



Rural Development in Hungary

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Principles and objectives of rural development policy

According to Ahrens (2004) the objective of rural development policy is *to guarantee "equivalent living conditions"*. A development policy for a specific rural region consists of:

- an objective function reflecting the agreed social priorities for the development of a relevant region;
- specific mix of instruments for attaining these objectives.

In a market economy some *general rural policy principles* can be defined.

Rural development should be based on Rural Development Programmes employing their objectives and instruments.

If by the 'economic' objective we understand the generation or maintenance of employment and income, its attainment presupposes an adequate national economic framework in the fields of monetary and fiscal policy, labour market policy, anti-trust policy, education policy etc.

Entrepreneurial spirit, free markets, and competition are essential to bring about the necessary permanent intra-sectorial, inter-sectorial and interregional reallocation of productive resources like capital, labour, and know-how. Such reallocation provides the channel for a rural region to develop. Rural development policies should support the region indirectly, by improving conditions for a reallocation of resources in their favour, instead of supporting certain sectors; this would reduce the efficiency in the rural economy" (Ahrens, 2004).

"History" in the nineties

Economy and society of the rural settlements was transformed by the transformation after the political changes on a more dramatic way than in other parts of the country.

The compensation, the privatization, the co-operative's transformation, the market losses, the decreasing profitability of the production and the decrease in agricultural employment caused a difficult situation by itself, but other sectors have shown a worsened performance, too.

Rural areas are continuously lagging behind.

The national rural development conception was elaborated with the aim that it has to make a balance within the rural space transformation in the nineties and to elaborate the theory, methodology and techniques of rural development.

The concept is for those regions, in the settlement structure in which the villages are dominant and whose economy is typically connected to the agriculture and natural environment.

The widespread moonlighting, the pluri-channel income in most part of the households, the widespread industrial jobs in the villages, the radical decline of the agricultural employment, the land property of the city dwellers make the task of the rural development extremely complex, it goes in its consequences and effects far beyond the social groups of the village residents.

A rural development program was elaborated on the basis of the rural development conception (Dorgai et al., 1997).

The definition of “rural areas” in Hungary

In Hungary, in the everyday use rural space (the countryside) is meant as „*not a city*”.

In the Regional Development Act (Act XXI. of 1996, amended several times) the concept of the rural area is not defined, but from the content, one can understand that the rural area is outside the capital (Fehér, Dorgai, 1998). This may be a hint to heavy concentration of economic activities in the Budapest agglomeration.

In practice, considering the Act the “regions of agricultural rural development (rural regions) refer to those regions, where the share of agricultural employees and those engaged in agricultural activity is significant in the employment structure and in the population of settlements and small towns”.

Basic principles of the Hungarian rural development policy were (the rural development policy had):

- to create such conditions which enable the rural areas to fulfil and keep their economic, ecologic, social and cultural functions permanently;
- to handle as top priority the tensions between rural areas and to improve the living conditions;
- to develop reasonable decision-making mechanisms;
- to take into account the characteristics of the rural areas and to adapt to them that means create frame conditions for the improvement of the adaptation ability of people living in rural areas;
- to build on the regional co-operation;
- to take into account the specific rural development role of the Hungarian agriculture, the shaping of the agriculture that means the regional characteristics in according to this (Fehér-Dorgai, 1998).

Long term priorities of the rural development were:

- fortifying the economic base of the rural areas, diversifying the economic activity;
- improvement of the rural employment and earning conditions;
- improvement of the rural living conditions;
- preservation and protection of the rural social communities, professional and civil organizations and cultural values;
- improvement of the social, economic conditions of agricultural areas with unfavourable conditions;
- renewing the villages and farmsteads;
- fortifying the rural involvement of young people and entrepreneurs;
- developing the infrastructure;
- increase the spiritual level of rural areas;
- protection of the built-in environment (Fehér et al., 1997).

In the following, you can see which *short term tasks* rural development has (until 2000):

- increase of the agricultural production, cease of the crisis phenomena (lack of capital, low profitability, taxation);
- regulation of the rural development through laws;
- national rural development programme after that technical aid in preparation of rural development programmes on regional level;
- separation of financial resources of the rural development, elaboration of a methodology of the resources;
- further decentralization in the agricultural subsidies, differentiation according to the different conditions of certain areas;
- stimulation of the rural investments;
- preparation for the EU regional and rural development support system;
- creation of the operational conditions of the rural development working committees;
- information and monitoring system.

Based on the Report of the Hungarian Audit Office of 2003 rural development has been a significant aim since 2000; its objectives and tasks were based on a national programme, however, the resources available were not sufficient for implementing the rural development policy (www.epolgar.hu/hirek/gazdasag/agrarium20030806.html).

The IDARA Working Paper (2002) suggested “that the policy areas that need to be addressed for further aims of rural development, in particular the reduction of rural poverty and sustainable development, include:

- job creation – through education and training, inward investment, and SME support;
- local development planning through animation of the local population and increased participation; and the preservation of local characteristics and production of local specialities;
- promotion of social inclusion and improved access to services;
- address rural depopulation and demographic imbalance.

Rural development following the EU accession

The objectives of rural development are as follows:

- to improve the *living conditions* of rural population;
- to *stop the further flagging behind of rural areas*;
- to *guarantee the chances for catching up*.

The following development plans and documents are provided for the practical implementation of the above objectives:

- National Development Plan (NFT) as well as the documents for the implementation of the target programmes, such as;
- Agricultural and Rural Development Operative Programme (AVOP);
- National Rural Development Programme.

The latter includes the rural development schemes to be implemented in Hungary and financed from the Guarantee Section of EAGGF.

The National Development Plan defines the objectives and priorities of the sustainable development of rural areas by including:

- the activities to be supported related to the measure;
- the eligibility and the detailed rules of the implementation.

Figure 1 shows the integration of the documents to be prepared by the Ministry of Agricultural and Rural Development into the National Development Plan.

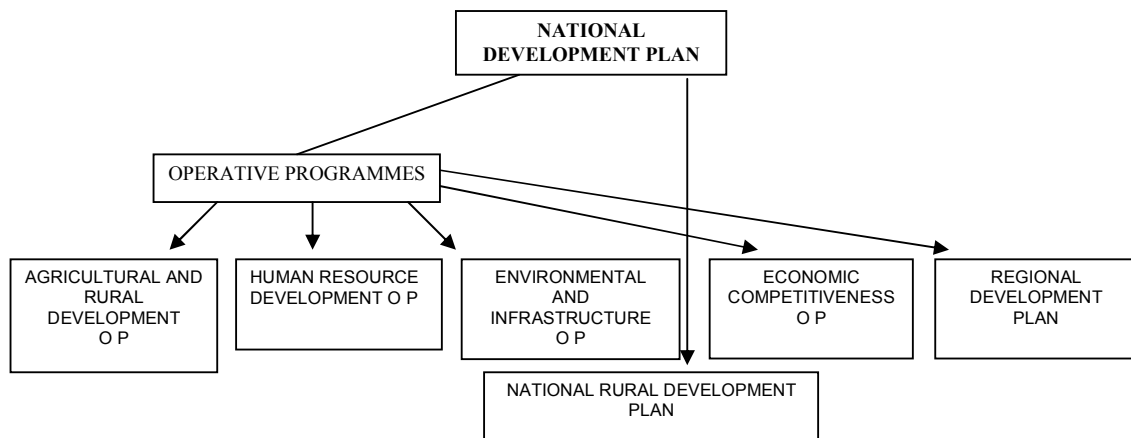


Figure 1. Interrelationships of the documents to be prepared by the MARĐ to the National Development Plan and to its objectives (source: Mohácsy, 2004).

Numerous drafts were prepared for the plans and programmes listed above and the final versions have not been completed yet; the changes in the preliminary figures and allocations might be expected. The subsidy schemes and the tenders will be in effect until 31 December 2006. Some tenders issued within AVOP are as follows:

- structural subsidy scheme for the fishery;
- village development and renovation, maintenance of the spiritual and material heritage of rural areas;
- subsidies to be granted to young farmers;

- subsidies for agricultural investments;
- development of infrastructure connected to agriculture;
- training and vocational training;
- increasing the income generation opportunities in rural areas;
- development of processing and sales of agricultural products.

In addition to the national development plans there are also some important regional and framework programmes. A measure of rural development is also the LEADER-type pilot rural development programme of the EU.

The EU commitment is to provide financing for rural development measures in the amount of EUR 919,5 million between 2004–2006, the budget of the National Rural Development Plan being EUR 602,3 million and that of the Agricultural and Rural Development Operative Programme being EUR 317,2 million. The rural development measures account for 45 % from the total budget of subsidies (Popp et al., 2004a).

It is not true that before the EU accession there was no rural development in Hungary. Even before the political and economic transition of the country there were some efforts to improve the living conditions and increase the income of the rural population¹ Based on the data of the Farms Structure Survey of 2003 of the Hungarian Central Statistical Office (KSH) the share of holdings engaged in non-agricultural activities was only few percentages. In the cases of economic organisations with the exceptions of milk processing (maintaining the level) and wine bottling (slightly increasing) the share of farms engaged in non-agricultural activities decreased in 2003 compared to 2000.

As for private farms the share of transportation increased most significantly during the same period, however, the share of milk, fruit and vegetable processing holdings increased too. The share of holdings engaged in local tourism dropped in the case of both private farms and economic organisations. In Table 1 the detailed data can be seen.

Table 1. Share of farms engaged in non-agricultural activities by farm types (%).

Denomination	Engaged also in non-agricultural activities			
	private farms		economic organisations	
	share in			
	2000	2003	2000	2003
Meat processing	0,41	0,40	1,15	0,76
Milk processing	0,13	0,62	0,39	0,38
Fruit and vegetable processing	0,21	0,50	1,32	0,78
Wine bottling	0,04	0,03	1,01	1,27
Feed preparation	0,06	0,01	7,02	1,92
Tourism, catering	0,13	0,06	3,15	1,93
Transportation	0,49	4,53	11,52	5,77

Source: Hungarian Agriculture, 2003 – Farm Structure Survey – preliminary Data of the Hungarian Statistical Office (KSH) Budapest, 2004.

We can see that the efforts for diversification the incomes can hardly be put in practice (at least up to the present moment). Obviously, this is due to numerous factors; the intention is not enough for the product the market demand is also required. This is mainly a function of the economic environment. Several researches are of the opinion that an efficient rural development cannot be implemented without a competitive agriculture.

The “future”?

You can see in Fig. 2 the structure of the funding for the rural development in the EU between 2007 and 2013.

Strategic Guidelines for Rural Development²

On 20 February 2006 the Agriculture Council adopted EU strategic guidelines for rural development.

¹ However, agricultural large-scale holdings were also largely engaged in non-agricultural activities, a part of which was connected to agriculture (food processing) but the other part was a kind of industrial activity connected to the sectors of construction or service.

² http://europa.eu.int/comm/agriculture/capreform/rdguidelines/index_en.htm

The new programming period provides a unique opportunity to refocus support from the new rural development fund on growth, jobs and sustainability.

Member States shall prepare their national rural development strategies on the basis of six strategic guidelines:

- 1) Improving the competitiveness of the agricultural and forestry sectors.
- 2) Improving the environment and countryside.
- 3) Improving the quality of life in rural areas and encouraging diversification.
- 4) Building Local Capacity for Employment and Diversification.
- 5) Translating priorities into programmes.
- 6) Complementarity between Community Instruments.

Summary and conclusions

During the last 15 years elapsed since the political and economic transition of Hungary the objectives and concepts of rural development have played a more and more important role in the programmes and plans, in press and in research etc. The question is what was implemented from the plans. We are of the opinion that “colossal” success is still expected in this field. The lack of success of the implementation is due to institutional, financial and mentality reasons.

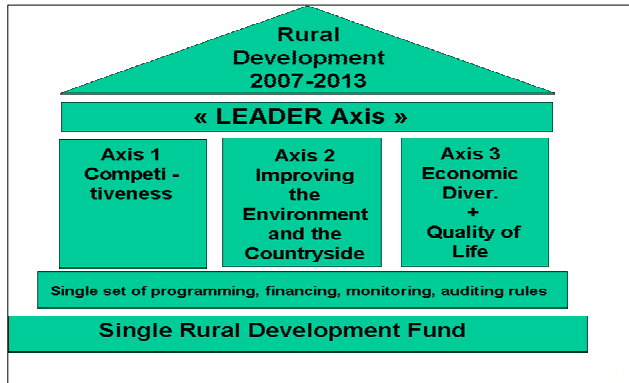


Figure 2. Rural development 2007 - 2013.

Nemes and Tóth analyzed the implementation of the pre-accession programmes (PHARE, ISPA and SAPARD). Concerning the SAPARD programme their main conclusions were the following:

- its annual budget was of MEUR 38 (it was one of the smallest budget among the pre-accession programmes);
- its Objective was to make

- preparations for the EU agricultural and rural development policy and for the procedures of the Structural Funds;
- it provided support for small projects;
- the SAPARD Agency could only be accredited only in November 2002 for 3 measures, by the end of 2003 for further 2 measures and later some new rural development measures were also accredited;
- 2.600 applications were awarded (8.827 applications were submitted) 4.500 applications were rejected due to lack of financing);
- supports were provided for the preparation of the strategies of micro-regions (consolidation of the system of micro-regions), the EU, however intended to support individual projects, therefore, the SAPARD plans of micro-regions have not received financing.

Summary: As a result of the SAPARD the rural population started to think together on the problems and on the possible solutions. Networks and partnerships were set up and local institutions were established and got used to the expressions and procedures of the EU. The expression of rural development became a widely used common word. All these activities - which in the case of the SAPARD seemed to be sometimes wasted work - provided valuable and indispensable preparation for LEADER (Nemes and Tóth, 2005).

And a general lesson concerning *rural development policy* could be: “it is obvious that policy making for rural areas is a complex task. At the same time, policies are designed on different administrative levels, for example regional, national and European. The CAP itself is in the midst of a fundamental reform process, which overlies the changes due to the accession of new members and the general approximation of CEE countries to the EU” (Patrick, Weingarten, 2004).

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