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Policies and Social Learning during the Implementation of EU Agri-  
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MŰHELYTANULMÁNYOK

DISCUSSION PAPERS

MT-DP – 2010/8

# **Environmental Governance in Hungary**

**Rural Development Policies and Social  
Learning during the Implementation  
of EU Agri-Environmental Policies**

**A Case Study**

GUSZTÁV NEMES

Discussion papers  
MT-DP – 2010/8

Institute of Economics, Hungarian Academy of Sciences

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Environmental Governance in Hungary – Rural Development Policies and Social Learning  
during the Implementation of EU Agri-Environmental Policies  
A Case Study

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# **Environmental Governance in Hungary - Rural Development Policies and Social Learning during the Implementation of EU Agri- Environmental Policies A Case Study**

Gusztáv Nemes

## **Abstract**

The Rural Development Regulation (RDR) within the Common Agricultural Policy (CAP), as an exemplary manifestation of the New Rural Development Paradigm, has achieved significant results. Nevertheless, it has increasingly become liable to institutional complexity and central control in an emerging system – discussed as ‘the project state’ or ‘projectified world’ in recent literature. The intersection of different institutional realities (European, domestic, regional, local, sectoral, spatial, etc.) and the resulting institutional bricolage is inevitably contested. The dispute is even more apparent in CEE countries, where multi-level governance is problematic and the New Paradigm has good possibilities, but little tradition. This case study of the implementation of the Hungarian Agri-Environmental Programme (HAEP) intends to illustrate how a disfunctioning project state (clientalism, insufficient bureaucracy, direct political influence) can distort the implementation of rural development policies. We found that the design and the implementation of the programme (HAEP) was subjected to ongoing political influence and the power struggle of three main mindsets, representing different lobbies: the agriculturalists, the green-minded and the accountability-minded actors. As a consequence, the main emphasis remains on the distribution of financial resources, thus original objectives (environmental protection and effective social learning) are not fulfilled. The case study is part of my ongoing research “Local Development Policies in a European Project State - A Systemic Analysis of Institutional Bricolage” supported by an NFM-OTKA grant.

**Keywords:** social learning, environmental governance, agri-environmental policies, CAP, EU policies, environmental protection, project state, evaluation

JEL: D73, D74, D78, H83, J18, Q00, Q01, Q18, Q19, Q51, Q56, Q58, Y80

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# **Környezeti Kormányzás Magyarországon - Vidékfejlesztés és társadalmi tanulás az EU-s agrár-környezetvédelmi politikák alkalmazása során**

Nemes Gusztáv

## **Összefoglaló**

A Közös Agrárpolitikán (KAP) belül az új Vidéki Paradigmát képviselő Vidékfejlesztési Fejezet jelentős eredményeket ért el a vidéki Európa fejlesztésének területén. Az utóbbi időben azonban egyre inkább ki van téve a helyi autonómiát korlátozó központi irányítás és intézményi komplexitás által okozott problémáknak, melyeket a közelmúlt szakirodalma a „projektállam” vagy az „elprojekttesedett világ” címszavai alatt tárgyal. A vita még inkább nyilvánvaló a közép-kelet európai országokban, amelyekben a többszintű kormányzás alapvető problémákkal küzd és az új fejlesztési paradigma alkalmazásához ugyan jók az adottságok, de szerények a hagyományaink és nincs meg a központi politikai akarat sem. Ez az esettanulmány a Nemzeti Agrár-környezetvédelmi Program (NAKP) végrehajtásának és hatásainak elemzésén keresztül kísérli meg bemutatni, hogy a projektállam működési zavarai (a kliensrendszer, a rossz hatékonyságú adminisztráció, a közvetlen politikai irányítás) hogy torzíthatják a szakpolitikák végrehajtását. Kutatásunk azt mutatta, hogy az NAKP megalkotását és végrehajtását is jelentősen befolyásolták (nem szak-) politikai megfontolások, illetve a fő érdekcsoportok közti pozícióharcok. Ezeket a tanulmányban megközelítésük (avagy világnézetük) szerint három csoportra osztottuk (kemény agrárosok, zöldek, hivatali elszámoltatók). A szakmai szempontoktól eltérő befolyások következménye az NAKP esetében az, hogy a fő hangsúly a pénzügyi források elosztásán maradt és az eredeti célok (a környezetvédelem és a hatékony szociális tanulás) nem, vagy csak részlegesen teljesültek. A jelen esettanulmány az NFM-OTKA támogatásával végzett "Helyi fejlesztéspolitika egy európai projektállamban – Az intézményi brikolázs rendszerszemléletű elemzése” című folyamatban lévő kutatási program keretében készült.

**Tárgyszavak:** társadalmi tanulás, környezeti kormányzás, agrár-környezetvédelmi program, KAP, Közös Agrár Politika, EU szakpolitikák értékelése, projektállam.

JEL: D73, D74, D78, H83, J18, Q00, Q01, Q18, Q19, Q51, Q56, Q58, Y80

**Köszönetnyilvánítás:** A cikk a Norvég-OTKA kutatási támogatás (pályázati azonosító: NNF 78850) és a RuDI (Assessing the Impact of Rural Development Policies) EU 7<sup>th</sup> Research Programme segítségével készült.

## Glossary

### The three subsequent agri-environmental measures in Hungary:

<b>NAPP</b>	<i>National Agri-Environmental Protection Programme 2002-2004</i>
<b>HAEP 2004-06</b>	<i>Hungarian Agri-Environmental Programme 2004-2006 under the National Rural Development Programme (NRDP)</i>
<b>HAEP 2007-13</b>	<i>Hungarian Agri-Environmental Programme – HAEP under the New Hungary Rural Development Programme 2007-13 (NHRDP)</i>

### Other acronyms:

<b>ARDA</b>	<i>Agricultural and Rural Development Agency</i>
<b>CAO</b>	<i>Central Agricultural Office</i>
<b>CAP</b>	<i>Common Agricultural Policy</i>
<b>DAERDA</b>	<i>Department of Agri-environmental and Rural Development Aid within ARDA</i>
<b>DAHAM</b>	<i>Authority for Nature Conservation, Department of Agri-harmonisation and Asset Management within MEW</i>
<b>EMD – MARD</b>	<i>Environmental Management Division of MARD</i>
<b>MARD</b>	<i>Ministry of Agriculture and Rural Development</i>
<b>MEW</b>	<i>Ministry of Environment and Water</i>
<b>NP</b>	<i>National Park – special highly nature conservation area in Hungary</i>
<b>NOAPC</b>	<i>National Organisation of Agricultural Producers and Co-operatives</i>
<b>NRDP</b>	<i>National Rural Development Plan 2004-2006</i>
<b>RDTAI</b>	<i>Rural Development Training and Advisory Institute</i>
<b>SAPARD</b>	<i>Special Accession Programme for Agriculture and Rural Development</i>
<b>SAPS</b>	<i>Single Area Payment Scheme – the model chosen by Hungary for CAP payments</i>

## 1. INTRODUCTION

The current Hungarian Agri-Environmental Programme (HAEP) was planned as a part of New Hungary Rural Development Programme for the period 2007-13 and has been operating since the beginning of 2008. The first call to participate in the programme (i.e. to submit applications) was announced in May 2009, whereas the programme itself was launched on 1<sup>st</sup> September 2009. However, in the middle of December (when this study was drafted) the final results on exactly which enterprises would be selected to participate and get financial support were not published yet. There are various reasons for this delay deriving from institutional and political culture, tensions and power-struggle among different ministries, non-governmental organizations (NGOs), economic and professional lobbies, and the frequent disharmony between EU requirements and existing Eastern-European conditions. At the outset of an expected significant reform of the Common Agricultural Policy (CAP), the investigation of the framework and objectives of the rural development system and more precisely for this case study, of agri-environmental development is highly relevant.

Although now we are only halfway through the EU's current programming phase, the negotiations already started on the policies for the period after 2013. We are only in the preparatory phase of throwing out sensors to survey political intentions, thus the future is rather unclear, yet some changes seem fairly probable in the reflection of international tendencies and ongoing debates. EU-programmes in the future will most probably focus on large-scale issues such as climate change, preventing and easing the consequences of financial and economic crisis, immigration, or improving EU competitiveness and its role in the international politics. After almost fifty years a good opportunity presents itself to put an end to CAP's control on the majority of EU resources<sup>1</sup>. In any event agriculture as well as "rural development" in broader terms will in all probability receive much less funds. It is therefore essential to use the remaining sources rationally and effectively to the real benefit of the rural society and do not let the most powerful political and economical interest groups share in them. It calls everybody to face problems in an open way, analyse deeper connections and struggles for power among interest groups concerned, which can help to improve implementation conditions and background institutions of the programmes.

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<sup>1</sup> In the spring of 2009 posters with the headline "NO TRACTOR, NO AGRICULTURE, NO RURAL DEVELOPMENT" appeared in the lobbies of the European Parliament. A tractor crossed in a red circle symbolized an intensive campaign launched against the current CAP.

The following report is a case study within the EU 7<sup>th</sup> Framework Programme project “Assessing the impact of rural development policies (including Leader)” (RuDI, project no. 213034) attempts to investigate the establishment and results achieved through the National Agri-Environmental Programme with special focus on participating interest groups and lobbies and any possible alliances and conflicts among them; the development and operation of institutional background; possibilities of social learning and the probable effect the program may have on the approach of the participants’ towards environmental values. For the time being HAEP lacks practical implementation (no final decision has been achieved yet and first disbursements are scheduled for 2010), so our focus is primarily on programme preparation. Planning, relation to previous programmes, executive institutions, and relevant orders are examined. The research, primarily based on interviews and structured conversations, was carried out in November and December 2009. In addition some significant documents (see literature) were analysed.

Three main problem areas were studied:

1. Did the social and professional networks and institutions related to the programme made any progress in terms of planning and execution in the history of the Hungarian Agri-Environmental Programme? Do we experience social learning? What are the main elements influencing it and how?
2. How and by whom was the current programme developed? What interest groups, partnerships, specialists were involved and what governing techniques were applied in the preparation process? What are the key differences compared to the previous programmes and what sorts of professional, political, and economic arguments and lobby power triggered observed changes?
3. What problems have emerged in the course of implementation? What is the cause for the delay in getting the programme started? What can we expect in the future?

The following section gives a brief overview of the three agri-environmental programmes already implemented in Hungary. Then we list the most important actors, participating in the development of the programme and provide a short analysis of alliances and tensions between them. The next section lists the most important problems that could be identified concerning the implementation of HAEP in Hungary. Since the current programme implementation has hardly started, these will mainly concern problems encountered at implementing the previous programme, nevertheless, many of these are likely to persist. The last section gives an analysis of the problems and difficulties of the planning and implementation of the agri-environmental measures on a more

conceptual level, trying to set light to the background of some of the issues and problems discussed before.

## **2. AGRI-ENVIRONMENTAL PROGRAMMES IN HUNGARY**

### 2.1 NATIONAL AGRI-ENVIRONMENTAL PROTECTION PROGRAMME (NAPP)

In Hungary agri-environmental management now draws on a history of over one decade. Since the middle of the nineties, ministries, research institutions, and NGO experts joined to study how to adopt the EU's agri-environmental policy in Hungary. The Department of Plant Protection and Agri-Environmental Protection of the Ministry of Agriculture and Rural Development (MARD) co-ordinated the project. The Government approved the result of their efforts called **National Agri-Environmental Protection Programme (NAPP)** in 1999, but the programme was launched as pilot project not sooner than 2002 due to lack of funds from the national budget. The main goal was to prepare local farmers and the institutional system for the much higher EU subsidies in order to avoid "*live attempts*".

In accordance with the general EU practice the programme granted area-based payments in forms of horizontal and zonal targeted schemes, which were supplemented by other small-scale subsidies (model farms, supplementary payment to increase livestock, etc.). This system has persisted in national Agri-Environmental Management policy ever since. Horizontal targeted schemes were available in the entire country in all agricultural areas without geographical restrictions. Farmers joined on a voluntary basis and signed five-year contracts about undertaking environmental requirements. Zonal schemes were announced in provisionally selected areas of significant natural value<sup>2</sup>, whose sensitive character required special crop management procedures. In NAPP rules were still tailored to the nature protection needs of the region in concern and participating farmers in each zone were eligible for different grants. This resulted in considerable geographical variations in the implementation of the programme (although one of our interviewee said "*differences in many cases simply derived from different interpretation of rules in each region, and were not due to well-established professional work*").

The programme witnessed fairly active interest from the first year on (2002). As many as 5321 applications were submitted to the tender, which totalled an area of 271,000 ha and claims of HUF 4.5 Billion as area-based payment. The total budget for both horizontal and zonal schemes was only HUF 2.2 Billion, which finally supported 2,700 applications to apply various environmentally-friendly technologies in 153,000 ha. In addition to this

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<sup>2</sup> In the beginning they were called Environmentally Sensitive Area (ESA), later High Nature Value Area (HNVA).

area-based subsidies were paid to agri-environmental protection model farms (11 farms received HUF 81 Mio.) and for supplementary animal measures (HUF 250 Mio. to approximately 560 farms). In the following years the Ministry allocated HUF 4.5 Billion to the programme, which attracted 7,503 applications for area-based subsidy. The area of land applied for almost reached 301,000 ha and the total demand for subsidy exceeded HUF 5.4 Billion. Finally, 5,056 applications covering a land area of 234,000 ha were selected. The scope of supplementary programmes extended too: ecological and extensive husbandry (HUF 500 Mio.); to establish and run agri-environmental management model farms (HUF 104 Mio.); to implement complex agri-environmental management model projects (HUF 64 Mio.). Special development projects related to agri-environmental management (HUF 183 Mio.), which amounted to a total of HUF 851 Mio.

The implementation of the programme was directly managed by the Department of Plant Protection and Agri-Environmental Protection. Some 5 out of the 11 staff of the department were working closely on the programme, and in all 19 county offices of MARD there was a responsible person devoted to the programme.

## 2.2 HUNGARIAN AGRICULTURE-ENVIRONMENTAL PROGRAMME (HAEP - NRDP) <sup>3</sup> (2004-2006)

In SAPARD<sup>4</sup> program there was a possibility of giving support to agri-environmental protection, encouraged by the EU Commission's objectives, but Hungary, among other countries, did hardly follow that recommendation. The next programme addressing agri-environmental measures (HAEP) came to stage after the accession to the EU, for the period from 2004 to 2006. Compared to NAPP, many details of the programme were changed<sup>5</sup>, but its basic structure (horizontal and zonal schemes) persisted. Besides the expanded budget the key difference was in the conditions of execution. The management and supervision of HAEP 2004-06 was delegated to the Agricultural and Rural Development Agency (ARDA) which was the national paying agency, established within the framework of CAP. Another important difference was the horizontal targeted scheme called "basic arable land scheme" which was inserted into the programme in the very last moment and provided minimum support to arable land cultivation under very loose control (looser than that of integrated management of arable lands).

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<sup>3</sup> The following subchapter relies on the chapter on HAEP in NRDP's ex-post assessment (Respect KFT 2009 pp. 51-121).

<sup>4</sup> Special Accession Programme for Agriculture and Rural Development – it was supposed to prepare the country's rural development to the accession to the EU.

<sup>5</sup> One of the main changes was that zonal schemes got simplified. Area-specific differences got eliminated and requirements in all nature-conservation areas were standardized, whereas the scope of horizontal schemes expanded remarkably. For AKG schemes please see table 1 in the Appendix.

The EU's STAR Committee passed the National Rural Development Plan (NRDP) on 20 July 2004, and the Decree no. 150/2004 (X. 12.) on HAEP came into effect relatively soon, on 15 October 2004<sup>6</sup>, on condition that its provisions for eligibility of payment would come into force as of 1 September. According to the schedule announced and described in the programme, HAEP would have been introduced gradually over three years with its budget incrementing year by year (approximately 20-24-30 billion HUF in subsequent years), offering more and more schemes<sup>7</sup>. Upon the announcement of a new, EU-based policy with commitments for 5 years it seemed a logical solution, allowing for continuous improvement, social learning, with the view of establishing good operation for the long run. Agri-Environmental Measures attracted active interest from farmers. In 2004, the year of announcement 37,475 individual applications were received concerning a total land area of 1,840,190 ha and 9,875 animal units. It was more than three times the amount expected for 2004 in terms of number of applications, land area, and financial demand, too<sup>8</sup>. The processing of the 2004 applications was started in January 2005. Owing to the large number of applications and insufficient human and technical resources (computerised processing, insufficient IT system and application management software) the processing of applications took a long time for ARDA and it was as late as October 2005 when they began to send decisions, pay site visits, and make payments (see Table 2). Considering the intense interest for the measures MARD passed several important decisions. The funds allocated for HAEP for 2004 and 2005 rose to yearly 42.69 billion HUF which doubled amount of the indicative budget. At the same time HAEP was closed down for the rest of the programming period, in other words no applications were accepted for this scheme in the following years (in practice until 2009). Another important decision was to apply ranking only in case of the arable land schemes (virtually only in the basic and integrated programme), thus any other application that passed the administrative checks (in the case of all nature conservation scheme, for instance) was given subsidy. The fourth important decision with consequences lasting so far was, the whole programme was transferred into the scope of Administrative Procedure Act (KET) in order to avoid further delays due to the large number of applications. Instead of making contracts, ARDA was to pass decisions only, but that change brought further important consequences, too. In contrast to the spirit of the programme and the general European practice, applicants became "clients" which replaced the original partnership with another

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<sup>6</sup> Those hardly three months were far from sufficient to work out the decree and the haste was a source of plenty of problems later.

<sup>7</sup> Accordingly, many target areas listed in the original programme were not announced finally.

<sup>8</sup> Most applications were submitted under the basic arable land scheme (17,280), which, together with those under integrated arable land management (4,094), covered two-third of all applications and three-quarter of agricultural land.

type of authority-client relationship of a rather different nature. In case of a consequent implementation of stable rules this could result in a higher level of transparency and stability for beneficiaries, nevertheless, it certainly gives more power to management and implementation authorities, and represents a more formal, in-depth regulated structure, compared to the preceding application-based system.

Programme implementation encountered many problems in later stages. Due to lack of experience, the short period between acceptance and launch of NRDP, and unprepared support institutions for HAEP implementation, the decree and the related Good Farming Practice (MARD 2004a and 2004b) were amended as many as 14 times, affecting changes in over 40 issues including several key ones as well. This generated permanent uncertainty both among beneficiaries as well as executing staff. Yet the main problem was that many farmers took up the measures without due previous consultation, preparation and information. It is no surprise, since the executing and consulting institutions during the first year had to serve 31,314 clients, opposed to the planned 10,000 to 12,000 applicants. Most farmers who joined the programme were not aware of the relevant requirements. In the beginning many believed that HAEP was just a low-risk, easy-to-get support and only in later control phases they realized the requirements they should have complied with. Lack of information caused two additional problems. First, in contrast to the relevant rules many joined the programme with land areas effectively not cultivated, but in a state as registered in the Land Registry (which included dirt roads and filed margins as well), a definition which later needed some correction. Secondly, there were others who failed to submit payment applications, because they believed payments would be disbursed automatically together with SAPS payments after the positive decision. Resulting from these problems the number of persons and land area in the programme dropped significantly by 2006: the number of applications decreased by 17% and the sums paid and land area involved in the programme reduced by 7.5% each in comparison with the first year of the programme (see Tables 4-7 in the Appendix). When an application was withdrawn, the applicant had to repay all or part of the payment already disbursed, which caused major financial problems to many farmers.

In addition, contrary to the original plans a reversed tendency evolved, which caused the programme to diminish instead of gradually increasing the budget. In comparison to the original estimate in 2004 the programme performed at 215%, whereas in 2006 this ratio was as low as at 134% (Table 4. in the Appendix). It becomes even more complex if financial fulfilment is analysed broken down to schemes. Such analysis clearly suggests reasons why arable land programmes (basic and integrated) performed far beyond the original estimates even after the drop in interest, the nature-conservation programmes of

higher environmental value (especially those related to husbandry) witnessed a significant decrease and managed to support much less farmers than planned.

### 2.3 HUNGARIAN AGRI-ENVIRONMENTAL PROGRAMME 2007-13 (HAEP - NHRDP)

The planning phase of the current HAEP commenced in 2006. Originally MARD invited the expertise of specialists working in the Faculty of Agricultural and Environmental Sciences at Szent István University in Gödöllő to co-ordinate the project. The project planners wanted to shift the scheme-based system to a module-structured system, in which farmers would have been offered a menu consisting of some compulsory elements and a wide range of facultative blocks with increased focus on the environmental restrictions and corresponding grants specific to their geographical-natural zone. The resulting system would have been much more flexible than the existing one. Participants in nature-conservation programmes could have created customized mini-programmes to themselves. MARD considered that concept unfeasible under the Hungarian conditions of that time. Neither farmers and the network of consultants nor the administrative and control system seemed experienced enough to manage such a complex system; even today they are unable to deal with such a challenge. In the finally agreed scheme-based system it was very easy to fill in an application: farmers were to supply only five particulars: name, registration number, name of scheme(s) applied for, area and location(s) (physical blocks) of area(s) to be involved in the application. Many applicants, however, failed to fill in even this very simple form correctly, which practically indicates it would have been hopeless to let applicants select from complex menus. For differences of opinion the assignment was cancelled and another team of expert continued with the planning of the programme.

In the course of planning the scope of social dialogue was fairly extensive, at least under Hungarian conditions. Many organisations for the representation of interest, NGOs, and departments in various ministries were given the opportunity to assess several draft versions of the plan. Also, MARD organised public debates in which programme designers and stakeholder organisations participated. As a result plenty of details were changed in each scheme. However, many participants missed the possibility of having been involved in laying the foundations of the programme in the initial phase of planning. The final and approved programme adopted the previous, scheme-based system with some simplifications and supplements added. The basic arable land scheme ceased to be applied and the conditions of integrated arable land cultivation (the most lenient scheme) became more severe. The programme of High Nature Value Areas (HNVA) also changed. The

scope of areas eligible for the programme was redefined and renamed<sup>9</sup>, and the area grew to 900,000 ha (almost doubled). At the same time, due to pressure from the EU some former nature conservation schemes merged (some ended finally) which improved the controllability and measurability of requirements. Based on previous years' experience some requirements in specific schemes also changed<sup>10</sup>.

The final version of the programme was approved in September 2007 and the competent department of MARD (EMD) began to prepare the relevant decree. The five-year commitments of the previous HAEP expired in 2009 only, and since according to MARD's decision the launch of the new programme was planned only after the termination of the previous one, there was plenty of time to draft the decree. Compared to the previous parliamentary cycle the Ministry increased the staff at the competent department serving as control agency, therefore the number of people dedicated to those issues grew from about 2 - 3 persons to approximately 10. In the course of preparing the decree MARD primarily worked together with Agricultural and Rural Development Agency and *Ministry of Environment and Water* (MEW), though they consulted with various organisations for the representation of interest, too. On 6th February 2009 the decree was practically ready and was provided for interdepartmental discussion (with a deadline of two weeks). At the same time the draft became public and not only governmental, but also non-governmental organisations sent many opinions and suggestions. MARD answered almost all inquiries in a public website (which was quite unusual from a governmental department) and did its best to incorporate the suggestions in the final version to the extent possible. The second phase of public debate started on 16 March, but allowed only 1 week for discussion. Finally, the Agricultural Committee of the Parliament discussed the document. The main debate arose regarding the allocation of financial resources among schemes and as a result of the debate the table on the allocation of sources was removed from the final decree. It is generally held that the result of timely, thorough planning that took experiences from the previous HAEP into account was both for the programme and for the decree a great success. There was hardly any need to amend the decree (which, again, was quite unusual in MARD's rural development department's practice), and despite the decree being rather long and complex, it was able to manage the relevant issues and served as good, stable fundamental rule that helps to implement the programme.

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<sup>9</sup> Environmental studies prepared by mostly non-governmental organisations supported by Ministry of Environment and Water (MEW) and foundations served as basis for the designation of these areas.

<sup>10</sup> Insecticides, for example, used to be listed on a positive list, which means only those found in the list were allowed for use. From then on only harmful insecticides were prohibited. Farmers became obliged to use green fertilizers every five years, and the compensation for various fruit types got differentiated, etc.

The programme was announced on 1 June 2009, first with a deadline of 30 June, but later it was extended till 20 July. In submission phase governmental, professional and environmental organisations made considerable efforts to publish and make HAEP as popular as possible. Presentations at regional, county, small regional level were held, publications were spread, special training courses were organised for consultants, and a website for information purposes was established. Again, intensive interest for the programme was experienced and about 25,000 applications covering 2.23 Mio. ha of land, of which 1.63 Mio. ha (over 16,000 applications) were submitted in the “integrated arable land cultivation” scheme. Applications were submitted electronically; therefore the relevant basic data were available very soon after the deadline. The basic data suggested that the “integrated arable land cultivation” scheme was by far over applied, while the rest of target programmes attracted roughly as many applications as earmarked<sup>11</sup>. MARD decided to grant support to all applications that passed the administrative control, outside the scope of the integrated scheme and. They published an official statement on this soon after the start of the economic year (Managing Authority Decree (63/2009) 4 September 2009), so prospective winners could start autumn works in the field as required by HAEP rules. However, such a statement did not equal to a decision on payment nor could it serve as proof of eligibility to the applicant.

Scoring and ranking of projects of the “integrated scheme” went very slowly and it was as late as mid December 2009 when the first decisions were sent out to beneficiaries. Although by the middle of January 2010 about 90% of applicants have received the positive decision on granting support, there are no final results available at the time of final drafting (February 2010), because the Ministry has yet not finished with a few hundred applications. Until all decisions are sent out, no final rank may be established<sup>12</sup>. By the middle of January ARDA approved as many as 14,553 applications, which ensure environmental-friendly crop management on some 982,000 ha in the forthcoming five years. Out of the 16,000 applications received under integrated crop management 2,507 applications covering a total land area of 515,000 ha were selected (about half the area applied for). In the course of judgement priority was given to farmers who take care of large livestock, those who cultivate NATURA 2000 areas, and those who had participated

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<sup>11</sup> The number of applicants to the organic farming schemes equalled the expected figures, whereas a little bit less applications were received to wetland and erosion control schemes than anticipated, and a little bit more applied to grassland management and to permanent cultures than anticipated, but all in all total demand met preliminary expectations.

<sup>12</sup> The following procedure was applied to announce temporary results: the possible funds demanded by unprocessed applications were subtracted from all available funds, and the preliminary pass rate was determined accordingly – it equalled 45 points in integrated crop management, the one and only scored measure. Applications with scores around 43 to 44 will probably be granted support as well, but it will turn out only when all applications will be processed.

in the previous HAEP as well; accordingly, it seemed mostly farmers taking care of large areas were on the winning side. It was a considerable change in comparison to the previous HAEP, especially if basic and integrated schemes are totalled. Compared to the previous period land area involved in the scheme dropped roughly to half, whereas the number of beneficiaries decreased to less than one-sixth in the current period. Accordingly, the average size of farms that received payments increased from 65 ha to over 205 ha, which underpins the preference of the selection process for large-scale farms.

### **3. TENSIONS AND ALLIANCES OF LOBBIES, INTEREST GROUPS AND STAKEHOLDERS**

As the Hungarian agri-environmental programme has been growing in scale and resources since the Millennium, it generated an ever increasing interest both in policy, political and economic circles. More and more institutions got involved in (or were especially created for) the planning and implementation of the programme. Different lobbies started to pay attention and intended to influence planning and new legislation, etc. Various approaches could be possible for the analysis of the current, complicated network of actors and interests. Actors could be divided into groups of public, private, civilian institutions; they could be examined on local, national and European level. For the purpose of framing the analysis in this case study, we have identified three different worldviews that define the main objectives and mindsets of the various actors involved. These worldviews cut across boundaries between public-private institutions, local, national, EU levels, different groups of producers and beneficiaries, etc. The categories are far from being exclusive; there are many gaps and overlaps. Nevertheless, we suggest that the distinction can help to understand policy design and implementation aspects, the working of the 'project state' and its relation to different interest groups.

The three main mindsets used for the analysis are as follows:

1. the '*Agriculturalists*' – the main concern here is to ensure that EU resources are made available to maintain and improve agricultural production (and society) on different levels and in different sectors.
2. the '*Green-Minded*' – the main concern here is to use EU resources for the protection of the natural environment, with special regard to valuable, endangered species.
3. the '*Accountability-Minded*' – the main concern here is to spend EU money on the most clear and accountable way, excluding fraud and ensuring top-down transparency.

There is one more important dimension that has to be mentioned here, which is the willingness of the ruling political power (in this case the governing Socialist Party) to use every available source and influence (including EU aid) for creating political capital and reinforce its power. This dimension is cutting through the whole picture, but very difficult to capture and analyse. Nevertheless, there are some problems that we cannot hope to explain or understand without addressing it. The following gives an overview of the main actors involved and attempts to analyse (power) relations, alliances and tensions between them.

### 3.1 THE AGRICULTURALISTS

This group includes most agricultural producers, their advocacy organisations and lobbyists, the Ministry of Agriculture and Rural Development (MARD) and some attached institutions. DG Agri on the European level can also be seen as part of it.

Hungarian agriculture is highly polarised. At one end, there is the 'market oriented agriculture' consisting of mainly large, intensive, commercial farms (private businesses and the successors of old co-operatives, state farms) cultivating typically rented land with improved machinery. They hold some 65-70% of the land area and represent the vast majority of the marketable products produced in Hungary, providing the supply for export and domestic consumption. The other end of the spectrum consists of approximately one million small plots, using less than one hectare each (16.8% of the cultivated area). These mini farms produce mainly for self-subsistence and income supplement, using very little or no machinery, most of their products do not even appear in statistics or in the taxation system. However, for many families, especially in rural areas, this traditional agricultural activity is essential, sometimes they only mean to survive.

***Environmental Management Division (EMD) of MARD*** – is the management authority for the Agri-environmental Programme and other measures within the second pillar of the CAP. There are 11 staff, out of which 3-4 are working full time on HAEP. The director has much experience about agri-environmental policies, as she has worked in this field since 2003. This division is a key actor for the policy, it commissioned and managed the planning of all three subsequent programmes, organised the social debate, developed the legislation and it still plays an important role during the implementation.

***Rural Development Training and Advisory Institute (RDTAI)*** – is a satellite institute of the Ministry. It has been commissioned to organise trainings, information events and road-shows on the programme. It published all official training material. It is also managing an advisory service for the Agri-environmental Programme, with more than 700 advisors, selecting, training, testing and monitoring them. This advisory system is

highly supported by MARD. (E.g. producers, making contracts with one of these official advisors, alongside other benefits, get back 80% of the price they pay for the advice.)

***Central Agricultural Office (CAO) – and the nationwide network of agricultural extension advisors ('falugazdász hálózat')***. CAO is a background institution for MARD, including various services and offices connected with agriculture and food production (such as the Central Plant Protection and Soil Conservation Service, National Institute for Agricultural Quality, etc.). The network of agricultural extension workers, including over 800 advisors, as the main vehicle to deliver knowledge and professional aid to agricultural producers currently belongs to this institute. These extension workers used to belong to the Agricultural Chambers (at that time there were over 1,000 of them) and were the main advisors for the programme during the first round of HAEP. Today they are public servants and therefore cannot receive payments for professional advice. They help the producers to keep regulations, to apply to the programme; they also take part in the control system, but are officially excluded from the advisory system and cannot receive payments for advice.

#### ***Hungarian Agricultural Chambers***

This is one of the main organisations for agricultural producers, having a long history in lobbying for the interests of industrial agriculture. They used to accommodate (employ) the nation-wide network of agricultural extension workers (see above). Today they run another advisory system, funded by the state, of approximately 200 advisors. They deliver free advice to the producers, are closely monitored and controlled and have a broad knowledge of agricultural related issues, including HAEP.

#### ***National Organisation of Agricultural Producers and Co-operatives (NOAPC)***

Most of the large-scale agriculture is represented by this organisation. Their members hold more than half of the cultivated area, and together with the vertically integrated production, produce approximately 60-70% of the marketable agricultural products. The NOAPC represents the interests of agricultural employers as well as agricultural producers. They participate in all sorts of statutory and party committees and boards as an institution, or through some of their members. They do a lot of direct lobbying in the parliament, in the government and in the different ministries, and also have good international connections on EU- as well as on global level. They have a well-developed institutional system with at least one office and permanent staff in every county.

#### ***Ministerial advisory group***

This is an unofficial body, consisting of representatives of NOAPC and some very large private agricultural businesses. They represent probably the most powerful lobby group in

the agricultural policy arena, and as several examples show, can directly influence processes and decisions, through advising personally the Minister.

### ***National Association of Hungarian Farmers' Societies (NAHFS)***

They claim that their primary task is to represent the interests of private farmers including small and medium size farms and new type supply, marketing and service co-operatives established and managed by these farmers. Practically it is an “umbrella organisation”, having mainly local farmers' unions as members, representing both part-time farmers and full-time agricultural entrepreneurs. They have members all over the country; however, the Eastern parts are better represented than Trans-Danubia. They provide their members with practical support, information and expertise. The other field of their activities is political lobbying for the interests of family farms. Nevertheless, their political contacts to the current socialist government are rather weak, thus it often proves difficult to achieve positive results. The NAHFS keeps strong connections with similar associations in various European countries and it is also a member of several international organisations.

### ***Young Farmers' Hungarian Association***

This association is closely connected to NAHFS, both in political and personal terms. They are often seen as the junior organisation of NAHFS, with similar aims, objectives and values.

### ***DG Agri***

DG Agri is of course not part of the Hungarian policy arena, however, should be considered a very important and influential player. Regulations, requirements for HAEP are set by DG Agri, certain objectives and values are promoted, and though on the national level there is a large scale of freedom for the interpretation of EU requirements; there are certain instruments to ensure a fair amount of Brussels' influence, too. On the other hand, DG Agri, and EU requirements in general are often used by politicians and bureaucrats to justify certain acts and approaches, in other words to disguise domestic decisions as answers to external requirements.

## 3.2. THE GREEN-MINDED

### ***Ministry of Environment and Water (MEW), Authority for Nature Conservation, Department of Agri-harmonisation and Asset Management (DAHAM)***

The Ministry is in charge of the overall strategy of environmental policy and legislation, co-operating with other ministries. It is responsible for environmental issues and executes the governmental environmental policy through the activities of various offices and regional organs. DAHAM is a small unit within the Nature conservation

division of the Ministry. It has co-operated closely with EMD during the last ten years in subsequent iterations of HAEP. Their main concern has been to achieve a better position (more resources available, land area eligible, farmers involved, better/more detailed restrictions) for special nature conservation measures within HAEP.

***National Parks – (NP - special nature conservation areas)***

There are ten National Parks (NPs) in Hungary. They belong to MEW, and represent the main instruments and territories for nature conservation. They used to have an authoritative role in their territories (having a decisive say concerning planning permissions, e.g.). Nevertheless, for today they have lost this role, their remaining task being the management of the National Ranger Service. Within HAEP, National Parks are mainly concerned with the zonal schemes for nature conservation, since High Nature Value Areas (HNVAs), selected for nature conservation measures usually belong to National Parks (NP). Every NP has special coordinators for their HNVAs. They were actively participating during the programming period, giving experts opinions on rules and restrictions within the nature conservation measures. They took part in the campaign for recruiting applicants for HAEP and they are supporting producers, taking part in nature-conservation measures to comply with the requirements. After long negotiations they also can officially take part in the control above these measures.

***Environmental NGOs (various types)***

There are more than 200 environmental NGOs working with rural development issues. Although, environmentalism is not a mass movement (all NGOs together have less than 20,000 members), it is quite influential in national and local politics. There is a range of different organisations. Some of them are rooted in the political movements of the late '80s. In those days the field of environmental protection represented the most important field where dissenting opinion could be expressed and the socialist system could be attacked. These organisations took an active part in overthrowing the previous system, and political lobbying remains the most important activity for them until today<sup>13</sup>. Some others, like WWF Hungary and Birdlife Hungary, joined political lobbying and gained influence latter, as Hungarian branches of international organisations. Other groups rather concentrate on conservation work in a particular geographical area with outstanding natural values or on special fields of environmental protection (air pollution or municipal waste management). These organisations vary in size, resources and possibilities to a great extent. The third type consists of groups, based mainly in larger rural cities, having good local connections and knowledge in their area. Over the years they developed a range of programmes and local networks, concentrating mainly on their county, but participating in all sorts of different matters, (beside conservation in the

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<sup>13</sup> Examples would be the Circle of the Danube, or the Association of the Hungarian Conservationists.

drawing up of development plans, maintenance of rural heritage, etc.)<sup>14</sup>. Environmental NGOs, especially the influential political lobbyists, have had a very close and mutually supportive relation with MEW during the last eight years.

### ***Ecological producers - beneficiaries***

Part of these are overlapping with ecological NGOs, indicating groups in small, mainly backward rural regions that built local organisations, taking an integrated approach and trying to organise or influence every area of life according to a sustainable, holistic manner in a small geographical area. Examples are Pangea, Pro Vértes Csákvár, Nimfea, Gyűrűfű Foundation, etc. Other ecological producers, working as individual entrepreneurs, receiving subsidies can take a wide variety of approaches, from being completely green-minded, to only taking advantage of subsidies with a minimal effort towards environmental protection.

### ***DG Environment***

Again, DG Environment is an important player, a source of lobby power concerning environmental programmes in Hungary, pushing for more complex and more protective policies.

## 3.3. THE ACCOUNTABILITY-MINDED

### ***The Hungarian Agricultural and Rural Development Agency (ARDA) – Department of Agri-environmental and Rural Development Aid (DAERDA)***

ARDA is the main executive agency for implementation, control and payments of rural development policies in Hungary, covering all measures under the CAP. There is a special unit for the development of procedures for HAEP and the other RDP measures (5 people working closely with HAEP), but there is no special unit set up for the implementation of HAEP. Assessment of applications, claims, as well as payments and controls are performed by the same staff for all the programmes. ARDA has a large central office and seven regional offices. Staff is generally very young, with little previous experience, mainly employed on short term contracts, resulting in a high staff turnover. According to most interviews, the general approach towards beneficiaries is that of a “*catch and punish*” type, the institution and its staff lacks all kind of flexibility and reflexivity. On the other hand, ARDA has the responsibility for avoiding fraud and they get the most control and audit from the EU. It also has a very strong position within the rural development policy system, with considerable influence not only on implementation but also on the planning of new policies.

### ***European Court of Auditors (ECA)***

Hungarian institutions receive regular checks and evaluations from ECA. In autumn 2009 there was a control undertaken concerning the efficiency of the institutional system

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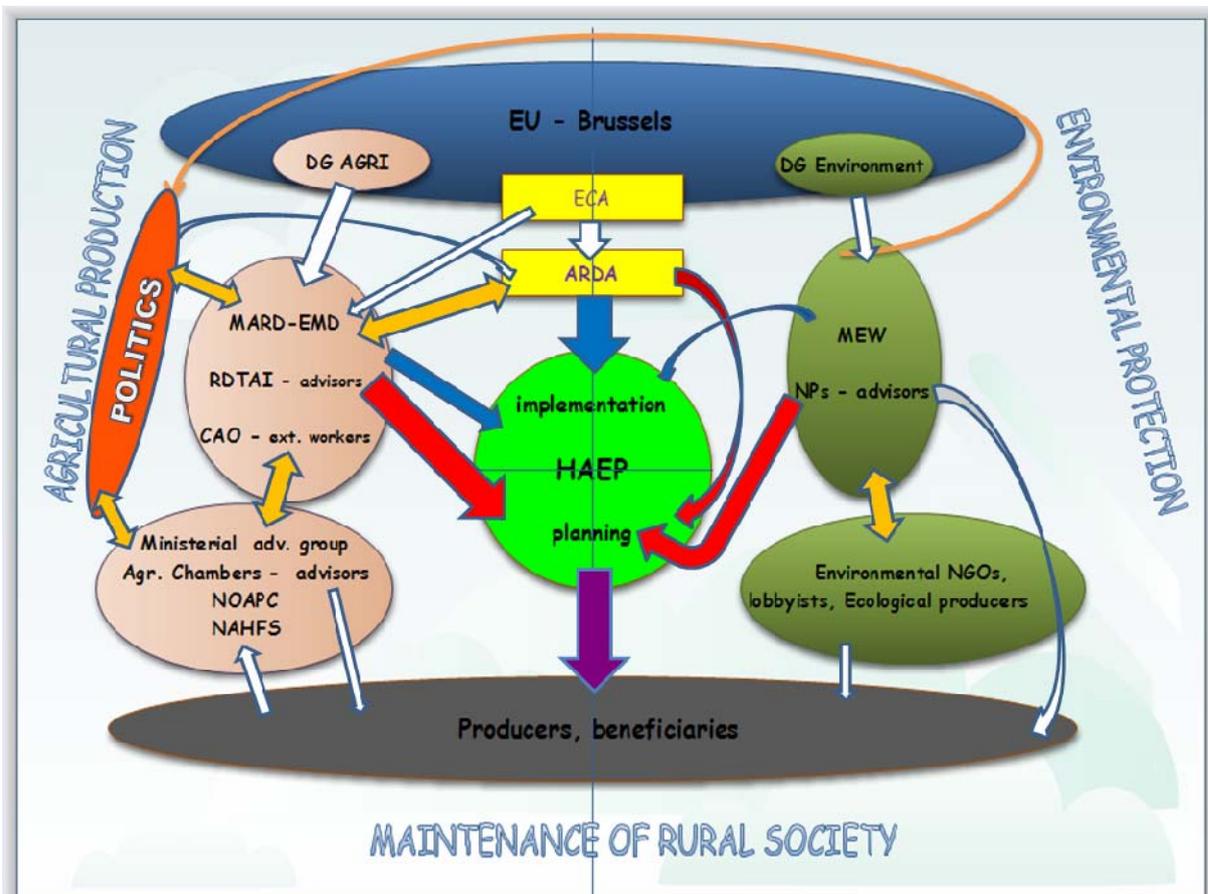
<sup>14</sup> Examples would be the Reflex, the Lifetree (Életfa) or the Emission (Emisszió).

of HAEP, results on the EU level are to be published in autumn 2010. Several interviewees stated that there are contradictory messages coming from Brussels. While the commission is pushing for more complex and effective policies, ECA and other auditors recommend reducing complexity, ensure measurability and take out possibly all human factor from decision making. This affects mainly ARDA in Hungary and influences policies and institutions towards normative control, accountability and a top-down transparency.

**MARD**

MARD, besides being an important advocate of the agriculturalists, is a governmental institution, responsible for financial redistribution and public spending. Consequently, one of its main (if not the most important) objectives is to actually spend EU and domestic funding in an accountable way, with the least trouble and scandals possible.

3.4. TENSIONS AND ALLIANCES BETWEEN MAIN ACTORS



Source: own drawing based on the case study<sup>15</sup>

<sup>15</sup> Agriculturalists are in brown, “green minded” in green bubbles. Orange double-arrows are signs of alliances, red arrows of influence on planning, blue ones on implementation. White arrows are signs of direct influences. The three blue labels refer to main aims of actors. (For acronyms see presentation in text above)

There are some major alliances and tensions between institutions of the ‘three different mindsets’ (*agriculturalists, green-minded, accountability-minded*) and the political power that can help to explain the evolution of HAEP. The above figure describes alliances (as mutual co-operation) with orange arrows and influences with arrows of various colours. The most alliances concern the Ministry of Agriculture and Rural Development. MARD, being the largest Ministry, the host of major EU funding and responsible for the most important natural resources (land, landscape, agricultural production), is clearly the main owner of influence and thus the main target of lobbying and the main vehicle for delivering political objectives, too. It is closely allied with producers’ organisations; nevertheless, there is some unbalance towards larger producers. The strongest influence on MARD is exercised by large agricultural producers, represented by the unofficial ‘ministerial advisory group’ and NOAPC. Another strong link is between MARD and political influence coming from the government (the ruling party in other words). These are all mutual relationships: on the one hand political and financial powers are using bureaucratic machinery and public aid to achieve their objectives, on the other hand policy objectives and processes set by the EU but finally defined by MARD are setting the frame for action for these powers. There is also a clear coalition between politics and large agricultural producers, which closes the triangle. These alliances can achieve major changes in the policy making and implementation process, as it was shown during the run-up of the 2004-06 HAEP, especially concerning the introduction of the basic arable scheme and changes in the budget.

There is also a strong contact between MARD and ARDA, which is cutting across two different mind-sets. This is based on various origins, such as a political decision at the time of EU accession to build a very strong external paying agency, but with strong ties to MARD, based on the previous SAPARD Agency; keeping as much of the control in the centre as possible. Good personal contacts between the minister and the director of ARDA also help to keep good connections between the two institutions. Again, this is a mutually beneficial relationship: through ARDA the Ministry can continue to control the evolution of the programme during the implementation phase. On the other hand, ARDA can put across its interests towards accountability and normative control very strongly already in the planning phase of the programme. Nevertheless, this relationship is not without tensions and problems. ARDA is many times accused for not being efficient enough, holding back processes and causing problems during implementation. On the other hand, blaming ARDA might be sometimes unjust, as it is the most visible, easy to find target for everything. As an interviewee, knowing well both institutions said: *“People working in the Ministry are thinking about the future, they have visions and try to accomplish them. The staff in ARDA on the other hand have to implement these visions through tight*

*procedural rules every day, moreover, they got all the complaints for late payments and the audits telling them off for immeasurable indicators. No wonder that people here and there do not always understand each other.”*

Another important alliance is between MEW and environmental NGOs (especially with the ‘lobbyists’). This is based on historical co-operations, a common political platform and a mutual understanding of common approaches towards conservation. Many previous activists, founders of NGOs are working today in MEW, even on high political level. Personal contacts persist and assist co-operation. This has greatly reinforced the environmental movement and its influence on policy making in Hungary. As an interviewee said *“The Ministry and the large NGOs support each-other with information and expertise. Also, MEW ensures funding for programmes and maintenance, and the NGOs can say things in the media that the Ministry cannot say for political reasons...”* This co-operation greatly reinforced environmental interests within HAEP, giving political weight to it.

There is a well-tracked evolution of the delicate balance of power and interests between different actors involved in HAEP, throughout the subsequent iterations of the programme, and there are notable changes within one cycle between the planning and the implementation phase, too. During the first, national programme (NAPP) available resources were under the threshold stimulus of agricultural and political interests. The programme was little known and besides the responsible unit of MARD only environmental actors (NGOs and the Ministry) became interested and involved in planning. Implementation was mainly handled by MARD and its county offices, accountability was much less an issue and struggle for resources did not unfold. After accession resources grew significantly, though at the advent of large EU direct payments they were still not attractive enough to draw significant attention to the planning of HAEP. Nevertheless, in the last minute (see 2.2. and 5.1.) the programme was significantly changed: the basic arable land scheme was introduced; resources of the programme were significantly raised; and instead of yearly opening of the programme all available funds were obligatory to run for the following five years.

According to the ex-post evaluation, these changes proved to be miss-guided on the long run and greatly reduced the efficiency of the programme. Nevertheless, they did not occur by accident, since at the time of their introduction they seemed to serve the interest of all lobbies. The agriculturalists (especially large arable farmers) were getting significant stable extra payments for five years. The government could announce the allocation of some 40 Billion HUF for the next five years, a few months before the 2006 general elections, reinforcing its political capital and ensuring its support amongst large scale producers. For ARDA the changes meant that they only had to deal with applications once

in five years, and there would not be parallel schemes (one producer participating in various schemes, difference in timing and requirements) to complicate control and administration. The green-minded at the same time could be sure that as a result of the extension of the budget, conservation measures would not have to share resources with others, but all eligible applications would be supported. Another positive aspect, mentioned in several interviews was that the extension of resources was not likely to be taken back. This could ensure a relatively high level of subsidies for the long run, opening possibilities to reinforce conservation aims in the next round of the programme.

Looking at the evolution of interest representation of the various lobbies within one programme cycle is also interesting and telling. The main struggle occurs towards the end of the planning of the next programme and the development of national legislation. Then political decisions have to be taken about resources, allocation, scoring tables, etc., determining exactly what producers and territories will be entitled to what level of payments. Both involved ministries are receiving impulses and requests from their allies (see the orange arrows on the diagram) and from Brussels (white arrows) and attempt to influence the outcome as much as possible (red arrows). When positions and decisions are taken in this game, the level of interest for the main stakeholders reduces greatly and much of the responsibility and power about the implementation of the programme goes to ARDA. During the implementation phase most of the control is exercised by ARDA, though MARD, being the Management Authority retains some of it<sup>16</sup>. ARDA has its own independent administrative logic and is the most tied down by EU rules and procedures and accountability. Nevertheless, at the end of the day it is a strong ally to MARD and thus is likely to serve mainly the objectives set by political and economic interests.

Based on the above mind-map, one can draw the following conclusions. The allied triangle of “*MARD – Large producers – Political interest*” is closely related to the “*agriculturalist*” mindset and is a particularly strong one. The alliance of MEW and the large NGOs also has significant lobby power, especially through political mediation. Still, agriculturalists mainly dominate the processes, particularly in the implementation phase of the programme, through the MARD – ARDA link. Another important thing is that apart from some influence through the advisors and basic training (from both, agriculturalist and the green side) the only effect of HAEP reaching the wide agricultural community is the flow of money, represented by a purple arrow. On the other hand, since the majority of this community (apart from few large producers) has very little influence on the strongest advocacy organisations, they have little influence on the programme itself, too. Therefore,

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<sup>16</sup> In this phase MEW only participates in the control of nature conservation measures through the National Parks.

the policy, together with the political-project class planning and implementing it, has little attachment to the grey mass of reality (agricultural producers and beneficiaries).

Thus, the system of governance is contested in various ways. Horizontal governance on the central level (in the political domain) does function quite sufficiently, however, with some unbalance and distortion for the prevalence of strong agricultural and political interests. The vertical system of governance (multi-level governance), however, is not functioning almost at all. The most important problem is that the local/micro-regional level of horizontal governance (the heuristic domain - local networks, social learning, bottom up initiatives, etc.) is almost completely absent from the system (with the environment of some of the ecological producers). As a consequence, there are no bottom-up, local or micro-regional level institutions, which could take over some responsibilities, resources, etc. Therefore there is no space for subsidiarity, decentralisation, or in other words a functioning system of multilevel governance is impossible in the Hungarian agri-environmental arena.

#### **4. PROBLEMS DURING IMPLEMENTATION**

The implementation of the current HAEP has hardly started, therefore, apart from establishing the scheme, and reasons of delay in data procession and decision making, there is little to say about implementation problems. Nevertheless, problems mainly originate in the implementation system itself, the institutional culture of ARDA, the lack of an efficient governance system, difficulties experienced by the central administration when trying to accommodate such a programme, and the political and policy environment, surrounding programme implementation. These circumstances have not changed fundamentally since the previous programme. Therefore, besides the current problems we will discuss some of the experiences from (which were probably inherited) the past programme, identified by the ex-post evaluation.

##### **4.1 PROBLEMS LINKED TO THE WORK OF ARDA**

ARDA is the main implementing agent of HAEP in Hungary. The ex-post evaluation of the previous HAEP as well as various interviews undertaken during this case study pointed out some important shortcomings of the current implementation system, primarily on the general approach towards beneficiaries, the lack of trust and practice of double standards, the organisational structure and staff policy of the institution, and the frequent failure of the Information Technology (IT) support system.

One of the main criticisms concerns the institutional structure of ARDA. In the Hungarian system there are no separate units for the different policies under CAP within the national paying agency. The work is shared between the central office in Budapest and the 19 county offices, the centre being responsible mainly for the IT background, for assisting policy design, developing legislation and procedures and handle complaints, while regional offices are dealing with claims and controls. In the central office there are 5 staff working with HAEP, county offices also have an appointee each, responsible for the programme, but claim management and all other administrative work is not separated from other programmes. There are two shortcomings of this system. On the one hand, compared to SAPS payments, the management of HAEP is a much more complex task, requiring knowledge and much experience. Without people specialised in this, there is much room for mistakes, delays, disputes, etc. The other problem is that HAEP is a small programme, with much less resources and significance than other CAP payments (with special regard to SAPS, having more than 200,000 beneficiaries). According to critiques, at times of pressure to meet deadlines of 'more important programmes', HAEP administration is likely to be postponed, as it happened several times in the past<sup>17</sup>. One more factor, hindering programme implementation is that some departments of ARDA, essential in the development of procedures have insufficient financial and human resources; therefore they serve as bottlenecks in the whole process.

Another problem mentioned is the high staff turnover of the institution. It is partly a result of ARDA's employment policy that the majority of staff is not permanent public servant, but employed on short term contracts, financed from the EU Technical Assistance budget. The job is, at the same time, quite demanding, often involving long hours, weekends, stress and disputes. Thus most employees are young graduates, without field experience and often without any attachment to agriculture and rural areas. This has two important consequences. On the one hand there is an extremely high staff turnover, including higher positions, that is likely to hinder the quality of work. Experience on previous phases of implementation is often lost, and the quality of service can even worsen over time with the departure of responsible officials. On the other hand, the lack of professional experience and attachment to rural areas amongst staff often results in the slavish adherence to the letter of the regulations instead of commitment to set objectives and the success of the programme. Coupled with a strong tendency towards normative control and the evasion of risk on behalf of ARDA, all this can result, according to

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<sup>17</sup> Deadline for the current HAEP applications was the end of July 2009, with online submission, meaning that from August the evaluation of the claims would have been possible, theoretically through almost automatic, through previously set up procedures. Nevertheless, in January, 2010 a final list of beneficiaries still could not be generated, because some claims were not processed yet. According to interviewees, until October ARDA was handling SAPS claims and did not start dealing with HAEP at all.

interviews and complaints, in the lack of trust and a general attitude of treating beneficiaries with suspicion and hostility. Reflexivity, customer-friendliness, or a service type attitude is rare in the practice of ARDA. According to ARDA officials though, they are trying to do their best to fulfil their duties, and with most clients they have no problems at all.

At the same time 'double standards' are applied, meaning that beneficiaries are required to meet exactly all deadlines and other requirements, while governmental institutions can just skip these without any consequences. Deadlines for making decisions, preparing procedures, data sheets, etc. and making payments are often missed with several weeks or months, without any explanation<sup>18</sup>. There are also problems with the system of appeal. Both, first and second levels of appeals are managed within ARDA, which for some beneficiaries and experts questions the impartiality of the system. On the other hand, according to some interviewees, all second level appeals under the CAP (SAPS, HAEP, LFA, etc.) are managed by a small unit of one (or two) person, which is insufficient for such a task. As a result, appellants often don't even get a notification about their claim for months, and delayed decisions can hinder payments and participation in the programme altogether<sup>19</sup>.

There has been much criticism concerning the system, practice and consequences (e.g. time delays) of checks and sanctions. Respondents mentioned professional deficiencies (e.g. knowledge of agronomy, practice, differentiation between orphans and green crops), technical mistakes (how to calculate percentage), knowledge of legislation change, deficiencies in interpretation, attitude and style, and non-uniform interpretation practice. They added that the standards have improved a lot in recent years, but some problems still exist. They especially emphasized that after the check they generally do not get a copy of the protocol and nothing happens for months, then they often get incomprehensible

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<sup>18</sup> The ex-post evaluation refers to the most negative opinions of beneficiaries about the payment system. It was said to be slow, complicated, impossible to follow, understand and plan, uncertain, arbitrary and almost not sensitive to deadlines. In many cases there were delays of 12-24 months, especially at the beginning of the period and not only in cases where site checks were carried out. There were protracted, non-transparent processes, often small deviations (e.g. minimal excess demand) and there was no progress for months.

<sup>19</sup> From the ex-post evaluation: *Respondents gave identical opinions on the system of legal remedy: legal remedy is only ostensible, protracted and does not address the main point. Deadlines are only compulsory for the producers, not for the office. The participation of external professional authorities in the checks should be increased; their opinion might help to provide legal remedy. It would be reasonable to record the disputed position of check by a digital camera equipped with GPS so that subsequent disputes could be judged objectively. ARDA should be obliged to abide by certain legislation; the liability should be enforced according to the act on general rules of public administrative procedures and services. Second instance practically does not exist; it just affirms the decisions of first instance. Its conformity is also questionable, as it is within the same institution; it is not at all unbiased. Most of the farmers do not dare to protect their supposed rights in fear of possible subsequent consequences.*

sanctions very late, so it is not possible for them to seek legal remedy or provide evidence due to the time lapsed and changed circumstances. They very much look forward to professionally improved site checks, a fair approach and much faster administration after checks, which might significantly reduce the payment period as well<sup>20</sup>. Another criticism was that on spot checks have often been made outside the vegetation period, at late autumn or even during the winter, when they could provide little evidence about land management.

The most complaints, however, were available concerning the IT system which should in principal aim to assist and accelerate implementation (processing, application management software, user interfaces, generating decisions). The non-functionality of the IT system was the primary cause for serial delays and faulty decisions. The IT system is managed by a consultant company that created a large, complex, integrated system for all CAP measures. According to many opinions, the system is inflexible, and though it is developed continuously, it cannot incorporate changes and modifications well enough. Software development is usually lagging behind, online applications tend to fail (especially at peak times) and at the end the IT support system becomes an obstacle. According to interviews, this situation has not improved substantially since 2004, but has instead deteriorated in some respects.

#### 4.2 MONITORING, TRAINING AND ADVISORY SERVICES

According to the opinion of most interviewees the monitoring, training and advisory services were the weakest points of the programme design and implementation. No lobbies, political or economic powers treated these topics as important enough to push for. Therefore they were either not set up, were desultory, or were functioning with very low efficiency. This resulted in the:

- lack of data for evaluation and for planning the next round of the programme;
- lack of the development of learning communities amongst farmers;
- insufficient advice to interested producers and beneficiaries and the consequent problems during implementation (fines, withdrawals, etc.);
- an almost complete lack of the element of social learning from the programme, that was one of its main (if not the main) objective.

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<sup>20</sup> According to an agricultural extension worker, the checking mostly deals with the papers: *If someone has the cultivated land area (the maps), the farming diary, the nutrient plan and all the necessary bills in order, and has done the large scale and visible land management work (ploughing, mowing) according to the rules, then there is almost no chance for failure. Remote sensing and on the spot checks are usually applied when there are problems with the papers. As a result, large producers, who can pay an expert to keep papers in order have little chance to fail, even if they do not fulfil all requirements perfectly, while small ones, who cannot bear the administrative burden are easy to catch.*

### **Monitoring**

A monitoring system - different from the control system - for the continuous monitoring of environmental and socio-economic results of the programme would have been a compulsory element of implementation. In 2005 within MARD the basic elements of such a system were established. An office (AIR – agrarian information system) was set up. It was initiated by the current leader of the agri-environmental unit and was financed from some unspent financial resources of the programme. They started to develop training materials, training advisors, to build up the monitoring system and to process already available data - the farm-management-diaries, for example. These diaries were compulsory to hand in for the beneficiaries, had lots of information but had not been processed before in any way. Nevertheless, in 2006 the office was abolished, resources were withdrawn and no further attempt for the setup of the necessary institution was accomplished<sup>21</sup>. As a result mainly of the available baseline data, a close, professional evaluation of the environmental performance of the programme is not possible.

### **Training**

For both rounds of HAEP, preparatory training was organised by the Environmental Management Division (EMD) of MARD, that meant mainly a road-show, with dozens of workshops organised all over the country, where advisors as well as future beneficiaries could get detailed information on the programme. These were supplemented by similar workshops, organised by some National Park Authorities. Later, during the implementation, beneficiaries were obliged to take part in a special training programme. These would have had a double objective. On the one hand they were aimed at transmitting information, raise the awareness and consciousness about the function and contribute to understand the use of environmental requirements amongst the farmers. On the other hand the training occasions intended to provide for a meeting and communicative space for the farmers, to debate, change ideas and finally pave the way for creating learning communities in this field. The road-shows, according to many opinions, were well organised, accomplished and well received by the farming community, transmitted much information and convinced many farmers to take part in the programme. Nevertheless, training sessions during the implementation phase were much less successful. Trainers were not carefully selected, and the training material was not worked out enough, therefore, the level of the trainings were rather accidental, mostly

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<sup>21</sup> *According to an interview, the main reason for this was that preparation for the approaching elections were requiring all available resources. Monitoring was not in the direct interest of any of the important players, and its lack did not have any serious immediate consequences. Hungary, eventually, is likely to get a serious fine from the Commission for not carrying out appropriate monitoring, however, it is only a future probability, „something that future governments should worry about”.*

quite low, with the general aim of only “*signing the attendance register*” for both, trainers and attendants. Thus possibility for social learning was lost again.

### ***Advisory system***

According to most interviews, the advisory system is the most serious bottleneck for HAEP. During the first round of the programme (NAPP 2004-06) advisors were simply not prepared (there was little experience in the topic) and were too few, compared to the large number of applicants. Moreover, there was no advisory network, specialised on HAEP established and developed, but this task was given to the already existing network of advisors as an additional task. The main source of information during the first round was the network of agricultural extension agents; nevertheless, both their knowledge about the programme and the quality of the advice was normally very low. During the current round the extension agents became public servants, therefore, officially they could not give advice, (at least could not be contracted and paid to do that) on agricultural subsidies any more. The Rural Development Training and Advisory Institute (RDTAI) was contracted to organise the advisory network. Through a training-examination system 700 advisors were selected. They are mainly researchers, university lecturers, sometimes independent consultants. Fundamentally the old network of advisors was given a new task again. Their contact details are published on the website of RDTAI and producers can contact them, conclude an advisory contract, and can get reimbursed 80% of the fee by MARD. According to general opinion, the selection and training of these experts was not carefully worked out, the quality of their knowledge and advice, again, is accidental, and does not have a standard level. Therefore, producers often do not trust them, and though there is a general lack of knowledge and information, the advisory system is underused<sup>22</sup>. Regional advisory centres were also appointed; these are mainly research institutes and university departments, with broad theoretical knowledge, but little practical experience in programme implementation.

A parallel advisory system is run by the Agricultural Chambers, based on MARD funding. This is a network of approximately 200 advisors. This is also an old system; nevertheless, as a result of more careful selection, continuous monitoring and the more frequent use of the system, services are in general of a better quality in this case. Nonetheless, 200 advisors for 18-20,000 beneficiaries cannot be sufficient. There are two more sources of personal advice for the beneficiaries. The agricultural extension agents, though officially they cannot give advice on HAEP, have been involved in supporting the producers to submit their applications. They are those, having frequent contact with the

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<sup>22</sup> Even the current level of usage is a bit ambiguous. Producers can get additional scores for presenting advisory contracts in the framework of various aid schemes. This, in many cases, might be the main purpose of the contracts, instead of seeking advice.

producers, thus they are the primary source of information concerning all type of subsidies. In relation to zonal nature conservation measures, National Parks (NP) also established some sort of advisory network. Every NP, covering zones selected for the programme, appointed a local expert to assist beneficiaries with advice on the programme. According to interviews this system works well, but it is very small and only concerns a small fraction of the programme.

According to expert opinion, albeit significant resources were spent on counselling and training, most of the money was put into outdated, badly organised systems, selected on a clientalist, political basis. Thus efficiency is very low and counsellors cannot be taken responsible for inadequate advice. Moreover, since producers are reimbursed 80% of the costs of counselling by MARD if they do it through the official system, no other counselling system on a commercial basis could be viably set up. Therefore, though theoretically there is a support system for social learning set up, it is not working in practice, resulting in an almost complete lack of social learning in the programme.

## **5. HAEP IMPLEMENTATION ANALYSIS AND CONCLUSIONS**

The main objective of HAEP in accordance with the decree (MARD 2009, p. 1) was:

*“The aim of agri-environmental measure is to support production restructuring better adjusted to the characteristics of habitats, establish environmentally-conscious and sustainable farming practices, and therefore to improve the state of the environment, produce quality food, to strengthen the economic viability and efficiency of farmers through setting off extra costs and lost incomes derived from commitments ordered by schemes identified and established under this decree.”*

The two main goals of HAEP therefore are:

1. **to improve the state of the environment** – it requires to change the farmers’ general approach and attitude towards the environment; in other words, it requires social learning;
2. **to strengthen the economic viability and efficiency of farmers** – it requires that the funds available in the scheme should reach the farmers the most in need/utilize the most appropriate measures in an efficient way (and in line with the first goal).

For the time being the qualitative study of HAEP suggests there are severe problems both with the way to achieve and with the accomplishment of these two goals. Due to lack of baseline data and a monitoring system in general we can not be aware of actual

environmental changes concluding from the implementation of the programme. Also, over the past decade there are hardly any traces of an improvement of environmental-consciousness among farmers. At the same time there were/are problems in the technical implementation of the schemes (administrative processes hitch, delays, cancellations, claims etc.) and some questioned also whether the disbursed payments had reached those farmers who would actually need them the most and would utilise them the best, or mainly went to those with strongest political influence.

In the following section we attempt to shed light on the reasons behind the dysfunctions of the scheme. Basically, the problem is that besides (or rather, instead of, in certain instances) professional, environmental, and socio-economical considerations other interests and conditions influenced the key decisions on the scheme. These reasons can be divided in three groups closely related to one another:

1. Scramble for position between the environmental and agriculture lobbies, and among their representing governmental institutions and NGOs.
2. Execution and administrative aspects overwhelm implementation phase; lack of general confidence due to over emphasis of transparency, accountability, and pure normative control.
3. Political influence prevails over professional considerations in order to ensure some economic and professional lobbies and political power groups can carry on their own way.

In the following sections a brief analysis of the reasons behind and some examples illustrate how the above factors influence the implementation and impacts of agri-environmental schemes in Hungary.

### 5.1 SCRAMBLE FOR POSITION AMONG KEY PARTICIPANTS

Interviews suggest that some actors interpret HAEP, its goals, and strategies under different sets of priorities (reflecting their own attitudes, values and interests), but strange enough they come to similar results in terms of strategic actions. According to its philosophy, HAEP is not a kind of financial support, but compensation paid to reimburse the loss in income derived from environmental-friendly crop production. One of the key problems related to HAEP is that not only prospective beneficiaries, but also trade

politicians as well as other interest groups used to understand the scheme like if it was an extra payment granted to producers<sup>23</sup>.

Naturally, the “*agriculturalists*” aimed to allocate funds to as many farmers, to cover as large a land area, and impose obligations as light as possible. After all it is not a surprise, because the consensus is that agricultural activities, if well-managed, hit break-even point and profit only comes from agricultural payments received. HAEP payments alone are of non-significant scale (at least in the low-value schemes), but can be taken into account for five years ahead and require low extra expenses if requirements are lenient (or not observed). Incoming payments increase profit and together with area-based subsidies they provide considerable source of income for producers, especially in the case of large arable lands. Therefore only economic and financial considerations were in the focus of the agriculturalists’ interest.

The *environmentalists (green-minded)* primarily concentrate on preserving environmental values. In general, Hungarian environmental protection – though the attitude of regions or national parks varies to a wide extent – focuses on the protectionist character. In their effort they try to preserve natural values, protected species from “disturbing factors”, especially from adverse impacts of human activities<sup>24</sup>. Basically, that attitude is of prohibiting-penitentiary character, which attempts to achieve its targets primarily not through education, but strict requirements, control, and penalties. “Green funds” within CAP allowed financial support to environmental-friendly agriculture as well as some environmental targets of such scale that has never been set before. In its successful communication campaign MEW managed to offer them as sources of environmental protection, which allowed penalty as well as reward. As a consequence, the Ministry’s as well as the entire sector’s position strengthened and the much-desired funds suddenly became available at once. The key strategy, although with an inverted sign, was the same on this side too, namely to increase the area eligible for HNVA payment and funds allocated to high-value schemes in order to pay as much money to as many farmers in schemes with as high natural value (and complex requirements) as possible.

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<sup>23</sup> HAEP, uniquely in Hungary, falls within the scope of Administrative Procedure Act (KET), a system, suited for the much simpler schemes of the direct payments. According to this in Hungary there are no applications or contracts under the HAEP, only claims and payment titles. There is not much space for negotiation either, the relationship with the beneficiaries resembles an authority-client one, regulated by law in small details, which does not indeed fit for a partnership-based voluntary scheme.

<sup>24</sup> Lately it has gone so far that in some national parks farmers have been being pushed out of the park area. They are forced to meet unachievable requirements, increased rentals, etc. The ultimate goal is to replace farmers with the national park and make it eligible for various agrarian supports and maintain landscape in line with the interest of nature preservation. However it would put an end to conventional farming activities and could contribute to the disintegration of the related communities.

Either party gave the funds available for the goals (i.e. schemes, target groups) supported an utmost importance. After all, the conflicts of interest in programming and sharing the resources hit the peak in allocating funds among the schemes, deciding on the rate of funds to be allocated to each scheme, and scoring tables. Instead of professional debates those issues were often decided along political and lobbying power. That battle of interest emerged in the Parliament's Agricultural Committee's meeting held on 1 April 2009, when every participant tried to obtain more funds to his own target groups in a heated debate<sup>25</sup>. In public administration MARD and MEW manifest those two interest groups. Their position in the system as well as the interests behind them determines their relation and co-operation. Accordingly, as interviews suggest, the work shared in the course of HAEP planning was not free from tensions derived from different interests, professional approaches, and personal conflicts, either.

These circumstances involved some grave consequences concerning the programme. The most problematic issue is that almost every key participant with significant influence was orientating just on the available funds, although money is but one of the two aspects of the scheme. According to international experience and viable rural development practices in general, financial incentives alone are not enough to motivate large numbers of farmers to change their attitudes radically. Funds primarily should be used to make people interested, involve them in the scheme and establish the course of change of mind through regular training courses, consultancy, regular positive feedbacks and confirmation. If all goes well, the programme results in social learning which often contributes to the development of the concerning communities and may lay foundation to long-term structural changes. However, it requires a thoughtful strategy, well-built institutions, available syllabi, regular and conscious work, which no fund can buy in itself. Hungarian HAEP lacks almost all of them. Consulting systems and trainings are on paper mainly, or rather of incidental efficiency; success depends on the consultant's or trainer's personality and is not guaranteed by institutional background and structure. No considerable effort has been made to make farmers participating in the scheme keep contact with one another, form learning-co-operating communities, although this could function as an alternative way leading to real structural changes. Instead, the Hungarian

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<sup>25</sup> MEW wanted to get more money for nature conservation schemes, the "plant protection team" and the agrarian in general to integrated crop management, Association of Hungarian Stock-breeders for grassland schemes, not always on a professional basis. Finally, as no consensus was reached, the table on preliminary allocation of funds among schemes was removed from the final version of the decree and the decision left for a latter time.

system focuses only on payments, while social learning in the entire scheme is pushed aside<sup>26</sup>.

Another burning problem is the lack of baseline data, recording the initial state of the environment before the start of the programme, and the lack of consecutive monitoring. Such tools should be applied to monitor the state of each scheme on a regular basis over a long period and obtain data for later planning and implementation for improvement purposes. In fact, without having such a system implemented it is impossible to take environmental aspects into account. The EU requires a monitoring system, but in Hungary no such system exists, not even on paper, either; lack of such tools caused plenty of serious problems during the preparation of the HAEP 2004-06 ex-post evaluation. The system even failed to collect those data consistently which were identified in the applications; not even mentioning the processing of farming diaries, including the programme in the *Farm Accountancy Data Network (FADN)*, or in-situ observance of environmental impacts. No important and influential stakeholders have an interest in data collection, because it could finally establish a case for changing the status quo and undermine occupied positions<sup>27</sup>.

The struggle for positions, losing sight of the objectives, and the fact that professional issues were often resolved in the political arena also caused problems in the course of planning and everyday implementation of the schemes. Tensions and personal conflicts may give rise to communication problems and misleading “solutions”. According to planners, inflexible attitude, deliberate delays, and “brush away of professional arguments” did occur in the course of planning and working out of the relevant decree, too. During implementation this might have less significance, because positions are occupied for another five years and funds have been allocated. Nevertheless it can be expected that similar problems are likely to emerge again for the next period.

## 5.2 POLITICAL INFLUENCE TO PREVAIL OVER PROFESSIONAL CONSIDERATIONS

The adverse effects of dominant political influence was discussed above, but besides the struggles for position in the ministries there are certain other aspects that worth further analysis. Politics permeate Hungarian public life, including development policies to a large

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<sup>26</sup> There are nice counter examples too, primarily in nature conservation schemes; in such cases national parks strongly co-operate with farmers, provide them with advice, training, sometimes even protecting them with the purely normative control of ARDA. There are other good examples of collaboration of farmers usually (non-governmental organisations deeply committed to nature conservation and private farmers) also in nature conservation schemes and organic farming;

<sup>27</sup> It is typical of the situation that when individual CAP expenditure payment data were published, at last as ordered by law and as a result of pressure from the EU, the data were made available on the internet in a format of 14,000 images (PDF format) which is almost impossible to use as base for analysis.

extent. With respect to policies and the utilization rate of EU funds it raises two main concerns:

1. on one hand economic and social capital may often mean strong political influence and direct pressure on policy planning and implementation, therefore interests of certain economic and interest groups are favoured at the expense of others;
2. on the other hand the current governing political power exploits all available sources, including EU funds to increase its popularity, at the cost that professional considerations are pushed into the background.

The same applies to HAEP and causes serious troubles in programme implementation. It is quite challenging though to investigate and prove such effects and certainly is beyond the scope of this brief case study. Nevertheless, in the following a few simple examples are presented to demonstrate how these processes work in practice and what consequences they may involve.

The introduction of the “basic arable land crop management scheme” within NRDP/HAEP in 2004 might serve as the best example to show the real power economic lobbies have when they use up political support. HAEP 2004-06 was planned in accordance with the preceding national programme and the rules from Brussels that came into force after accession to the EU. The competent departments at MARD and MEW involved experts to prepare the programme. There were various opportunities of giving opinions on different drafts of the programme, which generated relatively intensive social debate and primarily attracted Environment and Nature Protection NGOs. Compared to the direct payments becoming available at the scale of hundreds of Billion HUF, the funds allocated to HAEP remained below the threshold for agricultural interests, therefore the agriculturalists mainly stayed away from planning debates.

According to the original plans only about half of total supports and one-third of areas involved were aimed at funding arable land schemes, and the vast majority of this would have been channelled to integrated arable land cultivation scheme. Before the programme was finalized, the agriculturalists suddenly realized the situation (perhaps because it turned out that producers showed active interest for the integrated scheme). According to one of the interviewees, the agriculturalists had attempted to influence programme developers, but had not succeeded. At last the board of ministerial counsellors consisting of the largest agrarian producers intervened and the Minister ordered to rewrite the draft. Planners had two alternatives, either they could soften the set of requirements of integrated arable land cultivation and allocate considerably more funds to it, or they could introduce a new category called “basic scheme” with a set of requirements at a very

minimum level. Finally, they introduced new basic schemes, which restructured the programme to a large extent, changed its image and conditions of implementation significantly. Ever since it was introduced, the basic scheme concept has been influencing Hungarian agri-environmental activities significantly.

Consequences of the changes are somewhat ambiguous. One of the consequences was that the emphasis of the entire programme changed. This scheme received half of all applications and resulted in finally channelling almost three quarters of all payments and the land area participating in the programme towards arable-land schemes, the vast majority of which meant basic and integrated arable production schemes. According to some experts this resulted in a general watering-down of the objectives, turning the programme into *“just another way of giving subsidies to producers”*. Others stated that involving so many producers in any agri-environmental schemes (with whatever lenient requirements) was a success in itself and helped to spread environmentalism and establish the next round of the programme. Furthermore, all available resources were allocated in the first year; therefore no more applications were accepted afterwards. Moreover, this was not only true for 2004-2006, but until 2009, the extended financial resources for the programme had to be covered by the budget of the next planning period. Consequently, until the previous contracts had ended no new applications could be accepted. But, as some interviewees stated, after significantly increasing the level of resources, there was no way back for the government. The budget could only be further extended and not reduced for the next planning period. According to the ex-post evaluation<sup>28</sup>, the effects of deviating from the original plan – i.e. significantly increasing the available funds and supporting most applicants – were negative and positive at the same time: it made it possible to involve higher numbers of beneficiaries than planned in the programme, but, at the same time – being aware of the consequences – it proved to be a decision not carefully thought

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<sup>28</sup> According to the ex-post evaluation negative effects of the difference (with the increased available funds more than twice the number of planned beneficiaries were awarded) can be summarized as follows:

- delayed processing of applications, significant delays in checks and payments
- it was not possible to submit new applications after 2004, thus the farmers who wanted to join after they fully became aware of the provisions were left out,
- the available funds allocated to the NRDP period were used up before planned, thus a significant part of the payments for 2006/07 had to be financed from NHRDP funds,
- it was almost impossible to inform and train all potential beneficiaries,
- despite introducing the support system, providing information and training for the farmers was not established, neither could the Agri-environment information and Monitoring System operate due to lack of funds and reorganization,
- the NRDP counsellors' system established for general purposes was not sufficient to help the extraordinarily high number of beneficiaries and provide them with the information they required,
- Due to the shortcomings of providing information and preparation, most farmers were not informed adequately about the obligations, which became apparent during on-site checks and through following sanctions.

through and caused negative effects mainly because the decision on increasing the funds was not followed by other administrative steps that would have supported implementation (providing information, training, expanding and prepare the group of counsellors) accordingly.

## **6. SUMMARY**

### **THE UNDERSTANDING' OF RDP MEASURES IMPACT AND IDENTIFICATION OF RELEVANT INSTITUTIONAL LEARNING PROCESSES.**

Main positive effects of the three iterations of agri-environmental policies in Hungary are three-fold:

1. In terms of institutional learning, HAEP has had great effects on the Hungarian rural policy system. Agri-environmental policies have become part of the regulatory framework, and are generally seen as good quality. Important governmental institutions (MARD, MEW, ARDA) have set up new departments, learned the vocabulary, and started to learn to deal with small projects and complex requirements, an approach, quite new to these institutions. Nevertheless, limitations have also become apparent.
2. HAEP, for the first time provided significant resources connected to environmental goals within the framework of agriculture. The level of these resources is most likely to at least persist (or grow) for the future. Through the programme, various groups of producers gained some type of consciousness about environmental values, nevertheless, it is difficult to judge how much these issues have been internalised, or how much of the improvements could be maintained if financial support stopped.
3. Significant financial resources at stake have changed the political economy of agri-environmental issues. HAEP became an important factor for various lobbies (the agriculturalists, the green-minded) and for general politics. Also, the distribution of financial resources became the main focus of discussions, disputes, power struggle around agri-environment.

## KEY FACTORS CONTRIBUTING TO POLICY FAILURE/INEFFECTIVENESS OR SUCCESS

Factors for success:

1. Significant financial resources became available connected to environmental goals;
2. Good regulatory framework and pro-active action by the Management Authority;
3. Efforts of environmental organisations and national parks;

Factors for failure:

4. Scramble for position between the environmental and agriculture lobbies, and among their representing governmental institutions and NGOs.
5. Execution and administrative aspects overwhelm implementation phase; lack of general confidence due to over emphasis of transparency, accountability, and pure normative control.
6. Political influence prevails over professional considerations in order to ensure some economic and professional lobbies and political power groups can carry on their own way.
7. Lack of social learning, resulting from strong focus on redistribution;
8. Lack of monitoring, insufficient advisory system;

## RELEVANT POLICY RECOMMENDATIONS

1. A general focus on the social learning element (enhanced training, advisory system, development of learning communities, etc.) should be reinforced;
2. A well working monitoring and evaluation system, with direct (friendly) feedback to beneficiaries should be set up;

The efficiency of implementation by ARDA (IT system, control, management, system of appeals, user friendliness and trust towards beneficiaries should be improved, double standards diminished, policy on staff recruitment should be changed).

**ANNEXES**

ANNEX 1. TABLES FROM THE EX-POST STUDY (RESPECT 2009)

*Table 1.*

**Agri-environmental schemes approved for 2004-2006 period**

HNVA and other environmental schemes Organic schemes Integrated schemes Entry level schemes	Supplementary AE measures Grass margin Erosion control Scrub control	High Nature Value Area Schemes Long term set-aside Maintaining rare varieties	High Nature Value Area Schemes	Maintaining rare plant varieties	Wetland creation Maintenance of wetlands	
		Organic farming scheme	Organic grassland management scheme	Organic permanent cultures scheme		Organic livestock
		Integrated crop management		Integrated permanent cultures scheme		
		Arable stewardship scheme Tanya farming system Apiculture cropping	Grassland stewardship scheme		Fishponds Reed management	Keeping endangered breeds
		arable land	grassland	permanent cultures	wetland	livestock



Table 3.

## Measures and allocated funds for HAEP 2004-2006

Scheme	beneficiaries Y1	net supported area Y1	net payment Y1	beneficiaries Y2	net supported area Y2	net payment Y2	beneficiaries Y3	net supported area Y3	net payment Y3
Arable stewardship scheme (basic)	11,805	753,011.93	18,436,538,515.69	10,669	727,582.96	18,209,287,177.15	10,157	705,025.72	17,451,340,201.69
Tanya farming scheme	479	3,166.64	121,065,470.35	393	2,787.09	105,429,375.63	329	2,308.26	86,525,292.00
Api/agriculture scheme	23	86.88	1,594,040	21	80.43	1,515,407	19	75.38	1,403,745
Integrated arable scheme	3,426	243,488.04	8,198,662,356.25	3,053	242,959.18	8,189,163,241.21	2,901	232,308.27	7,754,410,856.49
Organic arable scheme - conversion Y1	248	9,486.35	422,069,979.81	1	-0.14	-11,523.00	0		
Organic arable scheme - conversion Y2	138	4,567.63	199,422,291.40	227	9,441.65	430,098,968.53	0		
Organic arable scheme - conversion Y3	29	2,045.25	63,270,004.46	153	4,328.07	135,438,502.82	0		
Organic arable scheme - converted	370	21,154.53	660,161,855.66	379	22,491.49	720,603,251.39	449	32,226.09	995,706,220.00
Great bustard arable scheme	348	28,012.88	1,741,065,175.30	337	27,453.85	1,721,622,663.02	315	25,944.89	1,566,865,733.00
Bird habitat arable scheme	653	20,571.21	1,030,341,558.89	632	20,369.75	1,044,447,428.78	592	19,257.41	975,386,238.00
Great bustard alfalfa scheme	190	4,576.80	304,590,826.36	181	4,454.42	299,062,759.84	163	3,925.76	262,331,207.00
Habitat arable scheme	37	1,615.41	77,580,184.48	34	1,598.82	77,382,825.83	31	1,539.58	72,015,542.00
Grassland management scheme	4,536	201,226.10	2,896,900,491.89	3,862	185,943.86	2,739,990,974.79	3,499	172,044.19	2,499,134,781.72
Organic grassland management scheme	294	32,817.69	473,798,459.81	262	32,032.25	471,137,898.84	231	30,968.58	450,323,621.00
Great bustard grassland scheme	495	49,897.97	1,538,484,917	458	47,567.42	1,502,277,858	425	47,528.85	1,482,946,311
Croak grassland scheme	296	7,532.80	204,681,076.75	262	6,790.58	187,705,580.91	232	5,815.82	157,951,726.00
Habitat development grassland scheme	70	2,020.34	49,270,931.78	60	1,853.45	45,650,760.47	54	1,779.49	43,601,930.00
Arable conversion to grassland on ESA	41	2,135.53	154,677,222.85	37	1,877.01	139,457,457.56	21	1,448.48	101,373,388.00
Establishment of grass margin	5	1.48	698,664	143	385.70	3,735,440	116	387.18	3,078,715
Integrated permanent crops scheme	6,393	43,971.43	4,226,820,228.18	5,681	41,644.04	4,066,027,715.13	5,302	38,534.82	3,721,626,692.72
Organic permanent crop scheme - conversion Y1	86	454.82	43,467,832.84						
Organic permanent crop scheme - conversion Y2	39	210.19	20,305,195	76	395.21	38,871,617	0		
Organic permanent crop scheme - conversion Y3	34	180.36	17,498,280	40	198.84	19,896,860	1	7.42	745,690
Organic permanent crop scheme - conversion Y4	4	44.59	3,053,765	31	178.06	12,444,003	0		
Organic permanent crop scheme - converted	105	629.36	43,093,884.53	96	643.65	45,072,194.65	184	1,293.39	89,587,383.00
Extensive fish pond scheme	168	23,155.36	1,162,827,160.90	158	22,828.46	1,167,573,001.79	150	22,573.34	1,145,663,787.00
Reed management scheme	176	11,995.73	254,696,230.64	170	10,909.99	236,883,534.90	155	11,815.41	254,952,090.00
<b>Area based schemes total</b>	<b>30,488</b>	<b>1,468,057</b>	<b>42,346,636,600</b>	<b>27,416</b>	<b>1,416,796</b>	<b>41,610,764,974</b>	<b>25,326</b>	<b>1,356,808</b>	<b>39,116,971,151</b>
Hungarian grey cattle	116	103	128,680,875.34	109	4,628	132,885,919.34	103	4,402	126,491,031.00
High genetic value native horse breeds	549	42	73,104,921.38	470	2,438	73,612,673.45	417	2,151	65,036,557.91
Mangalica	98	339	90,697,470	87	4,392	87,074,512	84	4,349	86,012,015
Native sheep breeds	60	1,308	48,804,366	58	10,021	52,139,925	51	8,699	44,687,588
Native poultry breeds	3		5,995,215	1	1800	312,698	0		
Livestock total	826	1,792	347,282,848	725	23,279	346,025,728	655	19,601	322,227,192
<b>Grand total</b>	<b>31,314</b>	<b>1,468,057</b>	<b>42,693,919,448</b>	<b>28,141</b>	<b>1,416,796</b>	<b>41,956,790,702</b>	<b>25,981</b>	<b>1,356,808</b>	<b>39,439,198,343</b>

Table 4.

**Implementation of the agri-environmental measures compared to planned figures (HAEP 2004-2006)**

	Years	2004			2005			2006			
		planned	fact	%	planned	fact	%	planned	fact	%	
Agri-environment	<b>Claims (pcs)</b>	<b>Claims total</b>	10,687	30,442	284.85%	12,989	27,236	209.69%	15,998	25,326	158.31%
		arable schemes	4,325	17,746	410.31%	5,189	16,080	309.89%	6,426	15,093	234.87%
		grassland schemes	3,180	5,691	178.96%	3,815	4,904	128.55%	4,725	4,441	93.99%
		permanent crop schemes	3,768	6,661	176.78%	4,521	5,924	131.03%	5,598	5,487	98.02%
		wetland schemes	188	344	182.98%	226	328	145.13%	280	305	108.93%
		extensive livestock schemes	1,207	826	68.43%	1,658	728	43.91%	1,945	655	33.68%
		supplementary measures	689	46	6.68%	827	180	21.77%	1,024	137	13.38%
	<b>Area/livestock participating in the schemes (ha/pcs)</b>	<b>Area contracted total</b>	471,029	1,465,918	311.22%	565,071	1,414,531	250.33%	699,758	1,356,747	193.89%
		arable schemes	235,514	1,091,783	463.57%	282,535	1,063,547	376.43%	349,879	1,024,388	292.78%
		grassland schemes	188,411	293,494	155.77%	226,028	274,187	121.31%	279,903	258,136	92.22%
		permanent crop schemes	37,682	45,490	120.72%	45,205	43,059	95.25%	55,980	39,835	71.16%
		wetland schemes	9,420	35,151	373.15%	11,301	33,738	298.54%	13,995	34,388	245.72%
		extensive livestock schemes	8,500	1,792	21.08%	12,500	23,279	186.23%	18,500	19,601	105.95%
	<b>Payments (HUF)</b>	<b>All schemes</b>	19,797	42,691	215.65%	23,749	41,957	176.66%	29,411	39,116	133.00%
		arable schemes	10,226	31,256	305.65%	12,268	30,934	252.15%	15,192	29,124	191.71%
		grassland schemes	4,236	5,163	121.88%	5,082	4,947	97.34%	6,293	4,735	75.25%
		permanent crop schemes	3,384	4,354	128.69%	4,059	4,182	103.03%	5,027	3,812	75.83%
		wetland schemes	367	1,415	384.92%	441	1,404	318.58%	546	1,400	256.45%
extensive livestock schemes		594	347	58.51%	712	346	48.58%	883	322	36.48%	
	supplementary measures	990	155	15.70%	1,187	143	12.06%	1,471	104	7.10%	

Table 5.

### Data on partial and full cancellations

#### Data on partial cancellations

year	clients (area/livestock)	area affected (ha)	livestock affected
2004/2005	9/0	275,93	0
2005/2006	1.576 / 8	8.788,45	254
2006/2007	3.938 / 5	20.411,00	219

#### Data on full cancellations

year	clients (area/livestock)	area affected (ha)	livestock affected
2004/2005	0/0	0	0
2005/2006	360 / 11	3.691	18
2006/2007	229 / 10	2.646	13.470

Table 6.

### Summary table: Total reductions of funds over period 2004 – 2006

	2004		2006	
	data	%	data	%
Claims (pcs)	30.488	100,0%	25.326	83,1%
Payments (HUF)	42.346.636.600	100,0%	39.116.971.151	92,4%
Area under support (ha)	1.468.057	100,0%	1.356.747	92,4%

Table 7.

**Payments for different agri-environmental measures within HAEP 2004-2006***Planned and realised payments of the NRDP agri-environment measure*

AE payments (million HUF)	2004			2005			2006		
	planned	fact	%		planned	fact	%		planned
all AE schemes	<b>19,797</b>	<b>42,691</b>	<b>215.65%</b>	<b>23,749</b>	<b>41,957</b>	<b>176.66%</b>	<b>29,411</b>	<b>39,540</b>	<b>134.44%</b>
arable schemes	10,226	31,256	305.65%	12,268	30,934	252.15%	15,192	29,166	191.98%
grassland schemes	4,236	5,163	121.88%	5,082	4,947	97.34%	6,293	4,735	75.25%
permanent crop schemes	3,384	4,354	128.69%	4,059	4,182	103.03%	5,027	3,812	75.83%
wetland schemes	367	1,415	384.92%	441	1,404	318.58%	546	1,400	256.45%
extensive livestock schemes	594	347	58.51%	712	346	48.58%	883	322	36.48%
supplementary measures	990	155	15.70%	1,187	143	12.06%	1,471	104	7.10%

## ANNEX 2. METHODOLOGY AND INFORMATION SOURCES FOR THE CASE STUDY

The case study is based on 12 interviews and the analysis of the main relevant documents. Interviews were made in November-December 2009 and additional information was acquired in January 2010 by telephone. Interviews were undertaken with the following actors:

- Two independent experts, who have followed the agri-environmental Programmes since before EU membership and participated in the development of the current one;
- The leader and a project manager of the agri-environment section within the National Paying Agency;
- The leader of the Implementing Authority within MARD
- The leader of the Implementing Authority within the Ministry of Water and Environment;
- The person responsible for agri-environment at the Environmental Ombudsman's Office;
- The lead person and a project manager responsible for agri-environment at the Agricultural Chambers
- Two agricultural extension workers;
- One responsible in a national park
- One person responsible for agri-environment at a small environmental NGO, with agricultural production and an active role in social learning and policy making;

### ANNEX 3. PROCESSED DOCUMENTS

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[http://www.MARD.gov.hu/doc/upload/200904/nhrdp\\_2007\\_09.pdf](http://www.MARD.gov.hu/doc/upload/200904/nhrdp_2007_09.pdf) (accessed on 2009-12-10)

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[http://www.MARD.gov.hu/doc/upload/200709/new\\_hungary\\_rdp\\_annexes\\_15092007.pdf](http://www.MARD.gov.hu/doc/upload/200709/new_hungary_rdp_annexes_15092007.pdf) (accessed on 2009-12-10)

New Hungary Rural Development Programme Budapest, December, 2008 Amended version  
Amendments approved by the Monitoring Committee in year 2008 New Hungary Rural  
[http://www.MARD.gov.hu/doc/upload/200904/new\\_hungary\\_rural\\_development\\_programme\\_official\\_20090422.pdf](http://www.MARD.gov.hu/doc/upload/200904/new_hungary_rural_development_programme_official_20090422.pdf) (accessed on 2009-12-10)

Development Programme Annexes Budapest, December, 2008, Amended version  
Amendments approved by the Monitoring Committee in year 2008 NHRDP MC  
[http://www.MARD.gov.hu/doc/upload/200904/nhrdp\\_modified\\_annexes\\_2008.pdf](http://www.MARD.gov.hu/doc/upload/200904/nhrdp_modified_annexes_2008.pdf)  
(accessed on 2009-12-10)

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MARD (2004-2) Rendelet a Helyes Gazdálkodási Gyakorlat Szabályozásáról 4/2004. (I. 13.)

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- Mária CSANÁDI: The "Chinese Style Reforms" and the Hungarian "Goulash Communism". MT-DP. 2009/3
- Mária CSANÁDI: The Metamorphosis of the Communist Party: from Entity to System and from System towards an Entity. MT-DP. 2009/4
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- András SIMONOVITS: Hungarian Pension System and its Reform. MT-DP.2009/8
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