



Factsheet on 2014-2020 Rural Development Programme for Hungary

The Rural Development Programme (RDP) for Hungary was formally adopted by the European Commission on 10 August 2015, and last modified on 8 June 2022, outlining Hungary's priorities for using the €8.5 billion of public money that is available for the 9-year period 2014-2022 (€ 4.6 billion from the EU budget and € 0.9 billion of national co-funding, and € 3 billion additional national financing).

Hungary's RDP is putting emphasis on actions related to restoring, preserving and enhancing ecosystems, promoting food chain organisations and risk management in agriculture and promoting social inclusion, poverty reduction and economic development in rural areas. Almost 600 000 ha agricultural land is expected to come under management contracts supporting biodiversity, better water management and soil management. In addition, 104 000 ha of forests will come under management contracts mainly for protecting biodiversity. The RDP will support 1 580 investment projects related to processing activities and a further 7 269 to improve the competitiveness of farmers. Young farmers and short supply chain will have dedicated sub-programs, under which 4 987 young farmers and 1 200 farms will receive targeted support. Hungary's RDP will contribute to social inclusion and economic development in rural areas by bringing improved services to 68% of the rural population. 2 709 investment projects will receive support to increase energy efficiency in the agricultural and food processing sector. Hungary has put particular emphasis on innovation when selecting operations and 1.91% of RDP public expenditure is earmarked for actions that foster innovation and cooperation including projects under the European Innovation Partnership.

Support for Rural Development is the 2nd Pillar of the Common Agricultural Policy, providing Member States with an envelope of EU funding to manage nationally or regionally under multi-annual, co-funded programmes. In total, 118 programmes are foreseen in all 28 Member States. The new RD Regulation for the period 2014-2020 addresses six economic, environmental and social priorities. Programmes contain clear targets setting out what is to be achieved. Moreover, in order to coordinate actions better and maximise synergies with the other European Structural & Investment Funds (ESIF), a Partnership Agreement has been agreed with each Member State highlighting its broad strategy for EU-funded structural investment.

This document provides a brief overview of how the challenges and opportunities Hungary is facing are addressed by the RDP. In the annex, a table indicates the priorities and focus areas each with their specific targets, and their allocated budgets.

1. SITUATION AND KEY CHALLENGES

Hungary is a rural country with 66.3% of its area classified as rural, 33.1% as intermediate and only 0.6% is considered urban. 46% of the population lives in rural areas. Agricultural land covers 57% and forestry 21% of the total territory. Compared to

the EU average the Hungarian agricultural sector is atypical with very high share of arable farming (81% of agricultural land) and low grassland (14.2%).

Hungary has very favourable agro-ecological conditions for agricultural production, which represent a significant growth potential. The share of agriculture in the GDP is 4%, while the overall agricultural industry (agricultural engineering and chemical industry, food processing industry, etc.) has a 15% share of the GDP. Agriculture and food industry are important pillars of the local economy, particularly in rural areas.

The average farm size in Hungary is 8.1 ha - much below the EU average; 87% of the farms have less than 5 ha. The average age of farmers in Hungary is 56 years; therefore there is an urgent need for generational renewal. The extent of horizontal and vertical co-operation in the Hungarian agri-food sector is low.

The rural employment rate is low, and the unemployment rate for young people and women is especially high compared to the national average.

Concerning climate change, Hungary is frequently hit by important water imbalances between drought and floods and there is a clear need for more efficient water management. Hungary has a limited and outdated irrigation system and only 2.4% of the agricultural area is irrigated.

Organic production is among the lowest in EU with 2.7%. Concerning biodiversity 83% of habitats are in poor condition. The main environmental challenges to be tackled concern the protection of biodiversity, the quality of surface and ground water and soil erosion.

2. HOW HUNGARY'S RDP WILL ADDRESS THESE CHALLENGES

In addressing these challenges, Hungary's RDP will fund actions under all of the six rural Development priorities – with a particular emphasis on restoring, preserving and enhancing ecosystems related to agriculture and forestry as well as promoting social inclusion, poverty reduction and economic development in rural areas and promoting food chain organisations and risk management in agriculture.

The focus of each priority is explained briefly below.

Knowledge transfer and innovation in agriculture, forestry and rural areas

Hungary is investing quite heavily in actions related to this priority. Knowledge transfer will address the training, information actions, exchanges and farm visits, advisory services and the training of advisors. In total, 46 400 participants will benefit from training supported by the RDP. An important element is innovation: 130 projects will be supported to strengthen the link between agriculture, food and forestry sectors and research and innovation, 70 of which will be under the European Innovation Partnership.

Competitiveness of agri sector and sustainable forestry

Given the ageing farmer population and the small size of agricultural holdings in Hungary, the RDP will support the start-up of 1 200 young farmers and the development of 60800 small farms. The investments and modernisation of 7 269 existing and competitive farms is also programmed with a clear targeting on the animal husbandry and horticultural sector and on young farmers.

Food chain organisation, including processing and marketing of agricultural products, animal welfare and risk management in agriculture

Under this priority, Hungary will support 1 624 projects targeting processing and marketing development. It aims to improve the market position of the farmers by supporting the setting up of 100 producer groups, which will bring together 2 000 farmers. Hungary will also support farmers' participation in quality schemes and quality promotion activities.

Hungary also introduces risk management instruments. Insurance premiums and income stabilisation support will be provided to 25 100 farms.

Restoring, preserving and enhancing ecosystems related to agriculture and forestry

Under this priority Hungary will target interventions on territories with inland water and drought problems and on high nature values areas. Around 11.8% of agricultural land and 5% of forests will be under management contracts for supporting biodiversity, to improve water and soil management. Around 30% of the allocated EAFRD funds will be used for area-based payments to farmers for using environment/climate-friendly land management practices, including organic farming, support to areas facing natural constraints and support to areas under Natura 2000 management. Over 213 000 hectares of farmland will receive support to either convert or maintain organic farming.

Resource efficiency and climate

The RDP has a strong focus on energy efficiency related investments in the agriculture and food processing sectors and aims at support of 2 709 projects. Efficiency of existing water management systems will also be improved on 11 907 ha of agricultural land. Under this priority, the RDP will pursue carbon sequestration mainly by supporting afforestation, agroforestry systems, the prevention and restoration of damage to forest, the improvement of the resilience and environmental value of forest ecosystems, as well as their conservation, also by encouraging environmentally and climate friendly forest conservation services. The RDP will also pursue the reduction of greenhouse gas and ammonia emissions by investments in manure storage.

Social inclusion and local development in rural areas

The Hungarian RDP complements other EU interventions in rural areas. It supports the diversification of farmers' activities and it improves access to local services (local markets, social enterprises, secondary roads, homesteads). The RDP will also support small and very small villages' basic service development by waste water treatment in villages with less than 2 000 inhabitants and with the establishment of multifunctional community spaces in villages with less than 1 000 inhabitants. Local Development Strategies will be implemented through LEADER Local Action Groups and will cover over 68% of the rural population. Thanks to the operations programmed under this priority, 4 000 additional jobs will be created and 68% of the rural population will benefit from improved services.

The four **major RDP measures** in budgetary terms (total public funding) are:

- € 1 832 million allocated to measure 4 (Investments in physical assets)
- € 1 091 million allocated to measure 10 (Agro-environment-climate)
- € 279 million allocated to measure 6 (Farm and business development)
- € 505 million allocated to measure 7 (Basic services in rural areas)

Annex 1: Indicative public support for the Rural Development Programme in Hungary

Target	Measure	€ Total public	%
Priority1: Knowledge transfer and innovation in agriculture, forestry and rural areas¹			
1A: Fostering innovation, co-operation, knowledge base	01 knowledge		
1.91% of RDP expenditure	02 advisory		
	16 co-operation		
1B: Strengthening links (with research etc.)	16 co-operation		
130 cooperation projects			
1C: Training	01 knowledge		
46 400 participants trained			
Priority 2: Farm viability, competitiveness and sustainable forest management		2,962,053,807	34.7
2A: Economic performance, restructuring & modernisation	01 knowledge	101,493,441	1.2
1.48% of holdings with RDP support	02 advisory	13,204,089	0.2

¹ No financial allocation shown for Priority 1 as the expenditure is distributed across other focus areas.

	04 investments	2,184,472,513	25,6
	06 farm / business development	102,650,560	1,2
	16 co-operation	8,952,164	0.1
2B: Generational renewal	01 knowledge	7,705,540	0.1
	02 advisory	2,521,958	0.03
1.02% of holdings with RDP supported business development plan/investments for young farmers	04 investments	452,808,294	5,3
	06 farm / business development	88,245,248	1.0
Priority 3: Food chain organisation, including processing and marketing of agricultural products, animal welfare and risk management		1,479,030,126	17.3
3A: Improving competitiveness of primary producers	01 knowledge	11,348,443	0.1
1.06% of agricultural holdings receiving support for participating in quality schemes, local markets and short supply circuits, and producer groups/organisations	02 advisory	2,156,972	0.03
668,915,414 € total investment for the processing/ marketing and/or development of agricultural products	03 quality schemes	33,578,353	0.4
	04 investments	1,026,870,614	12.0
	09 producer groups/organisations	36,393,888	0.4
	14 animal welfare	171,930,184	2.0
	16 co-operation	26,287,535	0.3
3B: Farm risk prevention and management	05 restoring agric. potential	21,390,938	0.3
5.13% of farms participating in risk management schemes	17 risk management	149,073,199	1.7

Priority 4: Restoring, preserving and enhancing ecosystems in agriculture and forestry²		1,775,680,575	20.8
4A Biodiversity	01 knowledge	22,471,577	0.3
11.79% of agricultural and 5.08% of forestry under contracts	02 advisory	6,904,696	0.1
	04 investments	10,354,537	0.1
	08 forests	6,434,078	0.1
	10 AEC	1,091,422,568	12.8
	11 organic farming	227,027,276	3.3
	12 NAT-WFD	268,714,685	3.2
	13 ANC	42,465,164	0.5
	15 forest-environment	38,211,695	0.4
4B Water management	16 co-operation	9,674,299	0.1
3.57% of agricultural and 0.59% of forestry land under contracts			
4C Soil erosion and management			
8.39% of agricultural and 0.77% of forestry land under contracts			
Priority 5: Resource efficiency and shift to low carbon and climate resilience economy in agriculture, food and forestry sectors		776,089,097	9.1
5A Water efficiency	04 investments	91,240,705	1.1

² Expenditure under Priority 4 is programmed for the priority as a whole, not for individual focus areas

11.41% of irrigated UUA supported	16 co-operation	7,500,000	0.1
5B Energy efficiency 888 306 248 € total for energy efficiency investments in the agricultural and food sectors	01 knowledge	26,254,947	0.3
	02 advisory	500,000	0.01
	04 investments	390,045,679	4,6
5C Renewable energy 58,029,703 € total investment in renewable energy production	08 forest	35,677,112	0.4
5D Reducing GHG and NH3	04 investments	15,772,464	0.4
5E Carbon conservation and sequestration 0.59% of agricultural and forest land under management contracts contributing to carbon sequestration or conservation	01 knowledge	5,000,869	0.1
	02 advisory	2,127,990	0.02
	08 forests	200,489,823	2,4
	16 co-operation	1,479,508	0.02
Priority 6: Social inclusion, poverty reduction and economic development in rural areas		1,329,800,931	15.6

6A Diversification, creation of small enterprises and jobs	04 investments	118,039,813	1.4
4 000 jobs created in supported projects	06 farm / business development	316,781,391	3.7
	08 forest	8,314,018	0.1
	16 co-operation	4,200,124	0.05
6B Fostering local development			
68.03% rural population under local development strategies	07 basic services	645,967,641	7.6
68.03% rural population with improved services/infrastructure			
500 jobs created (via LEADER)	19 LEADER and CLLD	236,497,944	2.8
Technical Assistance		203,599,742	2.4
Total public expenditure €		8,524,929,333	100