Standard Summary Project Fiche

Project Number 2002/000-180-01-01

1. Basic Information
   1.1 Désirée Number: 2002/000-180-01-01
   Twinning Number: HU02/IB/AG-01
   1.2 Title: Pre-accession introduction of CMO procedures
   1.2 Sector: Agriculture
   1.3 Location: Hungary

2. OBJECTIVES

2.1 Overall Objective(s)

Preparations for the implementation of the acquis communautaire in the administration of the agricultural market regulation measures, starting from the day of accession.

2.2. Project purpose

The purpose of the project is to prepare for the introduction of the administrative procedures used and best practices in the Community to manage the common market organisations. These would gradually replace the ones used by the relevant Hungarian authorities at the implementation of the current national market regulation system.

2.3 Accession Partnership (AP) and National Program for the Adoption of the Acquis (NPAA) priorities

Accession Partnership priority

The recently revised Accession partnership includes the following priority under Agriculture:

Continue to upgrade the capacity of the agricultural administration and complete the preparations for the practical implementation and the enforcement of the management mechanisms of the Common Agricultural Policy, in particular market information issues for operating CMO schemes (including price reporting, market monitoring), the Integrated Administration and Control System and the Paying Agency for the management of funds within the Common Agricultural Policy.
NPAA priorities

An exhaustive list of the accession priorities in this sector is included in the NPAA in Chapters VIII-XVIII. Harmonisation of the Common Market Organisations.

2.4 Contribution to National Development Plan     Not applicable
2.5 Cross Border Impact     Not applicable

3. DESCRIPTION

3.1 Background and Justification

Hungary plans to join the European Union by the year 2004. Since a major part of the *acquis communautaire* concerns the Common Agricultural Policy (CAP) of the EU, one of the most important task for Hungary is to prepare itself for full application of the *acquis* by the date of the accession. Additionally a number of institutions has to be set up or has to get their functions adjusted well before the date of the accession in order to be ready to implement EAGGF measures from the first day of EU membership.

The Ministry of Agriculture and Regional Development has prepared a strategy for the transformation of its agricultural market regime so that by the time of the accession it will be in full conformity with the CAP. This means that the management of the CMOs shall meet the requirements of the relevant EC legislation, particularly the regulations No 1258/1999/EC and No 1663/95/EC as amended. These regulations provide that each member state shall establish a system ensuring effective and transparent implementation of the EAGGF measures. This system shall ensure that all Euro granted to beneficiaries are controlled in conformity with the regulation 1663/95/EC and all of the activities carried out are properly put in writing and documented.

The current CAP implementation twinning project (HU98/IB-AG-01) provides the descriptions (guidebooks) of procedures for the implementation of each of CMO giving an overview about the use of these guidebooks measures to the designated Hungarian administration. In the process of transformation of the Hungarian market regimes the next step is the definition and description of the service orders for each unit, segregation of tasks, preparation of the individual job descriptions for each persons to be involved in the future management of the respective CMOs, followed by the actual introduction of the established administrative procedures.

The Hungarian market regimes are getting similar step by step to the CAP CMOs. There is, however, a significant difference between administrative procedures of the implementation of the current Hungarian market regulation system and that of the Community’s Common Agricultural Policy, therefore it is not going to be possible to switch at one night from one system to the other. This is why the Government of Hungary has decided to start to apply the administrative procedures of the CAP already in the pre-accession period. Once the administrative procedures of the implementation of market regimes in Hungary shall be in full

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1 The strategy is worked out in the National Plan for Adaptation of Acquis revised in 2001.
harmony with the ones used in the present Member States of the EU, and on the date of its accession to the EU it will cause no problem for Hungary to introduce the still required changes (levels of financial assistance) in conformity with the actual *acquis*.

3.2 Linked Activities

The project is closely linked with the benefits and results of the following PHARE project.

**HU98/IB-AG-01 CAP Implementation Twinning program**

*Preparation of Hungary to implement and manage the Common Agricultural Policy*

The Twinning program grants support to Hungary to prepare the Agricultural Intervention Centre for the future EAGGF Paying Agency (PA) tasks to be implemented by the time of accession. This program deals with the following issues:

- Role of the EAGGF PA;
- Integrated Administration and Control System;
- Agricultural Information System;
- Implementation of each Common Market Organisation of the European Union;

This planned PHARE project benefits from the following results of the *CAP Implementation Twinning program*:

- The current situation on the national system evaluated by the Twinning experts;
- The general description of the implementation process (guidebooks of the CAP schemes);
- Future (post-accession) structure recommended for the implementation;
- List of expected adjustments on the legal background.
- Necessary institutional changes listed and initiated.

The *CAP Implementation Twinning program* describes both the current situation and the recommendations for the future Hungarian system, while **this project shall implement the whole transition process on the operating system**.

Recommendations of the ongoing twinning project see in Annex 6.

3.3 Results

Service orders and individual job descriptions for the units and personnel in each of the institutions participating in the implementation of the Common Market Organisations in Hungary is completed. Consequently:

- The procedure for EU conform execution of the payments, accounting and the disposal of the clearance of accounts and collection of tariffs is prepared;
- The procedure for EU conform administration and control for the agricultural market regulation system is prepared;
- Evaluation and improvement of the control and internal audit functions;
- The internal IT system necessary for the management of the CMOs is established;
- The co-operation among the bodies involved in the implementation of EAGGF Guarantee measures is improved, observing the requirements of the technical service concerning delegated functions of the EAGGF PA.
3.4 Activities

- The project will be implemented through one twinning arrangement and one service contract.

3.4.1 Twinning

The activities carried out in the frame of **twinning arrangement** are the following:

**Determination of the detailed institutional tasks in conformity with the EU requirements and practice**

Based on the inception report and the general recommendations of the *CAP Implementation TWINNING* program, the EU experts of the counterpart organisation, in co-operation with the professionals of the Hungarian bodies involved will support the elaboration of **Partnership Agreements** for each institution concerned. Including the detailed tasks and responsibilities, the methodology of controls as well as the financial issues, these Agreements will be first step of the implementation of the *CAP Implementation TWINNING*,

- Elaboration of proposals for detailed and clear legal background concerning the implementation system;
- The institutional tasks in conformity with the EU requirements and practice shall be determined by the working groups headed by the EU experts;
- Introducing the national decision making procedure in conformity with the EU system;
- Improvement of the supervision function of the Ministry of Agriculture.

This will be the basis to work out a detailed and realistic action plan for reaching full compliance with the relevant *acquis*.

**Start date:** 3 June 2002  
**Finish date:** 28 June 2002  
**Estimated human resources (manday), EU experts:** 200  
**Hungarian experts:** 500

**Elaboration of the EU conform administration**

Benefiting the results of the previous activities, the EU experts in close co-operation with the Hungarian experts shall support and control the elaboration of the new administration system.

- Elaboration of written procedures for all of the schemes, concerning management, administration and control;
- Determination of the data demand, designing of documents (application forms, check-lists, control reports);
- Description of tasks for all position concerned.

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2 The dates should be considered as indicative ones and can change in accordance with the actual conclusion of the twinning covenant.
Designing of an integrated information technology system supporting the whole administration

The establishment and improvement of the IT system shall cover all type of the schemes observing the future tasks of the EAGGF PA system. Beyond the supports of the scheme management the system shall be able to manage the further PA tasks concerning implementation of the relevant EAGGF measures. (execution of payment, accounting, data processing and reporting, market information, IACS etc.). There is no overlapping between the computer system of the EAGGF Guarantee implementation institutions and other systems. The IT system provides certain data to the governmental monitoring activity. The system shall meet the relevant EU requirements providing a priori and a posteriori control possibilities.

The IT experts of the EU twinning partner shall support the establishment of the integrated IT system. These experts in charge of designing the integrated IT system must have deep knowledge of IT systems used for payments under EAGGF,

- Designing the system;
- Selection of methodology for development;
- Support of the system development (advice, co-ordination during the establishment);
- Evaluation of the established system.

Training the staff to be responsible for the implementation for the new administration system

The experts of the Twinning partner in co-operation with the Hungarian participants drill the staff for being able to execute the new procedures and the use of the IT system. Part of the training to implement the new administration can be carried out abroad learning the tasks in the EU system.

Adjustments on the established administration system

The twinning partner shall grant necessary assistance so as to correct the mistakes discovered during the audit or in the starting period.
MARD intends to contract a pool of experts from the public sector with *service experts* with extensive practice in the establishment of EAGGF Paying Agency within the frame of the twinning contract to provide professional assistance in developing the organisational structure of the paying agency based on the twinning CMO experts’ professional activity and following the accreditation by the contracted consultant company in adjustments of the established system. The experience gained in setting up the SAPARD Agency made clear that the assistance of service experts will be requested in order to be able to prepare the detailed description of procedures, service orders, job descriptions for the units and personnel in each institutions involved into the implementation of the CMOs in Hungary, which meets the auditation criteria.

**Start date:** 2 September 2002  
**Finish date:** 31 December 2003  
**Estimated human resources (manday), private EU experts:** 500

### Guaranteed results

- Institutional parameters meet EU standards, both at the future PA’s of the EAGGF (Agricultural Intervention Centre), and at all other Institutions which participate in the execution of existing national support schemes;
- Regulations fully support the above mentioned points and are composed according to EU requirements;
- Written instructions (manuals, checklists, internal rules, service orders, job descriptions, etc.) are provided for all market organisations, included horizontal functions (e.g. exports, imports, etc.).

### 3.4.3 Service contract

The **Service** part of the project will provide a professional assistance in the field of quality control promoting the duties of setting up an EAGGF conform PA. The contracted consultant company shall have knowledge and deep understanding concerning the auditing of PA-s, following the official methodology imposed for such processes. The assistance of a consulting company will be necessary in order to be able to check whether the descriptions and other documents concerning the organisation of the paying agency meet the audition criteria. The contracted consultant may provide assistance in Hungary to:

### Audit the established system

The results of the twinning part of the project – the established administrative system - shall be evaluated whether it meets the accreditation criteria for an EAGGF conform PA. This audit will be implemented as a self-assessment process preparing the national (pre-) accreditation and the EU accreditation.

**Start date:** June 2003
Finish date: September 2003
Estimated human resources (manday), EU experts: 220
Hungarian experts: 300

The Ministry of Agriculture and Regional Development will provide the staff to be trained and to absorb and use the project results.

3.4.3 Experts tasks and profile

Specific tasks of the Pre-Accession Advisor (PAA)

To supervise the implementation of the project, he/she will reside in Hungary.

His/her tasks include:
- Assure the effectiveness of the project, auditing, regular reporting, working sessions;
- Launching own initiatives in order to assist the Hungarian preparation for the EU membership and the successful implementation of this project;
- Keeping contacts with the Hungarian MARD and the foreign partners;
- Controlling the financial discipline;
- Organising study tours and incoming experts’ visits.

Profile of the PAA:
- Experience (minimum 5 years) in institutional development and practical operations of Common Market Organisations;
- Experience in EAGGF control and financing issues;
- Knowledge of development of integrated IT systems;
- Experience in pre-accession harmonisation;
- Appropriate language skills (English).

Short and medium term experts:
Experience in running CMOs;
Experience in EAGGF control and financing issues;
The expert in charge of designing the integrated IT system must have deep knowledge of IT systems used for payments under EAGGF.

Service experts (experts from the public NGO or private sector):
- Experience in quality assurance;
- Experience in advising PA institution building process;
The experts should have deep knowledge in setting up working administration system for handling EAGGF funds, in setting up integrated IT systems used for payments under EAGGF.
3.5 Lessons learned

Under the Annual Assessment Report R/HU/AGR/00043 recommendations were made which are relevant to the current project. Design recommendations concerning indicators of achievement (point 2.3 of the Report), twinning activities (last bullet point of 4.2.3 on p.21) and other recommendations under point 6.2 of the Report have been addressed while drafting the current project fiche. The Implementing Agency and the Project beneficiaries will ensure that management recommendations will be addressed as appropriate.

4. INSTITUTIONAL FRAMEWORK

The Ministry’s Agricultural Market Regime Office and the Agricultural Intervention Centre will manage the professional aspects of the implementation and provide the staff to co-operate in the implementation of this project. Based on the MARD’s high level decision a Harmonisation Department has been set up within the Agricultural Market Regime Office to co-ordinate the preparation for the introduction of CMO-s in Hungary, and for the establishment of the institutional and legal background for handling EAGGF funds. The head of this Department (with all the necessary authorisation) will be the chief counterpart for the PAA and will be responsible for the implementation of the project reporting directly to the Minister of Agriculture and Regional Development.

There will also be established a Strategic Working Group (SWG) in order to ensure - by taking the necessary decisions - the practical implementation of the proposals prepared by the Harmonisation Department. The Deputy State Secretary responsible for the implementation of the market regulation system will head the SWG and all head of departments involved in the implementation of the market regulation system will take part as members in SWG.

Most of the activities shall be implemented by working groups assisted by the EU experts. The participants shall be selected from the bodies to be involved based on their knowledge about the CAP implementation system and also shall hold certain competency concerning their institution.

The bodies to be involved in the future implementation of CMOs are listed in Annex 5.

The Agricultural Intervention Centre is nominated as the future EAGGF Paying Agency in the NPAA endorsed by the Government, so this institution will play a central role in both the preparation and the implementation of the CMOs in Hungary. The official decision shall be announced in Governmental Decision December 31, 2001.

The determination of the structure of CMO implementation is in progress. The Ministry of Agriculture and Regional Development shall finalize the future structure by May 2002.
5. DETAILED BUDGET*

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(Million Euro)

The Government co-financing for the twinning activity is an estimated indicative amount and will not be part of the budget of the twinning covenant. It provides an indication of the resources in cash or in kind that the beneficiaries will have to mobilise to cover the necessary counterpart expenses arising from the implementation of twinning. Otherwise the project will be jointly co-financed between Phare and Government resources. The Phare amount is binding as a maximum amount available for the project. The ratio between the Phare and national amount is also binding and has to be applied to the final contract price.

6. IMPLEMENTATION ARRANGEMENTS

6.1 Implementing Agency

The Implementing Agency of the project is the Central Finance and Contracting Unit, which is responsible for tendering and contracting.

Her contacts are:

PAO: Ms. Judit Rózsa, director general
CFCU, Public Finance Office,
H-1052 Budapest, Deák Ferenc u. 5.
Tel.: +36-1-327-3652, +36-1-327-3650
Fax.: +36-1-327-3572, +36-1-327-3573
e-mail: judit.rozsa@ahh.gov.hu

The Ministry of Agriculture and Regional Development will be responsible for the technical part of the project in terms of design, evaluation, follow up and monitoring. The Head of Directorate for Integration Affairs will act as Senior Programme Officer. His contacts are:

SPO: Dr. László Vajda, head of directorate
Ministry of Agriculture and Regional Development,
H-1055 Budapest, Kossuth tér 11.
Tel.: +36-1-331-3578
Fax.: +36-1-301-4663
e-mail: laszlo.vajda@fvm.hu
6.2 Twinning

The elaboration of an EU conform administration system will be implemented using the advice and directives of experts of the selected Member State counterpart organisation/s (selected twinning partner/s) co-ordinated by the PAA. The work of the twinning groups will be assisted by service experts contracted within the frame of the Twinning. As for verification of results, a consultant company having relevant experience shall audit the outputs of the project.

Every CMO (cereals, oil seeds etc, read meat, fruits and vegetables, milk, sugar, wine, intervention, export-import, non-Annex) regulation as well as the accompanying measures will be tackled by individual working groups consisting of short-term experts from the Member State counterpart and experts from the MARD, other ministries, Customs and Excise Authority, AIC, product councils and industry experts.

6.3 Non-standard aspects

During the implementation of the project the Practical Guide and the Twinning Manual will be strictly followed.

6.4 Contracts

The project shall be implemented through one twinning contract of 1.9 MEUR and one service contract of 0.36 MEUR.

7. IMPLEMENTATION SCHEDULE

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<th>Component</th>
<th>Start of Tendering</th>
<th>Start of Project Activity</th>
<th>Project Completion</th>
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<td>October 2002</td>
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<tr>
<td>Twinning</td>
<td>December 2001</td>
<td>June 2002</td>
<td>September 2003</td>
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8. EQUAL OPPORTUNITY

All participating Hungarian institutions are equal opportunity employer. No discrimination of whatever nature will be applied.

9. ENVIRONMENT

The project has no effect on the environment.

10. RATES OF RETURN
11. INVESTMENT CRITERIA
Not applicable.

12. CONDITIONALITY AND SEQUENCING

12.1 CONDITIONALITIES
• The Hungarian Government will appoint by the end of the year the counterpart responsible for co-ordinating the decision process and ensure that all necessary decisions are taken in time.

• By the end of December 2001 the Hungarian Government will take the formal decision appointing AIC as the future EAGGF Guarantee paying Agency. The fact that the condition is not met may lead to cancellation of the project.

12.2 SEQUENCING

In parallel with the decision about the paying agency, based on the findings and recommendations of the HU98/IB-AG-01 CAP Implementation Twinning Programme, the decisions about the future structure of the implementation of CMOs in Hungary will be elaborated according to the following schedule:

♦ Draft proposal for the structure for the implementation of the different CMOs by December, 2001;
♦ Decision on the structure of CMO implementation excluding those requiring further clarification and coordination March, 2002;
♦ Final decision on the structure of the implementation of the CMOs May, 2002.

These decisions will provide a stable background for launching and effectively making use of the present twining program from in June 2002.
ANNEXES TO PROJECT FICHE

1. Logical framework matrix
2. Detailed Implementation Chart
3. Contracting and Disbursement Schedule
4. List of relevant Laws and Regulations
5. Institutions to be involved in the future implementation of CMOs
6. Recommendations of the HU98/IB/AG-01 CAP implementation Twinning Project
### LOGFRAME PLANNING MATRIX FOR
**Project:** Pre-accession introduction of CMO procedures

<table>
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<th>Programme number</th>
<th>2002/000-180-01-01</th>
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<td>Total budget</td>
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<td>PHARE budget</td>
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<th>Overall objective</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
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<tr>
<td>• Preparation for the implementation of the <em>acquis communautaire</em> in the administration of the agricultural market regulation measures, starting from the date of accession.</td>
<td>• 1005 Capability for operating the CMO by December 2003</td>
<td>• Accreditation authorisation documents</td>
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<table>
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<th>Project purpose</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
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<tbody>
<tr>
<td>• The purpose of the project is to prepare for the introduction of the administrative procedures used and best practices in the Community to manage the common market organisations These would gradually replace the ones used by the relevant Hungarian authorities at the implementation of the current national market regulation system.</td>
<td>• Accreditation criteria attained by 2003</td>
<td>• Certificate of accreditation of the AIK by the contracted Consultant Company covering the current tasks and co-operations</td>
<td>• Availability of competent PAA and TA.</td>
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<tr>
<td>Results</td>
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<td>• Conformity with EU procedures for payments, collection of levies, accounting and the disposal of the clearance of accounts is prepared; • Conformity with EU procedures for administration and control of the agricultural market regulation system is prepared; • Evaluation and improvement of the control and internal audit functions; • The internal IT system necessary for the management of CMO is established; • The co-operation among the bodies involved in the implementation of EAGGF Guarantee measures conforms with the requirements of the technical service concerning delegated functions of the EAGGF PA. • The Ministerial tasks concerning decision-making procedures (establishment expert committees, arrangement and representation of the opinion of the state) and supervisory function (observing the accreditation criteria as the competent authority) are in place.</td>
<td>• Internal Auditing and accreditation of the EU systems operational by 2003</td>
<td>• Accreditation and authorisation documents</td>
<td>• Government decision on the necessary amendments • Co-operation among the relevant Ministries • Co-operation with the Departments of the FVM, OMMI, FÖMI and the relevant Product Boards</td>
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Activities | Means | Assumptions |
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3 FVM: Ministry of Agriculture and Regional Development; OMMI: National Institute for Agricultural Quality Control; FÖMI: Institute for Geodesy, Cartography and Remote Sensing
- Twinning
  - Determination of the detailed institutional tasks in conformity with the EU requirements and practice
  - Elaboration of the EU conforming administration
  - Designing of an integrated information technology system supporting the whole administration
  - Training the staff to be responsible for the implementation for the new administration system
  - Adjustments to the established administration system
- Service TA
  - advice on the institutional development and background
  - assistance to fulfil QA/QC requirements in implementation
  - give assistance for the development of practical manuals.

### Twinning Covenant
- Service contracts

### High quality project management ensured throughout the program
- Determination of the party responsible for the governmental decisions and the inter-ministerial co-operation
- Selection and/or training the Hungarian participants to be aware of the CAP implementation issues
- Selection the consultant company having experience in auditing of PA-s

### Preconditions
- Government decree on the nomination of the AIK as PA

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## Annex 2.

### Detailed Implementation Chart

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Annex 3.

CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE (MEURO)

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<td>1.624</td>
<td>1.771</td>
<td>1.900</td>
</tr>
</tbody>
</table>
Annex 4.

List of relevant Hungarian laws and regulations

- Act No. IV of 1993 on the agricultural market regime
- Act No. XXXVIII of 1992 on the operation of the State Finances
- Act No. XCI of 1990 on the order of taxation
- Act No. IV of 1957 on the general rules of the administration of the polity
- Act No. CXIV of 1997 on the development of agribusiness
- Act No. C of 2000 on the accountancy
- Decree of the Government No. 249 of 2000 on the specificities of obligations of governmental institutions regarding the reporting and accounting
- Government Decree No. 273/1997 on general terms of eligibility for agricultural subsidies
- Decree of the Government No. 217 of 1998 on the rules of the operation of the State Finances
- Decree of the Minister of Agriculture and Regional Development No. 3 of 1995 on certain issues concerning the application of the system of measures of the agricultural market regime
- Decree of the Minister of Agriculture No 108/1997 on the establishment of the Agricultural Intervention Centre
- Decree of the Government No 155/1998 on responsibilities and competence of the Minister of Agriculture and Regional Development
- Decree of the Government No. 55 of 1991 on the Tax and Financial Control Office
- Government Decision No 2307/1998 on the EU-conform transformation of our subsidy system
- Government Decision No 2439/1997 on the improvement of the control system of agricultural subsidies
- Government Decision No 2378/1996 on the control of agricultural subsidies
- Government Decision No 2008/1999 on the improvement of the financial control system
List of relevant EU regulations

- Commission Regulation (EC) No 1663/95 of 7 July 1995 laying down detailed rules for the application of Council Regulation (EEC) No 729/70 regarding the procedure for the clearance of the accounts of the EAGGF Guarantee Section
- Commission Regulation (EEC) No 3887/92 of 23 December 1992 laying down detailed rules for applying the integrated administration and control system for certain Community aid schemes
- Commission Regulation (EC) No 2390/1999 of 25 October 1999 laying down detailed rules of the application of Regulation (EC) No 1663/95 as regards the form and content of the accounting information that the Member States must hold at the disposal of the Commission for the purposes of the clearance of the EAGGF Guarantee Section accounts
- Council Regulation (EC) No 1259/1999 of 17 May 1999 establishing common rules for direct support schemes under the common agricultural policy
- Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain Regulations
- Commission Regulation (EC) No 2630/97 of 29 December 1997 laying down detailed rules for the implementation of Council Regulation (EC) No 820/97 as regards the minimum level of controls to be carried out in the framework of the system for the identification and registration of bovine animals
Annex 5
Institutions to be involved in the future implementation of CMOs

1 Agricultural Intervention Centre (AIK)
AIK was established to implement certain measures of the agricultural market regime in 1998. Its main role is to issue export licenses, authorise export subsidies and manage the securities concerning the export-import regime of Hungary. AIK implements certain internal market interventions and other measures provided and supervised by the Ministry of Agriculture and Regional Development. The institution is nominated to be the Hungarian paying agency of the EAGGF Guarantee Section.

2 Hungarian Custom and Finance Guard (VPOP)
The control of export and import is under responsibility of VPOP. The body belongs to the Ministry of Finance and deals with the excise duties, as well. Its future tasks can be the physical control of foreign trade and the controls provided by the regulation 4045/89/EEC on the scrutiny of transactions.

3 Agricultural County Offices (FMH)
There are 19 offices belonging to the Ministry of Agriculture and Regional Development. It is necessary to evaluate and decide whether these offices are appropriate to implement physical and administrative controls on certain measures. Such future tasks can be the on the spot checks regarding direct payments, authorisation of subsidies on certain commodities, controls of intervention delivery and storage etc.

5 Veterinary and Food Control Stations
The well developed labs can provide content analysis for the export refund system of processed agricultural products (‘non-annex I.’ regime).

6 National Institute for Agricultural Quality Control (OMMI)
The institution maintaining the registration and identification system for cattle and pig herd in Hungary can provide important database for IACS to be established within AIK. OMMI also can participate in the implementation of vineyard transformation subsidies. This body is supervised by the Ministry of Agriculture and Regional Development.

7 Institute for Geodesy, Cartography and Remote Sensing (FÖMI)
FÖMI is prepared for implementing physical checks for area based payments via remote sensing systems. The institution is supervised by the Ministry of Agriculture and Regional Development.

8 State Forestry Service (ÁESZ)
The body supervised by the Ministry of Agriculture and Regional Development prescribes and verifies the appropriate forestry activities via its ten regional directorates within Hungary. Since a major role of ÁESZ is to control forestation subsidised by the state, practically it can also verify the afforestation supported from EAGGF.
9 Hungarian State Treasury (MÁK)
   The institution supervised by the Ministry of Finance finances the governmental institutions and the agricultural market measures, as well. MÁK will responsible for managing the accounts of national and EU supports. The amounts will be transferred to beneficiaries or to the EAGGF on the order of the paying agency (AIK).

10. Agricultural Research and Information Institute
   The institute is supervised by the MARD. It handles the market information system (which is necessary to the monitoring of market and scheme implementation).
Annex 6

Recommendation of the HU98/IB/AG-01 CAP Implementation Twinning Project

SITUATION AT THE END OF THE PROJECT

The key staff trained by the project represents an adequate basis to carry out the now required follow up steps for the implementation of the Acquis Communitaire. The tasks to comply with will vary considerably from activity to activity depending on the extent and intensity of the organisational structures required. In Hungary several measures exist already with the same aim as respective measures of EU. These need in certain cases only minor adjustments while others have to be introduced and organized newly. Details are given in the recommendations of the individual components.

Recommendations for Follow up

The core staff with the technical knowledge formed by the project is available, however, creation or adjustment of the required organisational structures could only be advanced at a limited scale and there were little complementary activities in the legal field. Therefore, it is necessary to follow up the activities started in the frame of the Project by the trained staff. For further progress it is important to provide high-level political support and orientation. Further external assistance will be necessary in specific fields at the stage of practical implementation. In summary, the recommendations are as follows (details are given for each component in the specific chapters):

A) Overall environment

- The reorganisation of the structure of MARD including the reallocation of staff in view of the requirements in consequence of accession to EU would facilitate preparation activities and later implementation of the related tasks. A key objective would be to concentrate the CMO activities in one unit led by a State Secretary.
• Adjustment of the structure and organisation of the County Office System of the MARD and training of their staff to comply with the EU requirements regarding the execution of the measures, especially IACS, to be executed by them.

• Working on legal issues and follow up needs to be intensified to accompany institution building activities.

B) Paying Agency

The paying agency as central body for all payments for CMO expenditure has also overall responsibility for the compliance of the payments with EU regulations. It has to be organised and to function according to rigid EU rules. Until its end the project suffered from the uncertainty about the future role of AIC and the division of tasks between MARD, AIC and the county offices of MARD.

Steps to provide the basic legislation and legal powers, essential for its functioning to enable further development have been made, more emphasis however is required. Further steps are prepared and at present under way. The basic structure and knowledge for the execution of payment and control developed in AIC needs to be elaborated in further detail. The delegation of tasks to other bodies has to be defined, negotiated and contracted.

The accreditation process has to be organized. This, however, is only possible when the whole organisation for the implementation of the CMO’s is in place and in compliance with EU requirements. This represents still a considerable task.

C) Integrated Administrative Control System (IACS)

The basic concept and trained core staff is available. High-level approval and decision required to continue with the establishment of the system has been pending for some time. The activities carried out so far mainly concerned planning, especially under IT aspects. It will be important to pay now more attention to administrative aspects of execution and to increasingly incorporate respective bodies and staff. The envisaged pilot project should start immediately. External assistance is advisable for follow up.

D) Agricultural Information System (AIS)

FADN: The system corresponds to EU requirements. Extension of the system to further farms and products to increase its coverage have to be the next step to further develop the system.

EAA: A basic system exists and agreement about competencies between MARD and Statistical Office is achieved. Further fine tuning and adjustment to development in EU has to follow.

MIS: Institutional frame for activities should be decided and developed, responsibilities clarified and long-term funding secured. Sources for market information to be provided for EU have to
be identified and secured parallel to the organisation of the implementation of the CMO’s.

E) Common Market Organisations (CMO’s)

In the field of CMO’s there exists horizontally the task to transfer certain functions so far executed by the Market Councils to public bodies as required by EU-legislation and to clarify whether certain tasks can be delegated back to the Councils.

The recommendations in summary regarding the individual commodities are as follows:

- **Cereals**: For the intervention system a permanent and more sophisticated structure than the existing one needs to be organised. Area Payments have to be granted on a wider scale as so far in Hungary and approved and controlled by the specific extensive Administration and Control System (IACS).

- **Meat**: A new permanently available intervention system with the possibility for supporting private storage has to be created.

- **Milk**: The already existing milk quota system is largely in line with the objectives of the EU system, however, its execution - so far with the Milk Council - requires to be brought under control of public bodies.

- **Cattle/Sheep**: The cattle registration is almost in line with EU requirements and needs only minor adjustments of the existing system. Sheep have to be also introduced. Payment of premiums has to be organised on basis of the IACS system to be established.

- **Wine**: Production area (Production Potential) has to be completely registered and stricter regulated and controlled than so far. Vinification technology and labelling is largely in line with EU requirements.

- **Fruit and Vegetables**: The recognition and support of Producer Organisations, which for the market of these products have central responsibility, is close to the EU system however their importance has to be increased considerably. Organisation of intervention has to be newly established. The system of support payment for processed products needs to be adjusted and extended.

- **Sugar**: There is a certain self-coordination of the sugar sector by the professional organisations to avoid or handle market disturbances. It is intended from next year onwards to start gradually to regulate officially this sector according to EU requirements.

- **Tobacco**: The tobacco sector to be regulated according to EU legislation needs harmonisation in the following fields: tax policy, other regulations based on the fully strengthened health and consumer protection policy, and the agricultural support scheme with the aim of quality improvement.
Import/Export: The system of import and export licences and advanced fixing certificates has to be organised, so far only certain products need licenses. The export refund and import levy system needs to be adjusted and extended to Non Annex I products. Competencies should be bundled in one institution, preferably the Intervention Agency.