



Factsheet on 2014-2020 Rural Development Programme for Hungary

The Rural Development Programme (RDP) for Hungary was formally adopted by the European Commission on 10 August 2015, outlining Hungary's priorities for using the € 4.2 billion of public money that is available for the 7-year period 2014-2020 (€ 3.4 billion from the EU budget and € 740 million of national co-funding).

Hungary's RDP is putting emphasis on actions related to restoring, preserving and enhancing ecosystems, promoting social inclusion, poverty reduction and economic development in rural areas and promoting food chain organisations and risk management in agriculture. Almost 538 000 ha agricultural land is expected to come under management contracts supporting biodiversity, better water management and soil management. In addition, 132 000 ha of forests will come under management contracts mainly for protecting biodiversity. Hungary's RDP will contribute to social inclusion and economic development in rural areas by bringing improved services to 68% of the rural population. 2 600 investment projects will receive support to increase energy efficiency in the agricultural and food processing sector. The RDP will support 5 500 investment projects related to processing activities and a further 4 800 to improve the competitiveness of farmers. Young farmers and short supply chain will have dedicated sub-programs, under which 3 000 young farmers and 3 900 farms will receive targeted support. Hungary has put particular emphasis on innovation when selecting operations and 3.6% of RDP public expenditure is earmarked for actions that foster innovation and cooperation including projects under the European Innovation Partnership.

Support for Rural Development is the 2nd Pillar of the Common Agricultural Policy, providing Member States with an envelope of EU funding to manage nationally or regionally under multi-annual, co-funded programmes. In total, 118 programmes are foreseen in all 28 Member States. The new RD Regulation for the period 2014-2020 addresses six economic, environmental and social priorities. Programmes contain clear targets setting out what is to be achieved. Moreover, in order to coordinate actions better and maximise synergies with the other European Structural & Investment Funds (ESIF), a Partnership Agreement has been agreed with each Member State highlighting its broad strategy for EU-funded structural investment.

This document provides a brief overview of how the challenges and opportunities Hungary is facing are addressed by the RDP. In the annex, a table indicates the priorities and focus areas each with their specific targets, and their allocated budgets.

1. SITUATION AND KEY CHALLENGES

Hungary is a rural country with 66.3% of its area classified as rural, 33.1% as intermediate and only 0.6% is considered urban. 46% of the population lives in rural areas. Agricultural land covers 57% and forestry 21% of the total territory. Compared to the EU average the Hungarian agricultural sector is atypical with very high share of arable farming (81% of agricultural land) and low grassland (14.2%).

Hungary has very favourable agro-ecological conditions for agricultural production, which represent a significant growth potential. The share of agriculture in the GDP is 4%, while the overall agricultural industry (agricultural engineering and chemical industry, food processing industry, etc.) has a 15% share of the GDP. Agriculture and food industry are important pillars of the local economy, particularly in rural areas.

The average farm size in Hungary is 8.1 ha - much below the EU average; 87% of the farms have less than 5 ha. The average age of farmers in Hungary is 56 years; therefore there is an urgent need for generational renewal. The extent of horizontal and vertical co-operation in the Hungarian agri-food sector is low.

The rural employment rate is low, and the unemployment rate for young people and women is especially high compared to the national average.

Concerning climate change, Hungary is frequently hit by important water imbalances between drought and floods and there is a clear need for more efficient water management. Hungary has a limited and outdated irrigation system and only 2.4% of the agricultural area is irrigated.

Organic production is among the lowest in EU with 2.7%. Concerning biodiversity 83% of habitats are in poor condition. The main environmental challenges to be tackled concern the protection of biodiversity, the quality of surface and ground water and soil erosion.

2. HOW HUNGARY'S RDP WILL ADDRESS THESE CHALLENGES

In addressing these challenges, Hungary's RDP will fund actions under all of the six rural Development priorities – with a particular emphasis on restoring, preserving and enhancing ecosystems related to agriculture and forestry as well as promoting social inclusion, poverty reduction and economic development in rural areas and promoting food chain organisations and risk management in agriculture.

The focus of each priority is explained briefly below.

Knowledge transfer and innovation in agriculture, forestry and rural areas

Hungary is investing quite heavily in actions related to this priority. Knowledge transfer will address the training, information actions, exchanges and farm visits, advisory services and the training of advisors. In total, 46 400 participants will benefit from training supported by the RDP. An important element is innovation: 470 projects will be supported to strengthen the link between agriculture, food and forestry sectors and research and innovation, 70 of which will be under the European Innovation Partnership.

Competitiveness of agri sector and sustainable forestry

Given the ageing farmer population and the small size of agricultural holdings in Hungary, the RDP will support the start-up of 3 000 young farmers and the development of 3 000 small farms. The investments and modernisation of 4 800 existing and competitive farms is also programmed with a clear targeting on the animal husbandry and horticultural sector and on young farmers.

Food chain organisation, including processing and marketing of agricultural products, animal welfare and risk management in agriculture

Under this priority, Hungary will support 5 500 projects targeting processing and marketing development. It aims to improve the market position of the farmers by supporting the setting up of 200 producer groups, which will bring together 4 000 farmers. Hungary will also support farmers' participation in quality schemes and quality promotion activities.

Hungary also introduces risk management instruments. Insurance premiums and income stabilisation support will be provided to 15 000 farms.

Restoring, preserving and enhancing ecosystems related to agriculture and forestry

Under this priority Hungary will target interventions on territories with inland water and drought problems and on high nature values areas. Around 11.5% of agricultural land and 6.4% of forests will be under management contracts for supporting biodiversity, to improve water and soil management. Around 26% of the allocated EAFRD funds will be used for area-based payments to farmers for using environment/climate-friendly land management practices, including organic farming, support to areas facing natural constraints and support to areas under Natura 2000 management. Over 111 000 hectares of farmland will receive support to either convert or maintain organic farming.

Resource efficiency and climate

The RDP has a strong focus on energy efficiency related investments in the agriculture and food processing sectors and aims at support of 2 600 projects. Efficiency of existing water management systems will also be improved on 6 000 ha of agricultural land.

Under this priority, the RDP will pursue carbon sequestration mainly by supporting afforestation, agroforestry systems, the prevention and restoration of damage to forest, the improvement of the resilience and environmental value of forest ecosystems, as well as their conservation, also by encouraging environmentally and climate friendly forest conservation services. The RDP will also pursue the reduction of greenhouse gas and ammonia emissions by investments in manure storage.

Social inclusion and local development in rural areas

The Hungarian RDP complements other EU interventions in rural areas. It supports the diversification of farmers' activities and it improves access to local services (local markets, social enterprises, secondary roads, homesteads). The RDP will also support small and very small villages' basic service development by waste water treatment in villages with less than 2 000 inhabitants and with the establishment of multifunctional community spaces in villages with less than 1 000 inhabitants. Local Development Strategies will be implemented through LEADER Local Action Groups and will cover over 68% of the rural population. Thanks to the operations programmed under this priority, 4 500 additional jobs will be created and 68% of the rural population will benefit from improved services.

The four **major RDP measures** in budgetary terms (total public funding) are:

- € 1 425 million allocated to measure 4 (Investments in physical assets)
- € 638 million allocated to measure 10 (Agro-environment-climate)
- € 328 million allocated to measure 6 (Farm and business development)
- € 279 million allocated to measure 7 (Basic services in rural areas)

Annex 1: Indicative public support for the Rural Development Programme in Hungary

Target	Measure	€ Total public	%
Priority1: Knowledge transfer and innovation in agriculture, forestry and rural areas¹			
1A: Fostering innovation, co-operation, knowledge base 3.6% of RDP expenditure	01 knowledge		
	02 advisory		
	16 co-operation		
1B: Strengthening links (with research etc.) 470 cooperation projects	16 co-operation		
1C: Training 46 400 participants trained	01 knowledge		
Priority 2: Farm viability, competitiveness and sustainable forest management		715 960 741	17.15
2A: Economic performance, restructuring & modernisation 0.98% of holdings with RDP support	01 knowledge	15 485 382	0.37
	02 advisory	24 926 600	0.60
	04 investments	369 801 588	8.86
	06 farm / business development	45 267 702	1.08
	16 co-operation	4 175 830	0.10
2B: Generational renewal 0.61% of holdings with RDP supported business development plan/investments for young farmers	01 knowledge	6 984 284	0.17
	02 advisory	2 521 958	0.06
	04 investments	125 077 081	3.00
	06 farm / business development	121 720 316	2.92
Priority 3: Food chain organisation, including processing and marketing of agricultural products, animal welfare and risk management		771 978 936	18.49
3A: Improving competitiveness of primary producers 5.43% of agricultural holdings receiving support for participating in quality schemes, local markets and short supply circuits, and producer groups/organisations 859 937 651 € total investment for the processing/marketing and/or development of agricultural products	01 knowledge	12 071 020	0.29
	02 advisory	4 094 259	0.10
	03 quality schemes	33 578 353	0.80
	04 investments	386 971 943	9.27
	09 producer groups/organisations	84 143 082	2.02
	14 animal welfare	117 793 592	2.82
	16 co-operation	16 992 380	0.41
3B: Farm risk prevention and management 3.10% of farms participating in risk management schemes	05 restoring agric. potential	21 021 332	0.50
	17 risk management	95 312 975	2.28

¹ No financial allocation shown for Priority 1 as the expenditure is distributed across other focus areas.

Priority 4: Restoring, preserving and enhancing ecosystems in agriculture and forestry²		1 203 443 811	28.83
4A Biodiversity 11.79% of agricultural and 5.08% of forestry under contracts	01 knowledge	14 306 962	0.34
	02 advisory	10 039 464	0.24
	04 investments	19 008 620	0.46
	08 forests	6 472 009	0.16
4B Water management 3.57% of agricultural and 0.59% of forestry land under contracts	10 AEC	638 200 527	15.29
	11 organic farming	207 598 705	4.97
	12 NAT-WFD	165 725 129	3.97
4C Soil erosion and management 8.39% of agricultural and 0.77% of forestry land under contracts	13 ANC	76 208 075	1.83
	15 forest-environment	51 691 200	1.24
	16 co-operation	14 193 120	0.34
Priority 5: Resource efficiency and shift to low carbon and climate resilience economy in agriculture, food and forestry sectors		629 185 295	15.08
5A Water efficiency 5.75% of irrigated UUA supported	04 investments	40 104 289	0.96
5B Energy efficiency 888 306 248 € total for energy efficiency investments in the agricultural and food sectors	01 knowledge	1 200 000	0.03
	02 advisory	500 000	0.01
	04 investments	399 737 812	9.58
5C Renewable energy 37 805 276 € total investment in renewable energy production	08 forest	14 587 965	0.35
5D Reducing GHG and NH3 1.41% of agricultural land under management contracts targeting reduction of GHG and/or ammonia emissions	04 investments	17 966 799	0.43
5E Carbon conservation and sequestration 0.59% of agricultural and forest land under management contracts contributing to carbon sequestration or conservation	01 knowledge	3 488 340	0.08
	02 advisory	3 381 897	0.08
	08 forests	146 169 609	3.50
	16 co-operation	2 048 584	0.05
Priority 6: Social inclusion, poverty reduction and economic development in rural areas		753 193 553	18.04
6A Diversification, creation of small enterprises and jobs 4 000 jobs created in supported projects	04 investments	66 039 812	1.59
	06 farm / business development	160 586 028	3.85
	08 forest	42 183 180	1.01
	16 co-operation	13 752 791	0.33
6B Fostering local development 68.03% rural population under local development strategies 68.03% rural population with improved services/infrastructure	07 basic services	278 847 891	6.68
	19 LEADER and CLLD	191 783 851	4.59

² Expenditure under Priority 4 is programmed for the priority as a whole, not for individual focus areas.

500 jobs created (via LEADER)			
Technical Assistance		96 865 821	2.32
Measure 113		3 361 796	0.08
Total public expenditure €		4 173 989 953	100