds, broiler, sheep and horse) the expansion of this circle would be desired. Following the thorough examination of circumstances and opportunities, based on the expert-level negotiations the list of eligible species has been complemented as follows: ox, goat, donkey, mule, rabbit, guinea-fowl, turkey, duck, goose, ostrich and emu.

The elimination of the large animal unit limit became necessary because of the unsatisfactory utilisation of the resources. Unfortunately this decision could not be accompanied by the increase of the annual ceiling (i.e. 25 000 EUR), but facilitated the better use of the support in certain cases.

As regards of the measure Agri-environment the changed economic situation justified the increase of the per hectare payments. Accordingly, payments for the Organic fruit and grape

production scheme, the Organic grassland management scheme, and the Integrated fruit and grape production scheme have increased.

The modified amount of payments counterweights the costs of the two compulsory, full-scale soil examinations and the annual checks of the organic inspection bodies.

The amendments has not affected the allocation of resources among the measures.

The above-mentioned modifications were discussed and approved by the NRDP Monitoring Committee on 8th November 2006.

Year 2007 communication procedure

In order to solve the problems arose during the implementation of the NRDP the Managing Authority initiated a resource reallocation in the framework of a communication procedure. The document 7917/2007 has been submitted on 20th July 2007. The Commission has approved the proposal by the letter nr. 020087, dated on 30th July 2007, requesting some adjustments of technical matter. Having these adjustments made the Hungarian authorities hav re-submitted dhe document. The file number is 7917/1/2007, the date of submission is 8th October 2007.

Hungary – based on the contents in Article 51(4) of Commission Regulations (EC) No 817/2004 and considering the issues discussed at high-level meetings between the Commission and the Hungarian authorities – executed reallocation of finances as it follows

Support for semi-subsistence farms – decrease: EUR 597 538.14

Top-up – decrease: EUR 51 164.41

Establishment and administrative operation of producer groups – increase: EUR 648 702.55

The total amount of reallocation – approximately EUR 648 702.55 million – was used for the measure Establishment and administrative operation of producer groups.

The main reason of reallocation of finances is that in case of the above mentioned measures concerned in resource decrease - for several reasons - the number of applications submitted for support in years was significantly lagged behind with planned number of applications. Therefore absorption capacity of these measures was not realised as it was planned. Parallel with this the Establishment and administrative operation of producer groups measure was taken an extraordinary interest in, so in order to avoid the heavy loss of funds Hungary took advantage of reallocation possibility ensured in the regulation mentioned.

This resource reallocation contributes to the utilisation of all financial resources of the NRDP, thus makes the final fiscal closing possible.

In the framework of written procedure the Managing Authority presented the modifications contained in the communication procedure to the NRDP Monitoring Committee (MC) on its meeting of 21st June 2007 in order to make comments on and to discuss them.. According to the minutes of the meeting the proposal was accepted by the MC.

in the physical block and the data of the physical block. In case of any alteration the Agency attempts to rule out any excessive applications by matching the data.

When the administrative control is commenced the administrator checks the data of the applications using a software, and corrects any evident faults if necessary. If the application for support fails the administrative check, but the fault can be remedied, the client can supply missing items on the basis of a letter on the supply of missing items automatically compiled by the IACS. If the application becomes suitable in part or whole after the supply of missing items the administrative check is carried out by another administrator. If the data match the application is closed and in case of alterations the folder is returned in both physical and electronic format to the administrator performing the administrative check to repeat it

The **on-the-spot checking** aims at the revision of the physical authenticity of the data contained in the application. The minimum size of the on-the-spot check sample is 5% of the applicants. The circle of farmers included in the control sample shall be determined by risk analysis and random sampling

The control process for the **complement to direct payments** coincides with checks carried out in relation to the SAPS support. The results of the checks appear in the IACS. As part of the physical checks (on-the-spot and remote sensing checks) statements are made by the Agency (on-the-spot) and the institute delegated for the task (remote sensing check) (among others inspection of the the measured size of the area, matching culture, Good Agricultural and Environmental Condition). The identified plant culture has a key role in case of the complementary national support.

The calculation of the support and the employment of reductions runs through the IACS on the basis of the findings of administrative and physical checks. The authority proceeded in employing the reductions on the basis of the sanctioning mechanism specified for the co-financed complementary national support.

The results of the administrative check, the number of and main reasons for the supply of missing items are contained in the description of the measures.

The result of the on-the-spot checks

In total 1 744 on-the-spot checks were held in 2006/2007 among approved clients under the **Agri-environment** measure, 345 clients of these were selected randomly and an additional 1108 clients were selected by risk analysis. The remaining 291 clients were directly picked. The control of the third year of agri-environmental support started at May 2007.

After the recording of on-the-spot check minutes the relevant department started to evaluate them. Up to 31 December 2007 none of the checked clients received payments.

The specialists of the Plant and Soil Protection Directorates of the Central Agricultural Office (MgSZH) took part in the checking procedures as regards of the Arable stewardship scheme, Tanya farming system, Apiculture cropping, Integrated crop management and Integrated permanent cultures scheme, while National Parks Directorates of the State Secretariat for Nature and Environment Protection participated in performing the checks on High Nature Value Area Schemes.

In case of the **Support meeting the EU's environmental protection, animal welfare and animal hygiene standards** measure, preliminary on-the-spot survey and check was held at a total of 1565 clients between 1 January 2007 and 31 December 2007. Out of this 527 applications from year 2006 applications were selected. 1038 payment claims submitted in year 2006 related to investment support or in 2007 regarding compensatory payments were also checked. On-the-spot checks of the claims submitted in 2007 are implemented in 2008.

The on-the-spot checks contain 13 claims selected randomly and 51 claims selected by risk analysis. The proportion of selected applications for on-the-spot-check was extremely high partially due to that prescription of the scheme according to the applications for support in excess of EUR 10,000 the selection of applications for a preliminary on-the-spot check is mandatory. Besides, due to the great proportion of failures observed within the compensatory payment claims in the previous years all of these applications have been checked. That resulted 209 checks, since in these claims the support claim must be regarded as the payment claim of the first year as well.

As regards payment claims for the year of 2006 applications on the basis of the findings of the on-the-spot check 48 applications were rejected. Reasons for rejection on the basis of the on-the-spot checks:

- on the basis of livestock record at the site the applicant did not keep the adopted number of livestock up in 2006 (17);
- the applicant commenced the implementation of investments before the submission of the payment claim of the previous year or after the submission deadline of payment claim (5);
- the on-the-spot check has revealed that the claimant had not kept the stock register (7)
- the claimant has not at all, or not with the conditions undertaken implemented the approved investments (13);
- the on-the-spot check has revealed that the claimant had not kept building log as regards of the approved investments (3);
- the claimant has obstructed the implementation of the on-the-spot check (3)..

Partial approval of support was made in cases, when the number of livestock heads indicated in the application for support was not able to be proved during on-the-spot-check, but the decline has not reached 50% in investment support or 10% in case of compensating payment., The same decision has been made when the applicant failed to implement all investments undertook for a given year.

When the applicant did not implement all the investments adopted in the application for support, then the sum of support concerning investment failed to be implemented was deducted from the sum of support available once or 2 times depending on the degree of the implementation.

Financial violation was not found in 2007.

Out of the support claims selected for on-the-spot checks in 2006, 9 were commenced in 2007 under the **Support for the establishment and operation of producer groups** measure. Partial approval of support was given in one case, because the proved revenue was less than the amount indicated in the claim. In case of the remaining 8 claims the inspectors found no irregularities or failures.

The payment claims for year of 2007, namely in case of fourth, third and second year payment claims for year 2004, 2005 and 2006 applications for support, following the administrative check the on-the-spot-check was held in case of 20 applications, 10 applications of these selected by risk analysis, 3 applications were selected randomly. In addition to this 7 applications were selected directly for professional reasons for on-the-spot-check. In case of one application that had already been checked, the technical department conducted a revisional check, the result of which partial approval of support has been given. In 3 applications the revenues backed with certificates were lower than the revenues put forth

in the application, as evidenced by the on-the-spot check protocols. No application based on the experiences gained from on-the-spot checking were rejected.

Financial violation was not observed in this scheme in 2007.

Under the **Support for semi-subsistence farms under restructuring** measure *on-the-spot-checks* were held at 33 clients having year 2006 applications for support. 63 % of of these applications were selected with the risk analysis method, 37% were selected randomly. 6 payment claims for the year of 2006 were rejected based on the experiences gained from the on-the-spot-checks.

The applications were rejected during the on-the-spot check for the following reasons:

the applicant's total income exceeded 10 EUME values equivalent in HUF;

the farmer failed to meet the criteria specified in §6 of the MARD Decree 145/2004 (IX.30.);

the applicant could not back the other incomes with proper documentation;

the applicants failed to comply with the definition of „full-time farmer” in other words their income from agricultural activities was less than 50% of their total income.

On-the-spot checking of year 2007 applications for support under the **Afforestation of agricultural lands** measure was carried out in case of 331 clients. Those clients could submit payment application in 2007, who had a partly or totally accepted support decision from the year 2004, 2005 or 2006. From the 331 clients 82 were selected randomly and 249 were selected by risk analyses.

5.4. PARTNERSHIP

Similar to the previous year, in the course of the implementation of the NRDP in 2007 the principle of partnership was enforced the most by the operation of the NRDP MC. The representatives of largest national lobby bodies and professional organisations were invited to the MC, on the contrary to this fact on the basis of experience it became evident that vast majority of the representatives of organisations in the NRDP MC through their own efforts are not able to provide appropriate information for the farmers who they represent, they do not have a single initiatives towards the MA, or an initiative arrives from an interest group in an isolated way and representing only their own interests, furthermore they do not ask information on the current standing and the progress of the Programme out of their turn. Besides the organisations directly representing the farmers, among the permanent members of the MC forestry organisations, producer groups and organisations dealing with environmental protection and equal opportunities can be found as well.

The more effective information for the social organisations and the final beneficiaries (farmers) about the possibility and measures of NRDP and NHRDP entering into force in 2007 was served by an intensive communication campaign and supporting activities reaching wider circles then year before. These details are explained in the chapter “communication”.

In 2007 the expectations were high towards the introduction of measures of the New Hungary Rural Development Programme. This interest was indicated by the comments of the MC and during the communication with expert bodies as well.

The majority of farmers benefited by the resources of the NRDP measures were familiar with the support schemes, as they have been partners in the programmes since one or more years. This tendency has decreased the demand for information providing activities, while in several

points the connections to the New Hungary Rural Development Programme were emphasised (e.g. the measures of NRDP ‘outlasting’ in the new programme).

5.5. REPORT OF EFFICIENCY OF MONITORING AND EVALUATION SYSTEMS

5.5.1. Monitoring activity of ARDA and the Agri-environmental Information System (AIS)

Following-up of executing National Rural Developing Plan (NRDP) including serving monitoring activity and information exchange between the participant organizations are supported by a **central information system**. Three main pillars of this information system being under a development continuously are: the paying agency's application processing system and the database of applications; additional information coming from the farmers which aren't necessary to the consideration of applications; and the set of information collected by the authorities directly.

The most important element of the central information system is the **Integrated Administration and Control System (IACS)** by the Agricultural and Rural Development Agency (ARDA). It collects all the information from data sheets of each farmer's application. Data validation is guaranteed by full administration control and field controls by sampling method.

Other data input comes from the reports of such field controls which were carried out by the specialists of ARDA and other authorities e.g. plant protection and soil conservation services on cca. 5 percentages of the subsidized farmers. The observations of the checks have been set in reports, the entire content of which has been processed in the IT system.

There is no separated department for monitoring and evaluation of NRDP at ARDA. Monitoring data requested by MA are serving by the two departments of applications' processing and maintenance. The IT Department of the ARDA provides the necessary data specified by type and/or date.

Agri-environment Information and Monitoring System (AIMS) like a complementary information system is maintained by the Plant Protection, Soil Conservation and Agri-environment Directorate of Central Agricultural Office. It is a professional information system, the main objective of which is to process and systematization of certain sets of data related to the Agri-environment measure of the NRDP. This work is carried out according to the contract made by the ARDA, by the guidance of the competent expert unit of the MARD. The AIMS Unit operates with 6 specialists.

Out of the six members of staff, five are paid by the resources of Technical Assistance. The Unit is able to facilitate the processing and categorisation of data arose during the implementation of the NRDP. The form of data exchange was set in a contract between the Central Agricultural Office and the MARD. The contract contained the type of data mutually provided, the methods of data exchange, etc.

The main goal of AIMS is delivering up-to-date information on NRDP subsidized environment changes to monitor the achievement of NRDP indicators. This function is based on the same method like IACS: on a Geographical Information System (GIS).

IACS's GIS system the so-called Land Parcel Identification System (LPIS) is a useful tool for administration and field control of subsidized parcels. Distinctively, AIMS collects such data which refer to the current status of environment and are not collected by ARDA.

Databases of IACS and AIMS are complementary: base maps and applications' data from AICS supports the field monitoring activity and vice versa data from field monitoring may complement the control system (e.g. revealing irregularities by using data collected or measured in certain monitoring systems). The main strength of AIMS is integrating different technical data into a GIS from field monitoring system, farmers' diary, data sheets from farmers on nitrate sensitive areas and data of administration actions of plant protection and soil conservation service. Comparing this widescale database from AIMS with the applications' database from IACS allows of effective support of controlling regulations of Cross Compliance.

An agreement was signed by the Plant Protection, Soil Conservation and Agri-environment Directorate of Central Agricultural Office and ARDA. Accordingly operative cooperation between professionals of the participant organizations became everyday routine: data exchange formats and techniques are worked out and the applicants' data are delivered. There is only a temporary database at the Central Agricultural Office because its IT system is under construction at the moment. Based on an agreement with the MARD, the Plant Protection, Soil Conservation and Agri-environment Directorate of Central Agricultural Office has processed the Farming Logs of the first two years connected to the Agri-environment measure.

5.5.2. Monitoring activity of Agricultural and Rural Development Department

The Finance and Monitoring Unit of Agricultural and Rural Development Department (ARDD) operates with 4 colleagues. This capacity is not able to manage all monitoring tasks related to the ARDOP, the NRDP and the SAPARD, so 1-2 persons from the touched management units (ARDOP/NRDP) are also engaged occasionally in the fulfilment of monitoring tasks. The ARDD had no availability to the IACS in 2007 either, so in respect of monitoring data the ARDD must rely on the ARDA.

5.5.3. Measures of the Managing Authority and the Monitoring Committee aiming at the efficient and high-standard implementation of the financial control, monitoring and evaluation

Concerning the NRDP, monitoring activity, data collection and systematization is carried out by the ARDA. In order to have adequate, detailed and transparent monitoring data for the MA and the MC, the MA supported the ARDA from the technical assistance assets and also supported with a significant amount the building and operation of the Agri-environmental Information System.

In case of measures induced problems in processing applications in the previous year (Meeting standards, Support of semi-subsistence farms) the ARDA redirected more colleagues utilising the resources of Technical Assistance. The size of the application processing department has also increased in 2007. The implementation and therefore the payment of the Meeting standards measure has been slowed down by the complexity of the scheme. Considerable amount of claims were incomplete, this also obstructed the process. As regards of the other measure, the problems of processing have been solved.

The first results of the above supports can be experienced within present supply of data, but the real significance will be clear in the next programming period.

5.5.4. Controls concerning the NRDP and its experiences in 2007

Year 2007 Control of the EU Commission and the European Court of Auditors

The Hungarian authorities received the report of the European Commission (RDG/2007/009/HU/LA11LN) on the audit concerning rural development measures (Agri-environment and Less favoured areas) on 19 May 2008.

Taking into consideration the content of the letter, the Hungarian authorities have to answer the comments until 20 July 2008 (following the submission of this report). Thus in the following only the main statements of the control are summarised.

In case of on-the-spot checks related to a given measure the authorities do not apply automatically the consequences of negative observations to the other support schemes (Agri-environment and Less favoured areas). The examination of connections among the systems is difficult, in particular where only one parcel is affected by the observations.

The reports on on-the-spot checks are adequate, only smaller mistakes occur. The controllers were not informed about the type of selection (risk analysis, random or direct) regarding the checked application.

The system of sanctions is not deterrent enough, although it is stated that the sanction modul of the IACS works properly and the sanctions are consistently implemented. It is notified that those received reprehension letters are not all re-selected to on-the-spot checks. Thus the letter – as the mildest level of sanctions – cannot reach its goal.

The records of the on-the-spot checks contain properly the data of the area and animal stock. The report indicates as a problem that in certain cases the controllers must commence difficult calculations in order to determine whether the density of the stock is eligible (taking into account the species, age group, area, etc.). The course of the calculations is not set in the records. It is mentioned in a positive manner that in case of default this calculation is written down in details.

State Audit Office (SAO) – Report on the control regarding the national monitoring and Ccontrol procedures of community support, June 2007

The report of the SAO covered all Hungarian programmes with EU co-financing, therefore was no specified on NRDP measures. It is based on the period 2004 to 2006, gives an overview of the nev programming period launched in 2007. The SAO fulfils its reporting duty towards the Parliament of Hungary.

The objective of the control was to demonstrate whether the national monitoring and control systems of the community support serve efficiently the access to the strategic objectives of the programmes.

In case of the NRDP the report makes very few and general comments as regards of the period 2004 to 2006. It remarks that the extended reallocation of resources among the measures and the late initiation of planning made the monitoring activities difficult.

ARDA internal audit – Comprehensive examination of the NRDP measure Support for semi-subsistence farms undergoing restructuring

The main results of the audit are as follows.

The examination has revealed that the Operating Manual suits all EU and national legal requirements; every fundamental legal reference has been built in. The result of the control was set based on the records made during on-the-spot checks.

The audit found only smaller imperfections with low rate of risk during the examination of paper-based documents (e.g. the file covers were not correctly filled in, some checklists were not completed). Nevertheless, these data have all been recorded in the IACS. The record of the master control on behalf of the head of unit has failed to happen. The Internal Audit Unit suggested that these faults should be corrected and emphasised the importance of the regular master control.

The procedures of the controlled payment units and the EAGF Accounting Unit were proper regarding the selected sample. The payments and the accounting functions were controlled in the IACS. No deficiency or fault has been observed in case of the selected claims, the rules of the relevant procedure guides were followed (Operating Manual of Payments, Operating Manual of Accounting).

The internal audit did not reveal any faults with higher level of risk, thus made only general comments.

According to the Internal Audit Unit, the protection of the financial interests of the EU is ensured by the formal implementation of the procedures.

5.6. SERIOUS PROBLEMS ENCOUNTERED DURING THE IMPLEMENTATION AND THE MA AND MC MEASURES TAKEN TO ELIMINATE THEM

During 2006 implementation of the NRDP the most significant problems originated from the judgment of applications with major delay and the delay in payment connected. However, these difficulties occurred in significantly less number than in the previous year, mainly connected to the assessment of on-the-spot checks. The accumulated deadlines in several cases were required to remedy with modifications of decrees. In certain cases new application period has been announced in order to the wider utilisation of the support (Meeting standards).

Sometimes the lack of monitoring data meant smaller problems. In order to ceasing this adequate steps were taken by the MA detailed in chapter 5.5.1.

Problems occurred during execution of certain measures can be solved by setting the legal frame of them by the MA and the MC. This kind of activity of the past year is detailed in chapter 5.6.1.

5.6.1. The proposed directions of decree modifications concerning the implementation of the NRDP

The controls and reports have mentioned the necessity of the modification regarding the implementation regulations of the NRDP. The completed adjustments are summarised in the table below, by briefly reviewing their content. It must be emphasised that the modifications aim to solve the problems arose during the implementation of measures.

Table 60.

The number of modified decree	The title of modified decree	The number of modifying decree, date of coming into force, related programme	The essence of modification
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<p>MARD decree 4/2004.(I.13.)</p>	<p>on determination of the system of conditions of the "Correct Agricultural and Environmental Condition" and "Good Farming Practice" to be fulfilled for applying for the simplified area-based support and rural development support</p>	<p>MARD decree 157/2007.. (XII.22..) 25 December 2007 EAGGF</p>	<p>Certain rules regarding the farming log has changed: it has to be up-to-date, has to submit to the Central Agricultural Office, if the farmer does not fulfil this obligation, will be deducted a determined percentage of the support. In non-LFA areas the applicable amount of N decreased</p>
<p>MARD decree 131/2004. (IX. 11.)</p>	<p>the general rules of supports co-financed by the national budget and the European Agricultural Guidance and Guarantee Fund Guidance Section and based on the NRDP</p>	<p>MARD decree 62/2007. (VII.13.) 16 July 2007 EAGGF</p>	<p>In case of resource deficiency the announcement is published by not the ARDA, but the MA. In case the total amount of support covered by applications exceeds the available resource, then the payments are proportionally deducted, or financed by the European Agricultural Fund for Rural Development.</p>

MARD decree 132/2004. (IX. 11.)	based on the NRDP, the detailed rules on the support serving afforestation of agricultural lands and co-financed by European Union	MARD decree 21/2007 (III.30.) 31 March 2007 EAGGF	The definition of farmer has been specified. The detailed rules of afforestation in case of establishment have been refined (e.g. the forestry authorities commence on-the-spot checks), the conditions of eligibility regarding the maintenance of afforested areas have been complemented. The vis maior notification is to be submitted to the forestry authorities. It is considered as unauthorised use of support if the applicant modifies the original objective. The scope of legal consequences has broadened.
		MARD decree 88/2007 (VIII.17.) 20 August 2007 EAGGF	From 2008 onward, the payment claim has to be submitted in one copy, together with the application of the single area payment system. The form can be found on the webpage of the ARDA, the place of submission of the competent county office of the ARDA.
MARD decree 133/2004. (IX. 11.)	Based on the NRDP, the detailed rules on the supports serving the establishment and operation of producer groups and co-financed by the national budget and the European Agricultural Guidance and Guarantee Fund	MARD decree 95/2007 (IX.4.) 7 November 2007 EAGGF	A.) The modification made the provision stating that if the applicant does not submit payment claim in any year of the support period, is not permitted to submit payment claims obsolete.

	Guarantee Section		<p>B.) The modification obsoletes the provision stating that if the applicant by its own failure provides higher amount in the application than the production value originated from marketing of products, then the previously granted support is considered as unauthorised and the applicant loses the eligibility for further support.</p> <p>C.) Following the given year, the farmer can submit a claim if the amount in the application the second time exceeds by more than 10% the production value originated from marketing of products.</p>
MARD decree 139/2004. (IX. 24.)	Based on the NRDP, the detailed rules on the supports serving complying with European Union standards regarding the protection of the environment, hygiene standards and animal welfare, and co-financed by the national budget and the European Agricultural Guidance and Guarantee Fund Guarantee Section.)	MARD decree 9/2007 (II.20.) 20 February 2007 EAGGF	Refinement of the definitions regarding the eligible number of animals, the exact definition of the foundations of the support. Determining of what extent the number of settled animals can exceed the animal unit value set in the regulation (n.b. support can be granted according to the maximum figures set in the regulation). Modification of the deadline for payment claims.

MARD decree 32/2007 (IV.25.) 25 April 2007 EAGGF	Modification of the deadline for payment claims.
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MARD decree
62/2007 (VII.13.)
EAGGF

Exact definition of the keeping location. For a given keeping location in the same year cannot be given both animal welfare compensatory payment and animal welfare investment support. Nevertheless the animal welfare compensatory payment can be accompanied by environmental protection investments, or investments serving the compliance with complementary animal welfare provisions. The investment type support for environmental protection and animal welfare can also be jointly granted. The support period is one year in case of applications submitted in 2007. As regards of payment claims submitted from 1 November 2006 onwards, and the support claims submitted from 16 July 2007 the number of animals held in one keeping location can exceed the amounts set in paragraphs 1 and 2, regardless the restrictions written in paragraphs 3 to 6. For one keeping location one support claim can be submitted towards the competent county office of the MARD.

For one keeping location animal welfare and hygiene¹³ compensatory payment can only be granted once. The

MARD decree 150/2004. (X. 12.)	Based on the NRDP, the detailed rules on the agri-environmental supports and co-financed by the national budget and the European Agricultural Guidance and Guarantee Fund Guarantee Section.)	MARD decree 6/2007 (I.24.) 1 February 2007 EAGGF	The geographical location of the supported area cannot alter during the whole support period. Only those supported animal stock or area can be handed over that complies with the minimal eligibility criteria. A given area or stock – with the exception of vis maior – can only be transferred once within the support period. The time and place of submission of claims has changed. The eligibility conditions of organic farming scheme have been altered. The group control aspects of fruit and grape production scheme has been changed.
MARD decree 151/2004. (X. 13.)	Based on the NRDP, the detailed rules on the compensation support for less favoured areas and co-financed by the national budget and the European Agricultural Guidance and Guarantee Fund Guarantee Section.)	repealed by the MARD decree 25/2007 (IV.17.) on the detailed rules of compensatory support on Less Favoured Areas financed by the European Agricultural Fund for Rural Development date of repeal: 20 April 2007	

5.6.2. Administrative capacity ensuring implementation of the NRDP

Due to the organizational transformation in 2006 within the MARD, the name of the Managing Authority Department changed into Agricultural and Rural Development Department.

The NRDP Program Management Unit, responsible for the coordination of the NRDP program within the department, operated with 6 persons until April 2007 that was a

significant result considering the staff reduction in the Ministry. From May 2007 – taking into account the significant decrease of the NRDP related tasks – one person deals with the NRDP coordination. Among the members of the Department, one person has permanent state while another 5 persons have worked within the framework of Technical Assistance.

Some of the colleagues of the Department of Finance and Monitoring deal with the tasks connected to the NRDP as well.

Similarly to other EAGGF co-financed measures, the implementation of the measures of the National Rural Development Plan in Hungary is the responsibility of the Paying Agency, the Agricultural and Rural Development Agency (ARDA).

An important step in the institution building was the establishment of the Agricultural and Rural Development Agency (ARDA) as single Paying Agency for EAGGF Guidance and Guarantee Section payments on July 1st 2003 through the merger of the SAPARD Agency and the Agricultural Intervention Centre. Thus the Hungarian implementation of the two main pillars of the CAP (i.e. the traditional market regulations and rural development) has been integrated into one unified organisation. The conselling can be separated from eligibility control and monitoring, since these activities are incompatible according to EU provisions.

ARDA has one central and 19 county offices. In a unique way within the Hungarian agricultural public administration the Agriculture and Rural Development Agency is an independently financially managed central budgetary agency with separate legal entity and nation-wide scope of competency under the direct management of the Minister of Agriculture and Rural Development. 7 of the 19 county offices possess regional competence as regards of some rural development measures, therefore the structure and human resource composition of these county offices alters from the remaining 12.

The central office hosts several directorates, among which the Directorate of Direct Payments is responsible for the implementation of the NRDP measures. The Directorate operates with 31 colleagues, 20 of them are financed from Technical Assistance.

The tasks have justified the establishment of a new organisational unit dealing with the afforestation measure, thus the Forestry Support Unit (FSU) has been created. The name of the Direct Payment Unit has changed into Environmental and Rural Development Supports Unit (ERDSU). The name and scope of Restructuring Supports Unit (RSU) has remained unchanged. The FSU functioned with 4 colleagues, out of the 3 were financed by Technical Assistance. Out of the 11 persons of the ERDSU 8 were paid by the TA resource. In the RSU 14 persons worked, from them 9 had TA state.

Whereas processing of the measures characterised by a higher number of applications mostly occurs in the county offices, measures with low number of applications are managed by the central office of ARDA. The number of personnel financed by the TA resource is indicated in the table below.

Table 61.

	TS keret									MVH költségvetés
	Január	Február	Március	Április	Május	Június	Július	Augusztus	Szeptember	Január-december
Bács-Kiskun m. Kirendeltség	15	15	15	15						8
Baranya m. Kirendeltség	5	5	5	5						2
Békés m. Kirendeltség	10	10	10	10						3
Borsod-Abaúj-Zemplén m. Kir.	13	13	13	17						4
Csongrád m. Kirendeltség	12	14	14	24						2
Fejér m. Kirendeltség	8	8	8	9						2
Fővárosi és Pest m. Kirendeltség	19	19	19	19						3
Győr-Moson-Sopron m. Kir.	4	4	4	4						4
Hajdú-Bihar m. Kirendeltség	14	14	14	14						3
Heves m. Kirendeltség	5	5	5	5						1
Jász-Nagykun-Szolnok m. Kir.	7	7	7	7						3
Komárom-Eszergom m. Kir.	3	3	3	3						2
Nógrád m. Kirendeltség	3	3	3	3						1
Somogy m. Kirendeltség	17	17	17	21						5
Szabolcs-Szatmár-Bereg m. Kirendel	18	18	18	43						2
Tolna m. Kirendeltség	4	4	4	4						3
Vas m. Kirendeltség	3	3	3	3						2
Veszprém m. Kirendeltség	8	8	8	15						4
Zala m. Kirendeltség	17	16	16	21						4
Kirendeltségek összesen:	185	186	186	242	0	0	0	0	0	58
Közvetlen Támogatások Ig.	12	10	12	15	10	11	11	10	10	10
Területi Ellenőrzési Főosztály	4	5	6	8						1
Titkársági Főosztály		1	1	3						3
Belső Ellenőrzési Főosztály				1						1
Gazdasági Igazgatóság	2	2	1	1						0
Pénzügyi Igazgatóság	2	3	4	6						4
Területi Igazgatóság										1
Jogi Főosztály										1
Vidékfejlesztési Támogatások Ig.				3						4
Központ összesen:	20	21	24	37	10	11	11	10	10	25
MVH összesen:	205	207	210	279	10	11	11	10	10	83

The number of the TA financed administrators employed by the ARDA was the highest in April in 2007 (279 persons). The majority of them worked in the county offices. As a result of restructuring efforts the employment financed by NRDP Technical Assistance has been phased out in May (in county offices) and in October (in the central office)

The 19 county offices – where on average 8 persons are engaged in the implementation of the NRDP - are managed by the Directorate of Territorial Affairs of the ARDA (1 person) and the operative management of on-the-spot checks is carried out by the Territorial Control Department (7 persons). On the other hand, the payments and book-keeping is the responsibility of the Financial Directorate (5 persons), and the IT systems are operated by the Information Technology Directorate (29 persons).

In the case of several measures, ARDA cooperates with other authorities (Animal Health and Food Control Stations, Plant Protection, Soil Conservation and Agri-environment Directorate of Central Agricultural Office, National Park Directorates), in particular in carrying out the on-the-spot checks, which requires special skills, and for the preparation of the necessary certifications and other documents. These cooperations are regulated by the cooperation agreements concluded with the above organisations. In the case of one measure (afforestation of agricultural areas) ARDA has delegated almost the whole authorisation process to a third party, the State Forestry Services.

An important change that in 2007 the above-mentioned organisations – with the exception of National Park Directorates that do not fall under the supervision – have amalgamated into one institution (Central Agricultural Office)

Preparation of the farmers and consultation activities are mostly carried out by the Ministry via its own network of consultants ('agricultural extension officers') and external consultants.

5.7. INFORMATION AND PUBLICITY ACTIVITY

Due to the ending measures, the information activities coordinated by the MA have showed lower intensity compared to 2006. The information provided to the applicants were more concentrated, related to actual implementation steps of measures (e.g. submission of payment claims, warning of changes in the legal background) The majority of the communication channels used in 2006 were utilised in 2007 as well.

Information channels

The homepages of the MARD and the ARDA

The Agricultural and Rural Development Agency is responsible for the making of calls on support and payment applications. The Agency has fully accomplished this task. The invitations for the individual schemes were published on the homepage of the ARDA and the MARD, in the MARD Advice Paper and in the Hungarian Agriculture.

Both the MARD and the ARDA put emphasis on the quick publication of all adequate information on their websites.

It must be mentioned that in Hungary, especially in the rural areas the use of the Internet – in spite of the fact that the access is ensured technically nearly in the smallest villages – is insignificant amongst elderly, less educated farmers. That is the reason why the MA considered it necessary to ensure the publication presented later on.

The NRDP network of consultants

The establishment of the NRDP network of consultants brought a major step forward in the supply of information. As part of this the farmers affected by the individual support schemes of the NRDP can obtain charge-free authentic professional information (details of the implementation of the network of consultants is contained in the description of the TA measure).

The “umbrella” consultant organisations prescribe for consultant responsible for the task 5 mandatory presentations annually, of which consultant memoranda are made. These memoranda are filed by VKSZI coordinating the consultative organisations’ work.

The network aiming specifically the wide scale exposition and counselling of the NRDP measures – taking into account the phasing out of the measures and the establishment of the counselling network of the New Hungary Rural Development Programme – functioned until the end of June 2007, thus their finance from the TA allocation lasted until then. For this reason it can be said that in 2007 the 400 consultants employed by 7 organisations made approximately 1000 presentations in which 15 farmers participate on average. Beside this the consultants during their everyday work help the NRDP-related information transfers to the greatest extent possible. These presentations are particular to the given areas (to one settlement or a micro-region) and as the consultants are in daily connection with the farmers they can be more direct and interactive.

Events, forums

In 2007 the MA made the NRDP popular on those events with large interests where increased attendance of rural inhabitants, within them the farmers’ society was to be expected. It is important to mention that these events rather aim at calling attention and stimulate farmers to obtain more and more punctual information, but no detailed information could be received here. Parallel with this however they can reach an extremely lot of people at the same time, so their usefulness can not be questioned. The following table 62. shows the events occurred during the year.

Table 62.

Host of the event	Number of events	Date of the event	Place of the events
Creative Field Ltd.	1 MC meeting	21 June 2006	MARD Theatre
Creative Field Ltd.	1 MC meeting	28 November 2006	ARDA
DMSZSZ*	5 events per person (80 NRDP consultants)	first half of 2007	Determined operating areas
MAGOSZ*	5 events per person (20 NRDP consultants)	first half of 2007	Determined operating areas
Hungarian Chamber of Agriculture*	5 events per person (200 NRDP consultants)	first half of 2007	Determined operating areas
Hungarian Association of Bioculture *	5 events per person (20 NRDP consultants)	first half of 2007	Determined operating areas
MNMNK *	5 events per person (20 NRDP consultants)	first half of 2007	Determined operating areas
MOSZ *	5 events per person (25 NRDP consultants)	first half of 2007	Determined operating areas
MTESZ *	5 events per person (20 NRDP consultants)	first half of 2007	Determined operating areas
HANGYA Cooperation	1 (200 participants)	1 March 2007	Budapest, Hotel Benczúr
Xpress Business Solutions Ltd.	19 (~500 participants/venue)	continually during 2007	19 venues in different counties
RMS Audio Ltd.	1 (~250 participants)	15 February 2007	Debrecen
Soirée Bt	1 (~150 participants)	12 April 2007	Budapest, Museum of Agriculture
University of Debrecen. Center of Agricultural Sciences	1 (~2000 participants)	16 to 18 April 2007	University of Debrecen
Roxer Produkció Ltd.	1 (~20 000 visitors)	19 to 20 April 2007	Etyek
The settlement of Öttömös	1 (~300 participants)	8 to 9 June 2007	Öttömös
Zemplén Regional Enterprise Development Fund	1 (~2000 participants)	8 to 10 June 2007	settlements of BAZ county

* The counsellors coordinated by the umbrella organisations of the NRDP are obliged to set up at least five events for the farmers living in their field of operation. In these meetings they must inform the participants on the recent tasks and possibilities connected to the NRDP. The umbrella organisations have distributed the field of operation among themselves in a way that the whole of the country was covered. Therefore in each settlement of Hungary there is a qualified expert with specific knowledge about the measures of the NRDP available.

Publications

In relation with the support claims handed in to the measures of NRDP the majority of the activities were carried out by the ARDA. The current issue of the annual Agricultural and Rural Development Support Schemes has included all possibilities of support available through the NRDP and the New Hungary Rural Development Programme. The brochure has been published in 30 000 copies.

Another publication has been completed – also in 30 000 copies – which introduced and described the support schemes applicable within the frame of the New Hungary Rural Development Programme financed by the European Agricultural Fund for Rural Development (EAFRD). This leaflet includes the name of the schemes, all the submission deadlines and the access to the ARDA county offices. Taking into account that within the EAFRD all the NRDP measures continue, the publication calls the attention to the opportunities offered by the NRDP as well.

All brochures and leaflets were distributed by the ARDA county offices and the counselling network.

Appearance in newspapers and magazines

During the last year the ARDA Communication and Media Unit has published the following announcements, interviews, articles and disclosure documents in the regional and national daily newspapers, agricultural magazines and the website of the agency.

- *status of the payments related to NRDP supports (January 2007)*
- *lessons learned by the on-the-spot checks of the measure Meeting standards (March 2007)*
- *Application forms can be submitted electronically (Only the biggest producers can exploit the opportunity so far) (April 2007)*
- *Second year payments of Agri-environment supports (May 2007)*
- *Eligibility criteria of energy crops within the Agri-environment and LFA measures (May 2007)*
- *Support claimable for meeting the EU animal welfare and hygienic standards (for breeders of cattle, calves, pork and hens) (August 2007)*
- *Declaration of vis maior situation as regards of the extremely mild weather conditions of the 2006/07 winter season, connected to the non-compliance of the Good Farming Practice of reed areas participating in the Reed management scheme of the Agri-environment measure (August 2007).*

The summary sheet available on the website of the ARDA contains – among all the other support schemes – the deadlines related to all NRDP measures.

On behalf of the MARD, the articles were published mainly in the most popular paper-based journals (Magyar Mezőgazdaság and its Annexes, Szabad Föld) and in local, county and regional issues of newspapers.

The magazine Szabad Föld has published 288 articles involving the NRDP until 31 December 2007. The Magyar Mezőgazdaság could not provide such data.

An example from Szabad Föld (17 August 2007)

The environmental, animal welfare and hygienic supports – as parts of the National Rural Development Plan – can be applied for from the middle of July. All the producers are eligible, whose sites entirely meet the basic-level animal welfare provisions – floors, microclimatic conditions, feeding and drinking technology and living space demand.



The applications are to be submitted together with the necessary annexes and certificates on 31st August 2007 the latest to the competent county office of the Agricultural and Rural Development Agency (ARDA) The compensatory payment is granted only once per keeping location, therefore those already have received such support are not eligible. In case of the application submitted in 2007 the support period is one year. The amount of granted support is maximum 10 000 euro (approximately 2.5 million forint). The supported stock of animals must be kept for six month, with the exception of calves, porklings and feeder pigs. For them the keeping provision is only two months.

5.8 THE USE OF THE TECHNICAL ASSISTANCE

The sub-measure 4.8.3.1 financed mainly the expenditures related to the processing applications and on-the-spot checks carried out by organisations (e.g. State Forestry Service, National Institute for Agricultural Quality Control, Institute of Geodesy, Cartography and Remote Sensing, National Park Directorates) entitled to the tasks. The expenditure related to the MARD and the ARDA employees involving in trouble free implementation of the NRDP also financed from this sub-measure.

Approximately a total of 2.953 billion HUF (11 735 909 EUR) payment was completed from TA measure.

The MA continuously monitors the utilisation of the TA budget based on its own project-list and the one provided by the ARDA Directorate for Direct Payments. The distribution of the TA resources was prepared by the unit responsible for the coordination of the NRDP. The head of the Programme Management Unit made the decision on the utilisation of the TA budgets for both the NRDP and the ARDOP. This position ensures that no overlap emerges in case of payments of TA resources. Before the decision-making the two lists are compared, therefore it is verified that the given project appears only in one of the lists. The support decision is made only after that.

No such TA project was prepared and financed that would serve both the purposes of the NRDP and the ARDOP. The projects financed by NRDP TA facilitate solely the implementation of the NRDP.

It must be mentioned, that payments do not reflect completely the fulfilment of tasks, namely significant amounts are shifted from year 2007 to year 2008 because of time-consuming authorisation processes and transfers of payments, at the same time payment of a certain part of year 2007 tasks accomplished is also shifted to year 2008.

The MA handled with particular care the financing of the further operation of the 7 umbrella organisations (Hungarian Chamber of Agriculture, Association of Transdanubian Professional Consultants, Association of Hungarian Bio-agriculture, National Association of Hungarian

Farmers' Societies and Co-operatives, National Association of Agricultural co-operators and Producers, Chamber of Hungarian Plant Protection Engineering and Plant Medical, Federation of Technical and Scientific Societies). Thus all these counselling organisations have continued their work until 30 June 2007.

The further operation of the 7 umbrella organisations eased the keeping of direct contact with the farmers. Similar to the previous years, 400 counsellors worked within this network who fulfilled the NRDP-related tasks free of charge.

Table 63 shows breakdown by months the NRDP TA payments completed in year 2007.

Table 63

TA payment 2007		(€)
January		1 040 013.92
February		1 107 793.52
March		2 105 703.82
April		1 058 867.01
May		1 424 949.61
June		1 631 398.02
July		1 149 758.91
August		884 652.44
September		763 819.52
October		173 823.28
November		106 109.92
December		289 019.01
Total		11 735 908.99

Table 64. shows the indicators of Technical Assistance within the period of 2004-2006.

Table 64.

Technical assistance	Type of ind.	Aim of 200	Result of 2006
Prepared and divided issues for general information (brosshures, piece)	Output	n.a.	60 000
Conferences, seminars, workshops (here by NRDP consulting network only)	Output	n.a.	1 000
Number of participants on seminars (here by NRDP consulting network only)	Result	n.a.	15 000
Number of consulting network organisations	Result	n.a.	7
Provement of efficiency of MA sets (non numerical)	Eff.	n.a.	*
Number of successful applicants with the help of communication activities	Eff.	n.a.	**

* See at chapter MC sets.

** Regarding the smaller amount of support applications in 2007 – due to the fact that the measure Agri-environmet was not re-opened – not measurable.

6. CONSISTENCY WITH COMMUNITY POLICIES

6.1. CONSISTENCY WITH THE COMMON AGRICULTURAL POLICY

In accordance with Article 37 (3) of Council regulation (EC) No 1257/1999, the Managing Authority has taken all appropriate measures within the framework of assistance to ensure conformity of the NRDP supports with the Community policies, particularly with the Common Agricultural Policy and the market supports.

The NRDP serves the realisation of the second pillar of the Common Agricultural Policy (CAP). The NRDP measures were developed in accordance with the provisions of Council Regulation (EC) No 1257/1999, in a manner complementary with the ARDOP supports without overlapping. The “Meeting standards” measure includes specific provisions with a view to harmonisation with the ARDOP, and the relevant criteria were developed according to that.

Pursuant to Articles 4 and 5 of Council Regulation (EEC) No 3508/1992, the identification of agricultural parcels and animals occurs in accordance with the rules of the Integrated Administration and Control System (IACS). The basic databases (customer register, animal registration system, Land Parcel Identification System, application database) required for the administrative management of direct supports and the associated NRDP measures are jointly operated and the required checks are also carried out within the common IACS, which is thus in compliance with the compatibility criteria laid down in the corresponding legal instrument.

Links between the direct payments and the Agri-environment measure are ensured in the case of those target programs of the measure that support the conversion of arable lands into areas not eligible for direct support (e.g., into wetland habitats) by the arrangement that the loss of SAPS and top-up supports will be included in the agri-environmental compensation.

In order to exclude simultaneous support from the Common Market Organisations, producer groups in the vegetable/fruit and tobacco sector are not eligible for support within the framework of the “Establishment and operation of producer groups” measure.

Changes from 2006

There was no change in the implementation of the application for support for less favoured areas and SAPS – both of them could be submitted on a single form. The introduction of the same simplification is commenced from 2007 onwards for the applications of the Agri-environment schemes.

The implementation of the co-financed complement to direct payments is in harmony with Commission Regulation (EC) 796/2004 containing the common rules of direct support system being part of the common agricultural policy, having regard to the conditions of submission of the applications, stricter control of NRDP measures and their sanctioning (Regulation (EC) 1257/1999 Article 43). The applications for single area payment system and complement to cultivation of plants on arable land (top up) are submitted, processed and checked applications in a single common system. The precondition for the submission of an application for complementary national payment on the cultivation of plants on arable land is the submission of a valid SAPS application for support.

The regulation of the implementation of the co-financed top up payments ensures full consistency with Article 140 of Commission Regulation (EC) and every specification in Commission Regulation (EC) 796/2004, including special provisions on exceptions and sanctions.

6.2. ENVIRONMENTAL SUSTAINABILITY AND EQUAL OPPORTUNITIES

The fact that all the measures of the NRDP are in compliance with the corresponding EU directives and acts and with the national legal instruments related to the protection of the environment and nature conservation contributes to the realisation of the considerations of **environmental sustainability**. Environmental sustainability is one of the objectives of the NRDP, on the basis of which:

- the “Agri-environment”, the “Support for less favoured areas”, the “Meeting standards” and the “Support for the afforestation of agricultural land” are measures expressly contributing to the protection of the environment in terms of both their objectives and effects, therefore, their environmental effects are directly measurable through the impact indicators of the NRDP;
- the other measures have indirect effects on the environment, but the application of environmentally-friendly technologies is a prerequisite also in the case of these measures.

In the course of the reference period the Natura 2000 areas pursuant to the Bird and Habitat Directives (Directive (EEC) 79/409 and (EEC) 92/43) were designated on a sample area for the preparation of designation throughout Hungary and the elaboration of the methodology of designation, and to determine the necessary resources.

Through the promulgation of Government Regulation 275/2004 (X.8.) on nature preservation areas having Community importance Hungary has fulfilled its obligations as member-state on the designation of NATURA 2000 areas. The above Government Regulation designated areas of key importance in respect of Council Directive 79/409/EEC of 2 April 1979 on the conservation of wild birds and Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild flora and fauna.

The areas designated and proposed for the Natura 2000 cover around 1.9 million hectares, accounting for 20.6% of the country's territory. A total of 468 special nature preservation areas - on a total of 1.41 million hectares – have been designated on the Hungarian parts of the European ecological network, and 55 special bird protection zones were designated on an area of 1.29 million hectares. The two types of areas overlap at a rate of nearly 41%.

The Natura 2000 agricultural areas concern 483.4 thousand ha grassland and 522.6 thousand ha arable land.

The territorial data were determined on the basis of the domestic cadastral register. In order to introduce land management restrictions and compensations it is indispensable to clarify the topographical number list of promulgated Natura 2000 areas with space informatics devices, and transforming them into topical segments. Furthermore it is necessary to carry out the comparison of the digital segments of Natura 2000 areas with the LPIS database, indication in the LPIS as topical layers and thus final designation of the areas concerned. The available support can be finalised only after this has taken place. Presently, coordination between Ministries and institutions is under way on the implementation of the above task between the Ministry of Environmental Protection and Water Management, the Ministry of Agriculture and Rural Development, the Agricultural and Rural Development Agency and the Institute of Geodesy, Cartography and Remote Sensing.

The scope of the Decree on the detailed rules of using nature protection areas having Community importance, presently in the phase of codification, (hereinafter referred to as: the Decree on the use of land) shall cover all Natura 2000 areas designated. Its objective is to determine mandatory rules for each form of use (ploughland, grassland, reed, fishpond, forest)

that ensure sustenance of nature preservation conditions on the areas designated under the network.

In accordance with the Community requirements and the ARDOP, **equal opportunities** are contained in the NRDP as a horizontal objective. This is directed to the equal opportunities of men and women and the equal opportunities of underprivileged groups. As regards eligibility, the NRDP did not introduce positive discrimination measure for female and underprivileged applicants, equal opportunities is to be enforced during implementation.

On the program level, the NRDP:

- declares the objective of ensuring environmental sustainability and equal opportunities among the program-level objectives and principles;
- defines environmental and forestry authorities, and the organisations promoting equal opportunities as target groups in the communication plan;
- members of the Monitoring Committee and the Management Committee include the authorities responsible for the protection of the environment and for ensuring equal opportunities, as well as other environmental and equal opportunities organisations;
- the above organizations were active players in the social coordination process of the NRDP during which the outstanding activity of government panels and social organizations engaged in environmental sustainability had directed attention to that this topic should be given more attention and care in the future, so the alignment of the NRDP on the process of sustainable development can be ensured in harmony with Community policies as well;
- as regards environmental effects, the “Agri-environment”, “Support for less favoured areas” and „Support for the afforestation of agricultural land” measures contain indicators related to the areas involved in the program, and the "Meeting standards” contains indicators related to environmentally-friendly technologies. Equal opportunity appears as an indicators in the Early retirement and the Support for semi-subsistence farms under restructuring measure, where the relevant target values have been determined as well (ratio of women in the individual groups).
- The eligibility criteria applied to take account of the environmental sustainability are specified in the ARDA Communications related to individual measures.

As regards of the implementation of equal opportunities and environmental sustainability features, an overview was given in chapters presenting the results of measures Agri-environment, Less Favoured Areas and Afforestation of agricultural land.

Changes from 2006

The establishment of the environmental monitoring system has started in 2007. As part of the agri-environment and less favoured areas measure the beneficiaries are obligated to fill in and submit so-called farming logs, which contains monitoring data of the measure. During the data processing several suggestions have been made for creating more uniform data sets and coding methods in order to reach a simpler and faster procession in the following year.

6.3. PUBLIC PROCUREMENT

Changes in statutory regulations

An overall amendment of Act CXXIX of 2003 on public procurement was carried out in 2005 to enable the inclusion of the provisions of new Directives on public procurement adopted in April 2004⁷ in Hungarian laws. The amendment made it possible to include in regulation the experience gained in the enforcement of laws since the date of entry into force of the Act (31 May 2004, as regards public procurements financed from the structural and cohesion funds 1 January 2004).

Another amendment related to public procurement is the addition to Article 13/B (1)-(2) of Act XXXVIII of 1992 on the state budget. Pursuant to the provisions of the Act the support may not be made dependent on the condition of selecting in advance the organization (person) supplying the goods, providing services or implementing construction projects. This provision has led to that in cases when the supported party, the sum of the support and its subject was already determined one could not require the beneficiary to hold the public procurement procedure beforehand. One of the key achievements in the Act on public procurement is the potential of provisional public procurement, but this provision had undermined its application. The beneficiaries of EU projects had hardly used the possibility of provisional public procurement. In the end this slows the use of the support, so it is not favourable for the taxpayers either.

For this reason the it was made part of the Act that this provision does not exclude the launch of a public procurement procedure prior to the judgment of the application for support, and that the supported as per Article (1) – in justified cases – can obligate the organization or

⁷ Directive 2004/17/EC of the European Parliament and of the Council of 31 March 2004 coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors
Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts

persons applying for the support to launch a public procurement procedure prior to the judgment of the application for support.

Performance of public procurement tasks of the MARD and ARDA relating to the NRDP

In the NRDP, public procurement concerns the “Technical assistance” measure, and the rules thereof are specified by the NRDP (subchapter of Chapter 3.2.2.). Within the Managing Authority and the affected organisational units ARDA, a skilled legal rapporteur is responsible for public procurement issues, including preparation and coordination of the MA-initiated public procurements within the Technical assistance measure, liaison in public procurement issues, monitoring the changes in the Community rules, etc.

Changes from 2006

Some major changes came into force concerning public procurement in 2007. They are briefly summarised as follows:

- provisions related to dynamic procurement system have come into effect;
- provisions related to protected employment organisations or that of contracted protection contract have come into effect;
- installation of rules regarding locally centralized public procurement;
- the provision stating that all action breaching any regulations of the Act on equal opportunities and equal treatment results exclusion has come into effect;
- the provision stating that the summary of meetings must immediately be passed to all absentees (if not possible personally, it must be sent by post) has come into effect;
- the following provision has been repealed: the caller for tender can opt for negotiation procedure without announcement if the contract is made by a framework agreement made in an open, invitational or announcement-initiated negotiation process;
- the contractor party acting as caller for tender is obliged to declare in written form about the accomplishment or the non-compliance of the content of the contract. The specific rule of this provision applies in case of building investments: the tenderer notifies the caller for tender when the subcontractors are paid.
- those provisions of the public procurement contract are invalid that
 - excludes or restricts the application of proper legal consequences in case the caller breaches the contract
 - alters the rules applied for the default of interest as set in paragraphs 2 and 3 of § 301/A. of the Civil Code
 - in front of the arrears based on the contract mad during the public procurement process, the caller can comprise only the demand acknowledged by the entitled party, homogeneous and overdue
- the information brochure of the accomplishment of the contract is amended as follows: if the accomplishment is carried out in different date(s), the date of accomplishment by the caller and the date of delivering the consideration must be indicated;

- after publishing the announcement in the Public Procurement Journal, the caller – if available – forthwith takes care about the upload of the disclosure document about the amendment and/or the accomplishment of the contract to the website.
- the president, vice-president and member of the Council are liable for completing a declaration of property. In case anyone of the above-mentioned persons refuses to act accordingly, his/her assignment must be suspended because of the conflict of interest.

6.4. QUALITY POLICY

Changes from 2006

There were no major changes concerning the quality policy in 2007.

6.5. EMPLOYMENT

In general, the NRDP contributes to the stable agricultural employment of the rural populations. Program-level objectives include the improvement of profitability and employment. In the present implementation phase of the NRDP, quantitative data is not available on the realisation of the above.

Changes from 2006

There were no major changes concerning employment in 2007.