

**Member State:** Hungary

**1. APPROVED PROGRAMME:** *THE RURAL DEVELOPMENT PROGRAMME FOR HUNGARY 2007-2013 C (2007)5121 OF 24 OCTOBER 2007*

Note to the reader:

Article 70(4b) of Regulation (EC) No 1698/2005 allows the EAFRD contribution rate to be increased by maximum 10 additional percentage points as a derogation from the ceilings set out in Articles 70(3) and 70(4) of the same Regulation for the expenditure incurred by the Member States during the year 2009.

HU has benefited from the 10 additional percentage points as approved by Decision C(2009)9984 of 14 December 2009 for expenditure of the 4th quarter 2009. These rates will be revised during the 1st quarter 2010 in accordance with article 8a of Regulation 1974/2006.

**2. LEGAL BASIS FOR THE MODIFICATION**

Modification related to the first implementation of Article 16a of Regulation (EC) No 1698/2005 – Modifications under Article 6, paragraph 1, letter a) of Regulation (EC) N° 1974/2006. The priority chosen is linked to the restructuring of the dairy sector.

**3. REASONS JUSTIFYING THE AMENDMENT / STRATEGY CHOSEN**

The amendment is proposed in the context of the Health Check Reforms and the European Recovery Package.

**4 DESCRIPTION OF THE AMENDMENTS PROPOSED:**

**4.1 New priorities / types of operations**

In the framework of the European Economic Recovery Package and Health Check reforms Hungary has received an additional allocation of 54 248 000 EUR for its rural development programme.

The analysis in terms of strengths and weaknesses of the performance of agricultural, forestry and food sectors has been updated in the NSP in relation to climate change, water resources, renewable energy, air quality, biodiversity protection of natural heritage, and broadband. Concerning broadband coverage, Hungary has a 87.4% of rural coverage compared with a EU27 average of 76.6%. Hungary is committed to reach 100% broadband coverage target through a large project. The project has already been pre-notified by the Commission. The project is expected to be financed through the ERDF (Economic Development OP 3.1.1-3.1.2, Electronic Administration OP) and ESF (Social Renewal OP).

Following the results of the analysis, the additional funding is proposed to be used for the restructuring of the dairy sector via the animal welfare measure. The measure

was not initially programmed in the NHRDP. This operation is not listed in annex II of Regulation (EC) No 1698/2005.

#### **4.2 Description of the amendments proposed to axes and measures**

A new measure has been proposed.

Code 215: Animal welfare payments

**Intended aims and targets of the measure:** to make significant improvements to the welfare of the Hungarian dairy livestock by:

- decreasing stocking density and providing outdoor access where possible;
- improving the housing conditions of milking cows and their calves, improving the feeding conditions;
- preventing diseases, and parasites infections
- to apply higher standards concerning hygienic and feed requirements to the benefit of the animals
- further shift of the milk sector towards high quality milk production and structural rationalization.

The farmer is compensated for the income foregone and the additional costs. Investments cannot be realized through this measure.

#### **Type of operation implemented:**

Animal welfare payments may be received by milk producers voluntarily undertaking animal welfare commitments that exceed the baseline animal welfare standards. These payments cover **new** commitments exceeding mandatory standards determined by Council Regulation 73/2009/EC, Article 5 and Annex II, as well as additional mandatory requirements set in national legislation and in the Programme.

Two types of commitments are foreseen: mandatory and optional ones.

As mandatory commitments, the NHRDP foresees the reducing of stocking density, increasing the frequency of mandatory surveillance, providing an assessment of the risks to the welfare of animals on the farm and an identification of needs for improvements and adjustments in the farm operations to reduce and where possible eliminate the risks and a plan for proper milking technology and preventive interventions.

In addition, the optional commitments foresee for the preventive protection against parasites, the provision of natural conditions (grazing) and extra hay.

Transaction costs related to letting the transaction take place and directly attributable to the implementation cost of the commitment it relates to, such as information gathering and costs linked to the determination of the baseline situation in the farm can be also covered.

**Type of beneficiaries:** milk producers

**Amount of support:**

Public expenditure: EUR 62 279 371

EAFRD contribution: EUR 54 248 000 out of which

- in the framework of the European Economic Recovery Plan: EUR 48 348 000
- In the framework of the modulation: EUR 5 900 000

**Aid intensity: 100%**

Rate of EAFRD contribution:

- in convergence regions: 90%
- in non convergence regions: 65%

The maximum grand total sum of support (as a combination of mandatory and optional commitments) is 183 EUR/LU.

Duration of the aid: five years.

It is proposed as a flat-rate, non-refundable, compensatory support, which shall be calculated on the basis of the average annual livestock defined by livestock unit (LU).

**Complementarities and demarcation of the measure:**

There is no other intervention co-financed by the Community or financed from national funds identical to the proposed support for animal welfare.

**5. THE EXPECTED IMPACTS OF THE AMENDMENTS**

The financial and economic crisis, as well as the restructuring of the CAP's quota regulation had a harmful impact on the milk sector in HU.

The aim of this modification is to mitigate the problems of the restructuring of the dairy sector. The animal welfare payment is a suitable measure for this goal as significant improvements to the welfare of the Hungarian dairy livestock, notably by decreasing the livestock density, will accompany the ongoing restructuring of the dairy sector. As a side effect higher quality milk will be produced and more preferable environmental effects will be created.

The targets of the relevant output and result indicators have been included.

<b>Output</b>	Number of holdings supported	5 800 pcs
	out of which private holdings	5 050 pcs
<b>Result</b>	Husbandry meeting animal welfare standards higher than the mandatory standards	248 000 LU
	dairy cow	200 000 LU
	calf	48 000 LU

In annex 26 to the NHRDP an additional, objective related baseline 'animal welfare' indicator, was included.

## **6 ASSESSMENT**

### **General assessment of the modification**

The amendment to the rural development programme is of a minor nature.

The possibility of the introduction of the animal welfare measure at a later stage had been foreseen already in the initial NHRDP.

The choice made by HU is coherent with the NSP.

The modifications comply with the relevant requirements of Council Regulation (EC) No 1698/2005 and Commission Regulation (EC) No 1974/2005.

## **7 FINANCING**

Tables 6.1, 6.2 and 6.3 tables provided in the RDP:

*Table 6.1 Annual contributions from the EAFRD (in EUR)*

Year	2007	2008	2009	2010	2011	2012	2013	07-13 total
Non convergence regions	49 318 141	46 442 217	43 082 101	43 999 415	47 312 953	48 669 519	50 000 523	328 824 869
Convergence regions (*)	521 493 677	491 083 444	455 553 331	465 253 079	500 290 672	514 635 100	528 709 220	3 477 018 523
Additional funds from article 69(5a) of Reg 1698/2005 - non convergence region	0	0	2 445 840	1 712 088	0	0	531 000	4 688 928
Additional funds from article 69(5a) of Reg 1698/2005 - convergence region	0	0	25 994 160	18 195 912	0	0	5 369 000	49 559 072
Total EAFRD	570 811 818	537 525 661	527 075 432	529 160 494	547 603 625	563 304 619	584 609 743	3 860 091 392

*Table 6.2 Financial Plan by Axis*

**Financial plan by axis in non convergence regions**

Axis	Public contribution		
	Public expenditure	EAFRD contribution rate (%)	EAFRD Contribution
Axis I.	254 753 642	60,00%	152 852 185
Axis II.	173 107 323	65,00%	112 519 760
Axis III.	74 356 665	60,00%	44 613 999
Axis IV.	28 982 962	65,00%	18 838 925
Technical Assistance	-	60,00%	-
<b>Total</b>	<b>531 200 591</b>	<b>61,90%</b>	<b>328 824 869</b>

**Financial plan by Axis for additional funds from Article 69(5a) of Regulation (EC) No 1698/2005 – non-convergence region**

Axis	Public contribution		
	Public expenditure	EAFRD contribution rate (%)	EAFRD Contribution
Axis I.	0		0
Axis II.	7 213 735	65,00%	4 688 928
Axis III.	0		0
Axis IV.	0		0
Technical Assistance	0		0
<b>Total</b>	<b>7 213 735</b>	<b>65,00%</b>	<b>4 688 928</b>

**Financial plan by axis in convergence regions**

	Public contribution		
	Public expenditure	EAFRD contribution rate (%)	EAFRD Contribution
Axis			
Axis I.	1 818 241 680	85,00%	1 545 505 428
Axis II.	1 264 110 883	90,00%	1 137 699 795
Axis III.	530 702 474	85,00%	451 097 103
Axis IV.	211 647 180	90,00%	190 482 462
Technical Assistance	179 098 512	85,00%	152 233 735
<b>Total</b>	<b>4 003 800 729</b>	<b>86,85%</b>	<b>3 477 018 523</b>

**Financial plan by Axis for additional funds from Article 69(5a) of Regulation (EC) No 1698/2005 – convergence regions**

	Public contribution		
	Public expenditure	EAFRD contribution rate (%)	EAFRD Contribution
Axis			
Axis I.			0
Axis II.	55 065 636	90,00%	49 559 072
Axis III.	0		0
Axis IV.	0		0
Technical Assistance	0		0
<b>Total</b>	<b>55 065 636</b>	<b>90,00%</b>	<b>49 559 072</b>

### Financial plan summary

	Public contribution		
	Total Public	Average EAFRD rate (2)	EAFRD Contribution
Axis			
Axis I.	2 072 995 322	81,93%	1 698 357 613
Axis II.	1 499 497 577	86,99%	1 304 467 555
Axis III.	605 059 139	81,93%	495 711 102
Axis IV.	240 630 142	86,99%	209 321 387
Technical Assistance	179 098 512	85,00%	152 233 735
<b>Total</b>	<b>4 597 280 691</b>	<b>83,96%</b>	<b>3 860 091 392</b>



**Table 6.3. Indicative budget related to operations referred to in Article 16a of Regulation (EC) No 1698/2005 between 1 January 2009 and 31 December 2013 (Article 16a(3)(b) up to the amounts specified in Article 69(5a) of Regulation (EC) No 1698/2005)**

Axis/measure	EAFRD contribution for 2009-2013
Total Axis 1	0
Related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005	0
Total Axis 2	54 248 000
Related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005	54 248 000
Total Axis 3	0
Total Axis 4	0
Total programme	54 248 000
Total under Axis 1, 2, 3 and 4 related to priorities listed in Article 16a(1), points (a) to (f) of Regulation (EC) No 1698/2005	54 248 000
Total under Axis 3 and 4 related to priorities listed in Article 16a(1), point (g) of Regulation (EC) No 1698/2005'	0