

Ex-post Evaluation of the SAPARD Programme of Hungary



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Hungarian Public Nonprofit Company for Regional Development and Town Planning

MINISTRY OF AGRICULTURE AND RURAL
DEVELOPMENT

**Ex-post Evaluation of the SAPARD
Programme of Hungary**

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List of abbreviations

ÁFA	VAT	Value Added Tax
AIK	AIC	Agricultural Intervention Centre
AKII	AKII	Research Institute for Information and Agricultural Economics
AVOP	ARDOP	Agriculture and Rural Development Operational Programme
BÉSZ	BÉSZ	Purchasing and Marketing Cooperative
DA	DA	Southern Great Plain
DD	DD	Southern Transdanubia
ÉA	ÉA	Northern Transdanubia
EC	EC	European Communities
ÉM	ÉM	Northern Hungary
EU	EU	European Union
EUME	EUME	European Measurement Unit
FTE	FTE	Full Time Equivalent
FVM	MARD	Ministry of Agriculture and Rural Development
GDP	GDP	Gross Domestic Product
HACCP	HACCP	Hazard Analysis Critical Control Point
IH	MA	Managing Authority
ISO	ISO	International Organisation for Standardisation
ISPA	ISPA	Instrument for Structural Policies for Pre -Accession
IT	IT	Information Technologies
KAP	CAP	Common Agricultural Policy
KD	KD	Central Transdanubia
KKV	SME	Small and Medium Enterprises
KM	KM	Central Hungary
KSH	CSO	Central Statistical Office
MVH	ARDA	Agricultural and Rural Development Agency
NAKP	NAP	National Agrienvironmental Programme
NVT	NRDP	National Rural Development Plan
NYD	NYD	Western Transdanubia
Phare	Phare	Poland-Hungary: Assistance for Restructuring the Economy
REVI	REVI	Regionális Vidékfejlesztési Iroda
SAPARD	SAPARD	Special Accession Programme for Agriculture and Rural Development
SMB	SMC	SAPARD Monitoring Committee
SWOT	SWOT	Strength Weaknesses Opportunities Threats
SZMSZ	SZMSZ	Organisational and Operational Regulations;
TÉSZ	TÉSZ	Producer Organisation
TPM	MAFA	Multi Annual Financial Agreement
TS	TA	Technical Assistance
ÚMVP	NHRDP	New Hungary Rural Development Plan
VÁTI Kht.	VÁTI Kht.	VÁTI Hungarian Public Nonprofit Company for Regional Development and Town Planning
VFC	VFC	National Rural Development Support Scheme

Executive summary

General description of the Programme

In December 1999, the Ministry of Agriculture and Rural Development of Hungary (hereinafter MARD) officially submitted the programme document “The SAPARD Plan of Hungary 2000–2006”, which was approved by Commission Decision C(2000) 2738 of October 2000. Actual implementation of the Programme started in September 2002 with the publication of the first call for proposals. At present, the auditing and closing of the projects is under way.

In accordance with Council Regulation (EC) No 1268/1999, the purpose of pre-accession assistance was twofold:

- contributing to the implementation of the *acquis communautaire* in connection with the Common Agricultural Policy (hereinafter CAP) and related policies ;
- tackling the primary and specific problems of the agriculture and rural areas of the accession countries and ensuring their sustainable adaptability;

The Programme laid down three main priorities:

- increasing the competitiveness of agricultural economy ;
- emphasizing environmental awareness;
- promoting the adaptation capabilities of rural areas ;

Between 2000 and 2006, the following six measures were carried out within the Programme framework as a means to implement the priorities above:

- Supporting investments in agricultural holdings ;
- Improving the processing and marketing of agricultural and fishery products ;
- Renovation and development of villages and protection and conservation of the rural heritage;
- Development and diversification of economic activities providing for multiple activities and alternative income;
- Development and improvement of rural infrastructure ;
- Technical assistance

The duration of Programme implementation was reduced from the originally planned seven years to four years due to Hungary’s EU accession in 2004. The resources available for Programme implementation were modified several times. As a result of the reduction of the implementation period to four years, the amount of EUR 354,157,841 originally allocated for seven years in the “The SAPARD Plan of Hungary 2000–2006” document was also reduced, together with the additional funds, to a total of EUR 233,720,524.

The institutional context of Programme implementation

The system of institutions necessary for Programme implementation had been established, with a considerable delay, by the end of 2002. This delay influenced the whole process of implementation, generating continuous work peaks and tension between the institutions involved in the implementation and the applicants. The institutional framework changed

regularly during the implementation; the institutional capacity for SAPARD kept increasing until 2005, and then obviously decreased after the closing of the program me. Based on the practical experience gained during implementation, the rules of procedure became more streamlined. According to the primary data collected, the procedural simplifications worked out during the Programme implementation were not adopted entirely by the subsequent Agriculture and Rural Development Operational Programme (ARDOP). The implementation of the SAPARD Programme was conducted in a paper-based format, which considerably encumbered the implementation process and thus also hindered the efficiency of the monitoring activity. The institution responsible for Programme implementation faced permanent capacity constraints. The periodic reorganisations essentially prevented staff members from becoming experts in their respective fields. Moreover, frequent reshuffling in managerial positions greatly dispirited the team in charge of Programme implementation, particularly at the outset.

The ex-post evaluation

Preparing the evaluation was made mandatory by Council Regulation (EC) No 1268/1999 in order to assess the results and effects achieved in comparison to the objectives set by the specific programmes. The evaluation is based on the European Commission document “Guidelines for the Evaluation of Rural Development Programmes Supported by SAPARD” (hereinafter called “Guidelines”) published in April 2001.

The ex-post evaluation covers the whole planning and implementation period, which extends from the year 2000 until the present moment. In the light of the external economic, social and political context of the programme, as well as other exogenous factors influencing the implementation, the evaluation should provide answers to the following:

- the relevance of the Programme;
- the internal and external coherence of the Programme ;
- the effectiveness and successfulness of the Programme ;
- the efficiency of the Programme ;
- the utility of the Programme ;
- the quality of the Programme implementation schemes.

The ex-post evaluation takes into account the findings of the ex-ante and mid-term evaluations of the Programme, assesses the extent to which the recommendations made in the evaluation were realised and draws on the conclusions of the annual Programme evaluations.

Evaluation methodology

The analytical evaluation was based on the evaluation questions, criteria and indicators laid down in the Guidelines. As a first step of the evaluation, a basic data table, a so-called data map, was drawn up, which specified the data to be collected for answering the individual questions, the data sources and the method of data collection.

The evaluation relies on primary and secondary data.

The most important data source for answering the evaluation questions was the electronic monitoring system of the Programme, maintained by the Agricultural and Rural Development Agency (hereinafter: ARDA) Monitoring Division.

The database was not completely populated during the time of evaluation, containing no or very little factual data pertaining to the applications for the last year on record (2006). The shortage of time did not permit the database to be fully populated and updated. Therefore, in those cases with incomplete data, and based on the number of supported projects per measure and on the regional distribution, the evaluators determined the representative sample size scaled by measure and region, for which they requested the data to be filled in for the evaluation. Within the sample size, individual applications were chosen at random by the ARDA Regional Offices. The representative sample included 1 053 applications.

The Guidelines contain several evaluation questions which, in addition to secondary data, necessitated the collection of primary data. Primary data collection was conducted with different methods and through multiple channels, such as:

- applicant questionnaires (266);
- expert/professional interviews (25);
- focus group discussions (4)

In total, 266 questionnaires were completed and submitted by the applicants from the seven regions of Hungary.

During the evaluation, the primary objective was that the questions featured in the Guidelines and relevant to the Programme should be answered by the evaluator as fully and as accurately as possible. The structure of the evaluation complies with the structure prescribed in the Guidelines.

Internal logic of the Programme, relevance and coherence assessment

The subject of the **relevance** assessment is to find out whether the objectives, content, scope and method of the interventions were established in accordance with the estimated needs, and whether their application was consistent and adapted to possible changes of circumstance.

According to the ex-ante and mid-term evaluation of the Programme, the programme priorities, the general and specific objectives and the tools (measures) utilised for their implementation were determined on the basis of the requirements specified in the situation assessment. They are in compliance with the SWOT analysis and respond to actual needs. This was further evidenced by the expert interviews and focus group discussions conducted as part of the ex-post evaluation, where respondents confirmed that the planned and implemented Programme measures were partially or fully in accordance with the actual development needs of rural areas and the agriculture.

As regards the allocation of resources among the priorities, the prevailing opinion was that the “Promoting the adaptation capabilities of rural areas” priority would have needed much more funding. Opinions significantly differed as to whether the funds should have been diverted from the “Increasing the competitiveness of agricultural economy” priority. However, all respondents were united in their view that the amount of resources available within the Programme framework is not relevant in light of the funding required due to the shortcomings uncovered.

The “Development and diversification of economic activities providing for multiple activities and alternative income” measure would have necessitated the utilisation of more effective support mechanisms during implementation (technical assistance in drawing up the applications, providing advance payment, simplified application packages etc.).

The **internal coherence** assessment analyses the synergy and complementarity between measures and objectives. External coherence examines the adequacy, conformity and level of connectedness of the Programme to other regional, national and Community policies.

The deficiencies of the Programme's internal coherence are exemplified by the fact that the chapter on Programme strategy does not outline the hierarchy of priorities and objectives, or their order of importance in relation to one another. Furthermore, it fails to reveal the intended logical relationship between priorities, objectives and measures. In most cases, there are no quantified indicators assigned to measuring the implementation of these objectives. While the Programme measures did not overlap, the mechanisms providing consistency and strengthening the synergic relationship between the measures were not employed or were barely effective during the implementation.

As regards the **external coherence** of the SAPARD Programme, it can be stated that the Programme is not connected in an organic way to other support schemes, regional or national policies. Its conformity with the CAP objectives is demonstrably strong, especially in programme design and implementation, the principle of partnership, and in the employment of rules of procedure according to CAP requirements.

Use of resources, financial efficiency analysis

The chapter assesses the **efficiency** of the Programme, namely, whether the achieved impacts, results and output would have been possible with less investment, or if better results could have been produced using the same input.

The use of resources available to the Programme changed compared to the original plans, due to the distribution of additional resources and reallocation between individual measures.

The improvement of agricultural competitiveness was featured the most prominently (58%) in the Programme. During the implementation, the modifications of the financial table of the Programme resulted in a substantial reallocation of resources in favour of the „Supporting investments in agricultural holdings” measure, which meant that the weight of the priority increased to 68% at the expense of the other two priorities. Such a significant increase in the weight of this priority at the expense of the “Promoting the adaptation capabilities of rural areas” priority was unsubstantiated, notwithstanding the problems and shortcomings detailed in the general stocktaking of rural areas, the large number and proportion of projects turned away owing to a lack of resources (2.611 projects, 65% of the total), or the rejected assistance requests (252 871 987 euro, 38%).

The share of funding intended for the improvement of the ability of rural areas to adapt to changes was reduced from 36% to 32% during the implementation. The amount used for measures related to the diversification of activities and the renovation of villages was considerably less than planned, while the budget approved for the rural infrastructure development measure benefitted from substantial additional resources, especially as regards the improvement of farm roads. The number of projects rejected owing to a lack of funding was highest under this priority, so a reduction of the resources was not justified.

A relatively small percentage (4%) of resources was allocated for emphasizing environmental protection aspects, which were only partly realised.

The Programme can be described as placing strong emphasis on the improvement of primary agricultural production, which is confirmed by the substantial share (38%) of resources of the “Supporting investments in agricultural holdings” measure, which alone exceeds the percentage of resources (32%) available for rural development. The measure's share of

resources, which was considerable (28%) to begin with, saw a substantial growth (10%) as a result of the modification.

The Commission approved the SAPARD Plan in October 2000. The accreditation of the four measures initially published was concluded at the end of November 2002. The first commitments started from March 2003, while the first payments were made in March 2003. Over two and a half years elapsed between the adoption of the Plan and the first payments.

The timing of the implementation of the measures gives evidence of the high standing of the “Increasing the competitiveness of agricultural economy” priority, since the two measures first launched belonged to this priority area. In addition the “Development and improvement of rural infrastructure” measure also served the above-mentioned priority through the modernisation of farm roads and the improvement of the energy supply of agricultural holdings.

The two measures aimed at improving the economic structure and the quality of life in rural areas commenced only in April 2004, and there were limited resources and very little time available for their implementation, which largely influenced the successfulness of the priority. These two measures were open to applicants for the duration of only a few months.

Programme implementation was typically impeded by workload peaks at the time of receiving applications, which continued during the phases of project management, the awarding of contracts and making payments, significantly hindering the operation of the system. This problem could have been mitigated by an adequately communicated Programme with a more balanced, longer term and annually allocated budgetary framework.

Since the Programme placed a strong emphasis on the improvement of primary agricultural production, it was to be expected that the Plains region (the Northern and Southern Great Plains) benefitted most from the assistance owing to its higher agricultural production potential and favourable characteristics. Northern Hungary also secured a substantial share of the resources, although most of those resources were used for infrastructural development.

The distribution of resources among municipalities clearly indicates that no SAPARD resources were deployed in the small-village areas of Northern Hungary and Southern Transdanubia, which means that these already disadvantaged areas continued to lag behind.

Until the closing of the Programme, 102% of the originally planned resources were committed. This does not include the resources required by projects that failed because either the beneficiary or ARDA withdrew from the contract in the course of implementation. The rate of payments amounted to 99% of the resources planned, based on data supplied by ARDA on 2 October 2007. In effect, the Programme can be deemed efficient with regard to the utilisation of resources.

However, the efficiency of the Programme was significantly hindered by the fact that the implementation of the SAPARD Plan, originally prepared for seven calendar years, was curtailed to less than two years owing to the prolonged setup of the necessary institutional, organisational and technical background. One of the negative consequences of the delay was the tightening of submission deadlines. Consequently, a large number of incomplete and sub-standard applications were submitted especially in 2002, when applications were first invited, which caused unnecessary work and expenses within the implementation system and among the applicants. After the call was published in 2002, 100% of submitted applications had to be put on hold to remedy the deficiencies. The number of proposals turned away owing to formal and eligibility shortcomings was 1 964, which amounted to 22% of total submissions in 2002.

As a result of the brief and rushed implementation, which lasted two years, applications were received at an unsteady pace, exceeding the available resources by 364% in assistance requests. The number of applications rejected owing to a lack of resources climbed to 4 037, which represented 46% of the total number of proposals received. Particularly in the case of investments requiring preliminary planning and permissions, rejections due to the lack of resources caused significant and unnecessary expenses for the rejected applicants. This could have been mitigated by a concerted and better paced promotion effort tailored to the available resources and using more refined rules of procedure.

The delayed launch, the flood of applications close to the deadline and the rules of application management unfit for handling such a high volume of submissions, greatly overwhelmed the newly established implementation capacities. Consequently, with the majority of measures, it took at least a year from the signing of the contracts to award the first payment, and at least one and a half years elapsed between the submission of the proposal and the first payment. This is considered an extremely long delay for any investment with post-financing, particularly as regards low-liquidity micro- and small enterprises or local municipalities suffering from constant budgetary constraints. Applicants were therefore very often forced to take out bridging loans, which significantly increased the total cost of investment.

The 239 million euro assistance involved a significant amount of own development resources, totalling 264 million euro, in the agricultural sector of the economy and in rural settlements.

The realisation of target values specified in the SAPARD Plan varied between and within the individual measures. Since there are no quantified indicators assigned to the programme-level objectives, it is difficult to assess the extent to which these objectives were fulfilled and with what resource efficiency.

As clearly laid down in the relevant provisions, the primary objective of the SAPARD Programme was the preparation for accession, which involved the establishment of a functional system operated in accordance with EU standards for the efficient allocation of Community resources. The programme completely fulfilled this goal. In this respect, the resources were efficiently utilised.

Analysing the output of the measures

The chapter assesses the **efficiency and successfulness** of the Programme, analysing the achieved effects and results per measure in consideration of the objectives and target values. The analysis is based on the comparison of the realised output with the target values specified in the Programme. The chapter compares the achieved values with the target values laid down in the SAPARD Plan, adjusted by the evaluator to the resources available within the reduced programming period.

The SAPARD Programme did not specify target values for the programme-level objectives, so the programme-level implementation cannot be analysed. Based on chapter 2.1 of the Programme, the expected outcome on the programme level is 25 thousand jobs retained or newly created in the agricultural sector, as well as a modernisation effort affecting 10% of the agricultural production.

On the basis of the monitoring database, the number of jobs newly created as a result of the developments is 12 969, which corresponds to 79% (16 500 jobs) of the adjusted target value, not including the number of jobs retained. This is apparently a very good proportion. The method of specifying the employment indicators in the monitoring database was not clarified. Therefore, many respondents provided employment growth figures for the whole enterprise

instead of the number of jobs created as a result of the development. The reliability of these figures is therefore questionable in several cases, although their magnitude corresponds to the facts. The number of jobs retained was 72 873, which does not necessarily involve jobs retained as a result of the development; it rather involves, in most cases, the total array of beneficiaries. The percentage of agricultural production affected by the assistance cannot be calculated owing to the fact that the monitoring database is as yet not completely filled in.

It surfaced as a general problem with every measure that the objectives were not set in a logical target hierarchy, nor were the indicators attachable to this non-existent structure. As a result, the collected indicators are in many cases not suitable for measuring the degree of fulfilment of the objectives. At the time of drafting the SAPARD Plan, the lack of adequate planning experience based on the intervention logic did not allow the establishment of a clearly defined target hierarchy and of the associated structure of indicators.

The success of the individual measures, as well as the fulfilment of indicators within each measure, was varying. The efficiency and successfulness of the measures are described in further detail in chapter 3.3.

Answering the evaluation questions

The chapter provides answers to the measure-specific and cross-cutting evaluation questions on the basis of the collected primary and secondary data in a structure that complies with the Guidelines. Neither the evaluators, nor the respondents raised programme-specific questions, in addition to the common evaluation questions, during the expert interviews. The responses given to each group of questions are preceded by a short description of the measures and a summary of the responses, together with the conclusions drawn.

The collection of data for the indicators necessary for answering the questions proved to be problematic. One reason is that the monitoring database does not collect the indicators required for the evaluation, and the indicators that it does collect are comprised of data that are two years old. This is why it became necessary with each measure to choose a representative sample for which the database could be filled in.

Applicant questionnaires provided answers to questions for which no data was available in the monitoring database. On some occasions, the number of questionnaires received was too low or the questionnaires themselves were not properly completed.

Chapter 4 gives a summary of the conclusions and recommendations in connection with the responses given to the evaluation questions.

1. Introduction

1.1. General description of the Programme

Pursuant to Council Regulation (EC) No 1268/1999, the Ministry of Agriculture and Rural Development of Hungary prepared the programme document entitled “The SAPARD Plan of Hungary 2000–2006” (hereinafter called “Programme”), which was officially submitted by MARD in December 1999 and approved by Commission Decision C(2000) 2738 of October 2000.

Council Regulation (EC) No 1268/1999 provided for Community support for pre-accession measures for agriculture and rural development in the applicant countries of Central and Eastern Europe in the pre-accession period. In accordance with the Regulation, the goal of pre-accession assistance was twofold:

- contributing to the implementation of the *acquis communautaire* in connection with the Common Agricultural Policy and related policies ;
- tackling the primary and specific problems of the agriculture and rural areas of the accession countries and ensuring their sustainable adaptability

The candidate countries each prepared a single national programme document, which aimed at preparing the implementation of the second pillar of CAP. The preparation mainly involved the reorganization of support schemes and the modernisation of agricultural and food processing units according to EU standards, as well as the creation of the administrative structures required for the proper utilisation of the assistance.

Programme implementation was preceded by the accreditation of the SAPARD Agency (hereinafter “Agency”), which is the institution responsible for the implementation. The Programme was put into operation in September 2002, when the first measures were published. The last payments were made in the first half of 2007. At present, the monitoring of the mandatory five-year operational period of the realised developments is under way.

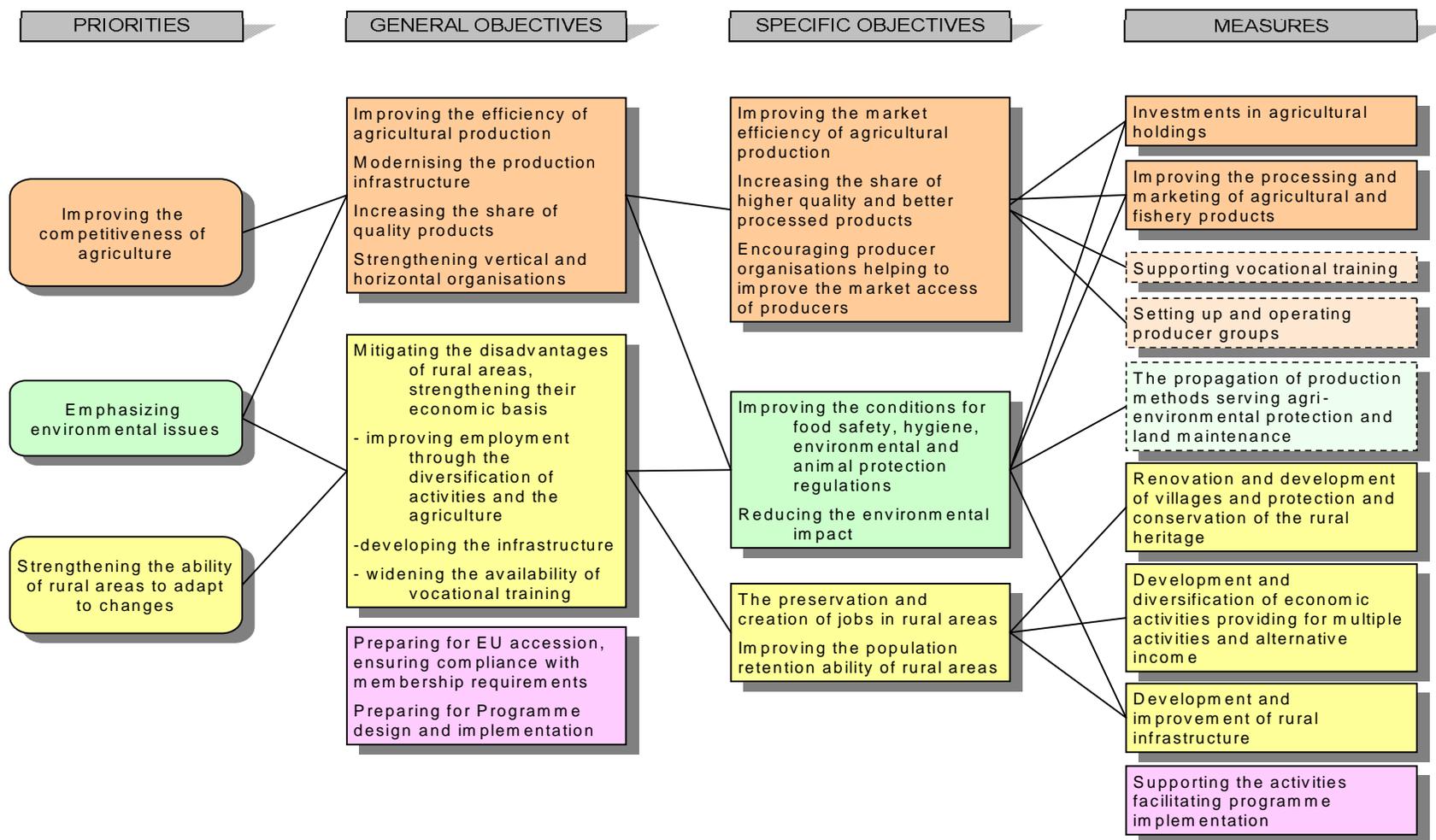
1.1.1. Programme priorities, objectives and measures

The Programme was drawn up in accordance with Council Regulation (EC) No 1268/1999 and the aide-memoire issued by the Commission.

The Programme strategy is based on the situation analysis of the country, the rural areas and of the agriculture. The strategy lists the Programme priorities, the general and specific objectives and the expected results. The level of the objectives (general–specific–operational) varies, with occasional thematic overlaps. The chapter on Programme strategy does not outline the hierarchy of priorities and objectives, or their order of importance, and it also fails to describe the logical relationship between the priorities, objectives and measures. These shortcomings are mentioned in the ex-ante evaluation of the Programme; the relevant recommendations, however, were not incorporated into the Plan. The programme-level objectives had no associated indicators to assess the fulfilment of these objectives. *Figure 1* illustrates the logical relationship assumed by the ex-post evaluators between the priorities, objectives and measures planned.

The internal coherence and intervention logic of the Programme are analysed in chapter 3.1 of the evaluation.

Figure 1. Logical relationships between the Programme priorities, objectives and measures



Based on chapter 2.1 of the Programme, the results expected at programme level included 25 thousand jobs retained or newly created in the agricultural sector of the economy, as well as a modernisation affecting 10% of agricultural production. Chapter 2.1 specifies further non-quantified impacts expected, which roughly correspond with the general and specific objectives featured in Table 1. The expected quantified outputs, results and impacts are described in chapter 4 of the Programme, broken down by measure.

1.1.2. Resource allocation and timing

The financial tables supplement of “The SAPARD Plan of Hungary 2000–2006” gives an overview of the per-measure distribution and timing of the resources initially allocated for seven years.

These figures testify that the timing of the resources was steady for the proposed seven-year duration of the Programme. The proposed schedule did not allow for potential delays in the Programme launch and relied on the utilisation of resources allocated for 2005 and 2006, which, however, became unavailable in that form owing to Hungary’s EU accession in 2004. Table 1 shows the available funds broken down by measure and priority.

Table 1. The proposed allocation of resources among the measures and priorities

Measure	Public funds total* (EUR)	Percentage of resources (%)
Supporting investments in agricultural holdings	100 809 333	28
Improving the processing and marketing of agricultural and fishery products	72 722 667	21
Supporting vocational training	6 330 667	2
Setting up and operating producer groups	26 040 000	7
Priority total: Improving the competitiveness of agriculture	205 902 667	58
The propagation of production methods serving agri-environmental protection and land maintenance	15 106 667	4
Priority total: Emphasizing environmental awareness	15 106 667	4
Renovation and development of villages and protection and conservation of the rural heritage	32 093 333	9
Development and diversification of economic activities providing for multiple activities and alternative income	54 769 333	15
Development and improvement of rural infrastructure	42 438 667	12
Priority total: Strengthening the ability of rural areas to adapt to changes	129 301 333	36
Technical assistance	3 847 175	1
Grand total for all measures	354 157 841	100

Source: The SAPARD Plan of Hungary 2000–2006

* EU resources (75%) + national contribution (25%) taken together, except for the technical assistance measure, where the distribution of resources was as follows: EU resources (80%) + national contribution (20%). Exchange rate used: 1 EUR = 255 HUF.

The Commission decision on the distribution of SAPARD resources among candidate countries committed 38,054 million euro in annual assistance made available for the implementation of Hungary’s SAPARD Plan. Owing to Hungary’s EU accession in 2004, the duration of the assistance was four years. This decision reduced the originally allocated amount of 354 million euro to 213 million, which includes national co-financing as well. The new sum was fixed in 1999 prices. The yearly amount of funding was continuously increased by the Commission at the rate of inflation since 1999. Chapter 3.2.1 provides an analysis of the resources used to further expand the financial framework of the programme, the allocation of the added resources and redistributions during the resource utilisation.

Table 2. The proposed timing of resources per measure (EUR)

Measure	2000		2001		2002		2003		2004		2005		2006		Total	
	Public funds total*	EU	Public funds total	EU	Public funds total	EU	Public funds total	EU	Public funds total	EU	Public funds total	EU	Public funds total	EU	Public funds total	EU
Supporting investments in agricultural holdings	13 380 000	10 035 000	11 237 333	8 428 000	11 265 333	8 449 000	18 513 333	13 885 000	16 686 667	12 515 000	14 706 667	11 030 000	15 020 000	11 265 000	100 809 333	75 607 000
Improving the processing and marketing of agricultural and fishery products	13 300 000	9 975 000	16 760 000	12 570 000	14 918 667	11 189 000	9 246 667	6 935 000	7 404 000	5 553 000	7 346 667	5 510 000	3 746 667	2 810 000	72 722 667	54 542 000
Supporting vocational training	717 333	538 000	713 333	535 000	1 046 667	785 000	713 333	535 000	1 046 667	785 000	1 046 667	785 000	1 046 667	785 000	6 330 667	4 748 000
The propagation of production methods serving agri-environmental protection and land maintenance	1 900 000	1 425 000	1 886 667	1 415 000	1 886 667	1 415 000	1 866 667	1 415 000	1 886 667	1 415 000	1 886 667	1 415 000	3 733 333	2 830 000	15 106 667	11 330 000
Setting up and operating producer groups	3 720 000	2 790 000	3 720 000	2 790 000	3 720 000	2 790 000	3 720 000	2 790 000	3 720 000	2 790 000	3 720 000	2 790 000	3 720 000	2 790 000	26 040 000	19 530 000
Renovation and development of villages and protection and conservation of the rural heritage	3 806 667	2 855 000	3 740 000	2 805 000	3 746 667	2 810 000	3 740 000	2 805 000	5 540 000	4 155 000	5 533 333	4 150 000	5 986 667	4 490 000	32 093 333	24 070 000
Development and diversification of economic activities providing for multiple activities and alternative income	7 589 333	5 692 000	6 716 000	5 037 000	7 466 667	5 600 000	6 677 333	5 008 000	7-786 667	5 840 000	9 553 333	7 165 000	8 980 000	6 735 000	54 769 333	41 077 000
Development and improvement of rural infrastructure	5 693 333	4 270 000	5 244 000	3 933 000	5 960 000	4 470 000	5 513 333	4 135 000	5 940 000	4 455 000	6 257 333	4 693 000	7 830 667	5 873 000	42 438 667	31 829 000
Technical assistance	544 183	408 137	567 165	425 374	573 832	430 374	573 832	430 374	573 832	430 374	533 832	400 374	480 499	360 374	3 847 175	2 885 381
Totals per measure	50 650 849	37 988 137	50 584 499	37 938 374	50 584 499	37 938 374	50 584 499	37 938	50 584 499	37 938 374	50 584 499	37 938 374	50 584 499	37 938 374	354 157 841	265 618 381

Source: The SAPARD Plan of Hungary 2000–2006

* EU resources (75%) + national contribution (25%) taken together, except for the technical assistance measure, where the distribution of resources was as follows: EU resources (80%) + national contribution (20%).

Exchange rate used: 1 EUR = 255 HUF

1.1. The context of the Programme

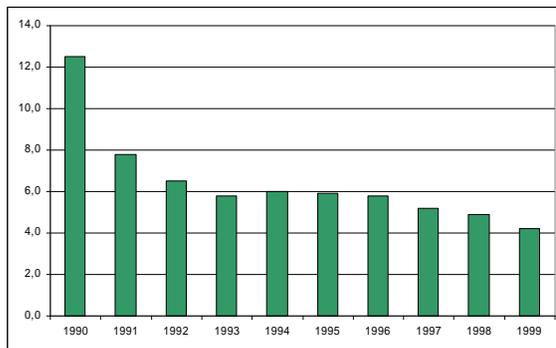
This chapter describes the Programme development, providing an outline of the economic and social context of the period preceding the years 1999 to 2000.

1.2.1. The state of the agriculture

After 1990 the importance and output of agriculture in the national economy significantly decreased. Employment figures plummeted, while sectoral work force availability was continuous. The age structure of people employed in agriculture is unfavourable (ageing). Formal agricultural qualification among individual farmers is not common: the proportion of farmers with post-secondary or higher agricultural qualification is under 10%. The farming and holding structure became polarised. While small farms have the numerical advantage, their proportion to large agricultural holdings is negligible as far as production output, investment, estate size and land usage are concerned. Livestock size is greatly reduced. Capacity utilisation in food processing is typically low, especially in the dairy and canning industries. Foreign capital boasts a dominant share in the food industry.

Economic importance

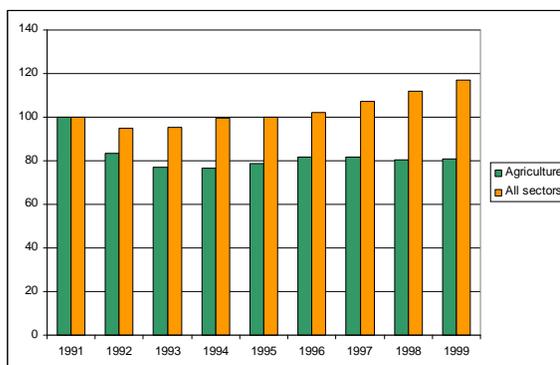
Figure 2. The changing share of agriculture in GDP between 1990 and 1999 (%)



The sectoral share in **GDP** production fell back to one third (4%) between 1990 and 1999. Its economic importance is declining.

Source: Central Statistical Office (CSO)

Figure 3. Changes in gross value added in agriculture between 1990 and 1999

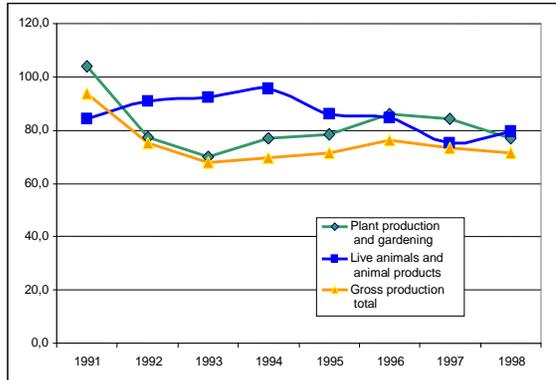


The **added value**, or the quality of production in agriculture, considerably decreased in comparison to other sectors between 1991 and 1999. While in other sectors the added value increased by nearly 20%, in the agriculture it decreased by the same extent. The economic importance of agriculture fell back to one third or one quarter. The per capita added value increased.

Source: CSO

Agricultural food production

Figure 4. Volume index of agricultural production between 1990 and 1998 based on comparative prices, by major product groups (1990=100%)



Source: CSO

The capacity utilisation of **food processing** was typically low, particularly in the dairy and canning industries. Foreign capital became dominant in the food industry. However, 90% of food production plants are small and medium-sized enterprises, with a considerable competitive disadvantage compared to large holdings.

The **price gap** between agricultural and industrial products widened by 40% between 1990 and 1998.

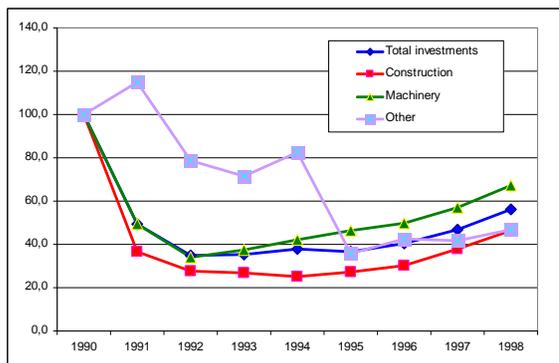
Compared to the 1991–1995 average, agricultural **production** was only 73% of the 1986–1990 average, although at that time agricultural growth already showed a downward tendency. Between 1994 and 1999, production experienced a slight and uneven growth. However, by 1999 it managed to attain only 81.2% of the pre-1990 five-year average. From 1990 onward, plant production suffered a 30% decline, while animal husbandry and domestic consumption decreased by 40% and 24.5%, respectively.

By 1998, the country's **livestock** significantly decreased in the majority of species, while compared to 1985, the rate of decrease was even more substantial. Cattle numbers suffered a drastic decrease of almost 50%, while the sheep population declined to 48.7%, pig population to 68.5%, goose population to 40.5% and duck population to 58.5%. This caused a significant setback in the volume of animal produce (pig and beef-cattle numbers halved). On the other hand, the goat, gallinaceous poultry, turkey and domestic rabbit populations increased.

There were no substantial changes in the **sowing structure** of arable areas, where cereals continued to dominate (63%).

Machinery, technical assets and investments in the agricultural and food industry

Figure 5. Agricultural investments at the same price between 1990 and 1998 (1990=100%)



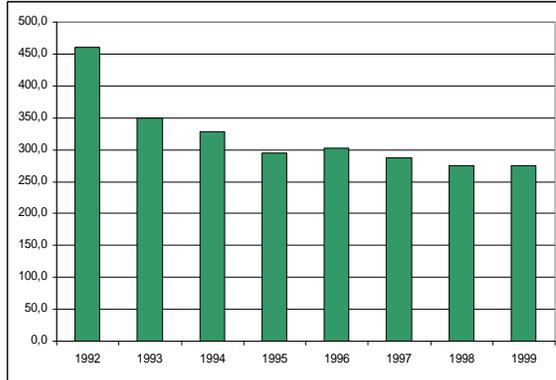
Source: CSO

There has been a withdrawal of capital from the agricultural sector since the latter half of the 1980s. As a consequence, the modernisation of **technical assets** and production technology did not happen, while investments nose-dived at the beginning of the 1990s. The result was the deterioration of tools and machinery. The majority of agricultural holdings are unable to ensure on their own the technical background necessary for competitive production owing to a lack of capital.

The value of investments decreased until 1995, and then began to climb gradually. The severest shortfalls are found in construction related investments.

Human factors: employment, income, age distribution and qualification

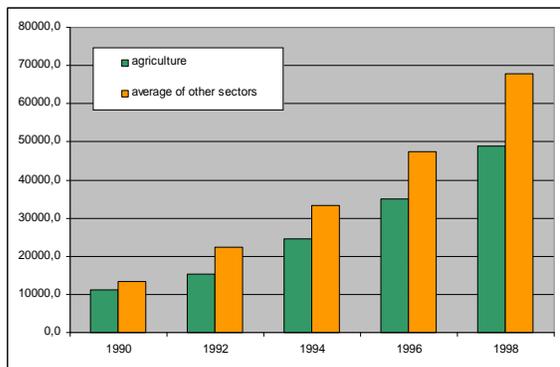
Figure 6. Average number of agricultural workers per year between 1992 and 1999 (1000 persons)



Source: CSO

Agricultural **employment** suffered a drastic decline during the period in question. In 1999 the number of people employed in agriculture was only 60% of the 1992 level (which had already greatly decreased compared to 1990). This decrease was not compensated by the overall growth of employment in the economy. Most people were not able to find jobs in other sectors, and a significant portion was hit by unemployment or found work in the informal economy.

Figure 7. Average gross individual earnings of persons engaged in agriculture between 1992 and 1998 (HUF/month)

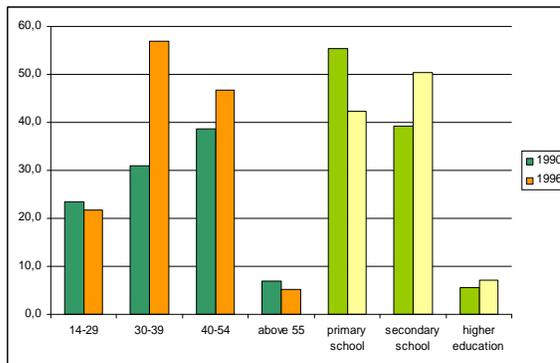


Source: CSO

Agricultural income is permanently below the average income by 20–30%. Between 1992 and 1998, the gap further increased to the detriment of agricultural workers, by about 12%.

About half of the active agricultural workers are aged between 40 and 54 years, so the sector can be described as having an **ageing** working population.

Figure 8. Composition of active agricultural workers by age and level of qualification in 1990 and 1996 (%)



Source: CSO

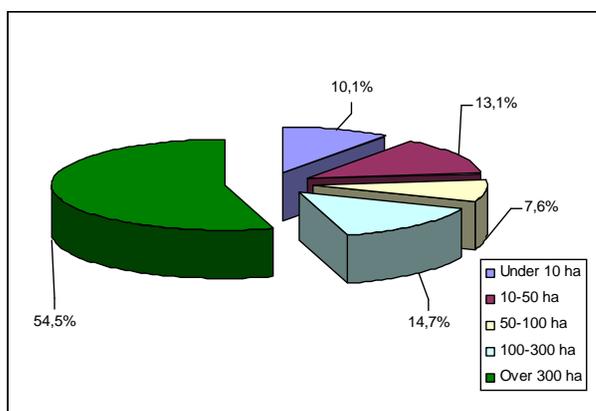
The professional **qualification** level of workers engaged in agriculture and forestry is the lowest. The proportion of workers with post-secondary and higher qualifications is equally low. The percentage of individual farmers holding post-secondary or higher agricultural qualifications is below 10%.

Farmers are assisted by **special advisors** or, on local level, by a network of village agronomists.

Cultivation and holding structure

In 2005 the **average area** of agricultural holdings was 486 hectares, which represents a 30% decline compared to the year 2000. Between 1991 and 2005, the average land size used by individual holdings in Hungary saw a sevenfold increase (from 0.5 hectare to 3.4 hectares). The average size of holdings according to CSO is now 8.6 hectares; according to other surveys, 6.8 or 6.9 hectares. (The average holding size in the EU is 18.4 hectares.)

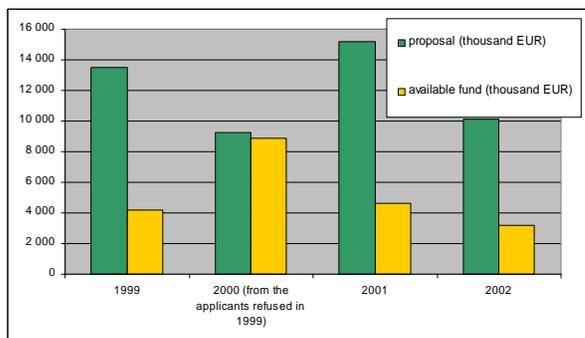
Figure 9. Distribution of land area according to holding size in 2005



Source: CSO

Producer integration

Figure 10. Supporting producer integration



Source: National Rural Development Plan, MARD, 2004

The **bipolar holding structure** did not change. 93% of all holdings cultivate areas smaller than 10 hectares and occupy 10% of the total land area. Larger agricultural holdings with average sizes of 100–300 or over 300 hectares, which represent only one percent of all holdings, utilize 72.2% of total land areas. 0.5 % of holdings cultivate 59.5% of available agricultural lands, 0.1% have more than a thousand hectares at their disposal. Land ownership continued to gravitate into the hands of larger holdings. Between 2000 and 2003, the share of individual holdings decreased by 20%. The unequal distribution in farm structure is also apparent from **ecological performance** figures. With 9.5% of agricultural lands, the overwhelming majority of holdings (88%) belong to a size category below ESU 2, while large holdings (over ESU 40), which account for only 0.6% of all farms, cultivate more than half (55.1%) of agricultural areas.

After the democratic transformation in Hungary, the earlier cooperative model disintegrated. New forms of integration started but were not widespread. There was typically little cooperation, and the level of organization among producers remained low.

Providing support for the new associations (producers' groups) had been incorporated into agricultural subsidies even before 1999. The amount of funding for this purpose was 1.26 million euro before 1999; in 1999, 4.2 million euro; in 2000, an additional 8.85 million euro for 1999. Applications for assistance totalled 15.2 million euro in 2001; in 2002, 10.1 million euro worth of assistance requests were received, which was many times the available amount. As a result, about 600-700 associations were formed countrywide that met the criteria for official recognition as producer's groups. The process started in 2003. Under SAPARD, no such measure was launched.

Agricultural infrastructure

Some parts of the agricultural and forestry infrastructure (roads, auxiliary buildings, water management systems, storage facilities, the tools and technical assets of forest owners) are insufficient or obsolete. Accessibility is often an issue. The majority of agricultural roads, the adjoining ditches and embankments, bridges, drain pipes and facilities for rainwater drainage are deficient or, much rather, in a neglected, run-down condition.

Because of changes in ownership, maintenance of the inland water disposal system (25 500 km of drainage pipes, 235 reservoirs) was not carried out in many places; the proportion of areas threatened by inundation is large (10–15% of arable lands). The annual average land area inundated by inland water (2 to 4 consecutive months) is 130 thousand hectares. Peripheral agricultural roads are almost without exception unpaved dirt roads.

Environmental impact

Due to the reduced intensity of cultivation, the environmental impact of agricultural production decreased. However, this did not effectively lead to environmentally more aware farming. The most common kinds of environmental damage in Hungary are erosion, deflation and soil compaction (solid closing layer). In the case of animal species fed on forage (cattle and sheep), there are substantially fewer environmental problems than with fodder-consuming animals that can be held together in larger numbers. According to a 2001 survey conducted by the Research Institute of Agricultural Economics (AKII), the storage and use of manure was inadequate in 11% of pig places (262 thousand places), while manure placement caused problems in more than 25% of the farms.

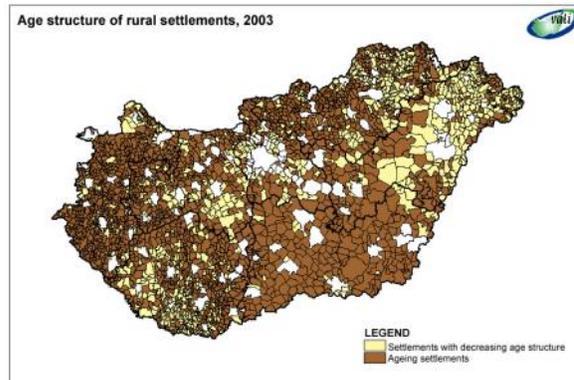
1.2.2. The situation of rural areas

In the period between 1990 and 1999, regional differences increased throughout the country, one aspect of which was the growing discrepancies between urban and rural areas. Moreover, rural areas continue to lag behind with regard to employment, income, the number of enterprises and investments. The economic reasons include, on the one hand, the loss of the earlier economic role of agriculture and, on the other, the collapse of industries formerly deployed (side branches of production, rural production units). Since 1990 rural areas have suffered persistent and long-term unemployment, while employment figures have stayed well below the national average. The shortage of jobs is particularly crucial in the small villages. The income of people living in rural areas also lags behind the national average. The proportion of “false self-employed persons” especially in disadvantaged rural areas is high. Self-employment is dominant. The majority of undertakings are micro-enterprises employing less than 10 people. Most villages lack necessary services.

Rural areas are characterised by a low population increase, a highly unfavourable ageing population composition and continuous outward migration. Villages predominantly inhabited by the Roma minority pose an exception, although here the main problems concern social benefits and the labour market. Segregation is prevalent in these areas. The long-term sustainability of rural areas, peripheral settlements and small villages is threatened first and foremost by the lack of cooperating communities and skilled professionals (intellectuals).

Demography

Figure 11. Age structure in rural municipalities (2001)

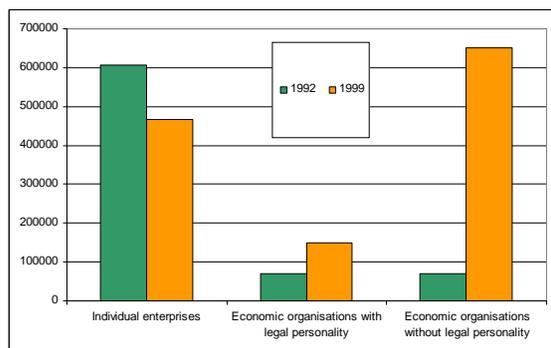


Natural population increase has shown a rapidly declining tendency for decades. As regards the **age pyramid**, the demographic outlook is not favourable: the proportion of younger generations is decreasing, while the number of elderly people is on the rise, which also means that there are less and less active workers per inactive person. The **Roma population** poses an exception, with high birth rates within families. However, they are typically not represented in the labour market, burdening the social security system.

In Northern Hungary and the Northern Great Plains region, which are part of the less developed eastern part of the country, the balance of migration is the least favourable. **Outward migration** affects primarily the rural areas, particularly small villages. The depopulation of these small villages started as early as the 1970s. In some places, a reverse phenomenon was observable: young intellectuals and young families from the capital or other urban areas began to move out to these villages.

Enterprises and the economy

Figure 12. Changes in the number of enterprises between 1992 and 1999



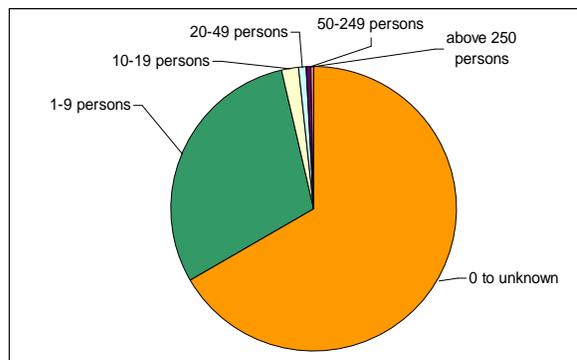
Source: CSO

On the whole, the density of enterprises in rural areas is lower than at the national level. This means that there are considerably fewer enterprises in the villages, small towns and rural areas: there are 56 undertakings per 1000 inhabitants, while the national average is 86 undertakings per 1000 persons.

In rural areas, **services** have an almost 10% lower share compared to national figures. The proportion of industrial and commercial companies is roughly the same.

The majority of undertakings are micro-enterprises employing less than 10 people. In rural areas, the proportion of small and individual enterprises is higher than the national average. Their commercial viability and competitiveness are much weaker than in the case of larger holdings, and they find it more difficult to qualify for additional funds. The proportion of “false” enterprises is high, while **self-employment** is dominant.

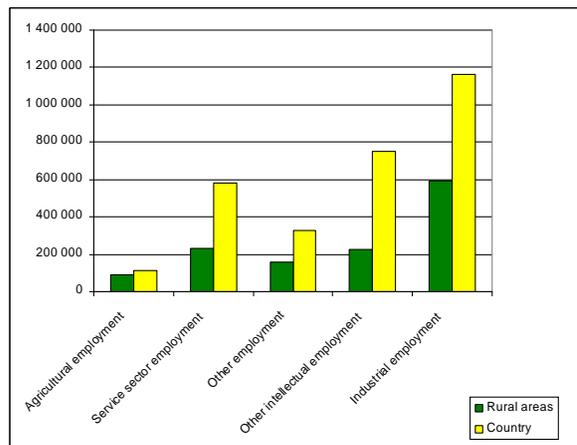
Figure 13. Distribution of enterprises by number of employees (1999)



Source: CSO

Employment, education and income

Figure 14. Number of people employed per branch of activity (2001)



Source: CSO

The level of **employment** in rural areas stays below the national average, with only half of the working age population employed. Only 39% of workers are able to find employment locally, 61% commute to work on a daily basis.

The number of workers holding **degrees** obtained in higher education or a secondary education certificate in rural areas is much smaller.

The small-scale manufacturing of individually made **handicraft products**, traditional small crafts and folk work products have preserved to this day the traditional practices and production methods in rural areas. Farming methods facilitating land preservation have been maintained, as well as **food products of a distinctive regional character**.

Providing **private tourist accommodation in rural areas** began to take on from around 1997. This activity creates a source of alternative income in villages.

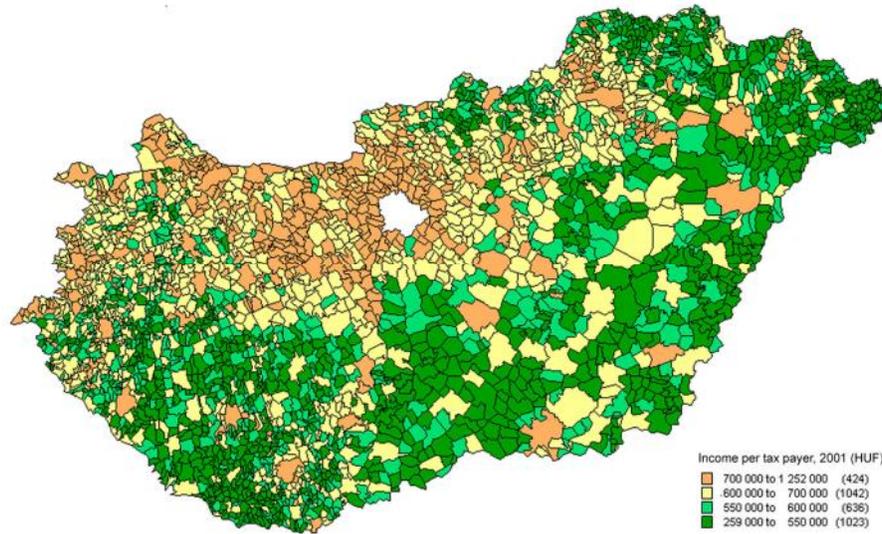
From 1990, the labour market prospects and income position of **villagers** deteriorated the most. The number of undertakings, employment and income size are all concentrated in urban centres. Employment opportunities for villagers are increasingly scarce with the decrease of population size in rural municipalities. In villages with 500 to 1000 inhabitants, the proportion of the inactive population in need of social or family assistance is over 70%.

The **income** of people living in rural areas is below the national average. This has to do with the reduced income drawn from the agriculture, as well as with lower education levels.

Unemployment in rural areas exceeds the national average: 65% of all registered job-seekers reside in rural areas. Within a rural area, villages have the highest rate of unemployment. Less qualified and older workers face more difficulty finding employment.

Constituting 5-6% of the total population, the level of employment of **Roma people** remains critically low. The majority of the Roma population are unemployed, relying essentially on social security payments and income drawn from the informal economy. Since 1990, an entire generation grew up seeing their parents unemployed, and thus lacking any role models or work ethic.

Figure 15. Regional differences in per capita income distribution in 2001 (HUF)



Source: CRS HAS, CNHI 2004

Settlement infrastructure and essential services

The state of settlement infrastructure corresponds to settlement size: larger towns and cities offer better infrastructure, better commercial and welfare services, while the infrastructure in villages, and especially small villages, is run-down and insufficient, and the provision of essential services is increasingly difficult. The majority of villages are **lacking in services**. This plays a crucial role in outward migration.

The rural heritage: built and cultural assets

Figure 16. Traditional dwelling in Nagyszékely (South-Transdanubian Region)



Rural areas preserve many kinds of **local heritage**: folklore traditions, traditions tied to the national minorities (ethnic German, Slovak, Serb and Romanian), the man-made heritage (traditional rural dwellings, manor houses, mansions, castle ruins and churches), the landscape and natural heritage and farming traditions.

Particularly in the Transdanubian region, but also in other parts of the country, people from urban centres or the capital, or often foreigners, purchase houses or farmsteads in the villages. This provides villages with a **new function**: they fully or partly become “holiday villages”. Although this does not bring back the traditional rural way of life, it keeps villages alive, the houses preserved, and it puts a halt to the depopulation of settlements.

Special rural areas

Rural areas are different in their character. There are three types of regions that pose specific problems: regions dominated by small villages, farmsteads and areas heavily populated by Roma people.

Figure 17. Small villages

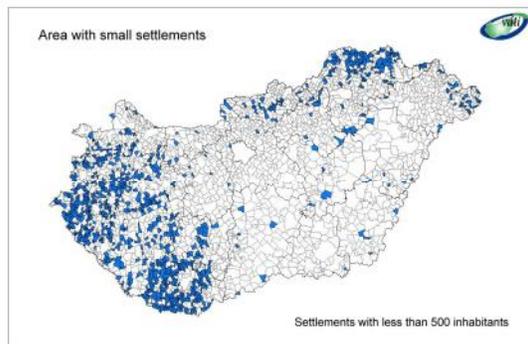


Figure 19. Farmsteads

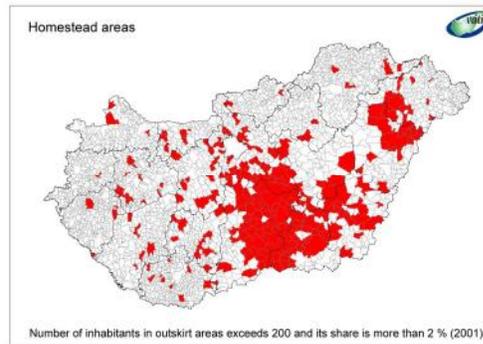
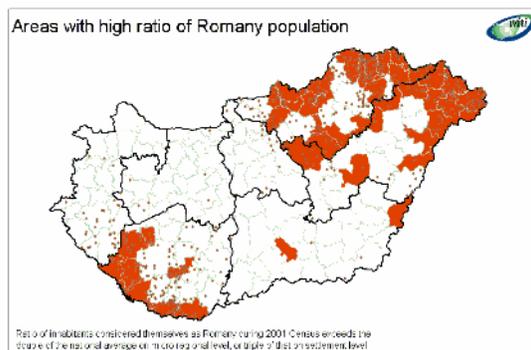


Figure 18. Areas with high concentrations of Roma inhabitants



Small villages with less than 500 inhabitants are mostly located in the western, south-western and north-eastern parts of the country. Their main drawbacks include outward migration, a lack of services and local industries. Farmsteads are undergoing a functional transformation: their agricultural function is supplanted by a residential and recreational function. However, depopulation continues. The main problems are difficult accessibility and reliance on social assistance. Villages with a predominantly Roma population are segregated from neighbouring settlements. Their problems are complex: unemployment is persistent; income, infrastructure and living conditions are poor, while the population level is increasing.

1.2.3. Political and institutional background

Between 1994 and 1998, agricultural regulation, management and aid policy (including forestry, fisheries and game hunting) fell within the competence of the Ministry of Agriculture (MA). Apart from the declared goal of improving agriculture, rural development in a general sense was not one of the ministry's tasks. As a field of specialty, the development of rural areas, apart from agriculture, was largely under the control of the Ministry of the Environment and Regional Development (MERD), as part of the regional development aims. (A favoured type of area from the view of regional development was the "agricultural rural development micro-region".) However, it was not explicitly named and received no additional aid instruments.

Between 1998 and 2002, the Ministry of Agriculture was renamed Ministry of Agriculture and Rural Development (MARD), so rural development was now explicitly mentioned and became a policy area in its own right. This resulted in organisational and policy changes in two aspects: 1) In addition to the improvement of agriculture, rural development became an independent policy area. A separate ministerial department was set up called Department for Rural Development Programmes. 2) Regional development was transferred from the Ministry of the Environment and Regional Development to MARD. In principle, this established a

policy connection between agricultural, regional and rural development, thus strengthening the synergies of these three important branches of development policy.

It was during this period that the drafting of the SAPARD Plan was launched. As a direct precursor, the Department for Rural Development Programmes at MARD initiated a comprehensive, countrywide micro-regional planning procedure. In 1999 and 2000, strategic and operational programmes were drawn up for rural development and the structural improvement of agriculture in micro-regions throughout almost the whole country, with the aim of preparing projects eligible for funding mainly under SAPARD. Local planning required the participation of various players involved in the economy, local government and civil society of the micro-region. This was practically the first programming effort in Hungary which made such participation obligatory and provided technical assistance in the planning process. The planning itself was indicative, since the micro-regional agricultural structure and rural development programmes under preparation did not have specific resources available. Preliminary communication in this matter was not transparent enough, so the project-based funding, which became apparent following the launch of the SAPARD Programme, led in many cases to disappointment and a loss in confidence. It is still evident, however, that prior to the planning described above there was no shared understanding based on practical partnership but the results of this joint planning are now apparent in many micro-regions: lasting cooperation, common development goals, changes in attitude and of course many successful projects drawn up with joint participation.

The Strategy for agricultural, rural and regional development, the programme of the Hungarian government, the Comprehensive Development Plan of the Hungarian economy, the Preliminary National Development Plan and the National Agri-environmental Programme constituted the basis of the SAPARD Plan for Hungary. When drawing up the Plan, the obligations undertaken in the Accession Partnership and the principles of the National Programme for the Adoption of the Acquis were all taken into consideration. The planning was carried out entirely using national resources.

On the institutional level, the **Regional Rural Development Offices (RRDO)** were established regionally as part of the **MARD Department for Rural Development Programmes (hereinafter RRDO)**, prior to the Programme implementation. Seven offices were set up, one for each of the regions, with a head of office and one or two staff members. On the micro-regional level, the Department had financed since 2001 the work of one manager responsible for rural development, with a yearlong contract (the manager was contracted by the micro-regional organisation, which in turn was contracted by Department for Rural Development Programmes at MARD). With the participation of the managers and the RRDOs, there was wide dissemination of information locally about rural development and the SAPARD programme in the process of micro-regional programming of the structural development of agriculture and rural areas (partnership and public awareness). As a result, expectations were high concerning SAPARD in the agricultural food industry and the rural development sector.

However, agricultural support remained a separate policy area on the financial and institutional level as well. The main institutions involved were the **county Agricultural Offices of MARD** (19 county offices) and the **Agricultural Intervention Centre (hereinafter AIC)**. The subsidies were made public in the annual support scheme regulation. The proposals were drawn up with the help of a local network of village agronomists/notaries (employed and supervised first by the MARD Offices and the county Chambers of Agriculture, and then again by the MARD Offices).

Of particular concern were the institutional uncertainties which prevailed during the SAPARD programme launch, since the decision on setting up the institutional framework was much prolonged.

The SAPARD programme had no programme-level precursors. In 1997, the Ministry of Agriculture drew up its long-term concept for the sector (agricultural programme), which summarized the policy tasks to be carried out until the turn of the millennium and beyond. In the fields of agriculture and rural development, there was no programme-level funding or implementation similar to that of SAPARD. Support for regional development was also administered based on the annual allocation of resources. Prior to SAPARD, only domestic subsidies were made available for the agriculture, with independent agricultural regulation. An annually determined support scheme existed but without assigned programme funds and monitoring. This was provided for in legislation each year and was incorporated into the state budget.

1.3. External economic, social and environmental factors influencing the implementation of the Programme

This chapter summarises the external economic, social and environmental processes, which have an influence on the implementation of the Programme, and which cannot be controlled by the Programme at all or only to a slight extent, during the period of implementation of the Programme, which is between 2000 and 2006.

The unequivocal experience from professional interviews and focus group discussions is that during the implementation period of the Programme, lasting from 2000 to 2004, the major external effects could have easily been corrected through some modifications, but such modifications have not been made. On the local level, willingness of producers to apply for funds and also the business plans themselves were greatly influenced by the changes in sales environment, such as closing down of larger buy-up capacities, or the ever-changing weather conditions. At the national level, however, these changes could not have been flexibly followed through programme modifications.

The drought in 2003 could be named as the most significant environmental and economical factor that caused not only an unexpected loss of income but also extra costs to farmers operating in the regions of the Great Plain. The extremely favourable weather conditions in 2004 and 2005 resulted in record yields in plant production, which led to a decrease in producer prices for most of the products, and, mainly in the case of cereals, also generated tensions on the market due to the shortage of storage capacity. The ministry undertook steps to increase the amount of storage capacity that is able to fulfil EU requirements, and they financed this mainly through the use of ARDOP funds. The price level of agricultural inputs kept increasing in the examined period, with prices of energy and feed concerned in particular. Output prices did not follow the increase of input prices, which led to a widening of the price gap between agricultural and industrial products, and, though to a varying degree among sectors of agriculture, this has deteriorated the capital adequacy of producers.

Among the social and economic phenomena influencing the completion of the programme in the first quarter of 2005, the effect of farmer demonstrations should be highlighted. Farmers requested an acceleration of the programme implementation. They urged the government to take measures to accelerate payments, and to reduce the administrative burden to an acceptable level. In the Agreement signed by the minister of agriculture and rural development and by the representatives of the organisations that initiated the farmer demonstrations in the spring, it was agreed that the government accelerates the payment of SAPARD subsidies through simplifying the rules of procedure to a reasonable extent, in order the resources won in the tenders can reach the beneficiaries in the shortest period of time. (Sources: Report of Hungary on the implementation of the SAPARD Programme, 2005)

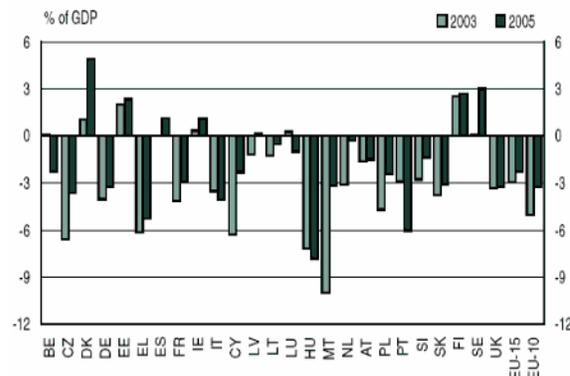
The member states that are going to join the Euro zones required to submit an up-dated Convergence Programme on the 1st of December annually to the Council and the Commission. The Convergence Programme contains Government's measures for the period of 2006-2011 that are aiming at restabilising the balance of the state budget necessary for the introduction of the Euro. The necessary restrictions of the Convergence Programme make the operation of already realised developments more difficult.

The bird flu as well caused immense problems to poultry producers by the time most of the developments have been completed, that is, in the operational phase.

1.1.1. Economic trends¹ 2000 - 2006

EU trends, macroeconomic environment

Diagram 20: Government budget balance in the EU, 2003, 2005

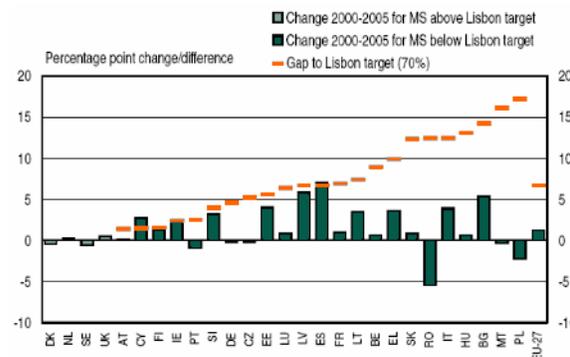


Source: Eurostat. 3. Cohesion report

During the implementation of the programme, the major macroeconomic factor influencing this implementation was the **upset of the Hungarian state budget**. Since 2001/2002, the budget deficit has increased, and the growth path of the Hungarian economy was broken. The Hungarian budget deficit is one of the largest in the EU.

In 2006, the balance of state budget was upset to an extent resembling the years of transition to market economy in the early nineties. In 2006, the **deficit of the government sector** was 10.1% of the GDP, and the **national debt** grew to almost 70%.

Diagram 21: Changes in employment rate in the EU, 2000-2005

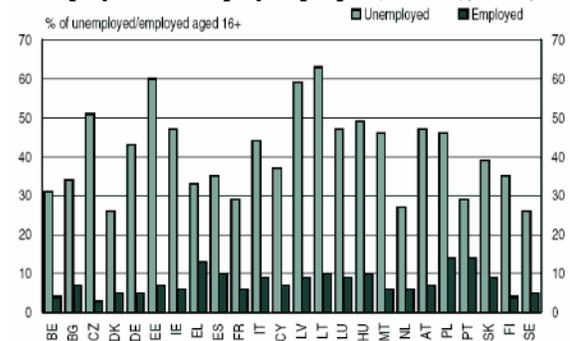


Employment rate equals number employed aged 15-64 as a percentage of population aged 15-64

Source: Eurostat. 3. Cohesion report

Low **employment rate**, high unemployment and the growing percentage of inactive population are major problems faced throughout the entire EU. One of the factors contributing to these problems is the loss of the role of agriculture in employment. This trend prevails in Hungary, as well, and no significant improvement has been achieved by 2006, either.

Diagram: Population exposed to risk of poverty : unemployed and employed people (over 16), 2005, %



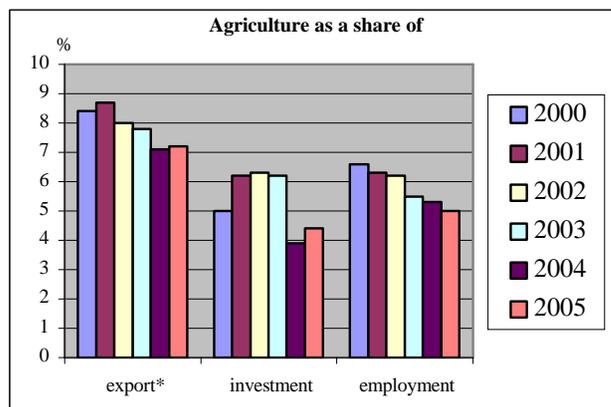
BG: 2003; RO, SI, UK: no data

Poverty threatens the unemployed population in particular, but also endangers 10-15% of the employed. This part of the population has a very low income and faces job uncertainty. Social differences are big, and keep growing in both Europe and Hungary. Permanent unemployment is significant. People in rural areas are especially exposed to forces of the labour market.

¹ Source of data and analysis: Sapard Plan of Hungary, status report and data; National Rural Development Plan, status report and data; New Hungary Rural Development Programme, status report and data; Central Statistical Office (CSO) (Regional Information System); 3rd Cohesion Report (European Commission).

The economic weight of agrarian economy

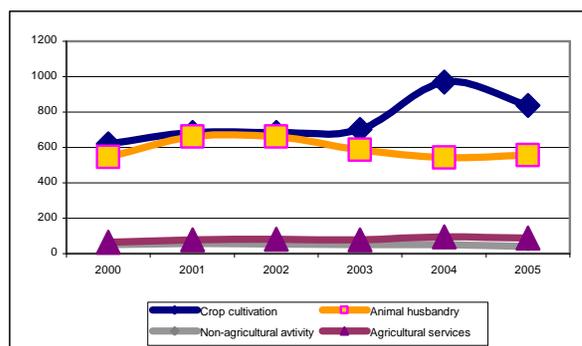
Diagram 23: Share of agriculture in export, investment and employment, 2000-2005



Note: * including food industry. Source: CSO

Agricultural and food production

Diagram 24: Gross agricultural output by key activity (at current prices, billion HUF), 2000-2005



Source: Agricultural Statistical Yearbook 2003, 2005, CSO

The ratio of **animal husbandry** in the gross output of agriculture showed a significant drop between 2000 and 2005. The size and the performance of this branch touched bottom in 2004, when its share was less than 33%. However, the number of sheep increased significantly, by 48.4% since 1994. Since 1994, the number of cattle reduced by 22.2%! In spite of the unfavourable sales and the low and fluctuating profitability, the number of laying hens increased in the nineties.

As a result of falling prices in the **dairy industry**, several successful applicants stepped back in 2003.

The **loss of the role of agriculture in the economy** continued in the period between 2000 and 2005. Its share in the gross national product (GDP) fell from 4.6% to 3.7%, its share in employment (without food industry) decreased from 6.6% to 5%, and, together with the food industry, its share in export went down from 8.4% to 7.2%. It was only its share in investment that produced a slight and temporary growth, which grew, due mainly to technical developments and machine purchases, from 2.9% to 6.2% between 1995 and 2003, but fell again to 4.4% by 2005.

The large potential of Hungarian agriculture is indicated by the fact that, in spite of all the above and though **export** in total is decreasing, the balance of trade is always positive. It is, however, unfavourable that the majority (66.2%) of export is agricultural raw material, and not food products with higher added value.

The distortion of the balance between the two main branches of agriculture increased by 2004. While plant production, consisting mainly of crop production, had a 55% share in the **gross output** in 2005, the continuously declining share of animal husbandry hardly exceeded one third of the output (36.6%). One of the reasons was that the performance of plant cultivation and horticulture in 2004 was by 49.3% higher than in the previous year. The major factor contributing to this growth was the extremely high yield of arable crops. There was not enough storage capacity of appropriate quality available for the storage of the crop, for grains in particular.

The share of **horticultural products** (open air and forced / glass house vegetables and ornamental plants) and fruits in the output decreased year by year between 2000-2005. Horticultural products give one sixth, while fruits give hardly more than one tenth of the gross output.

Cereals, industrial and fodder crops occupy 93% of the sowing area. Within agriculture, plant production is still characterised by mass production and an almost entirely mechanised production structure. Almost half of the output of plant production (47.8%) comes from cereals. The gross output of industrial crops has almost doubled since 2000 (from 9.8% to 16.9%), so they basically have the same share as in the

Prices

All in all, prices **changed for the worse for agriculture** in 2004 and 2005. Prices of agricultural products did not move in the same direction in each sector and for each product, but after all they were unfavourable for the producers, mainly due to the massively increased supply which was generated by the significant yield increase.

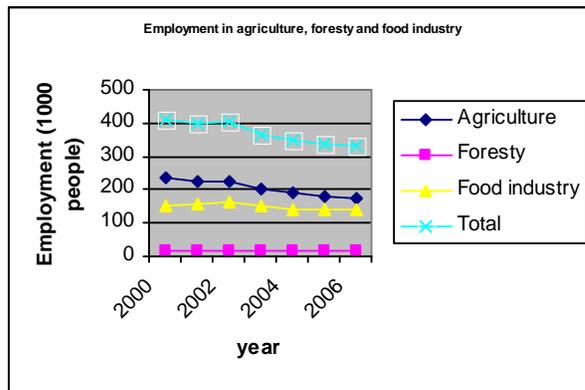
The price level of agricultural expenses increased versus the previous years, with the price of energy and fodder growing in particular. The price of artificial fertilisers, plant protection chemicals and agricultural machinery also increased, although to only a smaller extent.

The **undercapitalisation of agriculture** is a nationwide problem, and so is the resulting **problem of providing own resources**. Even in spite of the relatively favourable conditions of the support, a large number of farmers found it difficult to satisfy the SAPARD conditions of providing own resources.

The modification to the SAPARD Plan allowed that own resources be provided from loans, which is a help for the applicants, and it widened the scope of potential applicants.

Human factors: employment, income, age composition, education

Diagram 25: Employment in agrarian and food economy, 2000-2006



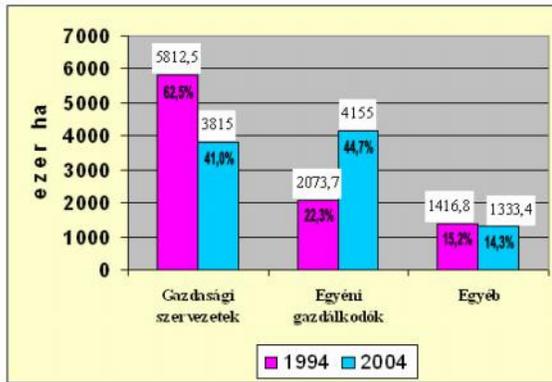
Source: CSO

The age composition of the employed in the agrarian sector is still unfavourable. 62.2% of the agricultural workforce comes from the middle-aged and older (over 40) age groups (2005). Almost one third of the employed are over 50. The youth are less devoted to agriculture, while just a decade ago (1996), 21.8% of the people employed in agriculture were under 30. In 2005, this ratio was 15.2%. In 2005, 4.9% of the managers of individual farms had a basic level education, and 7.4% had medium or high level agricultural education. Almost one fourth of individual farmers are women, usually with lower professional education. Only 9.2% of agricultural labour have a college or university degree. Employment in agriculture (and in agrarian economy as a whole) has further decreased between 2000 and 2006. While the number of employed people grew slightly in the whole economy, agriculture still emits workforce.

Estate and management structure

Diagram 26: Land used under various forms of management, 1994 and 2004

The number of agricultural businesses grew between 2000 and 2003 (40,487 in 2003). The number of private entrepreneurs temporarily fell after 2000, but increased again by 2003. The ratio of businesses employing less than 20 people has increased further to 97.6%.

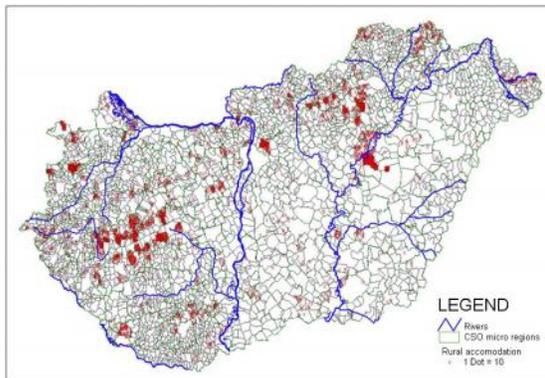


Source: CSO

Enterprises and economy

In rural areas, the enterprise structure is characterised by micro enterprises. The ratio of private entrepreneurs is 66 % in rural areas, as opposed to the national 52%; the ratio of companies employing 1-9 people is 74% (207,301), while the national rate is 70% (608,535 in 2004). The density of businesses is lower, 56 businesses/thousand people against the national 86 businesses/1,000 people value. Compared to the national data, services represent a 10% lower ratio.

Diagram 27: Village tourism accommodations, 2004



Source: CSO

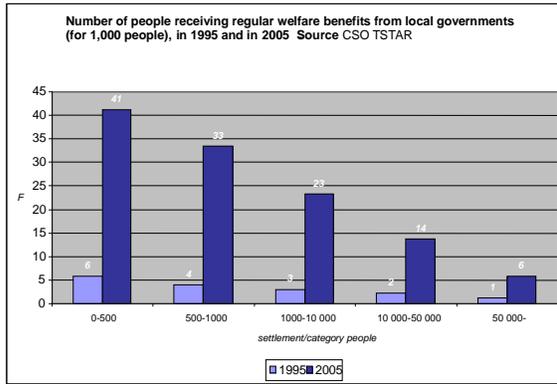
Employment, income

Diagram 28: Number of people receiving regular welfare benefits from local municipalities (for 1,000 people), 1995, 2005

The change in the structure of economy is reflected by the growth in the number of accommodations and catering units in the countryside, and by the wider offer of tourist programmes. This activity is concentrated mainly in the villages (in 2003, 7,222 people in catering, 99%), but they also occur in farmland areas around towns, too (85 people in catering). Commercial accommodations (hotels, pensions, camping sites) are mainly concentrated in towns, resort areas and locations with thermal water.

In 2005, the number of village accommodations was one seventh of the total commercial accommodations. In 2005, 13 times more guests visited the commercial accommodations (2,046,000 people), then the village accommodations (152,598 people), and, compared to the year 2000, the total number of commercial accommodations increased by almost 5%. The number of guest nights spent in commercial accommodations increased by 7% in 2005. The number of village accommodations increased by 33% between 2000 and 2005, while the increase in the number of guest nights is more modest, only 10%. Village accommodations are often characterised by lower service level and lower capacity utilisation.

Agriculture continues to lose its role in employment. The service sector dominates even in rural areas, employing approx. half of the employed; industry and building industry also employs three times more people than agriculture (agriculture and forestry 11%, agriculture 6%). However, since the other sectors are unable to produce real growth, and investors do not flock to villages and traditional agrarian areas, there are not many opportunities for the workforce who leave agriculture.



Source: CSO

As for the youth, hardly anyone chooses agriculture to make a living.

The status of permanent unemployment and of being crowded out from the labour market, “melting” of the culture of work, sinking into a kind of apathy, lack of motivation and loss of independence have lead to the fact that the number of people living on social aid, or at least receiving one, multiplied between 1995 and 2005.

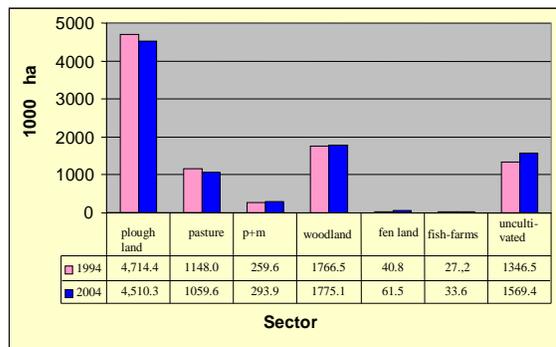
1.3.1. Environmental impacts

Land use

In the examined period, no significant change occurred in the use of land. Arable land and pasture reduced to a slight extent. There is an increase in wooded area. Since 1995, approx. 100 thousand hectares of forest have been planted (1% growth). Most of the forest planting (90%) takes place in private areas, so the ratio of private forests continues to expand.

The **ratio of land removed from cultivation, and especially of the ratio built land has increased significantly**. This is mainly due to the careless activities of the municipalities, to develop service, industrial, transport and residential areas. As a result of this, cultivated areas and natural areas are reduced, landscape ecology systems are damaged and landscape value is reduced. This has led to the loss of a lot of resources in the non-urbanised rural areas. Because of the often low aesthetic value of the newly constructed environmental elements, traditional town structures and built cultural heritage are damaged.

Diagram 29: Changes in types of land use, 1994, 2004

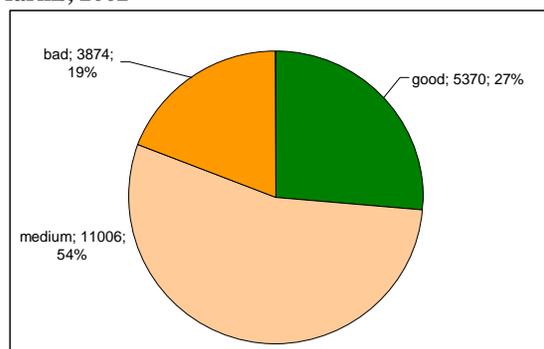


Source: CSO

Between 1994 and 2005, the **area fertilised with livestock manure** decreased by 21.5%, and the quantity of organic fertilizers used also decreased by 25.5%, and these are unfavourable trends.

Animal farms

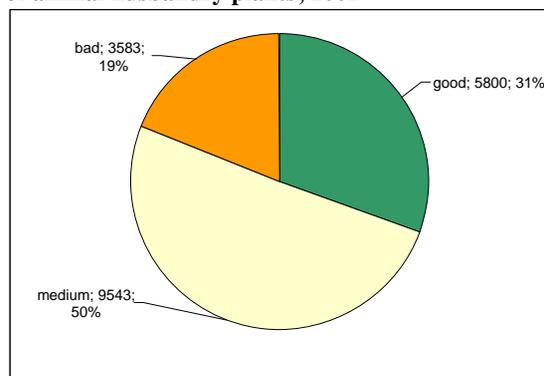
Diagram 30: Technical conditions of buildings on animal farms, 2002



From the aspect of environmental protection, the most serious problem was how to manage the manure produced by feed consuming animals.

In the case of pig farms, the largest problem is how to satisfy environmental requirements, as it is difficult to use the slurry in traditional soil management. Based on the AKI survey of 2001, the removal of slurry is incomplete for 11% of the pig places (262 thousand places), and disposing the slurry is a problem for more than 25% of the farms.

Diagram 31: Technical conditions of technical equipment of animal husbandry plants, 2002



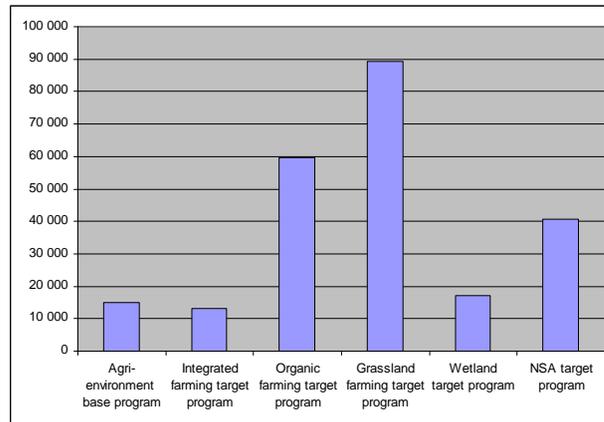
From an environmental point of view, it is manure management and air pollution that cause problems at poultry farms. The deficiencies affect 2% of breeder layer building, 32% of broiler buildings, and 96% of breeder duck buildings.

In the case of cattle farms, the major problem is the handling of manure and slurry, and first of all, how to separate slurry from rainwater, and this is what requires higher investments.

Source: AKII Survey of animal farms, Summary

Agrarian environmental protection

Diagram 32: Areas that won in the National Agrarian Environment Protection Programme, by target programmes (ha), 2003



Source: National Rural Development Plan, 2004

The national agrarian environmental management programme, which was started in 2002 (NAKP), following a several years' preparation period, offered area-based support to farmers in 6 target programmes (agrarian environmental management basic programme, integrated management, ecological management, pasture utilisation, water habitat and Sensitive Natural Areas target programmes). 7,529 farmers introduced environmental friendly management systems on 301,383 ha.

The number of agricultural producers pursuing organic farming grew six times between 1997 and 2004, from 281 to 1610. The area involved in controlled organic production (transitional and organic areas together) grew more than ten times, from 11.4 thousand hectares to 133 thousand hectares, so they make up 2.3% of the total agricultural area.

Flood, inland water, drought

In 2000, the affected polder area was extremely large, 343 thousand ha was under water at the beginning of the year. Especially the areas along the Danube and Tisza rivers are in danger.

Between 1995 and 2000, floods were regular, and extremely large along the Tisza river in 2000 and in 2006. One third of the cultivated land of the country, 32% of the railways, 15% of roads, and more than 700 towns with 2.5 million inhabitants lie in flood zones.

Because of the unfavourable weather in 2003 (drought), producers had a lower income, but also had higher costs due to the drought, and these factors exhausted their limited cash resources.

Environmental pollution

In 2003, the Tisza river was hit by an environmental disaster, because heavy metal pollution (cyanide) travelled down the river from Romania, killing off the fish population, making the livelihood of fishermen unfeasible and causing long-term and very serious ecological damage.

1.3.2. Effect of regional and sector policies

In spite of the fact that, from 1998 to 2002, regional development, rural development and agricultural development all belonged to the competence of the Ministry of Agriculture and Rural Development, neither theoretical, nor practical institutional methods of positive cooperation have been developed between the support tools of these areas, apart from the simple elimination of overlaps.

In 1998, the Parliament accepted the National Regional Development Concept. One of its declared objectives of the Concept is the development of rural areas. This document sets the targets, principles and priorities of the regional development policy of the country, which aims to facilitate the harmonious and efficient operation of the regions of the country, and their well-balanced and sustainable development. The review of the original concept in 2005 also focused on rural areas. However, this review had no significant effect on the support policy, and therefore rural and peripheral areas are falling behind faster than before. The annual evaluation of the use of resources by region drew attention to the low efficiency of regional development, and urged the strengthening of regional coordination.

In 1998, rural development activities were organized into an independent department under the Ministry of Agriculture and Rural Development (MARD), which focused on article 33 and LEADER type measures. In the process of introducing the rural development policy of the EU and the national rural development activities as a new professional area, and in the initiating the practice of the micro-regional level partnership based programming procedures as one of the prerequisites for getting development resources, the state supported planning procedure of micro-regional agricultural and rural development programmes detailed in chapter 1.2.3, played a determining role. The national *Rural Development Support Scheme* (hereinafter RDSS) and a tendering system was based on these plans covering the whole country. It was basically the forerunner of the SAPARD Programme concerning diversification, village renewal and development of rural infrastructure. Under the RDSS, within three years, HUF 12 billion was used in tender applications. The activities entitled to support within the support scheme included village renewal, protection of rural heritage, development of rural infrastructure, the diversification of rural economy, production of small-scale local specialties and village tourism. The rural development effect of the RDSS was strong in both the generated projects and the introduction of the above support facilities, as well as in the development and operation of the capacities of micro-regions.

All this worked for three years, as an extension of the annually advertised traditional agricultural support system.

As a new element of traditional agricultural support, the *National Agri-environmental Programme* was started in 2002. In 2002-2003, direct payments (area-based support) facilitated environment-friendly farming. Depending on the target programmes and the cultivation branches, the amount of the subsidy varied between EUR 34 and 168.5/ha. Altogether 4,219 people presented 5,321 applications. The affected area exceeded 270.000 ha, and the sum of the requested support was almost EUR 19 million.

The new act on *agricultural market regulation* came into force in November 2001. This legal regulation ensured guaranteed prices for fodder corn, beef and veal, pork, milk and wheat for consumption, and set guiding prices and minimum and maximum intervention prices for fodder corn, beef, pork, milk, sugar, sugar beet and wheat for consumption. This act of law had a significant market stabilisation effect.

The system of direct payments (area-based support) was introduced in 1999, and it was used until the year of accession. This was the most important direct payment system for the farmers. Farmers having maximum 300 hectares arable land could get the subsidy for key arable land crops.

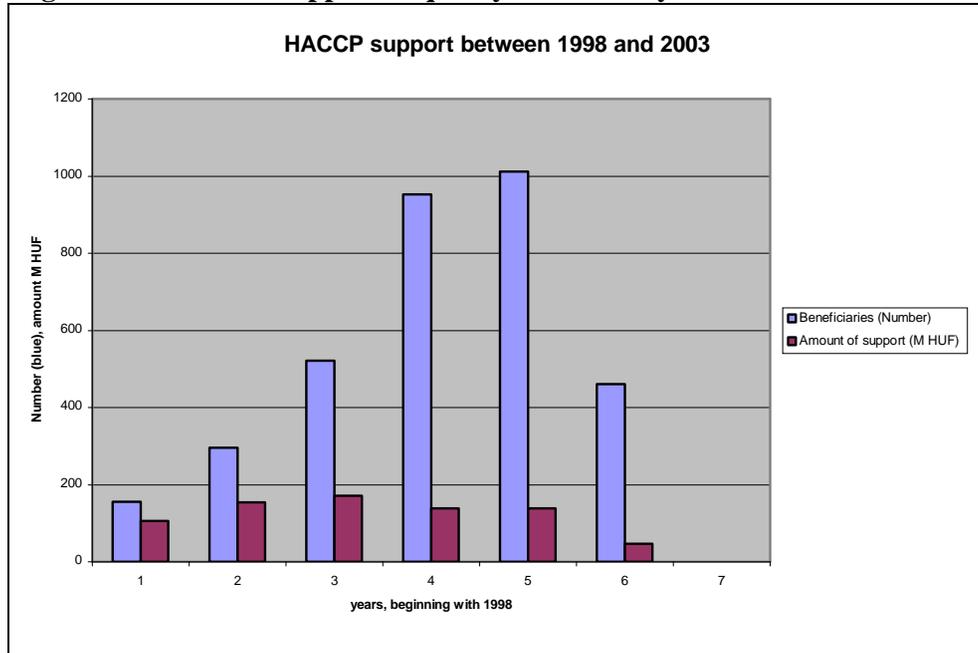
Interest loans were also available for investments and working capital, capital subsidies for soil improvement, irrigation and purchase of breeding animals, as well as tax subsidies for the purchase of fuel.

The *National Land Fund Management Organisation* was founded in 2002 with the objective of creating a manageable, cost-efficient and competitive ownership structure. Its tasks include the realisation and coordination of legal regulations regarding land ownership.

Quality based payments were primarily made to products of animal husbandry before the accession, including beef, milk, pork, poultry and game. From 1998 to 2003, national resources were available for the introduction of the *HACCP system (as much as HUF 755 million) in the food industry*. Approximately half of this amount served the quality development of meat and milk processing. The results of quality development from land to consumer were greatly influenced by the creation of the Hungarian food act in harmony with the EU food quality regulation in 2003, as well as in 2004 the requirements of the „Good

Farming Practice” as the eligibility conditions for the direct payments (area-based support). The two regulations realised the legal conditions of tracking the food security on the whole process of production, based on the responsibility of the producer.

Diagram 33: National support to quality insurance system from 1998 and 2003



Source: Dr. Zoltan Szabó: Experiences of the modernization and removal of insufficiencies in the Hungarian meat and milk processing plants during the pre - accession period.

1.4. Institutional system of the programme implementation

The first condition of starting the implementation of the programme was met, when the European Commission approved the *SAPARD Plan of Hungary 2000–2006* programme document. The rules governing the programme implementation and the accreditation of the SAPARD Agency have been laid down in the *Multiannual Financing Agreement (MAFA)*. The MAFA was signed in Hungary in March 2000 –approximately at the same time as in other countries.

In order to start implementing the programme, it was necessary to establish the institutional structure outlined in the MAFA, including financing conditions, regulations determining the operation, procedures (with operating manuals), trained civil servants, and organisations controlling the operation of the institutions. These were the conditions of national accreditation in the competent institution, and of the conferral of management of aid by the European Commission.

According to the mid-term evaluation, institutional development was a crucial element of the successful implementation of SAPARD. According to the original concept, the SAPARD Agency would have been founded from the AIC, and certain steps were indeed taken to realise this idea. In May 2000 the Minister of Agriculture decided that the AIC alone was unable to perform the tasks of the SAPARD Programme Payment Authority. It was therefore necessary to establish a new institution which is independent of the AIC. As a consequence of this decision, negotiations and preparatory discussions with the European Commission were adjourned. For more than 18 months nothing was done to establish the organisation despite warnings and recommendations from the European Commission. The delay of 30 months in the accreditation process was caused by the above mentioned decision, the weak management concept of appointed managers and by the fact that competent politicians in the Ministry failed to meet the mandatory requirements concerning the institutional system. (Mid-term evaluation of the SAPARD Programme 2000–2003.)

The Agency was accredited with a manual data processing system and partial IT support. This slowed down and hindered the work of the Agency.

At its inception, in 2002, the SAPARD Agency had 29 employees, where as in 2003 the number of employees climbed up to 294. Currently 516 employees work in the implementation of CAP II (ARDOP, NRDP) Assistance. The Agency was founded with one central and six regional offices. Based on its accreditation, the Agency performed the management of applications and payments alone. No tasks were delegated to third party organisations.

On 20 September 2002 the Agency was granted accreditation for 3+1 measures, and two additional measures on 27 April 2004.

From the foundation of the SAPARD Agency until its transformation into the Agricultural and Rural Development Agency, the Agency was managed by several directors. The frequent changes of directors and the permanent insecurity did not facilitate the accreditation and the led to insecurity and demoralised employees. Constant changes in the top management and in the Ministry did not support adequate coordination, institutional development or implementation. Due to constant reorganisation, the commitment of employees weakened and staff turnover increased.

After the merger of the SAPARD Agency and the Agricultural Intervention Centre on 1 July 2003, tasks related to the implementation of SAPARD were performed by the Agricultural

and Rural Development Agency (ARDA), as the legal successor. Within the ARDA several directorates were responsible for implementing the programme: the Directorate of Rural Development Assistance, which was responsible for the professional management of regional and central application management, development and evaluation tasks, and the Directorate of Economy, which performed financial authorisation, payment and registration tasks and on-the-spot verifications. Legal tasks related to the implementation of the Programme –mainly related to concluding contracts and irregularity management–were performed by the Legal and Contractual Division of the Legal Department of ARDA. The Rural Development and SAPARD Control Division of the Internal Audit Department and the HR Department of ARDA play an important role in the implementation of the programme.

The organisation of the Agriculture and Rural Development Agency changed significantly during 2004 due to Hungary's accession to the European Union.

In 2004 rural development Assistance belonged to the scope of responsibilities of the Directorate of Rural Development Assistance. Within the SAPARD programme these responsibilities included tasks which were related to the management of applications and financial authorisation. The director gave professional instructions and provided professional guidance within his/her scope of responsibilities to regional offices' Divisions for the Management of Applications and Processing Invoices.

In 2004 the Directorate's workload mainly consisted of closing the application management phase of the SAPARD programme and finishing the contracting process.

After the termination of the central management of applications and the centralisation of the monitoring areas into offices, the Division of Rural Development and Municipal Applications, the Division for the Management of Agricultural and Food Industry Enterprises' Applications, the Evaluation and Analysis Division and the Rural Development Summary Division have been abolished.

In order to provide the required institutional system for seizing the development opportunities offered by the accession to the European Union, ARDA established the ARDOP Development Division in the beginning of 2004. Since 1 September 2004 two groups have been operating in this division under the direct management of the Rural Development Director: the ARDOP Management Group and the SAPARD Management Group. The ARDOP and SAPARD Coordination and Monitoring Division was set up on the basis of these divisions on 1 December 2004. This new division is responsible for development, coordination and monitoring activities.

Taking into account professional management aspects, the Financial Authorisation Division has been transferred from the Directorate of Economy to the Directorate of Rural Development Assistance.

During the reorganisation the Financial Registration and Accounting Division, which is responsible for performing payment and assistance registration tasks of the SAPARD Programme, and the ARDOP-SAPARD Payment Division have been transferred from the Directorate of Economy to the Financial Directorate.

Since **7 May 2005** several changes have taken place in the organisational structure of ARDA.

The Territorial Directorate and the Directorate of Rural Development Assistance have been moved from the direct management of the Chairman to the direct management of the Deputy Chairman.

On-the-spot verifications concerning the SAPARD programme and related monitoring activities have become the responsibility of the Rural Development Assistance Control Division.

The Payment Division of the Financial Directorate was split, and SAPARD payments were assigned to the ARDOP-SAPARD Payment Division.

The Rules of Organisation and Operation effective from 1 March 2006 affected the Financial Registration and Accounting Division of the Financial Directorate, as accounting tasks related to SAPARD processes were assigned to the ARDOP-SAPARD Accounting Division. (Final Report of Hungary on the Implementation of the SAPARD Programme in 2000 –2006)

ARDA's new Rules of Organisation and Operation came into effect on 29 September 2006, and led to new organisational changes that year. The Financial Directorate and the Legal Department belonging to the Chairman, and the Directorate of Rural Development Assistance were assigned to the General Deputy Chairman. The Territorial Control Department, which used to belong to the Chairman, was assigned to the Deputy Chairman. The Secretariat of the Chairman has been transformed into the Secretariat Department, which also absorbed the Second Instance Decision Preparation Division, (previously also belonging to the Chairman).

In 2006 four divisions were performing SAPARD related tasks at the Regional Office: the Legal, the Application Management, the On-the-Spot Verification and the Account Management Divisions.

On 31 December 2006 ARDA had 1220 employees, including 61 persons working on the SAPARD programme.

As the number of application management tasks declined constantly for years, the number of employees working in the SAPARD programme also decreased. As account management and on-the-spot verification tasks also became less frequent, the emphasis shifted to ex-post control and monitoring in 2006. Therefore, monitoring officers were appointed in the offices. They monitored SAPARD projects also during the compulsory 5 year period for maintaining the supported activity. (2006 Final Report of Hungary on the Implementation of the SAPARD Programme in 2000–2006.)

During the programme implementation there were several poor quality and incomplete applications, which resulted in workload peaks in processing; workforce capacity was not enough for the amount of submitted applications. The management of applications was almost paralysed because of the workload peaks in 2004. These could have been avoided by thorough preparation of applicants and by more efficient information, or could have been eased by longer deadlines for submitting applications. In 2005 the same lack of capacity was experienced in the areas of account management, payment and simultaneous on-the-spot verifications.

A significant part of submitted accounts was incomplete, and needed completion, which caused extra work and delays in the processing. The time necessary for the workflow between submitting and forwarding the accounts significantly exceeded the predetermined time of each process.

Larger local control capacity was needed to promote projects and to check accounts. However, personal and material conditions were limited due to workload peaks. The ARDA management eased the problem by transfers and rearrangements of employees.

Moreover, performing project monitoring tasks have become an ever increasing burden for offices. This problem was solved by internal workforce rearrangement. In the offices it was

proposed to establish independent monitoring groups. (2006 Final Report of Hungary on the Implementation of the SAPARD Programme in 2000–2006.)

During the implementation of the programme, the procedure of the implementation was constantly simplified and improved. Regular meetings were held to standardise the interpretation of difficulties. These meetings were also attended by employees of regional offices.

During the focus group discussions it was mentioned several times that trainings organised by experienced experts of EU Member States in the beginning of the programme was necessary and also very efficient. No such training was organised during the introduction of ARDOP, NRDP or the currently introduced New Hungary Rural Development Programme (hereinafter NHRDP), although all regions agree that it would have been or would be necessary.

1.5 The ex-post evaluation

Preparing the evaluation has been made mandatory by Council Regulation (EC) No 1268/99 in order to assess the results and effects achieved in connection with the objectives set by the specific programmes. The evaluation is based on the European Commission document “Guidelines for the Evaluation of Rural Development Programmes Supported by SAPARD” published in April 2001.

The Secretariat for Community Affairs of the Ministry of Agriculture and Rural Development (MARD) acting as the SAPARD Managing Authority invited VÁTI Kht on 17 August 2007 to submit a tender for the ex-post evaluation of the Programme, enclosing the description of the task. The tender submitted on 24 August was accepted by MARD.

Actual work commenced at the beginning of September 2007, on the basis of the work plan outlined in the tender. The deadline for completing the evaluation in Hungarian and English is 15 December 2007.

In view of the short timeframe available for the evaluation, swift timing was an essential consideration when selecting primary and secondary data sources and deciding on the method of data collection.

The process and methodology of the evaluation are detailed in chapter 2.

1.5.1. Evaluation objective

Based on the Guidelines, the evaluation should provide information on the implementation and results of the Programme. The objective of the evaluation is to increase the accountability and transparency of Programme implementation for both the authorities and the public, as well as to provide information for further planning and decision making with regard to actual needs, implementation mechanisms and resource allocation.

The objective of ex-post evaluation is to analyse the efficiency, effectiveness and sustainability of the assistance concerning the general aims of SAPARD and the specific objectives laid down in the Hungarian Programme.

1.5.2. Thematic areas covered by the evaluation

The ex-post evaluation covers the full period of planning and implementation, which ranges from 2000 until the present moment. The evaluation also contains a brief summary of the relevant assistance granted earlier and of the planning and preparatory procedures carried out in 1999.

Considering the external economic, social and political context of the programme and the external factors of the implementation, the evaluation should provide answers to the following:

1. **Programme relevance, the intervention logic:** the subject of the evaluation is to find out whether the objectives, content, scope and method of the interventions were established in accordance with the estimated needs, and whether their application was consistent and adapted to possible changes of circumstance.
2. **Internal and external coherence:** the assessment of internal coherence analyses the synergy and complementarity of the measures and objectives. External coherence, on

- the other hand, assesses the adequacy, mutual consistency and level of connectedness of the Programme to other regional, national and community policies.
3. **Effectiveness and efficiency:** the assessment of the impacts and results in relation to the objectives and target values; the attainability of the objectives, results and outputs set by the Programme and the extent to which they were achieved.
 4. **Efficiency:** the assessment of the impacts, results and outputs achieved in relation to the financial and administrative overhead; could the same results have been achieved with less investment or better results utilising the same input?
 5. **Utility:** are the effects achieved in accordance with the identified needs, including the sectoral, environmental and societal problems?
 6. **The quality of the implementation systems:** assessing the institutional background, the rules of procedure and the supporting systems for Programme implementation.

1.5.3. Earlier evaluations of the Programme

The present evaluation takes into account the findings of the ex -ante and mid-term evaluations of the Programme, assesses the extent to which recommendations made in the evaluations were put into practice.

Between 2003 and 2006, annual reports were made on an ongoing basis concerning the whole spectrum of Programme implementation and following its progress, including the Programme management, as well as the financial and monitoring processes. The information collected and arranged in the annual reports serve as an important data source for the ex -post evaluation.

2. The methodology of the evaluation

2.1. The structure of the evaluation

The evaluation consists of the following thematic units:

- Introduction;
- The methodology of the evaluation;
- The analytical assessment of the collected information based on the evaluation questions;
- Conclusions, recommendations;
- Annexes;

2.2. The applied work methodology

In order to provide answers to all questions set out in the Guidelines, the evaluation is made up of the following steps:

- Step 1:** Determining the structure of the evaluation:
1. identifying the range of primary and secondary data necessary for answering the evaluation questions;
 2. assessing the sources and availability of the necessary data, creating a data map;
 3. identifying the methods and tools of information and data collection, defining a data collection strategy;
- Step 2:** Collection and processing of primary and secondary data :
1. collecting the relevant documents;
 2. preparing the tools of primary data collection (questionnaires, draft interviews, outlines of focus group discussion);
 3. preparing the data input tables for secondary data collection;
 4. collection of data in different formats and from diverse sources;
 5. the structured processing of data on the basis of evaluation questions and criteria;
- Step 3:** The analytical assessment of the processed information and data according to the range of subjects detailed in chapter 1.5.2;
- Step 4:** Conclusions, recommendations; preparing the executive summary.

The list of documents used in the evaluation can be found in annex no 1.

The principle of partnership was emphasized by the evaluators to the fullest possible extent in the evaluation process, taking into account the time constraints. During the evaluation, they cooperated with the competent MARD departments, as well as with the Rural Development Coordination and Monitoring Division (hereinafter called “Monitoring Division”) of the ARDA. Both the ministry and ARDA were cooperative and readily available for assistance. Acknowledgments are due to the staff members of ARDA Regional Offices, who keenly assisted the inquirers in the primary and secondary data collection.

2.3. Primary and secondary data

The basis of the analytical evaluation was constituted by the evaluation questions, criteria and indicators contained in the Guidelines. As a first step, a basic data table, or **data map**, was prepared, which contained the following:

- the complete list of evaluation questions structured according to the Guidelines;
- the related indicators;
- based on the indicators, the data to be collected for answering the specific questions;
- the data sources;
- in connection with the calculated data, the method of calculation; in certain cases, the scope of the queries (all projects or sample), the possible difficulties associated with accessing the data, and the suggested solutions included in a note.

2.3.1. Secondary data

Electronically-based monitoring database

The most important source of data for answering the evaluation questions was *the electronically-based monitoring system of the Programme*, maintained by the Monitoring Division of ARDA.

As a first step, the Monitoring Division provided the evaluators with a *comprehensive data table* containing the following, identifiable by project:

- the number of supported and rejected project proposals by measure, sub -measure and region;
- the stage of project implementation;
- the place of implementation and the official address of the applicant;
- the total project expenditure and the amount of assistance;
- the legal form of the applicant and qualification category;
- the date the application was submitted and received, the date of signing the contract, the dates of payment, and the closing date of the project.

The database as submitted reflects the stage of Programme implementation on 2 October 2007.

Following the comparison of the monitoring system data and the indicators associated with the questions, and after determining the exact range and location of the data to be queried, the evaluator submitted a detailed data request to the Monitoring Division based on the results of the comparison.

The monitoring database draws from multiple sources, among them the data gathered from application forms and the annual and audit reports required of applicants. The database was not completely populated during the time of evaluation, containing no or very little factual data pertaining to the applications for the last year on record (2006). The shortage of time did not permit the database to be fully populated and updated, therefore, in those cases with incomplete data and based on the number of supported projects per measure and on the

regional distribution of the projects scaled by region, the evaluators determined the measure and representative sample size, for which they requested the data to be filled in for the evaluation. The evaluation of monitoring data took account of the applications of all regions. Within the sample size, individual applications were randomly chosen by the ARDA Regional Offices.

Where the database was complete, as was the case with physical indicators in the Final Report, the data pertain to the total number of application. It is indicated by the evaluator on a question-by-question basis whether the data are associated with the total number of supported applications or with the representative sample size.

The representative sample contained a total of 1,053 individual applications, whose distribution by measure and region is indicated in *table 3*.

Of particular concern was the fact that the data contained in the monitoring database were not fully reliable in all cases, which may have been partly due to the inaccurate supply of information by the beneficiaries and partly to erroneous data input. During the supplementary data input, the regional ARDA offices were supposed to verify and correct the inaccuracies. In many cases, problems were caused by the ambiguous interpretation of certain indicators (e.g. employment figures), which rendered the preparation of summaries more difficult.

Other sources of data

Additional sources of data for the analytical assessment:

- figures provided by the Central Statistical Office;
- the food safety database of the Central Agricultural Office;
- the SAPARD Plan of Hungary 2000-2006;
- earlier Programme evaluation data;
- SAPARD Review, Impact Analysis of the Agriculture and Rural Development, Katalin Kovács, Centre for Regional Studies, Hungarian Academy of Sciences (CRS HAS);
- Zoltán Szabó: Experiences of the modernization and removal of insufficiencies in the Hungarian meat and milk processing plants during the pre-accession period. In “From farm to fork: European experience in introduction of implementation and enforcement of the veterinary and food safety acquis”. European Institute Sofia 2005, pp.57 –68.

Table 3: The distribution of sample size by measure and region

Measure	Western Transdanubia		Central Transdanubia		Central Hungary		Southern Transdanubia		Northern Hungary		Northern Great Plain		Southern Great Plain		In total		
	projects contracted *	sample	projects contracted	sample	projects contracted	sample	projects contracted	sample	projects contracted	sample	projects contracted	sample	projects contracted	sample	projects contracted	sample	ratio
Investments in agricultural holdings	210	10	180	29	76	13	249	27	129	27	326	33	278	46	1448	185	13
Improving the processing and marketing of agricultural and fishery products	27	3	27	3	31	6	29	2	52	10	46	9	90	17	302	50	17
Renovation and development of villages and protection and conservation of the rural heritage	34	34	26	26	18	18	21	21	35	35	49	49	45	45	228	228	100**
Development and diversification of economic activities providing for multiple activities and alternative income	4	6	10	0	0	0	14	6	17	6	11	3	1	0	57	21	65
Development and improvement of rural infrastructure	87	87	42	42	16	16	70	70	142	142	93	93	119	119	569	569	100
Total	362	140	285	100	141	53	383	126	375	220	525	187	533	227	2604	1053	40

* Number of contracts in operational phase on 2 October 2007.

**In the case of 100%, answering the questions required no data to be entered into the monitoring system from beneficiaries' reports.

2.3.2. Primary data

The Guidelines contain several evaluation questions which, in addition to secondary data, necessitated the collection of primary data. Primary data collection was conducted with different methods and through multiple channels, such as:

- applicant questionnaires;
- expert/professional interviews;
- focus group discussions.

Applicant questionnaires

Applicant questionnaires collected information in connection with those evaluation questions for which the monitoring system lacked appropriate data. The questionnaires consisted of two main parts: general and measure-specific questions.

The **general questions** inquired about applicant data, experience and opinion covering the following main topics:

1. the simplicity, quality and efficiency of accessing information and technical assistance related to the Programme;
2. the applicant-friendliness and efficiency of the rules of procedure;
3. information pertaining to the applicant, e.g. employment, time of operation;
4. questions about the development:
 - a. connection to other developments;
 - b. changes in the financial scale of the development during implementation;
 - c. the effects of the development on employment;
 - d. the effects of the development on competitiveness;
 - e. other supplementary results of the development.

The **measure-specific questions** inquired about the individual measures.

The applicant questionnaires can be found in annex no. 2.

Due to the shortage of the time available, the questionnaires are distributed to the applicants by the ARDA Regional Offices by post. The questionnaires were also made available via electronic means on the homepage of ARDA. Regional Office staff tried to encourage the applicants to send in their completed questionnaires through repeated telephone calls.

The total number of questionnaires submitted by applicants from the seven regions of the country was 266. Their distribution by region and measure is shown in *table 4*.

Expert/professional interviews

The scope of respondents personally interviewed included:

- high-ranking ministry officials responsible for or participating in the planning and/or implementation of the whole Programme or a part thereof;
- ARDA employees responsible for or participating in the implementation of the Programme;

- external experts participating in the Programme planning;
- social partners;

Due to the long time span and the relatively substantial institutional changes since the beginning of the Programme, it was occasionally difficult to contact those experts who had previously handled the Programme. Altogether 25 interviews were made, whose outlines can be found in annex no. 3. The selection of respondents was facilitated by the list of members of the SAPARD Monitoring Committee.

The purpose of the personal expert interviews was for the evaluator to gain full information on the circumstances of the planning and implementation, include expert opinion and professional experience in the evaluation about the relevance, coherence and efficiency of the Programme and about the quality of the implementation. The interviews were conducted on the basis of a pre-planned questionnaire, although it was also emphasized that the opinions and experiences of the representatives of each specialty field should be revealed in the form of an informal discussion, in addition to the questions asked.

Focus group discussions

Participants of focus group discussions included the employees of ARDA Regional Offices who had taken part at some stage in the Programme implementation. The discussions covered the management of applications, the signing of contracts, account management, audit and monitoring.

During the focus group discussions, the evaluators gained first-hand information on the practical aspects of programme implementation, on the most common problems and issues and the best practices to be followed. The discussion treated the topics of programme relevance, the efficiency of information and communication activities, the applicant-friendliness of the rules of procedure, timing and cost-effectiveness, and any changes in this regard during the implementation of the Programme.

Altogether four focus group discussions were made as part of the evaluation. The regions chosen were: Northern Great Plain, Northern Hungary, Southern Great Plain and Western Transdanubia. The selection was based on the number of supported projects. Another selection criterion was that in addition to the Plains regions, Transdanubia and Northern Hungary should also be chosen so that the potential discrepancies between regions with significantly differing geographical and economic conditions may become more apparent. The outline of the focus group discussions can be found in annex no. 4.

Table 4: The number of questionnaires received by measure and region

Measure	Western Transdanubia		Central Transdanubia		Central Hungary		Southern Transdanubia		Northern Hungary		Northern Great Plain		Southern Great Plain		In total		
	projects contract-ed*	question naires rec'd	projects contract-ed	question naires rec'd	projects contract-ed	question naires rec'd	projects contract-ed	question naires rec'd	projects contract-ed	question naires rec'd	projects contract-ed	question naires rec'd	projects contract-ed	question naires rec'd	projects contract-ed	question naires rec'd	ratio
Investments in agricultural holdings	210	10	180	14	76	5	249	22	129	14	326	6	278	28	1448	99	7
Improving the processing and marketing of agricultural and fishery products	27	5	27	9	31	5	29	3	52	12	46	1	90	12	302	47	16
Renovation and development of villages and protection and conservation of the rural heritage	34	2	26	8	18	2	21	3	35	7	49	1	45	4	228	27	12
Development and diversification of economic activities providing for multiple activities and alternative income	4	0	10	5	0	0	14	6	17	11	11	1	1	0	57	23	40
Development and improvement of rural infrastructure	87	5	42	8	16	1	70	7	142	37	93	3	119	14	569	75	13
Total	362	22	285	44	141	13	383	41	375	81	525	12	533	58	2604	271	10

* Number of contracts in operational phase on 2 October 2007.

2.4. The method of eliciting responses to the evaluation questions

The primary objective was that the questions featured in the Guidelines and relevant to the Programme should be answered by the evaluator as fully and as accurately as possible. However, it turned out that occasional questions could not be answered due to the lack of adequate information, or the question itself was not completely applicable to the Programme or to domestic conditions. In such cases the evaluator resorted to altering the question, noting the reasons for the change. Furthermore, certain topics not specifically mentioned by the Guidelines cropped up during the expert interviews and focus group discussions and yet played an important role in the implementation of the Hungarian Programme, so they needed to be included in the Programme evaluation.

The structure of the evaluation complies with the structure prescribed in the Guidelines.

3. Presentation and analysis of collected data and information

3.1. Internal logic of the Programme, assessment of relevance and coherence

Programme relevance, the intervention logic

The purpose of the evaluation is to find out whether the assessment of the objectives, content, scope and method of the interventions were established in accordance with the estimated needs, and whether their application was consistent and adapted to possible changes of circumstances.

According to the findings of the ex-ante and mid-term evaluations, the priorities, the general and specific objectives of the programme as well as the specified means (measures) to implement them have been determined based on the needs discovered in the course of analysis. They are in accordance with the SWOT analysis and respond to real needs. They are also supported by the opinions received from professional interviews and focus group discussions within the ex-post evaluation where according to those interviewed, the planned and implemented measures of the Programme were in part or in whole in accordance with the real development needs of rural areas and agriculture.

Related to the distribution of resources among the priorities, it was noted that the priority “To promote the adaptation capabilities of rural areas” would require much higher resources. Opinions differ considerably on whether this resource should have been reallocated from the priority “To increase the competitiveness of agricultural economy”. However, all respondents agreed that the amount of available resources within the Programme did not relate to the required resources of discovered shortcomings.

Based on the mid-term and ex-post evaluation, in the course of the relatively short implementation period of the Programme no significant economic, social and environmental effects occurred that would have required the modification of the Programme content.

The ex-post evaluation has found that in the case of some target groups (e.g. “Development and diversification of economic activities providing for multiple activities and alternative incomes”) the implementation method of the measure did not comply with the given circumstances, it did not apply the type of assistance (methodological help with the drawing up of the applications, providing advance money, simplified application package, etc.) that would have promoted the achievement of the objective set by the measure. The short time available for the implementation of this measure did not enable the applicants to “get used to” the opportunity and make the best use of it.

Assessment of internal and external coherence:

The assessment of internal coherence analyses the synergy and complementarity of the measures and objectives. External coherence assesses the adequacy, mutual consistency and level of connectedness of the Programme to other regional, national and community policies.

It shows the shortcomings of the *internal coherence* of the Programme that the strategy contains the priorities, general and specific objectives of the Programme as well as the expected effects in the form of a list. The level of the objectives drawn up (general – specific – operative) varies; there is some overlapping in the content of the objectives. The chapter on the Programme strategy does not introduce the hierarchy of the priorities and objectives, their order of importance, and it does not reveal the aimed logical connection between the priorities, objectives and measures. This shortcoming was also mentioned by the ex-ante evaluation of the Programme, but the relevant proposal of the ex-ante evaluation was not integrated in the Programme. The indicators showing the level of realisation of the objectives drawn up in the programme level are not specified.

There is no overlapping in the measures of the Programme, although in the course of implementation, mechanisms that could have strengthened the conformity and synergic effect between the measures did not operate or operated with small effect. It is also supported by the answers given to evaluation question B.III.1 -1: out of the questionnaire survey comprising 293 questionnaires 70% of respondents stated that they do not have any relation to other project applications. As for the remaining supported development projects, respondents stated that their project had some connection to either other project applications submitted within the same measure, or within a different one, or to projects financed by other domestic or national resources.

In the course of expert interviews and focus group discussions it came up several times that based on the analysis one of the hottest problems is the employment of the labour force released from agriculture. The improvement of employment is not included in the priorities of the Programme. The improvement of employment as an objective is only mentioned in connection with diversification. Nevertheless, the Programme sets the objective of 25 thousand new/retained jobs as an impact to be achieved, which is contradicted by the significant proportion of resources assigned to increase the efficiency of agricultural production, the indirect effect of which on employment is the reduction of the labour force in modernised farms.

Related to the *external coherence* of the SAPARD Programme it can be ascertained that the Programme is not connected functionally to any other support schemes, regional or national policies. Its conformity with the objectives of CAP is strong and provable, based especially on programme-based planning and implementation, the principle of partnership, the application of rules of procedures appropriate for CAP requirements.

SAPARD is an entirely project-based, so called “mono-fund” support system. However, the scoring system of the measure of “Investments in agricultural holdings” contains a criterion that gives preference to projects “in accordance with Agri -environmental Target Programmes” (10 points). The monitoring system does not record data related about the number of participants also being beneficiaries of the nationally financed agri -environmental programme.

The scoring system of the measures of priority “Adaptation of rural areas” includes a criterion (total 25 to 35 points) that awards a premium to projects that aim for the integrated use of resources serving the common objectives of other measures of SAPARD or other supporting systems, fit into the strategy of restructuring agriculture and rural development of micro - regions, as well as having a multiplier effect on the rural economy. The scoring system prefers projects implemented in partnerships. The evaluator has no data available on the frequency of combinations of projects supported within these measures and other developments.

3.2. Utilisation of resources, analysis of financial efficiency

The chapter assesses the **efficiency** of the Programme, namely, whether the same effects, results and outputs could have been achieved with less investment or better results utilising the same input.

The Programme's initial amount of available funds for seven years was included in the Annex of financial tables of the SAPARD Plan of Hungary 2000 -2006.

The amount of funds available within the framework of the Programme and within that, the distribution of funds among measures have been modified several times in the course of implementation since the Commission approved the Programme.

Financial data used in the evaluation are from two sources:

- Data received from the Monitoring Department of ARDA include the annual commitments, contracts signed and payments broken down by measure, sub-measure/development area and region. Tables prepared based on this source of data reflect the use of resources as of 2 October 2007.
- The other source of financial data is the Agricultural and Rural Development Department of MARD, which is also responsible for performing the duties of SAPARD Managing Authority. The Department provided the evaluator with the financial data included in the annual reports.

3.2.1. Change in the available funds of the programme

The total amount of EUR 265,618,381 included in the SAPARD Plan to be paid for Hungary through seven years has been modified by the fact that Hungary joined the European Union in May 2004, so it has not been entitled to make use of pre-accession funds since 2004. Based on Commission Decision No. 1999/595/EC of 20 July 1999, - calculated at 1999 prices - Community contribution of EUR 38,054 was available for Hungary on an annual basis for four years to implement the SAPARD Programme.

Within the SAPARD Programme the amount of funds available based on the above decision was further modified by the financial agreements concluded in 2000, 2001 and 2002 -2003, which determined the EU support for four years to be EUR 159,757,279.

The STAR Committee on 20 July 2005 in the Commission Decision No. B(2005) 3625 of 19 September 2005 on the available funds of the SAPARD Programme determined the following proportion of sources:

Table 5: Available funds without supplementary resources approved by the Committee

Measure	SAPARD sources 2000-2003 (EUR)*
Technical assistance	289,615
Investments in agricultural holdings	79,524,174
Processing and marketing of agricultural and fishery products	69,374,262
Renovation and development of villages and the protection and conservation of the rural heritage	10,648,003
Development and diversification of economic activities, providing for multiple activities and alternative income	1,816,544
Development and improvement of rural infrastructure	51,713,598
Total	213,366,196

Source: Approved by the STAR Committee on 20.07.2005 (Commission Decision No. B(2005) 3625 of 19 September 2005) on the available funds of the SAPARD Plan without interests and other supplementary resources

*EU source (75%) + national source (25%) together, with the exception of the measure of Technical Assistance where the proportion of source is: EU source (80%) + national source (20%)

Exchange rate applied: 1 EUR = 255 HUF

Supplementary resources

Interest:

- 1 Based on the 2006 final report, a total interest of EUR 282,996.82 arose on SAPARD accounts until 31 December 2006; the SAPARD Monitoring Committee (hereinafter SMC) decided on the allocation of this amount among the measures. As a result, EUR 185,226.67, the amount of which was increased by national co-financing to EUR 246,968.89, was used to increase the resources for measure "Improvement of rural infrastructure". The remaining amount of EUR 97,770.15, to which a national co-financing of EUR 130,360.2 was added, increased the available funds of measure "Development and renovation of villages and protection and conservation of the rural heritage".

Other supplementary resources:

- 1 Based on SMC decision made on 18 June 2004, the amount of EUR 20 million reallocated from the NRDP increased the available funds of measures "Investments of agricultural holdings" and "Renovation and development of villages and protection and conservation of the rural heritage" by EUR 10 million each.
- 2 The 10% national surplus commitment fund, EUR 23 million, authorized by Government resolution 2212/2004. (VIII. 27.) was allocated as follows under the written decision adopted by SMC on 1 September 2004:
 - a Investments of agricultural holdings: EUR 9,000 thousand
 - b Processing and marketing of agricultural and fishery products: EUR 7,078 thousand
 - c Renovation and development of villages, protection and conservation of rural heritage: EUR 1,938 thousand
 - d Development and improvement of rural infrastructure: EUR 5,272 thousand

Based on the 2006 Final Report of the Programme, the amounts of available funds increased by interests and NRDP funds are as follows:

Table 6:

Measure	SAPARD sources 2000-2003 (EUR) initial*	SAPARD sources 2000-2003 (EUR) increased**	Difference (EUR)
Technical assistance	289,615	289,615	0
Supporting investments of agricultural enterprises	79,524,174	89,524,174	10,000,000
Improving the processing and marketing of agricultural and fishery products	69,374,262	69,375,393	1,131
Renovation and development of villages, protection and conservation of rural heritage	10,648,003	20,754,231	10,106,228
Diversification of activities and developing economic activities to provide alternative incomes	1,816,544	1,816,544	0
Improvement of rural infrastructure	51,713,598	51,960,567	246,969
Total	213,366,196	233,720,524	20,354,328

*Approved by the STAR Committee on 20.07.2005 (Commission Decision No. B(2005) 3625 of 19 September 2005) on the available funds of the SAPARD Plan without interests and other supplementary resources

**Hungary's 2006 Annual Final Report on the implementation of the SAP ARD Programme 2000-2006, amount increased by interests and NRDP resources

EU source (75%) + national source (25%) together, with the exception of the measure of Technical Assistance where the proportion of source is: EU source (80%) + national source (20%)

Applied exchange rate: 1 EUR = 255 HUF

3.2.2. Change in the proportion of internal resources of the Programme

Compared to the plan, the use of resources of the Programme changed, partly due to the distribution of supplementary resources among the measures (*Table 5*), and partly due to reallocation among the measures. The reallocation among measures required an SMC decision, and although it resulted in some delay, there was no significant hindrance to the safe use of resources. The extent of changes is presented in *Table 6*.

Based on *Table 7* related to the priorities and the proportion of resources planned for measures, it can be stated that increasing the competitiveness of the agricultural economy received the most significant share (58%) within the Programme. Within the priority, the biggest emphasis was put on the development of production and processing of primary agricultural products. In the course of the implementation, as a result of the modification of the financial table of the Programme, a significant amount of resources was reallocated to measure "Investments in agricultural holdings". As a result, the share of this priority has risen to 68%, to the detriment of the other two priorities. Increasing the share of this priority to such an extent (10%) to the detriment of priority "To promote the adaptation capabilities of rural areas" was not justified by either the shortcomings and problems detailed in the general analysis of the rural areas, or by the high number of rejected applications due to the lack of resources for priority "To promote the adaptation capabilities of rural areas" and their proportion to the total (2,611; 65%), or by the rejected project applications (EUR 252,871,987; 38%).

A relatively low proportion of resources of 4% allocated to place the aspects of environmental protection in the foreground was planned, which has only partly been implemented. The measure that directly served this priority within the Programme has not been implemented. However, supporting the investments of agricultural enterprises, especially the modernisation of animal farms due to making them comply with environmental requirements, contributed to

the successful implementation of this priority (detailed in the section on answering evaluation questions).

In the course of the implementation, the proportion of resources intended to promote the adaptation capabilities of rural areas decreased from 36% to 32%. Simultaneously, the proportions of resources for measures have also been modified. A far smaller amount than planned was used within the measures of diversifying activities and renovating villages, while the available funds in the measure of developing rural infrastructure, which mainly included the development of agricultural roads, were increased by significant supplementary resources. The number of rejected applications due to lack of available funds was the highest in this priority, so decreasing the amount of available funds was not justified.

The Programme strongly prefers the development of producing primary agricultural products, which is proved by the significant proportion (38%) of resources for measure “Investments in agricultural holdings” that alone exceeds the total proportion of resources (32%) intended to help rural areas lagging behind to close the gap. The initially already significant proportion of resources (28%) of this measure has even grown to a great extent (by 10%) after the modification.

Table 7: Proportion of resources planned and used for each priority and measure

Measures	Initially planned *		Modified**		Realised***	
	Total public funds (EUR)	Proportion of resources (%)	Total public funds (EUR)	Proportion of resources (%)	Total public funds (EUR)	Proportion of resources (%)
Investments in agricultural holdings	100,809,333	28	89,524,174	38	94,404,703	39
Processing and marketing of agricultural and fishery products	72,722,667	21	69,375,393	30	65,836,788	27
Improvement of vocational training	6,330,667	2	0	0	0	0
Setting up producer groups	26,040,000	7	0	0	0	0
Priority total: To increase the competitiveness of agricultural economy	205,902,667	58	158,899,567	68	160,241,491	67
Agricultural production methods designed to protect the environment and maintain the countryside	15,106,667	4	0	0	0	0
Priority total: Placing the aspects of environmental protection in the foreground	15,106,667	4	0	0	0	0
Renovation and development of villages and protection and conservation of the rural heritage	32,093,333	9	20,754,231	9	22,307,783	9
Development and diversification of economic activities providing for multiple activities and alternative income	54,769,333	15	1,816,544	1	1,814,842	1
Development and improvement of rural infrastructure	42,438,667	12	51,960,567	22	54,765,489	23
Priority total: To promote the adaptation capabilities of rural areas	129,301,333	36%	74,531,342	32	78,888,114	33
Technical Assistance	3,847,175	1	289,615	0	301,510	0
Measures total	354,157,841	100	233,720,524	100	239,431,115	100

*"The SAPARD Plan of Hungary 2000-2006", Financial Tables

**Hungary's 2006 Annual Final Report on the implementation of the SAPARD Programme 2000-2006, amount increased by interests and NRDP resources

*** commitment based on ARDA database as of 2 October 2007 excluding failed applications.

3.2.3. The implementation schedule of the Programme

The Commission accepted the SAPARD Plan in October 2000. The accreditation of the initially announced four measures closed at the end of November 2002. The first commitments commenced from March 2003, while the first payments were made in May 2003. More than two years passed from accepting the plan to the first payments.

The low rate of commitments in 2000-2002 can be explained by the delay in the establishment of the institutional system and the accreditation of measures. The delay in the establishment of the accredited institutional system was caused by the delay of the management decision concerning the need for setting up such independent institution.

The proportion of the use of resources was influenced by the schedule of the call for proposals and implementation of each measure.

Table 8 presents the initially planned and realised commitments broken down by year and measure, while *Table 9* presents the payments in the same structure. The “Planned” columns in both tables present the amounts of commitments in the SAPARD Plan, as, in addition to this one, there was no time-related schedule prepared that would present the commitments and payments broken down by measure. The “Actual” columns of the tables only include the applications in operation phase from the database as of 2 October 2007 received from ARDA, without failed contracts and the cancelled contracts due to beneficiaries or ARDA withdrawing from the contract.

Based on the schedule of the implementation of measures, it becomes obvious, that the priority to increase the competitiveness of the agricultural economy is of great significance; the implementation of the two measures of this priority was commenced first. In addition, the measure for developing the infrastructure of rural areas is significant, which mainly also served the priority above through the modernisation of agricultural roads and the development of the energy supply of agricultural plants.

The two measures for improving the economic structure of rural areas and the living standards of those living there only commenced in April 2004; there was a very small amount of resources and very short time available for their implementation, which determined the success of the priority significantly. These two measures were only available for applicants for some months in 2004.

In 2003 the commitments commenced for the three measures of the first round of call for proposals, but the real peak in workload evolved by 2004.

Significant payments only commenced in 2004 and finished in 2007.

The peak in workload arising by the deadlines of submitting the applications was typical for the implementation of the Programme; but it went on through the subsequent phases of application management, concluding contracts and payments. This caused serious problems in the process, also because the operational regulations restricted the flexible reallocation of workforce based on demands. This problem might have been alleviated by a more balanced, longer term and appropriately communicated Programme operating with available funds broken down by year.

Table 8: Planned and actual use of resources (commitments, first payments from TA), EUR

Measures	2000-2002		2003		2004		2005-2006		Total	
	Planned*	Actual**	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
Investments in agricultural holdings	35,882,666	0	18,513,333	14,207,960	16,686,667	80,196,743	29,726,667	0	100,809,333	94,404,703
Processing and marketing of agricultural and fishery products	44,978,667	0	9,246,667	27,149,707	7,404,000	38,687,081	11,093,334	0	72,722,667	65,836,788
Improvement of vocational training	2,477,333	0	713,333	0	1,046,667	0	2,093,334	0	3,330,667	0
Agricultural production methods designed to protect the environment and maintain the countryside	5,673,334	0	1,866,667	0	1,886,667	0	5,620,000	0	15,106,667	0
Setting up producer groups	11,160,000	0	3,720,000	0	3,720,000	0	7,440,000	0	26,040,000	0
Renovation and development of villages and protection and conservation of the rural heritage	11,293,334	0	3,740,000		5,540,000	22,307,783	11,520,000	0	32,093,333	22,307,783
Development and diversification of economic activities providing for multiple activities and alternative income	21,772,000	0	6,677,333	0	7,786,667	1,814,842	18,533,333	0	54,769,333	1,814,842
Development and improvement of rural infrastructure	16,897,333	0	5,513,333	27,784,334	5,940,000	26,981,156	14,088,000	0	42,438,667	54,765,489
Technical Assistance	1,685,180	0	573,832	2,826	573,832	220,252	1,014,331	78,431	3,847,175	301,510
Measures total	151,819,847	0	50,584,499	69,144,827	50,584,499	170,207,857	101,168,998	78,431	354,157,841	239,431,115

Source: * The SAPARD Plan of Hungary 2000-2006

**Monitoring data provided by ARDA in October 2007 excluding failed applications for any reasons

Applied exchange rate: 1 EUR = 255 HUF.

Table 9: Planned and actual use of resources (payments), EUR

Measures	2000-2002		2003		2004		2005-2007		Total	
	Planned*	Actual**	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
Investments in agricultural holdings	35,882,666	0	18,513,333	2,650,946	16,686,667	29,472,699	29,726,667	59,128,928	100,809,333	91,252,573
Processing and marketing of agricultural and fishery products	44,978,667	0	9,246,667	3,536,148	7,404,000	19,527,861	11,093,334	40,728,761	72,722,667	63,792,770
Improvement of vocational training	2,477,333	0	713,333	0	1,046,667	0	2,093,334	0	3,330,667	0
Agricultural production methods designed to protect the environment and maintain the countryside	5,673,334	0	1,866,667	0	1,886,667	0	5,620,000	0	15,106,667	0
Setting up producer groups	11,160,000	0	3,720,000	0	3,720,000	0	7,440,000	0	26,040,000	0
Renovation and development of villages and protection and conservation of the rural heritage	11,293,334	0	3,740,000	0	5,540,000	0	11,520,000	21,503,383	32,093,333	21,503,383
Development and diversification of economic activities providing for multiple activities and alternative income	21,772,000	0	6,677,333	0	7,786,667	0	18,533,333	1,731,594	54,769,333	1,731,594
Development and improvement of rural infrastructure	16,897,333	0	5,513,333	2,996,921	5,940,000	15,508,330	14,088,000	34,423,875	42,438,667	52,929,126
Technical Assistance	1,685,180	0	573,832	2,826	573,832	208,358	1,014,331	78,431	3,847,175	286,615
Measures total	151,819,847	0	50,584,499	9,186,842	50,584,499	64,717,248	101,168,998	157,594,971	354,157,841	231,499,061

Source * The SAPARD Plan of Hungary 2000-2006, commitments

**Monitoring data provided by ARDA in October 2007 excluding failed applications for any reasons

Applied exchange rate: 1 EUR = 255 HUF.

3.2.4. Distribution of funds by regions

In respect of the distribution of funds by regions, only the priority “To promote the adaptation capabilities of rural areas” includes the eligibility criterion that only projects to be implemented in rural settlements are eligible for support. Settlements with 120 persons/km² or with a population of under 10,000 people complied with this eligibility criterion. Applying spatial narrowing effectively served to promote the development of small rural settlements. Within the measures of priority “To increase the competitiveness of agricultural economy” projects could be implemented in the whole area of the country without any spatial preference.

As the Programme strongly preferred the development of primary agricultural production, it is not surprising that regions in the plains with significant potential for agricultural production and favourable conditions (Northern and Southern Great Plains) and the region of Northern Hungary received the biggest share of funds (*Figure 34*).

If we have a look at *Figure 35*, which presents the distributions of resources among settlements, the whiteness of the areas of small settlements in the region of Northern Hungary and the Southern Transdanubian region is clearly outlined, showing that SAPARD resources have not arrived here at all. So these areas have not stopped falling behind, the extent of which was significant otherwise.

According to *Figure 36*, the 100 largest projects are relatively evenly distributed in the country.

Figure 34

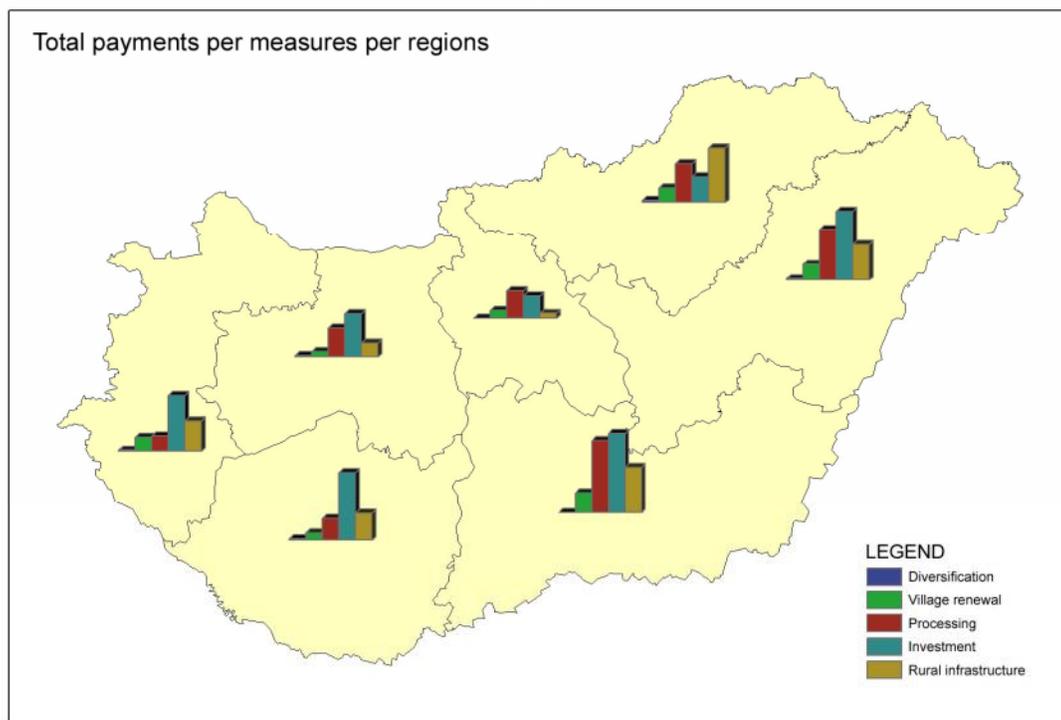


Figure 35

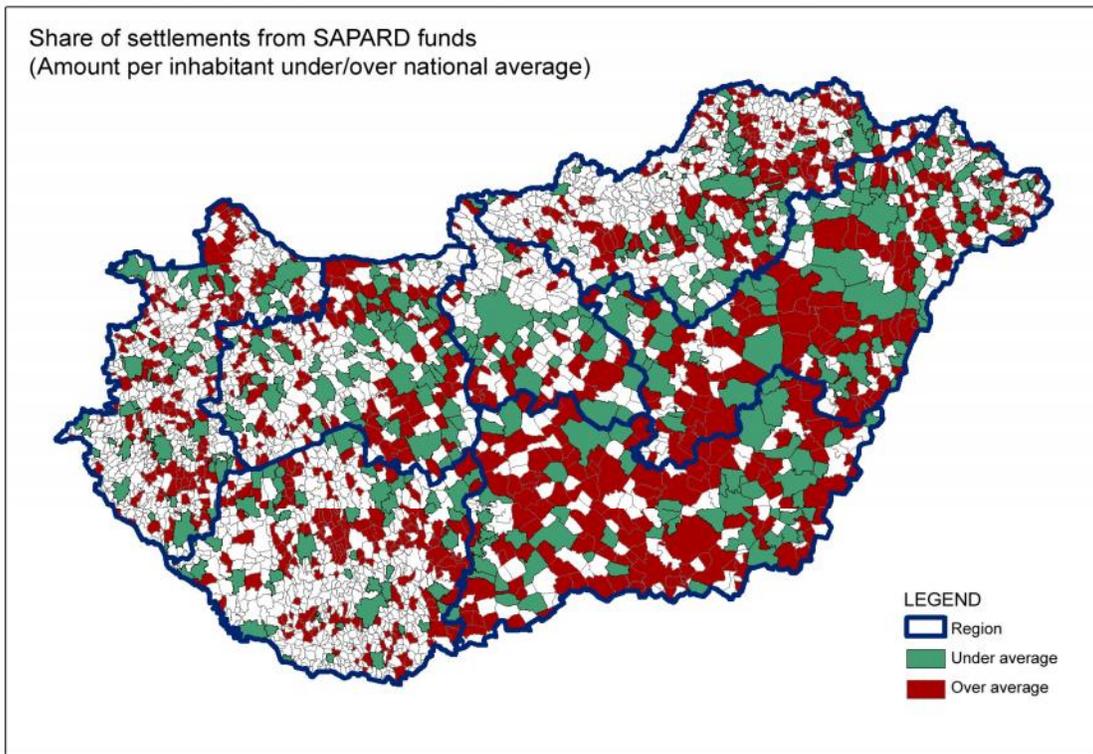
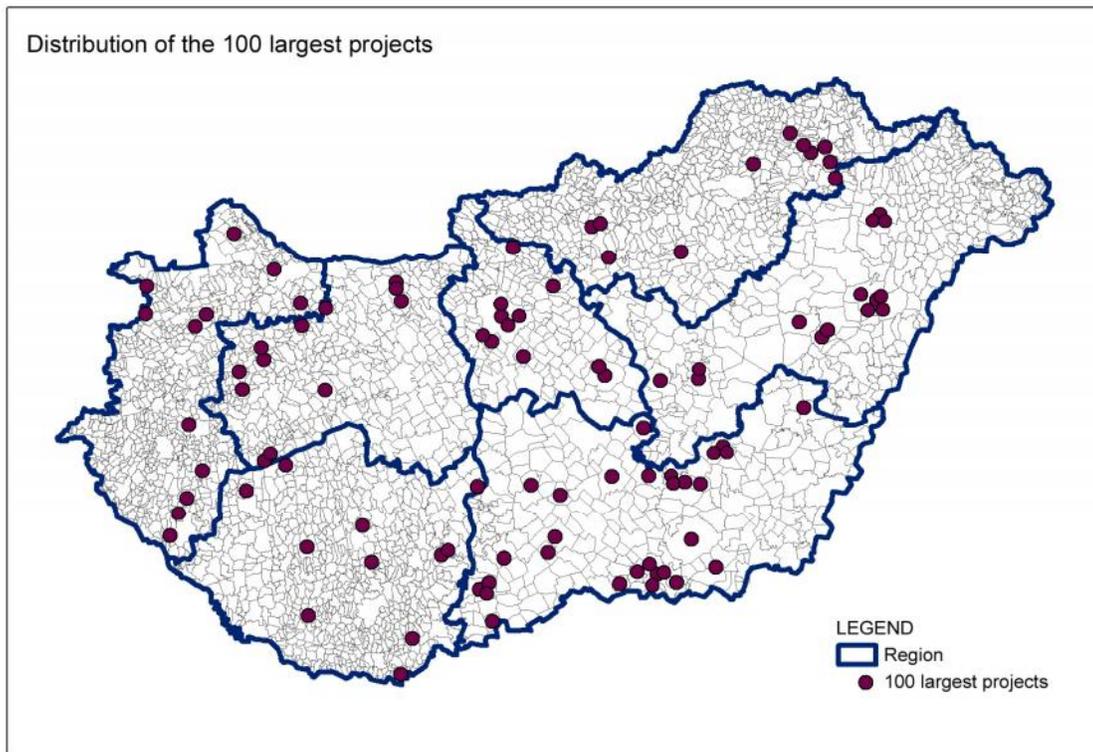


Figure 36



3.2.5. Financial efficiency

Until the Programme closure, 102% of the initially planned resources had been committed, which does not include the resources of projects where either the beneficiary or ARDA withdrew from the contract during implementation, or where the project had failed. Payment amounts to 99% of the planned resources based on the data of ARDA as of 2 October 2007.

Thus the Programme can be evaluated as being efficient considering the use of resources. The efficiency of the Programme was significantly reduced by the fact that the initially accepted SAPARD Plan (which was later modified three times) had been prepared for seven calendar years. After to the accession to the EU on 1 May 2004 the so-called “pre-accession” programmes had to be closed down, therefore, only the first four and a half years could achieve the objectives determined in the plan and use the funds allocated to these objectives. Furthermore, the time actually available for the implementation of the Programme was shortened to less than two years by the fact that the preparations for implementation and the establishment of the required institutional, organisational and technical background had been drawn out. Peaks in workload as a consequence of this and due to procedural problems arising in the course of implementation rendered efficient work, thus the realisation of set objectives, planned results and effects more difficult.

One of the negative consequences of time delay was the constraint for short application deadlines. Consequently, mainly in 2002, when there were several possibilities to apply for, an extremely large number of incomplete, badly elaborated applications were prepared, which caused unnecessary work and costs both for the institutional system of implementation and for the applicants. After the announcement in 2002, in 100% of the applications supplementations had to be required. The number of applications rejected due to shortcomings in format and eligibility was 1964, which is 22% of all applications submitted.

The effect of the short, intermittent implementation of two years was that project applications were submitted in waves, at an unbalanced pace and exceeded the available resources by 364%. The number of applications rejected due to lack of resources was as high as 4037, which was 46% of all applications submitted. Rejections due to lack of available funds mainly in the case of investments requiring preliminary plans and permissions caused high and unnecessary costs to the applicants rejected. It all could have been mitigated by a more thoughtful way of raising awareness that is better built up in time and adjusted to the funds available.

The delayed start, the mass of applications received near submission deadlines, as well as the rules of procedure not suitable for managing this amount of applications put a heavy load on newly established implementation capacities. Consequently, in the case of most measures, at least one year passed between concluding the contract and first payment, and at least one year and a half between the submission of the application and first payment. This delay, and the system of ex post financing is considered to be an extremely long time from the investment point of view, especially in the case of micro and small enterprises with low liquidity or in the case of local governments lacking other funds. For this reason applicants often had to apply for bridging loans, which significantly increased the total cost of investments.

The support of EUR 239 million propelled a significant amount of own resources of EUR 264 million for development in the agricultural economy and in rural settlements. Considering the measures of the Programme it breaks down as follows:

Table 10: Amount of resources drawn into the development processes within the Programme (commitments), EUR

Measure	Support (EUR) (EU+national)	Own resources (EUR)	Ratio of own resources (%)	Total cost of developments (EUR)
Investments in agricultural holdings	94,404,703	128,286,019	58	222,690,722
Processing and marketing of agricultural and fishery products	65,836,788	104,947,617	61	170,784,405
Renovation and development of villages and protection and conservation of the rural heritage	22,307,783	8,141,671	27	30,449,454
Development and diversification of economic activities providing for multiple activities and alternative income	1,814,842	1,956,890	52	3,771,732
Development and improvement of rural infrastructure	54,765,489	21,035,152	28	75,800,641
Total	239,129,605	264,367,349	52	503,496,955

Source: Monitoring data provided by ARDA in October 2007 excluding failed applications for any reasons
Applied exchange rate: 1 EUR = 255 HUF.

The difference between these ratios comes from the nature of each measure. Measures to increase the competitiveness of the agricultural economy are income-generating investments, in which case supporting ratios are lower than for village renovation and infrastructural developments promoting the adaptation of rural areas, which do not qualify as income-generating investments.

Chapter 3.3 includes the detailed analysis of implemented outputs within each measure. Summarizing it can be said that the achievement of target values determined in the SAPARD Plan varies both among the measures and within the measures as well. As there are no quantified indicators given to the programme-level objectives, it is difficult to draw conclusions on the level of objective implementation or the resource efficiency of the implementation.

Considering the fact that the primary objective of the SAPARD Programme – as it is also clearly determined by the relevant regulations – is the preparation for accession, i.e. the establishment of a system functioning also in practice and suitable for EU expectations that is capable of allocating community funds efficiently. The programme fully complied with this objective. In this respect the efficiency of the use of resources can be said to be good.

3.3. Analysing the output of the measures

This chapter assesses the **efficiency and effectiveness** of the Programme, the effects and results achieved with respect to the defined objectives and target values, on the level of implementation. The basis of the analysis is a comparison of the target values laid down in the Programme with the realized output. Data sources include the database provided by ARDA to the evaluators. The date of query is 2 October 2007. The other data source is the questionnaire-based survey conducted among the applicants, as well as the final report of the SAPARD Programme for 2006.

The chapter compares the realized values with the target values specified in the SAPARD Plan, which were proportionally adjusted by the evaluator to the resources available with the shortening of the programming period. The ratio of the original and modified resources figuring in *Table 9* served as the basis of the adjustment.

The SAPARD Programme specified no target values associated with the programme -level objectives, so implementation at the Programme level could not be analysed. Based on chapter 2.1 of the Programme, results expected at programme level included 25 thousand jobs retained or newly created in the agriculture, and a modernisation affecting 10% of agricultural production.

Drawing on figures from the monitoring database, the number of new jobs created as a result of the developments is 12,969, which amounts to 79% of the prorated target value (16,500), not including the number of jobs retained. This can be deemed a very favourable ratio. The method of determining the employment indicator featured in the monitoring database remains unclear, so many respondents gave overall employment growth figures for the enterprise, instead of the number of jobs created specifically as a result of the project. The reliability of the data is therefore questionable in many cases, although they correspond in magnitude to the facts. The number of jobs retained is 72,873, which probably does not only mean the number of jobs retained as a result of the development but, in most cases, the whole array of beneficiaries.

The percentage of agricultural production affected by the assistance cannot be calculated based on the current level of completeness of the monitoring database.

Summary

It emerged as a general problem with every measure that the objectives were not set in a logical target hierarchy, nor were the indicators attachable to this non-existent structure. As a result, the collected indicators are in many cases not suitable for measuring the degree of fulfilment of the objectives. At the time of drafting the SAPARD Plan, the lack of planning experience based on the intervention logic did not allow the establishment of a clearly defined target hierarchy and of the associated structure of indicators. This is later featured in ARDOP and NRDP in a better consolidated structure.

The objectives of the individual measures were in many cases only expressed in general terms, containing overlaps and a combination of general and specific elements.

In some cases, the data collected in the monitoring system are incomplete, so they cannot be clearly interpreted.

Investments in agricultural holdings

When assessing the fulfilment of the monitoring indicators, evaluators used data from the final report for 2006 for the analysis, owing to the unavailability of other data sources.

The measure “*Investments in agricultural holdings*” was the most popular and best funded measure of the SAPARD Programme. Under this measure, the large number of successful proposals submitted for the acquisition of machinery sub-measure deserves special mention.

During the drafting of the measures, the proportion of resources available for the specific sub-measures was not estimated in accordance with the actual needs, so the target values set by the drafters were either significantly surpassed or were not met at all by the Programme.

The 1,448 successfully completed projects considerably exceed in number not only the target value adjusted to the reduced resources (979) but also the target value planned for the whole period (1,100) and for the total amount of funds. The available resources were distributed among a significantly higher number of entrepreneurs than previously planned. On the one hand, this demonstrates the overwhelming need for activities supported under the measure; on the other, it is also due to the fact that proposals for the measure could be prepared and submitted in several rounds and for a longer period.

The support needs of successful project proposals submitted for the Financing the acquisition of machinery (1111) sub-measure was 58% of the measure total, which significantly surpasses the 10.7% value specified in the plan. However, the original target value planned for power machines was not attained by the Programme. The “fulfilment” of the plan was 37.73% in number and 62.59% in performance. The average project size was less than expected due to the smaller demand for more expensive machines (tractors, self-powered harvesting equipment, combine harvesters). The assumption that farmers and entrepreneurs would buy lower-performance machines for smaller land sizes was also unfounded. Instead of the expected average performance of 60 kW, the average power of the acquired machines turned out to be around 100 kW.

Since the beginning of the 1990s, there has been a downward tendency in the market of animal products. A process of vigorous concentration and centralisation started in the production of raw material, during which farms with a smaller animal count were driven out of production, while larger farms upgraded their capacity of animal places. This trend is reflected in the result indicators of SAPARD, since investments far surpass the prorated appropriations specified in the plan. The fact that the cattle sector created nearly twice as many new or upgraded animal places than the number envisaged in the plan is especially outstanding. In the case of cattle, a significant and persistent increase in the average selling price of beef-cattle was observed during the assessment of production figures, so the competitiveness of the supported projects appears to be ensured. Only the poultry sector proved unable to meet the objectives laid down in the SAPARD Plan, realizing just 38.25% of the prorated target value. The setback was probably caused by a narrowing of the production capacity and marketing channels.

The beneficiaries surpassed by almost 190 tons the projections for improving granary storage capacity, which amounted to 135,280 tons (resource-adjusted), while originally it totalled 152 thousand tons. The main reason is that the capacity created as a result of large-scale programmes for constructing and modernising agricultural storage facilities and granaries in the 1980s underwent a significant functional transformation in the 1990s, which meant that grain storage posed serious challenges in years with rich crop yield.

Overall, the measure proved to be successful. The development areas specified during planning were well laid out, as evidenced by the fact that the demand for funding far

outstripped the available amount. Although the restricted availability of resources did not facilitate wider support for the development needs of agricultural holdings, the “new forms” of tender became nationally known through the Programme. This made it possible for applicants to be better prepared and submit proposals for newer and better funded programmes (such as the measures of ARDOP, and later of the NHRDP).

In analysing the economic and social impact of the measure the evaluation concluded that improving the competitiveness of undertakings, one of the main objectives, was successful, since 78% of the respondents reported improvement in this area, and the income of farmers also exceeded the projected figure.

Based on data obtained from the monitoring database, the number of jobs retained by supported farms is 19,242, and the number of jobs created is 770. The evaluation reveals that the measure also had a significant impact on the national economy in the field of employment, since the number of workers engaged in agriculture reached 85,100 in 2006 (CSO). More than half of the farmers felt that the general working conditions partly improved, while 21% of respondents reported significant positive changes.

When assessing the environmental effects of the measure, it can be concluded that on the level of the national economy the programme had no significant impact. However, based on the questionnaires, 16% of the supported projects aimed primarily at compliance with environmental standards, while this goal was indirectly supported in 71% of the projects.

Table 11. Fulfilment of indicators for the “Investments in agricultural holdings” measure

	Indicator	Initial target value	Prorated target value (89%)	Results achieved	Objective/results achieved %
1.	Total number of beneficiaries	1,100	979	1,448 successfully completed applications, far in excess of the objectives.	147.90%
<i>Machinery acquisition /</i>					
2.	no. of tractors acquired	2,573	2,290	864 tractors were acquired, which is significantly below the expected results.	37.73%
3.	tractor performance (kW)	154,000	137,060	At 85,784 kW , the performance of the power machines (tractors) acquired does not reach the specified value; however, the performance per machine surpassed the expectations.	62.59%
<i>Building development /</i>					
4.	Cattle places	137,000	121,930	242,560 new or upgraded places , which is considerably above the expectations.	198.93%
5.	Pig places	358,700	319,243	341,620 places , which amounts to 107.01% of the target.	107.01%
6.	Poultry places (15 fowls/m ²)	9,000,000	8,010,000	3,063,558 places , which is below the SAPARD Plan indicators.	38.25%
<i>Projects related to other farm buildings</i>					
7.	Granary capacity (t)	152,000	135,280	189,573 t storage capacity far surpassing the target value.	140.13 %

Improving the processing and marketing of agricultural and fishery products

The fulfilment of the objectives set during the planning of the measure was evaluated on the basis of information drawn from the monitoring system, the applicant questionnaires and the final report of the SAPARD Programme for 2006.

With respect to increasing *market efficiency*, the implementation of the measure brought certain results, although doubts were raised as to the long-term durability of these results.

A large number of micro and small-sized enterprises took part in the measure, whose long-term viability potential is generally weaker than that of medium and larger enterprises. However, micro and small-sized enterprises are the most undercapitalised in the entrepreneurial sector; thus, if the selection criteria were applied appropriately, these results could indeed be substantial.

In other respects, the measure surpassed the expectations in the specified development areas as regards the number of projects resulting in products with higher added value. However, based on the projects used as sample during the assessment of the measure, the increase in added value is hardly perceptible, at least in the short period since the closing of the projects. Although little more than 14% of the completed projects aimed at creating new branded products, this amount was already far above the original target value. At the same time, it is unfortunate that no information is collected by the monitoring system about the delivery of raw materials, even though it is an area that should also be monitored based on the indicators.

It should be pointed out that the number of undertakings introducing new technologies significantly exceeded (by 330%) the target value, which represents an important factor in competitiveness, whether it comes to the manufacturing of the earlier or newer product range. Similarly, the introduction of quality standards and the indication of origin also serve to strengthen competitiveness. However, the measure is unfortunately far below the expectations in this regard, surpassing expectations only with respect to geographical indication, which still represented only 14% of all completed projects.

As regards *compliance with EU regulations*, the results are more or less uniformly mediocre. In animal protection, food safety and hygiene, roughly one or two thirds of the planned objectives were achieved. On the operational level, these projects were quite significant in that they helped to ensure that these holdings were not driven out of business. However, considering the fact that holdings with derogations have continued to operate since the accession and the closing of the Programme, the measure could have been more effective.

We should note, however, that it would have been advisable to include among the measure indicators some other criteria, for example, on work safety.

Reducing the environmental impact was by no means an issue of high preference among the applicants. As far as water management procedures are concerned, applicant activity was to some degree above the expectations, although only 10% of completed projects aimed at improving the water management system. Until the end of 2006, the capacity affected by the measure was 671,059 m³ of cleaned water.

The implemented projects dealt with waste management as a development goal to a much lesser extent. Far below the expectations, only 8 such projects were realized, involving about two thousand m³ of safe waste-treatment capacity.

The *employment* objective can only be considered as an indirect goal under the measure. This is evidenced by the fact that the indicators specified in the SAPARD Plan do not include related target values. At the same time, this objective was attained most successfully with this

measure, based on data from the monitoring database: 11,459 new jobs were created, and the assistance used for each job created was the lowest (6,054 euro) .

In conclusion, it can be stated about the outputs realized under the measure that they were typically either significantly below or significantly above the target values. It is quite clear that developments in production technology were accorded a more prominent role at the expense of environmental investments. This is generally understandable considering that entrepreneurs prefer investment alternatives that yield more profit in the short(er) term, so small and medium-sized enterprises often turn to modernising their outdated technologies.

Table 12. Fulfilment of indicators for the “Improving the processing and marketing of agricultural and fishery products” measure

	Indicator (no. of projects)	Initial target value	Prorated target value (95%)	Results achieved	Objective/results achieved %
1.	Compliance with EU food safety and hygiene requirements	320	304	189 projects aimed at meeting the requirements, which is less than two thirds of the target value.	62%
2.	Compliance with animal protection requirements	95	90	The 31 projects setting this objective amount to only a third of the target value.	34%
3.	Water management procedures	30	29	The 35 projects implemented surpass the expectations; however, they represent only slightly above 10% of the total number of closed projects.	121%
4.	Waste management	70	67	8 projects indicated development aims in this field, which is far below the original target.	12%
5.	New technology	80	76	251 projects aimed at introducing new technologies, so the target value was significantly exceeded in this area.	330%
6.	New system for the transportation and delivery of raw material	40	38	The evaluators found no relevant data in the monitoring system for the calculation of this indicator.	
7.	ISO 14000 *	15	14	Among the completed projects, the ISO standard was introduced in only 4 cases, which is less than one third of the target value.	29%
8.	HACCP *	350	333	Among the completed projects, only 9 projects intended to adopt the HACCP standard, so this indicator is the furthest behind the expectations.	3%
9.	Products of approved quality *	370	352	53 projects aimed at creating products of approved quality, which is barely one-sixth of the expected value.	15%
10.	Indication of geographical origin *	20	19	The 41 projects resulting in products with indication of geographical origin are more than twice the number indicated in the SAPARD Plan.	216%
11.	Organic products *	65	62	Only 8 projects set the creation of organic products as a goal, which – similarly to products of approved quality – is far behind the indicated target value.	13%
12.	New branded products *	10	10	The 43 projects serving (also) this goal are more than four times the value specified during planning.	430%
13.	Products with higher added value *	30	29	The 71 projects realized are more than two and a half times the previously specified value.	245%

* Only data from projects completed until the end of 2006 were available for the evaluation; data from the 11 projects closed in 2007 were not included (3.6% of total projects completed).

Development and diversification of economic activities providing for multiple activities and alternative income

The data collected in the monitoring database almost fully correspond to the indicators specified in the SAPARD Plan.

The reason for the exceptionally small number of project proposals received under this measure is detailed in the introduction to the measure -specific questions. A noteworthy inconsistency is that more than half of the already small number of applications had to be rejected owing to a lack of resources. The degree of fulfilment of the target values gives indication of the fact that if such a substantial sum had not been reallocated from the measure, more than twice as many proposals could have been accepted (together with those rejected due to the shortage of funding), so the realized values would have reached or exceeded the planned values.

In the case of the “newly launched products and services” indicator, the reliability of the results is questionable because the monitoring database does not indicate in the “new greenfield investments” field whether it is a new product or service that would be created, which should be reasonable. It can be assumed, therefore, that the percentage of the fulfilment of the target value was actually better than 72%, presumably around 85 -90%.

Compared to the target value, the number of new or modernised food processing capacities was realized at only 44% efficiency, which is very low. Of the newly created food processing capacities, 2 produce dried vegetables and fruit, while there were also 2 cabbage pickling facilities, 1 winery and 3 apiaries established.

The development of rural tourism surpassed the projected value by 12%. This sub -measure can be considered successful with this result.

The number of new or existing enterprises switching partly or fully to artisanal or handicraft activity stays far below the expectations at only 46%.

It is relevant for this measure as well that there is no logically structured target hierarchy, and the indicators were not specified to show the fulfilment of the objectives, since there is very little logical connection of this kind between the objectives and the respective indicators.

One of the objectives of the measure is *“to encourage the development and diversification of economic activities in the countryside by providing alternative sources of income to agriculture ... to underpin employment opportunities in rural areas.”* This objective was fully realized as far as rural tourism is concerned, since the proportion of activities receiving support was 12% more than the specified target value. In the case of handicraft and the production of local food products, this objective was fulfilled at only 44 -46%. There is no target value specified for employment figures under the measure, so the rate of fulfilment cannot be calculated. Moreover, based on a representative sample of 11 applicants taken from the monitoring database, it can be established that the average number of full -time employees declared annually on a mandatory basis increased from the second year before the submission by 6% on average, while the annual increase following the year prior to submission was 5%.

The other objective of the measure is rather complex, namely, *“to offset the low profitability of agricultural seasonal employment and agriculture, to strengthen the security of diversified farming, to increase the supply of products and services, and to improve self -sufficiency and market access.”* The degree of fulfilment for this measure cannot be established, since there is no indicator that would have measured the number of beneficiaries with income drawn from agriculture, or how often the low profitability of agriculture is actually offset. Based on the results of the questionnaire survey conducted among the applicants, 57% of respondents

reported that the support received significantly contributed to increasing the non -agricultural income of the undertaking. According to 35% of the respondents, it made a contribution but not to a considerable extent. The effect of the measure on encouraging diversification can also be assessed on the basis of the applicant questionnaires: 11 out of 23 respondents reported having alternative income in addition to income drawn from the supported activity. Increasing the supply of products and services was achieved at 44%, provided that the figures in the monitoring database are correct.

As to the changes in income level of the supported enterprises, monitoring system data are sufficiently filled in to evaluate 21 applications. The sample examined showed 2% of average income growth for all undertakings between the second year (2002, in all cases) preceding the submission of the proposal and the year 2006. Between the year of submission (2004, in all cases) and 2006, the growth was 13%. Because no target value was specified, fulfilment cannot be assessed. It can be concluded, however, that the average income level of the enterprises in question increased.

The measure has mainly affected the economy but, owing to the very small number of supported projects, only at the micro level. At the macroeconomic level, the measure has had no impact.

The measure has no considerable social or environmental impact.

Table 13. Fulfilment of indicators for the “Development and diversification of economic activities providing for multiple activities and alternative income” measure

	Indicator (no.)	Initial target value	Prorated target value	Results achieved	Objective/results achieved %
1.	Newly launched products and services	820	25	18	72%
2.	Upgraded or new food processing capacity	600	18	8	44%
3.	New or existing enterprises switching partly or fully to rural tourism	1,060	32	36	112%
4.	New or existing enterprises switching partly or fully to alternative production	620	19	N/A	N/A
5.	New or existing enterprises switching partly or fully to artisanal/handicraft activity	420	13	6	46%

Renovation and development of villages and protection and conservation of the rural heritage

The information collected in the monitoring system does not correspond to the indicators specified in the SAPARD Plan. Since there are no other data sources available, the evaluators assessed the fulfilment of the objectives and target values on the basis of the data available in the monitoring system and the submitted questionnaires.

The effect indicators of this measure are not quantified in the SAPARD Plan, so their fulfilment cannot be calculated. The framework of indicators does not specify separate output and result indicators.

The indicators associated with target values do not make it possible to evaluate exactly whether the measure managed to reach the specified objectives. The objectives of the measure are rather generally formulated, and the numerical indicators are not connected with them in a clearly logical way.

From the resources allocated for the measure and planned originally for 7 years, 65% remained after the modifications of the financial table. In proportion, the number of settlements with renovated settlement parts was far above the projected figures (planned: 26, realized projects: 87, which represent a 235% increase). Based on the questionnaire survey conducted among the applicants, 60% of respondents report that the renovation of settlement parts had a verifiably positive impact on the economy and even more so, on the community life of the affected settlements. Most of the respondents cited the growth in tourism and catering services as the chief economic impact, which is confirmed by the greater increase in the number of guest nights and the volume of tourism tax collected in the supported villages, compared to other rural settlements (see *chapter 3.4.1* on the measure-specific questions). Consequently, the *“Establishing the basic conditions for measures affecting income-generating activities through the renovation and development of villages, and supplementing their impact in order to improve the population retention ability of rural areas”* objective of the measure was realized at a much higher level than planned, since it affects significantly more settlements than originally envisaged, although no information is available on the population retention impact. The effect of the measure on the entire rural region is not substantial, since despite the fact that the implementation surpassed the expected level, it only affected 87 of the 3 024 settlements in rural areas.

The number of the new functions built into the renovated buildings, and whether they are useful, cannot be established based on monitoring system data. The number of renovated or reconstructed buildings was 12% higher than expected, which means that more new functions were introduced in the developments carried out under this measure than planned. The survey questionnaires testify that new functions were created in 56% of the developments, whose utilisation was medium to high according to 63% of respondents. There is no information on the nature of the new functions, in other words, on whether they are economic, social or community functions, so the level of fulfilment of the *“Rehabilitation of man-made and natural environment and the creation of new functions to ensure business and employment opportunities for the local population”* objective cannot be estimated.

The number of renovated landscape and natural elements is far below the expectations, which can be equally due to wrong planning decisions or to the fact that villages primarily emphasize the preservation of the built heritage and the renewal of their residential areas. This may have to do with a lack of resources that used to be widespread in this field or with the deteriorated condition of rural settlements in general.

The measure does not contain indicators related to the preserved rural heritage. Based on the questionnaire survey, 81% of respondents were of the opinion that the measure had a direct

and significant impact on the preservation of the rural heritage in the supported villages, although this affected only about 6% of the rural population.

The findings drawn mainly from the questionnaire survey confirm that the measure has had economic and environmental impacts as well, which, in certain cases, can be directly attributed to the development, including the following results:

- Economic: new economic functions deployed in the renovated buildings;
- Environmental: restored and revitalised settlement parts and green areas

In other cases, the following could be observed as additional results of the development:

- Economic: more visitors attracted to the renovated settlement part or monument, longer stays and an increase in the number of guest nights;
- Environmental: as a result of the improved appearance of the village centre, enterprises and individuals keep their own living areas tidier, effecting a change in attitude, so the whole settlement has become more appealing, while the results of the development are more sustainable

However, the measure has proved to be most effective with regard to improving the living conditions of local communities: on the one hand, the reconstructed public places (in - and outdoors) serve as venues for holding cultural and community events, their level of utilisation being mostly favourable; on the other hand, community life has visibly improved in the renovated settlement parts.

Overall, the indicators and objectives are not in a logical relationship with each other, so the degree of fulfilment of the indicators does not necessarily correlate in every case to the level of fulfilment of the objectives specified by the measure.

Table 14. Fulfilment of indicators for the “Renovation and development of villages and protection and conservation of the rural heritage” measure

	Indicator (no.)	Initial target value	Prorated target value	Results achieved	Objective/results achieved %
1.	Renovated settlement parts	40	26	<p>No exact data available. The evaluator made assumptions as to what extent the indicator was fulfilled, based on the data collected in the monitoring system. Under the sub-measure concerning the renovation of settlement structures, streets and public places preserving and strengthening the distinctive character of settlements, 99 projects were implemented, which involved 87 municipalities. The following were carried out under the sub-measure:</p> <ol style="list-style-type: none"> 1. renovation of residential and public buildings; 2. facade renovation; 3. road and street reconstruction; 4. renovation of buildings and monuments adorning public areas; 5. renewing resting places, footpaths and cycle paths 	<p>No exact data available. Approximately 335%</p>
2.	Renovated, refurbished buildings	200	130	145	112%
3.	Restored natural or landscape objects	320	208	<p>36 or 7 This depends on whether we include project proposals that cover the establishment of plants and landscaping, or only those projects that involve the planning of natural and artificial waterfronts, the renovation of public structures, as well as the preservation of lines of trees or isolated trees under protection and their environment.</p>	17% or 3%
4.	New activities operated in connection with renovated built and natural objects (undertaking, tourism or farming information centre)	780	468	N/A	N/A

Development and improvement of rural infrastructure

The information collected in the monitoring system does not correspond to the indicators specified in the SAPARD Plan. Since there are no other data sources available, the evaluators assessed the fulfilment of the objectives and target values on the basis of the data available in the monitoring system and the submitted questionnaires.

After evaluating the objectives of the measure, it can be concluded that one of the objectives was realized, namely, *the infrastructural developments realized during the Programme were determined on the basis of the characteristics and needs of rural areas, which helped the operation of local enterprises and improved living and working conditions*. This is confirmed by the questionnaire survey and the large number of proposals submitted. The realization of the objective was facilitated by a good situation assessment and the appropriate definition of activities to be supported. The measure reached the above-mentioned objective on the settlement level, while it was not possible to attain a countrywide impact owing to the amount of resources available. The other objective pursued was that *the measure should be connected to the other rural development measures*. The data and information collected during the evaluation show that this objective was not achieved; the projects of the individual measures operated side by side, rather than in conjunction with one another. The reasons may have included the delay of the certain measures and the lack of local development programmes similar to LEADER and the shortage of human capacity implementing those programmes.

The objectives of the measure are rather generally formulated, and the numerical indicators are not connected with them in a clearly logical way.

The effect indicators of this measure are not quantified in the SAPARD Plan, so their fulfilment cannot be calculated.

While no specific indicators are available for the *reduction of production costs*, the results include the construction of a significant stretch (524 km) of modern agricultural roads, a small number (69) of enterprises carried out investments related to energy supply, and the average distance from the nearest market in supported villages was reduced to 22.36 km. Although these projects improved the competitiveness of local enterprises, as it is apparent from the questionnaires, such a positive impact was not measurable on the macroeconomic level.

Based on data from the monitoring database, the measure involved 16,199 jobs *retained* (planned: 40,662) and 659 *new* jobs (planned: 559). (It should be noted, however, that the database is not complete, so the reliability of data cannot be guaranteed.)

The *Reducing the environmental impact* objective was featured in the measure only as regards the possibility of developing waste-water treatment facilities. However, these developments had a negligible impact on the rural population as a whole, which can be attributed to the relatively small number (43) of submitted and implemented proposals in this development area.

The framework of indicators does not specify separate output and result indicators. The indicators associated with target values do not make it possible to evaluate exactly whether the measure managed to reach the specified objectives, since their connection to the outlined objectives is not clear-cut.

During the drafting of the measure, the share of development areas within the measure could not be properly estimated, the resources were not fixed for the individual areas, so the Programme either significantly surpassed or fell behind the target values set by the drafters.

The resources planned for the measure and originally allocated for 7 years were increased to 122% of the original amount through the reallocation of national resources from non-

accredited measures, so the result indicators had to be adjusted with this number for the sake of comparability.

Within the measure, the number of proposals (313) aiming at the reconstruction or building of agricultural roads is very substantial. This is probably because the modified holding structure made it necessary to reconstruct and modernize the road system, and previously there were only restricted resources available for such investments. The measure supported the construction and improvement of 524 km of agricultural roads, while the indicator of the SAPARD Plan adjusted for 122% was 281 km.

In the field of providing energy to enterprises, 69 projects were realized. 232 enterprises engaged in supplying energy were cited by the SAPARD Plan after the adjustment as result indicators. The results were far below the projected figure. It should be important to note, however, that the measure preferred alternative solutions, which often represented an entirely new field for potential applicants.

With respect to alternative local waste-water treatment plants, the SAPARD Plan allowed for 98 villages (adjusted indicator). The implemented projects affect 44 settlements, which is 55% below the projected figure. In Hungary, these methods are not widespread; moreover, approval procedures are lengthy and complicated. Pressure groups representing standard sewage treatment systems with high investment costs are rather powerful. The fact that only a small number of proposals were turned in may also be due to the high costs involved in preparing the required documentation, which has to be borne in advance by the applicants. In the case of similar projects, the applicants are usually local governments lacking the necessary financial resources and unwilling to run the risk of pre-financing the costly architectural planning.

The SAPARD Plan contains 634 newly built IT centres (“telehouses”, databanks etc.) as (adjusted) result indicator. Assuming that one proposal corresponds to one IT centre, the number of realized projects (121) falls behind the expectations.

As regards local marketplaces and fairgrounds, the SAPARD Plan contained 317 (adjusted indicator), and the 23 realized projects represent only 7% of that value.

In general, it can be concluded that the “agricultural roads” development area represented a much greater proportion within the measure than projected by the drafters. This is because of the high applicant demand in connection with road development, as well as the fact that the increased number of proposals required proportionately more substantial resources as far as roads are concerned (owing to the higher investment needs of road construction projects), which prevented the accomplishment of objectives belonging to the other development areas.

In assessing the economic and social impact of the measure, the evaluation found that the measure was able to reach only a fraction of the rural areas owing to a shortage of funding. This is regardless of whether we look at the proportion of supported rural enterprises or at the proportion of settlements benefitting from the support, so the economic impact can be deemed negligible on the level of the national economy. However, on the level of settlements and micro-regions, the establishment of local markets tends to have a significant economic impact. The construction of waste-water treatment plants and the supply of renewable energy to enterprises positively impact the environment, while the establishment of telehouses reinvigorates the social life of the settlement. On the entrepreneurial level, the improvement of the energy supply and agricultural roads indirectly improves the competitiveness of the enterprises concerned.

Table 15.

	Indicator	Initial target value	Prorated target value (122%)	Results achieved	Objective/results achieved %
1.	The length of the new agricultural road system (km)	230	281	No exact data are available with regard to new roads. 524 km of road system was developed and improved within the development area, which far surpasses the pursued objective.	186%
2.	Undertakings providing energy supply	190	232	69 projects were realized within this development area, which stays considerably below the expectations.	30%
3.	Alternative waste-water treatment (no. of villages)	80	98	43 projects were realized within this development area; the developments involved 44 villages , which amounts to 45% of the target value.	45%
4.	Local markets and trading places	260	317	23 local markets were established/improved within this measure, which is substantially below the value of the SAPARD Plan target indicator.	7%
5.	Established IT access points	520	634	121 projects were realized within this development area; assuming that one project proposal corresponds to one IT centre, the number of projects implemented (121) falls short of the expectations.	19%

3.4. Answers to the evaluation questions

This chapter contains answers to the measure -specific and cross-cutting questions based on the collected primary and secondary data according to the structure of the Guideline. The evaluators and the interviewees did not define any programme-specific questions above the common evaluation questions. Before the detailed answers to the evaluation questions the short description of the measures, the summary of the answers to the evaluation questions as well as the conclusions of the analysis can be found

3.4.1. Measure-specific questions

3.4.1.1. Investments of agricultural holdings

This measure was accredited in September 2002, among the first four measures, then after the first request for application it was also announced in 2 rounds.

The circumstances and relevance of the measure

When designing the Programme, the situation analysis of the sector pointed out the low level of profitability of production, the fact of the decreasing real value of support granted to projects and the increasing parity gap, which collectively lead to the deterioration of the assets of holdings and to the decrease of their competitiveness. Consequently, the administration responsible for sector policy in Hungary, in accordance with article 1 of Council Regulation (EC) No 1268/1999 indicated the improvement of the efficiency of agricultural production, the implementation of the developments necessary for the changed operation and ownership structure and the modernisation of the production structure as one of the most important tasks from the aspect of the sustainable development of the agricultural economy and the countryside. Although the situation analysis does not contain concrete statistical data on the compliance of the livestock farms with the animal welfare and environment protection conditions, Programme regarded it as one of its main tasks to ensure that by the date of accession as many holdings as possible would comply with the standards of the European Union. As a result of the combination of the problems of the sector awaiting solution and the quite tight resources available in the Programme the project supporting measure of the SAPARD Plan in Hungary initially focused on the most significant livestock breeding sectors and the holdings with the highest sales revenues. These constrictions eased up with the modifications of the Programme, see later.

The application for support submitted for this measure, which significantly exceeded the funds available, well reflect the *raison d'être* of the measure. This was the measure for which the highest number of applications was received, and also regarding the number of successfully closed projects and the support amount applied for this is the biggest measure of the SAPARD Programme. The content of the status survey analysis confirm the necessity of the developments for those agricultural enterprises that struggle with the shortage of capital but are otherwise viable.

Objectives of the measure

The „Investments in agricultural holdings” measure aims at modernising agricultural buildings, machines, implements and technological equipment, in terms of the reconstruction of the existing buildings, and the introduction of new machines and assets into production.

The major objectives are the following:

- 1) increasing the level of capital assets owned by agricultural holdings,
- 2) increasing the technological standards,
- 1) increasing the competitiveness and market efficiency of agricultural enterprises,
- 2) improving the quality parameters of the products,
- 5) compliance with the EU animal hygiene and welfare regulations,
- 6) seek to maintain existing workplaces, development of new employment opportunities,
- 7) compliance with the EU requirements of environmental protection.

Supported activities

The measure aimed at the modernisation of the agricultural facilities, machines, assets and technological equipment, partly through the renovation and modernisation of the existing structures, and partly through commissioning new machines and equipment into production.

Within the measure three sub-measures were implemented:

- supporting machine purchase projects;
- supporting building development projects;
- supporting investments related to other buildings of the holding.

Main eligibility criteria and changes in those in the implementation of the Programme

The measure has been accredited as soon as in the first round, then the requests for applications of the sub-measures have appeared again in two further rounds. The new requests also contained significant changes with regards to the circle of the supported and to the eligibility criteria:

- Based on the first requests for applications of “purchase of machinery” (1111), machines could be purchased in relation to the fodder production of three livestock breeding sectors (pig, poultry, cattle), and in terms of other building of holdings (sub-measure 1114) the activities eligible for support also included such projects that serve the improvement of the quality of the fodder storage of these sectors. The SMC, in its decision made on 21.05.2003, widened the circle of beneficiaries of these two sub-measures, therefore, from the crop cultivation sector, in addition to the animal fodder producers, applications could be submitted for the development of the whole sector.
- With its decision made on 21.05.2003, the SMC increased the rate of support from 30% to 40% in the case of purchase of machinery while the rate of support in relation to building investments grew from the previous 40% to 50%. The upper limit of the support was increased from HUF 50 million to HUF 150 million, and the highest cost price of the supported investment changed from HUF 250 million to HUF 310 million.

- From August 2003 the viability of holdings was appraised based on the applicant's business plan, thus extending eligibility (reacting to the high rate of rejections (46%), and the high number of those viable applicants who did not submit an application due to the earlier conditions). In the appraisal, instead of the previously expected fixed-amount profit the data of the pilot operation system were taken into account. The viability of holdings was appraised based on the applicant's business plan. The SAPARD Agency evaluated how acceptable the business plan was by using the data of the pilot operation system.
- The scope of Programme beneficiaries has been extended to the group of vegetable and fruit producers, sale organisations and producer groups (TÉSZ, BÉSZ).
- Funds have been reallocated several times to the benefit of the measure and within the measure, reacting to the requirements of applicants (e.g. high rate of supports applied for the purpose of machine purchase). The resource budget of the measure increased by a total of EUR 10 million in the course of implementation, which, by taking into account the resource pool available for the Programme may be regarded as significant.

Proportion of supported projects as per sub -measure

For the measure a total number of 3,638 applications were submitted, applying for support in the total amount of HUF 70,204,048,868 (=EUR 275,309,996). Out of the applications received, 2118 applications were rejected, and out of the ones selected for support, in 34 cases the beneficiary withdrew from the contract, while in 20 cases ARDA withdrew from the contract. 18 applications failed to be implemented after contracting.

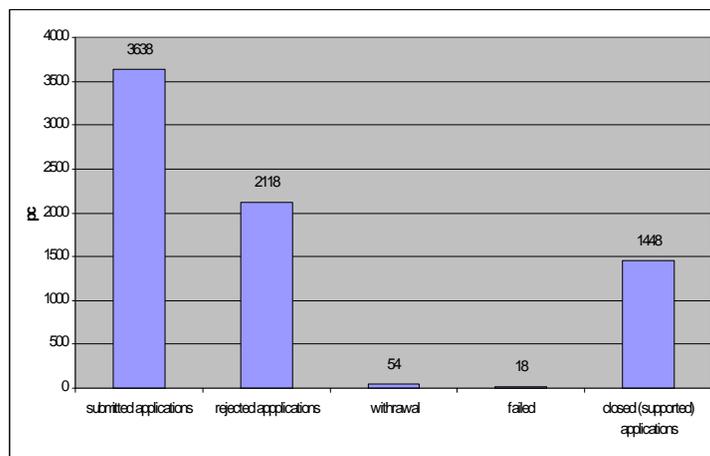
Distribution of rejections:

- 1260 applications – shortage of funds;
- 391 application – omissions;
- 133 application – lack of eligibility;
- 67 application – lack of viability;
- In 80 cases applications were withdrawn;
- 16 applications were submitted after the set deadline;
- In 9 cases the on-site inspection verified the lack of eligibility;
- 14 applications – supplying incorrect data;
- 5 applications – incorrect fund-cost budget;
- 3 applicants did not make the requested modifications;
- 140 applications were rejected for other reasons.

In the initial period, the difficulty in complying with the very strict conditions of competitiveness, as well as the misunderstanding of the eligibility criteria by the applicants caused many rejections. A huge number of applications were received before the closing of the Programme, a significant part of which ARDA could not even process, and which were rejected due to the lack of funds. In addition to alleviating the eligibility criteria, the closure of the national support system in 2003 also caused the submission of a suddenly high number of applications. A

significant part of the same applications could be submitted by the applicants to the relevant measure of ARDOP, however, the compilation of the SAPARD applications caused them to incur a significant amount of unnecessary costs. This has been stated in a number of expert interviews. The evaluators found that the number of unnecessarily prepared applications could have been reduced through more up-to-date information on the number of the applications received and the available funds, and by better timing of the promotional marketing -activities related to the Programme (by earlier scheduling).

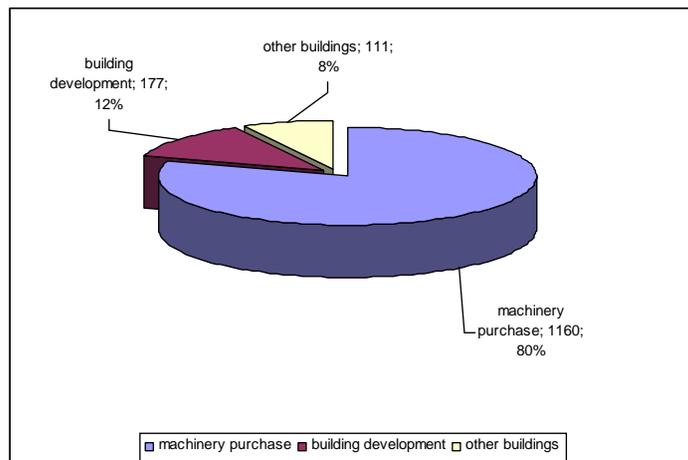
Figure 37: The number of submitted, rejected and eventually supported applications



The high number of applications received reflects the success of the measure, as does the low number of failed projects compared to the number of successfully closed applications. The large number of rejections was mostly due to the shortage of resources (60%), but in many cases it was caused by the incompleteness of applications (18.5%), or the applicant's ineligibility (6.2 %).

Within this measure 1448 applications were implemented. *Figure 38* illustrates proportion of the sub-measures within the measure, where the dominance of the sub-measure of supporting machine purchase investments is apparent.

Figure 38: Rate of closed applications between the sub -measures



The number of the closed applications within the measure and the disbursed amounts per sub -measure, region and year are shown in table 16.

Table 16: Breakdown of the closed applications of the „investment in agricultural holdings” measure per sub-measure, region and year

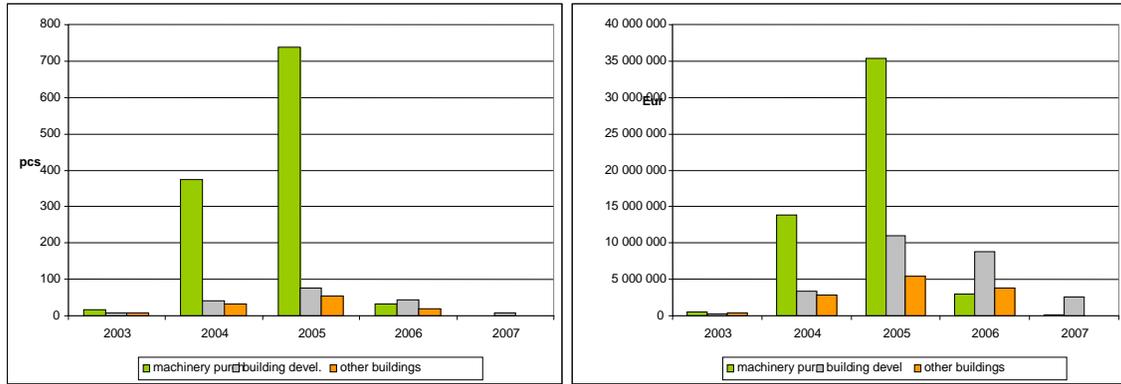
Region	Sub-measure	2003		2004		2005		2006		2007		2000-2007	
		Closed appl. (pc)	Support paid (Euro)	Total closed appl. (pc)	Total support paid (Euro)								
DA	machine purchase	2	58 937	70	2 930 989	142	8 119 178	7	846 647	0	0	221	11 955 751
DD	machine purchase	3	81 192	82	4 467 635	107	5 671 775	1	14 514	0	0	193	10 235 116
ÉÁ	machine purch.	4	157 128	82	2 378 682	172	7 071 710	8	803 747	0	0	266	10 411 267
ÉM	machine purch.	2	56 118	24	854 874	79	3 056 072	5	141 597	0	0	110	4 108 661
KD	machine purch.	0	0	47	1 441 978	91	3 460 913	6	724 727	1	70 823	145	5 698 441
KM	machine purch.	2	60 218	28	683 952	30	2 274 803	3	109 629	0	0	63	3 128 602
NyD	machine purch.	4	92 808	40	1 139 328	116	5 778 578	2	340 750	0	0	162	7 351 464
	Total	17	506 401	373	13 897 437	737	35 433 028	32	2 981 610	1	70 823	1160	52 889 299
DA	building devel.	1	20 152	10	643 312	17	2 479 161	8	1 576 799	2	855 325	38	5 574 749
DD	building devel.	2	52 019	10	877 211	13	2 328 484	3	661 219	1	588 235	29	4 507 168
ÉÁ	building devel.	0	0	8	840 297	12	1 412 077	11	2 028 866	1	145 314	32	4 426 554
ÉM	building devel.	1	19 506	1	18 226	6	348 412	5	1 109 786	1	244 023	14	1 739 953
KD	building devel.	3	173 046	5	427 569	10	1 890 180	6	772 053	1	261 333	25	3 524 181
KM	building devel.	0	0	3	168 829	4	1 238 648	1	588 235	0	0	8	1 995 712
NyD	building devel.	2	14 395	5	272 003	14	1 281 464	9	2 048 629	1	442 061	31	4 058 552
	Total	9	279 118	42	3 347 447	76	10 978 429	43	8 785 587	7	2 536 291	177	25 926 872
DA	other building	2	160 775	3	155 527	9	1 370 068	5	1 028 913	0	0	19	2 715 283
DD	other building	5	218 929	10	986 595	11	1 232 957	1	115 453	0	0	27	2 553 934
ÉÁ	other building	0	0	11	661 459	11	998 994	6	793 210	0	0	28	2 453 663
ÉM	other building	0	0	1	196 078	3	232 124	1	105 908	0	0	5	2 298 510
KD	other building	0	0	3	214 892	5	528 195	2	736 779	0	0	10	1 479 866
KM	other building	0	0	2	286 189	3	171 868	0	0	0	0	5	458 057
NyD	other building	0	0	2	299 228	11	883403	4	1 058 856	0	0	17	2 241 487
	Total	7	379 704	32	2 799 968	53	5 417 610	19	3 839 120	0	0	111	12 436 402
	Total for the measure	33	1 165 223	447	20 044 852	866	51 829 067	94	15 606 318	8	2 607 113	1448	91 252 573

Source: The ARDA monitoring database, 02.10.2007

Time schedule:

The measure was accredited in September 2002 among the first four measures, then after the first request for application it was also announced in 2 rounds. The applications could be submitted until 30 April, 2004.

Figure 39: Progress of the application process: number of closed applications (pc) and disbursed support (Euro)



Distribution per region:

The Proportion of the Northern Great Plain, Southern Great Plain and Southern Transdanubia regions was outstanding among the successful applications. The lowest number of applications (only 5 %) was implemented in the Central Hungary region. While most of the closed applications originated in the Northern Great Plain, the highest amount of support was received by the Southern Great Plain region. The reason for this was that most of the building development projects were implemented there. The average support amount was the highest in the Central Hungary region (73,452 Euro/project), preceding the Southern Great Plain region (72,827 Euro/project), while it was the lowest in the Northern Great Plain region (53,041 Euro/project).

Figure 39: Distribution of applications per region/sub-measure: the total number of closed applications (No.) and disbursed support (Euro)

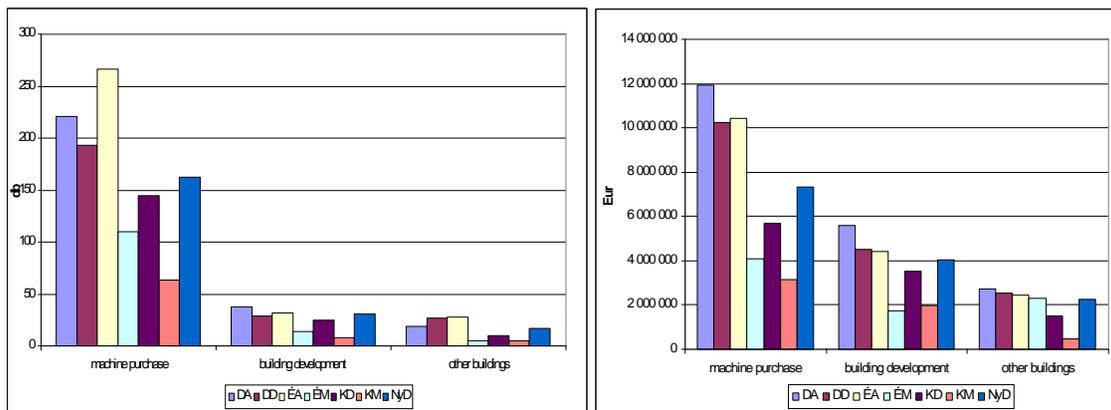


Figure 40: Distribution of applications per region/sub -measure: the total number of closed applications, %

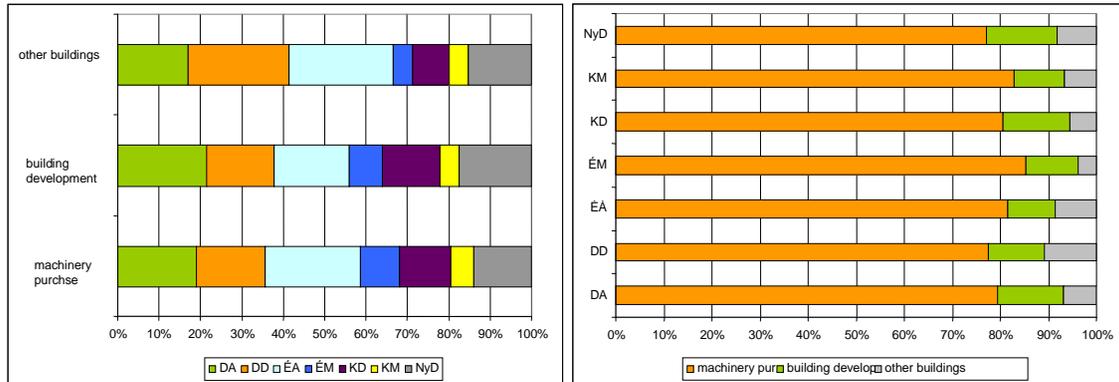
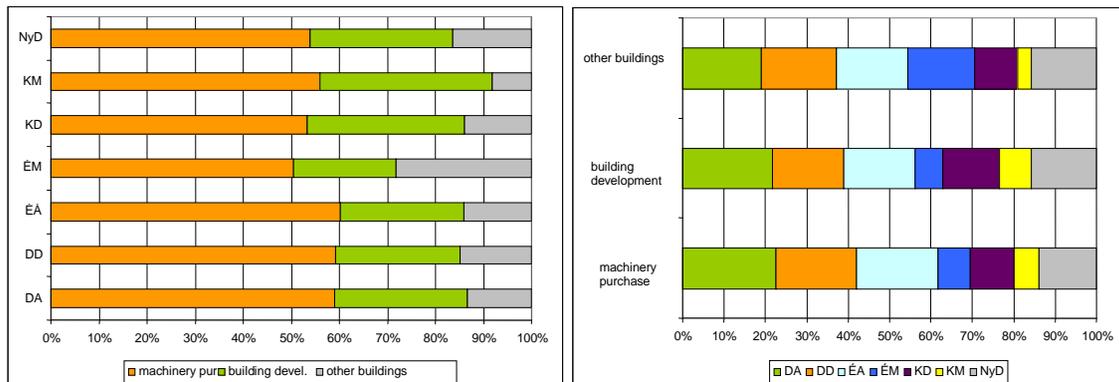


Figure 41: Distribution of applications per region/sub -measure: total disbursed support, %

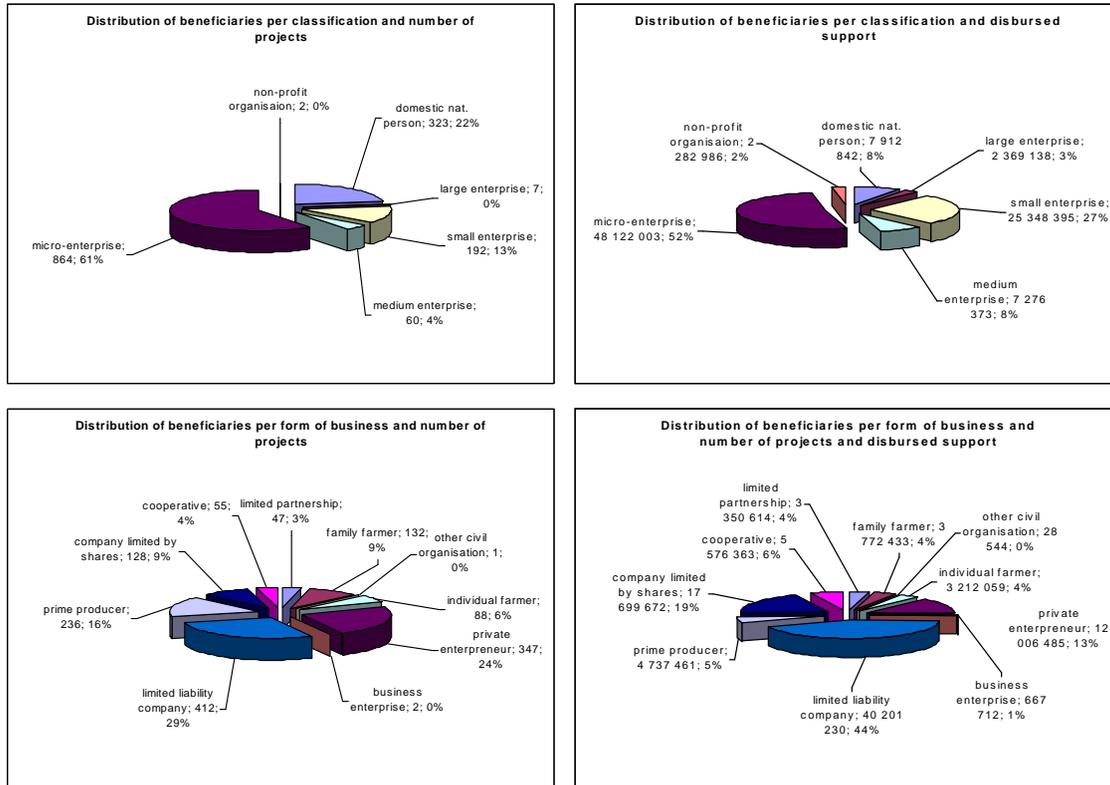


The scope and composition of beneficiaries

The beneficiaries of the measure are those natural and legal persons, and business companies without legal entity involved in agricultural production, at least 50% of whose sales revenues originated from agricultural activities, and where the implementation of the investment would provide the opportunity to become economically viable and competitive.

The composition of the beneficiaries of the measure is extremely diversified regarding their form of business. One of the reasons for that was that the eligibility criteria did not rule out any form of business. Based on their classification, the micro enterprises and domestic natural persons implemented the highest number of projects, however, based on the support amount – as a result of the bigger project sizes – small companies preceded natural persons. Regarding the form of business both on the basis of project number and support amount, limited liability companies were the main beneficiaries of the measure.

Figure 42: Distribution of beneficiaries



Summary and conclusions

The *Investments in agricultural holdings* was the measure of the SAPARD Programme with the greatest financial weight. Within the measure, the high number of applications submitted to and awarded in the machine purchase sub-measure is to be specially highlighted.

The modifications made in the course of the Programme implementation significantly contributed to the success of the measure. These modifications included the extension of the circle of beneficiaries, the increase of the support intensity and the upper limit of the support, and allowed the use of loans granted with interest subsidy.

For the measure a total number of 3,638 applications arrived, which is 41% of the applications submitted to all measures, and the support requirement (Euro 275,309,999) exceeded three-fold of the amount later disbursed (Euro 91,252,573).

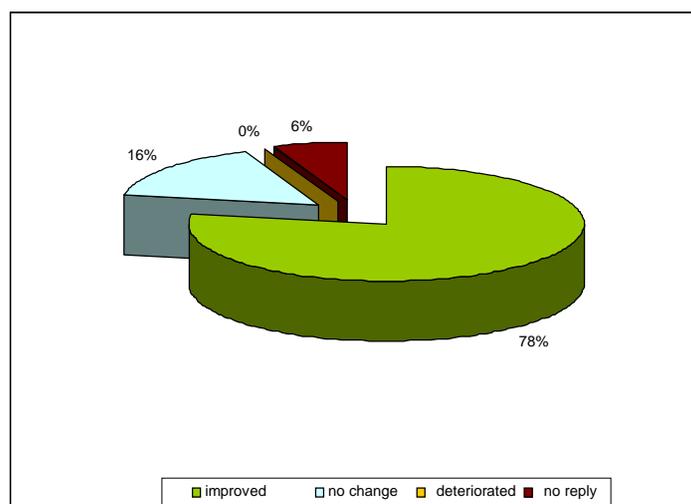
A.I.1. To what extent have the supported investments contributed to increasing the income of the beneficiary farmers?

Among the aims of the SAPARD Programme the improvement of income through the restructuring of agricultural holdings has top priority.

The intermediate evaluation of the Programme found the growth recorded in business plans unrealistic, however, the rate of the actual/forecast figures of the representative sample

available for the evaluation of the measure shows that on the average these targets were still achievable. The average 23.77% growth surpasses the 10% growth found likely in year 2004.

Figure 43: Changes in the competitiveness of enterprises as a result of the SAPARD Programme based on replies given by beneficiaries.



Summarising the results we can conclude that on the level of the beneficiary enterprises the general effect of the support is the increase of revenues, which may ensure sources for further investments.

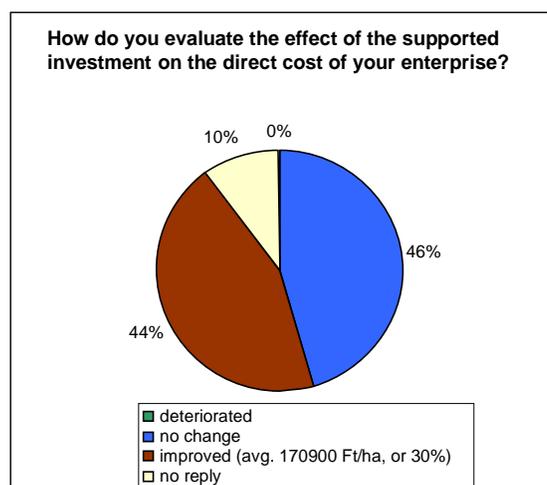
Experience of expert interviews shows that the farmers are able to survive fiercer competition, are either those who have already implemented their projects necessary for competitive operation, or those able to make developments in the 2007 -13 programming period, taking advantage of the possibilities offered by the NHRDP.

In 2004 54% of the applicants forecast competitiveness -increase, while in the present questionnaire-based survey in the case of this measure 78% of the respondents think that their competitiveness has improved.

A.I.2. To what extent have the supported investments contributed to a better use of the production factors on holdings?

The findings expressed in the mid-term evaluation –*changing technical conditions, with the help of the supported investments, significantly affects the better utilisation of production factors, also, efficiency improves and the differentiating impact of the biological periods also lessens* – cannot be verified by the analysis of the available monitoring data, however, based on the answers given to the questionnaire, production costs have improved in a significant number of the enterprises (44 %) as a result of the investment.

Figure 44



Based on the data extracted from the representative sample created from the monitoring database, the utilisation of the production factors of the crop cultivation sector did not improve in the period under review. The values of production – subject to environmental conditions – are strongly variable, and the cost of production follows this change to a lesser extent. The sector’s added value, in line with that, differs from year to year, and related tendencies cannot be established.

The production factors of the livestock breeding sector show a changing picture per species and per product. In the livestock breeding sector, the monitoring database did not allow the analysis of the costs of production. These could be deduced only from the production values, therefore, it was not possible to calculate added value.

In the case of cattle, the monitoring data of the representative sample show a significant and trend-like increase of the average sale price of beef cattle, while the production value of milk production stagnates after an 8% set-back following our accession to the EU.

The pig sector is characterised by periodicity. During the period between 2001 -2004 the decrease of average sales prices then a slight increase was apparent. The sector is very sensitive economically.

The analysis of the meat poultry sector, except some outstanding years (2001, 2004) shows the stagnation of the average sales prices, which, assuming the increase of fodder costs, put the holdings into a difficult situation, requiring, e.g. the improvement of the efficiency of labour force.

The production value produced per working hour cannot be analysed either in the crop cultivation or the livestock breeding sector due to the lack of the source of data. Based on the answers given to the questionnaires, however, it can be concluded that in a significant number of the supported holdings (25%) the efficiency of labour force improved, and efficiency did not deteriorate in any of the supported holdings. The answers show a positive picture from the point of view of competitiveness.

A.I.3. To what extent has the supported investment improved the quality of farm products in compliance with EU standards?

Based on the answers given to the applicants’ questionnaires the projects contributed to the improvement of product quality in the case of a significant part of the farmers (79 %),

however, only a small proportion of the producers sells such certified -quality products, although it is true that the rate of such products increases after the project.

Although the spreading of organic -farming is increasingly extensive in Hungary, based on the answers to the question in the questionnaires, its significance is very slight yet compared to the quantity of products produced in traditional farming. Only 2% of the respondents sell products from organic -farms, which authentically illustrates the status of ecological farming in Hungary.

During the period between 2000 -2005 the number of organic -farmers increased from 666 to 1551, and the agricultural land drawn under and the livestock involved in ecological farming increased at a similar rate, but even so, ecological farming is carried out only on 2.84 % of the total cultivation land, a proportion which is in line with the value of 2% received in the analysis of the questionnaires.

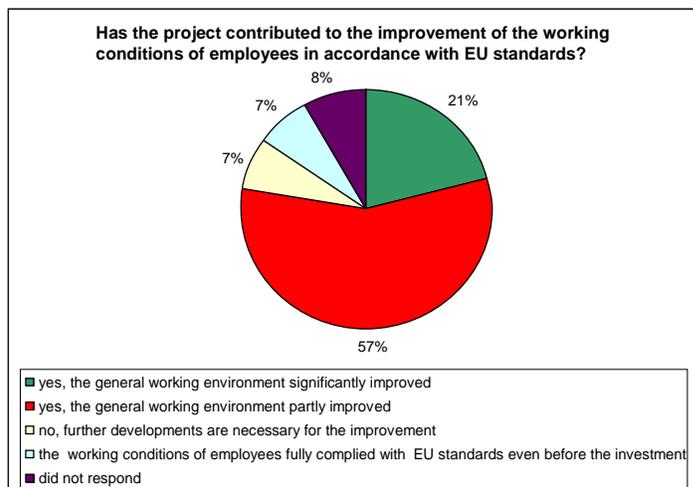
In summary it can be stated that the measures of the SAPARD tender helped increase the quantity of the products sold as certified quality products only to a minor extent and fundamentally did not result in the growth of organic -production. This was mainly caused by the nature of the activities eligible for support, and because the project selection system did not prefer such products that are sold with the mark of quality product.

A.I.4. To what extent has the supported investment improved the production conditions in terms of better working conditions in compliance with EU standards?

More than half of the farmers feel that as a result of the supported development, the general working environment has partly improved, 21% of the respondents stated significant positive changes and only 7 % said that they can ensure compliance with the EU standards only through further investments.

Based on the intermediate evaluation, the improvement of work, health, and safety conditions was included in the business plan of only 17% of the enterprises already supported until then. Based on the questionnaire survey, the Programme contributed to the improvement of such conditions to a higher degree, which is a favourable development.

Figure 45



A.I.5. To what extent have the supported investments improved production conditions in terms of animal welfare in compliance with the European Union’s standards?

In the supported holdings, both the proportion of animals kept in enclosures complying with EU standards, and both the rate of supported holdings complying with the EU standards on animal welfare are complete, as in the supported holdings, at least after the implementation of the development, all of the functioning enclosures must comply with the EU standards (100%), since the operation licence is granted for the premises as a whole unit.

A.I.6. To what extent have the supported investments facilitated environmentally friendly farming?

Although the measure „Agricultural production methods designed to protect the environment and maintain the countryside” has not been announced, a number of projects contained the development of environmentally sound farming thus contributing to the aims of the environment protection priority.

Based on the questionnaires, in the case of 16% of the supported investments, the primary aim of the investment was compliance with the environmental conditions, while in the case of 71% the investment facilitated this aim indirectly. Only 5% of the respondents said that in this aspect the investment did not result in development.

Although one of the three principles of the measure was to focus on environment protection aspects, the holdings struggling with the shortage of capital were primarily interested in preserving/increasing their competitiveness and maintaining their viability. Based on that, the significant number of the manure treatment, water management and other environmental developments implemented by the supported investments is definitely welcome.

In addressing the measure specific questions of the measure entitled “*Investments in agricultural holdings*”, evaluators used two sources of information for their work; the 99 returned applicants’ questionnaires and the data made available from the monitoring database handled by ARDA. For the individual indicators we planned originally with 10% sample sizes from the monitoring database, however, as a result of the extent of the population of the database the scope of the respondents had to be decrease in some cases. The sample size is separately indicated at the given indicators.

Question	A.I.1. To what extent have the supported investments contributed to increasing the income of the beneficiary farmers?
Criterion of evaluation	A.I.1-1. The income of beneficiary farmers has improved.
Indicators	A.I.1-1.1. „Gross farm income’ of assisted holdings’’ (€).
<p>The indicators were extracted from the representative sample of the monitoring database containing 134 projects, which means 9.25 % sampling. The analysed indicator, based on the Guidelines, uses the fact data of the year preceding the submission of the application, and of the 5 years following the submission of the application. The short period that lapsed since the submission of the first applications justified the modification of the method, thus the fact data between the 2 years preceding the submission of the application and year 2006 were analysed.</p> <p>By 2006, the farmers’ sales revenues increased to an average of 123.77%, compared to the 2nd year prior to the submission of the application. Compared to the year of submission, the growth is 138.27%. In the case of 63% (compared to the 2nd year prior to submission) and 72 % of farmers (compared to the year of submission) was there an increase of sales revenues, which makes it likely that the growth took place in the case of those applicants who have higher sales revenues.</p> <p>The same data are as follows in a breakdown as per the year of submission:</p> <ul style="list-style-type: none"> • Applications submitted in 2002: 226.07% and 143.96% increase, increase in the case of 80% and 50% of the farmers, respectively² • Applications submitted in 2003: 108.95% and 145.86% increase, increase, increase in the case of 67% and 78% of the farmers, respectively • Applications submitted in 2004: 124.08% and 124.14% increase, increase, increase in the case of 58% and 72% of the farmers, respectively <p>From the comparison of plan (business plan) and fact figures the following conclusions can be drawn:</p> <p>For the complete sample, the fact/plan rate is 102.25%, this rate in the case of applications submitted in 2002 is 120.59%, in 2003 99.62%, while in 2004 100.82%. The above figures show that in the business plans, apart from the applications submitted in 2002, the applicants relatively accurately forecast the increase of sales revenues.</p>	

² The first figure shows the increase of the net sales revenues achieved until 2006 for the second year preceding submission, while the second compared to the year of submission.

Question	A.I.2. To what extent have the supported investments contributed to a better use of the production factors on holdings?
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Criterion of evaluation	A.I.2-1. Increase in factor productivity
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Indicators	A.I.2-1.1. Production value in the supported holdings (Euro/ha, Euro/animal unit)
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The sample necessary for determining the production value per sector was provided by the monitoring database.

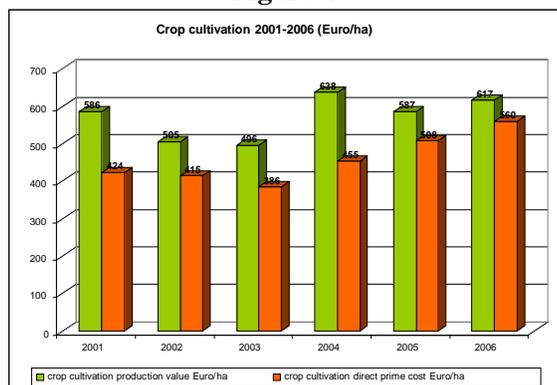
For determining the production value of the crop cultivation sector production, the machine purchase applications of the database were analysed, as the machine purchase primarily served the development of the crop cultivation sector.

By analysing the data of 131 projects a 11.3% sample was obtained (1160 machine purchase applications).

In the analysis of the crop cultivation sector, we analysed the production data of the 10 most significant crops separately, and out of these the data of the 3 plants grown in the largest areas (winter wheat, corn, sunflower) are also presented separately in this point. The period between 2001 and 2006 was analysed, due to the population of the monitoring database.

The production value– analysis of the cost of production based on the weighted summary of the 10 most significant crops:

Figure 46



The output must be analysed with the data of the year prior to submission and of the 5 years following that, however, due to the late commencement of the SAPARD Programme we changed the method of analysis.

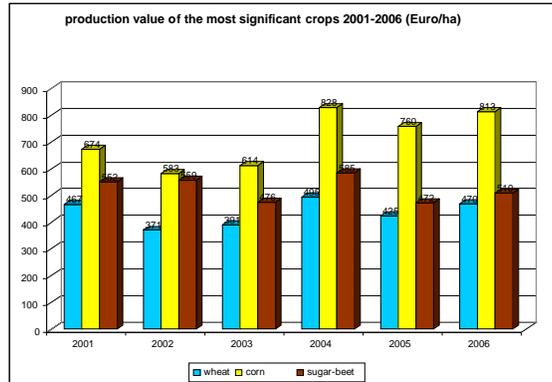
The applications were submitted in the largest number in 2003 and in 2004, and in line with that we reviewed the fact data of sector from 2001.

It can be concluded that the developments implemented as a result of the Programme did not play a considerable role in the increase of the output of crop cultivation sector. The output of the crop cultivation sector is strongly affected by the environmental conditions.

The considerable drought years of 2002 -2003 caused a significant set-back of production value, and this sector has not yet been able to reproduce the outstanding production of year 2004, when the conditions were favourable. The trend, however, shows a slight growth.

Production value, based on the analysis of the crops grown on the largest area, shows a similar picture.

Figure 47



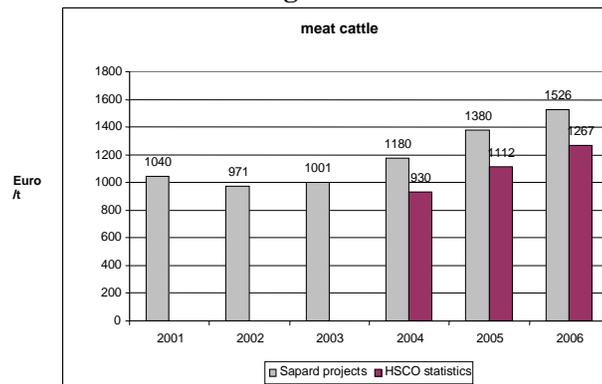
For determining the production value of the livestock breeding sector the monitoring database was used. The extracted data were compared with the official average sales prices of CSO in years 2004-2005-2006.

Out of the livestock breeding sectors, the SAPARD Programme supported the developments of the cattle, pig and poultry sectors.

In the cattle sector, the meat cattle, and the milk output was analysed.

In determining the production value of meat cattle from the monitoring database the data of 26 projects were used, which is 14.77 % of the enterprises concerned in the SAPARD Programme and involved in the breeding of meat cattle (176).

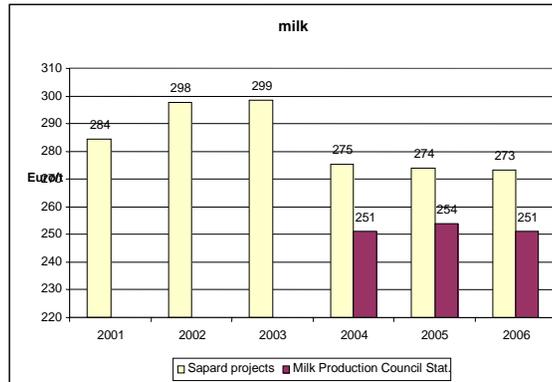
Figure 48



The breeding of meat cattle is characterised by continuous production value growth. Between 2001-2006, the output of the analysed sample increased by 46.7 %. Furthermore it can be concluded that the production value of the enterprises implementing SAPARD projects exceeds the country average.

For determining the production value of milk producing holdings the data of 46 projects were used. This is 29.11 % (158) of the milk producing holdings participating in the SAPARD Programme.

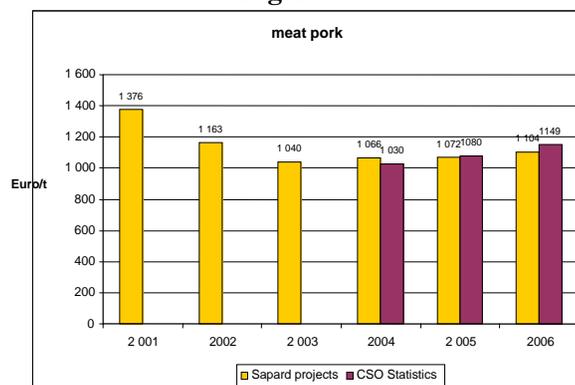
Figure 49



In the period between 2001-2003, a slight increase was apparent in the output of milk production, then in 2004 there was a sudden set-back. Since then the sector has been characterised by the stagnation of the average sales prices. The average sales prices exceed the national average in the case of this product as well.

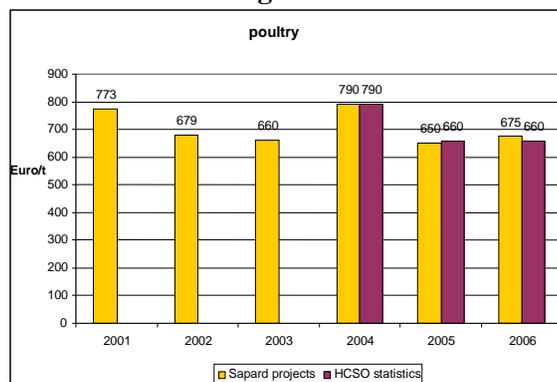
For determining the production value of the pig sector the data of 44 projects of the monitoring database were used. This is 29.14 % (151) of the pig breeders participating in the SAPARD Programme.

Figure 50



In the period between 2001 and 2003, the output of the pig sector significantly decreased, and since then the sector has been characterised by the slight increase of values. The average sales price of the SAPARD projects is almost similar to the official national statistical average prices.

Figure 51

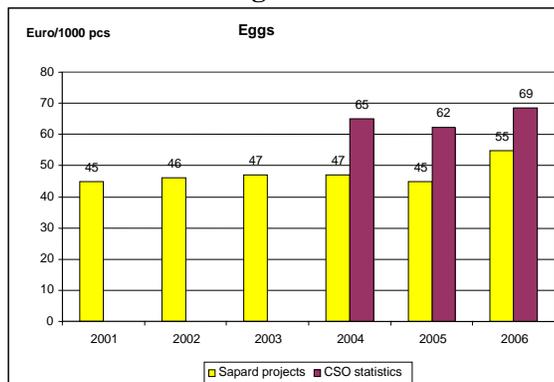


For determining the production value of the poultry sector the data of 5 projects of the database were analysed. This is 8 % (151) of the poultry breeders concerned in the SAPARD Programme.

The production value of the poultry sector is strongly fluctuating. After the outstanding value of year 2004 it returned to the previous value of 650 -670 Euro/t.

In the analysis of the production value of eggs for consumption the analysis sample was provided by 2 projects. This is 8 % (25) of the egg producer enterprises concerned in the SAPARD Programme. The population level of the monitoring database did not allow the analysis of a bigger sample.

Figure 52



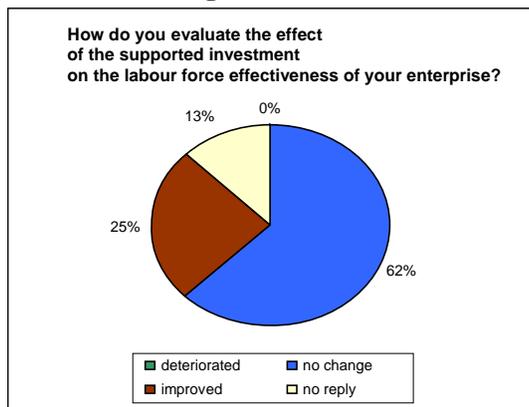
The analysis pointed out the stagnation of the sales price of eggs for consumption. The official national production value of eggs for consumption is significantly higher than that of the sample analysed. It is likely that the low number of items of the analysed sample makes the result unreliable.

Indicators

A.I.2-1.2. Production value produced in the supported holdings per working hour (€/hour)

Due to lack of a data source this indicator cannot be evaluated based on the monitoring data. However, according to 25% of the enterprises interviewed in the applicants' questionnaires the efficiency of the labour force of the enterprise has improved.

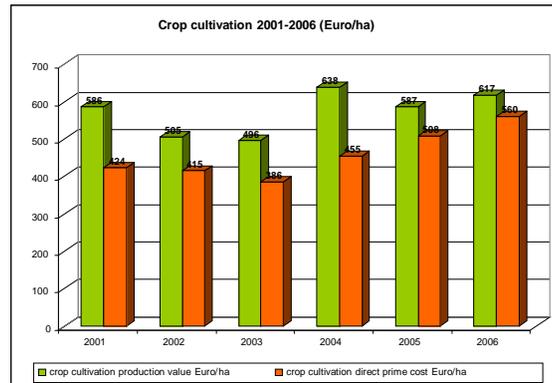
Figure 53. ábra



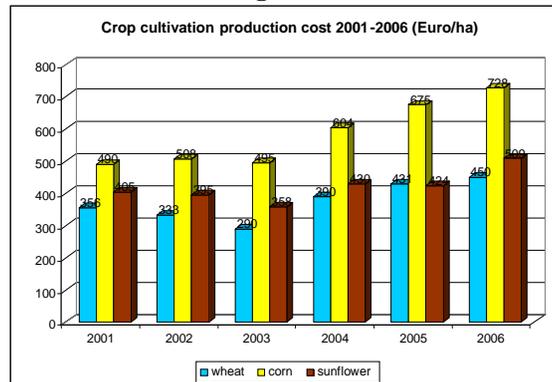
Indicators**A.I.2-1.3. Cost (direct expenses) per basic product unit in the supported holdings**

In the analysis of the production costs, the sample applied in the production values of crop cultivation were used.

The analysis of the cost of production based on the weighted aggregate of the 10 most significant crops:

Figure 54

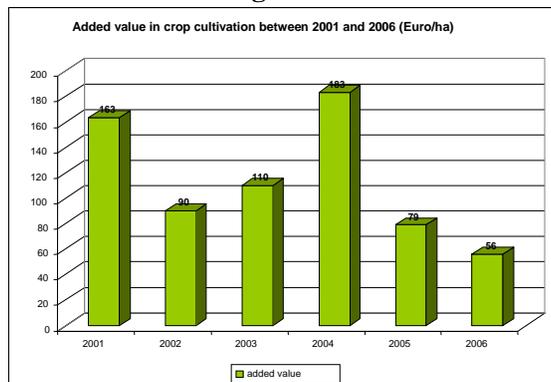
Production costs based on the analysis of the crops grown on the largest land area:

Figure 55

The production costs of the crop cultivation sector show a trend-like slight increase. This, possibly – through the costs of forage – influence the increase of the production cost of the livestock breeding sector as well, however, due to the lack of a data source it is not possible to analyse this.

Added value calculation based on the weighted summary of the 10 most significant crops:

Figure 56



The added value of the crop cultivation sector is characterised by significant changes from year to year, which are fluctuating, therefore trends cannot be identified.

Question	A.I.3. To what extent has the supported investment improved the quality of farm products in compliance with EU standards?
Criterion of evaluation	A.I.3-1. The quality of agricultural products improved in compliance with the European Union's standards.
Indicator	A.I.3-1-1. The rate of products with quality certification in the supported holdings (%)
<p>Based on the answers given in the applicants' questionnaires related to the investment measure, in the case of 79% of the farmers the Programme contributed to the improvement of product quality.</p> <p>Based on the answers, however, unfortunately only 67% of the farmers know existing quality certification systems, and only 13% of the farmers sell goods with quality certification. Within the product structure of these farmers, the proportion of goods with quality certification makes up 59% prior to the supported investment, and this proportion increased to 66% for the period following the project (only 8 respondents gave an appraisable answer with regards to these data in the questionnaires).</p>	
(a) which comply with the EU food quality standards (%)	
<p>All of the supported holdings must comply with the EU food quality standards, as this condition was included among the eligibility criteria of the support. The beneficiary holdings must comply with the above requirements at the latest after the implementation of the investment.</p> <p>Based on the answers given in the questionnaires (10 answers suitable for evaluation in relation to the given question) within the circle of goods with quality certification the rate of goods complying with the EU product quality standards was 89 % prior to the supported investment, and this proportion increased to 93% for the period after the investment.</p>	
(b) proportion of products from certified organic-farms (%)	
<p>Only 2% of the producers answering the questionnaires sell products from certified organic farms. No appraisable answers have been received from any of the respondents with regards to the proportion of the organic-products within the production structure.</p>	

Question	A.I.4. To what extent has the supported investment improved the production conditions in terms of better working conditions in compliance with EU standards?
Criterion of evaluation	A.I.4-1. The working environment has improved
Indicators	A.I.4-1.1. Rate of supported holdings, which improve compliance with the European Union's specifications on work health and safety through their developments (%)
<p>In the case of 7% of the respondents in the questionnaire survey, the working conditions already fully complied with the EU standards even before the investment, and the same way, only 7% stated that the implemented investment did not help achieve this target.</p> <p>Most of the farmers (57%) feel that the general working environment partly improved, and 21% reported significant positive change.</p> <p>Based on the mid-term evaluation, the improvement of work, health, and safety conditions was included in the business plan of only 17% of the supported enterprises until the finalisation of the mid-term evaluation. Based on the recent questionnaire survey, the Programme contributed to the improvement of such conditions to a higher degree, which is a favourable development.</p>	

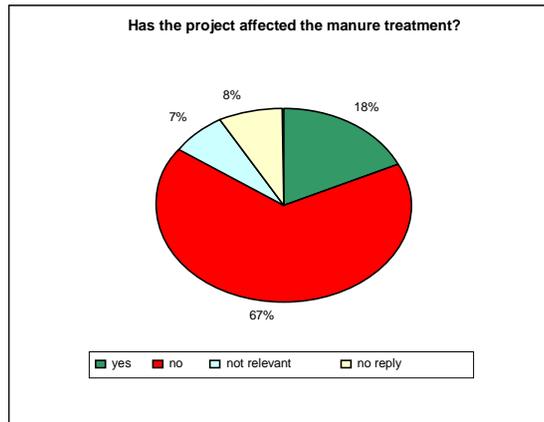
Question	A.I.5. To what extent have the supported investments improved production conditions in terms of animal welfare in compliance with the European Union's standards?
Criterion of evaluation	A.I.5-1. Animal protection has improved
Indicators	A.I.5-1.1. The rate of supported undertakings complying with EU animal welfare standards (%);
<p>At the time of the accession of Hungary to the European Union, out of the total number of livestock farms only 21 plants keeping battery hens in cages were derogated for not complying with the EU animal protection standards. Almost half of these farms have been closed down since then, while 13 are making continuous developments. The derogation period will expire on 31st of December 2009, when all livestock farms, including the supported undertakings, must fully comply with the EU animal protection standards.</p> <p>The proportion asked, therefore, is 100%.</p>	
Indicators	A.I.5-1.2. The proportion of animals kept in enclosures complying with the EU standards in the supported holdings (%).
<p>Based on the above answer, as in the supported holdings, at least after the implementation of the development, all of the functioning enclosures must comply with the EU standards (in 100%), since the operation licence is granted for the premises as a whole unit.</p>	

Question	A.I.6. To what extent have supported investments facilitated environmentally friendly farming?										
Criterion of evaluation	A.I.6-1. Integration of the environment protection criteria into the holding's investments										
Indicator	A.I.6-1.1. The proportion of supported holdings introducing such developments that resulted in the improvement of environmental conditions (%)										
<p>Based on the questionnaire, in the case of 16% of the respondents, the primary objective of the investment was compliance with environmental conditions, while in the case of 71% of them the project facilitated this target indirectly. Only 5% of the respondents said that the project didn't bring about any development in this respect.</p> <p style="text-align: center;">Figure 57</p> <div style="text-align: center;"> <p>Has the project contributed to the improvement of environmentally-aware farming?</p> <table border="1"> <thead> <tr> <th>Response</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>yes, the primary objective of the investment was to ensure compliance with environmental conditions;</td> <td>16%</td> </tr> <tr> <td>yes, the investment has indirectly contributed to a higher level of compliance with environmental conditions;</td> <td>71%</td> </tr> <tr> <td>no, the investment has not contributed to compliance with environmental conditions;</td> <td>5%</td> </tr> <tr> <td>did not respond</td> <td>8%</td> </tr> </tbody> </table> </div>		Response	Percentage	yes, the primary objective of the investment was to ensure compliance with environmental conditions;	16%	yes, the investment has indirectly contributed to a higher level of compliance with environmental conditions;	71%	no, the investment has not contributed to compliance with environmental conditions;	5%	did not respond	8%
Response	Percentage										
yes, the primary objective of the investment was to ensure compliance with environmental conditions;	16%										
yes, the investment has indirectly contributed to a higher level of compliance with environmental conditions;	71%										
no, the investment has not contributed to compliance with environmental conditions;	5%										
did not respond	8%										
(a) where the direct purpose of the investment is to improve the environmental conditions											
16%											
(b) where this had only a collateral impact (e.g. due to the machines purchased mainly for economic purposes) (%)											
71%											

(c) which apply to waste management and the treatment of excess manure (%)

The intermediate evaluation stated that in the livestock breeding sector (mainly in the pig and cattle sector) the investment of 17% of the supported undertakings were aimed at the improvement of manure storage. The answers given to the questionnaire survey conducted as part of the ex-post evaluation show a similar picture. In the case of 18% of the respondents the project concerned manure treatment.

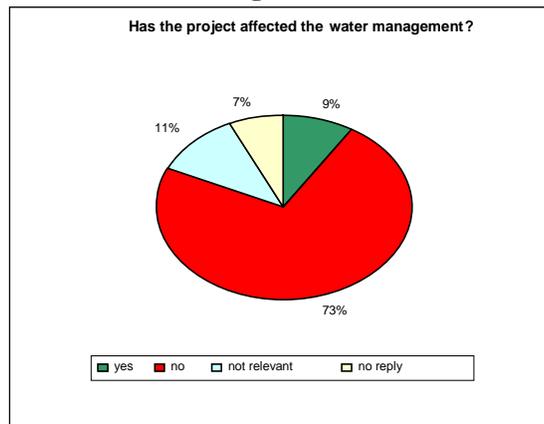
Figure 58



(d) which concerns the water management of the holding (%)

9%

Figure 59



(e) which applies to other favourable farming practices/technologies (%)

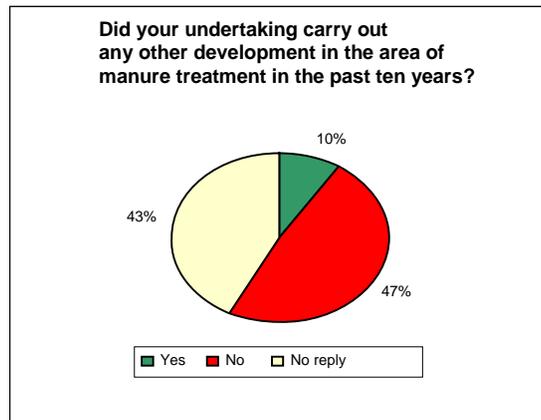
25%

Criterion of evaluation	A.I.6-2. Improvement of the storage of farm-manure and its application as fertiliser
Indicator	A.I.6-2.1. The rate of supported holdings realising the storage of farm-manure and its application as fertiliser (%)

It has become necessary to modify the indicator in order to ensure that the role of the SAPARD Programme in the area of the development of manure treatment is easier to interpret.

10 % of the respondents asked, carried out a development in the area of manure treatment in the course of the last 10 years.

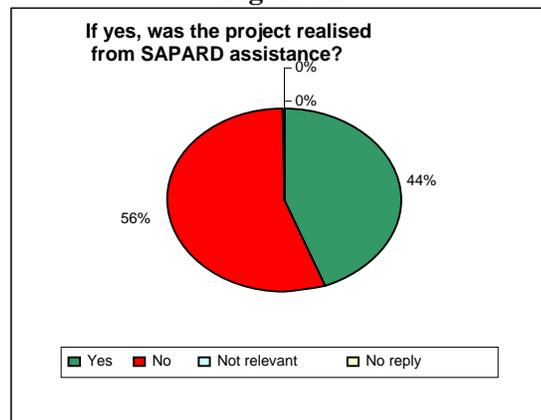
Figure 60



(a) out of which the rate of the parties co-financed from the support (%)

44% of those carrying out a development in the area of manure treatment in the course of the last 10 years completed the necessary development from the support granted under the SAPARD Programme.

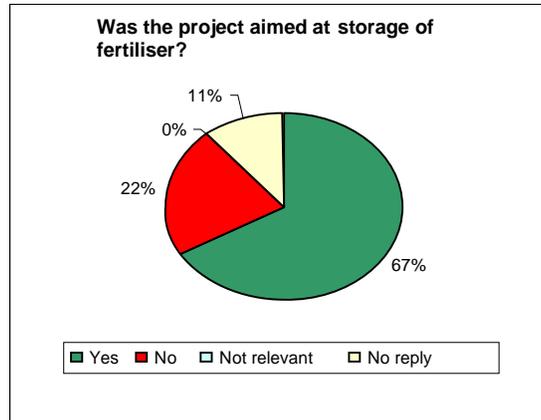
Figure 61



(b) out of which the storage (%)

Based on the evaluation of the questionnaires, 67% of the developments of manure treatment implemented in the course of the last 10 years were realised in the area of manure storage.

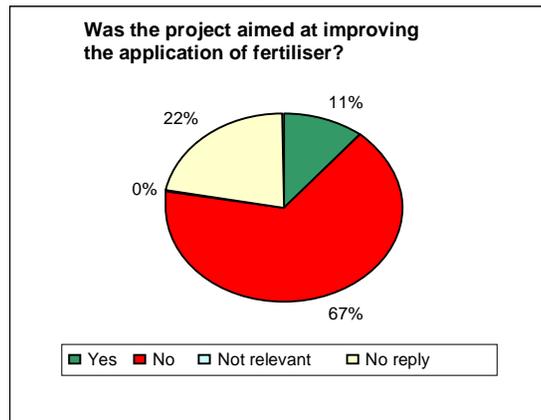
Figure 62



(c) out of which application of manure as fertiliser (%)

Based on the evaluation of the questionnaires, 11% the developments of manure treatment implemented in the course of the last 10 years were realised in the area of the application of manure as fertiliser.

Figure 63



A.I.6-2.2. The rate of those supported holdings, which comply with the EU requirements on organic manure (%)

Based on the evaluation of the questionnaires, among the supported holdings the number of those holdings which fully comply with the EU requirements on organic manure increased from 40% to 46%. Apart from them, another 30% will at least partly comply with these regulations after the development supported from the SAPARD Programme is implemented.

3.4.1.2. Processing and marketing of agricultural and fishery products

Objectives of the measure

The measure is one of the four measures accredited in September 2002. The tender was first announced on 25th of September 2002, it was announced on two more occasions, for which the final deadline for submission was 30 April, 2004. The aims of the measure are based on the following four pillars:

- increasing market efficiency;
- compliance with the EU regulations on the processing of agricultural products;
- decreasing the environmental load caused in the course of the processing of products;
- employment, maintaining jobs, and creating new jobs;

In line with the above, the main priorities of the support used were as follows:

1. Compliance with regulations

- ensuring food safety, and creating the technical conditions for compliance with the EU standards on hygiene;
- modernisation of environmental protection, and waste management, improvement of the conditions of these;
- compliance with the EU animal protection specifications;

2. Improvement of competitiveness and quality

- improving competitiveness through the development of technology and the improvement of the quality level of products;

Relevance of the measure

The status analysis part of the Programme clearly underpins the necessity of the measure: the „temporary condition” of the domestic operation structure justified the continuation of the investments, which may help prevent the previous losses suffered through the rearrangement of market positions. However, the apparent shortage of capital hinders the development activities, and the processors themselves are not able to implement the necessary technical developments. In addition to that, a significant number of the small and medium -size enterprises operating in the area of the processing of agricultural and fishing products did not comply with or only partly complied with the food safety, hygiene and environment protection stipulations, which also reinforces their disadvantage in the competition on the markets of the European Union.

The scope and composition of beneficiaries

Such natural and legal persons, and business companies without legal entity were eligible to take part in the tender who are involved in the processing of primary products in the following areas:

- cattle, calf, pig and other meat -livestock;
- poultry;
- milk, dairy products;

- egg;
- wine;
- vegetables-fruits;
- fishing products;

It must be highlighted that although the applicants had to verify the viability of the enterprise with a business plan, the circle of beneficiaries was not demarcated, based on size. This, in terms of the results, raises the question of long-term sustainability, a subject which will be addressed once again, when analysing the beneficiaries of closed projects.

In addition to the above, the following conditions serve as eligibility criteria, among others:

- if the project was operated by a producer, more than 20% of the material used has to be purchased from other primary producers;
- that part of the enterprise which was concerned in the development had to comply with the pertaining community regulations on food safety, hygiene, environment protection and animal welfare by the completion date of the investment;
- the professional opinion of the animal health and environment protection authority competent in the territory with regards to the project had to be available;
- the business plan verifying the economic viability of the enterprise had to be available, to prove that the planned investment could not be implemented without the support;

Based on the year 2003 amendment of the SAPARD Plan, the increase of liquid -milk processing, milk powder, casein and butter production, and pig, cattle and poultry slaughtering capacity was not eligible for support, but only if the processing capacity does not increase at a national level.

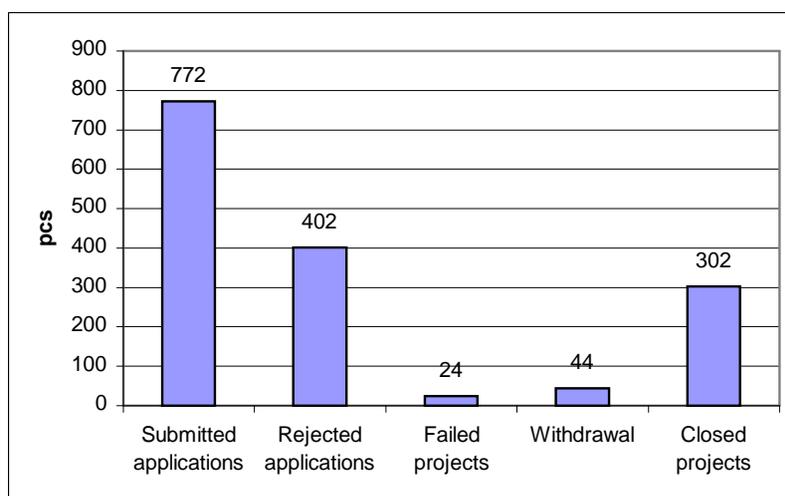
In addition, in 2003 the previous maximum HUF 100 million value limit of support increased to HUF 250 million. The reason for that is that due to the increase requirement of fulfilling the EU requirements and the increase of competitiveness the costs of the investments have grown, especially in the area of environment protection investments. Such a rate of increase of the total costs of projects was certainly beneficial to larger companies with a higher level of capital.

In 2004 clarifications and additions were made in relation with the production of milling products, production of livestock feed, and grape processing and wine production.

Submitted and supported projects

For the measure 772 applications were received, which make up 9% of the total number of applications received. The total support requirement of the applications received for the measure was Euro 164,570,446, which makes up 19% of the support requirement of all applications received for the SAPARD Programme. Out of the 772 applications received, it was decided to support 370 projects within the measure. The total approved budget of the supported projects was Euro 205,500,282, and the related support requirement was Euro 79,629,656.

Figure 64: The number of received, rejected and eventually supported applications



Regarding the number of the rejected applications, this measure, with 402 rejected applications (52% of submitted applications) ranks fourth after the ‘investment’, ‘village development’ and “development of rural infrastructure “ measures. The support requirement of the rejected applications was Euro 84,940,790.

Reasons and distribution of rejection:

- 166 applications – shortage of funds;
- 82 applications – omissions;
- 64 applications – ineligibility;
- 13 applications – lack of viability;
- 13 applications – incorrect budget;
- In 35 cases the applicant decided to withdraw its application;
- 3 applications were submitted after the set deadline;
- In 2 cases the on-site inspection verified the lack of eligibility;
- 2 applications – supplying incorrect data;
- 2 applicants did not make the requested modifications;
- 20 applications were rejected for other reasons;

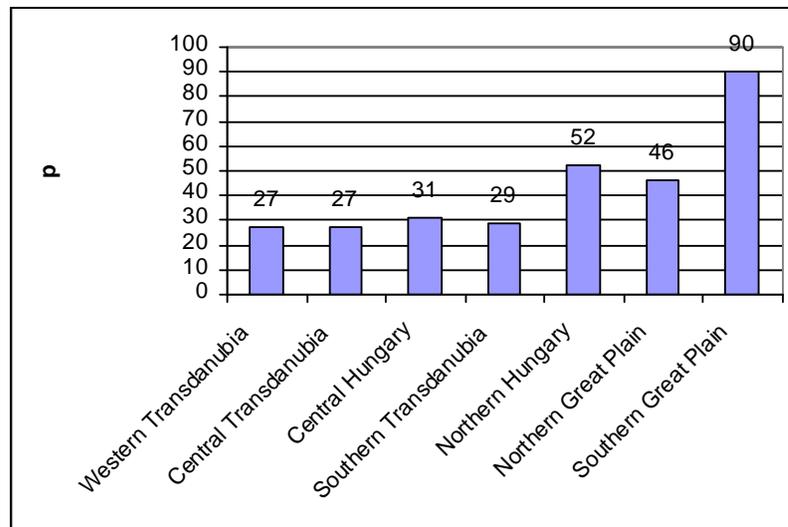
Out of the supported projects 302 were closed, out of the remaining 68 projects in 24 cases the project failed to be implemented, and in further 44 cases, either the beneficiary or ARDA withdrew from the contract. Within the accepted projects both the number of projects not implemented/closed and their support requirement represent a proportion around 18%.

Within the measure, projects ending in withdrawal or failure of implementation represent a particularly high proportion. In certain cases during the course of interviews with the institutions, attention was drawn to the conduct of applicants in bad faith. Within the measure in certain cases some of the newly founded companies (project companies) ceased to exist after the full or partial implementation of the project or after the full or partial drawdown of the support amounts, or possibly after the changes of owners. The reason for the failure of implementation in most cases was due to the increasingly difficult or uncertain market

circumstances (e.g. the impact of the occurrence of the bird flu on the poultry sector) the financial status of the supported companies deteriorated, thus bankruptcy procedures were filed against many of them. Most of the withdrawals and failures took place within the measure of cattle, pig and other meat processing, where the major problem appeared in the area of the production and sale of pork.

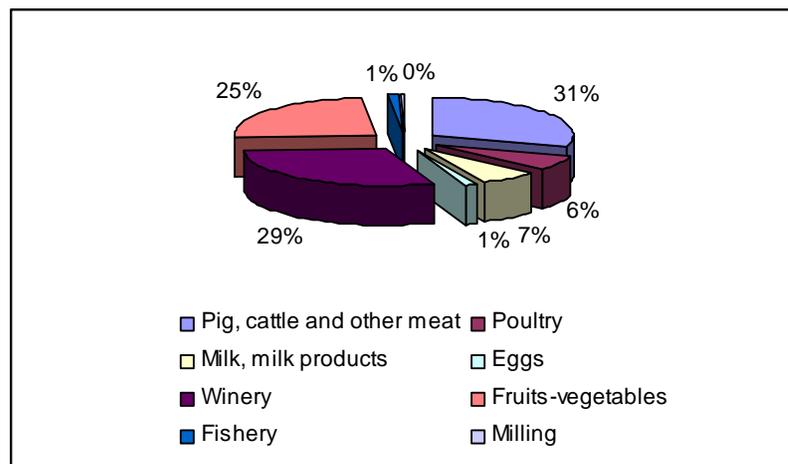
The total approved budget of the closed projects was Euro 170,784,405, while their total support requirement was Euro 65,836,788. The distribution of the projects per region was naturally not even. Nearly 30% of the projects, a total of almost 90 arrived from the Southern Great Plain region, and in addition to that the Northern Great Plain (46) and the Northern Hungary region (52) performed above-average, consequently, 62% of the total number of closed projects were received from the three eastern regions.

Figure 65: Distribution of closed projects per region



The following figure illustrates the proportion of the individual development areas within the measure, and it is apparent that the pig, cattle, other meat, and the vegetables-fruits processing and wine production together cover more than one fifth of the total number of closed projects, i.e. 85%.

Figure 66: Distribution of closed applications among the areas of development



In the above distribution, the moderate proportion of the poultry sector may be surprising, although this is somewhat justified by the bird flu, which appeared and reappeared parallel to the running of the Programme and causing regular market disturbances, and consequent unpredictability. However, the pig, cattle, and other meat sector, represent the highest proportion in spite of the fact that creation of excess capacity was not allowed here either. It can be concluded that the market significantly rearranged in this area, as the additional capacities built out as a result of the support meant the discontinuation of other capacities. In the case of milk industry, just the existence of this capacity limit could be one of the explanations of the low level of participation. In the case of the milling industry, the indicated 0% rounded value represents only one closed project.

Table 17: Breakdown of the closed applications of the measure Processing and marketing of agricultural and fishery products per sub-measure, region and year

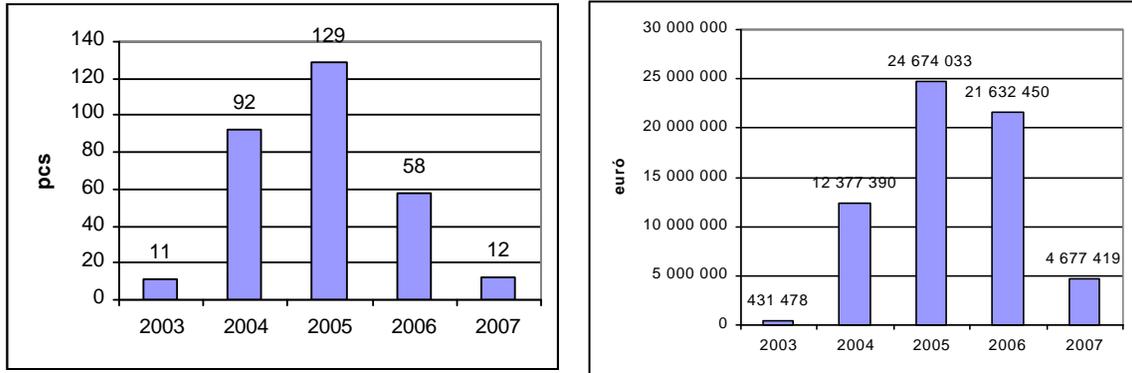
Region	Sub-measure	2003		2004		2005		2006		2007		2000-2007	
		Closed application (pc)	Disbursed support (Euro)	Closed application total (pc)	Disbursed support total (Euro)								
DA		1	26,643	27	3,200,445	43	8,513,604	17	5,819,129	2	783,686	90	18,343,507
DD		2	109,457	10	1,172,613	15	2,840,323	2	1,200,863	0	0	29	5,323,256
ÉÁ		2	45,827	20	3,906,419	10	2,026,171	9	4,665,848	5	2,234,280	46	12,878,545
ÉM		4	56,312	9	750,753	20	2,659,214	17	5,666,271	2	534,484	52	9,667,034
KD		0	0	5	762,939	11	1,809,697	9	3,474,129	2	1,075,052	27	7,121,817
KM		0	0	13	1,924,273	16	4,493,336	2	407,702	0	0	31	6,825,311
NyD		2	193,239	8	659,948	14	2,331,688	2	398,508	1	49,917	27	3,633,300
	Total	11	431,478	92	12,377,390	129	24,674,033	58	21,632,450	12	4,677,419	302	63,792,770

Source: The ARDA monitoring database, 02. October, 2007

Time schedule of the projects

The implementation of 4% of all the closed projects was completed in 2003, 30% in 2004, 43% in 2005, 19% in 2006, and in 2007 it was 4%. The management of applications continuously struggled with time slippage, and the disbursements were also delayed, as it was indicated in the answers given in the questionnaires.

Figure 67: The number of closed applications in the individual years, and the support amounts disbursed to the closed projects

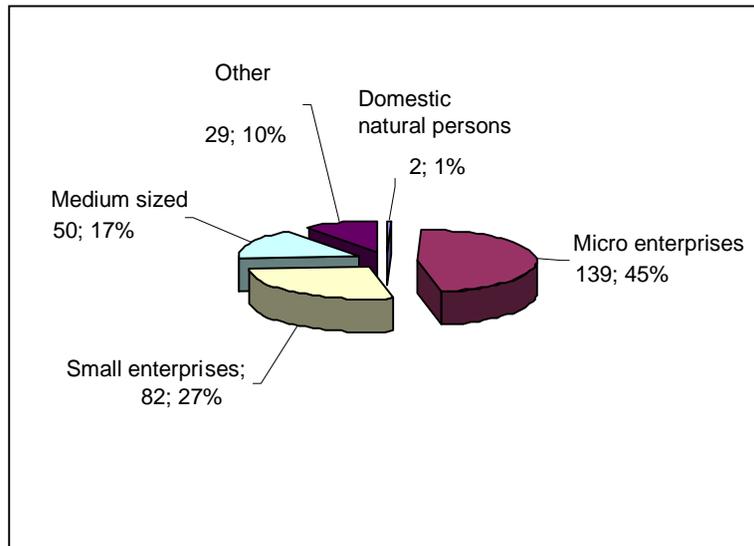


The comparison of the above figures show that typically the higher volume investments were completed later, as while in 2004 and in 2005 the support amounts disbursed to the closed projects was an average of Euro 134,537 and Euro 191,272, in 2006 and in 2007 it almost doubled to Euro 372,973 and Euro 389,784. This phenomenon is understandable, as higher - volume developments usually require a longer preparation, manufacturing, commissioning, pilot operation etc. period.

Distribution per beneficiary

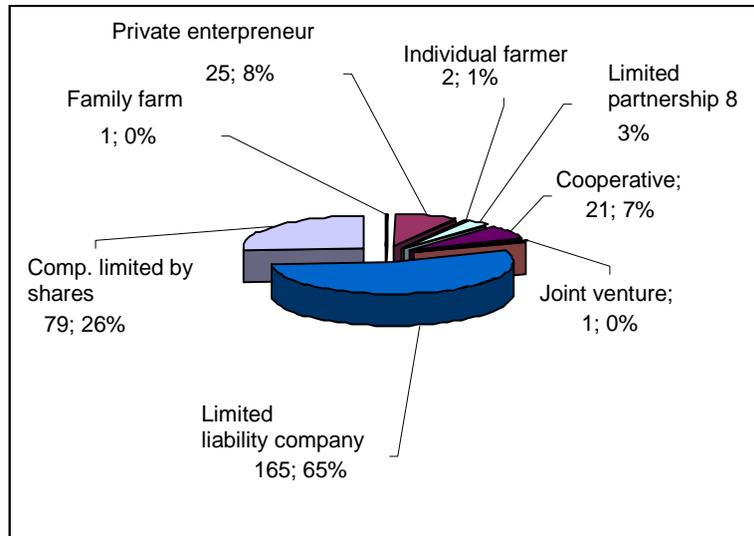
The distribution per beneficiary based on classification code and size was as follows:

Figure 68: Distribution of the beneficiaries of closed projects per size



It is apparent that among the beneficiaries of closed projects the participation of micro enterprises and small companies was predominant. This also underpins the fact that the smaller the size of an undertaking is the more likely it is that the company is under capitalised, i.e. the larger the part played by the support Programmes in the financing of investments. Still, such a proportion of participation of micro enterprises (maximum 10 employees) may be surprising. Taking into account the market processes it can be concluded with a high level of certainty that the fate of these undertakings will be either rapid improvement, and growth or lack of viability and closing down under the circumstances of the competitive market. The number of the supported micro enterprises which survive until the end of the mandatory sustaining period may be the subject of a later analysis.

Figure 69: Distribution of the beneficiaries of closed projects as type of business



The main beneficiaries of the measure, due to the nature of the measure and to the high project costs, are joint enterprises of legal entity, in particular the limited liability companies and corporations limited by shares, the absorption capacity of the enterprises to benefit from the support is reflected by the fact that while they make up 81% of the beneficiaries, they received 91% of the support disbursed for this measure. Nevertheless, please note that it clearly derives from the comparison of the above two figures that a significant part of the limited liability companies must have been micro enterprises employing maximum 10 employees.

Table 18 presents the detailed distribution of beneficiaries, with project size, and support amounts.

Table 18: Processing and marketing of agricultural and fishery products114 – distribution of beneficiaries

Form of business	Closed application (pc)	%	Support (Euro)	%	Total project size (Euro)	%	Amount disbursed (Euro)	%	Average project size (Euro)
family farm	1	0	27 850	0	69 625	0	27 516	0	69 625
private entrepreneur	25	8	1 708 582	3	4 271 508	3	1 624 910	3	170 860
individual farmer	2	1	228 420	0	571 051	0	228 420	0	285 526
limited partnership	8	3	976 268	1	2 637 148	2	971 982	2	329 644
cooperative	21	7	2 958 739	4	7 431 308	4	2 859 709	4	353 872
Joint venture	1	0	152 246	0	380 615	0	148 993	0	380 615
Limited liability company	165	55	36 128 911	55	92 571 425	54	35 017 031	55	561 039
Company limited by shares	79	26	23 655 772	36	62 851 723	37	22 914 209	36	795 591
total	302	100	65 836 788	100	170 784 405	100	63 792 770	100	565 511
Classification	Closed application (pc)	%	Support (Euro)	%	Total project size (Euro)	%	Amount disbursed (Euro)	%	Average project size (Euro)
Domestic natural person	2	1	228 420	0	571 051	0	228 420	0	285 526
Micro-company	139	46	20 015 609	30	51 343 985	30	19 046 434	30	369 381
Small company	82	27	20 870 909	32	53 389 922	31	20 307 868	32	651 097
Medium-size company	50	17	11 141 264	17	29 478 029	17	10 934 331	17	589 561
Other enterprise	29	10	13 580 585	21	36 001 417	21	13 275 717	21	1 241 428
total	302	100	65 836 788	100	170 784 405	100	63 792 770	100	565 511

Summary and conclusions

Within the measure quite a large proportion of the received applications were rejected. Nearly 40% of the rejections were explained by the lack of resources, while the rest was based on professional or administrative reasons. Within the supported applications, the proportion of failure of implementation/withdrawal was also quite high, which can partly be explained by the appearance of such project companies that are set up for only one particular development activity. In addition to that, the excessive administration requirements also imposed upon a relatively small-amount of supports also hindered the implementation of successful applications.

A significant part of the 302 closed projects, almost 73%, were implemented by micro enterprises and small companies. Therefore, on one hand, the mostly undercapitalised layer got access to project support, but at the same time, that same group of enterprises which involve the highest level of risk with regards to long-term survival.

A.II.1. To what extent have the supported investments helped to increase the added value of agricultural and fishing products through the rationalised and improved processing of the products?

The results of the rationalised and improved processing of the products were mainly manifested in the specific production costs and the exploitation of the new market opportunities. Surveys in both areas provided clearly positive feedback. To a lesser degree, the same applies to the improvement of the utilisation of capacities, while the increase of added value was not significant. All these lead to the conclusion that the average processing level of products did not significantly change, but in their quality and the resource requirement of their production there was a positive change.

A.II.2. To what extent have the supported investments helped to increase the added value and competitiveness of agricultural products through the improvement of quality?

The improvement of product quality clearly moved the processing plants in the direction of homogenous quality, and on top of that, almost two thirds of the beneficiaries achieved compliance with the EU product quality requirement as a result of the development, thus – taking into account the pre-accession nature of SAPARD – the Programme brought about significant results in this respect to the individual beneficiaries.

A.II.3. To what extent have the supported investments improved health and welfare conditions and compliance with European Union standards?

The clearly positive impact is verifiable in the area of food safety, workplace safety and hygiene and animal welfare, and the development implemented from the support helped a number of beneficiaries to achieve compliance in this respect too.

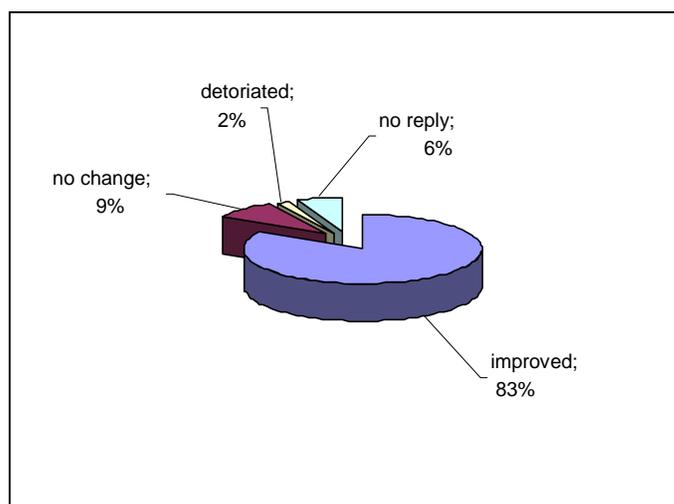
A.II.4. To what extent have the supported investments contributed to environment protection?

By analysing the environmental protection criteria a smaller impact can be measured, and the projects mainly focussed on the production technology, leaving less room to the improvement of the environmental aspects. The reason for that is partly the need for the definite increase in the level of production technology, and partly the fact that the environment protection type of projects typically offer a longer return period, therefore the structures operating with a considerable co-payment do not represent adequate motivation for the beneficiaries for such developments.

A.II.5. To what extent have the supported investments contributed to restructuring the food processing industry in the concerned sector to achieve market competitiveness in the European Union?

Based on the answers given to the question in the applicants' questionnaire „Has the competitiveness of your undertaking improved as a result of the support?“ it can be concluded that in the case of the majority of the supported developments the support had a positive effect on the competitiveness of the undertakings.

Figure 70: Changes in competitiveness in the supported enterprises



In summary it can be concluded that among the market players there was significant interest in this structure, even if the applicants mainly regarded it only as an opportunity for the modernisation of the existing production technologies, and less as the possibility of the renewal and extension of the product scale. The Programme, with the available tight resources, was only able to provide a start in the right direction, but it is necessary to have further support opportunities in this area of development (this aim appeared in the ARDOP and NHRDP measures). The breakdown, screening and reconsideration of the circle of beneficiaries may be useful by all means in the case of the similar future structures.

Question	A.II.1. To what extent have the supported investments helped to increase the added value of agricultural and fishing products through the rationalised and improved processing of the products?
Criterion of evaluation	A.II.1-1. Rational procedures and better use of production factors in assisted processing and marketing lines
Indicator	A.II.1-1.1. Capacity utilisation in assisted processing and marketing lines (ratio)
<p>The evaluator group may give a partial answer to the question only based on the conducted questionnaire survey, as data should have been obtained of the status of the capacities prior to and after the development from the tender documentation, which data is not registered in the monitoring system and separate data collection was not carried out. Consequently, accurate calculations for the sample were not possible.</p> <p>In the questionnaire survey with regards to this question 22.1% (32 persons) of the respondents reported an increase in the utilisation of capacities after the completion of the development. 33.8% stated about the same thing that it increased only to a small extent, and 44.1% reported stagnation in this area. None of the beneficiaries reported the reduction of the utilisation of capacities after the development.</p>	
Indicator	A.II.1-1.2. Added value in assisted processing and marketing lines (%)
<p>In the monitoring system, the sales revenue and cost figures related to the activity concerned with the development and for the whole enterprise were not recorded separately, thus it is not possible to calculate the increase of the added value resulting from the development by using this method. Conclusions can only be drawn from the changes of the unit price of the output products.</p> <p>In the case of the projects analysed through the sampling, between the closure and the end of year 2006, unit prices increased by an average of 5.2%. Naturally, the increase of the unit price was also influenced by inflation, thus it can be concluded that the added value typically increased slightly or did not increase at all as a result of the developments.</p>	
Indicator	A.II.1-1.3. Processing/marketing costs per unit of basic product thanks to assistance
<p>In the case of almost three quarters (72.5%) of the respondents taking part in the questionnaire survey (43 persons) the production cost per product unit decreased. Within this, 18.7% reported a significant decrease, while 53.8% reported a small decrease of the unit costs. Only 8.8% of the respondents reported an increase in the specific production costs, and within this 6.6% experienced a small increase, while 2.2% noted a significant increase.</p>	
Criterion of evaluation	A.II.1-2. Outlets created or improved for products in beneficiary plants
Indicator	A.II.1-2.1. Share of gross sales of processed products, that are sold to outlets created or improved thanks to the assistance (%), of which <ul style="list-style-type: none"> ➤ to national markets (%) ➤ to the European Union (%) ➤ to other Central-Eastern-European countries (%)

The survey conducted also covered appearance on new markets, marketing channels and the composition of sales.

70.2% of the 43 respondents appeared on the new market, as a result of the development. 80.6% of the respondents entering the new market(s) entered a new market in this country, 35.5% in a EU-member state, and 29% in a country outside the EU (also).

Almost two thirds of the respondents, i.e. 64.8% feel that the marketing channels of the enterprise have improved, only 2.2% perceive deterioration, while in the case of the others the development did not have a perceivable effect in this area.

The geographical distribution of sales – taking into account the full circle of the respondents – changed only slightly as a result of the development. The proportion for EU-member states and countries outside the EU somewhat increased (from 8.7% to 9.1%, and from 1.9% to 3.2% respectively), to the detriment of the domestic sales.

Question	A.II.2. To what extent have the supported investments helped to increase the added value and competitiveness of agricultural products through the improvement of quality?
Criterion of evaluation	A.II.2-1. The intrinsic quality of the processed/marketed agricultural products is improved.
Indicator	A.II.2-1.1. Share of agricultural basic products contained in processed/marketed products with improved intrinsic quality from assisted processing/marketing lines (%)
	a) of which subject to automated quality monitoring thanks to assistance (%)
	No data available.
	b) of which with improved homogeneity within and/or between batches (%)
	In the questionnaire survey in the case of a predominant part, 88.6% of the respondents (44 persons) the product quality has become clearly more homogenous as a result of the development. In the case of the remaining 11.4% the homogeneity of product quality already existed prior to the development.
	c) of which complying with the EU quality standards (%)
	In the case of 62.8% of the 43 respondents the full compliance of the products emerged as a result of the investment, while in the case of 11.6% further developments are necessary for that. In the case of 20.9% adequate quality products were created even prior to the investment, while in the case of 4.7% the development did not contribute to the compliance of quality.
	d) of which with a quality label (% and description of label)
	No data available.
	e) of which derived from organic farming (%)
	As part of the inquiries made by ARDA from the monitoring database the relevant data and information were not received.

Criterion of evaluation	A.II.3-3. Human safety and hygiene conditions at the workplace have improved
Indicator	A.II.3-3.1. Trend in safety and hygiene conditions related to assistance (description, e.g. frequency of reported incidents)
<p>In the case of 44 beneficiaries responding in the questionnaire the proportion of those where regulations were violated as identified by external office/authorities did not typically change as a result of the development. The proportion of such plants is about 2%.</p> <p>Nevertheless, the frequency of violations decreased in the case of almost 20%.</p>	
Indicator	A.II.3-3.2. Share of assisted plants complying with EU standards (%)
<p>As the eligibility criteria required that part of the participant enterprises which are aimed with the investment to comply with the EU standards, and assuming that the compliance applies to the whole of the enterprise, 100% of the supported enterprises must comply with the relevant EU specifications.</p>	

Question	A.II.4. To what extent have the supported investments contributed to protect the environment?
Criterion of evaluation	A.II.4. Waste management has improved
Indicator	A.II.4-1.1. Waste collected/ treated thanks to assisted actions (% of waste in assisted processing plants).
<p>Out of the 50 projects reviewed there weren't any where the direct aim of the development would have been the improvement of the treatment of solid waste, which indicates the low level of frequency of such type of the development projects. Out of the applications under review, data was received from the monitoring system about the decrease of liquid waste (sewage water) discharge only in the case of 3, and in the frames of this project sewage water discharge decreased by a total of 6500 m³.</p>	

Question	A.II.5. To what extent have the supported investments contributed to restructuring food processing industry in the concerned sectors in order to be able to compete in the single market?
Criterion of evaluation	A.II.5-1. A substantial part of the processing plants in the sectors involved is able to compete in the single market.
Indicator	A.II.5-1.1. Number of EU-approved processing plants as a result of the assistance, as a share of the overall sector (%) (a) of which assisted plants (%)
<p>See Cross-cutting questions B.I.1-1.1.b. Indicator</p>	

3.4.1.3. Development and diversification of economic activities providing for multiple activities and alternative income

This measure was accredited in 2004 (STAR Committee, 18th of February 2004), its conditional announcement appeared on the 14th of January, 2004.

Objectives of the measure

- The objective of this measure is to develop alternative business opportunities and income in rural areas; thus sustain existing and promote the emergence of new activities and working places for the rural population.
- Evening out the seasonal employment needs and low profitability of agriculture, strengthening the safety of business versatility, improving services and the range of goods for increasing self-sufficiency and access to market.

Supported activities

- product and service development, marketing and business diversification including market survey related to types activities supported under this measure;
- development and marketing of traditional home craft and manual crafts;
- development of local (area specific) products, technology and quality of food processing in small scale, specific, additional income generating enterprises;
- development of rural tourism, which includes the marketing of local products and services and sustainable use of local potentials (safeguarding natural and cultural heritage).

In the implementation of the Programme there was no change in the scope of activities.

The relevance of the measure

The situation analysis of the Programme and its SWOT analysis duly underpin the necessity of the measure. It describes the unfavourable situation of the rural areas compared to the national average, both in terms of employment, income and enterprises, while it points out the natural, economic, cultural and human resources available in these areas, whose utilisation may be improved through the supports available within the framework of the measure. The situation analysis, apart from the development of rural tourism, in the case of the rest of the sub-measures does not elaborate on the method and methodology of the mitigation of the problems identified and the better exploitation of the available potentials.

Main eligibility criteria and the changes of these in the implementation of the Programme

The measure does not specify clearly the beneficiary target group. It does not focus, and restricts the circle of beneficiaries only spatially, as only the residents, entrepreneurs and civil organisations of municipalities under 120 persons/km² or 10,000 people may apply for this support.

It has only become necessary to exclude references to co-financing (originally it meant a preference), as in the SAPARD Programme the coordination of several funds is not permitted („mono-fund” financing).

In the case of all three measures of the development of rural areas a fundamentally important criterion in the assessment of the effects of projects strengthening one another is the adjustment of the given project to the micro-regional agricultural and rural development strategic programme.

Consequently, the evaluation criteria applied in the second step according to the modification were as follows:

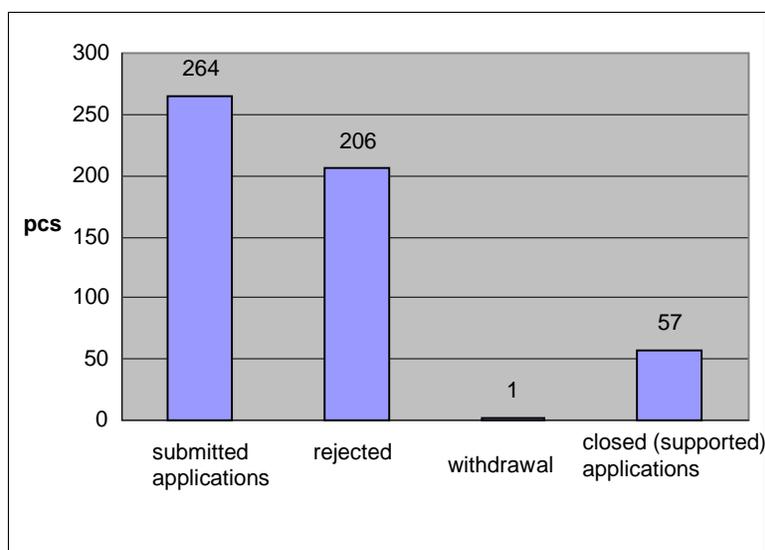
- partnership within the development;
- partnership between the developments;
- adjustment to micro-regional agricultural and rural development strategic programme (in lack of that, to the relevant county development concept).

National Rural Development Support Scheme, relying on the experience of the tender support system applied between years 2000-2002, in which the applicants „divided” the applications due to the small permitted project size, the value of the upper limit of the developments had to be increased. Therefore, according to the modification the upper limit of the amount of expenses used from public money (support) per project increased from HUF 5 million (cca. Euro 20 thousand) to HUF 15 million (cca. Euro 60 thousand), and the upper limit of the total cost of purchase of the investments per project increased from HUF 15 million (cca. Euro 60 thousand) to HUF 40 million (cca. Euro 164 thousand).

Proportion of the supported projects per sub-measure

For the measure only 264 applications arrived, and an extremely high proportion of these was rejected by the Agency (77%). 20% of the rejected applications was rejected due to basic ineligibility or the incompleteness of the application, while 56% were rejected due to the lack of resources. This is a noteworthy fact from the point of view that in year 2004 significant amounts had been reallocated from this measure to other measures, while the funds were not sufficient to cover the applications received, therefore the reallocation was unjustified.

Figure 71: The number of received, rejected and eventually supported applications



The low number of applications compared to the number of applications submitted for the others measures of the Programme is explained partly by the short period of time available for

application, and also the short duration of the operation of the measure (only one year and a half!). The other reason was apparent from the questionnaire survey, according to which due to the complexity of the tender, in most of the cases a professional application writer had to be employed, who (at least the better ones) did not undertake the writing of applications under a certain project size. *Table 19* shows that the average project size of developments aiming at diversification is significantly smaller than that of the rest of the measures. At the same time, the target group itself (micro and small companies, natural persons) does not have such human resources as a food industry company for which it is easier to solve within the company the writing of a complex business plan and there is greater capacity for obtaining the official certifications. In the case of the diversification measure, the lack of the co-payment to be made by the target group also caused a problem. At the same time, this is the layer that could have been made active through efficient support systems and with help provided by experts, and less so with giant posters and newspaper and radio advertisement.

The proportion of the sub-measures within the measure is shown in *Figure 72*, which reflects the dominance of the sub-measure Development of village tourism.

Figure 72: Proportion of the sub-measures between closed applications

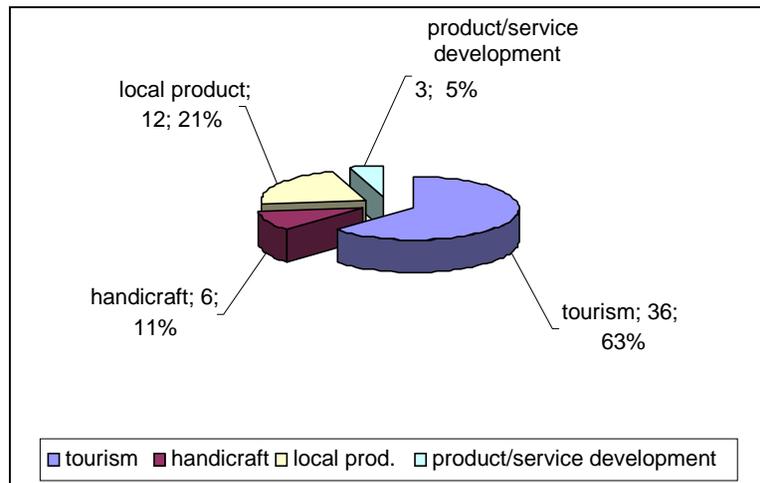


Table 19: Breakdown of the closed applications of the measure The diversification of activities per sub-measure, region and year

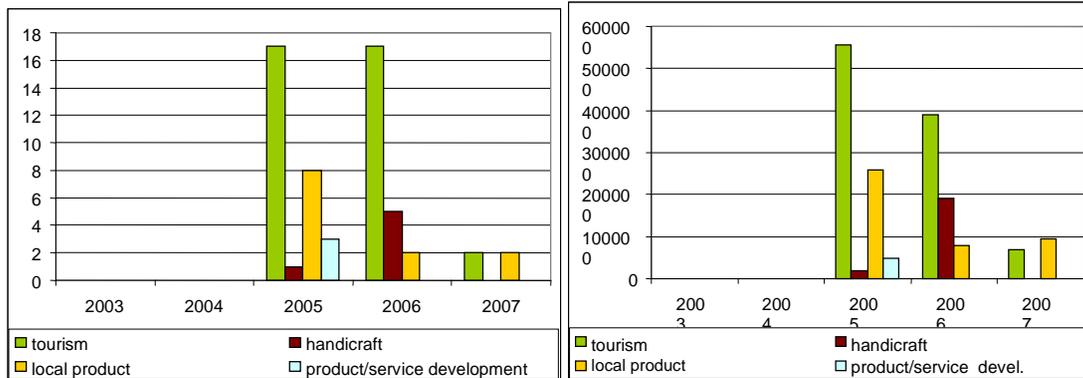
Region	Sub-measure	2003		2004		2005		2006		2007		2000-2007	
		Closed application (pc)	Disbursed support (Euro)	Closed application total (pc)	Disbursed support total (Euro)								
DA	tourism	0	0	0	0	0	0	1	4 957	0	0	1	4 957
DD	tourism	0	0	0	0	5	60 139	3	39 611	0	0	8	99 750
ÉÁ	tourism	0	0	0	0	1	52 625	5	102 287	0	0	6	154 912
ÉM	tourism	0	0	0	0	9	380 819	5	139 078	1	22 949	15	542 846
KD	tourism	0	0	0	0	1	5 003	2	54 656	1	47 034	4	106 693
NyD	tourism	0	0	0	0	1	57 879	1	49 333	0	0	2	107 212
KM	tourism	0	0	0	0	0	0	0	0	0	0	0	00
	Total	0	0	0	0	17	556 465	17	389 922	2	69 983	36	1 016 370
DA	handicraft	0	0	0	0	0	0	0	0	0	0	0	00
DD	handicraft	0	0	0	0	0	0	0	0	0	0	0	00
ÉÁ	handicraft	0	0	0	0	1	18 946	1	47 954	0	0	2	66 900
ÉM	handicraft	0	0	0	0	0	0	2	72 525	0	0	2	72 525
KD	handicraft	0	0	0	0	0	0	2	70 118	0	0	2	70 118
NyD	handicraft	0	0	0	0	0	0	0	0	0	0	0	0
KM	handicraft	0	0	0	0	0	0	0	0	0	0	0	0
	Total	0	0	0	0	1	18 946	5	190 597	0	0	6	209 543
DA	local product	0	0	0	0	0	0	0	0	0	0	0	0
DD	local product	0	0	0	0	3	74 242	1	46 758	0	0	4	121 000
ÉÁ	local product	0	0	0	0	2	75 859	1	31 564	0	0	3	107 423
ÉM	local product	0	0	0	0	0	0	0	0	0	0	0	0
KD	local product	0	0	0	0	1	58 824	0	0	2	94 429	3	153 253
NyD	local product	0	0	0	0	2	76 559	0	0	0	0	2	76 559
KM	local product	0	0	0	0	0	0	0	0	0	0	0	0
	Total	0	0	0	0	8	285 484	2	78 322	2	94 429	12	458 235
DA	prod/serv devel	0	0	0	0	0	0	0	0	0	0	0	0
DD	prod/serv devel	0	0	0	0	2	44 364	0	0	0	0	2	44 364
ÉÁ	prod/serv devel	0	0	0	0	0	0	0	0	0	0	0	0
ÉM	prod/serv devel	0	0	0	0	0	0	0	0	0	0	0	0
KD	prod/serv devel	0	0	0	0	1	3 082	0	0	0	0	1	3 082
NyD	prod/serv devel	0	0	0	0	0	0	0	0	0	0	0	0
KM	prod/serv devel	0	0	0	0	0	0	0	0	0	0	0	0
	Total	0	0	0	0	3	47 446	0	0	0	0	3	47 446
	Measure total	0	0	0	0	29	908 341	24	658 841	4	164 412	57	1 731 594

Source: The ARDA monitoring database, 02 October, 2007

Time schedule

The applications could be submitted until May 2004. In that year the support decisions were made and the contracts were concluded. 51% of the projects were closed in 2005, 42% in 2006 and 7% in 2007. The management of applications can therefore, be regarded as fast. However, disbursements were delayed, as was indicated in the answers given to the questionnaires.

Figure 73: Progress of the application process: number of closed applications (pc) and disbursed support (Euro)



Distribution per region:

The Proportion of Northern Hungary in the village tourism sub -measure is outstanding, the exact reason for which, was not discovered. There are several such regions in the development of handicrafts, the production of local products and the product and service development sub-measure also, from which no applications were received at all.

Figure 74: Distribution of applications per region/sub -measure: the total number of closed applications (pc) and disbursed support (Euro)

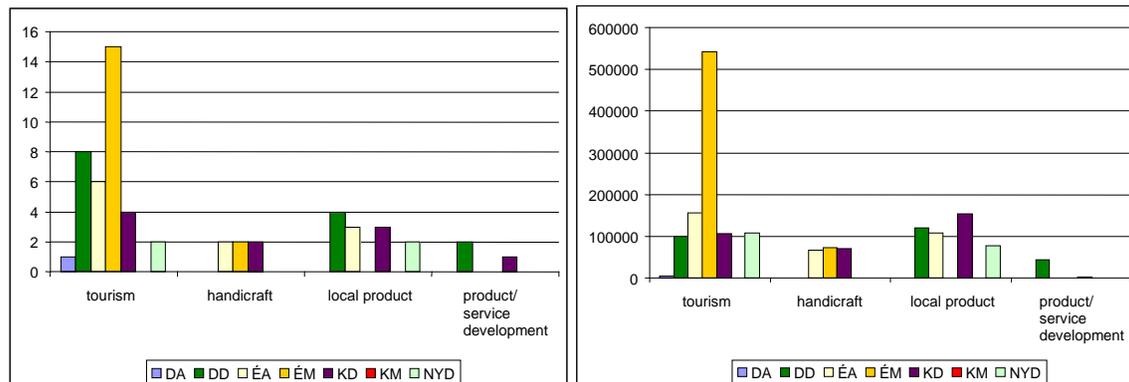


Figure 75: Distribution of applications per region/sub -measure: the total number of closed applications %

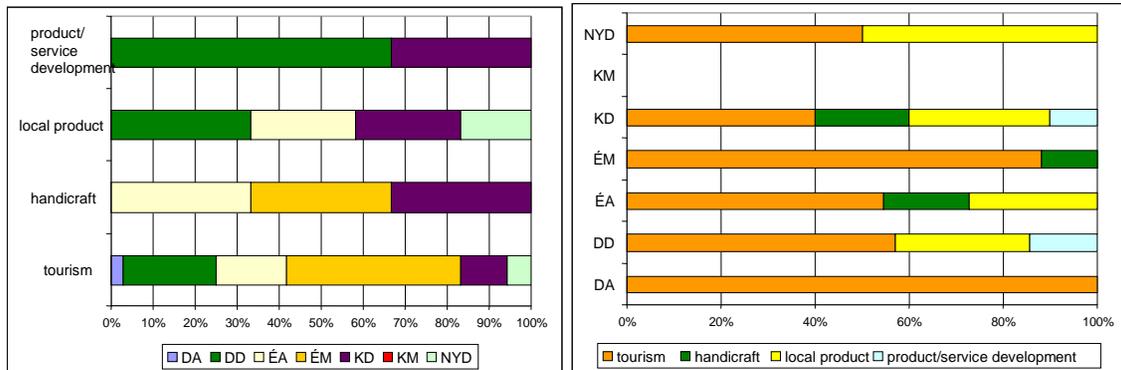
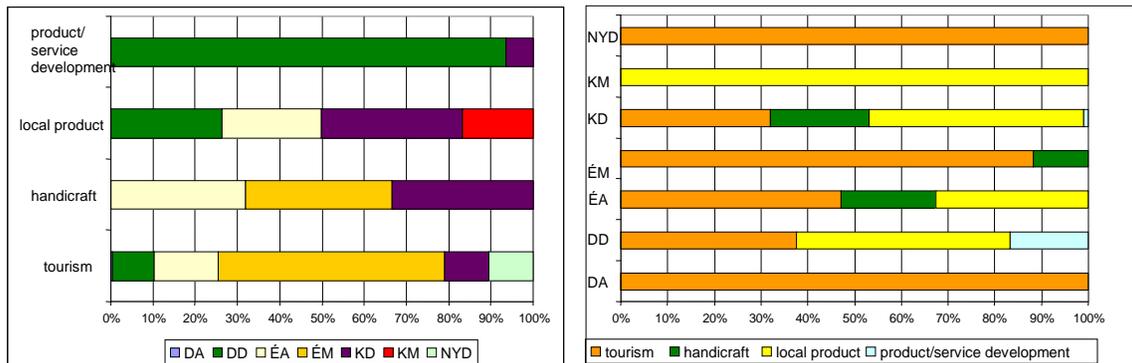


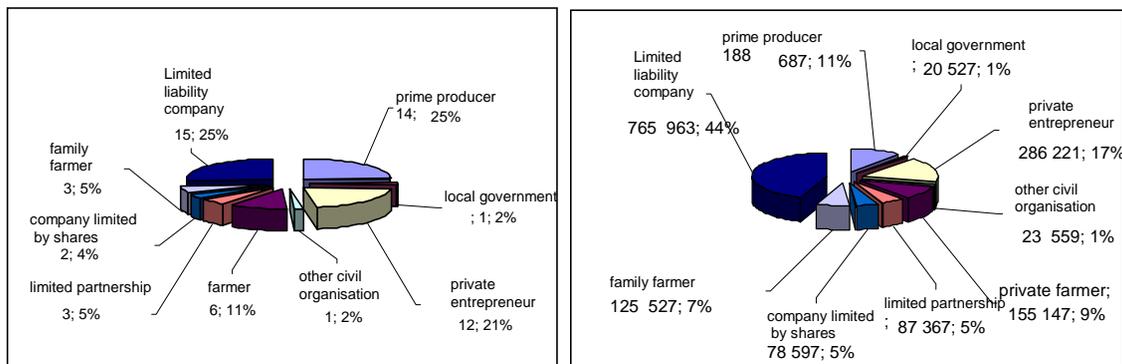
Figure 76: Distribution of applications per region/sub -measure: total disbursed support %

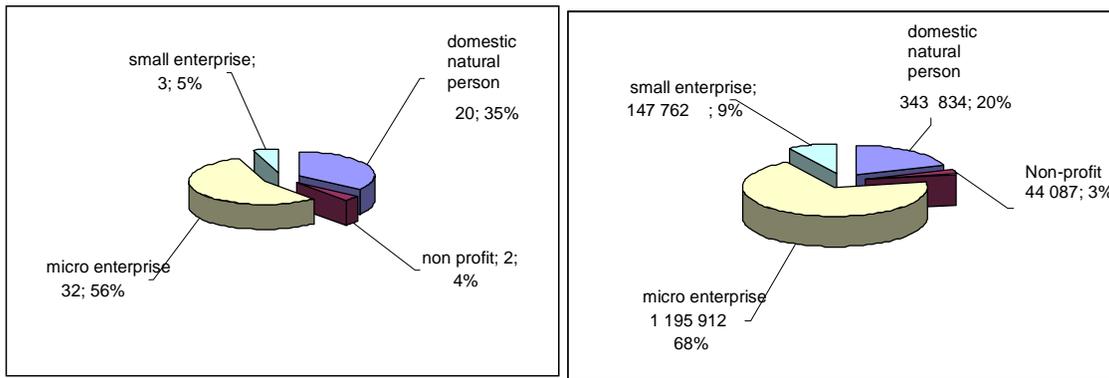


Composition of beneficiaries

The composition of the beneficiaries of the measure as per their type of business is extremely variable. This is caused by the fact that the eligibility criteria did not exclude any type of business at all, therefore anybody could submit an application. The low level of maximum project size and the support available still determined the target group, as mainly micro enterprises and natural persons applied in the measure.

Figure 77: Distribution of beneficiaries





Summary and conclusions

The low number of applications submitted per sub-measure was caused by the fact, that the tender documentation did not differentiate between project sizes; low project -budgets mostly could not afford a professional application writer but the applicants themselves were not able to compile the documentation. In the case of the handicraft sub-measure partly the lack of co-payment and partly the ageing of certain trades and the lack of succession in these also affected the low level of interest from the part of applicants. In the case of the production of local products the lack of innovative ideas was also reflected in the low inclination of applicants.

The active process assistance (tender, business, market /marketing consulting, continuous information) is particularly necessary in the circle of the target group of this measure, as they are not developing routinely; they have insufficient financial and human capacity, and run a higher risk. A significantly longer time period would have been necessary for the acceleration of this measure because of the lack of earlier similar opportunities, and the longer response time of the target group.

A.V.1. To what extent have the development and diversification of „on -farm” and „off-farm” activities contributed to the increase of income (standard of living) of the beneficiary rural population?

As the measure was active for an extremely short period, and was allocated a very low budget of funds, it can be concluded that on the macro level it did not influence the income situation and quality of life of the rural population. On the level of beneficiary enterprises, both the answers given in the questionnaires, and the financial indicators of the enterprises reflect that in at least two thirds of the supported enterprises the net income increased in the years following implementation (2004-2006). The lowest level increase in the net income was apparent in the case of the development of tourism. According to 92% of the respondents the development contributed to the increase of their income from non -agricultural activities. In the case of the supported enterprises, village tourism, the sale of local food products and other non-agricultural sources of income appeared jointly as income sources, and based on the narrative answers these affect each other positively, and among them tourism increases to the most significant extent („to the detriment” of the other activities).

A.V.2. To what extent has the development and diversification of on -farm and/or off-farm activities helped to create new employment opportunities?

Based on the monitoring data and the questionnaires it can be concluded that the development affected employment positively. The monitoring data show an average of 6% increase of the numbers employed. The proportion between the genders is 50% in the case of new work places according to the questionnaires. The evaluator recommends working out an accurate

methodology and interpretation with regards to the gathering of the indicators related to employment.

Question	A.V.1. To what extent have the development and diversification of „on-farm” and „off-farm” activities contributed to the increase of income (standard of living) of the beneficiary rural population?
Criterion of evaluation	A.V.1-1. Alternative sources of income have been developed thanks to the assistance.
Indicator	A.V.1-1.1. Share of income of beneficiaries coming from non - agricultural activities (%) (a) of which coming from tourist activities (%) (b) of which coming from craftsmanship activities (%) I of which coming from the sale of local traditional products (%) (d) of which coming from other non -agricultural activities (%)
<p>The application forms and the data recorded in the monitoring system do not allow to provide an accurate answer to the question. The monitoring system does not record separately the proportion of income from non-agricultural activities within the income structure of the supported enterprises.</p> <p>Based on the data of the monitoring system only the net income increase of the supported enterprises for the whole enterprise could be analysed. The net sales revenues of the second year preceding the submission of the applications (2002) and of the last closed year (2006) were analysed.</p> <p>The monitoring system has sufficient data to be appraisable in the case of 21 applications. With regard to all of the enterprises of the analysed sample the average aggregate income increase between the second year preceding the submission of the applications (2002 in the case of all applications) and year 2006 is 2%. Between the year of submission (2004 in the case of all applications) and year 2006 it is 13%.</p> <p>Between 2002 and 2006 out of 21 enterprises the income of 12 increased, the income of 7 enterprises decreased and in 2 cases new start-up enterprises applied. Between the year of submission and year 2006 the net income of 14 enterprises increased, and that of 7 enterprises decreased.</p> <p>(a) Out of the 21 analysed enterprises the development of 12 aimed at establishing or enhancing tourism activities. In the case of these applications, between 2002 and 2006 the aggregated net sales revenues of the enterprises decreased by 16%, while between 2004 and 2006 it increased by 1%. During this period, out of the 12 analysed enterprises the net sales revenues of only 7 increased.</p> <p>(b) The sample contains 4 handicraft enterprises, whose aggregated net sales revenues significantly increased both in the period between 2002 -2006 and between 2004-2006 (+219% and +482%). These outstanding values are owing to the high income increase of one single supported enterprise, but the net sales revenues of all 4 analysed enterprises increased during both periods under review.</p> <p>I Based on the sample of 5 enterprises in the production and sale of local products the aggregated net sales revenues of both periods under review show increase (+125% and +55%). Out of the 5</p>	

supported enterprises the sales revenues of 3 increased, in one case to an outstanding extent (+578%), which significantly affected the aggregated data. In the case of 2 enterprises the sales revenues decreased during both periods under review.

Based on the results of the questionnaire survey received from 40% of the applicants (23), according to 57% of the respondents the support significantly contributed to the increase of the non-agricultural income of the enterprise. According to 35% it did contribute, but not to a significant extent, and according to 4% the support did not contribute to the increase of the income from non-agricultural activities. In the case of 4% of the questionnaires the applicants did not answer this question.

17% of the same respondents (4 applicants) carry out the supported activity as principal activity apart from which they do not have any other source of income. The same number of applicants also carries out the supported activity as principal activity, but they have other source(s) of income apart from that, which in summary exceed the income from the supported activity. 30% of the respondents (7 applicants) carry out the supported activity as subordinate activity, and their income from that does not exceed 5% of the total income of the enterprise. The same number of applicants was not able to answer this question.

Also based on the answers of the questionnaire survey in the case of the applications submitted for the individual sub-measures of the measure:

1. The proportion of the income from tourism in the case of 13 relevant respondents increased from the average 13% to 28%, i.e. by 15 percentage points.
2. The proportion of the income from the activity of the development and sale of homecraft and handicraft products did not change in the case of the 3 relevant respondents, in all three cases 100% of the income originated from this activity before and after the investment.
3. The proportion of the income from the activity of the development and sale of local food products in the case of the 5 relevant respondents decreased by an average of 2%, from 89% to 87%, the reason for which is that these respondents are also involved in village tourism, as a subordinate source of income.
4. The proportion of the income from other non-agricultural activity decreased from 56% to 41% also due to the appearance of village tourism, as a new source of income.

The above shows that in the case of the supported enterprises village tourism, sale of local food products and other non-agricultural sources of income appeared jointly as a source of income of the enterprises and out of these tourism increased to the most significant extent („to the detriment of” the other activities).

Criterion of evaluation	A.V.1-2. Local enterprises created or revitalised are maintained after the assistance.
Indicator	A.V.1-2.1.: Number of enterprises created or revitalised thanks to the assistance still functioning two years after the end of the assistance.

Out of the 58 enterprises supported within the framework of the measure, 29 development projects were closed in 2005. These are those enterprises in which case the question of whether the enterprises still operate two years after the granting of the support, can be analysed. Based on the monitoring and control database 100% of the supported enterprises, i.e. all the 29 enterprises functioned two years after the granting of the support.

The five-year-long obligation of operation, stipulated as the condition of the support, plays an important role in that, which prescribes that within five years from the granting of the support the

discontinuation of the supported activity is the repayment of the total support amount.

Question	To what extent has the development and diversification of on -farm and/or off-farm activities helped to create new employment opportunities?
Criterion of evaluation	A.V.2-1. Jobs created or maintained in non -farming activities thanks to the support.
Indicator	A.V.2-1.1. Number of jobs created or maintained in supported enterprises two years after the end of the assistance (FTE) (a) of which in the tourist sector (%) (b) of which in the crafts sector (%) (c) of which related to local and traditional products (%) (d) of which linked to other non -agricultural activities (%) (e) of which women (%)

It is not possible to answer the question in its original content due to the lack of data. At the same time, information on the employment data has been received from two sources.

One of the sources is the data of the electronic monitoring system. In this system, details of the employment data are extracted from the balance sheets mandatory in the annual reports of applicants. These data, consequently, reflect the change in the employed headcount of the whole enterprise, but only those changes that relate to the development of non -agricultural activity. The tenders were closed in 2005 at the earliest. The latest employment factual data are from year 2006, as the year 2007 balance sheets and reports have not been prepared yet, consequently data for only one year of operation is available.

Out of the 58 enterprises supported within the framework of the measure, 29 development projects were closed in 2005. These are those enterprises in which the employment status of the enterprise can be analysed after the granting of the support. Out of the 29 enterprises the monitoring system contains the data of 11 applicants in a manner suitable for evaluation.

To answer this question, the mandatory yearly FTE reports were analysed, to assess the average change per year.

In the case of 11 enterprises, the average headcount of the second year preceding the submission was 165 persons, which increased to 175 by year 2006, i.e. a 6% headcount increase could be stated. In the year of submission the headcount was 168 persons, thus for year 2006, a 5% increase may be stated.

In relation to the breakdown per sector it can be concluded that the above headcount increase actually resulted from one single significant tourism development generating new jobs.

Out of the 23 respondents to the questionnaire survey, 20 provided an appraisable result. Based on that the number of jobs created is 16 out of which the number of jobs filled by women is 8 (50%). The number of jobs maintained based on the 20 respondents is 18.5, out of which the number of jobs filled by women is 9 (50%).

The applicants gave incomplete answers to the questions on part -time and full-time jobs, therefore, these answers cannot be evaluated.

3.4.1.4. Renovation and development of villages and protection and conservation of rural heritage

This measure was accredited in 2004 (STAR Committee, 18th of February 2004), its conditional announcement appeared on the 14th of January, 2004.

Objectives of the measure

- to create the basic conditions for revenue-generating measures as well as supplement their impact by the development and renewal of small settlements in order to increase the population-retaining capabilities of rural areas;
- to renovate and revitalise existing elements of the built and natural environment (connection to other measures) adding new functions to these and through that ensuring enterprising and employment opportunities to the local population.

Supported activities

- renewal of the settlement structures preserving and reinforcing the character of the settlements, taking care of streets and public areas, establishment of an orderly village appearance in order to improve the attractiveness of the settlements for tourism purposes;
- renovation revitalisation protection of historical and architectural monuments and other assets of the villages, revealing and economically analysing possible new functions as well as organising their implantation into newly renovated buildings;
- revitalisation, and protection of the landscape features belonging to the villages (rows of trees, water flows, ponds, canals, etc.), for ecological and economic (tourism) purposes.

The relevance of the measure

The large number of applications received in spite of the short time available and, according to the opinion of applicants, the complexity of the tender documentation, attests to the relevance of the measure. In this area there are huge insufficiencies in rural municipalities and the government used to spend insignificant funds on this. The situation analysis and the SWOT analysis both state that there is gradual erosion of the condition of rural settlements and the natural and cultural heritage of the countryside, which is a major factor in causing a negative view of life and the outward migration of young people. At the same time, the Programme also takes into consideration the rich heritage of the rural areas as well as natural and landscape features, as unexploited resources.

Main eligibility criteria and the changes of those in the course of implementation, effects of such changes

This measure, similarly to diversification leaves quite a wide room for the target group of beneficiaries. It applies restrictions only spatially, as only the residents, entrepreneurs and civil organisations of settlements under 120 persons/km² or 10,000 people could apply for this support. Within this measure only residents, entrepreneurs, local governments and civil organisations of rural settlements and farms could apply for support.

When the Programme was modified in 2003, the evaluation criteria were fine-tuned, based on the support experience of the National Rural Development Support Scheme, 2000 -2002.

References to co-financing (originally it meant a preference) were excluded, as the SAPARD Agency could not manage the coordination of several funds, and in the period between 2004 and 2006 the Structural Funds could not be coordinated either („mono -fund” financing).

In the case of all three measures of the development of rural areas, a fundamentally important criterion in the assessment of the effects of projects strengthening one another is the adjustment of the given project to the micro -regional agricultural and rural development strategic programmes.

Consequently, the evaluation criteria applied in the second step according to the modification were as follows:

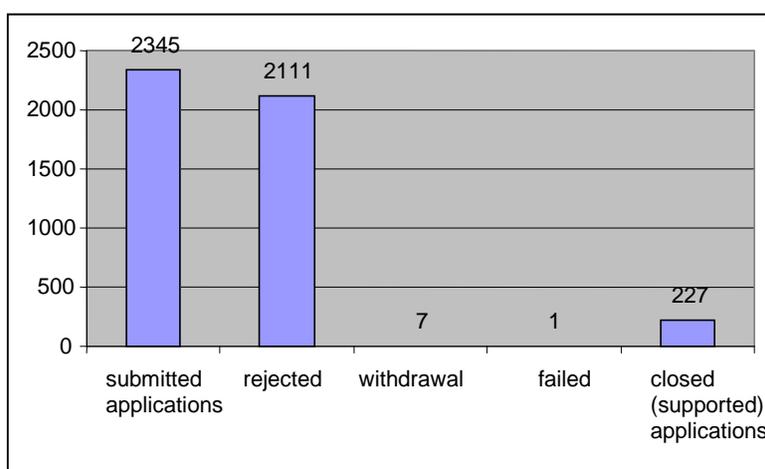
- partnership within the development;
- partnership between the developments;
- adjustment to micro agricultural and rural development strategic programmes (in lack of that, to the relevant county development concept).

At the recommendation of the SAPARD Agency, the upper limit of support was set at maximum 75% and in the case of applications submitted by private business organisations the maximum was 50%. According to the modification, the upper limit of the amount of expenses used from public money (support) per project was HUF 50 million. The limitation on the fixed support percentage was released so that lower rates or amounts of assistance than the one applied for could also be awarded.

Proportion of the supported projects per sub-measure

Out of the so-called article 33 type of rural development measures village development was the most popular, i.e. a significant demand was apparent for this type of development of rural areas. For this measure applications were submitted for a support requirement three times higher than the available pool. At the same time, the proportion of applications rejected due to basic incompleteness and omissions was the highest under this title.

Figure 78: The number of received, rejected and eventually supported application



The measure did not operate in 2003. In 2004 almost the same number of applications (2,345) arrived for this measure as in the case of the measure of agricultural investments, with HUF

79.8 billion investment and HUF 57.8 billion assistance requirement. However, the number of rejected applications was very high; 90% of the applications received. (2,111 applications, HUF 52.11 billion) were rejected without a material appraisal on the grounds of the lack of available funds in the pool (with Hungary's accession to the European Union, the SAPARD Programme was closed, and it was not possible to draw down new funds after the accession). A significant part of the applications was „pushed” by SAPARD to the similar ARDOP measure, but the applications had to be resubmitted, and modified according to the ARDOP rules.

The highest number of applications was received for the activities of protection of heritage (123) and municipal character (99 pc), while interest was low in the case of the reconstruction of landscape features (5 pc).

Figure 79: Proportion of the sub-measures between closed applications

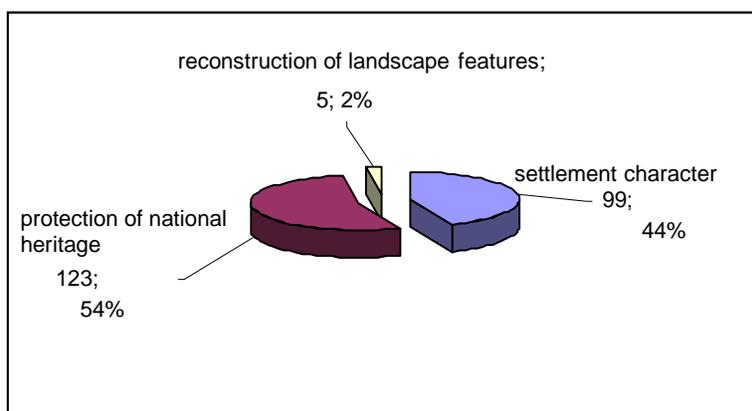


Table 20: Breakdown of the closed applications of the measure Renovation and development of villages and protection and conservation of rural heritage per sub-measure, region and year

Region	Sub-measure	2003		2004		2005		2006		2007		2000-2007	
		Closed application (pc)	Disbursed support (Euro)	Closed application total (pc)	Disbursed support total (Euro)								
DA	character of the settlement	0	0	0	0	2	285,494	17	2,450,294	0	0	19	2,735,788
DD	character of the settlement	0	0	0	0	7	402,717	6	826,958	1	179,889	14	1,409,564
ÉÁ	character of the settlement	0	0	0	0	9	371,521	9	1,187,409	0	0	18	1,558,930
ÉM	character of the settlement	0	0	0	0	6	414,273	9	1,147,092	0	0	15	1,561,365
KD	character of the settlement	0	0	0	0	10	570,141	2	169,090	1	58,117	13	797,348
KM	character of the settlement	0	0	0	0	2	285,793	6	765,861	0	0	8	1051,654
NYD	character of the settlement	0	0	0	0	8	1,211,215	4	649,545	0	0	12	1,860,760
	Total	0	0	0	0	44	3,541,154	53	7,196,249	2	238,006	99	10,975,409
DA	rural herit prot.	0	0	0	0	8	571,341	16	1,863,363	1	193,388	25	2,628,092
DD	rural herit prot.	0	0	0	0	6	191,058	1	148,329	0	0	7	339,387
ÉÁ	rural herit prot.	0	0	0	0	13	403,507	16	1,844,693	1	74,883	30	2,323,083
ÉM	rural herit prot.	0	0	0	0	5	277,390	14	1,795,766	0	0	19	2,073,156
KD	rural herit prot.	0	0	0	0	9	221,810	4	366,076	0	0	13	587,886
KM	rural herit prot.	0	0	0	0	5	509,160	3	320,484	0	0	8	829,644
NYD	rural herit prot.	0	0	0	0	11	573,908	10	907,079	0	0	21	1,480,987
	Total	0	0	0	0	57	2,748,174	64	7,245,790	2	268,271	123	10,262,235
DA	landscape features	0	0	0	0	1	8,188	0	0	0	0	1	8,188
DD	landscape features	0	0	0	0	0	0	0	0	0	0	0	0
ÉÁ	landscape features	0	0	0	0	0	0	0	0	0	0	0	0
ÉM	landscape features	0	0	0	0	0	0	1	55,188	0	0	1	55,188
KD	landscape features	0	0	0	0	0	0	0	0	0	0	0	0
KM	landscape features	0	0	0	0	2	165,742	0	0	0	0	2	165,742
NYD	landscape features	0	0	0	0	1	36,621	0	0	0	0	1	36,621
	Total	0	0	0	0	4	210,551	1	55,188	0	0	5	265,739
	Measure total	0	0	0	0	105	6,499,879	118	14,497,227	4	506,277	227	21,503,383

Source: The ARDA monitoring database, 02 October, 2007

Time schedule

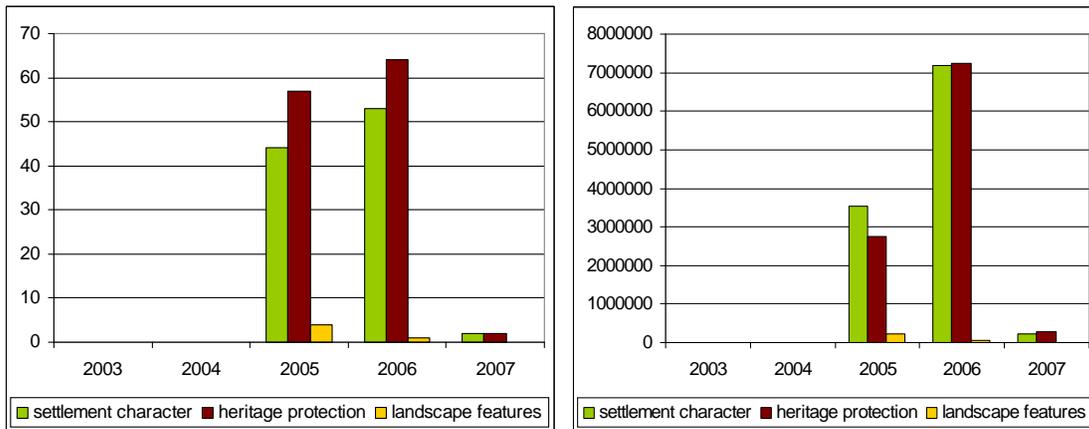
The application, similarly to the measure on diversification, could be submitted until May 2004. That year the support decisions were made and the contracts were concluded. The first disbursements were made in 2005.

Between 2000 and 2007 a total of 227 applications were supported, with a total amount of Euro 21.5 million in disbursements. In 2005 and in 2006, 98 % of the applications were completed.

Despite the significant excess of applications, only 227 applications (HUF 5.7 billion support amount) were supported, but until the end of year 2005 only in the case of half of these, 164 were disbursements made (HUF 2.6 billion), consequently, only 47% of the projects were implemented by the end of year 2005. The low rate of disbursements and implementations can be explained by the late announcement of the measure, and the time requirements of the projects. The average cost of one disbursed project is HUF 136 million, which means HUF 43.9 million support per project. Until the end of year 2005 the amount of disbursements reached 91% of the pool of public money for 6 years of the measure.

55% of the launched projects were aimed at the protection of architectural monuments, out of which 57 projects were completed by the end of 2005. The number of projects launched for the purpose of the reconstruction of settlement sections is two and a half times higher than planned, and almost half of them were completed by the end of 2005. Out of the projects related to the revitalising of landscape features only 5 started instead of the planned 320. The reason for the substantial difference is the later opening of the measure, consequently, not enough time was available for the preparation of applications. This is underpinned by the extremely high 90% proportion of rejected and withdrawn applications.

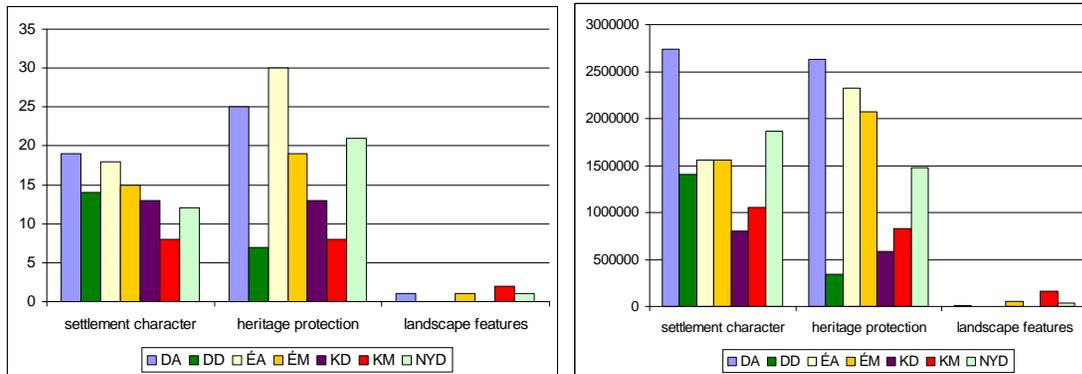
Figure 80: Progress of the application process: number of closed applications (pc) and disbursed support (Euro)



Distribution per region:

The distribution per region is mainly related to the size of the region (number of municipalities and residents) and not to the character of the villages or heritage values located there. In line with that, the Northern Great Plain, the Southern Great Plain and Northern Hungary were the three leading regions regarding the number of applications and the use of funds.

Figure 81: Distribution of applications per region/sub-measure: the total number of closed applications (pc) and disbursed support (Euro)



There is no significant difference between the regions regarding the proportion of the individual activities, as everywhere the protection of heritage and the municipal character represent the majority, and the share of landscape element is insignificant. In Central Transdanubia, Central Hungary, and in the Northern Great Plain there was no supported application in the case of this activity.

Figure 82: Distribution of applications per region/sub-measure: the total number of closed applications %

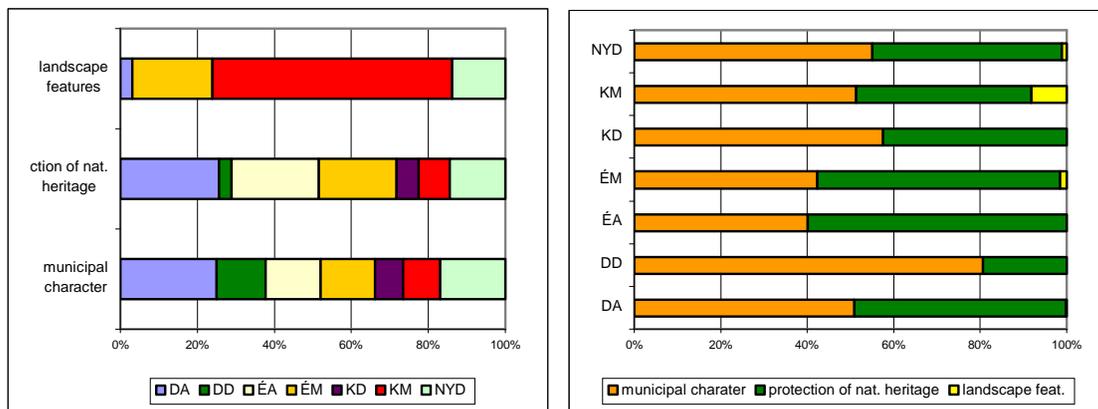
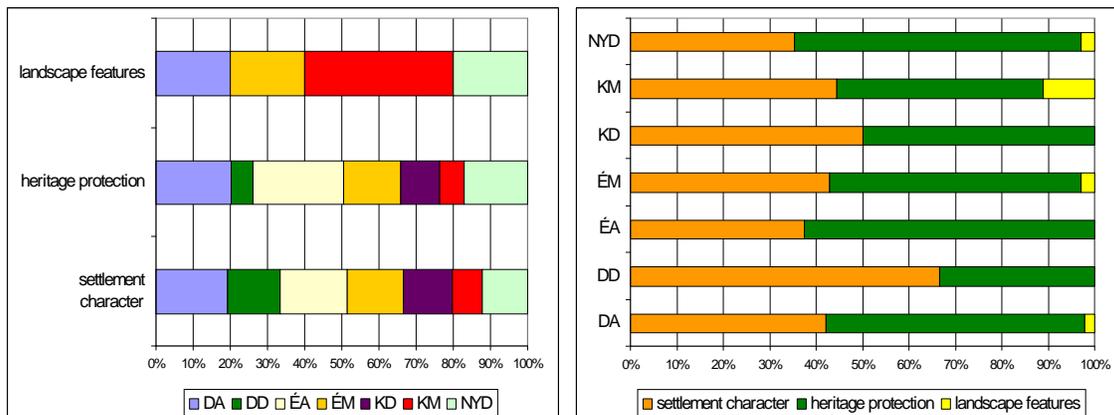


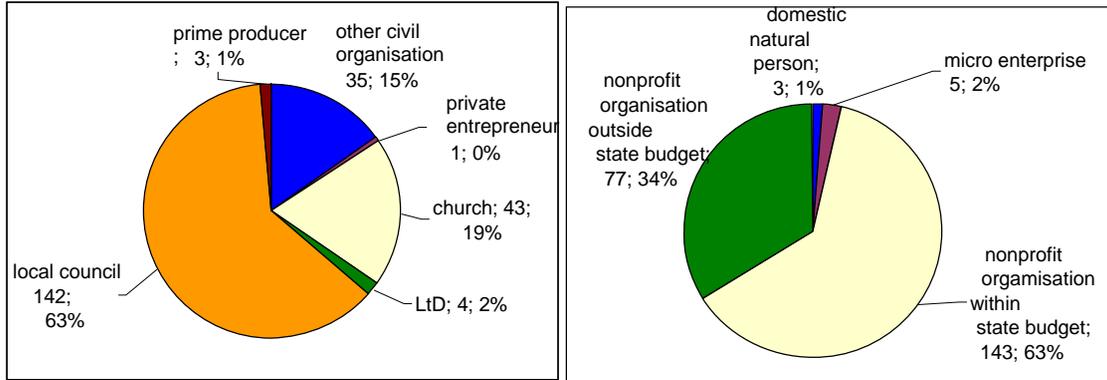
Figure 83: Distribution of applications per region/sub-measure: total disbursed support %



Composition/classification code of beneficiaries

Mostly local governments (63%) and the associations of these, as well as churches (19%) and other civil organisations (15%) applied for the measure. The reason for that is the nature of the tender, as buildings or objects listed, or determinant from the aspect of the village-scape or community functions are owned by the local governments or churches (church building) and used and maintained by civil organisations. In the case of privately -owned buildings, enterprises may submit applications (2%), or civil organisations could embrace such developments.

Figure 84: Winning applicants as per form of business and classification code



Summary analysing evaluation and conclusions

There was such a significant demand for the measure because most of the municipalities, and in particular small municipalities, struggle with considerable lag in this area. The renovation of historical monuments, and locally built architectural monuments lack funds, and in addition to this, the buildings constructed in the 50-70's also require renovation, while the local governments' development capacity from their own funds is severely restricted. Therefore, the measure – although having been able to manage only a fraction of the development requirements – had a clearly positive effect on villages, and small municipalities.

This is also reflected in the questionnaires completed by the applicant: the majority of the respondents think that the development significantly contributed to the preservation of cultural heritage. This is the heritage – and derives from village-scape and landscape values and significance. The economic impact is more moderate though (mainly a slight effect can be shown), which also reflects the public and non-profit aim of the measure. The utilisation of the created new functions was assessed as good or medium -level.

A.VIII.1. To what extent have the supported investments contributed to underpin the diversification and sustainability of the economic activity of the beneficiary population?

The measure has a principally indirect effect on the economic development of the municipality, and the area, and on the social indicators. The developments filled unused buildings and locations with life, and repaired neglected houses and public areas partly or completely. This way they improved the village-scape and landscape, which affects the quality of people's lives, identity, which cannot be stated statistically, and may as well induce movement into the disintegrating villages. At the same time, based on the narrative answers it is perceivable that the measure made a significant impact on tourism in beneficiary municipalities, and the tourism tax of beneficiary municipalities significantly increased.

A.VIII.2. To what extent have the supported investments contributed to increase the income and improve the quality of life of the beneficiary population?

In the case of village renovation type of developments many of the respondents mentioned that opportunities opened up for them for such outdoors and indoors community activities which previously did not operate in the settlement. The effect of these projects was seen to affect the attitude of people, which cannot be expressed with figures. The most important impact of village renovation projects was probably the so-called „avalanche effect” when a significant part of the enterprises operating along the renewed settlement sections, and in many cases private individuals as well renovated the facade of their buildings from their own funds, built parks and did landscaping as a result of the development, but at the very least tidied up the public areas in front of their properties, which is an important indicator of the change in approach of the rural population.

A.VIII.3. To what extent have the supported investments contributed to the preservation of built and cultural heritage in the beneficiary areas?

Based on the questionnaire survey, to the question as to what extent the development contributed to the preservation of rural heritage (built, natural and cultural), 22 respondents (81%) answered that the developments have a significant direct impact on the preservation of the cultural and natural heritage of the countryside. Two of them responded that the impact was only indirect. At the same time, this impact affected only 6% of the rural population due to the restriction on resources.

The high level of rejections and applications returned without opening were received extremely negatively. One of the reasons for these rejections was that campaign activities, though highly effective, were launched late.

Question	A.VIII.1. To what extent have the supported investments contributed to underpin the diversification and sustainability of the economic activity of the beneficiary population?
Criterion of evaluation	A.VIII.1-1. New economic activities have been developed/recovered for the renovation and conservation of the villages and the rural heritage.
Indicator	A.VIII.1-1.1. Number and description of new economic activities developed/recovered as a result of the assistance .

Based on the question in the questionnaire survey as „to what extent have the supported investments contributed to the development, diversification and sustainability of the economic activity of the beneficiary settlement/population (has the investment facilitated the start-up and increase of economic activities)?” out of the 27 respondents 16 answered that the development affected positively the existing enterprises, and as a result of the development new enterprises were set up. Out of the 16 respondents 13 described the impacts as small while 3 considered them to have had significant impact. Only 6 answered that the development did not have either an indirect or direct effect on the sustainability or set-up of economic activities. 5 of the respondents were not able to answer the question.

Out of the 16 applicants giving a positive answer, 10 mentioned concrete economic activity, which emerged or was revitalised as a result of village development. Several of the respondents mentioned that the multi-functional service supply space that was created from the support gives room to enterprises, in relation with which the income of local governments increased, thus the development also creates jobs. The renovated buildings at several places house the meetings of the participants of economy and training courses. Some of them, however, function as community space, which, among others, plays an outstanding role in ensuring that young people spend their free time in a useful, cultured and quality manner.

Most of the respondents mentioned the positive effect the village renovation projects made on tourism. As a result of the development, the attraction for tourists of the beneficiary villages increased. These include renovated monuments that are visited now more frequently by tourists as a result of the development. Several of the respondents mentioned the increase of the number and turnover of the village accommodation providers, which was the consequence of the development.

In the renovated village centres out-door events could be arranged (e.g. horse-riding shows, wine tasting), which have a positive effect not only on tourism, but also on the life quality of residents living there.

It has been mentioned that it is the result of the renovation of village centres that the turnover of the settlement centre has grown, it has become the meeting place of local residents and both the number of tourists and the interested passenger in transit increased. This facilitated the more favourable operation of the service units of the settlement centre. New, quality accommodation and catering units, businesses and banks opened in the renovated village centres.

Perhaps the most important impact of the village renovation applications is the so-called „avalanche impact” when a significant part of the enterprises operating along the renewed settlement sections, and in many cases private individuals as well renovated the facade of their buildings from their own funds, built parks and did landscaping as a result of the development, but at least tidied up the public areas in front of their properties, which is an

important indicator of the change in the approach of the rural population.				
Criterion of evaluation	A.VIII.1-2. New/alternative economic activities developed in the beneficiary area linked to assisted activities			
Indicator	A.VIII.1-2.1. Share of newly created SME's in the beneficiary area to overall number of newly created SME's in rural areas (%)			
<p>The CSO registers the number of operating enterprises, which includes the winding up enterprises as well. Thus there is no separate CSO data for the newly set up enterprises.</p> <p>To provide an approximate answer to the question, the change in the number of SME's in the period of the implementation of developments (2004 -2006) in the beneficiary municipalities concerned in developments within the framework of the measure and in the eligible municipalities classified as rural in the Programme were analysed. The CSO gathered data coherent and comparable for operating enterprises only until 2005.</p>				
	Number of operating SME-s 2004 (pc)	Number of operating SME-s 2005 (pc)	Difference	Proportion of change %
In the eligible municipalities of the renovation of villages	264 864	220 862	-44 002	-16.6
In the municipalities concerned in development	33 683	28 139	-5 544	-16.5
National total	870 375	706 550	-163 825	-18.8
<p>The above data reflect the fact that between 2004 and 2005 the number of operating enterprises drastically decreased. The decrease in the municipalities concerned in development was lower by one tenth percent but there is no evidence that it was caused by the Programme. In both years, 12.7% of the enterprises operating in rural areas functioned in a beneficiary municipality, and there was no change in this proportion.</p>				
Indicator	A.VIII.1-2.2. Evidence of improved dynamism/potential as a result of the assistance (description)			
<p>The support reached 190 beneficiary municipalities, with an average of Euro 113,176 support. In addition to the narrative answers given to question A.VIII.1-1.1. no other evidence exists for the acceleration of the dynamism of development.</p>				

Question	A.VIII.2. To what extent have the supported investments contributed to increase the income and improve the quality of life of the beneficiary population?			
Criterion of evaluation	A.VIII.2-1. The income of the beneficiary areas has increased.			
Indicator	A.VIII.2-1.1. Increase in income of municipalities with supported activities (%)			
<p>The CSO data allowed the analysis of the average change in the income of local governments, from which it was not possible to determine the extent to which the supported development itself contributed to it.</p> <p>The source of local government income in addition to the normative assistance is the local</p>				

business tax paid by local enterprises and the tourism tax paid by local accommodation providers.

Changes in the local business tax paid to governments in the period of the implementation of developments (the year 2006 statistical data are not yet available):

	Local business tax 2004 (thousand HUF)	Local business tax 2005 (thousand HUF)	Difference	Proportion of change %
In the eligible municipalities of the renovation of villages	49 429 807	52 237 118	2 807 311	5.7
In the municipalities concerned in development	6 462 967	6 219 485	-243 482	-3.8
National total	310 275 715	257 365 901	-52 909 814	-17.1

The local business tax paid in the beneficiary municipalities decreased by 3.8% in the 2 years analysed. Compared with this, in the eligible municipalities the same income increased. Thus it can be concluded that the Programme did not affect significantly the increase of the income of beneficiary local governments from local business tax.

Changes in the tourism tax paid to governments in the period of the implementation of developments (the year 2006 statistical data are not yet available):

	Tourism tax 2004 (thousand HUF)	Tourism tax 2005 (thousand HUF)	Difference (pc)	Proportion of change %
In the eligible municipalities of the renovation of villages	1 764 092	1 751 823	-12 269	-0.7
In the municipalities concerned in development	242 424	251 205	8 781	3.6
National total	3 545 612	3 854 769	309 157	8.7

It is clear that while in the rural area the tourism tax decreased in total during the period of the implementation of the applications, in the beneficiary municipalities this income increased by 3.6%. From the tourism tax paid in the rural municipalities the tax paid by municipalities concerned in the development made up 13.7% in 2004, in 2005 this proportion increased to 14.3%. It cannot be established to what extent the Programme contributed to this improvement in the beneficiary municipalities, but based on the answers given in the applicants' questionnaire it is legitimate to state that the renovation of villages had a positive effect on tourism in the concerned municipalities.

Criterion of evaluation	A.VIII.2-2. Housing and neighbourhood conditions have improved
Indicator	A.VIII.2-2.1. Share of rural population living in renovated buildings (%)

The monitoring system does not register separately the number of renovated residential buildings, and it provides aggregate data for the renovated residential and public buildings.

As of the status of 02.10.2007 145 residential and public buildings were renovated. The significant difference compared to the year 2006 closing report was caused by the fact that in 2007 a complex village renovation project was closed, which included the renovation of 84 residential houses of Nagyszékely, an outstandingly well-positioned village in South Transdanubia, still preserving the traditional building style.

<p>Within the measure it was possible to support the renovation of facades, which could be implemented on residential houses as well. Until October 2007 the facades of approximately 10 buildings were renovated from SAPARD support.</p> <p>Taking into account the above figures, it can be concluded that compared to the rural population, the number of people living in houses renovated from SAPARD assistance is insignificant.</p>	
Indicator	A.VIII.2-2.2. Share of population enjoying access to neighbourhood amenities (e.g. parks, public gardens, natural protected areas...) (%)
<p>The submission-measure „Protection and revitalisation of landscape features of municipalities” of the village renovation measure contains the development of spaces suitable for outdoor recreation, serving as the subject of the question. Within the above sub -measure such developments were implemented only in five municipalities, which resulted in the revitalisation of parks, ponds, or public cemeteries. The population of such municipalities is a total of 10,211 persons. Within the sub -measure „Renovation of architectural units preserving the settlement character” the renovation of rest areas, pedestrian and bicycle routes, which affect seven further municipalities and 14,809 persons. All in all, these developments concerned only 0.5%, a minimal proportion of the rural population as per the Programme.</p>	
Criterion of evaluation	A.VIII.2-3. More social, cultural and information services are provided.
Indicator	A.VIII.2-3.1. Share of rural population with access to social/cultural/information services depending on assistance or assisted facilities (% and description)
<p>The electronic monitoring system can not identify projects, which establish the background infrastructure for a new social/cultural/information technology or economic function, thus this question cannot be answered.</p> <p>However, from the questionnaire survey it is apparent that out of 27 respondents 15 (56%) indicate in their answers that through the development the operation of the above -listed new function became possible.</p> <p>Several of them explained in their narrative answers that outdoor and indoor developments facilitate new cultural, community and leisure time activities. In these municipalities in relation with the renovation of villages, community spaces were created that allowed quality leisure time activities.</p> <p>Out of the 27 respondents of the questionnaire survey according to 13 the popularity and utilisation of these new functions is significant, and according to 4 respondents medium -level. Nobody responded that the utilisation of the new establishments is low.</p>	
Criterion of evaluation	A.VIII.2-4. The attractiveness of the beneficiary regions has improved.
Indicator	A.VIII.2-4.1. Share of people willing to leave the beneficiary area (%).
No data available.	
Indicator	A.VIII.2-4.2. Trend in the number of tourists/visitors per year.
Changes in visitors nights in the period of the implementation of developments on rural areas and in beneficiary municipalities were as follows:	

In private accommodation:

	Number of visitor nights 2004	Number of visitor nights 2006	Difference (pc)	Proportion of change %
In the eligible municipalities of the renovation of villages	2 633 246	2 608 824	-24 422	-1
In the municipalities concerned in development	163 615	204 251	40 636	25
National total	3 094 224	3 094 263	39	0

Commercial accommodation:

	Number of visitor nights 2004	Number of visitor nights 2006	Difference (pc)	Proportion of change %
In the eligible municipalities of the renovation of villages	14 999 996	15 605 625	605 629	4
In the municipalities concerned in development	991 327	1 153 679	162 352	16
National total	18 893 993	19 647 679	753 686	4

The above data show that in the beneficiary municipalities the increase in the number of visitor nights was outstandingly high in private village accommodation, which can be partly attributable to the impact of the Programme, as in those eligible municipalities that are not concerned with village renovation projects, the same figure decreased by 4%. The number of visitor nights spent in commercial accommodation also increased significantly in the beneficiary municipalities, to a considerably higher extent than in rural municipalities or on the national level.

Question	A.VIII.3. To what extent have the supported investments contributed to preserve the rural heritage in the beneficiary areas?
Criterion of evaluation	A.VIII.3-1. The historical monuments and landscape features of the beneficiary area have been preserved
Indicator	A.VIII.3-1.1. Evidence of improvements thanks to assistance in: (a) landscape features (description) (b) historical monuments (description)
<p>Out of the 227 projects supported within this measure the aim of 123 projects was directly the reconstruction and protection of architectural and historical monuments of villages, while another 5 projects served the protection and revitalisation of landscape features belonging to municipalities. This in summary, meant the usage of funds in the amount of Euro 10,527,974 for such a purpose, which affected 190 municipalities.</p> <p>Based on the questionnaire survey, on the question as to what extent the development contributed to the preservation of rural heritage (built, natural and cultural) 22 respondents (81%) answered that the developments had a direct affect on the preservation of the cultural and natural heritage of the countryside. Two of them answered that the effect was only indirect.</p>	

Criterion of evaluation	A.VIII.3-2. Rural heritage has been preserved and improved
Indicator	A.VIII.3-2.1. Share of population enjoying access to preserve rural heritage sites thanks to assisted actions (%)
<p>Based on the above answer, the number of municipalities concerned in developments serving the renovation and protection of the architectural and historical monuments of villages, and the protection and revitalisation of landscape features belonging to municipalities is 115, where the number of the population is 277 129. This is 6% of the population of the rural area demarcated by the SAPARD Programme.</p>	

3.4.1.5. Development of rural infrastructure

This measure was accredited in September 2002, among the first four measures, then after the first request for application it was also announced in 2 rounds.

Environment of the measure

The changes of the ownership and holding structure having taken place in agriculture as well as the altered economic environment made it necessary to develop infrastructure components adjusting to the new conditions and to build new elements.

It has become necessary to adjust the existing **agricultural roads** and the establishments belonging to them to the new structures, as well as their renovation and maintenance, and to build new roads to ensure access to the individual areas. The renovation of the roads and the building of new roads may also serve the purposes of tourism at the same time.

The gradually-growing public utility gap in municipalities causes increasingly severe concerns. The earlier EU assistance structures (ISPA) and the national area development aids supported larger scale and regional investments in the area of **waste water management**. Therefore, in the framework of the SAPARD Programme, the improvement of the sewage problems of small municipalities is an important area of development by all means. The measure wished to support alternative environment-friendly technology adjusting to local circumstances.

The usage of **renewing energy resources** leads to the improvement of the quality of the environment and reasonable economic advantages: it offers cost-efficient, sustainable and environment-friendly solutions. The branch of the measure aiming at the development of energy supply supported this aim.

In addition to the improvement of the conditions of production the improvement of the marketing conditions of products is also an important task: through the establishment of **local markets** and the improvement of the conditions of accessing farther markets. The **telecommunication developments** have also served this aim partly. In rural areas the number of local markets and purchase-points equipped with an infrastructure suitable for locally selling the locally produced products was very low at the time of the planning of the Programme, and the majority of the products changed hands through intermediary merchants, which caused a significant price increase and has other unfavourable effects. In addition to this, a large number of the operating local markets did not comply with any up-to-date requirements or hygiene specifications. The Programme part aiming at the creation and development of local markets tried to improve these problems: to ensure that as many local markets would comply with the EU norms as possible, and the developments would, at the same time, serve the economic interests of those farming in the area.

Objective of the measure

- Implementation of infrastructure developments defined by the characteristics features and needs of the rural areas, which help the operation of the enterprises located in the area, and improve the living and working conditions.
- Connection to the other rural development measures.

The SAPARD Plan defined the following need in relation to rural infrastructure:

- The agricultural roads and connected establishments do not comply with the significantly changed ownership structure, and in certain cases even access to the land is not ensured;
- In most of the small municipalities (with a population under 2000 people) sewage treatment establishments are not in place;
- The agricultural enterprises do not have energy supply, or do have it but it is not as efficient as required;
- Local enterprises and their cooperation are characterised by the low level of networks and computerised databases helping with better information provision.

In line with the needs, the measure includes the following development areas (Supported activities):

- Road network development in the cultivated areas;
- Energy supply development for the local business enterprises;
- Building local sewage treatment systems, which would apply alternative technologies in municipalities with a population under 2000 people;
- Development of local markets and purchase establishments;
- Development of the information technology network, and building tele-houses and tele-mailing establishments, and consulting systems.

The relevance of the measure

The situation analysis of the Programme clearly underpins the necessity of the measure: Infrastructure developments provide an indispensable background for the enterprises, and the economic and social impacts of the developments appear indirectly and in the long term. The local governments of small municipalities struggling with the shortage of resources without similar assistance are unable to implement the necessary and urgent developments.

Scope of beneficiaries

Agricultural producers, entrepreneurs and their cooperation, civil organisations, local governments of rural municipalities. The measure did not apply any focus regarding the scope of its beneficiaries.

Eligibility and evaluation

The measure entitled the „Development and improvement of rural infrastructure” belongs among the measures of rural development, thus the interventions could be applied in areas classified as *rural*.

In the case of all three measures of the development of rural areas a fundamentally important criterion in the assessment of the effects of projects strengthening one another is the adjustment

of the given project to the micro-regional agricultural and rural development strategic programmes.

Consequently, the evaluation criteria applied in the second step according to the modification are:

- partnership within the development;
- partnership between the developments;
- adjustment to micro-regional agrarian structure and the strategic programme of rural development (in absence of this, to the relevant county area development concept).

The supported projects

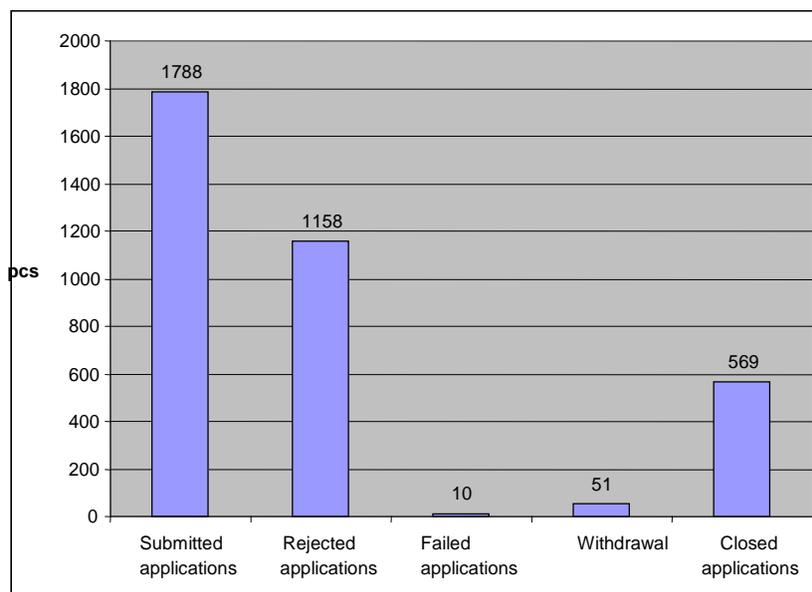
For the measure 1788 applications arrived, which represented 20% of all received applications. Looking at the submission requirements it was found that also 20% of the received support requirements were submitted for the request of applications of this measure in the total value of Euro 174,308,012.

Regarding the number of rejected applications, the measure with 1158 (65% of submitted applications) applications, after the 'investment' and 'village development' measures is in the third place, and the support requirement of rejected applications amounted to Euro 115,624,707.

Reasons and distribution of rejection:

- 545 applications – lack of resources;
- 336 applications – omissions;
- 130 applications – ineligibility;
- 4 applications –lack of viability;
- 5 applications – incorrect budget;
- In 67 cases the applicant decided to withdraw its application;
- 17 applications were submitted after the set deadline;
- In 10 cases the on-site inspection verified the lack of eligibility;
- 7 applications – supplying incorrect data;
- 5 applications – incorrect funds-cost budget;
- 6 applicants did not make the requested modifications;
- 29 applications were rejected for other reasons;
- In 2 cases the applications were rejected because of review.

Figure 85: The number of received, rejected and eventually supported applications



In 10% of the projects selected for support either failure of implementation or withdrawal took place, which is regarded as a relatively high proportion. According to the evaluators, the reasons may include an unexpected level of administration load, other management and accounting tasks and information received on the delay of disbursements. In the case of this measure there is only one application among those that eventually failed to be implemented where a disbursement was made, thus fraud in relation with the support money as a reason cannot be one of the explanations. Figure No. 86 illustrates the proportion of development areas within the measure, where the dominance of the development area 'development of agricultural road network' can be seen. This dominance can be explained with the transformation of the holding structure, already described in the status survey section, and the new development needs deriving from that.

Figure 86: Distribution of closed applications between the areas of development

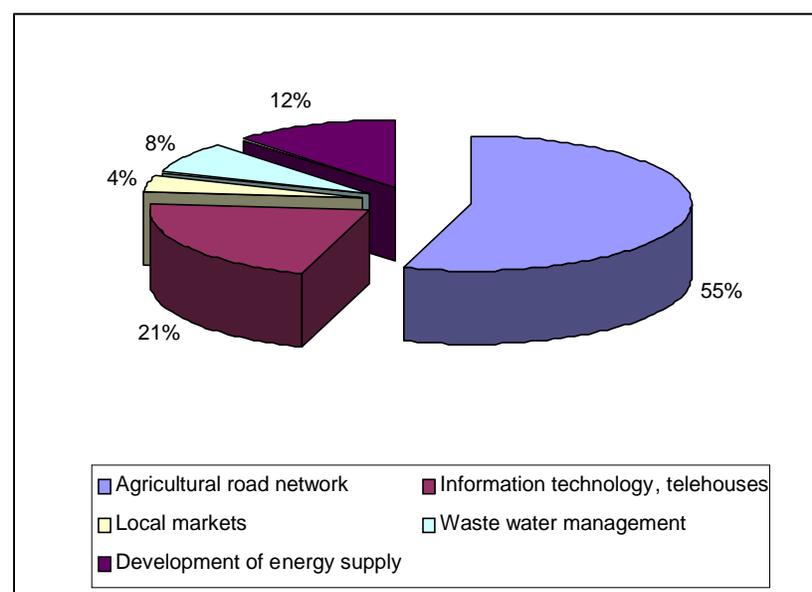


Table 21: Breakdown of the closed applications of the measure Development and improvement of rural infrastructure per sub-measure, region and year

Region	Area of development	2003		2004		2005		2006		2007		2000-2007	
		Closed application (pc)	Disbursed support (Euro)	Closed application (pc)	Disbursed support total (Euro)								
DA	Agricultural road network	5	578 269	20	2 171 990	44	6 129 491	10	1 589 425	0	0	79	10 469 175
DD	Agricultural road network	1	23 523	22	2 097 675	21	2 522 300	1	231 294	0	0	45	4 874 792
ÉA	Agricultural road network	11	1 348 132	20	2 075 630	19	1 836 329	18	2 799 504	0	0	68	8 059 595
ÉM	Agricultural road network	1	16 691	12	1 094 749	12	1 335 623	14	2 050 423	4	652 311	43	5 149 797
KD	Agricultural road network	2	317 087	3	298 830	6	698 706	7	1 139 716	1	235 294	19	2 689 633
KM	Agricultural road network	0	0	3	249 734	2	446 029	0	0	0	0	5	695 763
NyD	Agricultural road network	0	0	10	891 059	44	5 250 346	0	0	0	0	54	6 141 405
	Total:	20	2 283 702	90	8 879 667	148	18 218 824	50	7 810 362	5	887 605	313	3 808 0160
DA	Energy supply	1	110 196	6	392 955	6	207 256	1	97 934	0	0	14	808 341
DD	Energy supply	0	0	5	108 310	2	231 277	0	0	0	0	7	339 587
ÉA	Energy supply	0	0	6	389 125	0	0	1	15 327	0	0	7	404 452
ÉM	Energy supply	1	18 118	5	193 469	3	274 964	2	315 729	0	0	11	802 280
KD	Energy supply	0	0	5	89 040	5	207 926	0	0	0	0	10	296 966
KM	Energy supply	0	0	2	63 067	2	150 763	0	0	0	0	4	213 830
NyD	Energy supply	0	0	6	97 430	10	515 722	0	0	0	0	16	613 152
	Total:	2	128 314	35	1 333 396	28	1 587 908	4	428 990	0	0	69	3 478 608
DA	Waste water management	0	0	0	0	0	0	0	0	0	0	0	0
DD	Waste water management	0	0	0	0	5	925 926	1	235 286	0	0	6	1 161 212
ÉA	Waste water management	0	0	0	0	0	0	0	0	0	0	0	0
ÉM	Waste water management	0	0	1	141 176	4	745 202	18	3 908 389	8	1 786 509	31	6 581 276
KD	Waste water management	0	0	0	0	0	0	1	158 752	1	221 276	2	380 028
KM	Waste water management	0	0	0	0	0	0	0	0	1	235 294	1	235 294
NyD	Waste water	0	0	1	10 513	0	0	1	213 020	1	235 294	3	458 827

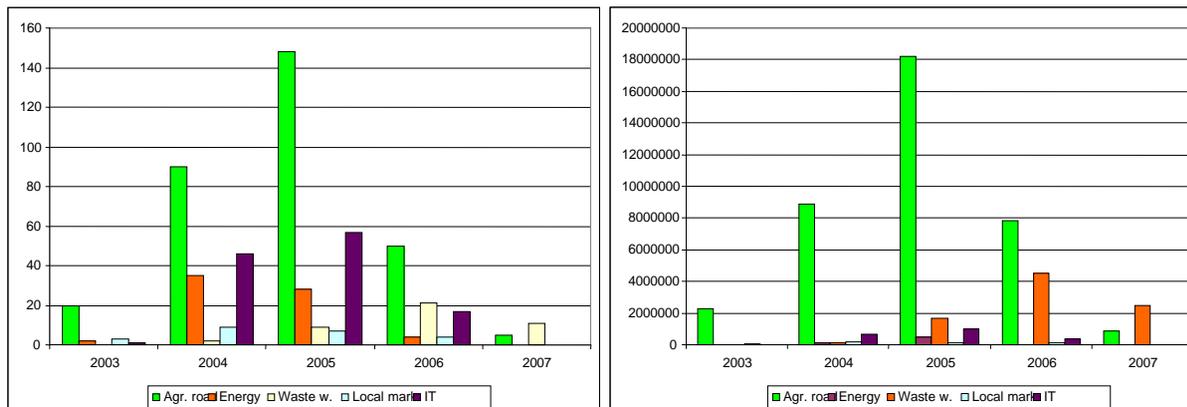
Region	Area of development	2003		2004		2005		2006		2007		2000-2007	
		Closed application (pc)	Disbursed support (Euro)	Closed application (pc)	Disbursed support total (Euro)								
	management												
	Total:	0	0	2	151 689	9	1 671 128	21	4 515 447	11	2 478 373	43	8 816 637
DA	Local markets	0	0	4	68 252	3	59 211	0	0	0	0	7	127 463
DD	Local markets	1	23 294	0	0	1	22 271	0	0	0	0	2	45 565
ÉÁ	Local markets	2	34 646	2	37 118	2	43 996	2	107 659	0	0	8	223 419
ÉM	Local markets	0	0	1	23 240	0	0	2	42 984	0	0	3	66 224
KD	Local markets	0	0	0	0	0	0	0	0	0	0	0	0
KM	Local markets	0	0	2	42 973	0	0	0	0	0	0	2	42 973
NyD	Local markets	0	0	0	0	1	12 118	0	0	0	0	1	12 118
	Total:	3	57 940	9	171 583	7	137 596	4	150 643	0	0	23	517 762
DA	Information technology	0	0	10	164 304	9	192 566	0	0	0	0	19	356 870
DD	Information technology	0	0	6	90 686	4	88 828	0	0	0	0	10	179 514
ÉÁ	Information technology	1	16 431	5	65 920	2	43 753	2	38 324	0	0	10	164 428
ÉM	Information technology	0	0	11	163 030	29	466 471	14	289 034	0	0	54	918 535
KD	Information technology	0	0	5	68 655	6	81 722	0	0	0	0	11	150 377
KM	Information technology	0	0	2	24 965	2	40 661	0	0	0	0	4	65 626
NyD	Information technology	0	0	7	128 256	5	52 094	1	20 258	0	0	13	200 608
	Total:	1	16 431	46	705 816	57	966 095	17	347 616	0	0	121	2 035 958
	Measure total:	26	2 486 387	182	11 242 151	249	22 581 551	96	13 253 058	16	3 365 978	569	52 929 126

Source: The ARDA monitoring database, 02. October, 2007.

Time schedule

The applications could be submitted between 26th of September 2002 and 30th of April 2004 in 3 rounds of application. In 2003 4% of the projects was closed, in 2004 32%, in 2005 44%, in 2006 17%, while in 2007 3%. The management of application continuously struggled with time slippage, and the disbursements were delayed, as indicated in the answers given in the questionnaires. The diagrams also reflect the work peak in 2004 and in 2005, to which the application management could not react with properly flexible resource reallocation. During the interviews these problems were explained by the strict procedures, the stipulations of which, had to be complied with in the course of the process. In the evaluators' opinion the Hungarian rules of procedures were over-secured and too bureaucratic, they contained too many unnecessary duplications, which significantly increased the time requirement of each individual processes.

Figure 87: Progress of the application process: number of closed applications (pc) and disbursed support (Euro)



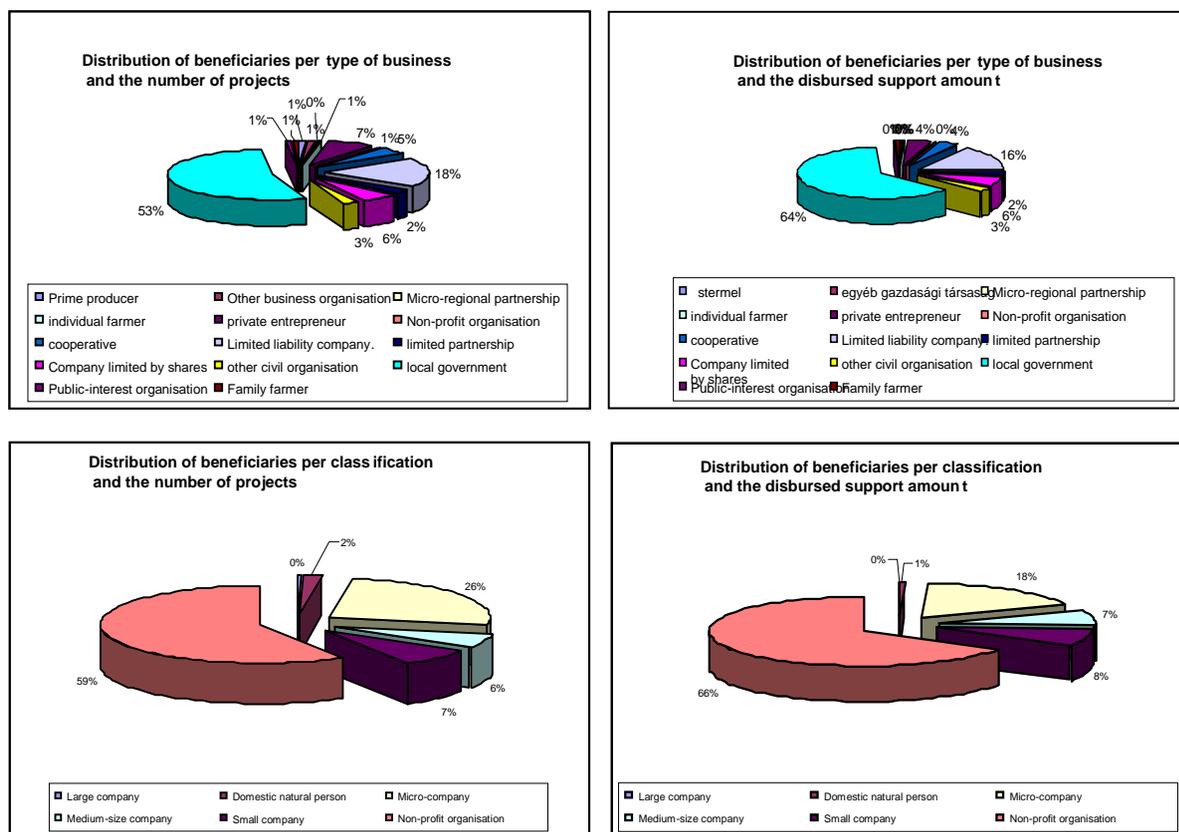
Distribution per region

In the case of the development areas 'agricultural road network' and 'Local markets' the dominance of the Great Plains regions is apparent, while in the case of 'Alternative waste water management' and 'Information technology hubs, tele-houses' the highest number of projects by far were implemented in Northern Hungary. This distribution was justified by the backward status of the agricultural road networks in the Great Plains, and the lag of the public utility supply and telecommunication network of Northern Hungary compared to the national average. Analysing the distribution per region we can then conclude that the measure found the areas most "in need". The development level of the infrastructure of Central Hungary (compared to the domestic average) is reflected by the fact that in the case of all development areas, save one, the lowest number of supported applications were implemented there, and the Programme supported an agricultural road network in only 5 cases in the region.

Table 21 provides detailed information on the schedule of the disbursements in the measure and the distribution of the projects per region.

Distribution of beneficiaries

Figure 88: Distribution of beneficiaries



Within the framework of the measure the highest number of projects were implemented by local governments (305, 54%), and if we add to this the 5 public corporations among the entities successfully closing projects, the 15 other civil and 3 non-profit organisations, this makes up 59% of the beneficiaries. Based on this we can clearly state that this measure was basically a 'local government' measure, which is not surprising, as the infrastructure developments eligible for support made up for serious insufficiencies, among others in which the local governments had not been able to implement previously without a similar support structure, due to the lack of their resources. In addition to that, this composition also derives from the ownership relations of the objects to be developed, as these are typically owned by the local governments. The only exception was the energy supply development, which typically a development area for enterprises, and there most of the applicants were consequently enterprises.

Table 22 shows the detailed distribution of beneficiaries, with project size and support amount .

Table 22: Development and improvement of rural infrastructure 1308 – Distribution of beneficiaries

Form of business	closed applications pc	%	Support Euro	%	Total project size (Euro)	%	Amount disbursed (Euro)	%	Average project size (Euro)
Prime producer	7	1	132,934	0	180,869	0	118,061	0	25,838
Other business org.	6	1	123,343	0	164,457	0	118,366	0	27,410
Micro-regional partnership	1	0	23,529	0	32,941	0	23,529	0	32,941
individual farmer	3	1	168,645	0	224,859	0	164,356	0	74,953
private entrepreneur	42	7	2,408,812	4	3,386,000	4	2,361,254	4	80,619
Non-profit org.	3	1	220,948	0	305,072	0	220,948	0	101,691
cooperative	26	5	2,136,272	4	2,933,544	4	2,071,363	4	112,829
Limited liability company	106	19	8,654,414	16	12,083,146	16	8,540,535	16	113,992
limited partnership	13	2	1,129,164	2	1,586,824	2	1,124,959	2	122,063
Company limited by shares	33	6	3,013,474	6	4,146,873	5	2,926,498	6	125,663
other civil org.	15	3	1,445,049	3	1,955,938	3	1,418,770	3	130,396
local government	305	54	34,177,008	62	47,215,204	62	32,832,950	62	154,804
Public-interest org.	5	1	594,565	1	868,077	1	474,470	1	173,615
Family farmer	4	1	537,332	1	716,836	1	533,067	1	179,209
total	569	100	54,765,489	100	75,800,641	100	52,929,126	100	133,217
Classification	closed application pc	%	Support Euro	%	Total project size (Euro)	%	Amount disbursed (Euro)	%	Average project size (Euro)
Large company	2	0	34,063	0	45,433	0	33,653	0	22,716
Domestic natural person	10	2	301,578	1	405,729	1	282,417	1	40,573
Micro-company	147	26	9,763,184	18	13,595,084	18	9,599,337	18	92,484
Small company	35	6	3,711,797	7	5,043,991	7	3,628,381	7	144,114
Medium-size company	41	7	4,387,850	8	6,191,951	8	4,312,686	8	151,023
Non-profit org.	334	59	36,567,017	67	50,518,454	67	35,072,652	66	151,253
total	569	100	54,765,489	100	75,800,641	100	52,929,126	100	133,217

Source: The ARDA monitoring database, 02. October, 2007.

Summary and conclusions

The high proportion of the rejected applications (65%) and the high extent of the application in excess of the available funds (HUF 29,484,303,051, Euro 115,624,707) apparently show that there was a very high demand for this structure, and that the Programme, with the available tight resources, was able only to start a path in good direction, but further support opportunities are necessary in the development area (this aim appeared in the ARDOP and NHRDP measures). In the course of the implementation of the Programme no significant resource reallocation took place in relation to the measure (eventually, funds were reallocated only from not accredited measures to this measure) which can be explained by the also high rate, or in cases, even higher rate of excess applications also appearing in the case of the other measures.

A.XII.1. To what extent have the type and scope of rural infrastructure activities been in compliance with the priority needs of the rural areas concerned?

The status analysis confirms in detail the relevance of the measure. In addition to that, the necessity of the concrete interventions and the harmony of those with the actual needs are confirmed by the data of the questionnaires and the large number of applications submitted and the significant support requirement.

Within the measure, the 'Development of the agricultural road network' was the most popular, and compared to the planned allocation of funds it represented a significantly higher proportion in the budget of the measure. This considerably affected the results compared to the natural indicators set at the planning of the Programme, as the other development areas could present smaller results with lower funds, while in the case of the roads the Programme by far surpassed the expectations. The dominance of the development area of 'Development of agricultural road networks' is justified by the previously detailed changes in the holding structure and the significant lack of road infrastructure in certain regions.

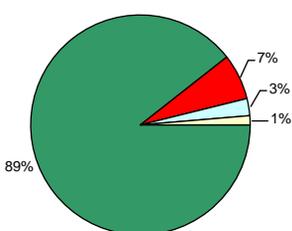
A.XII.2. To what extent have the supported investments contributed to the improvement of the competitiveness of rural areas?

The questionnaire survey and the interviews with the focus group clearly show that among the beneficiaries the measure caused competitiveness increase. However, it is important to note that the measure could reach only a fraction of the rural areas – when either the proportion of supported rural enterprises, or of the rural municipalities enjoying the benefits of the support (due to the shortage of funds) are considered, thus on the level of the national economy its impact is insignificant. However, this couldn't be the purpose of the Programme either.

A.XII.3. To what extent have the supported investments contributed to the improvement of the quality of life of the beneficiary rural population?

The measure did not finance the development of public roads, and apart from waste water management the improvement of communal conditions was not included among the supported activities, therefore it did not have a significant effect directly on the life quality of the rural population. The indirect impact, however, is well reflected that within the measure 524 km of agricultural road network was built/developed, the energy supply development of 69 enterprises was implemented, waste water management projects concerning 44 municipalities, 23 new/renovated local market and 1925 market purchase points as well as 121 IT-development projects were realised. The rural population affected by the investments (excluding the overlapping) was 1,735,027 persons, which is 45% of the residents eligible for the measure, and at the least a low level of positive change took place in the quality of their lives by all means as a result of the Programme.

In answering the measure-specific questions of the measure entitled „Development and improvement of rural infrastructure” the evaluators were able to work from 74 returned applicants’ questionnaires and the data made available from the monitoring database. For the individual indicators, we planned 100% sample sizes from the monitoring database.

Question	A.XII.1. To what extent have the type and scope of rural infrastructure activities been in compliance with the priority needs of the rural areas concerned?				
Criterion of evaluation	A.XII.1-1. The investments made respond to the priority needs identified during the ex-ante evaluation/programming period.				
Indicator	A.XII.1-1.1. Identified priority needs addressed by the Intervention.				
<p>The status analysis part of the Programme clearly underpins the necessity of the measure. In the questionnaire survey 89% of the respondents stated that the supported activities were highly harmonised with the necessities of the area.</p> <p style="text-align: center;">Figure 89</p> <div style="border: 1px solid black; padding: 10px; margin: 10px auto; width: fit-content;"> <p style="text-align: center; font-size: small;">24. To what extent have the activities supported under the "Improvement of rural infrastructure" measure of the SAPARD programme corresponded to the actual infrastructure development needs of your municipality/undertaking?</p>  <table border="1" style="margin: 10px auto; font-size: x-small; text-align: center;"> <tr> <td style="width: 25%;">■ to a great extent</td> <td style="width: 25%;">■ somewhat</td> <td style="width: 25%;">■ did not correspond at all;</td> <td style="width: 25%;">■ no reply</td> </tr> </table> </div>		■ to a great extent	■ somewhat	■ did not correspond at all;	■ no reply
■ to a great extent	■ somewhat	■ did not correspond at all;	■ no reply		
<p>The huge number of applications submitted to the measure and the significant support requirement also confirm that the priority’s needs and the application structure created for that were in line with the actual necessities.</p>					
<p>The number of projects per development area</p>					
<p>Agricultural road network: 313 Energy supply for the purpose of enterprises: 69 Local alternative sewage treatment: 43 Information technology, communication systems: 121 Local markets and purchase points: 23</p> <p>In general, we can draw the conclusion that the development area of 'agricultural roads' represented a much greater proportion within the measure than was forecast by the planners. The reason for that is the high level of demand of applicants in relation with road developments, and the fact that the increased number of applications in the case of roads tied</p>					

up even more significant resources, which hindered the achievement of the objectives set in the other development areas.

Population concerned in the developments per development area:

Agricultural road network: not applicable
 Energy supply for the purpose of enterprises: not applicable
 Local alternative sewage treatment: 39,881 persons
 Information technology, communication systems: 913,260 persons
 Local markets and purchase points: 781,886 persons
 Total: 1,735,027 persons (naturally, overlapping is possible)

Municipalities concerned in the developments per development area:

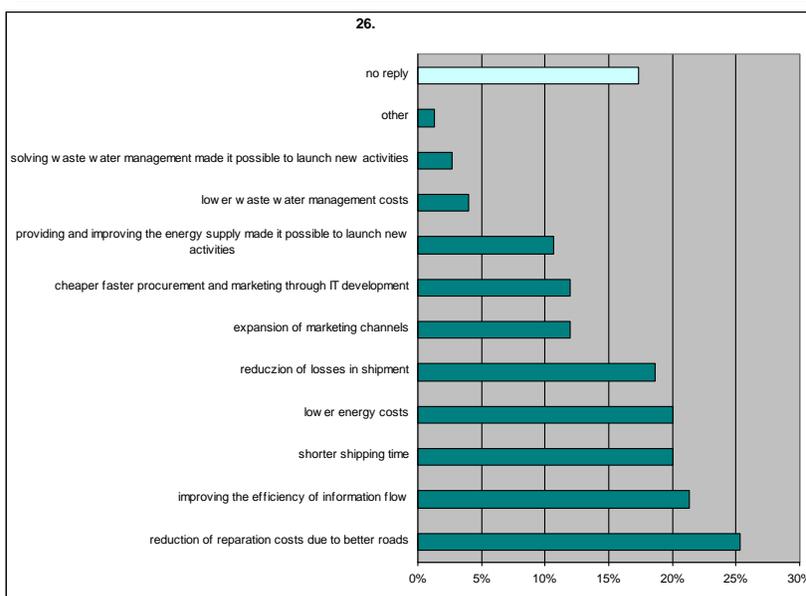
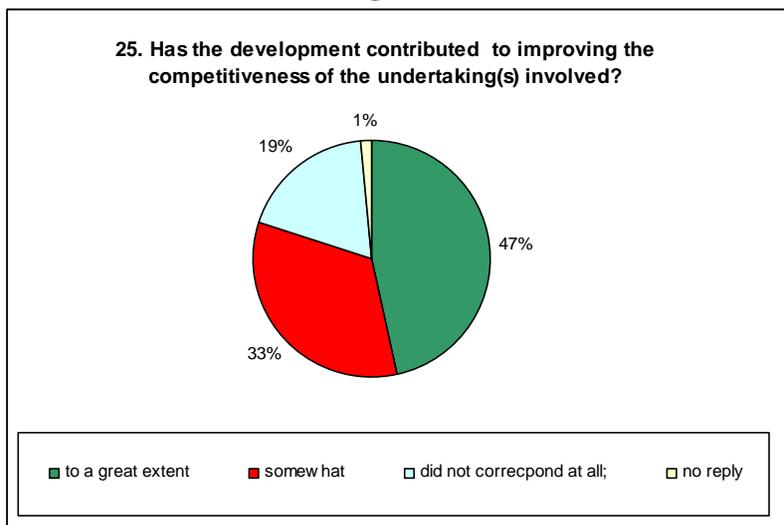
Agricultural road network: not applicable
 Energy supply for the purpose of enterprises: not applicable
 Local alternative sewage treatment: 44 municipalities
 Information technology, communication systems: 121 municipalities
 Local markets and purchase points: 22 municipalities
 Total: 187 municipalities (naturally, overlapping is possible)

Number of enterprises concerned in the developments:

Agricultural road network: 17,925
 Energy supply for the purpose of enterprises: 69
 Local alternative sewage treatment: 687
 Information technology, communication systems: 25,457
 Local markets and purchase points: 7,956
 Total: 52 094 enterprises (naturally, overlapping is possible)
 The most important area of development concerning the enterprises was Energy supply.
 69 projects were implemented in the area of Energy supply for the purpose of enterprises.

Question	A.XII.2. To what extent have the supported investments contributed to the improvement of the competitiveness of rural areas?
Criterion evaluation	of A.XII.2-1. The investments supported have improved the access of holdings/businesses to potential markets

Figure 90



47% of the respondents feel that the development significantly contributed to improvement of the competitiveness of the enterprise, and only 19% said that it did not contribute at all.

In their opinion, the most significant factor was the improvement of the quality of roads, and in addition to that the improvement of the efficiency of information flow and the decrease in transportation time and energy costs was also outstanding.

The questionnaire survey clearly shows that the supported investments imp roved the access of farmers to the potential markets.

Indicator	A.XII.2-1.1.: Average reduction of transportation time to/from beneficiary areas from/to nearest capital regional cities (%)
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This indicator is not relevant, as the reconstruction and buildin g of public roads are not eligible for support according to the SAPARD Programme. Development areas may involve only those roads that serve agricultural purposes.

Criterion of evaluation	A.XII.2-2. Better supply of energy for economic activities
Indicator	A. XII.2-2.1.: Proportion of rural holdings/businesses having improved access to energy supplies thanks to assistance (%)
<p>From the seven regions of Hungary a total of 69 such applications were implemented whose purpose was to development energy supply . (the proportionate result indicator of the SAPARD Plan was 232 enterprises.)</p> <p>The number of rural SME's in Hungary was: 220 ,862.</p> <p>Thus only 0.00312% of the domestic enterprises were granted a fund from the SAPARD funds for the implementation of a developme nt of this purpose.</p> <p>This proportion is very low. The reason for that is the low amount of funds available both the Programme and on measure level as well as the low interest in applying compared to the other areas. It is important to note that the measure preferred the alternative solutions, which was often a completely new area for the potential applicants and this also decreased their willingness to take part in the tender.</p> <p>We can conclude that this development area did not have an effect perceivable at a national level.</p>	
The full length of the new roads based on the applications submitted for the development of agricultural road network	
<p>Length of roads in the Development of agricultural road network (building new roads and the modernisation of existing ones): 524 km.</p> <p>The result indicator defined in the SAPARD plan was the building of 165 km of new roads, thus we can state that from this aspect the measure overachieved the expectations by far.</p>	
The size of the area concerned in the development of agricultural road network	
The size of the area concerned in the development of agricultural road network: 142,886 hectares	
The number of enterprises executing energy development and using renewing energy through the Programme	
69	
The number of business units concerned in local alternative sewage treatment development	
687	
The base area of local markets, purchase points concerned in the development	
85,165 m ²	
The number of sales points of local markets, purchase points concerned in the development	
1925	
The number of enterprises concerned in the development of local markets, purchase points	
5,185	
The number of beneficiary enterprises concerned in the development of information technology and communication systems	
25,185	

Question	A.XII.3. To what extent have the supported investments contributed to the improvement of the quality of life of the beneficiary rural population?
Criterion of evaluation	A.XII.3-1. Remoteness alleviated
Indicators	A.XII.3-1.1.: Transport/journeys facilitated or avoided due to assisted actions (description and kilometres and/or hours avoided per year)
<p>This indicator is not relevant, as the reconstruction and building of public roads are not eligible for support according to the SAPARD Programme. Development are as may only involve roads that serve agricultural purposes. In most of the cases the reason for building agricultural roads is not to reduce distance, but to improve access to the agricultural establishments and areas and to reduce transportation costs as well as loss of products and time.</p> <p>There is no relevant data either in the applications or in the SAPARD Plan with regards to the transportation costs and time saved as a result of the development.</p> <p>The applicants' questionnaire did not contain a question in this topic as it is difficult to answer this question in an interview since detailed calculations are necessary.</p>	
Criterion of evaluation	A.XII.3-2. Housing and sanitary conditions improved due to support.
Indicator	A.XII.3-2.1.: Proportion of rural population having access to improved electricity/sewage/drinking water/waste disposal services thanks to support (%)
<p>This indicator has been modified as follows:</p> <p>The number of municipalities/enterprises /residents having access to better waste water services through the support (%)</p> <p>The reason for the modification: The drinking water and waste disposal services were not supported by the measure.</p> <p>There are no detailed data in the applications of those energy resource types that are contained by the development.</p> <p>Circle of those concerned:</p> <p>44 municipalities</p> <p>687 enterprises</p> <p>The concerned population: 39,881 persons</p> <p>The number of small municipalities in Hungary: 3026</p> <p>Thus the indicator: 1.5 %</p> <p>The effect of the development of sewage treatment establishments on the total rural population is very low, which can be explained by the relatively small number of applications submitted to this area of development and then implemented. The proportionate result indicator of the SAPARD Plan was 98 municipalities, compared to which 44 is significantly lower.</p>	

Criterion of evaluation	A.XII.3-3. Waste management improved thanks to assistance
Indicator	A.XII.3-3.1.: Share of solid/water waste treated thanks to assistance (%)
<p>Volume concerned in the development: 120,200 m³</p> <p>The total quantity of treated sewage water of concerned municipalities: 352,000 m³</p> <p>The concerned population: 39,881 persons</p>	
Other indicators	
The full length of the agricultural roads developed from the support (km)	
<p>The analysed 313 applications means 524 km of new or renovated roads. The proportionate result indicator of the SAPARD Plan was 281 km, i.e. a lot lower than the performed indicator. When the decision was made on the indicators, the planners did not foresee the popularity of this development area.</p>	
The number and proportion of rural municipalities enjoying the development of local markets and purchase points	
<p>Out of the 3026 rural municipalities, 22 enjoys the benefits of the local markets created from the SAPARD support. The proportion of the participant municipalities is very low, only 0.73%.</p>	
The number of new market places created from the support (pc), the area of the established market place and purchase facilities (m²), and average distance from the nearest market	
<p>The concerned population: 781,886 persons</p> <p>Number of market places: 1,925 pc</p> <p>The area of market place and purchase facilities: 85.165 m²</p> <p>Average distance from the nearest market: 22.36 km</p> <p>With regards to the local markets, purchase facilities, the SAPARD Plan estimated 317 (proportionate indicator), the implemented 23 is a very low number compared to this.</p> <p>The indicator of the concerned population (781,886 persons) is a very good result, however, the evaluators found it important to emphasise that this number seems to be unrealistically high and the exaggerating data of the monitoring database may derive from the fact that the interpretation of the data was different per applicant.</p>	
Rural business enterprises enjoying the IT developments / number of residents	
<p>The number of applications approved in relation with IT developments is 121. IT developments, due to their nature, may have a positive effect on a large number of business enterprises and a significant number of residents. The total estimated number of business enterprises concerned in IT investments is significant, reaches 25 457. Based on the sample the number of the concerned population is 913 260 persons.</p> <p>In the SAPARD Plan, 634 newly built IT centres (tele -houses, data banks, etc.) are included as result indicator (proportionate). Assuming that one application is equivalent to one IT centre, the number of the implemented applications (121) is lower than the preliminary expectations.</p>	

3.4.1.6. Technical assistance

The aim of the measure is to contribute to the effective execution of the SAPARD Programme in compliance with the regulations and to the implementation of the necessary activities. It can be easily differentiated from all the other measures, as it cannot be applied for in the traditional sense, as its beneficiary is the SAPARD Programme Managing Authority. This measure contributes to the effective implementation of the other measures as it supports the following activities:

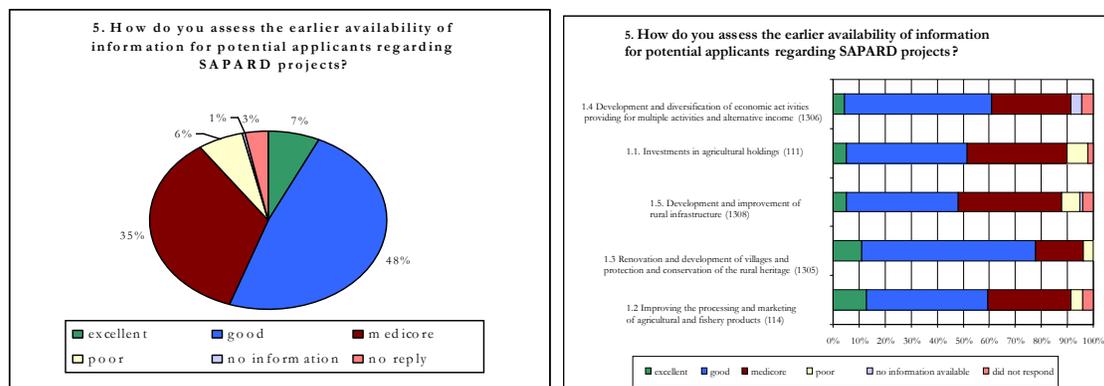
- As part of information and publicity: continuous distribution of information to the public, preparation and distribution of tender aids, informative materials, organisation of presentations and forums, organisation of professional preparation courses for the Programme beneficiaries, preparation of the SAPARD web -site, and raising awareness of the SAPARD Programme through the presentation of successful projects.
- Within the programme monitoring activity: preparation of the staff of the Secretariat helping the work of the Monitoring Committee, preparing studies embracing the Programme for carrying out a wide-range of monitoring tasks, organising the meetings of the Monitoring Committee, execution of mid-term evaluation (Year 2006 annual closing report of Hungary on the execution of the SAPARD Programme 2000 -2006).

Within the technical assistance measure a total of 13 contracts were concluded with a value of Euro 286,615. The measure started quite late, in 2003, compared to its function. 100% of the contracts were closed in the course of years 2003 and 2004.

Summary and conclusions

Very few reliable and relevant data are available on the impact of the measure. Taking into consideration the low number of activities implemented within the framework of the measure, and the few persons working on the implementation of the measure, it can be stated that the measure itself made a far less significant impact on the implementation of the Programme than in the case of at those technical assistance types of activities, which were not financed from SAPARD resources, but served the overall aims of the TA measure. It is important to note here the diverse information activities of MA, special divisions and the SAPARD Agency, where there is no accurate information on the number of cases and participants. Based on the questionnaire surveys, the applicant evaluated the possibilities of obtaining access to the information related to the Programme as follows:

Figure 91



It has to be emphasised, though, that the TA financed only a fraction of this activity.

A.XV.1. To what extent have the technical assistance measures facilitated the implementation of the programme actions?

Taking into account the low number and nature of the activities financed from the TA measure, the measure did not make it significantly easier to implement the Programme, although it financed some activities without which, the Programme could not have been implemented (e.g. operation of the SAPARD Monitoring Committee). The late start of the measure played a role in the above as well as the lack of the experience and practice in the planning and implementation of such types of activities and the low level of resources.

At the same time, based on the questionnaire surveys it must be mentioned that the training activities financed from the TA contributed to making the preparation of the applications easier. Less than 6% of the respondents answered that the training did not help them in the preparation of applications.

A.XV.2. To what extent have the technical assistance measures increased the acquaintance of the rural populations and authorities involving with EU procedures, rules and principles, notably those regarding the SAPARD Programme?

The experience of both the professional interviews and of the discussions with the focus groups is that the Programme had an extremely high impact on the development of the preparation of the population and the administration in relation with the EU rules of procedures and regulations. The SAPARD Programme played a fundamental role in shaping attitudes of both the applicants and in the executive institutions set up within the Programme. It had an outstanding role in obtaining information in relation with the EU rural development policy, programmes and tendering system. This naturally, could not be attributed to the TA measure alone.

Table 22: Technical assistance

Region	Sub-measure	2003		2004		2005		2006		2007		2000-2007	
		Closed application (pc)	Disbursed support (Euro)	Closed application total (pc)	Disbursed support total (Euro)								
KM	--	2	2,826	11	286,789	0	0	0	0	0	0	13	286,615
	Total	2	2,826	11	286,789	0	0	0	0	0	0	13	286,615
	Total for the measure	2	2,826	11	286,789	0	0	0	0	0	0	13	286,615

Source: The ARDA database, 02 October, 2007.

Question	A.XV.1. To what extent have the technical assistance measures facilitated the implementation of the programme actions?
Criterion of evaluation	A.X.V.1-1. Beneficiaries assisted in the preparation/implementation of projects.
Indicator	A.X.V.1-1.1 Share of beneficiaries from other measures having received technical assistance (%) (a) of which for each of the measures (%) (b) of which women (%)

With regard to the question of the questionnaire survey as to „In connection with preparing and implementing your SAPARD project proposal(s), have you been informed of or given technical assistance (information day, training, professional advice, trade fora etc.) by staff members or employees commissioned by institutions carrying out the programme?“ out of the 271 respondents 102 (38%) answered that they had been informed and given technical assistance. 81 (30%) had known about the technical assistance, but had not applied for it or had not been able to use it, 83 (31%) had not known about the possibility and had not been given assistance for the preparation of their applications.

Naturally, those applicants who were informed about the opportunities offered by the SAPARD Programme through such channels whose financing source is the technical assistance measure (media, announcement, brochures, forums, etc.) and whose number cannot be estimated, were given technical assistance this way.

The distribution of the above proportions between the measures is as follows:

Measure	pc	%
Investments in agricultural holdings	99	
had been informed and participated	34	34
had been informed and had not participated	28	28
had not been informed	35	35
did not respond	2	2
Improving the processing and marketing of agricultural and fishery products	47	
had been informed and participated	20	43
had been informed and had not participated	16	32
had not been informed	10	21
did not respond	1	2
Renovation and development of villages and protection and conservation of the rural heritage	27	
had been informed and participated	12	44
had been informed and had not participated	6	22
had not been informed	9	33
did not respond	0	0
Development and diversification of economic activities providing for multiple activities and alternative income	23	
had been informed and participated	6	26
had been informed and had not participated	5	22
had not been informed	12	52
did not respond	0	0
Development and improvement of rural infrastructure	79	
had been informed and participated	30	45
had been informed and had not participated	26	35
had not been informed	17	23
did not respond	2	3

<p>The proportion of positive answers per measure shows that the beneficiaries of the diversification measure were the least informed and had made use of the least assistance. This is confirmed by the low number of the applications received for this measure.</p> <p>The high number of applications received for the village renovation and rural infrastructure development measure was partly due to the effective technical assistance reflected in the questionnaires, too.</p> <p>Among the beneficiaries given technical assistance, no information is available on the proportion of women involved.</p>	
Criterion of evaluation	A.XV.1-2. National/regional/local authorities assisted in the setting up and management of the programme.
Indicator	A.XV.1-2.1. Number of officials/authorities having participated in assisted actions (training, technical support, information activities...) (a) of which at local level (%) (b) of which at regional level (where relevant) (%) (c) of which at national level (%)
<p>The beneficiary of the SAPARD Programme technical assistance measure is the SAPARD Programme Managing Authority (hereinafter MA). In the implementation of the technical assistance measure 4-5 persons participated directly from the MA.</p> <p>In the raising awareness of the Programme measures and in the training and information activities both the MA staff, the competent special divisions of MARD, and the staff of the SAPARD Agency and later ARDA participated. The source of that in most of the cases was not the TA measure. A number of informative programmes were organised from national funds and the staff of the above-mentioned organisational units took part in professional forums and events as guest presenters in a number of cases where they provided information on the opportunities offered by the Programme. We have no accurate data available on these events or the beneficiaries participating in those.</p> <p>The customer service activities of the SAPARD Agency Regional Office started in 2002 and was an important source of information for the potential applicants.</p> <p>The potential applicants had no opportunity to obtain information about the Programme on the local level from an official source. During the implementation of the SAPARD Programme the village administration network functioning on the municipality level and the staff of the rural development manager network active on the level of micro -regions often organised such professional forums, where the staff of the SAPARD Agency provided information on the Programme as invited guests.</p> <p>Based on the interviews conducted on the national level and the consultations with the focus groups conducted in our regions, the proportions of participants of information supply and communication per area level suggest the following:</p> <p>(a) local level participation in information: 0 persons, 0%.</p> <p>(b) regional level participation in information: 4-5 persons per region, a total of cca. 30 persons, 62%</p> <p>(c) national level participation in information: 5-6 persons from the MA, 5-6 persons from MARD special divisions, 6-7 persons from the centre of the SAPARD Agency, a total of cca. 18 persons, 38%</p>	

Question	A.XV.2. To what extent have the technical assistance measures increased the acquaintance of the rural populations and authorities involving with EU procedures, rules and principles, notably those regarding the SAPARD Programme?
Criterion of evaluation	A.X.V.2-1. Rural populations acquainted with EU policy for rural development, notably SAPARD
Indicators	A.XV.2-1.1. Ratio of the number of farmers participating in assisted information/awareness raising activities to overall population of farmers (%).
<p>No survey was conducted of the number of farmers using the information and communication activities of the Programme and the monitoring system does not contain accurate data, therefore this question cannot be accurately answered.</p> <p>It is apparent from earlier responses that not the technical assistance measure was the source of a significant part of the information and communication activities related to the Programme.</p> <p>We have no accurate data of the number and visitors of such communication activities. However, the following provide some information:</p> <p>It is apparent from the year 2006 closing report of the SAPARD Programme and from the reports of the former SAPARD Agency that in the course of year 2002 the Agency held more than 700 professional presentations and in more than 42 cases participated professional exhibitions. In the first half of year 2003, the Agency participated in another 231 events, where cca. 11 thousand potential applicants could receive first-hand information on the Programme.</p> <p>The SAPARD Programme web site registered a total of 226,499 visitors.</p> <p>All in all, cca. 230 thousand informative brochures were distributed.</p> <p>The regional offices were on air on public radio for almost 2,000 minutes and featured in the programmes of local televisions, and 460 newspaper articles were published about the SAPARD Programme.</p> <p>Out of this, based on the year 2006 closing report of the SAPARD Programme the activities financed from the technical assistance, which served the preparation of farmers³ were as follows:</p> <ol style="list-style-type: none"> 1) participation on 5 exhibitions and fairs; 2) global national informative programme within the framework of the MARD Training and Consultation Institute in 19 counties of the country; 3) „Learning material for the operation of the SAPARD Programme” prepared for the above training; 4) preparatory training held in 19 counties in the subject of the „Renovation and development of villages and protection and conservation of the rural heritage” and „Development and diversification of economic activities providing for multiple activities and alternative income” measures, the number of whose participants is close 700; 5) 8000 publications describing the Programme; 6) The SAPARD web site registered a total of 226,499 visitors; 	

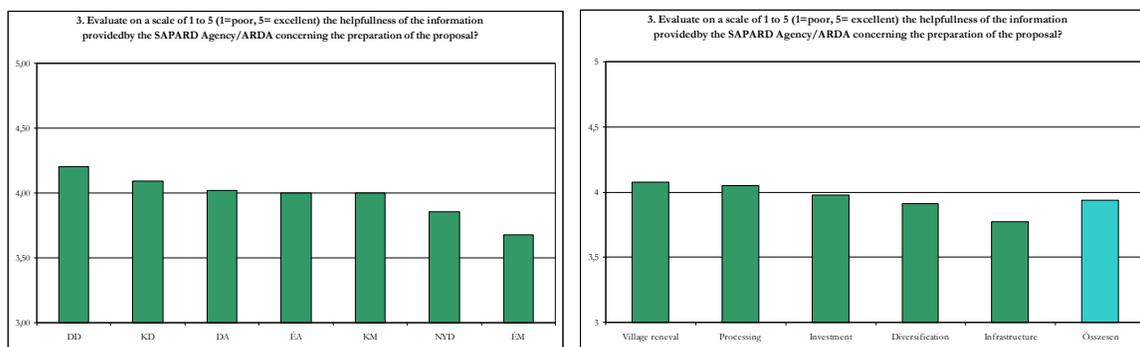
³ Media mix financed from the TA (newspaper advertisement, giant poster, radio and TV commercials) is not rated into the category serving the preparation of potential applicants.

Indicator **A.XV.2-1.3 Trend in the distribution/attendance of information instruments (e.g. brochures, conferences, training courses,...)**

The information activities of the SAPARD Programme financed from the TA and from other national resources must be separated.

With regards to the activities not financed from the TA, based on the applicants' questionnaires, professional interviews and consultations with the focus groups it can be concluded that they were intensive in the period preceding the issue of requests for applications and either the beneficiaries themselves or the interest representation bodies of those initiated these, they met the applicants' requirements both regarding their schedule, frequency and content. In line with this, based on the questionnaire survey the opinion of the 266 respondents on the opportunities of obtaining information on the SAPARD Programme (which includes information activities financed from the TA and from other resources) is as follows:

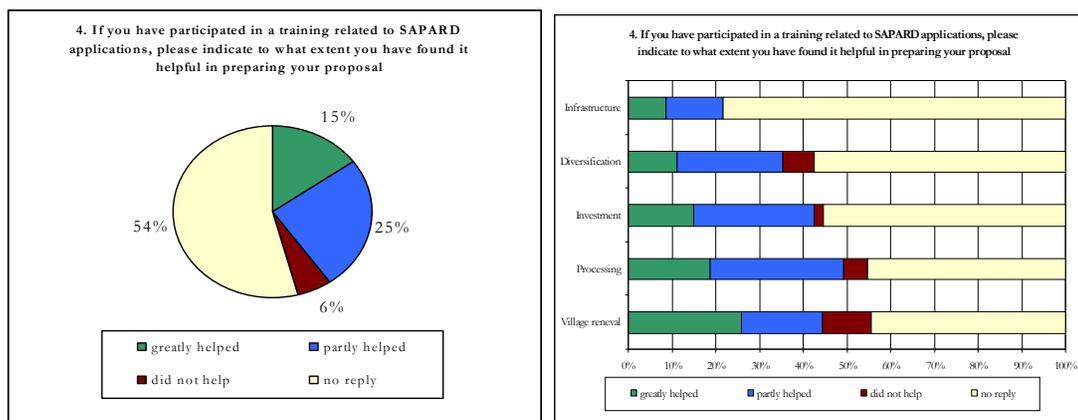
Figure 92



The time schedule of the information activities financed from the TA shows that their implementation started with a significant delay, only in the spring of year 2003. Due to the slippage, the two major preparation programmes were initiated in August and November of 2003. The SAPARD publications were issued and most of the media activities took place in 2004 when funds were available to a limited extent. Due to this slippage, the activities of the TA measure in the area of information and communication provided efficient assistance in the introduction and implementation of the Programme.

The respondents expressed the following opinions on the efficiency of the training activities:

Figure 93



Out of the 266 respondents, 124 applicants answered and 147 applicants did not answer.

Indicator	A.XV.2-1.3. Proportion of technical assistance activities dealing specifically with acquis-related issues (% , e.g. EU standards on sanitary requirements, food quality, hygiene conditions at the workplace, etc.)
<p>Based on the professional interviews and the titles of the TA contracts it can be concluded that within the framework of TA no such information activities took place that focused explicitly on the compliance with EU requirements.</p> <p>0%</p>	
Criterion of evaluation	A.XV.2-2. National/regional/local authorities acquainted with EU rules and mechanisms in rural development policy, notably SAPARD
Indicator	A.XV.2-2.1. Proportion of officials at all levels dealing with rural development issues having participated in technical assistance activities (%) (a) of which in activities dealing specifically with acquis related issues (%)
<p>Based on the professional interviews and the titles of the TA contracts it can be concluded that within the framework of TA no such training of the officials dealing with rural developments took place that focused explicitly on the compliance with EU requirements.</p> <p>0%</p>	

3.4.2. Cross-cutting evaluation questions

3.4.2.1. B.I. Concerning the objective: to contribute to the implementation of the acquis communautaire concerning the common agricultural policy

Summary, conclusions

Although Phare programmes had brought about significant results in creating the institutional system of the CAP (see Annex no. 5), the SAPARD constituted the first assistance programme for Hungary within which the development belonging to the second pillar of CAP has taken place. It was carried out on a programme basis, taking into account the principle of partnership and with conditions and earmarked funds previously determined for a period of seven years (which later was reduced to four years as a result of Hungary's accession). This significantly enabled officials responsible for the planning and implementation of the Programme and also the applicants using the funds to get to know and apply the laws and regulations relating to CAP. Its significance can not be demonstrated by the number of plants or municipalities affected by the development, since the Programme funding allowed for development for relatively few players in the agriculture and rural regions, and its macroeconomic impacts are not demonstrable. Nevertheless, it can be stated on the basis of both professional interviews and focus group discussions that the implementation of post-accession programmes would have been less smooth without the premise of the implementation of the SAPARD Programme.

B.I.1. To what extent has the Programme been conducive to adjust the agricultural sector and the rural economy to Community standards and to prepare them for the implementation of the acquis communautaire?

The impact of the Programme on the compliance with Community standards is significant; however, this is not primarily due to the number of farms that received funding. Funding given through the SAPARD Programme has not allowed for large-scale changes in this respect. Nevertheless, the Programme has significantly contributed to the change of approach of the entrepreneurs and the management teams of the businesses concerned. The applicants accepted the fact that they would receive funding for their development projects only if the projects complied with EU requirements after completion and they were willing to be checked for compliance with the relevant laws and regulations and sanctioned rigorously for eventual non-compliance.

There is no unified database containing data on environmental compliance. Neither during the implementation of the SAPARD Programme nor currently is there a database containing data on the compliance of agricultural plants with environmental requirements, accessible for both the Environmental Inspectorate and the branch offices handling applications and giving up-to-date information to both authorities on the different agricultural plants and enterprises. Such a system would reduce the applicants' costs and energy related to obtaining the required certificates, and the workload of the Environmental Inspectorate would also be reduced if the applicants did not have to ask for the certificates on an individual basis but the two authorities settled the question of certificates with each other. Such a facilitating solution is already used in the implementation phase of the ARDOP.

The introduction of the requirements of cross-compliance in 2009 will make the creation of such a system indispensable. Since currently there is no exact data available on how many

plants comply with which environmental requirements, the impact of the Programme cannot be evaluated in this respect.

Within the programme, 155 food plants (i.e. 17 per cent of the currently authorised plants, thus constituting a significant part) carried out development projects in order to comply with the EU's food safety and hygienic requirements. Thus the impact of the Programme on food safety and hygienic compliance can be considered significant.

Approximately 189 plants carried out development projects whose objective and/or result were compliance with the EU's animal health and welfare standards. These plants account for only a tiny portion (app. 1 per cent) of the total number of agricultural plants.

Information activities funded by the Programme did not involve detailed training on compliance with EU requirements, thus preparedness in this respect was not improved significantly by the SAPARD Programme. Nevertheless, the preparedness of farmers and processors increased indirectly by the proper implementation of investments.

B.I.2. To what extent has the programme contributed to establish and improve the implementation of CAP objectives and procedures at the administration level?

According to the professional interviews, procedures, laws and regulations relating to the Programme have integrated CAP objectives and procedures. The interviewees also reported that in the accreditation phase of the institutional system they had had to meet requirements that the procedures of the Department of Orientation of the then Member States had not involved, e.g. the many eyes principle instead of the four eyes principle, local inspections even when there was nothing to check, for example local inspection before purchase of machinery etc.). This increased the bureaucracy of the Programme implementation, often causing bottlenecks in the implementation, which resulted in a loss of time and the incurrence of unnecessary costs.

Question	B.I.1. To what extent has the Programme been conducive to adjust the agricultural sector and the rural economy to Community standards and to prepare them for the implementation of the acquis communautaire?
Criterion of evaluation	B.I.1-1. Beneficiary sectors are more adapted to EU standards ➤ as regards environment protection
Indicator	B.I.1-1.1.a. Share of holdings/processing plants/enterprises in the agricultural/fishing sector or rural areas applying EU environmental standards on a regular basis (%)
No data available.	
There is no unified database on whether the business units in question comply with the environmental requirements.	
Compliance certificates are issued by the Environmental Inspectorates on an individual basis and following document checks and/or local inspections.	
In relation to the introduction of cross-compliance in 2009, the establishment of a unified register is on the agenda of the government.	
a) of which assisted holdings/enterprises/processing plants (%)	

<p>This indicator is relevant for the measures 'Investments in agricultural holdings' and 'Improving the processing and marketing of agricultural and fishery products'.</p> <p>Within the measure 'Investments in agricultural holdings' the monitoring system does not handle the investments directly aiming at compliance with the environmental requirements separately. At the same time, the direct result of development projects concerning 166 plants and aiming at the modernisation of animal farms is presumably compliance with the environmental requirements of the EU, otherwise the plants will not receive the certificates necessary for their investments from the Environmental Inspectorates.</p> <p>Within the measure 'Improving the processing and marketing of agricultural and fishery products' 39 investments were carried out with the direct objective of compliance with the environmental requirements of the EU and 35 plants were concerned.</p>	
Criterion of evaluation	<p>B.I.1-1. Beneficiary sectors are more adapted to EU standards ➤ as regards human food quality and consumer protection</p>
Indicator	<p>B.I.1-1.1.b. Share of agricultural/fishing production complying with EU standards for human food quality and consumer protection (%) ➤ of which coming from assisted holdings/processing plants/enterprises (%)</p>
<p>There is no data available on the production of plants complying with the EU's requirements relating to food production.</p> <p>There are no official records of the production broken down by plants. According to the data contained in the database of the Central Agricultural Office Food and Feed Safety Directorate, currently there are 908 authorised plants in Hungary totally (100 per cent) complying with the EU's requirements relating to food production. There are further 112 plants that used to be considered so-called low capacity plants, used to supply only the domestic market and their authorisation by the EU was not mandatory according to the formerly prevailing laws and regulations. Nevertheless, the current legal regulation stipulates that these plants also have to comply with EU requirements before the final deadline of 31 December 2009. Out of the 112 plants 70 have already started or will soon start the process of authorisation by the EU. The remaining plants are small producers of meat products, which sell their products directly for end consumption; these will be registered as establishments carrying out retail trade activity.</p> <p>When Hungary joined the European Union, the country was given derogation for 59 meat plants and 21 dairy farms. The derogation meant that these plants were allowed to function as high-capacity plants although they met the EU's requirement only partially, however, they were allowed to sell their products only on the domestic market. Out of the above mentioned plants, 28 meat plants and 18 dairy farms have already completed their development projects and received authorisation from the EU.</p>	
<p>a) of which the coming from assisted holdings/enterprises/processing plants (%)</p>	
<p>There is no data available on the production of plants complying with the EU's requirements relating to food production.</p> <p>Within the Programme, 189 applications have been submitted for the development of a total of 155 plants with the direct objective of compliance with the food safety and hygienic requirements of the Union. These account for 17 per cent of the plants complying with the EU's requirements relating to food production.</p>	

Criterion of evaluation	B.I.1-1. Beneficiary sectors are more adapted to EU standards ➤ as regards animal health and welfare
Indicator	B.I.1-1.1.c. Share of holdings/processing plants/enterprises in the agricultural/fishing sector or rural areas complying with EU standards for animal health and welfare (%)
<p>The number of plants complying with the animal health requirements of the EU changes depending on the health condition of the livestock. The competent directorate of the Central Agricultural Office is responsible for constantly carrying out the related public authority tasks.</p> <p>When Hungary joined the European Union, out of all the animal farms only 21 battery hen farms were given derogation for not complying with the EU's animal protection requirements. Since then, almost half of these farms have closed down and 13 are constantly carrying out development projects. The derogation period ends on 31 December 2009; by then all animal farms, the supported farms included, have to comply totally with the animal protection requirements of the EU.</p> <p>Thus the proportion in question is almost 100 per cent.</p>	
a) of which assisted holdings/enterprises/processing plants (%)	
<p>This indicator is relevant for the measures 'Investments in agricultural holdings' and 'Improving the processing and marketing of agricultural and fishery products'.</p> <p>Within the measure 'Investments in agricultural holdings', the monitoring system does not handle the investments aiming directly at compliance with animal health and welfare requirements separately. Nevertheless, projects aiming at the modernisation of animal farms, which concern 166 plants, presumably have a direct positive effect on animal health and welfare.</p> <p>Within the measure 'Improving the processing and marketing of agricultural and fishery products', the investments carried out aiming at compliance with the animal protection requirements of the EU concern 23 plants.</p> <p>According to national data of 2005, there are more than 24,000 enterprises functioning in the economic sectors of agriculture, hunting, forestry and fisheries. In addition, there are further 1,000 processing plants.</p> <p>Thus the proportion of supported farms/enterprises/processing plants is insignificant, accounting for only less than 1 per cent of the total number.</p>	
Criterion of evaluation	B.I.1-1. Beneficiary sectors are more adapted to EU standards ➤ as regards safety and hygiene conditions at the workplace
Indicators	B.I.1-1.1.d. Share of holdings/processing plants/enterprises complying with EU standards in the field of safety and hygiene conditions at the workplace (%)
No data available.	
a) of which assisted holdings/enterprises/processing plants (%)	
No data available.	

Criterion of evaluation	B.I.1-1. Beneficiary sectors are more adapted to EU standards ➤ as regards fishing standards and regulations
Indicator	B.I.1-1.1.e. Chang in the share of fishing enterprises complying with the EU's fishing standards and regulations (%)
Not relevant for Hungary. The SAPARD Programme supported only fish processing but not fishing itself.	
a) of which assisted fishing enterprises (%)	
Not relevant for Hungary. The SAPARD Programme supported only fish processing but not fishing itself.	
Criterion of evaluation	B.I.1-2. Increased awareness of private actors about EU rules and procedures for agricultural/fishing production
Indicators	B.I.1-2.1. Share of rural population (households, holdings, farmers,...) directly or indirectly reached by information or awareness raising campaigns funded by the programme (%).
Detailed information about the raising public awareness campaign related to the Programme is available in the answer given to question no. A.XV.2. No survey has been carried out concerning the proportion of the rural population reached by the campaign.	
a) of which on issues linked to accession (%)	
The raising public awareness campaign financed by the Programme conveyed information only on the possibilities offered by the SAPARD Programme, it did not involve other questions related to the accession.	

Question	B.I.2. To what extent has the programme contributed to establish and improve the implementation of CAP objectives and procedures at the administration level?
Criterion of evaluation	B.I.2-1. New legislation in the fields of action of the Programme integrates CAP objectives and principles.
Indicator	B.I.2-1.1. New legislation developed during the implementation in the field of rural development integrating CAP objectives and principles (description and links to the Programme).
It results from the expert/professional interviews that laws and regulations relating to both the various specific areas and the institutional background of the Programme implementation and its operation and procedures have integrated CAP objectives and principles.	
Criterion of evaluation	B.I.2-2. Administrations acquainted with EU standards, rules and procedures.
Indicator	B.I.2-2.1. Share of officials working in the field of rural development acquainted with EU standards, rules and procedures (%)

When the planning of the SAPARD Programme started, there were very few officials engaged in rural development in the relevant departments of MARD who were familiar with the laws and regulations of the European Union. Due to the significant structural changes, which have taken place during the course of Programme implementation, it is impossible to estimate the changes in the proportion of officials who are engaged in rural development and familiar with the requirements, rules and procedures of the EU.

The Programme implementation was the responsibility of a newly created institution formerly called the SAPARD Agency, i.e. the current Agriculture and Rural Development Agency. The number of staff of the SAPARD Agency at its creation in 2000 was 29, which rose to 294 by 2003. The number of staff currently engaged in the implementation of assistance under the second pillar of CAP (ARDOP, NRDP) is 516.

3.4.2.2. B.II. Concerning the objective: To solve priority and specific problems for the sustainable adaptation of the agricultural sector and rural areas in the applicant countries

On the basis of qualitative and quantitative information collected in the course of the evaluation, the accredited measures in the agriculture and the food industry helped few farmers and enterprises, mainly the best-prepared ones in solving their problems and in adapting to the requirements of the EU. Although the Plan gives a detailed analysis of the situation of rural areas and also includes problem-solving measures, these play a minor role in the implementation compared to the problems described. In the long run, not taking charge of the problems of rural areas may also endanger the results and effects of other measures. Of course, the sources available have not allowed for taking into account the complete range of problems the rural areas are facing.

B.II.1. To what extent has the Programme helped stabilising the rural population?

The overall problem of rural areas is the ageing population and the migration of young people. The Programme had little impact on this problem, partly due to the scarce resources and partly due to the nature of supported activities. The assistance mostly served the supporting of the investments of the ageing farmer society. Despite the fact that in the measure supporting investments of young farmers were given 15 points, the representative sample used in the measure shows that only 37 per cent of the beneficiaries were below the age of 40. The age distribution of the beneficiaries of other measures is more favourable since the proportion of beneficiaries below 40 is 6 per cent higher at the programme level.

The ratio of women to all project owners at the programme level is very low (16%), it only reaches 50 per cent in the measures supporting diversification and village development. The intermediate evaluation classified the Programme blind from the point of view of genders, however, the two further rural development measures launched at the beginning of 2004 have somewhat improved the situation.

B.II.2. To what extent has the Programme been conducive to creating/maintaining employment opportunities in rural areas?

The Programme focused primarily on boosting competitiveness, which does not automatically result in job creation but may also have an opposite effect. An important result of the Programme is the creation of 12,969 new jobs as contained in the monitoring database, out of

which 4,141 are part-time jobs. It is presumable that not all new jobs were created as direct results of the development projects. Out of the almost 13,000 new jobs only 770 were created through the support given to investments. The biggest impact on job creation was exerted by the measure supporting processing but the measure supporting diversification also proved to be efficient regarding the funds allocated for that purpose. The measures supporting village renovation and infrastructural development did not have such a significant occupational effect due to the nature of the supported activities.

Table 23: Job creation efficiency of the specific measures

Measure	assistance paid (euros)	new jobs created (pcs)	assistance required for 1 job to be created (euros)
investment	89,524,174	770	116,265
processing	69,375,393	11,459	6,054
village development	20,754,231	43	482,657
diversification	1,816,544	39	46,578
infrastructural development	51,960,567	385	134,963
Total	233,720,524	12,696	18,409

B.II.3. To what extent has the Programme been to conducive to improving the standard of living of the beneficiary populations?

The Programme contributed to the improvement of the standard of living of the rural population by sewage purification, local market development, provision of IT services, cultural and social services. The above -mentioned services have benefited only a very small ratio of the rural population.

At the level of supported enterprises all measures have resulted in increased incomes (see measure-specific questions).

B.II.4. To what extent have the assisted measures contributed to diversify the rural economy and improve the market situation of the rural areas?

20 per cent of respondents said that their development project was aimed at undertaking new activities. The highest ratio of more than 60 per cent is, of course, achieved within the measure supporting diversification.

B.II.5. To what extent have the assisted measures contributed to protect the environment of the rural areas?

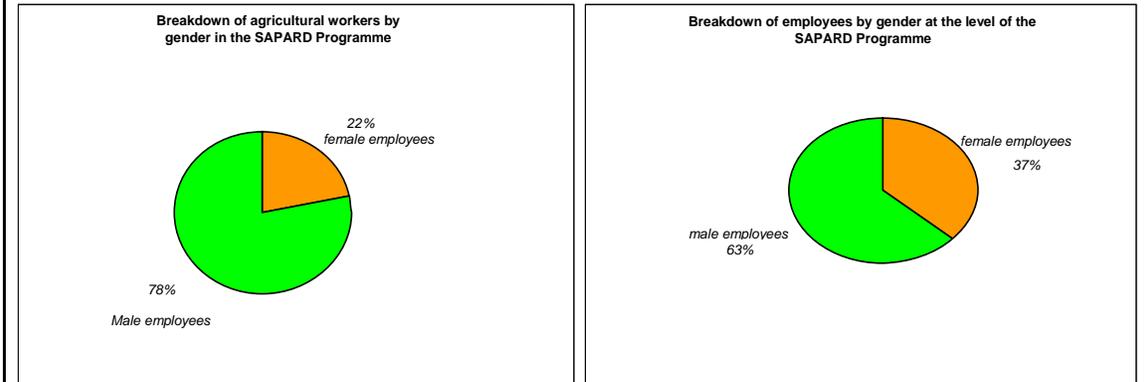
Since no measures directly relating to environmental protection have been implemented, the measures have had no significant impact on the protection of the environment.

The contribution of the SAPARD Programme to the protection of the environment is significant only within the investments carried out since all investments, including the renovation of animal farms, had to comply with the EU's environmental requirements by the end of the investment period.

The SAPARD assistance could not have solved the serious problems of rural areas such as unemployment, poverty, lack of services, infrastructure and jobs; it only treated some local symptoms.

Question	B.II.1. To what extent has the Programme helped stabilising the rural population?																				
Criterion of evaluation	B.II.1-1. Age profile of population benefiting from assistance contributes towards maintaining/promoting a balanced population structure.																				
Indicator	B.II.1-1.1. Share of persons working on beneficiary farms/forests holdings and aged: <ul style="list-style-type: none"> ➤ below 30 (%) ➤ 30 to 39 (%) ➤ 40 to 60 (%) ➤ over 60 (%) 																				
<p>The aim of the evaluator was to carry out this evaluation on a 10 per cent sample but fewer questionnaires were filled in than expected. 99 questionnaires were filled in about agricultural investments (for 1,453 applications this means a sample of 6.8 per cent). The current question was answered in 90 of them. The breakdown by age is more favourable at the programme level than at the level of farms receiving assistance.</p>																					
<p>Figure 94</p> <div style="display: flex; justify-content: space-around;"> <div data-bbox="245 905 808 1293"> <p>Breakdown of the employees of agricultural enterprises taking part in the SAPARD Programme by age</p> <table border="1"> <caption>Breakdown of employees at the enterprise level</caption> <thead> <tr> <th>Age Group</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>40 to 60</td> <td>60%</td> </tr> <tr> <td>30 to 39</td> <td>23%</td> </tr> <tr> <td>Below 30</td> <td>14%</td> </tr> <tr> <td>Over 60</td> <td>3%</td> </tr> </tbody> </table> </div> <div data-bbox="815 905 1378 1293"> <p>Breakdown of employees by age at the level of the SAPARD Programme</p> <table border="1"> <caption>Breakdown of employees at the programme level</caption> <thead> <tr> <th>Age Group</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>40 to 60</td> <td>55%</td> </tr> <tr> <td>30 to 39</td> <td>27%</td> </tr> <tr> <td>Below 30</td> <td>16%</td> </tr> <tr> <td>Over 60</td> <td>2%</td> </tr> </tbody> </table> </div> </div>		Age Group	Percentage	40 to 60	60%	30 to 39	23%	Below 30	14%	Over 60	3%	Age Group	Percentage	40 to 60	55%	30 to 39	27%	Below 30	16%	Over 60	2%
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<p>The breakdown of employees by age is the least favourable in the measure supporting investments. However, also at the programme level 55 per cent of the employees are 40 to 60 years old and only 16 per cent are below 30.</p>																					
Criterion of evaluation	B.II.1-2. Gender profile of population benefiting from assistance contributes towards maintaining/promoting a balanced population structure																				
Indicator	B.II.1-2.1. Ratio of {female} to {male} for persons benefiting from assistance																				
<p>The left figure shows the breakdown of the employees of agricultural enterprises receiving assistance by gender. The breakdown of employees by gender is (also) more favourable at the level of the Programme.</p>																					

Figure 95



Indicator	B.II.1-2.2. Share of assisted projects developed by women (%)
<p>According to the answers of 185 respondents, the proportion of projects led by women is only 16 per cent. The breakdown of the above -mentioned proportion by measures is as follows:</p> <p>Investment: 11.76 %;</p> <p>Processing : 2.7 %;</p> <p>Village development: 63.64 %;</p> <p>Diversification: 50 %;</p> <p>Infrastructural development: 23.08 %.</p> <p>Although the representation of women among project developers varies by measures, it is still very low. It has reached 50 per cent only in the measure supporting diversification and village development, which may be explained by the fact that agri -toursim and the small-scale production of local products and services are typically female enterprises. The beneficiaries of the measure supporting village renovation were primarily local governments, in which the proportion of women in leading positions is higher than in plants engaged in agricultural production and processing. The reason for the low representation of women in projects aiming at infrastructural development is probably the same.</p>	

Question	B.II.2. To what extent has the Programme been conducive to creating/maintaining employment opportunities in rural areas?
Criterion of evaluation	B.II.2-1. Employment is created or maintained, directly and indirectly by the programme, in enterprises (other than holdings and fishing enterprises) in rural areas or in branches connected with agriculture and fishing.
Indicator	B.II.2-1.1. Employment maintained/created in directly/indirectly benefiting enterprises (other than holdings and fishing enterprises (FTE) a. of which women (%) b. of which young people (under the age of 30) (%) c. of which concerning the pluriactivity of part -time farmers (%) d. of which indirectly as a result of supplier and income multiplier effects (%)

On the basis of the data from the monitoring database:

- Number of jobs preserved: 72,873
- Out of which part-time jobs: 2,263
- Number of new jobs created as a result of development: 12,969
- Out of which part-time: 4,141

According to the questionnaires filled in by the applicants, the breakdown of employees having the preserved/new jobs is as follows:

- a) 37 % women
- b) 16 % below 30
- c) the available data:

Figure 96

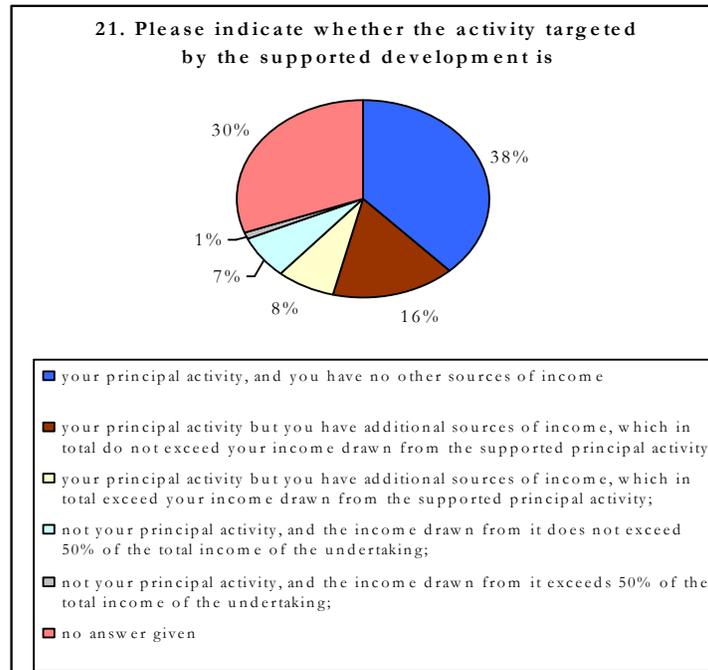
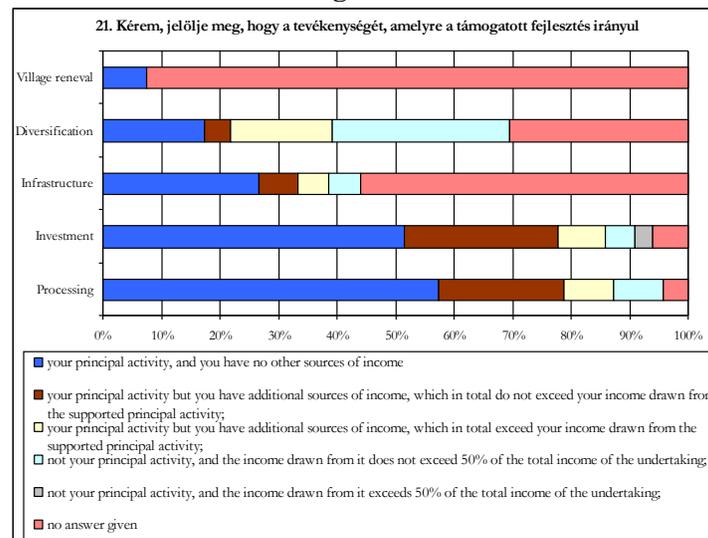


Figure 97



16 per cent of the respondents indicated part-time jobs created by the supported development. Concerning measures of local government dominance (village renovation, infrastructural development), for numerous respondents the meaning of this question was not clear.

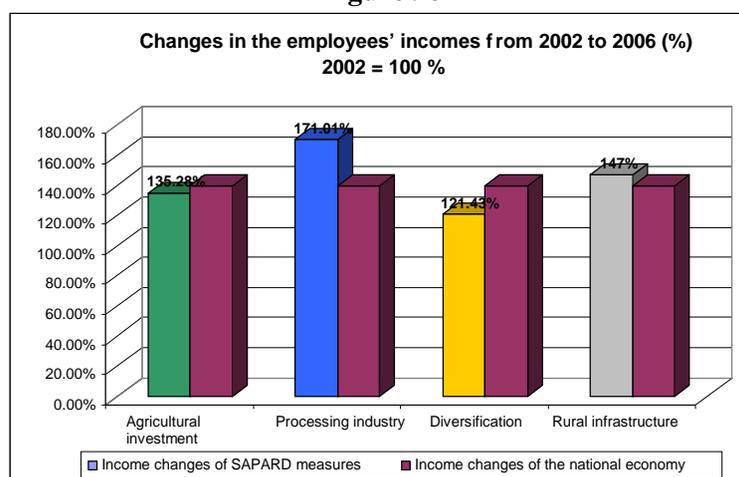
Question	B.II.3. To what extent has the Programme been to conductive to improving the standard of living of the beneficiary populations ?
Criterion of evaluation	B.II.3-1. Income of the assisted rural population maintained or improved directly or indirectly by the programme
Indicator	B.II.3-1.1. The ratio of {average variation of income of directly or indirectly assisted population} to {average variation of income of overall population }

Not applicable for the measure supporting village development.

For analysing income changes from 2002 to 2006, we have not only used the monitoring database of the ARDA but additional data sources and statistics as well.

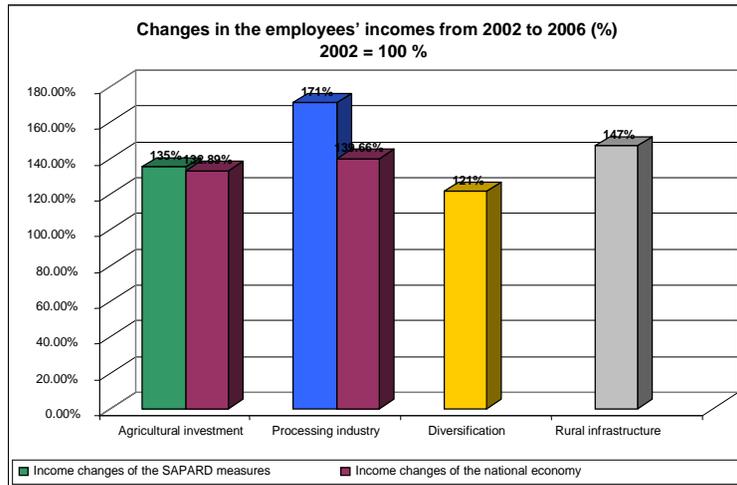
We compared the income changes related to the measures with those of the economy as a whole and with those of the economic sectors relevant to the measures, where applicable.

Figure 98



The increase in incomes was higher in the supported projects than in the relevant sectors , while the average increase of incomes of the national economy exceeded the average of two measures.

Figure 99



Criterion of evaluation	B.II.3-2. Access of rural population to services improved directly or indirectly by the Programme
Indicator	B.II.3.-2.1. Share of rural population having access to services before and after the Programme % a. of which assisted directly or indirectly by the Programme % b. of which basic services (water, sewage, electricity) c. of which phone and telecommunication services % d. of which cultural/social services %

Out of all the basic services, the indicator is applicable only concerning the sewage -related ones. The Programme did not support services related to drinking water provision, waste disposal and electricity supply to the population. The ratio of population with access to sewage purification capacities to the total rural population is 1 per cent (44 municipalities, 687 enterprises and 39,881 persons).

The ratio of the population affected by the development projects related to the local markets/buying-in points to the total rural population is 20.3 per cent, which seems high enough to be questioned due to the low number of supported projects (23 municipalities). The data contained in the monitoring database distort the real picture.

The estimated number of all enterprises concerned by IT investments is rather high: 25,457. According to the sample, the number of the population concerned is 913,260.

There is no data available on the proportion of the population concerned by the cultural and social services created in relation to the measure supporting village renovation. Nevertheless, the questionnaires show that 15 out of the 27 respondents (i.e. 56%) have indicated that it was the development programme that created the possibility of operating the new functions/services specified.

Several respondents have also said that both the outdoor and indoor development gave rise to new cultural, community and leisure activities. In the municipalities in question, village renovation enabled the creation of community spaces that allowed for people to spend their free time in a cultured way.

13 out of the 27 respondents of the questionnaire said that the popularity and utilisation of these new functions were high, and 4 said they were moderate. No one said that their utilisation was low.

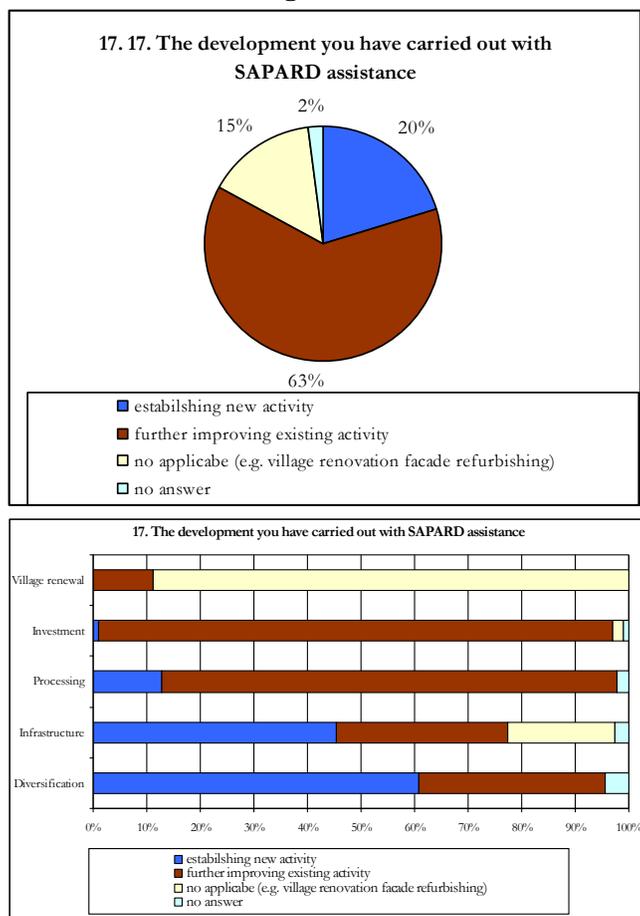
Question	B.II.4. To what extent have the assisted measures contributed to diversify the rural economy and improve the market situation of the rural areas ?
Criterion of evaluation	B.II.4-1. More dynamic economy in rural areas
Indicator	B.II.4-1.1. Number of directly or indirectly assisted new economic activities in beneficiary areas B.II.4-1.2. Evidence of improved dynamism beneficiary areas (description)

It can be stated on the basis of qualitative data that the implementation of the SAPARD Programme was not really favourable for new or newly established enterprises, especially those not having an annual balance sheet. These enterprises had to undergo de tailed scrutiny twice in the course of the evaluation procedures.

According to qualitative information drawn from the interviews, improving dynamism is to be expected in small villages that the infrastructural development makes more attractive for enterprises, easier to access and provides market infrastructure for local farmers.

The evaluators got to the following conclusion: locally, the Programme has started favourable processes in the improvement of the market position of rural areas.

Figure 100



20 per cent of the respondents indicated that their development projects aimed at establishing

<p>a new activity. New enterprises show the dominance of Northern Hungary, which is due to the large-scale unemployment rate of the region. As a possible solution for this problem, starting new enterprises/activities is used for creating new jobs. The measure supporting diversification stands out with more than 60 per cent from the other measures.</p>	
Criterion of evaluation	B.II.4-2. Productivity has been improved and/or costs reduced in key production chains thanks to the programme (€)
Indicator	B.II.4-2.1. Added value in key benefiting production chains before and after (%)
<p>Data on the increase of added value is only available for the measure supporting processing: the average rate of increase of food processing companies for the last five years is 21 per cent; there are differences between the sectors. Added value in the wine sector will increase by 52 per cent and in the other sectors by 9 to 17 per cent. This estimate is based on figures taken from a 25-per-cent sample. These data reflect company-level calculations.</p>	

Question	B.II.5. To what extent have the assisted measures contributed to protect the environment of the rural areas?
<p>Since measures directly relating to environmental protection are not implemented, the current measures have no significant impact on the protection of the environment.</p>	
Criterion of evaluation	B.II.5-1. Protection of environment in rural areas has improved
Indicator	B.II.5-1.1. Share of rural territory directly or indirectly protected thanks to assistance (%)
<p>Not relevant.</p>	
Criterion of evaluation	B.II.5-2. Waste management has improved
Indicator	B.II.5-2.1. Volume of waste collected/treated thanks to assistance (m³), a) of which treatment of water % b) of which treatment of solid waste %
<p>43 projects have been carried out in the field of alternative sewage treatment. The newly created or modernised waste treatment capacity is of 120,200 cubic metres. The total amount of treated sewage of the 43 municipalities concerned is 352,000 cubic metres. The development is exclusively constituted by sewage treatment. Solid waste was not relevant in the Programme.</p>	
Criterion of evaluation	B.II.5-3. Awareness of environmental issues has increased amongst the rural population.
Indicator	B.II.5-3.1. Share of the rural population involved in assisted actions related to environmental protection of any kind (% , environmental training, pilot activities, information campaigns)

In the course of the raising public awareness campaign on the SAPARD Programme the participants often put questions to the experts of the SAPARD Agencies about the requirements of the EU concerning environmental protection, hygienic standards, and animal welfare regulations. Although agro-environmental measures were not launched, their preparation has also contributed to the increase of environmental awareness in rural areas.

The evaluators have no information of campaigns on environmental protection that aimed at informing the rural population.

3.4.2.3. B.III. Concerning the Programme concept and implementation

Summary, conclusions

B.III.1. To what extent have the implementing procedures contributed to maximising the intended effects of the Programme?

One of the conclusions of the intermediate evaluation was the following: applicants often submit more than one application mainly because the different but interdependent parts of complex investments come under different items, which forces the applicants to prepare more than one application. On the basis of focus group discussions and professional interviews, this finding still holds true. This fact has increased the time needed and costs of application and also the risk of the failure of the whole complex investment since there is no guarantee that all the applications ensuring the implementation of a complex investment will be approved. At the same time, this entails significant administrative costs for the institution processing the application. The sub-measure 'energy supply for rural enterprises' shows best how complex investments are split up artificially. The reduction of the range of eligible costs does not allow applicants to carry out their investments as unified projects. There are even important costs that are not eligible; however, they are not listed in the call for proposals as non-eligible costs. This fact significantly reduces the proportion of support for the whole investment, since the costs of some indispensable elements of the development have to be borne entirely by the applicant. It is especially the economically more sensitive enterprises that are hit hard.

In the SAPARD system, animal holders have to submit four different applications for the modernisation of farm buildings, the repair of the road leading to the farm, the modernisation of the energy supply of the farm and eventual IT development. This finding is supported by the number of combinations within and between measures.

Based on the answers of respondents, it can be stated that there were fewer group applications submitted as such due to the co-ordinated interdependence of development projects.

Of all the measures, only those of the Article 33 type were focused on specific areas. The measures did not focus on one specific target group concerning the range of beneficiaries either. The types of beneficiaries were determined mainly by the types of eligible activities and the ceiling set on the total cost of projects. In categories with high maximum total costs (e.g. processing), larger businesses carried out investments with projects of bigger average size. In categories with low maximum total costs (e.g. diversification), the investors were smaller companies investing in development projects of lower average total cost.

The participants of professional/expert interviews and focus group discussions said that the applicants had started to become uncertain mainly because of the precariousness of the new application system that was unknown and significantly more complex than the procedures of the previous agricultural assistance system. One element of this was the not applicant-friendly application package and complicated business plan that had to be prepared by all, for even the simplest and smallest investments. Another factor of uncertainty was the documentation and official permits that had to be submitted with the applications sometimes unnecessarily. The competent authorities were not always familiar with the requirements concerning the content of the supplements required for the applications, thus applicants had to collect these one by one from the various authorities. Requiring so many official certifications and in the indicated form meant unnecessary extra time and costs for applicants.

The bureaucratic procedures were also among the factors of uncertainty.

The applicants having scarcer resources, i.e. those really in need of support for improving their economic activities, are exposed to significant risks because of the delays in the implementation of the investments and the post-financing of costs incurred due to the slow processing of applications. This factor did not increase the risk of failure for the financially stronger and bigger companies, which, according to dead weight calculations, probably would have been able to carry out their investments without the assistance as well. The longer the 'passive period', the bigger the risks related to the implementation and further operation, especially for smaller companies. The longer applicants have to wait for the assistance, the more unstable their financial situation becomes.

The data from the monitoring system shows that in the majority of the measures at least one year passed between the stipulation of the contract and the first payment, and at least one and a half years between the submission of the application and the first payment. This delay is a very long period for an investment, and especially for low-liquidity micro- and small enterprises or local governments always lacking resources. It is a contradiction in itself that the above-mentioned risky period was the longest (11% longer than the Programme average) in the measures aiming at improving the cohesion of rural areas and supporting financially weaker enterprises, natural persons and local governments lacking resources.

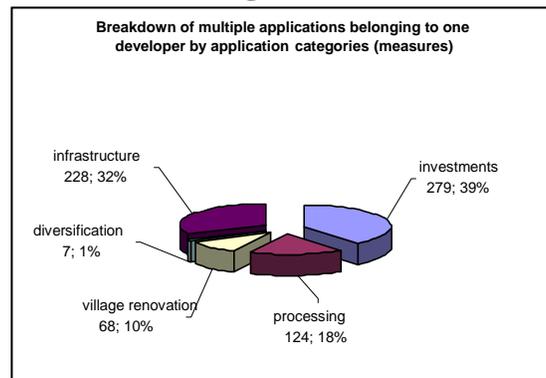
Applicants were often constrained to obtain bank credits to cover their expenditures before the assistance was paid out, which increased the costs of the applications.

Question	B.III.1. To what extent have the implementing procedures contributed to maximising the intended effects of the Programme?
Criterion of evaluation	B.III.1-1. The assisted actions are concerted and complementary so as to produce synergy through their interaction on different aspects of rural development problems/opportunities
Indicator	B.III.1-1.1. Frequency of combinations of groups/ combinations of actions/projects a) within measures (%) b) between measures (%) c) between SAPARD and other pre-accession funds (e.g. PHARE) (%) d) between SAPARD and other national assistance systems
The calls for proposals allow applicants to submit more than one proposal both within and	

between measures. Applications may not target more than one item. Investments may only be given assistance once.

The data from the monitoring database show that 285 applicants (13 per cent of all applicants and 11 per cent of all applications) submitted more than one application; this makes a total of 706 applications. Out of this, 2 applicants submitted 10 applications, 3 submitted 7, 4 submitted 6, 5 submitted 5, 18 submitted 4, 38 submitted 3 and 215 submitted 2. Of all measures, it was the measure supporting investments that received the highest number of group applications.

Figure 101



The table below shows that the most common combination between measures concerned the measure supporting investments. 100 applicants submitted more than one application within this measure. 48 applicants submitted more than one application within the measure supporting infrastructure and 38 within the one supporting processing. Combinations were developed between the measures supporting investments and infrastructure, and village renovation and infrastructure.

	investment	processing	village renovation	diversification	infrastructure
investment	100	12	1	3	37
processing	12	39	0	2	10
village renovation	1	0	11	1	27
diversification	1	2	1	0	3
infrastructure	37	10	27	3	48

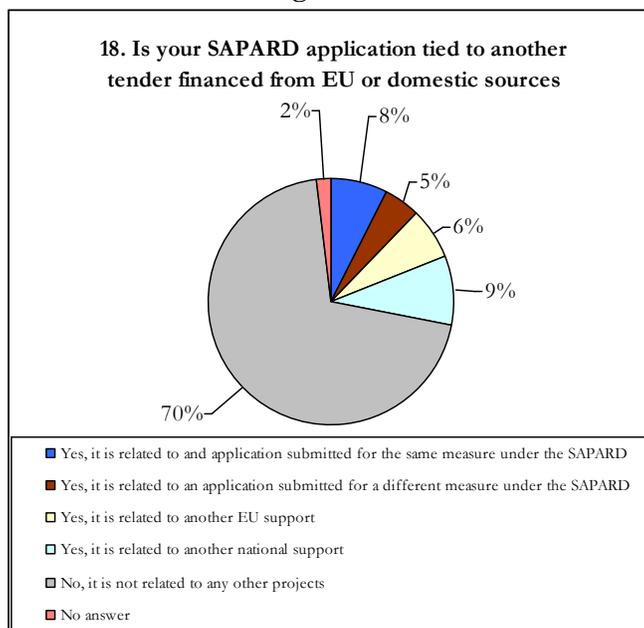
The 293 questionnaires filled in show that the application of 70 per cent of the respondents was not related to other applications. The supported development projects of the remaining 30 per cent of the respondents were distributed fairly evenly among the following types: applications submitted within measures, within other measures, applications financed from other national sources.

SAPARD is an entirely project-based, a so-called mono-fund assistance system. Nevertheless, the point evaluation system of the measure 'Investments in agricultural holdings' includes a criterion that gives priority to projects in line with agro-environmental target programmes (10 pts). The monitoring system contains no data on the number of beneficiaries of the supported development that have taken part in the nationally-financed agro-environmental programme.

The point evaluation system of the measures of priority 'Adaptation of rural areas' includes a criterion (25-35 pts in total) that gives bonus to projects that aim at the integrated use of resources serving the common objectives of other SAPARD measures or other assistance systems, adapt to the agricultural structure and rural development strategies of the specific

micro-region, and have a multiplier effect on the economy of the area. The point evaluation system gives preference to development projects implemented in form of a partnership. There is no data available for the evaluators on the frequency of combinations of projects supported within these measures and other development projects.

Figure 102



<p>Criterion of evaluation</p>	<p>B.III.1-2a. The uptake within the programme (by holdings, enterprises, associations,) involves those having the biggest need and/or potential for the adaptation of rural economies to the single market and the implementation of the acquis (adaptation to EU standards and procedures) in the area concerned by the programme, thanks to a combination of implementing arrangements such as eligibility criteria, premium differentiation and/or procedures/criteria for selection of projects as well as the absence of unnecessary delays and bureaucratic costs for these beneficiaries</p>
<p>Indicator</p>	<p>B.III.1-2.1 Main types of direct beneficiaries and operators (e.g. holdings, enterprises, associations, networks; processors/marketers; arable/pastoral; small/large, including administrations and officials at all levels) involved in the Programme (rank).</p>

Tables 24-28 demonstrate the average project sizes and the breakdown of supported applications and resources used by types and classifications of beneficiaries and by measures.

Investments in agricultural holdings

53 per cent of the assistance was given to micro-enterprises, their average project size approximates to the average of the measure. Although the number of non-profit organisations, small and medium-sized enterprises is not dominant (only 17 per cent), their total share of the resources is almost 40 per cent since their average project size is several times higher than that of the measure.

Based on the distribution of beneficiaries by type of enterprises, on the successful applications and received resources belonging to them, we can draw the conclusion that the measure did not give preference to any enterprise size but created opportunities of assistance for enterprises of all sizes and types. This was made possible especially after the evaluation system of the business plans had been relaxed (see the answer to question B.III.1 -2.2).

Improving the processing and marketing of agricultural and fishery products

Breaking down the assistance by legal status, it becomes clear that the majority, i.e. 81 per cent, of supported applications was submitted by limited liability companies and joint stock companies. The share of the resources they were given is 91 per cent. The average total cost of the applications submitted by limited liability companies almost reaches and that of the applications of joint stock companies far exceeds the average project size within this measure. Individual entrepreneurs, limited partnerships, co-operatives and companies usually having less capital were only able to use a negligible part of the resources (9%).

On the basis of the average project size, three easily distinguishable categories have evolved:

- 1) Micro-enterprises, whose average project size is far below that of the measure, have received 30 per cent of the resources. They submitted the highest number of supported applications (139 = 46%).
- 2) Small and medium-sized enterprises have received the bulk of the resources of the measure (49%). Their average project size is around that of the measure.
- 3) On the basis of their average project size, the other types of enterprises constituting the third category are very likely bigger companies. They have received 21 per cent of the resources. The average project size of their 29 applications is almost three times that of the measure.

The maximum assistance available within this measure (1,372,549 euros) was increased, which favoured medium-sized and big enterprises having abundant capital.

Renovation and development of villages and protection and conservation of the rural heritage

Due to the nature of eligible activities, 97 per cent of the resources have been used by non-profit organisations. Although local governments dominate this group of beneficiaries, churches and other non-governmental organisations have also submitted applications in large numbers. The average project size of enterprises was almost twice that of the measure, but that of local governments also exceeds it significantly. Development projects carried out by natural persons were much smaller in size than the measure average. Within the category of enterprises, the average project size of individual entrepreneurs was almost a third of that of limited liability companies.

Development and diversification of economic activities providing for multiple activities and alternative income

As expected, the majority of resources (69%) were used by micro-enterprises, whose average project size slightly exceeds that of the measure. Domestic natural persons received assistance mainly for the development of agri-tourism as private landlords. They have received 20 per cent of the assistance. Their average project size is almost half of that of the measure.

In line with the original objective of the measure, it favoured smaller rural enterprises in shortage of funds and wanting to escape from their difficult situation by focusing on more than one activity.

Development and improvement of rural infrastructure

The group of beneficiaries is made up by lots of different members due to the diversity of eligible activities and the objects of development (roads, public places, farms etc.). Both local governments (mainly in relation to local markets, agricultural roads, community IT development) and enterprises (mainly concerning energy supply, IT development) are present among the beneficiaries. A small share of the assistance was given to small and medium -sized enterprises (15%). Non-profit organisations have submitted the majority of applications (59%) and they have received an even bigger share of the assistance (67%). The average project size of small and medium-sized enterprises and non-profit organisations exceeds that of the measure but only slightly. Micro-enterprises and natural persons account for 28 per cent of the applications supported, and they have received 19 per cent of the resources. Their average project size is far below that of the measure.

Table 24 Investments in agricultural holdings

Form of business	Closed applications (pcs)	%	Assistance (euros)	%	Total project size (euros)	%	Amount paid (euros)	%	Average project size (euros)
primary producer	236	16	4,907,718	5	11,966,251	5	4,737,461	5	50,704
family farmer	132	9	3,865,404	4	9,221,063	4	3,772,433	4	69,857
other non-governmental organisation	1	0	28,544	0	71,359	0	28,544	0	71,359
individual entrepreneur	347	24	12,399,268	13	30,309,820	14	12,006,485	13	87,348
individual farmer	88	6	3,307,067	4	7,884,539	4	3,212,059	4	89,597
limited partnership	47	3	3,416,064	4	7,696,561	3	3,350,614	4	163,757
limited liability company	412	28	41,598,474	44	97,302,233	44	40,201,230	44	236,170
cooperative	55	4	5,855,806	6	13,680,678	6	5,576,363	6	248,740
joint stock company	128	9	18,354,635	19	43,214,762	19	17,699,672	19	337,615
other company	2	0	671,723	1	1,343,454	1	667,712	1	671,727
total	1,448	100	94,404,703	100	222,690,722	100	91,252,573	100	153,792
Classification	Closed applications (pcs)	%	Assistance (euros)	%	Total project size (euros)	%	Amount paid (euros)	%	Average project size (euros)
domestic natural person	323	22	8,174,487	9	19,750,045	9	7,912,842	8	61,146
micro-enterprise	864	60	49,694,547	53	116,734,950	52	48,122,003	52	135,110
non-profit organisation	2	0	226,661	0	566,657	0	2,282,986	2	283,328
medium-sized enterprise	60	4	7,686,787	8	17,843,654	8	7,276,373	8	297,394
small enterprise	192	13	26,232,208	28	62,474,594	28	25,348,395	27	325,389
other enterprise	7	0	2,390,013	3	5,320,822	2	2,369,138	3	760,117
total	1,448	100	94,404,703	100	222,690,722	100	93,311,736	100	153,792

Table 25: Improving the processing and marketing of agricultural and fishery products

Form of business	Closed applications (pcs)	%	Assistance (euros)	%	Total project size (euros)	%	Amount paid (euros)	%	Average project size (euros)
family farm	1	0	27,850	0	69,625	0	27,516	0	69,625
individual entrepreneur	25	8	1,708,582	3	4,271,508	3	1,624,910	3	170,860
individual farmer	2	1	228,420	0	571,051	0	228,420	0	285,526
limited partnership	8	3	976,268	1	2,637,148	2	971,982	2	329,644
cooperative	21	7	2,958,739	4	7,431,308	4	2,859,709	4	353,872
other company	1	0	152,246	0	380,615	0	148,993	0	380,615
limited liability company	165	55	36,128,911	55	92,571,425	54	35,017,031	55	561,039
joint stock company	79	26	23,655,772	36	62,851,723	37	22,914,209	36	795,591
total	302	100	65,836,788	100	170,784,405	100	63,792,770	100	565,511
Classification	Closed applications (pcs)	%	Assistance (euros)	%	Total project size (euros)	%	Amount paid (euros)	%	Average project size (euros)
domestic natural person	2	1	228,420	0	571,051	0	228,420	0	285,526
micro-enterprise	139	46	20,015,609	30	51,343,985	30	19,046,434	30	369,381
medium-sized enterprise	50	17	11,141,264	17	29,478,029	17	10,934,331	17	589,561
small enterprise	82	27	20,870,909	32	53,389,922	31	20,307,868	32	651,097
other enterprise	29	10	13,580,585	21	36,001,417	21	13,275,717	21	1,241,428
total	302	100	65,836,788	100	170,784,405	100	63,792,770	100	565,511

Table 26: Renovation and development of villages and protection and conservation of the rural heritage

Form of business	Closed applications (pcs)	%	Assistance (euros)	%	Total project size (euros)	%	Amount paid (euros)	%	Average project size (euros)
primary producer	3	1	89,972	0	180,213	1	82,650	0	60,071
individual entrepreneur	1	0	46,986	0	93,973	0	46,986	0	93,973
other non-governmental organisation	35	15	2,486,423	11	3,315,602	11	2,444,476	11	94,731
church	43	19	3,480,627	16	4,659,081	15	3,467,797	16	108,351
local government	142	62	15,698,822	70	21,111,475	69	14,974,988	70	148,672
limited liability company	4	2	504,953	2	1,089,110	4	486,485	2	272,277
total	228	100	22,307,783	100	30,449,454	100	21,503,383	100	133,550
Classification	Closed applications (pcs)	%	Assistance (euros)	%	Total project size (euros)	%	Amount paid (euros)	%	Average project size (euros)
domestic natural person	3	1	89,972	0	180,213	1	82,650	0	60,071
non-profit organisation	220	96	21,665,872	97	29,086,159	96	20,887,261	97	132,210
micro-enterprise	5	2	551,939	2	1,183,082	4	533,472	2	236,616
total	228	100	22,307,783	100	30,449,454	100	21,503,383	100	133,550

Table 27: Development and diversification of economic activities providing for multiple activities and alternative income

Form of business	Closed applications (pcs)	%	Assistance (euros)	%	Total project size (euros)	%	Amount paid (euros)	%	Average project size (euros)
primary producer	14	25	191,339	11	391,852	10	188,687	11	27,989
local government	1	2	20,563	1	41,055	1	20,527	1	41,055
individual entrepreneur	12	21	295,991	16	611,914	16	286,221	17	50,993
other non-governmental organisation	1	2	28,298	2	56,596	2	23,559	1	56,596
individual farmer	6	11	170,055	9	340,111	9	155,147	9	56,685
limited partnership	3	5	89,216	5	217,647	6	87,367	5	72,549
joint stock company	2	4	81,646	4	182,099	5	78,597	5	91,049
family farm	3	5	149,020	8	298,710	8	125,527	7	99,570
limited liability company	15	26	788,715	43	1,631,749	43	765,963	44	108,783
total	57	100	1,814,842	100	3,771,732	100	1,731,594	100	66,171
Classification	Closed applications (pcs)	%	Assistance (euros)	%	Total project size (euros)	%	Amount paid (euros)	%	Average project size (euros)
domestic natural person	20	35	361,395	20	731,962	19	343,834	20	36,598
non-profit organisation	2	4	48,861	3	97,651	3	44,087	3	48,826
micro-enterprise	32	56	1,251,492	69	2,617,486	69	1,195,912	69	81,796
small enterprise	3	5	153,095	8	324,633	9	147,762	9	108,211
total	57	100	1,814,842	100	3,771,732	100	1,731,594	100	66,171

Table: Development and improvement of rural infrastructure

Form of business	Closed applications (pcs)	%	Assistance (euros)	%	Total project size (euros)	%	Amount paid (euros)	%	Average project size (euros)
primary producer	7	1	132,934	0	180,869	0	118,061	0	25,838
other company	6	1	123,343	0	164,457	0	118,366	0	27,410
micro-regional association	1	0	23,529	0	32,941	0	23,529	0	32,941
individual farmer	3	1	168,645	0	224,859	0	164,356	0	74,953
individual entrepreneur	42	7	2,408,812	4	3,386,000	4	2,361,254	4	80,619
non-profit organisation	3	1	220,948	0	305,072	0	220,948	0	101,691
cooperative	26	5	2,136,272	4	2,933,544	4	2,071,363	4	112,829
limited liability company	106	19	8,654,414	16	12,083,146	16	8,540,535	16	113,992
limited partnership	13	2	1,129,164	2	1,586,824	2	1,124,959	2	122,063
joint stock company	33	6	3,013,474	6	4,146,873	5	2,926,498	6	125,663
other non-governmental organisation	15	3	1,445,049	3	1,955,938	3	1,418,770	3	130,396
local government	305	54	34,177,008	62	47,215,204	62	32,832,950	62	154,804
non-profit-making association	5	1	594,565	1	868,077	1	474,470	1	173,615
family farmer	4	1	537,332	1	716,836	1	533,067	1	179,209
total	569	100	54,765,489	100	75,800,641	100	52,929,126	100	133,217

Classification	Closed applications (pcs)	%	Assistance (euros)	%	Total project size (euros)	%	Amount paid (euros)	%	Average project size (euros)
other entrepreneur	2	0	34,063	0	45,433	0	33,653	0	22,716
domestic natural person	10	2	301,578	1	405,729	1	282,417	1	40,573
micro-enterprise	147	26	9,763,184	18	13,595,084	18	9,599,337	18	92,484
medium-sized enterprise	35	6	3,711,797	7	5,043,991	7	3,628,381	7	144,114
small enterprise	41	7	4,387,850	8	6,191,951	8	4,312,686	8	151,023
non-profit organisation	334	59	36,567,017	67	50,518,454	67	35,072,652	66	151,253
total	569	100	54,765,489	100	75,800,641	100	52,929,126	100	133,217

Indicator	B.III.1-2.3. Evidence of discouraging, unnecessary delays or costs incurred for the direct beneficiaries/operators (description)
	<p>The participants of professional/expert interviews and focus group discussions said that the applicants had started to become uncertain mainly because of the precariousness of the new application system that was unknown and significantly more complex than the procedures of the previous agricultural assistance system. One element of this was the not applicant -friendly application package and complicated business plan that had to be prepared by all, for even the simplest and smallest investments. Another factor of uncertainty was the documentation and official permits that had to be submitted with the applications, sometimes unnecessarily. The competent authorities were not always familiar with the requirements concerning the content of the supplements required for the applications, thus applicants had to collect these one by one from the various authorities. Requiring so many of ficial certificates in the indicated form meant unnecessary extra time and costs for applicants.</p> <p>The bureaucratic procedures were also among the factors of uncertainty.</p> <p>Applicants not having abundant capital found it difficult to provide for and certify t heir own contributions and to comply with the post-financing system without advance, taking into account the delays in payment.</p> <p>The obligation of putting down a deposit also prevented numerous potential applicants from submitting applications.</p> <p>Respondents also mentioned the low aid rates, due to which the applicants were forced to assume extra burdens entailing significant risks (5 -year occupational and operational obligation). These obligations are hard to fulfil in the current business environment, howev er, the legal consequence of non-compliance was the reimbursement of the total amount of the assistance.</p> <p>In their answers, the applicants mentioned the following factors as those making them uncertain about their intention of application:</p> <ol style="list-style-type: none"> 1. 'It was clear already at the beginning that due to the complexity of the application package successful applications can be only prepared by involving proposal preparation experts.' This incurs significant costs, which has a strong effect the applicants lacking funding. Since the administrative obligations were the same for all project sizes, i.e. applicants had to submit their application packages including permits and complicated business plans for small projects as well, it was difficult to find competent experts who were willing to prepare the proposals for a small profit due to the low project costs. 2. Several potential applicants became unsure due to the tight deadline of application (very shortly after the launching of the call for proposals). 3. 'The calls for proposals were complicated, too lengthy and often almost impossible to understand. We often had to ask help from the ARDA customer service in matters of comprehension. The employees of the office were always patient and helpful, and the fact that we were able to submit the proposals was often attributable to this exchange of information. It should be noted that they also helped us decide whether we were suitable for the Programme or not.' 4. Several applicants mentioned the lack of own contribution and the difficulties of obtaining credit. 5. Long-term obligations were not in keeping with the benefits of the assistance received.

This arose from the requirement of excessive guarantees (security, occupation etc.) and from the aid rate, which was regarded as too low by the applicants.

6. Security (mortgage) put a huge burden on local governments since these possess little saleable real estate.
7. Excessive bureaucracy, complicated administration, deadlines modified several times, delays in decisions about applications and rumours about these.

Furthermore, the applicants reported that the complexity of settlements, including unnecessary requirements for certification concerning the technical content, had led to delays and incurred costs that otherwise could have been avoided. Numerous respondents said that in settlements at the milestones of implementation they repeatedly had to submit the same data and documents (e.g. title deed, certificate of incorporation), which took a long time and incurred unnecessary costs. Obtaining certificates of origin also constituted problems. These certificates were also required for machinery included in Hungarian machine catalogues. The lengthy processes of assessment, contracting and payment caused difficulties and risks for the majority of the applicants in the implementation and operation of investments. Payments after the milestone settlements were transferred with considerable delays. Thus many applicants were forced to take loans, which incurred previously unplanned costs. Covering VAT also constituted a problem for some, since in the settlement of costs net amounts were taken into account. 11 per cent of the respondents of the questionnaires reported a change in the resource composition of their projects as a result of the necessary increase of their own contributions. The above-mentioned change took place through the supplementing of own contributions or through credits. When the resource composition of the projects changed, own contributions increased by 16 per cent on average and the credits granted by 34 per cent compared to the total project costs.

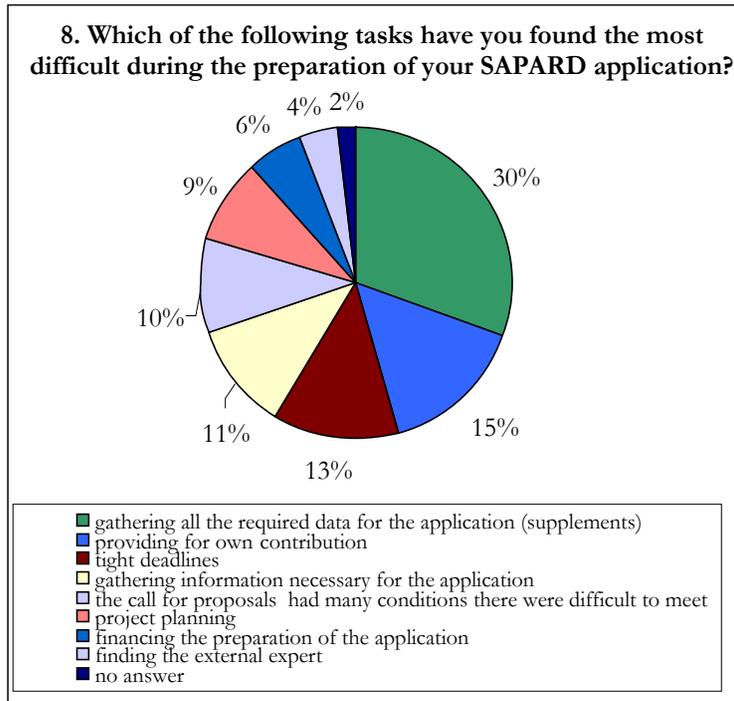
Applicants also reported that having to employ building control inspectors for investments requiring building permits when construction managers were already employed had incurred unnecessary costs. The requirement of too detailed and precise plans and project documentation and the plan modifications due to these smaller changes also led to delays.

Having to submit certificates, permissions, support statements, quality certificates and compliance certificates several times often incurred unnecessary costs and wasted the applicants' time.

Some applicants also reported that getting official translation into Hungarian of the documents (invoices, transport documents, offers, contracts) written in other languages was expensive.

The result of the questionnaires filled in by applicants supports the above-mentioned findings:

Figure 103



The applicants were allowed to finance from the amount of the assistance the so-called 'other costs', including the costs of employing experts for the preparation of the application, up to 12 per cent of the total eligible costs. This was very favourable for the applicants.

The charts below show the time needed for preparing the applications and obtaining the necessary certificates. It can be seen from the charts that more than half of the applicants took more than one month to prepare the application.

Figure 104

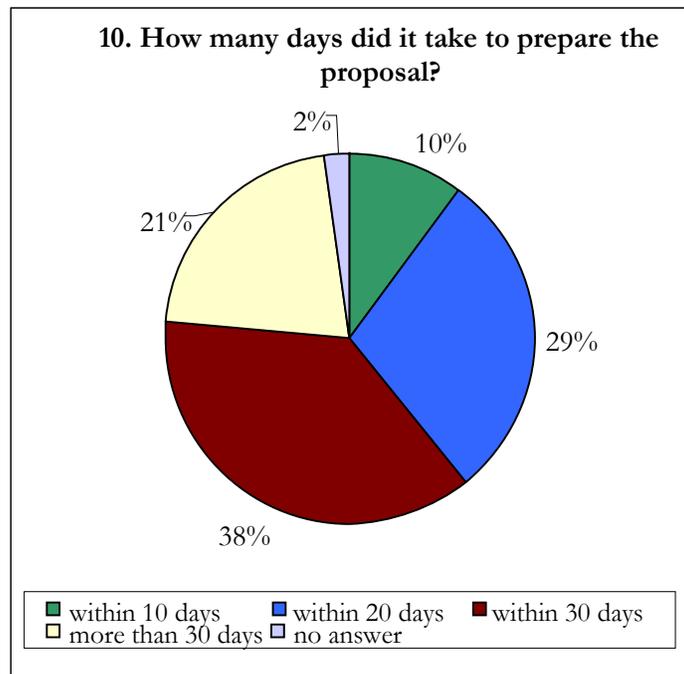
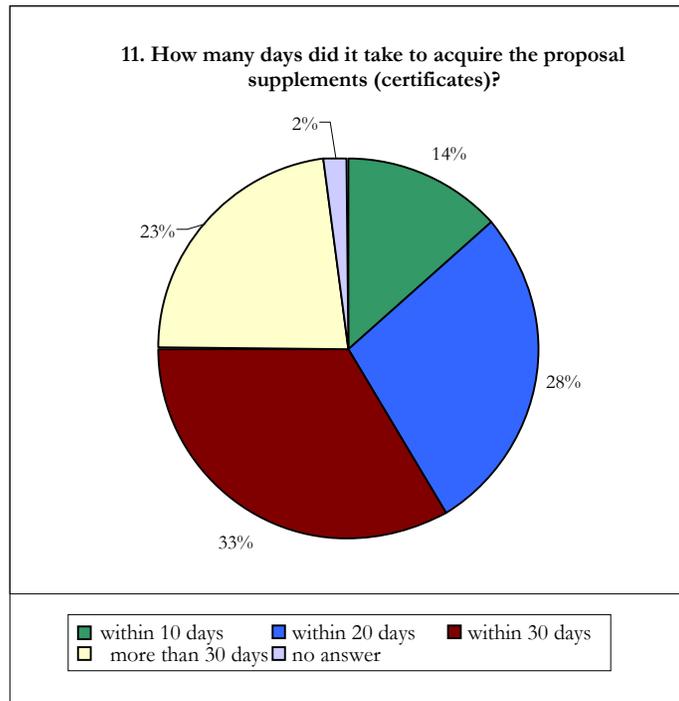


Figure 105



The prohibition of launching investments before signing the contracts also created a problem especially for the smaller, low-liquidity enterprises. The applicants had to pre-finance the preparation of proposals (engineering costs, business plan etc.) that costs a significant amount when investing in buildings or infrastructure. These sums were regarded as 'lost cost' in the period preceding the signing of the contracts. *Table 29* shows the time passed from the submission of proposals to the signing of the contracts and to the first payments.

Table 29

measure		submission – contract (days)	submission – first payment (days)	submission - closure (days)	contract – first payment (days)	contract - closure (days)
investments	average	6	14	15	8	10
	min.	1	6	6	2	2
	max	18	45	46	40	40
processing	average	7	18	22	11	15
	min.	1	9	9	3	3
	max	18	50	50	34	42
diversification	average	5	17	22	12	16
	min.	4	10	10	6	6
	max	7	33	37	28	32
village renovation	average	5	19	22	14	16
	min.	4	11	11	6	6
	max	7	35	35	29	29
infrastructures	average	7	19	21	12	14
	min.	3	9	9	3	3
	max	21	43	55	34	47
total	average	6	17	21	11	14
	min.	3	9	9	4	4
	max	14	41	45	33	38

The average time from the submission of proposals to the stipulation of the contracts was 6 months, except for the two measures that had been announced last, since in their case the average waiting time was 5 months. This period is too long both for enterprises and local governments. This finding holds true especially for the measure supporting diversification since it received very few applications.

Post-financing makes the length of time passed from the proposal submission/contract to the first payment matter a great deal for the applicants. The time from the proposal submission to the first payment was the longest, i.e. 19 months, for the measures supporting village renovation and infrastructural development but it reached 17 months even for the measures supporting diversification and processing. First payments were made the fastest in the case of the measure supporting investments, i.e. 14 months after proposal submission, on average.

On average, the applications for the measure supporting investments were closed the fastest, probably because of the high number of one-milestone machinery purchases.

In the majority of the measures, at least one year had to pass from the stipulation of the contracts to the first payment and at least one and a half years from the proposal submission to the first payment. This delay is a very long period for investments, and especially for low-liquidity micro- and small enterprises or local governments always lacking resources. Thus applicants were often obliged to obtain bank credit to cover their expenditures before the assistance was paid out, which increased the costs of the applications.

The average time from the stipulation of the contracts to the first payment was 11 per cent longer for the measures of the priority supporting the 'Adaptation of rural areas' than the overall average time.

The maximum figures in the table are highly remarkable.

Criterion of evaluation	B.III.1-3. Beneficial effects have been maximised through a combination of eligibility criteria, premium differentiation or procedures/criteria for the selection of projects
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Indicator	B.III.1-3.1. Leverage rate = {total spending by direct beneficiaries on assisted actions} to {public co-financing}
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231 million euros have been paid out as assistance to the projects closed within the Programme. This mobilised 15 per cent more of other financing resources (own resources, credit etc.); thus the total worth of investments was approximately 500 million euros. (This volume accounts for around 1 per cent of the total investments carried out in Hungary in the Programme implementation period, i.e. from 2002 to 2006.)

Furthermore, the above-mentioned leverage data also shows that the beneficiaries did not assume a bigger share in the financing than what the calls for proposals had obliged them to, i.e. they strived for maximising the available aid intensity.

Indicator	B.III.1-3.2.1. Evidence of dead weight {description and approximate quantification}
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No data available.

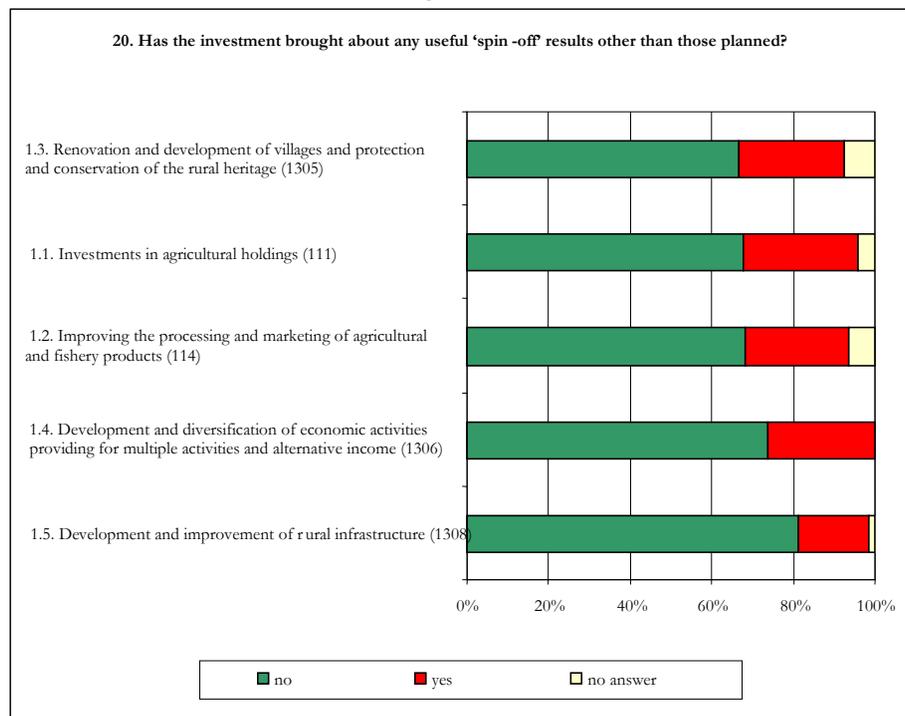
In order to quantify dead weight projects, indicators of return should be calculated since all those projects may be considered dead weight in which the expenditures of the investments would be recovered within 5 years even without the assistance or in which not even the own contributions will be recovered within 5 years.

Unfortunately, production and other costs are recorded in the monitoring system only at the level of enterprises; furthermore, less than 5 years have passed since the closure of projects, thus examining dead weight was impossible.

Indicator **B.III.1-3.3. Evidence of actions/projects resulting in beneficial indirect effects (description)**

24 per cent of the respondents of the questionnaires (66 applicants) reported that, apart from the planned direct impact, their projects had achieved additional positive results. A positive answer was given to this question by almost the same proportion of respondents of all measures, i.e. more than 25 per cent, except for the measure supporting the improvement of rural infrastructure.

Figure 106



As useful direct spin-off results of the supported income-generating investments entrepreneurs listed the following: creation of new products/services; increased cost-efficiency and productivity; reduced losses; improved working conditions, occupational safety, environmental conditions and sales opportunities, and bringing neglected lands under cultivation. The positive impact of different economic activities on each other within the enterprises was mentioned especially by the beneficiaries of diversification projects.

Classic examples of additional results were mentioned only by the beneficiaries of the measures supporting village renovation, these included the following: reduced environmental damage, stronger local identity, changes in the scale of values, young families moving in, increased value of the real estate of the municipality, programmes that could not be organised due to lack of appropriate conditions before the investment have become regular. The detailed description of the additional results of the measure supporting the renovation of villages is available in the part concerning measure-specific questions.

4. Conclusions, recommendations

This chapter contains the main findings of the evaluation that help us define the conclusions regarding the relevance of the Programme, the coherence of the measures, the measure of fulfilment of the objectives and the weight/balance of the specific measures within the Programme. The conclusions also touch upon the extent to which the general objectives of the Programme and the SAPARD regulation have been fulfilled, and on the impacts of the Programme and the measures.

The conclusions and recommendations are divided into different groups on the basis of the aspects and questions of evaluation.

Relevance of the Programme

Conclusions: According to the findings of the ex ante and intermediate evaluations, the priorities, general and specific objectives of the Programme and the instruments (measures) defined for fulfilling these were determined on the basis of needs that had been explored in a correct and detailed way. The objectives and measures are in line with the SWOT analysis and target real needs. It was reinforced by professional interviews and focus group discussions carried out as part of the ex post evaluation. The respondents have said that the planned and implemented measures of the Programme were partly or entirely in line with the development needs of rural areas and the agriculture.

Regarding the allocation of resources to the specific priorities, some said that the priority 'Promoting the adaptation and development of rural areas' would have needed significantly more support. Opinions vary on whether the missing part of the support should have been covered by transferring funds from the priority 'Improving the competitiveness of the agro-business'. However, all respondents agree that the available resources of the Programme are not in keeping with the resources required by the explored shortcomings.

During the implementation of the measure supporting the development and diversification of economic activities providing for multiple activities and alternative income the application of implementation-supporting mechanisms (methodological assistance in the preparation of proposals, providing advance, simplified application package etc.) would have been necessary.

During the Programme implementation there were no significant economic, social or environmental changes that would have had a strong impact on the implementation or would have required the Programme to be modified substantially.

Recommendations: In the coming planning periods it is worth considering that due to the limited resources available certain needs/measures should be focused on the basis of target groups or development objectives. Thus the large number of applications rejected because of lack of resources (e.g. village renovation, acquisition of machinery) could be avoided.

The mechanisms of implementation should be adjusted more to the possibilities and abilities of the target group of the specific measures. In small-scale enterprise development, which results in the diversification of the rural economy, special instruments/methods need to be used (e.g. LEADER-type assistance in the preparation, generation of projects, providing advance, assistance in the implementation etc.).

Internal and external coherence of the Programme

Conclusions: There is no overlap between the measures of the Programme, however, mechanisms that should have boosted the harmony and synergy between the measures have not worked at all or have had very little impact.

The Programme is not linked closely to other support systems, regional or national policies. Its conformity with CAP objectives is strong and provable, especially in terms of programme-based planning and implementation, the principle of partnership and the application of procedures complying with the requirements of the CAP.

Recommendations: In order to intensify the synergy between the different measures, „umbrella” aid structures should be elaborated that, if the projects meet the eligibility criteria, automatically provide assistance to all elements of complex projects independently of the fact that they would be eligible for funding from different measures. This would also ease the burdens of the implementing administration.

Efficiency of the resource use of the Programme

Conclusions: The Programme can be considered efficient regarding the use of its resources (102%).

Nevertheless, the efficiency of the Programme was significantly reduced by the fact that originally the SAPARD Programme had been planned for seven years but the delays in the establishment of the necessary institutional, organizational and technical background shortened the implementation period to less than two years. One of its negative consequences was the pressure of tight application deadlines. Resulting from this situation, lots of incomplete and badly prepared proposals were prepared in 2002, i.e. when the aid opportunities had just been opened up. This generated unnecessary extra workload and costs both for the implementing institutions and for the applicants. After the call for proposals in 2002, all the applicants (100%) had to remedy deficiencies in their proposals. 1,964 proposals, i.e. 22 per cent of all proposals, were rejected due to formal and eligibility deficiencies.

The impact of the short (2-year-long), campaign-like Programme implementation is that the proposals were submitted at an unbalanced pace and the total assistance required by them exceeded the available resources by 364 per cent. 4,037 proposals, i.e. 46 per cent of all proposals, were rejected due to a lack of resources. The rejection of their proposals due to a lack of resources meant that the rejected applicants had to bear unnecessary costs that were especially high for investments requiring preliminary plans and permits. All this could have been mitigated by information activities of a better time structure and better adjusted to the available resources.

The delayed launching of the Programme, the huge waves of proposals around the deadlines and the procedural rules of application management planned for a lighter workload put an enormous burden on the newly created implementation capacities. As a consequence of this, in the majority of the measures at least one year passed from the signing of the contracts to the first payment and at least one and a half year from the submission of proposals to the first payment. This delay and the system of post-financing is a very long period for investments, and especially for low-liquidity micro- and small enterprises or local governments always in shortage of funds. Thus applicants were often constrained to get bridging loans to cover their expenditures before the assistance was paid out, which increased the total costs of the investments.

Due to the large number of rejected proposals, the large -scale remedy of deficiencies and the lengthy application and account management caused a significant loss of time and additional costs for both the applicants and the implementing institutional system.

The fall in the weight of the priority 'Promoting the adaptation and development of rural areas' is not justified either by the shortcomings and problems explained in the description of the situation of rural areas or the large number (2,611) and high proportion (65%) of proposals rejected due to a lack of resources of the priority or the rejected resource requirement (252,871,987 euros; 38%). Within the measures supporting diversification and village renovation a far smaller amount was used than originally planned, while the measure supporting rural infrastructural developments, mainly supporting the improvement of agricultural roads, received significant additional resources. This priority had the highest number of proposals rejected due to a lack of resources, thus the reduction of resources was not justified.

The Programme gives preference to the development of the production of primary agricultural products. This is proved by the large proportion of the resources of the measure 'Investments in agricultural holdings' (38%) that exceeds the proportion of all resources to be given for strengthening the cohesion of rural areas (32%). The original proportion of the resources of this measure (28%), which was already significant, gained 10 per cent more when the modifications took place.

The scheduling of the implementation of the measures also shows the dominance of increasing the competitiveness of the agro-business since the first measures to be launched were two of this priority together with the measure supporting the 'development and improvement of rural infrastructure' that practically helped the above-mentioned priority through the modernisation of agricultural roads and the improvement of the energy provision of agricultural plants. The two measures supporting the improvement of the economic structure of rural areas and the quality of life of the rural population were launched only in April 2004. The funds and time available for their implementation were very limited, which had a huge impact on the efficacy of the priority. These two measures were available to the applicants only for a couple of months in 2004.

There are no quantified indicators assigned to the programme -level objectives, thus it is difficult to find out to what extent and with what resource efficiency these objectives have been fulfilled. The extent to which the targets defined in the SAPARD Plan have been achieved varies from measure to measure but also within measures.

The primary objective of the SAPARD Programme was the preparation for accession, i.e. the creation of a viable system that is able to allocate the community resources efficiently and complies with the EU requirements. This objective has been met entirely. The efficiency of resource use in this respect is positive.

Recommendation: In the coming programme periods the procedural elements boosting the efficiency of implementation, which became clear during the Programme implementation, should be taken into consideration.

The efficiency of the Programme could have been improved by preparing the elaborators and managers of proposals better and by conducting a more balanced, longer-term information campaign adjusted to the available resources and having the resources broken down by years.

During planning quantified indicators should be assigned to the programme -level objectives so that their achievement can be measured.

Effectiveness and efficacy of the Programme

The SAPARD Programme did not define targets for the programme -level objectives, thus the programme-level achievement of objectives is not applicable. The required impact at the level of the Programme, on the basis of chapter 2.1 of the Programme, is 25,000 preserved and/or newly created jobs in the agro-business and modernisation affecting 10 per cent of the agricultural production.

On the basis of the monitoring database, 12,969 new jobs have been created, that is 79 per cent of the adjusted target (16,500) not including the number of preserved jobs. This may be considered a positive result. The method used in calculating the rate of occupation included in the monitoring database is not clear, thus numerous applicants indicated the number of all new jobs in the whole company and not the jobs created as a result of the development project. Thus the reliability of this data is often questionable; however, it more or less reflects the real situation. The number of preserved jobs is 72,873, however, this number is likely not to indicate the jobs preserved as a result of the projects but usually it is the total number of beneficiaries. The current content of the monitoring database does not allow for the calculation of the proportion (%) of the supported agricultural production.

All measures share one general problem: the objectives do not form part of a logically established hierarchy and no indicators may be attached to this non -existing structure. Thus the indicators collected are often not suitable for measuring the achievement of the specific objectives.

Both the effectiveness of the specific measures and the fulfilment of the indicators within the measures vary.

Investments in agricultural holdings

The most popular measure of the SAPARD Programme, the one having the biggest amount of available resources was the measure supporting *investments in agricultural holdings*. During planning the proportion of required resources of the specific sub -measures to each other was not estimated on the basis of real needs, thus the targets defined by the planners have been exceeded in some cases and have not been achieved in others. Far more entrepreneurs received aid from the available resources than planned. The aid required by the successful proposals submitted for the sub-measure supporting investments into machinery acquisitions far exceeds the plans; nevertheless, the Programme has not reached the original target on power engines.

The investments of animal farms far exceed the adjusted targets of the plan. The performance of the cattle industry is remarkable: the number of new/modernised cattle places is almost two times higher than the target. During the examination of the production data we found that the price of slaughter cattle had increased significantly, as if following a trend, thus the competitiveness of the supported projects seems guaranteed.

The target for increasing the capacity of granaries has been surpassed by 190,000 tonnes.

In conclusion, we can state that this measure has achieved its objectives.

What regards its socio-economic impact, the evaluation has found that one of the main objectives, i.e. boosting the competitiveness of the enterprises, has been achieved since 78 per cent of the respondents reported improvement in this respect and the income of farmers has also surpassed the target. According to the data of the monitoring database, 770 jobs have been created on the supported farms. The amount of the aid needed for one job to be created is very high compared to other income generating measures: 116,265 euros.

What regards the environmental impact of the measure the Programme has not had a significant impact at the level of the whole national economy, however, environmental compliance was the primary objective of 16 per cent of the investments and it was an indirect result of 71 per cent of the investments.

Processing and marketing of agricultural and fishery products

Some results have been achieved regarding the boosting of *market efficiency*; however, it is not absolutely certain that these results are long-term. On the one hand, lots of micro- and small enterprises took part in the measure and their long-term viability is worse than that of medium-sized and large enterprises. Nevertheless, these enterprises make up the group in the biggest shortage of capital, thus if the selection criteria have functioned properly, the results may be significant. On the other hand, although the measure has surpassed the expectations regarding the number of projects aiming at the production of products with higher added value in the indicated development areas, the analysis of sample projects regarding the short period of time since their closure has shown only very modest increase in the added value. It should be noted that the number of enterprises introducing new technologies has exceeded the target (330%), which is an important factor of competitiveness. However, the measure has been significantly lagging behind the expectations regarding the introduction of quality standards and designations of origin.

The results achieved regarding *compliance with the requirements of the EU* are mainly the same everywhere, i.e. moderate.

The *reduction of environmental pressure* was clearly not among the applicants' most popular field.

According to the monitoring database, the objective concerning *occupation* was achieved the most efficiently within this measure. 11,459 new jobs have been created, and the amount of support needed for one job to be created is the lowest here, only 6,054 euros.

Summarising the results of this measure, either they have lagged far behind the targets or have greatly exceeded them. It is clear that the fact that production technological projects were given more attention left less attention and assistance for environmental investments. This is partly understandable since all entrepreneurs prefer the investment alternatives that generate profit in the short term, thus small and medium-sized enterprises often using obsolete technology preferred to submit proposals in the field of technological modernisation.

Development and diversification of economic activities providing for multiple activities and alternative income

Despite the small number of proposals submitted for this measure, half of the rejected proposals were rejected due to lack of resources. This fact had a negative impact on the fulfilment of targets. Within this measure the only sub-measure reaching the target (exceeding it by 12 per cent) was agri-tourism. Thus this sub-measure can be considered successful.

One of the objectives of this measure is *'providing for alternative activities and income in rural areas and thus preserving and creating jobs for the rural population'*. In the field of agri-tourism this objective has been fully met, but regarding the craft sector and the production of local foodstuffs a performance of only 44 to 46 per cent has been delivered. Compared to other measures, the efficiency of the support regarding occupation is positive, i.e. 46,578 euros.

The other objective of this measure is rather complex: *'offsetting the low profitability of agriculture and seasonal agricultural occupation, strengthening the security of farming focusing on more than one activity, increasing the supply of services and products, and*

improving self-sufficiency and market access'. Failing relevant indicators, we do not have available data on the measure of fulfilment of this objective. On the basis of questionnaires filled in by the applicants, 57 per cent of the respondents found that the support had significantly contributed to the increase of income generated by non -agricultural activities of the enterprise, and 35 per cent found that the contribution of the support had been moderate.

Concerning the changes in the level of income of the supported enterprises, the total average growth rate of incomes of all the enterprises included in the sample was 2 per cent from the second year preceding the submission of the proposals (i.e. 2002 for all proposals) to 2006. The same growth rate from the year of submission (i.e. 2004 for all proposals) to 2006 was 13 per cent. The impact of this measure has been mainly economic and it has been present only at a micro-economic level due to the very low number of supported applications. This measure has not had an impact at a macro-economic level. Furthermore, it has had no significant social or environmental impact.

Renovation and development of villages and protection and conservation of rural heritage

The number of municipalities having had some parts renovated has greatly surpassed the target (target: 26, achieved: 87, growth of 235%). According to the questionnaires filled in by the applicants, 60 per cent of the respondents found that the renovation of some parts of their municipalities had had a provable positive impact on their economy but even more on the social life of the local communities. Thus the objective *'creating the primary conditions and complementing the impacts of measures supporting income generating activities through the renovation and development of small municipalities for boosting the population retention capacity of rural areas'* has far surpassed the expectations. This measure has not exerted a significant impact on all rural areas since, despite the fact that the target has been exceeded; only 87 rural municipalities were concerned out of the total of 3,024.

The number of renovated or reconstructed houses has exceeded the target by 12 per cent, which suggests that more new functions were implemented within projects of this measure than originally planned. The questionnaires show that 56 per cent of the projects have also created new functions, and 63 per cent of the respondents have found the utilization of these functions moderate or even high.

There is no indicator concerning the preserved rural heritage. 81 per cent of the respondents have found that the measure has had a significant direct impact on the preservation of rural heritage in the supported municipalities; however, the population concerned accounts for only 6 per cent of the total rural population.

The greatest positive impact of the measure has been clearly exerted on the life of local communities on the one hand since the renovated community places (both indoors and outdoors) also serve as venues for cultural and community programmes, their utilization is usually high, and on the other hand due to the renewed community life in the renovated parts of the municipalities.

In summary, there is no logical connection between the indicators and the objectives, thus the measure of fulfilment of the objectives does not always give clear information on how much the objectives of the measure have been achieved.

Development and improvement of rural infrastructure

The definition of the objectives of the measure is very general, and the quantified indicators are not in clear logical connection with them. The impact indicators of the measure are not quantified in the SAPARD Plan, thus their fulfilment cannot be examined.

When the plans of the measure were being prepared the ratio of the development areas within the measures to each other could not be estimated precisely, the resources were not fixed by development areas, thus the targets defined in the plan have been either exceeded or proved to be too high to achieve. The length of agricultural roads significantly surpasses the target while all the other targets are far from being fulfilled.

No specific indicators can be calculated concerning the *reduction of production costs*. Nevertheless, we can state that the length of newly constructed modern agricultural roads is significant, 524 kilometres; very few enterprises (69) carried out projects in the field of energy provision; and the average distance of municipalities concerned by the projects from the nearest markets has been reduced to 22.36 kilometres. These results must have improved the local competitiveness of enterprises, as it is reflected in the questionnaires; however, the measure has not had such an impact at the level of the macro-economy.

According to data recorded in the monitoring database, the result of the measure concerning occupation is 16,199 *preserved jobs* (planned: 40,662) and 659 *new jobs* (planned: 559), however, the database is incomplete, thus the data might not be absolutely reliable.

Within the measure, *falling environmental pressure* as an objective appears only in relation to the development of sewage treatment facilities. Such projects have a very limited impact on the total rural population, which is due to the relatively low number of applications submitted and implemented in this development area (43).

Analyzing the socio-economic impact of the measure, the evaluation has found that the impact of the measure at the level of the national economy is very small since the lack of resources enabled the measure to reach only a fraction of rural areas, taking into account the proportion of both the supported rural enterprises and the rural municipalities enjoying the benefits of the aid. Nevertheless, at the level of municipalities/micro-regions the creation of local markets has had a significant economic impact. Establishing sewage purification facilities and providing the enterprises with renewable energy have exerted a positive impact on the environment. The establishment of 'tele-houses' has vitalized social life in the municipality. At the level of entrepreneurs, both energy provision and the improvement of agricultural roads have indirectly boosted the competitiveness of the enterprises concerned.

Conclusions of the answers to the questions of evaluation

Investments in agricultural holdings

A.I.1. To what extent have the supported investments contributed to improve the income of beneficiary farmers?

The intermediate evaluation of the Programme found the growth recorded in business plans unrealistic, however, the rate of the actual/forecast figures of the representative sample available for the evaluation of the measure shows that on the average these targets were still achievable. The average 23.77% growth surpasses the 10% growth found likely in year 2004.

In 2004 54% of the applicants forecast competitiveness-increase, while in the present questionnaire-based survey in the case of this measure 78% of the respondents think that their competitiveness has improved.

A.I.2. To what extent have the supported investments contributed to a better use of production factors on holdings?

The findings expressed in the intermediate evaluation –*changing technical conditions, with the help of the supported investments, significantly affects the better utilisation of production factors, also, efficiency improves and the differentiating impact of the biological periods also lessens* – cannot be verified by the analysis of the available monitoring data, however, based on the answers given to the questionnaire, production costs have improved in a significant number of the enterprises (44 %) as a result of the investment.

A.I.3. To what extent have the supported investments improved the quality of farm products in compliance with EU standards?

Based on the answers given to the applicants' questionnaires the projects contributed to the improvement of product quality in the case of a significant part of the farmers (79 %), however, only a small proportion of the producers sells such certified-quality products, although it is true that the rate of such products has increased after the project. Only 2% of the respondents sell products from organic-farms, which authentically illustrates the status of ecological farming in Hungary.

In summary it can be stated that the measures of the SAPARD tender helped increase the quantity of the products sold as certified quality products only to a minor extent and fundamentally did not result in the growth of organic -production.

A.I.4. To what extent have the supported investments improved production conditions in term of better working conditions in compliance with EU standards?

More than half of the farmers feel that as a result of the supported development, the general working environment has partly improved, 21% of the respondents stated significant positive changes and only 7 % said that they can ensure compliance with the EU standards only through further investments.

A.I.5. To what extent have supported investments improved production conditions in terms of animal welfare in compliance with EU standards?

In the supported holdings, both the proportion of animals kept in enclosures complying with EU standards, and both the rate of supported holdings complying with the EU standards on animal welfare are complete, as in the supported holdings, at least after the implementation of the development, all of the functioning enclosures must comply with the EU standards (100%), since the operation licence is granted for the premises as a whole unit.

A.I.6. To what extent have supported investments facilitated environmentally friendly farming?

Although the measure „Agricultural production methods designed to protect the environment and maintain the countryside” has not been announced, a number of projects contained the development of environmentally sound farming thus contributing to the aims of the environment protection priority. Although one of the three principles of the measure was to focus on environment protection aspects, the holdings struggling with the shortage of capital were primarily interested in preserving/increasing their competitiveness and maintaining their viability. Based on that, the significant number of the manure treatment, water management and other environmental developments implemented by the supported investments is definitely welcome.

Processing and marketing of agricultural and fishery products

A significant part of the 302 closed projects, almost 73%, were implemented by micro enterprises and small companies. Therefore, on one hand, the mostly undercapitalised layer

got access to project support, but at the same time, that same group of enterprises involves the highest level of risk with regards to long-term survival.

A.II.1. To what extent have the supported investments helped to increase the added value of agricultural and fishery products through improved and rationalised processing and marketing of products?

The results of the rationalised and improved processing of the products were mainly manifested in the specific production costs and the exploitation of the new market opportunities. Surveys in both areas provided clearly positive feedback. To a lesser degree, the same applies to the improvement of the utilisation of capacities, while the increase of added value was not significant. All these lead to the conclusion that the average processing level of products did not significantly change, but in their quality and the resource requirement of their production there was a positive change.

A.II.2. To what extent have the supported investments helped to increase the added value and competitiveness of agricultural products by improving their quality?

The improvement of product quality clearly moved the processing plants in the direction of homogenous quality, and on top of that, almost two thirds of the beneficiaries achieved compliance with the EU product quality requirement as a result of the development, thus – taking into account the pre-accession nature of SAPARD – the Programme brought about significant results in this respect to the individual beneficiaries.

A.II.3. To what extent have the supported investments improved health and welfare conditions in compliance with EU standards?

The clearly positive impact is verifiable in the fields of food safety, workplace safety and hygiene and animal welfare, and the development implemented from the support helped a number of beneficiaries to achieve compliance in this respect too.

A.II.4. To what extent have the supported investments contributed to protect the environment?

By analysing the environmental protection criteria a smaller impact can be measured, and the projects mainly focussed on the production technology, leaving less room to the improvement of the environmental aspects. The reason for that is partly the need for the definite increase in the level of production technology, and partly the fact that the environment protection type of projects typically offer a longer return period, therefore the structures operating with a considerable co-payment do not represent adequate motivation for the beneficiaries for such developments.

A.II.5. To what extent have the supported investments contributed to restructure the processing food industry in the sectors involved in order to be able to compete in the single market?

Based on the answers given to the question in the applicants' questionnaire „Has the competitiveness of your undertaking improved as a result of the support?“ it can be concluded that in the case of the majority of the supported developments the support had a positive effect on the competitiveness of the undertakings.

In summary it can be concluded that among the market players there was significant interest in this structure, even if the applicants mainly regarded it only as an opportunity for the modernisation of the existing production technologies, and less as the possibility of the renewal and extension of the product scale. The Programme, with the available tight resources, was only able to provide a start in the right direction, but it is necessary to have

further support opportunities in this area of development (this aim appeared in the ARDOP and NHRDP measures). The breakdown, screening and reconsideration of the circle of beneficiaries may be useful by all means in the case of the similar future structures.

Development and diversification of economic activities providing for multiple activities and alternative income

The low number of applications submitted per sub -measure was caused by the fact, that the tender documentation did not differentiate between project sizes; low project -budgets mostly could not afford a professional application writer but the applicants themselves were not able to compile the documentation. In the case of the handicraft sub -measure partly the lack of co-payment and partly the ageing of certain trades and the lack of succession in these also affected the low level of interest from the part of applicants. In the case of the production of local products the lack of innovative ideas was also reflected in the low inclination of applicants.

The active process assistance (tender, business, market /marketing consulting, continuous information) is particularly necessary in the circle of the target group of this measure, as they are not developing routinely; they have insufficient financial and human capacity, and run a higher risk. A significantly longer time period would have been necessary for the acceleration of this measure because of the lack of earlier similar opportunities, and the longer response time of the target group.

A.V.1. To what extent have the development and diversification of on-farm and/or off-farm activities contributed to increase the income (and the standard of living) of the beneficiary rural population?

As the measure was active for an extremely short period, and was allocated a very low budget of funds, it can be concluded that on the macro level it did not influence the income situation and quality of life of the rural population. On the level of beneficiary enterprises, both the answers given in the questionnaires, and the financial indicators of the enterprises reflect that in at least two thirds of the supported enterprises the net income increased in the years following implementation (2004-2006). The lowest level increase in the net income was apparent in the case of the development of tourism. According to 92% of the respondents the development contributed to the increase of their income from non -agricultural activities. In the case of the supported enterprises, village tourism, the sale of local food products and other non-agricultural sources of income appeared jointly as income sources, and based on the narrative answers these affect each other positively, and among them tourism increases to the most significant extent („to the detriment” of the other activities).

Based on the monitoring data and the questionnaires it can be concluded that the development affected employment positively. The proportion between the genders is 50% in the case of new work places according to the questionnaires. The evaluator recommends working out an accurate methodology and interpretation with regards to the gathering of the indicators related to employment.

Renovation and development of villages and protection and conservation of the rural heritage

The measure – although having been able to manage only a fraction of the development requirements – had a clearly positive effect on villages, and small municipalities. This is also

reflected in the questionnaires completed by the applicant: the majority of the respondents think that the development significantly contributed to the preservation of cultural heritage.

A.VIII.1. To what extent have the supported investments contributed to underpin the diversification and sustainability of economic activities of the beneficiary populations?

The measure has a principally indirect effect on the economic development of the municipality, and the area, and on the social indicators. The developments filled unused buildings and locations with life, and repaired neglected houses and public areas partly or completely. This way they improved the village-scape and landscape, which affects the quality of people's lives, identity, which cannot be stated statistically, and may as well induce movement into the disintegrating villages. At the same time, based on the narrative answers it is perceivable that the measure made a significant impact on tourism in beneficiary municipalities, and the tourism tax of beneficiary municipalities significantly increased.

A.VIII.2. To what extent have the supported investments contributed to increase the income and improve the quality of life of the beneficiary populations?

In the case of village renovation type of developments many of the respondents mentioned that opportunities opened up for them for such outdoors and indoors community activities which previously did not operate in the municipality. The effect of these projects was seen to affect the attitude of people, which cannot be expressed with figures.

A.VIII.3. To what extent have the investments made contributed to preserve the rural heritage in the beneficiary areas?

Based on the questionnaire survey, the developments have a significant direct impact on the preservation of the cultural and natural heritage of the countryside. At the same time, this impact affected only 6% of the rural population due to the restriction on resources.

The high level of rejections and applications returned without opening were received extremely negatively. One of the reasons for these rejections was that campaign activities, though highly effective, were launched late.

Development and improvement of rural infrastructure

The high proportion of the rejected applications (65%) and the high extent of the application in excess of the available funds (HUF 29,484,303,051, Euro 115,624,707) apparently show that partly there was a very high demand for this structure, and that the Programme, with the available tight resources, was able only to start a path in good direction, but further support opportunities are necessary in the development area (this aim appeared in the ARDO P and NHRDP measures).

A.XII.1. To what extent have the type and extension of rural infrastructure activities been in accordance with the priority needs of the rural areas concerned?

The status analysis confirms in detail the relevance of the measure. In addition to that, the necessity of the concrete interventions and the harmony of those with the actual needs are confirmed by the data of the questionnaires and the large number of applications submitted and the significant support requirement.

A.XII.2. To what extent have the supported investments contributed to improve the competitiveness of the rural areas?

The questionnaire survey and the interviews with the focus group clearly show that among the beneficiaries the measure caused competitiveness increase. However, it is important to note

that the measure could reach only a fraction of the rural areas – when either the proportion of supported rural enterprises, or of the rural municipalities enjoying the benefits of the support (due to the shortage of funds) are considered, thus on the level of the national economy its impact is insignificant.

A.XII.3. To what extent have the supported investments contributed to improve the quality of life of the beneficiary rural populations?

The measure did not finance the development of public roads, and apart from waste water management the improvement of communal conditions was not included among the supported activities, therefore it did not have a significant effect directly on the life quality of the rural population. Based on the monitoring database, the rural population affected by the investments (excluding the overlapping) was 1,735,027 persons, which is 45% of the residents eligible for the measure, and at least a low level of positive change took place in the quality of their lives by all means as a result of the Programme.

Technical assistance

Taking into consideration the low number of activities implemented within the framework of the measure, and the few persons working on the implementation of the measure, it can be stated that the measure itself made a far less significant impact on the implementation of the Programme than in the case of at those technical assistance types of activities, which were not financed from SAPARD resources, but served the overall aims of the TA measure. It is important to note here the diverse information activities of MA, special divisions and the SAPARD Agency, where there is no accurate information on the number of cases and participants.

A.XV.1. To what extent have the technical assistance measures facilitated the implementation of the programme actions?

Taking into account the low number and nature of the activities financed from the TA measure, the measure did not make it significantly easier to implement the Programme, although it financed some activities without which, the Programme could not have been implemented (e.g. operation of the SAPARD Monitoring Committee). The late start of the measure played a role in the above as well as the lack of the experience and practice in the planning and implementation of such types of activities and the low level of resources.

At the same time, based on the questionnaire surveys it must be mentioned that the training activities financed from the TA contributed to making the preparation of the applications easier. Less than 6% of the respondents answered that the training did not help them in the preparation of applications.

A.XV.2. To what extent have the technical assistance measures increased the acquaintance of the rural populations and authorities involved with EU procedures, rules and principles, notably those regarding SAPARD?

The experience of both the professional interviews and of the discussions with the focus groups is that the Programme had an extremely high impact on the development of the preparation of the population and the administration in relation with the EU rules of procedures and regulations. The SAPARD Programme played a fundamental role in shaping attitudes of both the applicants and in the executive institutions set up within the Programme. It had an outstanding role in obtaining information in relation with the EU rural development policy, programmes and tendering system. This naturally, could not be attributed to the TA measure alone.

B.I. Concerning the objective: To contribute to the implementation of the acquis communautaire concerning the common agricultural policy

Although Phare programmes had brought about significant results in creating the institutional system of the CAP (see Annex no. 5), the SAPARD constituted the first assistance programme for Hungary within which the development belonging to the second pillar of CAP has taken place. It was carried out on a programme basis, taking into account the principle of partnership and with conditions and earmarked funds previously determined for a period of seven years (which later was reduced to four years as a result of Hungary's accession). This significantly enabled officials responsible for the planning and implementation of the Programme and also the applicants using the funds to get to know and apply the laws and regulations relating to CAP. Its significance can not be demonstrated by the number of plants or municipalities affected by the development, since the Programme funding allowed for development for relatively few players in the agriculture and rural regions, and its macroeconomic impacts are not demonstrable. Nevertheless, it can be stated on the basis of both professional interviews and focus group discussions that the implementation of post-accession programmes would have been less smooth without the implementation of the SAPARD Programme.

B.I.1. To what extent has the programme been conducive to adjust the agricultural sector and the rural economy to Community standards and to prepare them for the implementation of the acquis communautaire?

The impact of the Programme on the compliance with Community standards is significant; however, this is not primarily due to the number of farms that received funding. Funding given through the SAPARD Programme has not allowed for large-scale changes in this respect. Nevertheless, the Programme has significantly contributed to the change of approach of the entrepreneurs and the management teams of the businesses concerned. The applicants accepted the fact that they would receive funding for their development projects only if the projects complied with EU requirements after completion and they were willing to be checked for compliance with the relevant laws and regulations and sanctioned rigorously for eventual non-compliance.

B.I.2. To what extent has the Programme contributed to establish and improve the implementation of CAP objectives and procedures at the administrations' level?

According to the professional interviews, procedures, laws and regulations relating to the Programme have integrated CAP objectives and procedures. The interviewees also reported that in the accreditation phase of the institutional system they had had to meet requirements that the procedures of the Department of Orientation of the then Member States had not involved, e.g. the many eyes principle instead of the four eyes principle, local inspections even when there was nothing to check, for example local inspection before purchase of machinery etc.). This increased the bureaucracy of the Programme implementation, often causing bottlenecks in the implementation, which resulted in a loss of time and the incurrence of unnecessary costs.

B.II. Concerning the objective: To solve priority and specific problems for the sustainable adaptation of the agricultural sector and rural areas in the applicant countries

On the basis of qualitative and quantitative information collected in the course of the evaluation, the accredited measures in the agriculture and the food industry helped few farmers and enterprises, mainly the best-prepared ones in solving their problems and in adapting to the requirements of the EU. Although the Plan gives a detailed analysis of the

situation of rural areas and also includes problem -solving measures, these play a minor role in the implementation compared to the problems described. In the long run, not taking charge of the problems of rural areas may also endanger the results and effects of other measures. Of course, the sources available have not allowed for taking into account the complete range of problems the rural areas are facing.

B.II.1. To what extent has the Programme helped stabilising the rural population?

The overall problem of rural areas is the ageing population and the migration of young people. The Programme had little impact on this problem, partly due to the scarce resources and partly due to the nature of supported activities. The assistance mostly served the supporting of the investments of the ageing farmer society. The ratio of women to all project developers at the programme level is very low (16%), it only reaches 50 per cent in the measures supporting diversification and village development.

B.II.2. To what extent has the Programme been conducive to creating/maintaining employment opportunities in the rural areas?

The Programme focused primarily on boosting competitiveness, which does not automatically result in job creation but may also have an opposite effect. An important result of the Programme is the creation of 12,969 new jobs as contained in the monitoring database, out of which 4,141 are part-time jobs. It is presumable that not all new jobs were created as direct results of the development projects. Out of the almost 13,000 new jobs only 770 were created through the support given to investments. The biggest impact on job creation was exerted by the measure supporting processing but the measure supporting diversification also proved to be efficient regarding the funds allocated for that purpose. The measures supporting village renovation and infrastructural development did not have such a significant occupational effect due to the nature of the supported activities.

B.II.3. To what extent has the Programme been conducive to improving the standard of living of the beneficiary populations?

The Programme contributed to the improvement of the standard of living of the rural population by sewage purification, local market development, provision of IT services, cultural and social services. The above-mentioned services have benefited only a tiny part of the rural population.

At the level of supported enterprises all measures have resulted in increased incomes.

B.II.4. To what extent have the assisted measures contributed to diversify the rural economy and improve the market situation of the rural areas?

20 per cent of respondents said that their development project was aimed at undertaking new activities. The highest ratio of more than 60 per cent is, of course, achieved within the measure supporting diversification.

B.II.5. To what extent have the assisted measures contributed to protect the environment of the rural areas?

Since no measures directly relating to environmental protection have been implemented, the measures have had no significant impact on the protection of the environment.

The SAPARD assistance could not have solved the serious problems of rural areas such as unemployment, poverty, lack of services, infrastructure and jobs; it only treated some local symptoms.

B.III. Concerning the conception and implementation of the programme

B.III.1. To what extent have the implementing arrangements contributed to maximising the intended effects of the programme?

The participants of professional/expert interviews and focus group discussions said that the applicants had started to become uncertain mainly because of the precariousness of the new application system that was unknown and significantly more complex than the procedures of the previous agricultural assistance system. One element of this was the not applicant -friendly application package and complicated business plan that had to be prepared by all, for even the simplest and smallest investments. Another factor of uncertainty was the documentation and official permits that had to be submitted with the applications sometimes unnecessarily. The competent authorities were not always familiar with the requirements concerning the content of the supplements required for the applications, thus applicants had to collect these one by one from the various authorities. Requiring so many official certifications and in the indicated form meant unnecessary extra time and costs for applicants.

The bureaucratic procedures were also among the factors of uncertainty.

The applicants having scarcer resources, i.e. those really in need of support for improving their economic activities, are exposed to significant risks because of the delays in the implementation of the investments and the post-financing of costs incurred due to the slow processing of applications. This factor did not increase the risk of failure for the financially stronger and bigger companies, which, according to dead weight calculations, probably would have been able to carry out their investments without the assistance as well. The longer the 'passive period', the bigger the risks related to the implementation and further operation, especially for smaller companies. The longer applicants have to wait for the assistance, the more unstable their financial situation becomes.

The data from the monitoring system shows that in the majority of the measures at least one year passed between the stipulation of the contract and the first payment, and at least one and a half years between the submission of the application and the first payment. This delay is a very long period for an investment, and especially for low-liquidity micro- and small enterprises or local governments always lacking resources. It is a contradiction in itself that the above-mentioned risky period was the longest (11% longer than the Programme average) in the measures aiming at improving the cohesion of rural areas and supporting financially weaker enterprises, natural persons and local governments lacking resources.

Applicants were often constrained to obtain bank credits to cover their expenditures before the assistance was paid out, which increased the costs of the applications.

The quality of the implementation system

The Programme denoted the establishment of a completely new type of supporting system for Hungary. The preparation for this, but especially the decision itself to establish an independent institution for implementation, was significantly delayed. This had a negative effect on the whole Programme.

The peak in workload arising by the date of submitting the applications was typical for the implementation of the Programme; but it went on through the subsequent phases of application management, concluding contracts and payments. This caused serious problems in the process. This problem might have been alleviated by a more balanced, longer term and appropriately communicated Programme operating with available funds broken down by year.

The efficiency of the Programme implementation was significantly reduced by the fact that its supporting mechanisms did not operate. This, on the one hand, reflects that consulting networks that could have helped in effect to prepare good applications did not operate; consequently, there would have been fewer applications rejected and requiring supplementation. But this can also reflect that there was no supporting IT system behind the Programme that would have facilitated application management, account management and monitoring.

The simplification of rules of procedures was a continuous task. By the second half of the Programme implementation became more transparent and faster. However, solutions developed during the process as a result of focus group discussions were not or not entirely adopted by the application rules of procedure of the following programming period.

The implementation of measures of the SAPARD Programme accepted in 2000 commenced mostly at the end of 2002. In the case of two measures it commenced in April 2004 and closed at the end of May 2004. Due to the fact that the time and funds available for implementation were scarce, only a very small proportion of potential beneficiaries received actual support. For this reason, the Programme only partly achieved the main objectives initially set, but, to a considerable extent, it facilitated both the institutional system of implementation and familiarising the potential beneficiaries with the conditions of participating in the EU supporting scheme and obtaining funds.

Recommendation: A review of the revenues from the supported projects five years following the operation of projects implemented by the Programme is recommended. Furthermore, a repeat of the examination of dead weight is also of great importance, since a fact-based analysis could not be carried out in the course of the current evaluation, either.

Since one of the foremost problems of rural areas is the lack of jobs, it is considered important to examine the efficiency of creating new jobs broken down by measure and type of investments and to determine the allocation of resources for the following programming periods accordingly. It is of course, important to take into account the positive effect of non-profit measures on the quality of life, which is at least as important as creating jobs.

Furthermore, the establishment of a system of indicators underlying the evaluation is recommended, in a way that it also ensures the assessment of implementing set objectives in the long term. Assistance is provided by the Common Monitoring and Evaluation Framework published by the Commission, which, however, has to be adjusted to national circumstances.

Annex 1: Bibliography

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Annex 2: Applicant's questionnaires

Annex 3: Outlines of interviews

Annex 4: Outlines of focus group discussions

Annex 5: The results of the Phare programmes

