

THE RURAL DEVELOPMENT POLICY IN THE EUROPEAN UNION AND IN HUNGARY

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ABSTRACT

In this study, the evolution and development of the rural development policy – which was unified by the rural development regulations of the EU – is examined. The latest CAP-reform in 2003, meant a milestone to put the supports from the first pillar (market policy) to the second pillar (rural development) through compulsory modulation. Council Regulation 1783/2003/EC was accepted in September 2003, which modified the former regulation (1257/1999/EC). In 2005, 1698/2005/EC regulation contained measures for the next budgetary period from 2007 and 2013.

With the accession to the European Union on first of May in 2004, Hungary obtained rights and accepted obligations. Hungary created two plans between 2004 and 2006, in order to get rural development supports. Beyond the experiences of the first three years of the accession, the objective is to create a new comprehensive plan for the next budgetary period, between 2007 and 2013.

INTRODUCTION

The five main objectives of the Common Agricultural Policy (CAP) were established in Article 39 of the Treaty of Rome in 1958. These objectives did not contact with rural development. The six founding Member States of the European Economic Community (EEC) were on the same economic level, there were no great economic disparities and backward rural areas among the founding Member States. The CAP was launched in 1962. One of the objectives of the CAP was to ensure a fair standard of living for the agricultural community in rural areas. [4]

In the EEC, rural development was not of great interest. The first reform of the CAP was adopted in 1992; it was the McSharry Plan. The main elements of this plan were as follows: to move away from price support system towards income support system based on direct payments.

There were the so-called accompanying measures as well [9]:

- Agri-environmental protection
- Early retirement
- Afforestation of agricultural land

However no significant changes of the rural development policy were realised. Market policy remained the key element of the CAP.

THE RURAL DEVELOPMENT REGULATIONS

1257/1999/EC Regulation [1]

The main result of the second CAP-reform was that the CAP became two pillars. Henceforward the first pillar is market policy, and the second pillar is rural development policy. This regulation was introduced by Agenda 2000, which stipulates the frameworks and methods of rural development support. This regulation placed rural development measures into a single system. Adaptation of the support of agri-environmental protection was a compulsory element for each Member State. The various measures had to be aggregated into national framework programmes.

1783/2003/EC Regulation [2]

The former rural development regulation did not have any serious effect in the EU-15. The financial resources of the rural development supports represented a low rate among all payments. However, in the new Member States, this rate is higher. Market policy is the determinative element in the CAP. The mid-term review of the CAP-reform in 2003 resulted in a new regulation, 1783/2003/EC. This new regulation modified several measures of the former rural development regulation.

THE AGRICULTURAL REFORM OF 2003 AND RURAL DEVELOPMENT IN THE EUROPEAN UNION

One of the aims of the latest agricultural reform is to bring the rural development policy into the forefront in the Common Agricultural Policy. According to the 2003 reform, the significance of rural development is increasing. Degression and modulation are new efforts of rural development, and the rural development budget is increasing by 1,2 billion euros per year. An addition to increasing the expenditures on rural development, the CAP reform expands the circle of the accompanying measures with other elements, such as [6]:

- Improving food-safety and quality
- Increasing the support of circumstances of animal-welfare
- Meeting standards

THE NEW RURAL DEVELOPMENT POLICY BETWEEN 2007 AND 2013 [3]

The European Commission published the next financial framework for 2007-2013 in 2004 (Council Regulation (EC) No 1698/2005/EC). This framework contains proposals for the new rural development policy. This framework was adopted in June 2005.

The main changes are:

- Increasing the amount of support for rural development
- Rural development policy is separated from structural policy
- A new fund will be created, a so-called European Agricultural Fund for Rural Development (EAFRD)
- This fund simplifies programming, financing and monitoring
- LEADER initiative is compulsory and more widely in rural development programming

This regulation formulates the main objectives in the new rural development policy between 2007 and 2013.

The three main objectives are as follows:

- Improving the competitiveness of the agricultural and forestry sector by supporting restructuring, development and innovation
- Improving the environment and the countryside by supporting land management
- Improving the quality of life in rural areas and encouraging diversification of economic activity.

To achieve these objectives, a four axis model needed to be created.

The four axes are as follows:

1. axis: Improving the competitiveness of the agricultural and forestry sector
2. axis: Improving the environment and the countryside
3. axis: Improving the quality of life in rural areas and diversification of the rural economy
4. axis: LEADER (It supports the implementation of local rural development strategies according to one or more axes. It contains measures like supporting collaboration projects, creating local action groups, acquirement of skills)

RURAL DEVELOPMENT POLICY IN HUNGARY

Realisation of the aims laid down in the agri-rural development strategy of Hungary is part of a long-time process. The development guideline of the strategy was first laid down in the SAPARD Plan for Hungary 2000-2006. After the SAPARD Plan, and before the accession to the EU in 2004, Hungary had to prepare two other plans – the National Development Plan (NDP) and the National Rural Development Plan (NRDP) – to apply rural development measures. The Agricultural and Rural Development Operational Programme (ARDOP) has taken on the aims and development guidelines of the SAPARD Plan.

Agricultural and Rural Development Operational Programme (ARDOP)

The National Development Plan has five operational programmes; one of these is the Agricultural and Rural Development Operational Programme (ARDOP). The objectives of this programme are to create a competitive and sustainable agricultural sector, and to promote the integrated development of rural areas based on the improvement of the income level and the job opportunities. The European Agricultural Guidance and Guarantee Fund (EAGGF) and the Financial Instrument for Fisheries Guidance (FIFG) supported this Operational Programme.

The above mentioned objectives are transferred into the following priorities [7]:

1. Priority: Establishment of competitive basic material production in agriculture
2. Priority: Modernisation of food processing
3. Priority: Development of rural areas
4. Priority: Technical assistance

National Rural Development Plan (NRDP)

The National Rural Development Plan is connected to the second pillar of the Common Agricultural Policy, and focuses on the agri-environmental aspects. The difference between ARDOP and NRDP is that the NRDP program does not need public contribution to get supports and the rate of co-financing is higher. The NRDP sets objectives and priorities aimed at the sustainable development of rural regions, and contain the detailed eligibility conditions and rules of implementation of each measure. The scope of NRDP extends to the accompanying measures financed by EAGGF Guarantee Section prescribed in Council Regulation 1257/1999/EC. This Plan is not apart of the ARDOP, but they are harmonised.

Table 1: Financial framework of the Agricultural and Rural Development Operational Programme, Milliárd HUF

Year	Annual support amount	Source of support	Support amount
2004	24.5	EU	18.4
		National	6.1
2005	35.0	EU	26.3
		National	8.7
2006	45.4	EU	34.1
		National	11.3

Resource: [8]

Table 2: The calculated budget of the New Rural Development Strategy Plan of Hungary, Milliárd HUF

Priority	2007	2008	2009	2010	2011	2012	2013	TOTAL
1. priority	92,78	87,37	81,04	82,77	89,0	91,56	94,06	618,58
2. priority	66,18	62,32	57,81	59,04	63,49	65,31	67,09	441,24
3. priority	20,17	18,99	17,62	17,99	19,35	19,9	20,45	134,47
4. priority	9,45	8,9	8,26	8,43	9,07	9,33	9,58	63,03
5. priority	6,05	5,7	5,29	5,4	5,8	5,979	6,13	40,34
TOTAL	194,63	183,28	170,02	173,64	186,71	192,07	197,32	1297,67

Resource: [10]

Table 3: Proposed rate of source among the priorities

Priority	Rate of source, %
1. priority	45-55
2. priority	30-37
3. priority	10-14
4. priority	5-6
5. priority	4

Resource: [10]

The National Rural Development Plan measures are as follows [7]:

1. Agri-environment
2. Support for less-favoured areas (LFA)
3. Meeting standards
4. Afforestation of agricultural land
5. Early retirement
6. Support for semi-subsistence farms undergoing restructuring
7. Supporting the establishment and administrative operation of producer groups
8. Technical Assistance

RESULTS

Demand for rural development financial resources significantly exceeded the calculated financial framework. There are contrasts among the successes of some measures. To follow the available support framework means suspension, holding up deadlines and announced measures. It generates disaffection among the applicants due to its continual modification conditions for participation. At the end of August 2006, the 1. Priority of the ARDOP gained specific interest. Within the first priority, the most popular measures were the Assistance to investments in agriculture (ARDOP 1.1.) and Setting up of young farmers (ARDOP 1.3.). The 3. Priority was second place. Within this priority, two measures got approximately the same amount of applications. One of these is the Expansion of rural income earning opportunities (ARDOP 3.1.) and the other is the Development and improvement of infrastructure connected with agriculture (ARDOP 3.2.). LEADER+ initiative program was also successful; it indicated high interest on the rural areas and generated some local action groups (70 LAG's). The local rural development strategy will gain greater interest in the future. Unfortunately, the ARDOP had disappointing results in creating job opportunities in rural areas. Within the National Rural Development Plan, agri-environment measures are unequivocally the most popular. [5]

THE RURAL DEVELOPMENT STRATEGY BETWEEN 2007 AND 2013 IN HUNGARY [10]

The New Rural Development Strategy Plan of Hungary (NRDSP) was created on the basis of Council Regulation 1698/2005/EC; it contains the strategic framework of the rural development program for Hungary between 2007 and 2013. According to the Lisbon Strategy and Goteborg sustainability goals, this Plan requires the creation of a framework for developing agriculture, and preserving and confirming the values and economy of the rural areas. The goal of this Plan is to set the guidelines, the objectives, the method, the instruments and the allocation of financial resources of agro-rural development. (2. table).

Priorities

In Hungary, the national development priorities for agriculture and rural development are as follows:

1. Improving the competitiveness of the agricultural, food-processing and forestry sector, moderation of structural concerns, promoting the restructuring of production
2. Creating the human resources for competitive agriculture in consideration of skills innovation and spreading of a market orientation approach
3. Improving guarantees for sustainable production and land use
4. Reduction of concerns of rural employment, expansion of the job opportunities and quality of life of rural areas and improving the availability of services
5. Developing the local communities

The first version of the Strategy was completed in December 2005. The social dialogue started on 19th of December 2005. The first version was sent to the European Commission in January 2006. In April 2006, a thematic workgroup discussed some developing headings of the Strategy and outlined their ideas and opinions. The former six horizontal measures of NRDP (agri-environment, LFA, afforestation of agricultural land, support for semi-subsistence farms undergoing restructuring, supporting the establishment and administrative operation of producer groups, meeting standards) will be included in NRDSP. Between 2007 and 2013, it will put the accent on developing support. There will be a higher interest in developing the modernisation of technology, restructuring, the quality of life, innovation and environmental protection. It has to lay stress on developing human resources in agriculture, because this objective reached a low level between 2004 and 2006.

SUMMARY

The latest enlargement on 1st of May 2004 means a great challenge for the European Union to create economic and social cohesion. Hungary has to create this cohesion and reduce its regional disparities, as well. Two plans – the National Development Plan and National Rural Development Plan – help to achieve this aim. There were many doubts among many in the first three years. The economic benefit of the projects concentrated on a tight circle, so that the social effects – with special regards to the employment – do not meet expectations.

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