

PRELIMINARY EVALUATION OF THE STATE AID WITHIN AGRICULTURE AND RURAL DEVELOPMENT OPERATIONAL PROGRAMME IN HUNGARY

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Abstract

The objectives of Agriculture and Rural Development Operational Programme (ARDOP) in Hungary is focused in the improving of competitiveness of agricultural production and food processing, environment-friendly development of agriculture, promoting the realignment of rural areas and rationalisation of land use. The specific objectives of ARDOP are linked to the National Development Plan, such as (i) more competitive economy, (ii) better quality environment and more balanced regional development; and (iii) to the priority of improving the competitiveness of the productive sector. Agriculture and Rural Development Operational Programme refers to the period between 2004 and 2006, however, in its objectives, it also outlines the development possibilities of a longer period and create new, sustainable income opportunities; to retain and create jobs; to improve rural life and labour conditions and to increase rural welfare; and to establish viable rural communities and to increase level of organisation the and the ability to co-operate. In this paper the distribution of state aid contracted between measures, counties and type of settlements were examined within the Operational Programme in Agricultural and Rural Development in Hungary.

Key words: Agriculture and Rural Development Operational Programme, ARDOP

MATERIALS AND METHODS

Agriculture and Rural Development Operational Programme is focused on the implementation of the agricultural and rural development objectives and takes account of the agriculture-related tasks of the long-term regional development plan. It is linked to the National Development Plan (NDP) and integrates those elements of the domestic agricultural support system, which are consistent with the objectives of Common Agricultural Policy (CAP) and National Development Plan and pays regard to the WTO agreements concerning agriculture.

ARDOP has been prepared in conformity with the provisions of Council Regulation (EC) 1257/1999 on the regional development measures to be subsidised from the Guidance Section of EAGGF, of Council Regulation (EC) 445/2002 on the detailed rules of the above Council Regulation's enforcement, as well as of Council Regulation (EC) 1260/1999 on the general rules of utilising the Structural Funds, and of Council Regulation (EC) 1263/1999 on using the Financial Instrument for Fisheries Guidance (FIFG) taking into consideration the basic requirements laid down in Article 87 of the Treaty on the establishment of the European Community.

RESULTS AND DISCUSSIONS

According to the list published by the National Office for Development, there were 17,086 projects selected until 2006. September 12th and the contracted state aid augmented to 694 milliards HUF. Total number of projects selected in the Agriculture and Rural Development Operational Programme was 4,047 and the total contracted state aid was 110.750 milliards HUF (Table 1 and 2.). State aid for agricultural investments, (P-1.1) is directed to the modernisation of agricultural production including plant production and animal husbandry, as there is an urgent demand for the establishment of the technical and technological background of the new economic structure. The total number of contracted project was 2,582 and the state aid was more the 50% of the total budget 66.676 milliard HUF. The average project size was 25.8 million HUF. The most serious deterioration in the utilisation of former production capacities is in animal husbandry, where the average age of buildings is between 30 and 35 years, and 3 to 5 years old buildings represent only 3 to 5% of total capacity. Most of the cowsheds and pig farms are being equipped with water and electricity; however, less than half of the farms have a manure treatment acceptable by the EU. Global objectives of the project selected are to improve the income position of farms, to preserve existing jobs and to create new ones, to preserve and improve the environment and to improve hygiene and animal welfare standards. The most important specific objectives are to decrease production costs, to increase effectiveness, to diversify agricultural activities and to transform the production structure (Hunek, 2002; Vörös, 2005). To improve product quality and increase technological standards in order to improve animal welfare and to protect the environment were also frequent specific objectives. Investments to reduce production costs and to increase efficiency, including the modernisation of machinery and technological equipment in crop production and animal husbandry were the most important priority in this measure (Kiss, 2002). Introduction of new technologies, modernisation of the system of plantation of vineyards and orchards, and improvement of hygiene and animal welfare conditions with a view to the requirements also attracted many investments for technological development.

Table 1

Number of projects selected in Agriculture and Rural Development Operational Programme (Status September 12. 2006)

County	P-1.1	P-1.3	P-1.4	P-1.5	P-2.1	P-3.1	P-3.2	P-3.4	P-3.5	P-4.1	Total
Hungary									71	7	78
Bács-Kiskun	238	4	35	3	17	9	33	12	1		352
Baranya	128	3	9	1	11	6	18	15	2	1	194
Békés	186	1	13	1	6	2	29	1	2	2	243
B-A-Zemplén	188		9	6	4	49	22	34	2		314
Budapest	1	1			6					84	92
Csongrád	144	2	29	1	3	17	44	5	4	1	250
Fejér	115	2	6		2		17	17	6		165
Gy-M-S	134		6		12	4	7	9	1	2	175
Hajdú-Bihar	257	2	21	2	7	7	29	12	3		340
Heves	84	1	12	2	9	18	4	8	3		141
J-N-Szolnok	163	4	8		7	7	16	5	1		211
K-Esztergom	40	1	4		3		1	1	2		52
Nógrád	28		2		2	3	5	4	2	1	47
Pest	94		7	2	17	9	8	18	3	3	161
Somogy	112	1	9	1	5	4	12	6	4		154
Sz-Sz-Bereg	249	3	46	5	22	30	43	37	2		437
Tolna	126	1	7		8	11	7	10	2	1	173
Vas	116		15		2	4	10	18	2		167
Veszprém	60		5		5	10	3	7	1		91
Zala	119		12	1	7	8	32	27	3	1	210
Total	2,582	26	255	25	155	198	340	246	117	103	4,047

Measure P-1.3 is based on the modernisation of aquaculture and fishery in Hungary. General objectives of these proposals are to improve the income position of the fishery sector, to increase low domestic fish consumption and to increase the added value in fish production. The total number of projects contracted in this measure was 26 and the state aid was more the 906 million HUF. The average project size was 34.8 million HUF. The best projects were focused on the quality improvement of products to increase competitiveness and establish or retain jobs in the fishery sector. The state aid helps construction and reconstruction of ponds, and also infrastructure development. It supports the construction of intensive industrial fish production systems using geothermic energy as well as broadening the selection of fish food and launching new products on the market (Popp, 2003).

Table 2

**Total state aid granted in Agriculture and Rural Development Operational
Programme (Million HUF) (Status September 12. 2006)**

County	P-1.1	P-1.3	P-1.4	P-1.5	P-2.1	P-3.1	P-3.2	P-3.4	P-3.5	P-4.1	Total
Hungary									1,065	38	1,102
Bács-Kiskun	6,596	55	254	208	1,861	93	1,390	245	0	0	10,701
Baranya	3,627	83	65	42	1,640	30	969	477	0	2	6,936
Békés	4,606	41	88	31	505	37	1,103	10	0	9	6,430
B-A-Zemplén	4,782	0	57	217	515	356	681	803	0	0	7,412
Budapest	34	20	0	0	1,571	0	0	0	0	2,211	3,836
Csongrád	3,965	20	216	67	235	176	1,524	134	2	2	6,341
Fejér	3,134	53	44	0	102	0	753	370	1	0	4,458
Gy-M-Sopron	2,601	0	45	0	1,280	40	116	209	0	2	4,294
Hajdú-Bihar	6,848	27	152	95	525	76	1,077	333	1	0	9,135
Heves	2,301	23	82	60	488	123	196	258	1	0	3,532
J-N-Szolnok	4,420	301	57	0	362	53	527	76	0	0	5,796
K-Esztergom	1,245	19	31	0	182	0	8	11	0	0	1,495
Nógrád	542	0	15	0	35	19	342	134	1	9	1,098
Pest	2,552	0	52	59	1,945	74	328	556	1	31	5,598
Somogy	2,351	7	54	86	803	45	261	66	1	0	3,675
Sz-Sz-Bereg	6,679	203	319	269	1,682	238	1,851	898	0	0	12,139
Tolna	3,613	55	53	0	1,203	88	262	276	0	2	5,552
Vas	2,870	0	104	0	504	19	192	198	1	0	3,887
Veszprém	1,529	0	36	0	687	71	71	175	0	0	2,568
Zala	2,381	0	85	56	505	48	974	535	0	1	4,585
Total	66,676	906	1,810	1,190	16,630	1,588	12,622	5,766	1,077	2,307	110,570

Measure P-1.4 was initiated for start-up support of young farmers as Hungarian agriculture is characterised by an ageing labour force. The total number of projects contracted in this measure was 255 and the state aid was more the 1.810 milliard HUF. The average project size was 7.1 million HUF. General objectives of these proposals are to improve the age structure, to strengthen property concentration and establish economically viable operations, while creating new jobs in rural area (Kovács, 2003; Tütő and Sarudi, 2005).

Measure P-1.5 supports professional development and re-training in rural area. The necessity of training is justified by the fact that nearly 30% of individual farm managers do not have any qualification, and 64% of them have only basic-level qualifications. Training courses are expected to improve the income opportunities and adaptation skills of the population living in rural area. The total number of projects contracted in this measure was 25 and the state aid was more the 1.190 milliard HUF. The average project size was 47.6 million HUF. The introduction of new farming

methods, such as organic and environmental friendly farming also assists in better adaptation to local conditions, which require new skills (Sarudi and Barna, 2005). General objectives of selected proposals includes the improvement in the employment opportunities and conditions of participants and also the increase of production standards to help realize quality production, hygiene and animal welfare requirements, sustainable methods and entrepreneurial skills.

Table 3

Total state aid granted in Agriculture and Rural Development Operational Programme (Million HUF) (Status September 12. 2006)

County	Village (small)	Village (large)	Town	County Centre	Total
Hungary					1,102
Baranya	4,115	266	1,959	589	6,929
Bács-Kiskun	4,581	1,242	4,449	378	10,650
Békés	1,716	1,109	3,459	146	6,430
Borsod-Abaúj-Zemplén	5,244	913	1,118	137	7,412
Csongrád	2,569	280	1,957	301	6,341
Fejér	1,955	1,490	556	63	4,064
Győr-Moson-Sopron	2,387	372	1,136	102	4,040
Hajdú-Bihar	3,242	1,051	4,279	562	9,135
Heves	2,319	264	796	0	3,379
Komárom-Esztergom	802	443	215	17	1,476
Nógrád	904	0	18	39	962
Pest	2,240	1,772	1,587	0	5,598
Somogy	2,287	207	249	931	3,675
Szabolcs-Szatmár-Bereg	5,492	2,292	2,981	608	11,374
Jász-Nagykun-Szolnok	1,301	853	3,066	210	5,430
Tolna	2,737	591	1,829	396	5,552
Vas	2,471	309	782	309	3,871
Veszprém	1,545	345	778	36	2,704
Zala	3,562	130	537	93	4,556
Total	51,468	13,928	31,751	4,921	103,578

Small village, where the total number of inhabitants is lower than 1000 persons.

Nagykanizsa=234 million, Hódmezővásárhely=1,233 million, Sopron=43 million HUF,

Measure P-2.1 is focused on the development of processing and marketing of agricultural products as there are considerable surplus capacities at some food industry companies, including, the meat, milling, and canning industries. The total number of projects contracted in this measure was 155 and the state aid was more the 16.630 milliard HUF. The average project size was 107.3 million HUF. Parallel with the modernisation of processing technologies, the related storage, and warehouse capacities

should be developed consistently. The improvement and rationalisation of the sales channels of the food products as well as the exploration of new sales opportunities will contribute to strengthening the market positions of selected food processing firms. In order to adapt in a better way to diversified market demands, it is essential to modernise classification and packaging in the vegetable and fruit processing industries (Terluin, 2003; Varga, 2004). Quality improvements and quality control in order to gain consumers' confidence are prioritised in meat, dairy, fodder and fruit processing industry. It was also essential to strengthen the quality approach for grape processing to increase quality wine production. Specific objectives of selected proposals improve food safety and the quality of food industry products; rationalise and improve relations between processing and sales channels, by a better management and utilisation of waste and by-products decrease environmental loads, improve satisfaction of workers and work conditions, which results better competitiveness and marketing possibilities for food processing firm.

Measure P-3.1 is to increase income opportunities job retention and creation and maintaining and/or increasing the economic viability of agricultural enterprises in rural areas. The total number of projects contracted in this measure was 198 and the state aid was more the 1.588 milliard HUF. The average project size was 8.0 million HUF. Preservation of traditions and provision of supplementary sources of income were also important objectives of this measure similarly to the diversification of agricultural activities, development of the production and processing of high-quality products, promotion of agro-tourism and motivation for the production of quality products in rural areas. The groups of beneficiaries include enterprises, associations and organisations operating in rural areas, which are capable to produce high-quality individual products or expand their business activities in rural tourism or handicrafts. Quality development consultancy, market research and concept development, participation at exhibitions, packaging, labelling, establishment of outlets and outlet networks specialised in the sale of local branded goods were also subsidised to improve sales of quality agricultural products. Some of the project established database for of market information networks and developed quality assurance and control systems such as protected trademark or Excellent Hungarian Food Product. Development of tourism, handicraft and small businesses opened wide possibilities for tourism, sports, and leisure-time activities on farms, provisions for rural accommodation and tourist services and developed micro and small enterprises in the handicraft maintenance, direct sales and presentation of handicrafts. In this respect ARDOP provides support for developments in private accommodation, as

well as camp sites, tourist hostels, forest and hunting lodges providing accommodation for more than 10 persons.

Table 4

Total state aid/hectare granted in Agriculture and Rural Development Operational Programme (HUF) (Status September 12.2006)

County	Village (small)	Village (large)	Town	County Centre	Mean
Baranya	11,089	20,517	45,968	36,222	15,643
Bács-Kiskun	9,869	12,214	18,047	11,777	12,611
Békés	8,530	12,327	13,693	7,553	11,419
B-A-Zemplén	9,601	17,718	10,815	5,791	10,227
Csongrád	11,895	7,549	20,213	10,733	14,875
Fejér	8,125	14,435	8,417	3,710	9,403
Gy-M-Sopron	8,176	9,142	27,877	5,857	9,908
Hajdú-Bihar	14,714	12,319	15,897	12,173	14,709
Heves	7,969	9,605	22,893	0	9,321
K-Esztergom	5,399	18,309	5,017	1,871	6,573
Nógrád	4,142		739	3,835	3,797
Pest	7,157	12,746	8,573		8,788
Somogy	4,643	10,806	3,125	81,950	6,095
Sz-Sz-Bereg	15,250	22,637	28,729	22,163	19,193
J-N-Szolnok	6,174	9,816	12,932	11,239	9,813
Tolna	10,702	17,380	25,769	41,149	14,993
Vas	9,093	27,934	19,045	31,698	11,604
Veszprém	4,176	21,799	12,383	2,859	5,862
Zala	11,384	23,387	15,295	9,315	12,040
Total	8,880	14,113	15,596	14,980	11,155

Nagykanizsa=15,697 HUF; Hódmezővásárhely=25,526 HUF; Sopron=2,524 HUF

Objectives of measure P-3.2 are related to investments to develop rural areas including construction and improvement of agricultural roads and the related infrastructure, to install and/or improve energy supply for agricultural farms; to develop local markets and opportunities to access wholesale markets and to construct irrigation and canal systems. The total number of projects contracted in this measure was 340 and the state aid was more the 12.622 milliard HUF. The average project size was 37.1 million HUF. Such a development is made necessary by the bad condition of existing agricultural roads and the associated infrastructure and by the changes in land ownership and land use (Vásáry, 2004). Investments realised under this measure is to reduce production costs, increase the efficiency of production, improve the accessibility and energy supply of

farms, improve product quality and working conditions and also increase safety.

Table 5

Total state aid/person granted in Agriculture and Rural Development Operational Programme (HUF) (Status September 12. 2006)

County	Village (small)	Village (large)	Town	County Centre	Mean
Baranya	29,457	26,087	20,269	3,686	17,052
Bács-Kiskun	29,665	27,066	18,660	3,528	19,506
Békés	25,993	19,564	16,551	2,174	16,113
B-A-Zemplén	18,881	15,675	4,845	751	9,894
Csongrád	27,129	11,202	20,353	1,841	14,810
Fejér	15,405	20,483	7,990	609	9,521
Gy-M-Sopron	14,731	15,433	17,875	791	9,293
Hajdú-Bihar	41,581	20,439	19,766	2,721	16,535
Heves	14,127	13,485	9,321	0	10,350
K-Esztergom	8,579	14,901	1,788	237	4,680
Nógrád	7,410		349	872	4,379
Pest	8,350	6,786	2,842		5,147
Somogy	14,281	18,590	2,578	13,649	10,931
Sz-Sz-Bereg	24,301	28,402	18,250	5,199	19,374
J-N-Szolnok	14,036	17,334	15,507	2,724	13,027
Tolna	29,343	26,841	18,435	11,044	22,179
Vas	23,730	28,461	10,895	3,778	14,414
Veszprém	10,946	19,447	5,044	590	7,219
Zala	28,360	19,366	10,251	1,500	15,232
Total	19,131	16,328	11,055	2,735	10,191

Nagykanizsa=4,469 HUF; Hódmezővásárhely=25,371 HUF; Sopron=765 HUF

Measure P-3.4 is focused on village development and renovation: Protection and preservation of the material and intellectual heritage of rural areas is vital to the sustainability of rural areas. The total number of projects contracted in this measure was 246 and the state aid was more the 5.766 milliard HUF. The average project size was 23.4 million HUF. Investments to improve image and environment of rural and development of community areas support renovation of buildings establishment of multi-functional (economic and social) community buildings; renovation of buildings, structures, historical memorials, archaeological relics representing monuments, landmarks, or other cultural values; establishment and renovation of playgrounds, community areas, and open spaces that are in community use; development of the accessibility of historical landmarks and landscapes; elaborating plans and studies for village renovation and for

the preservation of the traditional character of the village; protection and repair of natural assets, inspiring activities with this aim, preservation of the landscape (Vásáry, 2004). It is represented by the renewal of hedge rows, woodland areas and trees, stone walls, terraces, renewal of local ecosystems, watercourses and river beds.

Global objectives of LEADER program, which is in the measure P-3.5 is to diversify economic activities; to improve the competitiveness of local products; to create and develop new / better quality services in line with local population demands; to provide proper methods and opportunities to improve local community participation and organisation in order to develop the rural environment; and to motivate the participation of local actors in development in order to create and implement bottom-up initiatives. The total number of projects contracted in this measure was 115 and the state aid was more the 1.077 milliard HUF. The average project size was 9.2 million HUF.

Technical assistance P-4.1 provides information and keep the public informed, support the evaluation and monitoring of the programme, prepare studies, organise study trips and seminars; support the use of external experts. The objective is to assist the implementation control, and potential modifications of the operative programme. The total amounts spend on technical assistance 2.307 Milliárd HUF.

In small settlements, where the total number of population is lower than 1000 persons agriculture plays a dominant role in employment and living standard. Based on statistics, small settlements represent the lowest income levels and due to the transformation processes of the past 15 years drastic reduction of employment opportunities. Besides agriculture and institutions, such as municipalities, schools and nurseries there are hardly any jobs in rural area especially in small villages. Rural areas rarely offer a competitive alternative for enterprises and young and qualified labour force to settle down and stay.

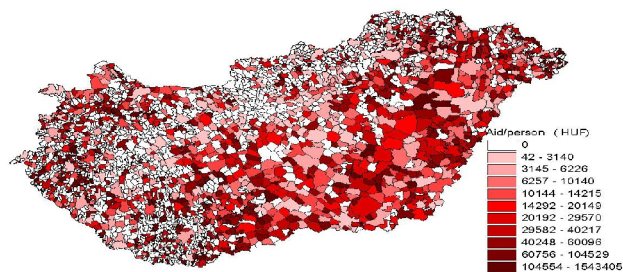


Figure 1. State aid contracted in Agriculture and Rural Development Operational Programme in Hungary (HUF/person)

As a result of increasing regional discrepancies, there is an actual threat that the depopulation of small villages particularly in marginal areas will continue and even accelerate. For this reason statistics on different settlement status was also prepared (Table 3-5.). The highest amount of state aid in the Operational Programme of Agriculture and Rural Development in Hungary was contracted to small villages (51.468 milliard HUF), which is nearly 50 % of the total budget. Important amount of state subsidy was contracted to large villages (13.928 milliard HUF) and rural towns (31.751 milliard HUF), while the county centres received only 4.921 milliard HUF. The situation is also promising, if we calculate per hectare or per capita contracted state aid. Per hectare state aid was 8,880 HUF in small villages, while the same indicator was 14,113 HUF in large villages and 15,596 HUF in small towns. Per capita contracted state aid was 19,131 HUF in small village, 16,328 HUF in large villages 11,055 HUF in small towns. Per capita contracted state aid as low as 2,735 HUF in county centres.

The objective of Agriculture and Rural Development Operational Programme is to improve the competitiveness of agricultural production and food processing is connected to the national objective of a "More competitive economy" and focused on the modernisation of agricultural production and food processing, improving the technical and human conditions of production. The activity ratio of the working age population decreased considerably between 1990 and 1995 and extremely low in the villages (30-40%). The inactive population, substantially dependent on social or family assistance exceeds 70 % in small villages and it is very sad and disturbing that so many settlements are not included in the Agriculture and Rural Development Operational Programme in Hungary (Figure 1). Agriculture and agriculture related activities have a fundamental effect on the local population. In small settlements, where the population number is below 1000, there is virtually no economic activity apart from agriculture and in the Second National Development Plan and in Regional Operational Programme Hungary has to focus on small settlements.

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