

Rural Development Programme (RDP) of Hungary

Új Magyarország Vidékfejlesztési Program – January 2010¹
(Programme for Development of Rural Regions 2007-2013)

Relevant Contact Details

Address: Kossuth Lajos tér 11,
1055 Budapest, Hungary
Telephone number: + 36 1 301 4000
Managing Authority Website:
<http://www.fvm.hu>
Other useful links:
Rural Development Programme (RDP):
<http://www.fvm.hu/main.php?folderID=2170>
National Strategy Plan (NSP):
https://www.fvm.hu/doc/upload/200701/umvst_2.pdf
Hungarian National Rural Network (NRN): <http://www.mnvh.eu/>



Map of Hungary
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General socio-economic situation in rural areas in Hungary

According to the Hungarian RDP (amended version 2010), Hungary has a total territory of 93,030 km² and a population of 10,077,000 (its population decreased by 146,000 persons between 2000 and 2006). More than half of the country's area is constituted by plains and are very favourable for agricultural practices, leading to the production of high quality products. The RDP states that roughly 87% of Hungarian territory is classified as rural and in every region, agriculture is a major source of employment. Nevertheless, RDP baseline figures indicate that the number of people employed in agriculture declined from 9.0% to 5.0% in the last decade and there is also a perceived lack of rural employment opportunities. One of the major obstacles to rural economic restructuring is the discrepancy between the actual needs of the economy and the structure of the education and vocational training systems. As such, there is a shortage of labour with the educational and vocational background required by potentially dynamic industries.

The agricultural sector faces a number of difficulties such as low profitability, weak investments, obsolete production assets, a lack of capital and the age composition of farmers is increasingly elderly. Farm land is often fragmented and the productive capacity of the farms is limited, with some activities being hindered by low technical standards.

Hungary's environment contains many natural resources and is rich in biodiversity. However, the quality of some habitats requires strengthened and increased uptake of sustainable agricultural practices which will help improve opportunities for developing quality-based and regionally-specific rural products.

¹ Latest updated RDP, following the adoption of the Health Check, The European Economic Recovery Package and additional funds from Modulation (i.e. adjustments between Pillar 1 (Agriculture) & 2 (Rural Development) of the Common Agricultural Policy (CAP).

RDP strategic objectives

The following overall RDP objectives were chosen in accordance with the Community Strategic Guidelines (CSG) and the Hungary Rural Development Strategic Plan (NSP):

- To support technological modernisation to increase competitiveness; to focus on capacity building and efforts to balance the age structure of farmers;
- To increase the competitiveness via investments in innovation and high quality production, the application of energy and cost saving environmentally friendly methods;
- To protect the territories with high natural values by concerted actions and dissemination of environment-friendly farming practices to sustain favourable environmental conditions;
- To improve the quality and the accessibility of the human infrastructure in rural areas;
- To improve the diversification of the economy and the quality of life through preservation and programmed development of natural and cultural heritage;
- To facilitate restructuring of the economic fabric.

These objectives are addressed by specific measures integrated in the four axes of the RDP.

Following the CAP Health Check, in recognition of the greater emphasis now being given to the 'new challenges' facing agriculture and rural areas, the revised RDP places new emphasis on supporting activities to enhance dairy sector restructuring.

Additional financing is provided by the CAP Health Check, The European Economic Recovery Package and Modulation, for new initiatives accompanying the restructuring of the dairy sector (which received 100% of the updated RDP funds) through a new animal welfare payments measure (measure 215).

Expected impact / outcomes of the policies

Key RDP outcomes are expected to include:

- Improving the competitiveness of the agricultural and forestry sector: A further concentration in production and decrease in number of farms, mainly family farms will take place;
- Modernisation of agricultural plants: the results shall demonstrate greater numbers of machinery, buildings, technology and forestry investments; The technological capacity of farms will improve in various disciplines, including improved manure-handling systems;
- Value increase of agricultural and forest products: due to the available grants under the RDP, the food industry is expected to grow and should ensure that enterprises have market viability for the medium term. There shall also be a slowdown in the decline of food industry's workforce figures. More domestically produced food should enter the retail channels. There will be an increase in the size of forest-covered areas. The

² A full list of the RDP measures can be found in Annex I.

³ Please note that for measures 112, 113, 131, 141 and 142 no private spending has been allocated.

⁴ For measures 212, 213, 214, 215, 216, 225, 226 and 227 no private spending has been allocated.

⁵ For measures 341 no private spending has been allocated.

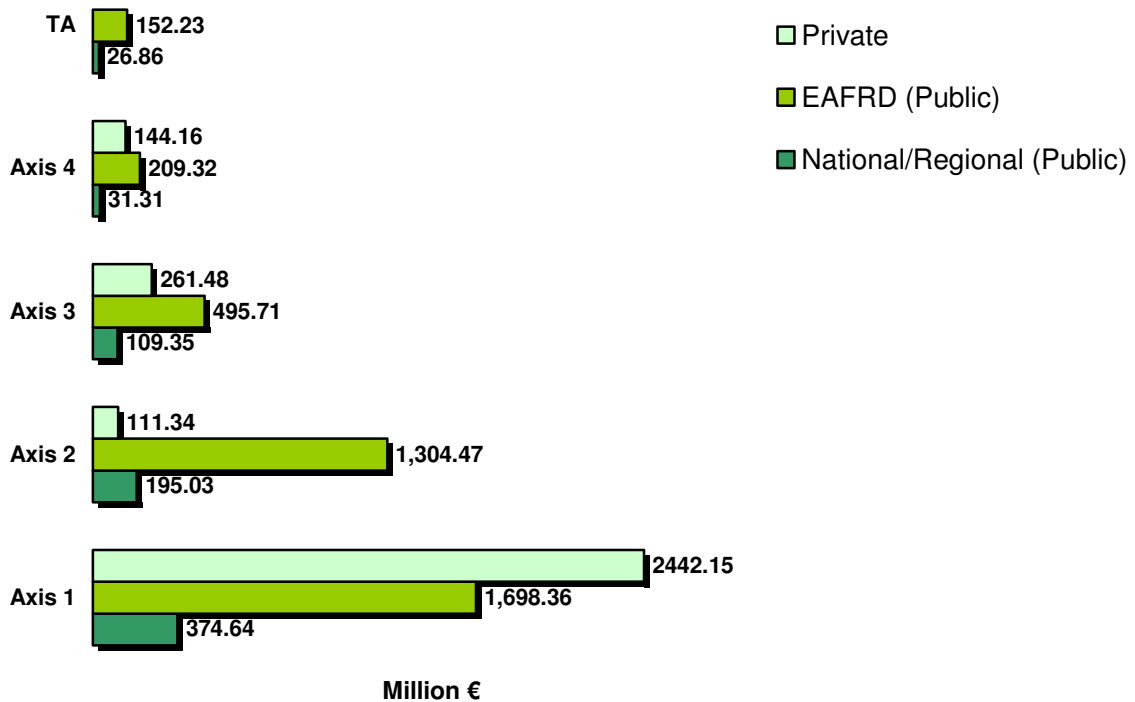
⁶ For measure 421 and 431 no private spending has been allocated.

processing industry for biodiesel and bioethanol products will emerge and improvements will be made in the technology of wood processing. Ultimately increases in the profitability of these industries will contribute to the retention of rural population and an improvement in their living standards;

- Improvement and development of infrastructure related to the development and modernisation of agriculture and forestry: the development of agricultural roads shall receive significant support;
- Improving the environment and the countryside: afforestation of land which meets environmental needs will be supported by investments and sound forest management. Areas with a high nature value will be protected and environmental friendly farming practices will be disseminated. Development of an 'environmental-conscious landscape management' regime will be supported to ensure that biological and landscape diversity is preserved. Nitrate sensitive areas will be protected and other new water management techniques will lead to better quality of rural water resources. Environmentally friendly nutrient management will lead to further protection and development of soils. Assistance provided to non-productive investments will comprise aid levels of up to 100% to help encourage farmers to adopt these RDP actions;
- The quality of life in rural areas and diversification of the rural economy: enterprises will become more competitive and the employment situation will be improved through the development of tourism activities. Education and skills investment will enhance the human infrastructure in rural areas. Preservation and programmed development of the natural and cultural heritage will further improve the quality of life and diversification of the economy. Local partnerships will be further improved and supported.

Following the RDP amendment in 2009, targets relating to a new animal welfare payments measure (measure 215) have been introduced. Detailed information on output-indicator targets for individual measures is provided in the RDP's indicator tables.

RDP budget breakdown by axis: Total expenditure (including national/regional + EAFRD + private funding) of €7,556,401,946



The RDP budget allocations are broadly divided into four main areas of expenditure, known as axes (namely: Improving the competitiveness of the agricultural and forestry sector; Improving the environment and the countryside; Quality of life in rural areas and diversification of the rural economy; and Leader). Approximately 59.75% of the updated RDP budget for Hungary is allocated to axis 1 (€4,515.14 million); approximately 21.32% is allocated to axis 2 (€1,610.83 million), 11.47% to axis 3 (€866.54 million) and 5.09% to axis 4 (€384.79 million), with 2.37% available to fund Technical Assistance (€179.10 million).

Within axis 1, National public funding represents approximately 8.30% share of the axis funding; EAFRD 37.61%; and private funds 54.09%.

Within axis 2, National public funding represents approximately 12.11% share of the axis funding; EAFRD 80.98%; and private funds 6.91%.

Within axis 3, National public funding represents approximately 12.62% share of the axis funding; EAFRD 57.21% and private funds 30.17%.

Within axis 4, National public funding represents approximately 8.14% share of the axis funding; EAFRD 54.4%; and private funds 37.46%.

Within technical assistance, National public funding represents approximately 15% share of the

technical assistance funding and EAFRD 85%.

As a consequence of the amendments to the RDP, Hungary has been assigned an additional €62.36 million (including €54.25 million EAFRD and a further €8.11 million national public funds) to support 'new challenges', namely a new measure supporting the restructuring of the dairy sector.

Axis Information²

Axis 1 objectives: Improving the competitiveness of the agricultural and forestry sector

Overall Objective: To develop a competitive and innovation-based agriculture, forestry and food processing industry.

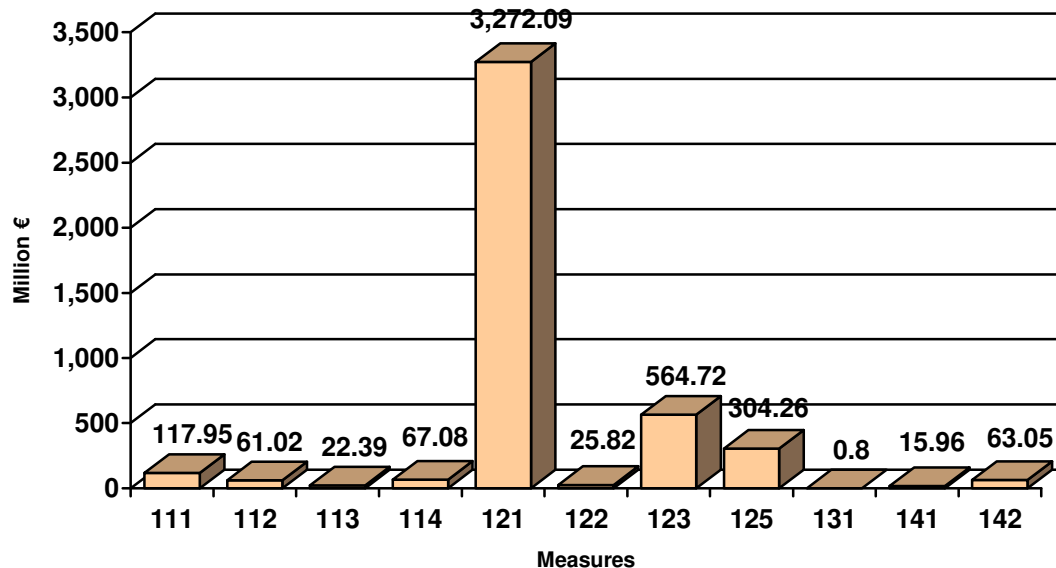
Sub-Objectives:

- To increase the professional knowledge of those working in the agricultural sector in order to enhance their competitiveness and the promotion of the sustainability of their farming activities;
- To facilitate the initial establishment of farms for young farmers, as well as the restructuring of the farm holdings, improve the age structure of the agricultural labour force, enhance the population retention ability of the countryside and ensure the long-term subsistence of agricultural activities;
- To assist small (including semi-subsistence) farms that are capable of market-oriented production;
- To enhance the viability and competitiveness of farms;
- To enhance the competitiveness and performance of agricultural enterprises and forest holders, promote the sustainability of agricultural developments, and to provide advisory services on farm management;
- To modernise agricultural production, contribute to the diversification of the arable-sector and to ensure the compliance with the relevant EU requirements;
- To develop and upgrade the machinery used for forestry purposes;
- To promote the increase of the value of agricultural products;
- To improve the conditions and capacity utilisation of the facilities required for the provision of irrigation water;
- To facilitate the steady marketing of the products of agricultural producers.

The result and output indicator targets which are being used to assess the measures within this axis include measure 141 (2500 semi-subsistence farms entering the market); measure 121 (57,350 agricultural holdings supported in relation to modernisation of agricultural holdings); measure 123 (900 enterprises supported relating to adding value to agricultural forestry and products); measure 125 (2500 investments supported to improve and develop the infrastructure related to the development of forestry and adaptation of agriculture and forestry).

No modifications were made to axis 1 during the 2009 RDP update.

Axis 1 indicative budget breakdown by measure: Total allocated budget (including national public funds + EAFRD + private funds) of €4,515,142,940²



Axis 2 objectives: Improving the environment and the countryside

Overall Objective: To protect natural resources and the environment within rural areas.

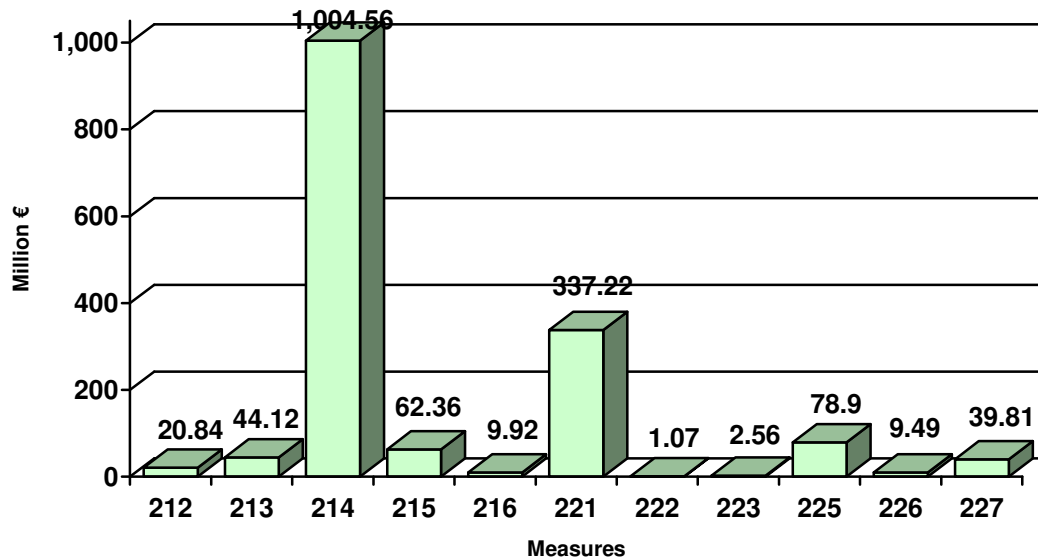
Sub-Objectives:

- To increase sustainable management of agricultural land;
- To preserve and sustain the favourable conservation of biodiversity;
- To conserve the rural landscape and areas with a high nature value;
- To promote sustainable forest and forest land management.

The result and output indicator targets which are being used to assess the measures within this axis include measure 214 (25.000 farm holdings and land users receiving support under agri-environment payments); measure 221 (6600 beneficiaries support for the first afforestation of agricultural land); measure 227 (10,000 forest holders supported for non-productive investments in forest areas).

Specific modifications to axis 2 output-indicator targets have been made to take account of the 2009 RDP amendments. These introduced a new measure, namely measure 215, which has set targets for the RDP to help 5800 holdings make significant improvements to the welfare of dairy livestock.

Axis 2 indicative budget breakdown by measure: Total allocated budget (including national public funds + EAFRD + private funds) of €1,610,833,992³



Following the RDP amendments in 2009, the total budget amount for axis 2 was increased to €1,610,833,992, which includes an additional €62.36 million (including €54.25 million EAFRD and a further €8.11 million national public funds). The additional funds were allocated to measure 215 and target the animal welfare action noted above.

Axis 3 objectives: Quality of life in rural areas and diversification of the rural economy

Overall Objective: To improve the quality of life and diversify job opportunities in rural areas.

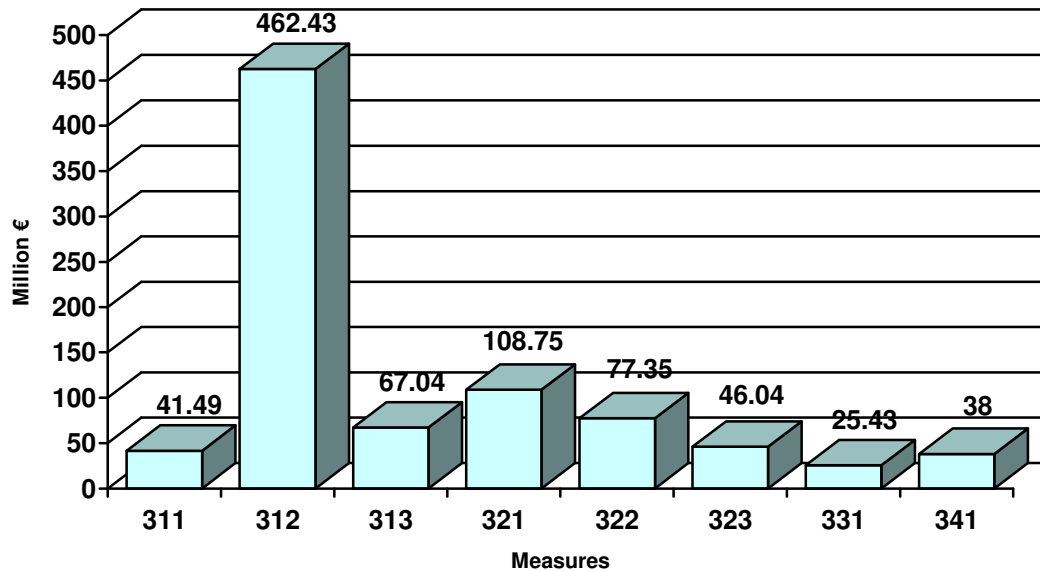
Sub-Objectives:

- To improve the quality of life in rural areas;
- The diversification of the rural economy;
- To encourage tourism activities;
- To improve the landscape and environment of the settlements in rural areas and preserve cultural and natural heritage

The result and output indicator targets which are being used to assess the measures within this axis include measure 312 (4600 enterprises supported for business creation and development); measure 321 (3836 supported actions for basic services for the rural economy and rural population); measure 311 (950 beneficiaries supported for activities to diversify the rural economy).

No modifications were made to axis 3 during the 2009 RDP update.

Axis 3 indicative budget breakdown by measure: Total allocated budget (including national public funds + EAFRD + private funds) of €866,535,281⁴



Axis 4 objectives: Leader

Overall Objective: To build local capacity and to improve local governance.

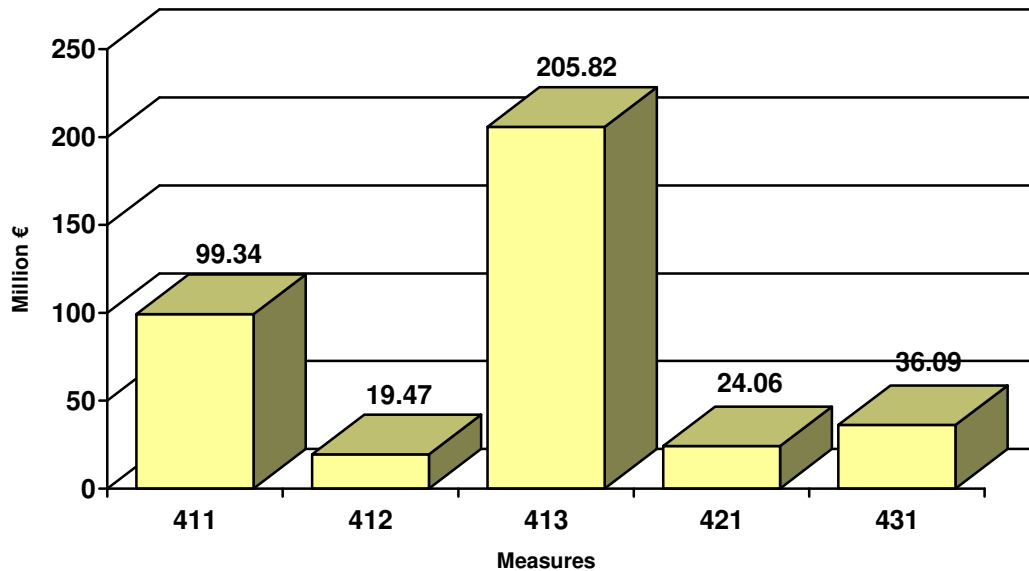
Sub-Objectives:

- To build local capacity for implementation of the Leader approach;
- To support implementation of local development strategies.

Number of LAGs operational in the RDP areas as of March 2010 was 96.

No modifications were made to axis 4 during the 2009 RDP update.

Axis 4 indicative budget breakdown by measure: Total allocated budget (including national public funds + EAFRD + private funds) of €384,791,222⁵



Monitoring and evaluation strategy

Monitoring and evaluation is based on the guidance contained in the EU's Common Monitoring and Evaluation Framework (CMEF) and monitors progress against the common indicators relating to the baseline situation as well as the inputs, outputs, results and impact of the RDP.

The Monitoring Committee follow-ups the RDP's implementation and supervises its overall effectiveness.

The Managing Authority carries out monitoring activities by means of financial, output and result indicators. The definition, quantification, collection, summary, measuring and processing of indicators is done according to the CMEF.

The evaluation aims to improve the quality, efficiency and effectiveness of the implementation of the RDP. The evaluation is carried out by independent evaluators. The Managing Authority ensures the human and financial resources required for carrying out the evaluations, the production and gathering of the requisite data, and use the various pieces of information provided by the monitoring system.

Beyond general RDP monitoring activities, Hungary also performs strategic monitoring related to the National Rural Development Strategic Plan. These actions assess the actual state of play, as well as progress against goals and what extent the implementation is contributing to CSG priorities. These strategic monitoring summary reports are being submitted in 2010, 2012 and 2014.

Communication and publicity

Main objectives of the RDP's communication plan include:

- To inform potential beneficiaries (rural residents and business, professional organisations, economic and social partners, bodies involved in promoting equality NGOs and environmental organisations) about the possibilities offered by the programme and the rules for gaining access to programme funding
- To inform the beneficiaries of the EU contribution;
- To inform the general public about the role played by the EU in the RDP and the results thereof.

Information actions will use the following support:

- Workshops;
- Events, exhibitions and road shows;
- Brochures, leaflets;
- Printed press;
- Printing of information materials;
- Mass media;
- Information Points;
- Internet.

Phases of the Communication Plan:

The timing and focus of the communication effort has been tailored to different stages in the programme cycle:

- **Phase 1: (previous stage)** Making known the RDP– direct the attention of the general public and specific target groups to the new opportunities;
- **Phase 2: (previous stage)** Communication activities on the preliminary calls for application before the approval of the programme;
- **Phase 3 (current stage)** : All-encompassing communication– provide regular information about the programme, its current state and individual measures during the course of the programme's implementation;
- **Phase 4: (future stage)** Closing the programme– summarise experiences and prepare evaluation studies.

Annex I – measure

Measures selected by the RDP	Measures selected by the updated RDP
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Axis 1 - Improving the competitiveness of the agricultural and forestry sector	<i>Promoting knowledge and improving human potential</i>	111	Vocational training and information actions
		112	Setting up of young farmers
		113	Early retirement
		114	Use of advisory services
		115	Setting up of management, relief and advisory services
	<i>Restructuring and developing physical potential and promoting innovation</i>	121	Modernisation of agricultural holdings
		122	Improvement of the economic value of forests
		123	Adding value to agricultural and forestry products
		124	Cooperation for development of new products, processes and technologies in the agriculture and food sector and in the forestry sector
		125	Infrastructure related to the development and adaptation of agriculture and forestry
		126	Restoring agricultural production potential
	<i>Quality of agricultural production and products</i>	131	Meeting standards based on EU legislation
		132	Participation of farmers in food quality schemes
		133	Information and promotion activities
	<i>Transitional measures</i>	141	Semi-subsistence farming
142		Producer groups	
143		Providing farm advisory and extension services in Bulgaria and Romania	
Axis 2 - Improving the environment and the countryside	<i>Sustainable use of agricultural land</i>	211	Natural handicap payments to farmers in mountain areas
		212	Payments to farmers in areas with handicaps, other than mountain areas
		213	Natura 2000 payments and payments linked to Directive 2000/60/EC
		214	Agri-environment payments
		215	Animal welfare payments
		216	Non-productive investments
	<i>Sustainable use of forestry land</i>	221	First afforestation of agricultural land
		222	First establishment of agroforestry systems on agricultural land
		223	First afforestation of non-agricultural land
		224	Natura 2000 payments
		225	Forest-environment payments
		226	Restoring forestry potential and introducing prevention actions
		227	Non-productive investments
		Axis 3 - Quality of life in rural areas and diversification of the rural economy	<i>Diversify the rural economy</i>
312	Support for business creation and development		
313	Encouragement of tourism activities		
<i>Improve the quality of life in rural areas</i>	321		Basic services for the economy and rural population
	322		Village renewal and development
	323		Conservation and upgrading of the rural heritage
	331		Training and information
	341		Skills-acquisition and animation measure with a view to preparing and implementing a local development strategy
Axis 4 - Leader	<i>Implementing local development strategies</i>	411	Competitiveness
		412	Environment/land management
		413	Quality of life/diversification
	421	Implementing cooperation projects	
	431	Running the local action group, skills acquisition, animation	