



EUROPEAN COMMISSION
DIRECTORATE-GENERAL FOR AGRICULTURE AND RURAL DEVELOPMENT

The Director-General

Brussels, 31 March 2022

Subject: Observations on the proposal by Hungary for a CAP Strategic Plan 2023-2027 - CCI: 2023HU06AFSP001

Your Excellency,

I hereby acknowledge receipt of the proposal for the 2023-2027 CAP Strategic Plan of Hungary, submitted via SFC2021 on 30 December 2021.

An assessment by the Commission services of the proposed CAP strategic plan has identified a number of issues that require further clarification and adaptation. The enclosed annex sets out the relevant observations, which are communicated pursuant to Article 118(3) of Regulation (EU) 2021/2115.

I invite Hungary to submit a revised proposal of the CAP strategic plan for approval, taking into account these observations.

In accordance with Article 121 of Regulation (EU) 2021/2115, the time limit of 6 months for the Commission decision to approve your CAP Strategic Plan does not include the period starting on the day following the sending of these observations and ending on the date on which Hungary responds to the Commission and provides a revised proposal.

The Commission is committed to a continued structured dialogue with national authorities in the further approval process of your CAP Strategic Plan. The Commission is open to receiving your written reaction on the key elements of the observations within 3 weeks and intends to publish them subsequently alongside our observations on all the CAP Strategic Plans received in time, unless you would object to the publication of your reaction. I invite your services in charge to engage in bilateral exchanges as soon as possible in order to discuss the observations set out in the Annex.

Yours faithfully,

Wolfgang BURTSCHER

Enclosure: List of observations List of observations pursuant to Article 118(3) of Regulation (EU) 2021/2115

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ANNEX

Observations on the CAP Strategic Plan submitted by Hungary

The Russian invasion of Ukraine and the ongoing generalised commodity price surge bring to the forefront in the strongest possible way the integral link between climate action and food security. This link is recognised in the Paris Agreement and has been incorporated in the new legislation for a Common Agricultural Policy (Regulation (EU) 2021/2115) and the Farm to Fork Strategy (COM(2020) 381 final) with a view to ensuring sufficient supply of affordable food for citizens under all circumstances while transitioning towards sustainable food systems.

In this context, and in the context of the climate and biodiversity crises, Member States should review their CAP Strategic Plans to exploit all opportunities:

- to strengthen the EU's agricultural sector resilience;
- to reduce their dependence on synthetic fertilisers and scale up the production of renewable energy without undermining food production; and
- to transform their production capacity in line with more sustainable production methods.

This entails, among other actions, support for carbon farming, support for agro-ecological practices, boosting sustainable biogas production¹ and its use, improving energy efficiency, extending the use of precision agriculture, fostering protein crop production, and spreading through the transfer of knowledge the widest possible application of best practices. The Commission assessed the Strategic Plans of Member States with these considerations of the sector's economic, environmental and social viability in mind.

The following observations are made pursuant to Article 118(3) of Regulation (EU) 2021/2115. Hungary is asked to provide the Commission with any necessary additional information and to revise the content of the CAP Strategic Plan taking into account the observations provided below.

¹ Sustainable biogas production means the production of biogas that respects the sustainability and greenhouse gas emissions saving criteria laid down in Article 29 of Directive (EU) 2018/2001 (Renewable Energy Directive).

The key issues

Observations with regard to the strategic focus of the CAP Strategic Plan

1. The Commission welcomes the CAP Strategic Plan of Hungary (hereafter “the Plan”) submitted by Hungary and the consideration given to its recommendations of 18 December 2020 (COM(2020) 846 final). The Commission takes note of the public consultations conducted in preparing the Plan and invites Hungary to strengthen the partnership principle during the implementation phase.
2. The Commission considers that the Plan still requires significant improvements as regards the content, coherence, justification of the decisions taken and the economic, environmental, climate and social ambitions.
3. Hungary is requested to revise the SWOT tables by paying attention to the differences between Strengths, Opportunities, Weaknesses and Threats, and is requested to avoid repetitions. The list of needs and interventions that contribute to a specific objective should be revised. The needs that are not interlinked to the SWOT and the interventions that can only marginally contribute to that specific objective should be eliminated. The link between the SWOT and needs on one side and the intervention logic on the other side should be better explained in the Overview section, by using a text instead of the table.
4. The Commission recalls the importance of the targets set for result indicators as a key tool to assess the ambition of the Plan and monitor its progress. The Commission requests Hungary to revise the proposed target values, by improving their accuracy and taking into account all the relevant interventions, and by defining an adequate ambition level in line with the identified needs. Hungary should ensure that the selection of interventions and other elements of the Plan (such as conditionality and definitions) addresses the identified needs, and that corresponding target values and financial allocations are set.

Observations with regard to the fostering of a smart, competitive, resilient and diversified agricultural sector that ensures long-term food security

5. The Commission considers that the Plan is not likely to contribute effectively to the general objective of economic sustainability. The Commission questions the expected effectiveness of the proposed intervention strategy with regard to farm income and the farmers’ position in the value chain.
6. On the basis of the information provided in the Plan (SWOT, needs assessment, overview), the Commission is of the view that the level of ambition as regards the redistribution of direct payments from bigger to smaller and medium-size farms should increase. Therefore, Hungary is invited to reassess its redistribution strategy to ensure compliance with the principle of redistribution from bigger to small and medium sized farmers. Hungary should also complement the explanations, in particular by providing a quantitative analysis, which shows the combined effects of all proposed income support tools on redistribution. This will allow the Commission to assess fully whether the aim of redistribution and a better targeting of direct payments is addressed in a sufficient manner within the Plan.

7. The Commission welcomes the efforts to address the import dependency in some sectors, such as protein crops, via coupled income support.
8. The Commission has noted the diverse types of support for investments in the Plan. Investments can increase productivity and thus farm income. However, the strategy fails to demonstrate that the investments are targeted to the sectors/farms that have the greatest needs for investment support. Hungary should better justify or adapt the targeting of investment support. Furthermore, in light of the Russian war against Ukraine, the Commission urges Hungary to also consider interventions that will help reduce dependence on fossil fuels and other externally sourced inputs to preserve the long-term sustainable production capacity and viability of farms.
9. The Commission has noted the type of support for wine, honey and fruit and vegetable sectors. Sectoral interventions improve both cooperation (as the support is channelled through Producer Organisations (POs) so there is an incentive to form POs) as well as competitiveness of the sector concerned (as the support is designed and co-financed by the producers themselves). Hungary is invited to explain the reason for not including other sectoral interventions than the traditional ones in the Plan.

Observations with regard to the support for and strengthening of environmental protection, including biodiversity, and climate action and to contribute to achieving the environmental and climate-related objectives of the Union, including its commitments under the Paris Agreement

10. Based on the current information, the Commission considers that the proposed Plan is not likely to contribute effectively to this general objective, and requires modifications.
11. The Plan should include a clear explanation and sufficient justification as regards a greater overall contribution to the specific objectives concerning climate change, natural resources, and biodiversity compared to the current programming period, as required by Article 105 of Regulation (EU) 2021/2115 (Strategic Plan Regulation – SPR). The obligations set out in Articles 108 and 115 of Regulation (EU) 2021/2115 with regard to Annex XIII (environment and climate objectives) need to be fully reflected in the Plan. Hungary is requested to modify the Plan in this sense and to better explain the baselines used (including financial allocation and indicators), how the commitments go beyond the baselines, and how the complementarities between eco-schemes, agro-environmental and climate actions supported under rural development interventions are ensured. Hungary is requested to better demonstrate the increased ambition of the planned green architecture as regards environmental and climate related objectives using qualitative and quantitative elements such as financial allocation and indicators.
12. Hungary is requested to take better account of the Prioritised Action Framework (PAF) and further align the proposed interventions with it.
13. The Commission notes in particular the lack of sufficient ambition as compared to the current situation and the needs identified with regard to the reduction of ammonia emissions, the reduction of greenhouse gas emissions (GHG), carbon sequestration, aspects of biodiversity, Natura 2000, nutrient management, the reduction of the use of pesticides, afforestation, agroforestry and restoration, and protection of forest ecosystems, requiring the modification of the plan.

14. The Commission requests Hungary to clarify or amend certain Good agricultural and environmental condition (GAEC) so they fully comply with the regulatory framework.
15. Hungary should ensure consistency with and effective contribution to the Regulation (EU) 2018/842 (the Effort Sharing Regulation) and Regulation (EU) 2018/841 (the Regulation for the Land Use, Land Use Change and Forestry (LULUCF)). The Commission has noted that the intervention strategy proposes to reduce greenhouse gas emissions and to capture carbon. However, these interventions are not likely to contribute sufficiently to the national obligations. Hungary should therefore redesign these interventions and increase the planned coverage in order to ensure a more effective reduction of GHGs, increased carbon sequestration and in order to be consistent with its' long-term national climate targets.
16. Hungary is strongly encouraged to take into account the national targets that will be laid down in the revised Effort Sharing Regulation and Regulation for the Land Use, Land Use Change and Forestry (revisions which are currently discussed by the EU co-legislators) in view of the legal requirement in Article 120 of the SPR to review the Plan after their application.
17. The Plan does not sufficiently contribute to national goals, policies and measures outlined in the National energy and climate plan (NECP), the Long-Term Strategy (LTS) or the National Adaptation Plan (NAP). Hungary should better explain and demonstrate how the needs identified in the NECP, LTS and NAP (for example the promotion of climate change resilient crops) are addressed by the Plan.
18. The SWOT analysis and needs assessment identify a problem of livestock emissions in Hungary. The Commission considers it unlikely that the proposed interventions will lead to an effective contribution to the achievement of the specific objectives. Hungary is requested to redesign/reinforce the interventions and possibly to reallocate budgets to ensure a more effective reduction of GHG emissions in livestock farming.
19. The Commission has noted the planned allocations for eco-schemes and rural development measures to comply with the 25% and 35% ring-fencing requirements. However, the Plan does not clearly identify how the funded interventions contribute to the environmental and climate objectives according to Annex XIII of the SPR. Hungary is requested to provide such an explanation and support it with evidence through linking to the relevant output and result indicators.
20. As regards the water resources, the Commission notes the support for the modernisation of existing irrigation installations. However the focus of the proposed investments in irrigation needs to be further clarified. In particular, Hungary is requested to clarify if the investments in irrigation are compliant with the River Basin Management Plan (RBMP) mandatory under the Water Framework Directive 2000/60/EC (WFD) and to ensure the sustainability of the different water uses and should consider the effects of climatic change. Hungary should also foresee higher water savings, as required by Article 74(4) of the SPR. The target indicator for areas converted to sustainable water use is very low (2.91% of the utilised agricultural area (UAA)) and it should be increased.

21. The Commission considers that the overall proposed approach as regards ammonia emissions is insufficient in the light of ammonia emissions and air pollution in Hungary. The proposed interventions should better address the need to reduce and prevent further pollution from the entire nitrogen management cycle.
22. The Commission notes the interventions proposed to enhance biodiversity. However, the Commission considers that Hungary should reinforce the interventions to ensure further enhancement of biodiversity protection going beyond the current practices to ensure a more effective protection of biodiversity, as the current proposed targets reflect extremely low levels of ambition.
23. The “basic agro-ecological programme” proposed under eco-schemes following a “whole farm approach” is intended to be a “game-changer” of Hungarian agriculture, particularly because of the high uptake expected across all sectors. However, to fully realise the potential of this scheme, Hungary should streamline some commitments and better appraise the links between the practices and the result indicators.
24. The Commission welcomes the efforts proposed concerning renewable energy production. It encourages Hungary to fully benefit from the possibilities provided by the CAP interventions. It should use them to increase sustainable domestic generation and use of renewable energy, including biogas, thereby strengthening what has already been programmed in their National Energy and Climate Plan. Moreover, the Commission calls on Hungary to support interventions that improve nutrient use efficiency, circular approaches to nutrient use, including organic fertilising as well as further steps to reduce energy consumption.

Observations with regard to the strengthening of the socio-economic fabric of rural areas

25. The Commission considers that the Plan is not likely to contribute effectively to the strengthening of the socio-economic fabric of rural areas. The proposed interventions seem to address only partially the identified needs of rural areas. The Commission notes in particular the lack of sufficient ambition with regard to promoting employment, equal treatment and inclusiveness, fighting against rural poverty, antimicrobial resistance (AMR) and biosecurity.
26. The Commission acknowledges that the animal welfare interventions cover a wide range of species with an ambitious target in number and budget. However, they are generic and mostly address basic health issues rather than specific animal welfare problems. The Commission considers that the animal welfare interventions do not sufficiently address the tail-docking practise in pigs, which is forbidden by EU rules (apart from exceptional circumstances). In addition, there is no specific measure that could encourage the keeping of animals in non-confined housing system for laying hens, calves, and sows. Therefore, the Commission invites Hungary to amend this specific intervention in order to address the above-mentioned issues.
27. Biosecurity on small-scale commercial farms in the pig sector needs to be improved. The Commission has noted the absence of dedicated interventions in the Plan in this respect. Hungary should design appropriate interventions or modify the current one, in order to increase biosecurity practices, facilities and equipment.

28. LEADER (community-led local development) is indicated as the main tool to tackle multiple and serious needs of Hungarian rural areas. It is important to ensure minimum required ring-fencing. Therefore, Hungary should allocate an appropriate level of funding to respond to the needs or explain how these needs will be addressed via other Funds, and to establish a clear link and contribution to the Long-Term Vision for the Rural Areas of the European Union. For the same reasons, LEADER interventions should be clearly targeted, in line with the needs and in areas with clear added value of the approach, while the LEADER method is fully applied by all Local Action Groups (LAGs).
29. The Commission is concerned about the low level of commitment in the Hungarian Plan to promote gender equality and to improve the participation of women in farming, in line with the specific objective of Article 6(1)(h) of the SPR. The Commission requests Hungary to consider addressing this objective by justified and proportionate measures.

Observations with regard to fostering and sharing of knowledge, innovation and digitalisation in agriculture and rural areas

30. The Commission considers that the Plan is likely to contribute effectively to fostering and sharing knowledge, innovation and digitalisation. At the same time, the Commission encourages Hungary to strengthen its strategic approach to knowledge and innovation by addressing the key needs recognised in the Plan in terms of knowledge, through adequate support for relevant interventions such as advice and training. Hungary is further invited to foster synergies and connection among actors within the Agricultural Knowledge and Innovation Systems (AKIS), including via complementary instruments such as Horizon Europe.
31. The Commission appreciates the efforts made by Hungary to increase the territorial coverage of its broadband internet network. However it invites Hungary to further improve the access of rural households and businesses to high-speed internet in line with EU connectivity targets. The Commission therefore encourages Hungary to further elaborate on related initiatives and funding foreseen outside of the Strategic Plan to this end and on relevant synergies with the planned CAP interventions, as appropriate.

Other issues

32. The Commission considers that the proposed Plan is not likely to lead to a sufficient simplification for final beneficiaries; therefore, Hungary is requested to extend and better explain the areas of simplification and related actions.
33. The Commission considers that Hungary should continuously strengthen the partnership with rural stakeholders, especially those outside the agricultural sector, should ensure full transparency for the consultation and the planning process. Hungary is reminded to ensure a balanced participation of equality bodies in the monitoring committee representing women, youth and the interests of people in disadvantaged situations.
34. The Commission invites Hungary to describe the coordination, synergies and complementarities with other funds outside the CAP, including funds regulated by the Common Provisions Regulation (EU) 2021/1060, the LIFE Programme, Recovery and Resilience Facility and national funds, in addressing certain

identified needs, especially those related to the development of rural areas. This is important for providing a strengthened assessment on avoiding funding gaps, preventing possible overlaps and double funding.

35. The Commission requests Hungary to complement the information regarding the impact on the livestock sector.

Information with regard to the contribution to and consistency with Green Deal targets

36. The Commission regrets that Hungary does not contribute sufficiently to reaching the Green Deal targets at EU level. The Commission underlines the importance of the key Green Deal targets concerning AMR, pesticide use, nutrient loss and pollution, soil erosion, organic farming, conservation of habitats and species, high-diversity landscape features and rural broadband for achieving the CAP's specific objectives and those of the Farm to Fork and Biodiversity Strategy. The Commission requests Hungary to reinforce the Plan by providing ambitious and quantified national values for each of the targets.
37. The Commission takes note of the objective of Hungary to double the agricultural area under organic farming to 10% by 2027 compared to 5.71% in 2019, but it does not seem to be accompanied by interventions that are sufficiently effective. The Commission would welcome further explanations on how "doubling" the area under organic farming is envisaged (as the planned premia would be the same as in the 2014-2022 Rural Development Programme), and whether and, if so, to what extent related interventions can achieve the objective, in combination with other measures. Regarding the area under organic farming, the Commission invites Hungary to increase further the level of ambition beyond the linear extrapolation of recent trends and to revise the 2027 objective upward. The Commission would welcome quantified information on support to market development for organic products.
38. In relation to the target on high-diversity landscape features, the Commission considers the targets are extremely low and requests Hungary to increase the area, given that the current share of high-diversity features in Hungary (3.3 %) is below the EU average (4.6 %) and well below the EU target of 10 %.
39. With respect to pesticides, the Commission acknowledges that Hungary proposes a range of measures that, if implemented, will help reduce the use and risk of chemical pesticides. However, the ambition of Hungary for sustainable and reduced use of pesticides is still very low. Therefore, the Commission expects Hungary to reinforce its Plan, to clarify the obligations for farmers, and to ensure that all farmers apply the general principles of integrated pest management.
40. The Commission expresses concerns regarding the limited efforts on reducing the use of antimicrobials and requests that Hungary plans more targeted actions in this area. The relatively high use of antimicrobials in the pig and poultry sector in Hungary is not sufficiently reflected in the SWOT and needs assessment proposed. Besides, it is noted that neither the planned interventions nor the planned national measures address this issue. Therefore, actions need to be integrated in the Plan to reduce AMR or justification should be provided if alternative actions are taken at national level.

41. The Commission notes the efforts of Hungary to reduce nutrient losses but strongly recommends substantially improving its Plan in this area in coherence with related observations, including the level of support planned.

Detailed observations

1. STRATEGIC ASSESSMENT

1.1. To foster a smart, competitive, resilient and diversified agricultural sector ensuring long term food security

1.1.1. Strategic assessment of Specific Objective 1

42. Concerning the aim of a fairer distribution and more effective and efficient targeting of income support: the redistributive needs must be addressed sufficiently. To justify the sufficiency of the strategy and the consistency of all income support tools, a quantitative analysis showing the combined effects of all relevant income support tools on Direct Payment per hectares and income per work unit by physical size is requested (e.g. using the Farm Accountancy Data Network).
43. The Commission considers that the evidence does not support the maximum threshold selected (300 ha) in the complementary redistributive income support for sustainability (CRISS) intervention. To be noted that this maximum threshold would redistribute funds rather to large farms.
44. The strategy focuses on middle size holdings but it is not sufficiently justified. It also does not provide enough explanations on the strategy for small farms (e.g. minimum requirements, payments for small farms...).
45. Hungary is also requested to explain why degressivity and capping are not part of the redistribution strategy.
46. Chapter 3.5 in the Plan should describe the consistency and complementarity between the various support decision, such as coupled income support, sectorial interventions, national support schemes, rural development interventions and state aid, where such interventions co-exist in the same sector. Accordingly, Hungary should extend the scope of this explanation both in terms of the covered sectors (apart from fruit and vegetables also sugar beet, rice, oilseeds, sheep and goat, beef and veal, dairy, protein crops) and interventions. This explanation should also clarify the long-term strategy for each of these sectors.
47. In order to address efficiently difficulties and improve the competitiveness and sustainability of the sector and to avoid that the proposed Coupled Income Support (CIS) interventions lead to a deterioration of the environmental and climate situation (e.g. resulting from intensification of livestock farming, or increased water use in water scarce regions), Hungary is requested to clarify the interplay between CIS and other support decisions under the Plan and to improve, if relevant, the CIS interventions' targeting (e.g. eligibility conditions for specific types of farming within a sector and CIS adapted to different local context).

48. In addition, the Commission considers that the proposed Plan does not comply with all requirements and obligations mentioned in the SPR relevant for the achievement of general objective 1 and this has to be corrected accordingly.

1.1.2. Strategic assessment of Specific Objective 2

49. The Commission considers that for most of the interventions in the wine sector, Hungary refers to Specific Objective 2, without specifying how precisely this would be achieved. Therefore, Hungary is requested to describe how the actions supported will be able to contribute to improved competitiveness.

1.1.3. Strategic assessment of Specific Objective 3

50. The Commission welcomes that Hungary intends to provide support for Producer Organisations under interventions in sectors and for setting up producer groups and organisations under rural development and plans an intervention for supporting supply chains. However, the Commission considers that Hungary should make more effort to increase the bargaining power in the food chain for all sectors facing difficulties, in light of the needs assessment.
51. Hungary should explain how it ensures that at least 5 % of the expenditure in the wine sector is earmarked to meet the environmental, climate related, sustainability and energy efficiency objectives.

1.1.4. Coupled Income Support and Water Framework Directive (WFD)

52. Hungary should clarify how the different situations in the various river basins were taken into account for the design of the coupled income support interventions. Given that all interventions envisage stable output indicators till 2027 (i.e. no production increase), the focus should rather be on those river basins where 'good status' has not yet been reached based upon the respective river basin management plan, especially for the most sensitive interventions in terms of water use (rice and potentially irrigated fruit/vegetables), and, in terms of pollution (dairy and beef & veal sectors).

1.1.5. Risk management

53. The Commission requests Hungary to complement the information regarding risk management. Hungary should also include more information as regards any risks other than weather/climate-related ones, such as market prices and sanitary and phytosanitary risks, notably for the livestock sector, which is not well covered. It should include also reference to relevant sectoral interventions.
54. Agricultural risk management tools may address the growing risks that the changing climate represents in agriculture. Hungary is invited to consider incentives for farmers to take proactive measures reducing their vulnerability and increasing their adaptive capacity to climate change.

1.2. To support and strengthen environmental protection, including biodiversity, and climate action and to contribute to achieving the environmental and climate-related objectives of the Union including its commitments under the Paris Agreement

55. The Commission considers that the Plan should comply with all requirements and obligations laid down in the SPR relevant for the achievement of this general objective and that it has to be revised accordingly.

1.2.1. Strategic assessment of Specific Objective 4

56. Regarding the efforts to reduce emissions from livestock holdings, Hungary should explain which measures will be implemented to avoid a further increase of emissions from this sector. Hungary is requested to refer to its performance against and set targets for the climate-relevant result indicator R.13.

57. Hungary is invited to provide an estimate of the mitigation potential under the concerned interventions

58. Hungary should also specify the measures it will put in place in order to remedy the fragmented institutional structure regarding the monitoring system for domestic climate change, including establishment of a good database.

59. Hungary should mention as a threat in the SWOT summary the ‘Agriculture GHG emissions increase from 2013 [Specific Objective 4/1.2]’ and consequently reflect this in its needs assessment.

60. Hungary is requested to increase its ambition, notably since the target values of the following result indicators in the Plan appear to be decreasing compared to their equivalent target values in the RDP 2014-2020:

i. R.34 Preserving landscape features: Share of agriculture land under commitments for managing landscape features, including hedgerows and trees: 1.13% vs 11.68% (RPI_13_3 Share of ecological focus area (EFA) in agricultural land).

ii. R.30 Protecting forest ecosystems: Share of forest land under management commitments for supporting landscape, biodiversity and ecosystem services: 3.54% vs 5.26% (R.06 Percentage forest or other wooded area under management contracts supporting biodiversity (focus area 4A).

61. On consistency with climate legislation/targets, the Plan does not make any explicit link between the need to decrease agricultural emissions and enhance land-based carbon sequestration and the contribution to the climate targets and objectives under the current Effort Sharing and LULUCF Regulations. Moreover, Hungary is strongly encouraged to anticipate the increased ambition underlying the proposed amendments of the Effort Sharing and LULUCF Regulations, which include higher targets by 2030 and climate neutrality in the land sector (i.e. combined agriculture and LULUCF sector) at the EU level by 2035. Hungary is therefore invited to clarify its contribution to the achievement of the climate targets under the Effort Sharing and LULUCF Regulations. Emissions from agriculture are projected to increase under the “with existing measures” (WEM) scenario and projected to almost stagnate under the “with additional measures” (WAM) scenario.

Concurrently, removals from LULUCF are projected to decrease under both WEM and WAM scenarios. Hungary should adequately reflect both under the 'Threats' of the SWOT analysis. Hungary is requested to use the current (and ideally the revised) Effort-Sharing Regulation target to set the contribution of the Plan.

62. On the value of area-based agricultural or forestry practices, Hungary is invited to justify in the relevant section 3.1.3 (describing the greater achievements set out in Article 105 of the SPR) its claims that it aims to increase the concept of eligible area by about 100 000 hectares through the extension of the definition of eligible area. Hungary is invited to state specifically which interventions are going to target the increased area.
63. Hungary is requested to provide more clarity on the mismatch between the output figures (between 1.5 and 2.5 million hectares) of the Basic agro-ecological programme presented in the summary of Section 3.1.3 of the Plan and the figures (2.5 million hectares) presented in the detailed description of the section and in financial table of the relevant intervention (DP17_G01_ECOS_16).
64. On value of non-area-based interventions, Hungary is requested to provide more details and comparison of relevant result indicators for the current CAP that would prove an increased climate ambition.
65. Hungary is requested to clarify the mismatch between the claim of increased climate related ambitions and the lower level of budget allocated to similar actions in comparison to the previous period.
66. On effectiveness of the intervention strategy:
 - i. Hungary is requested to provide further information on how the budget is allocated by output. The financial plan overview table (6.1) contains only the direct payments.
 - ii. The SWOT analysis and needs assessment identify a difficulty for “Reducing GHG emissions through technological development of livestock farming” (need 4.1.2). The Commission considers it unlikely that the proposed interventions regarding “Reducing GHG emissions through technological development of livestock farming” will lead to an effective contribution to the achievement of the specific objectives, as required by Article 118 of the SPR. In particular, there is no specific target linked to this need, which would allow assessing the efficiency of the relevant interventions. The respective result indicator R.13 (Share of livestock units under supported commitments to reduce GHG emissions and/or ammonia, including manure management) is not available to assess.
67. On section 2.1, in the needs assessment, the need 4.1.2 (reduction of green-house gas emission) should include a reference also to ammonia reduction (co-benefits/synergy).
68. The Commission would consider it necessary to assess in the SWOT analysis opportunities for the improvement of forest fire management, the use of physical protection (nylons, nets) against hail and frost, and ensuring better soil quality in the future, which would contribute to increased water holding and nutrient retention capacity.

69. Hungary should clarify how and to what extent the CAP will contribute to the targets set by the National Energy and Climate Plans (NECP) (Regulation (EU) 2018/1999) and other EU legal acts such as Energy Efficiency Directive (EED) (Directive 2012/27/EU) or Renewable Energy Directive (RED II) (Directive (EU) 2018/2001) in term of increasing renewable energy use and improving energy efficiency.

1.2.2. Strategic assessment of Specific Objective 5

70. Further actions to reduce ammonia emissions such as the direct injection of slurry in the soil and the rapid incorporation of inorganic nitrogen fertilisers in the soil within four hours should be envisaged (under eco-schemes and/or the agri-environmental management commitments). In addition, the slurry tanks should be covered to avoid the volatilisation of ammonia (for example, support for this can be offered to farmers as green investments (investments as referred to in Article 73(4)(a)(i) of the SPR). Hungary is requested to improve interventions that target a reduction of pesticides and to extend the agri-environmental measures to other agricultural sectors like arable crops and wine.
71. The Commission considers it as highly problematic that a reduction of the use of pesticides is not explicitly mentioned among the needs, but is replaced by "rational use", which is not necessarily equivalent. The unchanged level of sales and use of pesticides are identified as major problems in Hungary. Among the needs and measures formulated in the Plan, (apart from increasing the territorial coverage of organic farming), those directly related to reduction of pesticides are largely missing.
72. Hungary is encouraged to consider actions that will ensure synergy between soil interventions programmed under the Plan and the Horizon Europe 'Soil deal for Europe' mission, as well as synergies between the Plan and the Horizon Europe Partnership "Sustainable food systems for people, planet and climate".
73. The problems about water scarcity in specific areas should be considered in the needs assessment. In Hungary, 20% of groundwater bodies have less than good quantitative status, abstraction for irrigation being the most significant pressure for groundwater in the country, with 45% of surface waters and 40% of groundwater concerned by abstraction pressures. Climate change is expected to put higher pressure on water availability. Against this background, Hungary should better explain how it will address the needs related to water quantity issues and contribute to WFD objectives, with the Plan and other national tools. Hungary should consider the analysis performed under the last RBMP as appropriate.
74. Hungary should clarify the focus of the proposed investments in irrigation. Hungary is encouraged to consider including actions to improve natural water retention in soils, measures to reduce water demand (such as the use of recycled water to substitute freshwater abstraction), training and advice on irrigation management. The Commission considers the target indicator for sustainable water use (R.23 - Share of utilised agricultural area (UAA) under supported commitments to improve water balance: 2.91%) is too low to ensure that the water needs of agriculture will be covered in a way that is sustainable under the future climate.

75. In Hungary, 77 % of surface waters are found to be eutrophic with pollution from agricultural sources. Hungary should better explain how the Plan will address this issue, including through stronger measures on nutrients losses.
76. Hungary should analyse which are the hydromorphological changes in the needs, which exerts significant pressures on water bodies and to consider the reduction of pressures from agriculture on hydromorphology, and the restoration of rivers and their floodplains, in view of achieving the objectives of the WFD and of the biodiversity strategy for 2030.
77. The Commission encourages Hungary to explain the links with the Best Available Techniques (BAT) conclusions including BAT-associated emission level (BAT-AEL) notably in the context of reduce emissions of pollutants from installations (e.g. ammonia).

1.2.3. Strategic assessment of Specific Objective 6

78. Hungary should clearly explain which are the most important habitats and species of Community interest concerned by agriculture (including permanent and high valuable grasslands) and forestry activities which need to be managed and protected and cover these by targeted interventions with sufficient financial allocations. Hungary is invited to also address, where relevant, the key drivers of pollinator decline that result from agricultural activities, such as the loss of habitats and the application of chemical pesticides.
79. The intervention strategy for this objective does not refer to the planning tools relevant for biodiversity, including the Habitats Directive (Council Directive 92/43/EEC) and Birds Directive (Directive 2009/147/EC), notably the Hungarian Prioritised Action Framework (PAF) for Natura 2000. The Commission asks that the design of the interventions aimed at the protection of biodiversity as well as the financial allocations consider the needs identified in the PAF. Moreover, it is unclear whether the National Biodiversity Conservation Strategy 2021-2030 (draft 2021) has been finalised.
80. Hungary should clarify what it means by “Reforming the Natura 2000 legislation with regard to the management of grasses that is wise, differentiated and adapted to the needs of the habitat concerned” under opportunities.
81. Negative trends are observed in the previous years, with generally poor conservation status of almost all EU protected habitat types and species associated with agricultural land, the pressures on the environment stemming from high levels of pollutions from nutrients and pesticides as well as the degradation of soils, and the contribution to climate change. Therefore, Hungary should better target these challenges in the proposed interventions. Higher priority should be allocated to measures tackling land abandonment, improper practices on species-rich grasslands (but also on all other relevant agricultural habitats), measures to prevent fragmentation of grassland and maintain grassland of high environmental value, and diversification of croplands.
82. The Commission also considers that Hungary should put more focus on wetlands and to improve sustainable forest management and afforestation. Wetlands are entirely missing in the Specific Objective 6 section. Whereas forest measures are included, the afforestation target is not in line with the PAF target and sustainable

forest management practices targeting the preservation of existing forests are very limited.

83. Interventions to support the mapping and strict protection of old growth forest should be considered for support under SO6. Continuous cover (6.3.2) and diverse age structure (6.3.3) are key elements of sustainable and nature-friendly forest management, yet both are ranked as priority 2.

1.2.4. Overview of the environmental and climate architecture

84. Based on the information provided, it is not possible to establish a greater overall ambition systematically across the various elements of the green architecture and across all interventions. Therefore, more specific information is needed to assess of the proposed commitments' national impact.
85. The standards proposed in the standards of GAEC should be complemented with specific elements, clarified or revised.
86. For the eco-schemes proposed, the links between commitments and result indicators needs to be streamlined and clarified in order to report direct and significant contributions only (see specific observations in the section on eco-schemes). The link between the eco-schemes' practices and agri-environmental and climate measures should be clearly described.
87. Hungary should provide additional details regarding specific management commitments, how they go above baseline, and their links to corresponding needs and result indicators for the agri-environmental payments. Hungary is invited to consider splitting up this intervention into smaller components which would ensure better internal consistency between needs, interventions and result indicators.
88. The Commission would welcome further explanations how the support both for maintaining organic farming and converting to organic farming was taken into account when the objective of 10% of the agricultural area under organic farming was fixed. A comprehensive target, covering both maintenance and conversion, would be needed for R.29.
89. The Commission regrets that, whereas there are some Natura 2000 and biodiversity relevant result indicators targets, they reflect very low ambitions to achieve the objective of maintaining and reaching favourable conservation status of habitats and species of the Birds and Habitats Directives. Hungary should put in place more decisive actions to contribute to the Biodiversity Strategy target of 30% improvement by 2030 and ensure no further deterioration in the conservation status of habitats or species, and loss of agricultural land in Hungary, due to agricultural intensification, which is among the highest in the EU.
90. The Commission notes that Hungary included several interventions that have as objective the preservation and increase of landscape features, but considers that targets for 2030 are extremely low (1.13% of agricultural areas). Moreover, as regards the extension of the eligible area definition to cover agro-ecological features and areas, the Commission would welcome an estimation of the share of the features and areas under the newly established payments that are currently excluded from direct payments.

91. More clarity on the ambitions regarding afforestation is needed. The Plan is emphasizing the importance of increasing the forest areas, but it does not provide higher ambitions than those in the previous period (5 000 hectares per year). In addition, despite of the increasing forest areas, emission removal of the Land use, Land-Use Change and Forestry (LULUCF) sector keeps declining in 2023-2029.
92. Given that there is no substantial intervention in the rehabilitation of water bodies, no significant improvement is expected in the long run. Water retention and the restoration of temporary wetlands and water-dependent habitats are key to achieving both long-term ecological and agricultural goals, so relevant interventions, such as modifying the existing irrigation and drainage system, should be given much greater emphasis in the development of irrigation.
93. As regards climate mitigation practices and adaptation strategies, the Commission notes that Hungary envisages to support commitments to improve adaptation to climate change (R.12) for 12.66% of the utilised agricultural area (UAA). This target should be substantially increased, as the remaining agricultural land is at great risk of suffering from climate impacts in the future. The Commission invites Hungary to revise the interventions that have the potential to contribute to result indicator R.12.
94. As regards ammonia emissions, the overall proposed approach is considerably insufficient in the light of the situation of ammonia emissions and air pollution in Hungary. The proposed interventions should better address the need to reduce and prevent further pollution from the entire nitrogen management cycle by including appropriate investments which will contribute substantively to methane strategy and air quality improvements.
95. The level of support planned to interventions aiming at reducing nutrient pollution is insufficient compared to the high proportion of surface waters suffering from eutrophication in particular and need to be significantly increased. The indicated target for result indicator R.22 appears too low, given that 36% of surface water bodies are facing pressures from agricultural diffuse pollution.

1.3. To strengthen the socio-economic fabric of rural areas

1.3.1. Strategic assessment of Specific Objective 7

96. Hungary should expand and streamline the presentation of the intervention strategy and logic and to explain the relevance of the selected interventions in view of their contribution to the objective of generational renewal as well as to ensure coherence with national measures on generational renewal.

1.3.2. Strategic assessment of Specific Objective 8

97. The Commission invites Hungary to consider the challenges faced by rural women including outmigration of women from rural areas, higher than average NEET (Not in Education, Employment, or Training) rate for women and gender care gap and address those under their Plan.
98. The LEADER intervention is described as responding to a big range of needs including depopulation but this is not realistic given its nature and financial allocation.

99. Based on the Commission's assessment, most of the interventions that are supposed to contribute to SO8 seem to have only a minor effect on its focus areas of employment and social inclusion. This is also made clear by the unambitious target of the related indicators (R.37 - New jobs supported in CAP projects with a target of 216 persons, or R.42 - Number of persons covered by supported social inclusion projects with a target of 11 002 persons).
100. Strength No. E.3 ("Improved employment characteristics of disadvantaged groups (low educational attainment, Roma, people with disabilities") is factually incorrect according to statistical data. The employment gap for Roma and people with disability has not changed significantly in the past years, while the employment rate of low-skilled has been gradually improving. However, at 55.6% it is still 34 percentage points (pps) below that of the high-skilled population. Similarly, strength E.4 "Reduction in the share of the population at risk of poverty or social exclusion" seems to imply that poverty and social exclusion is no longer a challenge for Hungary. Although the risk of poverty and social exclusion rate has been decreasing in Hungary, still every 5th person is affected. Furthermore, extreme poverty remains high and becomes more and more extreme. Hungary is requested to clarify this contradiction. These "strengths" should be replaced to the weaknesses, mentioning that there is room for improvement – to which the Plan should contribute with its interventions.
101. Regarding the bio-economy, HU recognises several opportunities linked to bio-based products of different sector (e.g. L2, L3, L4). The intervention logic also includes "rural development cooperation for the development of a biomass-based economy" as a whole. However, the identification of needs is limited to biomass for renewable energy uses. In order to be fully coherent with the SWOT and the intervention logic proposed, HU may want to modify the needs identified to include other sectors of the bio-economy. Hungary has no Bio-economy Strategy. It is therefore invited to consider developing such a Strategy in association with the plan to reinforce the synergies between both policies, and to scale up the deployment of the circular and sustainable bio-economy.

1.3.3. Strategic assessment of Specific Objective 9

102. While the Plan acknowledges the need to increase awareness of healthy diets, interventions proposed seem to be limited. The Commission therefore invites Hungary to better explain how the shift towards healthy, more plant-based and sustainable diets will be achieved.
103. The Commission notes that the only area where food waste is considered in the SWOT is in the context of new data requirements and that no related need was identified. Therefore, the Commission invites Hungary to explain how this issue is addressed within or outside the CAP.
104. It is not clear if and how the proposed interventions will help to reduce the high use of antimicrobials given that in Hungary there is a routine to use these substances for prevention purposes. National animal welfare measures that have been in place for a number of years have not achieved a noticeable reduction in the consumption of antimicrobials in the concerned animal sectors.

1.4. Modernising the sector by fostering and sharing of knowledge, innovation and digitalisation in agriculture and rural areas, and encouraging their uptake by farmers, through improved access to research, innovation knowledge exchange and training

1.4.1. Strategic assessment of Cross-cutting objective

105. Hungary is requested to further develop how the interlinkages between different AKIS actors will be strengthened (Article 114(a)(ii) of the SPR) and specifically indicate in the description of the interventions how they will contribute to the AKIS, highlighting the synergies of that intervention within the AKIS.
106. The Commission would like to know if the Széchenyi Agricultural Knowledge Accreditation Centre would also develop into a back-office with specialist advisors who collect all available practices and up-to-date knowledge to support the advisors in the field or any other AKIS actor. Please clarify what is the role of the Chamber of Agriculture related to this question and how they interact with the many private advisors.
107. Innovation support should be seen as focusing primarily on capturing grassroots innovative ideas and help to develop these into an operational group (OG). Further reflection on the missing elements of innovation support and the reasoning behind only pre-defined topics are welcome. Limiting to only fixed topics for a low number of European Innovation Partnership (EIP) OGs is counterproductive for the bottom-up approach of innovation support in Article 15(4)(e) of the SPR.
108. Please clarify the concrete actions the CAP network will undertake to interact with Horizon Europe, to support the EIP OGs to profit from synergies with the EU research framework (e.g. regular connection of EIP support unit with the Horizon Europe National Contact Points (NCPs) to inform on ongoing EIP OGs, brokering events to link and promote EIP OGs to current and future Horizon Europe consortia).
109. The Commission invites Hungary to: (a) further elaborate on the linkage of the SWOT Analysis with the needs and the interventions; (b) show more ambition regarding result indicator R.3; (c) define specifically EU and national funding instruments for digitalisation.
110. The Plan should (a) provide details on the intervention strategy (milestones, targets, objectives, planned investments and funding instruments) to reach the EU connectivity objectives in 2025 and 2030 in all rural areas; (b) indicate which other programs/funds, besides the Plan, will address the challenge of connectivity coverage in rural areas (c) provide further details on the quality of rural 4G mobile coverage, and explain how they will reach the target of 5G in all populated areas in 2030, in particular rural populated areas.
111. The Commission asks Hungary to allocate sufficient funding to the relevant measures and make sure that a broad target group of participants can engage in the interventions for cooperation, knowledge exchange and advice throughout the entire funding period.
112. Hungary should also provide information on how it intends to solve the issue of lack of data and interconnectivity between existing databases.

113. Hungary is requested to ensure that environmental and biodiversity knowledge is sufficiently addressed and knowledge transfer on this topic is supported in the Plan (e.g. by advisory services, the development of environmental advice and information for target audience), including providing sufficient funding for related measures.

1.5. Simplification for final beneficiaries

114. Hungary is invited to expand areas and improve tools of simplification for non-farmer beneficiaries and for beneficiaries receiving non-IACS (integrated administration and control system) support.
115. Hungary is invited to provide more information on the timing of the Area Monitoring System implementation, to clarify the cycle for updating the Land Parcel Identification System and if these updates are also fed into the Single Application and to provide further information on data sharing, as referred to in Article 67(5) of Regulation (EU) 2021/2016.
116. Furthermore, Hungary is invited to provide more information on the 'mobilGAZDA', if it serves also as an alert system, established to inform the applicant if the application calls for a correction and information on: the use of new technologies for non-IACS controls and on the possible use of Area Monitoring System (AMS) for force majeure cases as defined in Article 3 of Regulation (EU) 2021/2116.

1.6. Target plan

117. The target plan is by financial year, therefore the result indicators R.4, R.6, R.7 and R.8 are expected to start from financial year (FY) 2024 in the SFC Target Plan up to 2028, and therefore no milestone is expected for 2023 (table 2.3.1). Please adapt the Target plan accordingly.
118. The contribution to R.22 is restricted to additional interventions above the baseline. The SWOT indicates that 85% of the utilized agricultural area (UAA) is under commitments to implement a nutrient management plan. The coherence of the additional measures quantified in the R.22 and baseline should be explained.
119. The overall target of result indicator R.1 is high compared to the Hungarian farming population. Hungary should explain this value.
120. The target of result indicator R.37 is very small and much smaller than R.36. This is not possible because R.36 is a subset of R.37, which measures the contribution of CAP support to safeguard and create jobs, including jobs for young farmers. Hungary is requested to correct the value of R.37 to include R.36.
121. Please verify the value for R.38 which is higher than 100%. Please note that the 2019 value of this indicator was 66% in Hungary.
122. The value for result indicator R.15 is not realistic. Although there are many interventions for the production of energy in the Hungarian Plan, the number of Megawatts planned to be installed over the years is impressive (from 2 to 151 in 6 years).

123. The numerator of the target indicator R.29 organic farming is twice the value of the corresponding planned output O.17 hectares benefitting from support to organic farming. Please revise and correct the value if necessary.
124. The result indicator R.43 is missing. The Commission recommends introducing it as there is a need to fight AMR, and there are some interventions in the Hungarian Plan that could be linked to R.43.
125. The target values for relevant environmental result indicators are generally too low to address the scale of the issues faced, as identified in the data reported under environmental legislation and national strategies. This is the case for R.17, R.19, R.20, R.21, R.22, R.24, R.26, R.29, R.30, R.31, R.34.
126. Natura 2000 and biodiversity relevant measures appear to have been given rather low priority (preserving landscape features on 1.13% of agricultural areas; investments related to biodiversity 0.55% of farms; sustainable forest management 3.53% of forested area) and the distinct objective of maintaining and reaching favourable conservation status of habitats and species of the Birds and Habitats Directives, is not clearly reflected in management commitments for relevant interventions. HU should increase the ambition of these targets and the related support in particular for the preservation of landscape features.

2. OPERATIONAL ASSESSMENT

2.1. Minimum ring-fencing

127. The Commission requests Hungary to respect the legal provisions on ring-fencing. Please make sure that each intervention ring-fenced under section 5 of the Plan, be it for Environment, Generational Renewal or LEADER, fully contributes to meeting one of those ring-fencing requirements (i.e. cannot only partially contribute). This is valid for all ring-fencing requirements.
128. Please note that interventions under Article 77 of the SPR are not eligible for contributing to the environmental and climate ring-fencing nor for the generational renewal ring-fencing.
129. The amounts planned annually for eco-schemes in section 5 are below the required minimum 25% of the adjusted allocation for Direct Payments (Annex IX of the SPR). A rebate in the meaning of Article 97(2) of the SPR could be applied to help reach the 25% threshold.
130. The total amount for eligible interventions reserved for young farmers under Direct Payments and Rural Development is below the minimum amount set out in Annex XII of the SPR. Data entered in the overview table of the financial table show EUR 69.5 million for interventions under Articles 73 and 74 of the SPR, which differs from financial data entered in section 5.3 “Rural development interventions”.
131. Based on data provided in section 5.3 “rural development interventions”, and taking into account the correct amount of the flexibility transfer for financial year 2023, the ring-fencing for LEADER is below the minimum 5% of Rural Development allocation over the period.

132. Hungary should specify in their plan that 15 % of the costs of the operational programme of the producer organisation must be earmarked for environmental and climate measures (Article 50(7)(a) of the SPR).
133. Hungary should ensure that at least 2% of expenditure under operational programmes covers the intervention linked to the objective referred to in point (d) (research, development and innovation) of Article 46 (Article 50(7)(c) of the SPR).
134. The ‘by-products distillation’ and ‘investments’ types of intervention in the wine sector seem to cover the environmental requirements of Article 60(4) of the SPR. However, Hungary should specify the exact percentage of the aid reserved to that purpose.

2.2. Definitions and minimum requirements

135. Hungary is requested to:

- i. 4.1.1.1 confirm using the same definition of production as set under Article 4(1)(c)(i) of Regulation (EU) No 1307/2013 or further defining the definition under Article 4(2)(a) of the SPR, which is only a framework definition to be defined further.
- ii. 4.1.1.2.1 - 4.1.1.2.3 – place the criteria describing the productive activity under section 4.1.1.1.
- iii. 4.1.1.2.2 – add criteria for the maintenance of the permanent crop itself.
- iv. 4.1.2.1 – provide information on the elements of agroforestry based e.g. on type of trees, their size, number, distribution in relation to pedo-climatic conditions or management practices (whether or not differentiated per type of agricultural area).
- v. 4.1.2.3.2 – provide a minimum planting density of the listed species, reconsider the definition which limits the scope of the definition laid down in Article 4(3)(b) of the SPR as to the restriction to cultivate only parcels of at least 0.5 ha in size. The selection of species, varieties, ecotypes and provenances of trees shall take account of the need for resilience to climate change and to natural disasters and the biotic, pedologic and hydrologic condition, as well as of the potential invasive character of the species as defined by Member States under local conditions of the area concerned.
- vi. 4.1.3.1 – clarify whether the indicated duration of 60 calendar days of non-agricultural activity, even if done outside the growing season, makes the agricultural activity impossible to be performed.
- vii. 4.1.3.2. – clarify how the actual and lawful use of the land will be verified and whether farmers are provided all options to prove that they have land at their disposal in line with national legislation.
- viii. 4.1.4 – clarify the link between the established negative list and the criteria to exclude non-active farmers and whether criteria to identify active farmers do not penalize those who do not perform productive activities.

- ix. 4.1.5 and 4.1.6 – take into account that the definitions of young farmer and new farmer are common for all relevant interventions under the Plan and that they should not include intervention specific eligibility conditions.
- x. 4.1.7.2 – based on qualitative and quantitative information – provide a justification as to how the thresholds set ensure the reduction of administrative burden and contribute to the objective of supporting “viable farm income”. A continuation of the previous thresholds is not a sufficient argument.

Technical assistance

- 136. Hungary should provide the indicative planning of activities financed from Technical assistance (TA) in particular with regard to the demarcation with the Rural Development Programme 2014-2022.
- 137. Hungary is requested to demonstrate that costs relating to the certification body are not eligible for TA of the Plan (Article 125 of the SPR).

CAP Network

- 138. More information on activities of the national CAP network as related to involvement of new participants (Pillar 1), contribution to monitoring and evaluation of Plan, and to the EU CAP network would be welcomed. Given the involvement of various support units and bodies in the national network, supervised by the AKIS coordination unit, it should be clarified how the overall functioning of the single national CAP network and synergies between its different strands are ensured. Furthermore, information on indicative funding availabilities for the national CAP Network and the indicative timeline for its launch would be needed.

Coordination EU funds

- 139. The description in Section 4.5 on coordination, demarcation and complementarities is insufficient to give the overview required in Article 110(d)(v) of the SPR. Hungary is invited to provide a comprehensive description of how EU funds and initiatives active in rural areas work together with the Plan. These include the European Regional Development Fund (ERDF), the European Social Fund Plus (ESF+), the Recovery and Resilience Facility (RRF), the Digital Europe Programme (DEP), the Connecting Europe Facility (CEF2 Digital), the Programme for Environment and Climate Action (LIFE) and Horizon Europe.
- 140. Hungary should also explain any synergies with the Plan and the Long-term Vision for the EU’s Rural Areas.

2.3. Interventions and baseline

2.3.1. Conditionality

GAEC 1

- 141. Hungary is requested to include the calculation method of the reference ratio as provided by Annex I point 3.1 (e)(i) of Implementing Regulation (EU) 2021/2289, read together with Article 1 of the same Regulation.

GAEC 2

142. Hungary should provide justification why the application of this GAEC starts only from 2025. Footnote 1 to GAEC 2 in Annex III of the SPR sets out that the delay in the GAEC application shall be justified based on the needs for the establishment of the management system, in accordance with a detailed planning. In light of the importance of protecting wetlands and peatlands for the protection of carbon-rich soils, the Commission invites Hungary to envisage not to delay the application of this GAEC to 2025.

GAEC 3

143. Hungary is requested to define the specific conditions where stubble burning is authorised for plant health reasons. National procedures should be in place to ensure that authorisation of burning of arable stubble is appropriately implemented, such as an official decision from plant health authorities.

GAEC 4

144. As regards the territorial scope for the application of this GAEC, it should be clarified whether it covers all watercourses and coastline indicated in the Land Parcel Identification System (LPIS), including smaller watercourses and water bodies. Although manure deposition by animals is not formally covered by the GAEC, Hungary should take appropriate measures to limit manure deposition on parcels limiting with water courses.

GAEC 5

145. While the slope gradient is a factor that needs to be taken into account under the SPR, it is not the only element with an impact on soil erosion. Hungary is requested to consider other potential areas at risk of erosion for applying the tillage management practices.

GAEC 6

146. The objective of GAEC 6 is the “protection of soils in periods that are most sensitive”. Article 13 of the SPR provides for Member States to set out the appropriate timing and condition of the soil cover to ensure adequate coverage, though all concerned land (arable, permanent crops, fallow) is expected to be covered. In light of this, Hungary should envisage minimum rules for permanent crops areas.
147. While the Commission acknowledges the risk of soil degradation for soils without soil cover in the end of summer, winter months is also a period that can be considered as “most sensitive” as laid down in the definition of GAEC 6. Therefore, the Commission requests Hungary to extend the period in which stubble has to be maintained beyond end September to include the winter months and to clearly indicate the period that is considered “most sensitive”. As regards the exception foreseen “in the case of spring crops grown in Nitrate Vulnerable Zones, where soil preparation work in parallel with contour lines is permitted from 1 September”, Hungary is requested to provide more clarity on the context and justification of this exception in view of the GAEC objective.”

GAEC 7

148. The Commission appreciates Hungary's approach to combine practices on crop rotation and diversification to improve the contribution to the environment. However, the rotation practices defined are not in line with the GAEC definition laid down in the legislation that foresees that rotation requires a change of crops at least once a year at parcel level including the secondary crops. Moreover, as set out in point 3.1 (e)(vii) of Annex I to Implementing Regulation (EU) 2021/2289, a definition of crop should be provided. Hungary is therefore requested to modify this GAEC accordingly in order to bring it in line with the Regulation.

GAEC 8

149. Although the sole selection of option 3 (including catch crops and Nitrogen fixing crops) is possible, Hungary is requested to consider selecting also option 1 (minimum share of 4% of landscape elements and non-productive areas) or to explain why option 1 is not proposed. This would leave more leeway to farmers to comply with the GAEC and would allow a higher share of non-productive areas and features, which contribute more to the biodiversity of agricultural areas.

GAEC 9

150. An indication of the criteria for designating environmentally sensitive permanent grasslands is missing, as required by point 3.1 (e)(ix) of Annex I to Implementing Regulation (EU) 2021/2289, read together with Article 1 of the same Regulation. Considering the importance of this GAEC (currently under 'greening') to protect the pastures of high natural value, Hungary should consider a large definition of these areas taking into account the current grassland status and trends in the recent report of 'The state of nature in the European Union - Report on the status and trends 2013-2018 of species and habitat types by the Birds and Habitats Directives (European Commission Report, October 2020)' on the conservation of grasslands protected habitats, and the objective to achieve a good conservation status of these valuable grasslands.

151. The Commission considers that the exception provided for nature protection authority to allow conversion and ploughing of environmentally sensitive permanent grassland in Natura 2000 areas is should be limited to ploughing (in case of need for reseeding and restauration).

2.3.2. *For direct income support*

2.3.2.1. Basic income support for sustainability (BISS) (Articles 21-28 of the SPR, section 5 of the Plan)

152. The unit amount for BISS cannot be justified as being the result from the division of the BISS envelope by the number of estimated eligible hectares. The planned unit amount should primarily be justified on the basis of the analysis of the income needs. Taking into account the number of estimated eligible hectares, the indicative financial allocation for BISS is the result of this exercise, not the starting point.

153. Hungary is requested to reconsider the variation of the unit amount provided for BISS. The variation percentages are very high, and are not adequately justified. The justification of the unit amount, on the one hand, and of minimum and

maximum unit amounts, on the other hand, should be linked. These justifications should primarily be based on data related to the needs which the relevant interventions want to address. Elements of uncertainty leading to a risk of unspent funds can be added to justify the variation. However, these elements must also be explained and where possible based on data, e.g. related to past experience related to under-execution.

2.3.2.2. Complementary redistributive income support for sustainability (CRISS) (Article 29 of the SPR, section 5 of the Plan)

154. In addition to the observations in section 1.1.1, the Commission does not see enough evidence that the CRISS maximum threshold is adequate as regards the aim of the intervention which is the redistribution of direct payments from larger to smaller or medium-sized holdings given that more than 80% of the farms are below 100 ha.
155. Please reconsider the variation of the unit amount provided for CRISS. The variation percentage is very high and is not adequately justified. The explanations provided by the Commission above on the variation of the unit amount with regard to BISS are also valid for CRISS.

2.3.2.3. Complementary income support for young farmers (CISYF) (Article 30 of the SPR, section 5 of the Plan)

156. Hungary is invited to:
- i. Adapt the requirement of “newly set up” to express the direct link to the beginning of the agricultural activity instead of the first application for support;
 - ii. Explain the rationale of the choice to set a threshold of 300 hectares, and its contribution to achieving the objective to attract young farmers;
 - iii. Explain the risks and the uncertainty associated with the planned unit amounts and justify the high variation of the minimum and maximums planned.

2.3.2.4. Eco-schemes (Article 31 of the SPR, section 5 of the Plan)

Comments on the eco-scheme approach

157. The Commission appreciates Hungary’s proposal for a “Basic agro-ecological programme” eco-scheme following a “whole-farm approach” and including a point-based system to distinguish between the basic practices and other more ambitious practices. However, Hungary is requested to enhance the ambition of the practices included in the eco-scheme as proposed in the observations.
158. Hungary is requested to review its approach for the attribution of the eco-schemes to the 10 results indicators (RI) proposed. In the case of the proposed eco-scheme that encompasses multiple commitments/practices, only the commitments that contribute directly and significantly to a result indicator should be attributed to this result indicator. Following this approach, only the hectares (outputs) planned for the “commitments” linked to a specific RI should be taken into account when setting the target for that specific RI. Similarly, for the reporting, only the hectares

under the “commitment/operation” linked to a specific RI, should be included in the reporting for the specific RI.

159. Separate unit amounts for each commitment (or group of commitments) should be planned, even if given the same “value”. This approach could ease the attribution of the individual commitments to result indicator, as indicated above. If this option is not possible, the Plan should indicate clearly which commitments justify the attribution of the intervention to each specific RI. This approach would increase transparency and allow a more accurate estimation of the results of the Plan.
160. Although the eco-schemes are linked to the need 5.4.2 (reduction of ammonia emissions) and result indicator R.20, the proposed measures are insufficient to effectively support the reduction of ammonia. An optional practice for arable crops for low-emission manure management and field application (notably rapid incorporation) could be added.
161. The section on the link between GAEC, SMR and national standards and the eco-scheme should be revised to briefly explain how the commitments go beyond the relevant baseline. As drafted (indication of the list and titles of SMR, GAEC and some national standards), the section does not allow an assessment of the link between mandatory requirements and the eco-scheme.
162. The section on planned unit amounts does not include an explanation of the level of the unit amount. The Commission recalls the provision of Article 31(8) of the SPR which sets out that the level of payment needs to be coherent with the level of sustainability and ambition of the eco-scheme. On this basis, the explanation of the unit amount cannot draw on a calculation based on the dedicated envelope and the expected area enrolled, as is currently the case. Hungary is requested to explain how this provision is complied with. In addition, the range of variation of the unit amount between -50% (minimum) and +25% (maximum) appears too high and risks compromising the provisions of Article 31(8) of the SPR on the payment levels, which should be respected also when setting minimum and maximum unit amounts. An assessment of the uncertainties and the risk of variation of the uptake would help provide clarity. Moreover, it is unclear whether the unit amount is granted to each commitment uptake to reach the minimum of two points.
163. Eligibility conditions (for areas or holdings) to request the eco-scheme support have not been indicated. The Commission invites Hungary to check whether this is correct. Hungary is also invited to indicate whether there is a maximum number of practices that the farmer can subscribe to.

Comments on practices

164. No bare soil practice: The split of the duration period for the maintenance in soils of arable stubble between the GAEC 6 and the eco-scheme (until 30/09 under GAEC 6 and until 28/02 under the eco-scheme) does not seem sufficiently justified. The Commission requests Hungary to consider strengthening the practices for a better soil coverage in view of the prominent need to preserve soils.
165. Crop diversification: the Commission has doubts on the impact of setting a threshold of 1 000 ha for requesting 5 crops on the effective application of the practice within the Hungarian context. The Commission invites Hungary to consider the following changes: introduction of at least one additional category for

farm size (notably for farm above 300 ha) and an adaption of the maximum cover of the largest crops respective to all farm size categories, to ensure a more balanced set of requirements.

166. Pollinator-friendly plant protection practices (arable land and permanent crops): this practice provides for the ban of the use of plant protection products (PPP) that are dangerous or risky to bees. It would be appropriate to indicate to what kind of PPPs this practice refers to. The list of products/molecules should be well defined for farmers (though not necessarily in the Plan).
167. Reduced cultivation practices: The practices of no-till and direct sowing need to be accompanied by appropriate practices related to crop rotation and herbicides use to ensure an overall environmental benefit. Hungary is recommended to envisage carrying out this practice together with a crop rotation requirement as well to appropriate techniques such as Integrated Pest Management as stipulated in Article 14 of Directive 2009/128/EC. As a minimum, a limit on the herbicides treatments should be indicated given that the carry-out of no-tillage increases the risk of weeds presence in fields and this could potentially lead to additional herbicides applications.
168. Use of soil conditioning and microbiological or nitrogen fixing preparations (arable land and plantations): The Commission understands that the aim of the substances and preparations foreseen in the practice is to increase the efficiency of nitrogen use and eventually the productivity. However, the explanations provided are insufficient to understand the environmental benefit pursued. Moreover, it is uncertain whether this practice has a value added if implemented in isolation. In the Commission's view, the use of those elements should be provided for within the framework of a fertilisation plan for the management of all nutrients and that would allow showing the improvements of inputs. On this basis, Hungary is invited to reconsider this commitment and envisage one or more commitments related to fertilisation and specifically on the reduction of nutrients losses, which is one of the needs to which the eco-scheme is set to respond.
169. Ecological focus areas: The Commission strongly encourages Hungary to limit the inclusion of productive elements such as nitrogen-fixing crops and catch crops of ecological importance and focus the practice on landscape features and non-productive areas, which provide the highest biodiversity benefit.
170. Size of arable fields: The maximum field size of 40 ha (for holdings with more than 50 ha), which is envisaged under the eco-scheme should be reduced as land parcels of 40 hectares will not result in a significant change at landscape scale.
171. Prohibiting plant protection products which are either explicit or moderately dangerous or dangerous for bees: the related products need to be better defined (this also applies to the same practice for plantations).
172. Grassland: The scope of the grassland management practices under the eco-scheme should be broadened. The practice of non-ploughing grasslands could contribute, in complement to GAEC 1 at national level, to protect those areas and maximise their potential to store carbon. However, Hungary is strongly encouraged to consider a requirement of ensuring mowing or grazing to maintain these areas in proper condition as most of the grasslands in Hungary are located in areas with poor production potential and in parallel have significant natural value. This practice

should be linked to GAEC 1 and GAEC 9 in the identification of relevant baseline elements.

173. Mulching of orchards: Despite the fact that soil coverage in permanent crops and the good management of green covers is a very relevant practice for the soil preservation, the avoidance of erosion and reduction of herbicides use, the plan does not clearly define the commitments. The practice does not seem particularly demanding while its score is 2 points, sufficient to receive the eco-scheme payment, unless an appropriately managed green cover in the inter-rows of plantations throughout the year be required.

2.3.2.5. CIS (Article 32-35 of the SPR, section 5 of the Plan)

174. Hungary should consider including its CIS interventions also into result indicators R.4, R.6 and R.7.
175. The justification of economic difficulty should be primarily based upon a low/negative profitability and/or a declining number of hectares/animals in recent years. Other arguments (e.g. volatile yields/prices/income; increasing input costs; profitability comparison vis-a-vis benchmark sectors; price comparison vis-à-vis other EU Member States; import dependence) are also useful for further clarity, in particular because they may explain the reasons behind the low/negative profit and/or shrinking production. However, such secondary arguments by themselves do not sufficiently justify the difficulty (e.g. high volatility only justifies the sector's difficulty, if it reduces profitability strongly and frequently enough to risk shift/abandonment of production). The justification, where needed (intensive fruit production, dairy), should be reinforced accordingly. Besides, the key arguments in the Plan should be underpinned with relevant statistics (preferably in the detailed SWOT), which is currently not always fulfilled (e.g. difficulties of the rice and sugar beet sectors).
176. Certain arguments that are currently indicated under the sector's difficulty actually rather justify its importance (e.g. need to ensure stable supply for processors; decline in sown area potentially resulting in erosion of biodiversity).
177. Several interventions only aim to give compensation for the sector's difficulty for the duration of the Plan (i.e. safety net against income fluctuation) with no apparent intention to address it in the longer run. The aim should thus be further elaborated and, if needed, certain elements of the support decision (e.g. targeting and /eligibility conditions, unit rate modulation) might also have to be re-considered in order to lead to an improvement in terms of competitiveness, quality, and/or sustainability in the longer run.
178. The explanation of how the planned unit rate and its variation was determined in light of the targeted sector's actual support need should be reinforced. A short description of the mechanics would suffice. Besides, given the various uncertainties about the sector's support need, it is actually more realistic to determine the required support as a maximum and minimum unit amounts, which in turn would allow fixing and justifying the planned unit rate and its variation, too.
179. The Commission should inform Member States about reduction coefficients, if any, related to the EU World Trade Organisation (WTO) schedule on oilseed (Blair House) in the observation letter. However, the Commission has not received all the

information needed yet. Once all Member States have submitted their Plans, the Commission will inform Member States, if such a coefficient is needed.

DP15_E14_CISG_16 - Support for the production of protein crops in grains

180. Under point 8 of the description of intervention, Hungary plans to target 70 000 ha of soya while, under the financial table with outputs, the intervention is targeting 68 548 ha, including soya and other protein plants species. Hungary should present coherent targets.

2.3.3. For sectorial interventions

2.3.3.1. Fruit and vegetables

181. The Commission would like to understand the reasons (besides the administrative and environmental ones) for the modest approximation of the operation programmes to be implemented in 2023–2027 (O.35 Operational Programmes). Hungary is invited to be more ambitious.
182. The Commission has noticed that there are fruit and vegetable interventions defined in the Plan but the link to the Cross-Cutting Objective is not established in chapter 5.2 Sectoral Interventions. The Commission considers that the link, where relevant, should be established, like for Type of Intervention TRAINCO (Article 47(1)(c) of the SPR) - training including coaching and exchange of best practices.
183. The Commission invites Hungary to add result indicators R.1 for ADVI1 (Article 47(1)(b) of the SPR) advisory services and technical assistance; and TRAINCO (Article 47(1)(c) of the SPR) - training including coaching and R.5 (risk management), for example, for Setup (Article 47(2)(a) of the SPR) - setting up, filling and replenishing of mutual funds.
184. The Commission invites Hungary to check the description of interventions in chapter 5 Specific design, requirements and eligibility conditions of the intervention of Plan, which needs to be specific and related to the purpose/objective of the intervention.
185. The Commission would like to invite Hungary to verify and demonstrate that all legislative eligibility requirements set out in Delegated Regulation (EU) 2022/126, like the percentages for minimum water saving, are properly described in the Plan (Article 11(4)(a) of Delegated Regulation (EU) 2022/126).
186. Hungary should ensure that operational programmes include three or more actions (80% of member of producer organisation rule) linked to the objectives referred to in points (e) (environment, pest diseases, animal health, reduction of waste, biodiversity and natural resources) and (f) (climate change mitigation and adaptation) of Article 46 of the SPR (see Article 50(7)(b) of the SPR).
187. Hungary should make sure that the interventions within the types of interventions referred to in Article 47(2), points (f), (g) and (h) of the SPR, do not exceed one third of the total expenditure under operational programmes (see Article 50(7)(d) of the SPR).

188. The Commission notices that in Annex V, Hungary indicated the annual estimated amount of national financial assistance in the Fruit and Vegetables sector per region concerned and the total for the Member State will be EUR 15 452 054 / year for Hungary as a single region. In this context, the Commission considers that the proposed CAP Strategic Plan does not comply with regulatory requirements of Article 53 of the SPR and has to be corrected accordingly. The national financial assistance is granted to producers' organisations at regional and not national level where the degree of organisation of producers in the fruit and vegetable sector is significantly below the Union average.
189. In relation to WTO, it is not sufficient to indicate the compliance with the relevant paragraph 12 of WTO Annex 2. Hungary is invited, to add a short paragraph explaining how this compliance is ensured. Especially in regards to the paragraph 12 requirement to limit payment to cost incurred or income forgone.
190. Complementarity and demarcation between two forms of support - Coupled Income Support and fruit and vegetable interventions - needs to be better described.
191. Hungary is advised to explore the use of additional result indicators specific to the activities described in the intervention fiches.

2.3.3.2. Apiculture

192. Please include under section 3.5.2 a description of the reliable method for determining the number of beehives in the territory ready for wintering from 1 September – 31 December as required under Article 37 of Delegated Regulation (EU) 2022/126.
193. The indicative financial allocation for 2023 should take into account any planned expenditure for the implementation of measures under the National Apiculture Programme 2020-2022 during the extension period from 1 August – 31 December 2022.
194. Only the interventions included in the type of intervention referred to in Article 55(1)(b) of the SPR should contribute to the result indicator R.35. The remaining interventions in the apiculture sector do not contribute to any result indicator.
195. The description of eligible costs and actions should be included under section 5 rather than section 6 and/or 7, and the information provided under this section should be concise and relevant without repetition or detailed provisions which belong to national legislation. The link to the specific and sectoral objectives and needs should also be briefly outlined.
196. In Section 8, WTO compliance, an “Explanation of how the intervention respects the relevant provisions of Annex 2 to the WTO Agreement on Agriculture as specified in Article 10 of the SPR and in Annex II to the same Regulation (Green Box)” should be provided for all interventions.
197. Support for actions/eligible costs should be provided through the relevant intervention under the chosen type of interventions described in Article 55(1) of the SPR. Thus costs associated with a) analysis for bee health and environmental monitoring tests under SC02_A01_BEA_55, and b) laboratory testing and analysis of honey costs under SC01_A02_BEM_55 — Apiculture Marketing, are better

suitable under Article 55(1)(c) of the SPR actions to support laboratories for the analysis of apiculture products, bee losses or productivity drops, and substances potentially toxic to bees rather than the type of intervention under Article 55(1)(a) and (f) of the SPR respectively. Hungary is therefore invited to consider including a new intervention where such support can be provided under the relevant type of intervention as outlined.

198. The definition and description of planned unit amounts should be consistent with the information provided in section 6 and unit amounts provided for the different actions described in so far as possible. The output units in Table 10 should be consistent with the description of the Planned Unit amounts as well as with those in the sectoral table 6.2.
199. The information in table 5.2.10 for each intervention and sectoral table 6.2.2, need to be revisited to include the Total Public expenditure for the planned unit amounts and Indicative financial allocations in the updated SFC2021 tables.
200. The demarcation with EAFRD interventions particularly RD33_G15_ANB_70 — Animal welfare aid in the apiculture sector should be well defined.

SC02_A01_BEA_55 - Beekeeping knowledge transfer and technical assistance

201. In section 5, Description of the intervention, Hungary mentions support for the functioning of professional organisations and service providers without describing, as required, what this would entail and giving examples of eligible costs.
202. The Commission would like to remind Hungary to ensure that support for the administrative and personnel costs incurred by the beneficiaries of this intervention comply with the provisions set out in Article 23 of Delegated Regulation (EU) 2022/126.
203. The beneficiaries under this intervention need to be clearly defined in section 5.

SC03_E02_BEI_55 - Improving the competitiveness of the apiculture sector

204. The Commission invites Hungary to ensure that support is provided to eligible expenditure in compliance with the provisions of the relevant regulations in particular those in Article 22 of Delegated Regulation (EU) 2022/126. Purchase of vehicles (investment in means of transport to be used by the beneficiary in apiculture) is ineligible as per point 4, of Annex II, Part 1 of the same regulation.

SC04_E03_BEV_55 - Animal health and genetic improvement of beekeeping

205. Under section 7, Hungary mentions “The development of the bee health environment shall be eligible for the purchase of the plants listed on the website of the national apiculture organisation”. Hungary is invited to provide more information of eligible expenditure and beneficiaries under such an action.
206. WTO compliance is stated as Amber. The description of the intervention and the eligible costs could well be supported under Article 55(1)(b)(i) of the SPR which is clearly Green box as it concerns pest and disease control under 2.(e) of Annex 2 of the WTO Agreement on Agriculture. Costs of purchasing of breeding material needs could also be a Green box action depending on the objectives pursued through this action.

SC01_A02_BEM_55 - Apiculture marketing

207. The Commission invites Hungary to ensure that support is provided to eligible expenditure in compliance with the provisions of the relevant regulations in particular those in the Article 22 of Delegated Regulation (EU) 2022/126 (the purchase of honey bottles, locking bands and barcodes appear to be general production costs and therefore ineligible as per point 1, Part 1 of Annex II of the same Regulation).
208. The beneficiaries of the various supported actions should be described.
209. The description of the planned unit amounts seem to refer to aid per beekeeper rather than aid per action as indicated in the outputs.
210. Hungary is invited to include explicitly organic products in the objectives of this intervention.

2.3.3.3. Wine

211. Please be informed that with the next version of the SFC, it will be possible to enter allocations for financial year 2023.
212. Hungary should better outline the conditions under which the expenditures linked to each type of intervention would contribute to the objectives of the Plan. It should also be clearly demonstrated that the objectives set out in Articles 57 of the SPR will be pursued effectively. Hungary should also better outline which operators may benefit from interventions specified in the Plan.
213. The result indicators for all measures are missing and therefore should be introduced.

SC05_E04_WIR_58 - Aid for restructuring and conversion of vineyards

214. Hungary should confirm that the restructuring and conversion of vineyards may only aim at varietal conversion or relocation of vineyards or replanting of vineyards that were grubbed up for phytosanitary reasons and not at the 'creation of new plantations', as mentioned in the Plan. Result Indicator R.16 could also be linked to this intervention.
215. The amount of the Union financial assistance for restructuring and conversion of vineyards can be of up to 75 % for less developed regions, as laid down in Article 59(1) of the SPR. 'World heritage' classification does not automatically make an area eligible for 75% support. Hungary should clarify the setting out of this maximum rate.

SC06_E05_WII_58 - Investments in tangible and intangible assets in the wine sector

216. Hungary should make sure that the 'investments' type of intervention, as far as it is pursuing agro-environmental-climate related objectives, includes at least one of the aims listed in Article 12(1) of Delegated Regulation (EU) 2022/126.
217. Result indicator R.1 could be linked to this intervention.

SC07_E06_WIG_58 - Support for green harvesting in the wine sector

218. Hungary should take into account the provision of Article 17(7) of Delegated Regulation (EU) 2022/126, according to which it should be set: (a) detailed provisions on the implementation of those interventions including their content and deadlines, on the amount of compensation to be paid and on the application of the interventions, (b) provisions to ensure that no negative impact on the environment nor any negative phytosanitary consequences results from the implementation of the interventions.
219. It seems essential, for example, that Hungary specifies, if the green harvesting would take place by hand, with machines or with the use of chemical products and assesses the expenditure and environmental impact accordingly.
220. Financial allocations are not entered in table 10 Planned Unit Amounts — Financial table with output. Though the Plan mentions the intention to apply green harvesting in a given year in case of a crisis, it should be noted that, if this is done, Hungary has to adjust the financial allocations of the other interventions as the total allocations without the amount for green harvesting already equal to the allocation in Annex VII of the SPR.

SC09_E08_WIN_58 - Domestic wine market promotion

221. In the financial table 10 Planned Unit Amounts - Financial table with output, reference is made to expenditure per ha. This should be clarified. Hungary should confirm that it refers to ‘number of beneficiaries’.

SC10_E09_WIP_58 - Promotion in the wine sector in third countries

222. In table 10 Planned Unit Amounts — Financial table with output, reference is made to expenditure per ha. Hungary should confirm that it refers to ‘number of beneficiaries’.
223. In tables 9 and 10 (Planned Unit Amounts) the references to ‘beneficiaries of domestic promotion support’, should read ‘beneficiaries of promotion in third countries support’.

2.3.4. For rural development

224. Hungary is requested to revise all the intervention fiches and amend the list of needs addressed by the intervention (in some cases the list is too long and contains needs that can only marginally be addressed by the intervention), improve the description of the specific objectives and content of the intervention, include a short text describing the complementarity with other interventions/sets of operations in both pillars and specify if additional national financing is provided for, as well as re-assess the links to result indicators.
225. Hungary should streamline the list of beneficiaries and define more clearly the eligible costs, the commitments and other obligations.
226. In section 7 - Form and rate of support/amounts/calculation methods and form of support, Hungary should delete “financial instrument” from all interventions, since

no financial instruments as referred to in Article 58 of Regulation (EU) 2021/1060 are envisaged in the interventions.

227. Hungary should provide, in section 7 of each intervention concerned, a brief description of the method for calculating the amount of support and its certification according to Article 82 of the SPR. The full certified method of calculation (when carried out by an independent body) and in case it has been carried out by the Managing Authority, the certification by an independent body is to be provided in an annex to the Plan.
228. Attention is to be paid to section 8 - Information about State aid assessment as for some interventions (e.g. RD06_B02_YFY_75 - Generational Renewal with Receiver Support and for RD07_B03_YFO_77 – Generational renewal, economic transfer cooperation), as Hungary fails to indicate whether or not such rules will be applicable. Nor does it say whether or not such interventions will touch upon non-Annex I products, and thus whether or not they will be covered by Article 42 of the TFEU. Even less so, Hungary does not clarify with which instrument state aid will be cleared (if this would be applicable).
229. For some interventions (e.g. RD20_G02_OR_T_70 - Support for organic farming, INSTAL(75) - Setting up of young farmers and new farmers and rural business start-up or RD15_W04_COP_77 – On farm investment improving water efficiency), Hungary states that the intervention will fall within the scope of Article 42 of the TFEU and that GBER will be used for clearance. This appears to be contradictory. Hungary should revise its Plan accordingly.
230. As regards all interventions falling outside the scope of Article 42 of the TFEU, such as RD08, RD34, RD35, RD36, RD37, RD38, RD39, RD40, RD41 and RD55, the Plan should be amended to exclude undertakings in difficulty and companies still having a pending recovery order following a Commission Decision declaring an aid illegal and incompatible with the internal market from the range of beneficiaries.
231. Although most of the planned operations contain references to climate adaptation, the Commission considers the provision of advice on climate issues should feature explicitly among the supported activities.
232. In section 10 WTO compliance it should be specified how the intervention respects the relevant provisions of Annex 2 to the WTO Agreement on Agriculture.
233. Hungary is asked to revise section 13 - Planned Unit Amounts - Financial table with outputs, and correlate the figures from this section with the ones from other sections. Attention should also be paid to the unit measurement of the output indicators. Any carry-over from the 2014-2022 RDP should be also included in the table.
234. Hungary is requested to explain why for most of investment interventions, the budget is allocated only for two or three years.
235. Hungary should elaborate the reference for ‘regional aspects’ under ‘Selection principles’ and clarify which are the specific territorial principles for the specific intervention.

2.3.4.1. Management commitments (Article 70 of the SPR, section 5 of the Plan)

Animal welfare

236. Hungary should revise the animal welfare interventions taking into account the observation from the section on the key issues.
237. Hungary should explain how these interventions respond to the need 9.2.2 as there are no commitments related to the use of antimicrobials.
238. The intervention descriptions should be redrafted in order to better explain what are the commitments, the relevant baseline elements (especially the mandatory national standards) and how the commitments go beyond the relevant baselines. Most of the commitments are too general (e.g. obligation to carry out preventive interventions – prevention and anticipation of specific animal health problems, ensuring hygiene conditions for feed and drinking water and regular monitoring, adequate supply of mineral), so it is impossible to compare with the baselines.
239. Hungary should also explain why in the financial table the funds are allocated only for 2025 – 2027, whereas the duration of the commitments is 5 years.

Agro-environment-climate commitments

240. Hungary is requested to include a revision clause according to Article 70(7) of the SPR in all relevant interventions under this Article.
241. According to Article 79(1) of the SPR, selection criteria are not mandatory for this kind of intervention. However, if Hungary intends to use them in case of budget shortage, the scoring system proposed should be limited to criteria linked to the environmental and climate related impact of the support.
242. The current status of nature and the environment clearly indicates the necessity for a higher environmental and climate ambition and target area in agriculture, yet, the proposed interventions reflect a high level of continuity when compared with the current agri-environmental and climate measures and no new interventions have been introduced. The Commission asks Hungary to give consideration to what additional strengthening of these interventions are needed and to adapt the Plan accordingly.

RD22_G05_LCP_70 - Payment to encourage agro-ecological land-use change

243. Hungary should present additional details on what management commitments are to be undertaken. General statements like ‘all activities to protect the habitats of wild organisms and their biodiversity should be carried out’ are not sufficient and additional details are needed. The specifics of e.g. ‘proper maintenance of newly created habitat’, ‘maintenance of grassland and crops, of wetlands’ activities must be defined (have a demonstrable environmental benefit) as a basis for the calculation of the premia/unit amount.
244. Hungary should explain how the management commitments go beyond the GAEC and national standards.
245. A revision of the result indicators is needed.

246. The financial information is confusing: A maximum unit amount is given instead of a range of different uniform unit amounts responding to the different management commitments. The average unit amounts appear to be used without justification. The study for income forgone and premia calculation is not presented. The GAEC and national standards are just listed, and it is not explained how the management commitments go beyond them.

247. Hungary should explain why the intervention is only starting as of 2025.

RD19_G01_AEC_70 - Agri-environmental payments (AKG)

248. Hungary should refer to Natura 2000 sites and list those habitats highlighted by PAF (Prioritised Action Frameworks), and earmark in accordance with the PAF the relevant hectare coverage for these habitats targeted by the Plan.

249. There are insufficient details on the specific management commitments, their links to the environmental needs (specifically the scoring system and the unit costs linked to each commitment/set of commitments) and links to result indicators. The intervention as a whole is linked to many result indicators instead of at the level of commitments.

250. There should be a better explanation of the average unit amount methodology.

251. It is unclear why the area to be supported annually would decrease by half from 2025.

Organic farming

RD20_G02_ORT_70 - Support for organic farming

252. Based on the recognised contribution of organic farming, Hungary should link this intervention also to result indicators R.14, R.21, and R.31. In case the support is for farming systems including livestock husbandry, indicators R.43 and R.44 will also be relevant. However, it is not clear how this intervention as currently described would have any impact on ammonia emission reduction (R.20 - additional conditionality to match the result indicator should be added).

253. Some of the needs listed do not seem relevant and will not be addressed by this intervention. The intervention logic should be streamlined in this respect.

254. Land use for at least the duration of the commitment, as proposed, is a requirement for support and can therefore not be a selection criteria. The provision of the proportion of areas concerned is not clear. The articulation between support for organic farming and other agri-environment and climate commitments under the same article as well as with the eco-schemes needs to be explained, including the possibilities and conditions of combination. Hungary should list GAEC 4 under the relevant baseline elements.

255. The duration of the conversion period needs to be indicated.

256. Table 12: A split between the unit amounts for conversion and maintenance would be necessary, as well as a split between the different unit amounts per crop.

257. Table 13: uniform amounts are the default option to be used, reflecting the split between conversion and maintenance and among crops/farming systems. Hungary is requested to provide information on the planned output (O.17) of maintenance and of conversion to organic farming and explain why the level of expected hectares remains the same throughout the programming period, when Hungary has stated the aim to double the share of organic farming in the country.
258. From section 2.3 of the Plan it seems that new contracts under Article 70 of the SPR will only be possible as of 2025 – Hungary should confirm the arrangements as to potential carry-over of Measure 11 from the period 2021-2022 (RDP).

RD35_F02_FEC_70 - Multi-annual forest environmental commitments (ECV)

259. Hungary is invited to clarify whether option 7: Modular (5 years) small scale management commitments, etc. may include the preservation of ‘very old trees’, which are important both for biodiversity and for genetic resources.
260. Undertakings in difficulty and companies still having a pending recovery order following a Commission Decision declaring an aid illegal and incompatible with the internal market from the range of beneficiaries, should be excluded from the support.

Genetic resources

261. All interventions should comply with the relevant provisions of Article 45 of Delegated Regulation (EU) 2022/126 and they should all be linked to O.19.
262. Additional information is needed to better understand the specific objectives of the interventions. Complementarity with other similar interventions should be provided.
263. Under eligibility criteria, Hungary should explain (i) how one animal is adequate for breeding purposes as this seems too low to ensure adequate support, and (ii) what is meant by “keeping supported individuals in Hungary”.
264. For the baseline for these interventions, Hungary could instead explain how they build on experiences from 2014-2022 (RDP), and how support will improve upon the current situation.
265. Table 13 should be changed to O.19 (unit: LU) in the case of animal support. Hungary should explain how the planned unit amount is calculated, including costs incurred/income foregone (for average unit amounts only), and advise why there is no planned unit amount for 2028 and 2029 in some cases.

RD24_G07_GAX_70 - Ex situ conservation of animal genetic resources

266. Hungary should clarify why only male animals are mentioned in the explanation section.
267. The intervention combines the two separate actions set out in Article 45 of Delegated Regulation (EU) 2022/126 e.g. it refers to the herd book yet the action is for ex situ conservation. Hungary should ensure that ex situ interventions address only the provisions of Article 45(1)(b) of Delegated Regulation (EU) 2022/126

(mention of targeted, concerted, and accompanying actions) or change the focus of the intervention to Article 45(1)(a) “commitments for preserving on farm endangered breeds”. If the latter is chosen, this intervention could then be combined with the intervention “in situ conservation of animal genetic resources”.

RD25_G08_GAI_70 - In situ conservation of animal genetic resources

268. Under eligibility criteria, Hungary should explain (i) how one animal is adequate for breeding purposes as this seems too low to ensure adequate support, and (ii) what is meant by “keeping supported individuals in Hungary”.

RD27_G10_GPX_70 - Ex-situ conservation of plant genetic resources and microorganism

269. It is not clear how support for the conservation of micro-organisms will be paid.

RD28_G11_GPI_70 - In situ conservation of plant genetic resources

270. This intervention could also be linked to result indicator R.31 Biodiversity.

RD39_F06_AFM_70 - Care and income replacement support for investments in afforestation

271. Hungary should include in the list of non-eligible investments (section 4.7.1 Plan) the indicated addition: “investments in afforestation which do not comply with environmental and climate objectives in line with the principles of sustainable forest management set out in the Pan-European Guidelines on Afforestation and Reforestation”.

272. This intervention is about the establishment of forests and therefore should also be linked to result indicators R.18 (Investments in forest) and R.27 (Environmental and climate performance through investment in rural areas).

2.3.4.2. Natura 2000/WFD payments (Article 72 of the SPR, section 5 of the Plan)

273. PAF Natura 2000 payments do not match with the Plan although the latter appears to offer higher amounts and higher hectare targets in terms of forest payments, but less hectare coverage in terms of grassland payments when compared to the PAF figures. Hungary is invited to reconcile the Plan to the needs identified in the PAF.

274. Hungary is invited to consider compensation payments resulting from the WFD established under the relevant planning documents (including the 3rd river basin management plans). This could complement voluntary approaches under other instruments.

RD34_F01_NAF_72 - Natura 2000 compensatory payments for forest areas

275. There is a need to link to O.13 and Specific Objective 1.

276. In addition to Natura 2000 forest areas, other delimited nature protection areas with environmental restrictions applicable to forestry which contribute to the implementation of Article 10 of Directive 92/43/EEC are eligible for support. These areas are limited to 5% of the designated Natura 2000 areas covered by the

territorial scope of the CAP Plan (Article 72(3)(b) of the SPR). Hungary should check if this is respected.

277. Hungary should confirm if they intend to use an average unit amount of 137 EUR and should provide an additional explanation for the range of compensation which is between 51 EUR and 297 EUR. It is stated that “a compensation scheme with many levels has been established.” Would the different restrictions/requirements which are likely to be applied in different areas not require different unit amounts?
278. Biodiversity-friendly forest management practices and related capacity building through education and training should be actively promoted.
279. Natura 2000 forest habitats should be highlighted in the Plan with details on how measures will improve the habitat trends and statuses. As per the PAF the following habitats should be referred to within forest payments: 9110, 9130, 9150, 9180, 91E0, 91F0, 91G0, 91H0, 91I0, 91N0, 91K0, 91L0, 91M0.
280. The disadvantages and specific requirements resulting from implementation of Birds and Habitats Directives need to be specified in the Plan, with a reference to the management plans where these restrictions are set out. This is the basis for the calculation of support based on costs incurred/ income foregone.
281. Natura 2000 and biodiversity aspects should be integrated at a more elevated rate into the forestry measures, and they should be specifically referred to, also in line with the Commission’s recommendation regarding sustainable forest management and afforestation with the focus on multi-functionality and the restoration of forest ecosystems.
282. The link to result indicator R.4 income support should also be added.

RD23_G06_NAG_72 - Natura 2000 compensatory payments for agricultural areas

283. Result indicator R.4 should also be selected in addition to R.7 (given this links to Specific Objective 1).
284. The specific restrictions imposed by the Natura 2000 legislation should be defined. These should be the basis for the calculation of the cost incurred/ income forgone (even if 100% is not compensated). The details provided in the Plan are insufficient.
285. Different restrictions and requirements are likely to be applied in different areas – these would be expected to have different unit amounts.

2.3.4.3. Investments, including investments in irrigation (Article 73-74 of the SPR, section 5 of the Plan)

286. Green investments can count for the 35% EAFRD ring-fencing (Article 93(1) of the SPR) and can benefit from a higher support rate of maximum 80% (Article 73(4)(a)(i) of the SPR). However, it should be noted that such interventions need to be planned separately from other types of investment.
287. Hungary should ensure that non-productive green investments funded under the future CAP are limited to non-remunerative investments linked to the delivery of purely environmental and climate benefits.

288. Information about use of standard costs, advances, second hand equipment, leasing purchase, VAT might be useful to insert. Regarding Simplified Cost Options (SCO): Hungary should specify on which basis the SCOs are established and include a reference to the relevant article of the SPR.
289. It should be noted that derogations to land purchase restrictions provided for financial instruments under Article 73(3)(c) of the SPR do not apply to interest rate subsidy, guarantee fee subsidy and soft loan schemes implemented outside the scope of Article 58 of Regulation (EU) 2021/1060.
290. The planning of unit amounts is difficult to understand and should be revised.
291. Hungary should revise all the interventions where additional support is foreseen for beneficiaries taking into account the provisions of the Article 73(4) of the SPR.
292. Hungary should set durability requirements for the supported investments.
293. Five of the investment interventions are linked to R.15, however, it is unclear which renewables will be supported to enable the measurement of this indicator, both in terms of type and MW generation capacity required. This should be specified.

RD01_E01_FRM_73 - Sustainable development of agricultural holdings

294. The purchase of annual plants and their planting is ineligible.
295. Eligibilities under this intervention should concern only the products covered by Article 42 of the TFEU.
296. Hungary is invited to explain how it will ensure that the capacity of the eligible installation producing energy does not exceed annual on-farm needs. In case “Renewable energy sources and biomass-based systems...” financed under this intervention produce energy beyond the farm’s own use, the intervention is subject to State aid procedures and has to comply with the conditions laid down in the Guidelines on State aid for environmental protection and energy, alternatively the General Block Exemption Regulation (EU) No 651/2014 or the *de minimis* Regulation (EU) No 1407/2013.
297. According to Article 73(5) of the SPR, support for new requirements “...for phytosanitary standards...” is eligible only 24 months from the date they become mandatory.
298. The proposed “Reimbursement of eligible costs actually incurred by a beneficiary” could be further detailed for programming and control purposes based on Article 86 (4) of the SPR.
299. Hungary should clarify the maximum support rate for “farm transfer”. In case of a “collective investment” and interest rate subsidy, if the support rate will be higher than 65%, a relevant justification should be provided.
300. Hungary should detail the eligible sectors and explain the consistency and synergies with the relevant sectoral intervention. The maximum grant amount per project (EUR 15 million) is high. There is also a considerable difference between

the maximum grant amount per project and the planned unit amount. Hungary should explain how it will ensure that smaller projects will be financed.

RD02_D01_FRM_73 - Support for the digital conversion of agricultural holdings

301. As the purchase or development of computer software and acquisition of patents or other Information and Communications Technology (ICT) tools is also eligible for agricultural holdings under RD01_E01_FRM_73, programming coherence is required to optimise the EAFRD co-funding.
302. Hungary should detail the eligible sectors and explain the consistency and synergies with the relevant sectoral interventions.
303. The proposed “Reimbursement of eligible costs actually incurred by a beneficiary” could be further detailed for programming and control purposes based on Article 86(4) of the SPR.
304. Hungary should clarify the maximum support rate for a “collective investment”. If it is higher than 65% then Hungary is requested to provide relevant justification (points 4, 6 and 7 to be clarified).
305. Hungary should revise the maximum support aid (EUR 13.5 million per project) which seems high and explain how smaller projects will be prioritised.
306. A link to the intervention “RD58_A01_TRA_78 — Trainings and demonstration programs” would be necessary as in Hungary the level of digital skills is low.

RD03_E02_FON_73 - Adding value of agricultural products on the holding

307. Hungary should reconsider the proposed SO, Cross-cutting Objective and result indicators. Links should only be established where a direct and significant contribution is expected.
308. Hungary should clarify the eligible actions under “Developments leading to energy savings and renewable energy use”. The applicable legislation for maximum energy production capacity varies, depending on the type of beneficiary: farmer, cooperative, etc.
309. As the purchase or development of computer software and acquisition of patents or other ICT tools is also eligible for agricultural holdings under RD01_E01_FRM_73, a programming coherence is required to optimise the EAFRD co-funding.
310. The information about the eligible sectors is not detailed enough. Hungary is requested to explain the consistency and synergies with the relevant sectoral measures.
311. The information related to the maximum grant amount/project is missing.

RD04_E03_FOF_73 - Adding value to agricultural products off-farm

312. The intervention does not qualify for the environmental ring-fencing as a whole.
313. The link of the contribution to the environmental ring-fencing is only possible when the whole intervention contributes to climate and environmental objectives, and where there is a clear and significant link to the relevant result indicators. This seems not to be the case in the present intervention, even if it is also provided for that environmental friendly technologies should be supported. A splitting up into two separate interventions could be considered.
314. The intervention is vague in terms of what is to be achieved for renewables and energy efficiency, indeed there is nothing specific to support action in the energy sector. There is no strong link to the result indicators mentioned (R.15 and R.16). These issues should be addressed and a redesign of the intervention to make a stronger link with those indicators is recommended.
315. The maximum grant amount/project (EUR 15 million per project) seems disproportionately high. There is also a big difference between the maximum grant amount/project and the planned unit amount.

RD09_B05_SML_73 - Sustainability development of small farms

316. It might be useful to further develop the definition of small farms here, in addition to the economic size of the farm, see between standard output (SO) of EUR 5 000 - 10 000.
317. The proposed size of the eligible small farm of EUR 5 000 SO, but not more than EUR 10 000 might be disproportional to the required administrative costs for tendering, selecting, monitoring and controlling.
318. The support is a flat-rate of EUR 60 000. Why is the planned unit amount an average, corresponding to EUR 21 500 when the flat rate is EUR 60 000?

RD10_B06_DVO_73 - Support for diversification of in-farm activities

319. The link to result indicator R.39 is not correct because the beneficiaries are farmers (and not other businesses) and the intervention is on-farm. Therefore, a link to R.9 is more appropriate.
320. RD11_B07_DVF_73 - Support for diversification of activities outside the agricultural holdings
321. It is not clarified what is the difference between this intervention and RD10_B06_DVO_73 – Support for diversification of in-farm activities.

RD12_W01_WTO_74 - In-farm investment to improve water efficiency

322. A clear distinction needs to be made between the modernisation of existing installations/equipment (to be linked to Specific Objective 5 / R.26) and investments leading to a “net increase in irrigated area” (Specific Objective 2 / R.9) - the latter cannot be counted towards the ring-fencing). Two different unit amounts

will be needed for these two categories (with planned outputs at the level of the unit amount).

323. The Commission considers that the planned intervention should define more clearly what is meant by the targeted efficiency of irrigation and how it will be ensured that the operation will not negatively impact the long-term sustainability of local water management, in light of the changing climate.
324. The CAP Plan requires potential water savings (at least 5 % for “micro-irrigation” and 10 % for “liner and winding drum equipment”) and an actual reduction in water use (50% of above) where water bodies are in less than good status. Hungary should clarify whether less efficient equipment will also be improved under this intervention.
325. The water saving requirements should be complemented by selection criteria favouring investments, which lead to greater savings and in areas where water savings are most needed to allow WFD good status to be achieved.
326. All relevant requirements of Article 74 of the SPR need to be reflected in the eligibility conditions (in particular conditions of Article 74(6) [net increases] and Article 74(7) [reservoirs] of the SPR). It should be noted that where the expansion/construction of reservoirs is linked to a net increase of an irrigated area, the provisions of Article 74(6) of the SPR apply.
327. More detail is needed on drought monitoring network/stations and drought management plans (are the latter a prerequisite for support). Further clarification is needed on what investments will be financed under “target area 2 and 3”.
328. The scope of the intervention (e.g. does it include infrastructure), the adequacy of the output indicator (O.20) and the support rates need to be clarified.

RD18_I03_JGR_73 - Agricultural Risk Management System (MKR Pillar III) Digital transition of the Hungarian agricultural hail mitigation system

329. The present intervention does not qualify for the ring-fencing. The direct environmental benefit is unclear, the focus is on preventive actions for the agricultural potential. The intervention would fit better under Specific Objective 1.
330. The description is not very clear as to what kind of support is provided for the “modernisation of the national ice mitigation system”. Hungary should provide more information regarding the overall purpose and scope of the intervention.
331. For intervention “RD18_I03_JGR_73, figures in section 5.3 have been reversed between public support and EAFRD contribution.

RD21_G04_LCI_73 - Agro-ecological non-productive investments

332. To qualify for non-productive investments, the intervention should be limited to non-remunerative investments linked to the delivery of purely environmental and climate benefits, all other types of “environmental-friendly” investments qualify for “green investments” and should be separated.
333. The targeting of the intervention should be more elaborated and more information and details on the eligible investments is needed. Moreover, some eligible

investments seem to be more appropriate as maintenance commitments, the costs for the investment/the establishment are not clear.

334. It has to be ensured that the investment cannot be used for fulfilling conditionality requirements during the year(s) of establishment. Double-funding is prohibited.
335. In case of unit amounts, Hungary is requested to explain the difference between the two unit amounts.

RD38_F05_AFI_73 - Support for investments and reforestation and wooding

336. The section on “range of support” should be filled in. There is no information regarding the support aid or the support rates.

RD40_F07_INP_73 - Investments for competitive forest management

337. Additional information on the content of the intervention is needed. Complementarity with other support interventions is missing. The minimum support rate should be 65%. There is no information regarding the maximum support aid.

RD42_R01_RAN_73 - Rural infrastructure development in farms

338. The result indicator R.9 could also be added.
339. The Commission invites Hungary to make sure that the challenges of depopulation, ageing, poverty and the special service needs of rural vulnerable groups (in SO8 SWOT: Gy1, Gy2, Gy3, F1, F2, F11, between the needs: 8.2.1., 8.3.2., 8.4.1., 8.4.2.) and that they are also targeted in a corresponding way in interventions 42_R01_RAN_73 and 43_R02_LOC_73.
340. Hungary should adapt the EAFRD contribution so that the 43% is correctly applied.

RD43_R02_LOC_73 - Rural infrastructure development in small settlements

341. A wide range of infrastructure is covered. The consistency between the scope of the intervention, the Specific Objectives, and the result indicators should be further clarified and targeted according to territorial identified needs and the demarcation with other funds active in rural areas.
342. Most of the proposed interventions (e.g. the development and equipment acquisition of multifunctional public spaces/service centres, in particular for child protection, health and education services) are potentially overlapping with the Territorial and Settlement Operational Programme Plus (TSDOP Plus). Hungary should provide a clear demarcation between the two instruments.
343. Hungary should elaborate the reference for ‘regional perspective’ under ‘Principles governing the establishment of selection criteria’ and include what are the specific territorial principles for these activities.

344. The Commission invites Hungary to make sure that the challenges of depopulation, ageing, poverty and the special service needs of rural vulnerable groups are also targeted on a corresponding way in this intervention.

2.3.4.4. Installation aid (Article 75 of the SPR, section 5 of the Plan)

RD05_B01_YFS_75 - Generational renewal with start-up support for young farmers

345. There are still recognisable differences between men and women with regard to employment and out-migration from rural areas. The Commission invites Hungary to put more focus on gender gaps in interventions 05_B01_YFS_75, 06_B02_YFY_75 and 08_B04_BIS_75.

346. Hungary should include the time needed for the implementation of the business plan and on which base the level of support will be determined.

347. Hungary is asked to remove or justify the use of criteria and eligibility conditions which seem to be discriminatory (such as organic farmer and the young farmers to carry out compulsory investments). In addition, more justifications are required as to how the maximum unit amount has been established.

348. Hungary is asked to justify the definitions of the eligible beneficiaries and remove the eligibility conditions, which seem to be discriminatory. In addition, more justifications are required as to how the maximum unit amount has been established.

349. It is recalled that for both interventions the support is granted as a lump-sum; therefore, other options to use forms of support do not seem appropriate.

RD06_B02_YFY_75 - Support of generational renewal

350. Hungary should clarify if this support is for “new farmers”. If so, the obligation to be ‘head of holding’ for the first time should be mentioned. Hungary should also clarify on which base the different sizes of the eligible farms and the support were fixed.

351. The link with RD07_B03YFO_77 - Generational renewal economic transfer cooperation should be also included.

352. The result indicator R.37 jobs in rural areas should also be added.

RD08_B04_BIS_75 - Generational renewal with support for start-up rural and young forest entrepreneurs

353. The result indicator R.37 jobs in rural areas should also be added.

2.3.4.5. Risk management (Article 76 of the SPR, section 5 of the Plan)

RD16_I01_INS_76 - Agricultural Risk Management System (MKR Pillar II): Subsidised agricultural insurance

354. The weaknesses identified in Specific Objective 1 are: (1) the lack of management of risks other than weather risks, (2) the low share of animal insurance, and (3) the

under-utilisation of derivative market risk management tools. In spite of this, the insurances for animal breeding are not available under this intervention. Hungary should explain better the difference between the three packages available (A, B and C). The beneficiary of the support should be an active farmer.

355. Hungary should indicate if insurances cover single or multi-peril losses.
356. Hungary should provide more information regarding the methodology for calculation of losses, including the use of indexes if this is envisaged.
357. Hungary should include information as to how overcompensation is avoided, notably in view of the other (national) risk management schemes and sectoral interventions.

*RD17_I02_IST_76 - Agricultural Risk Management System (MKR Pillar IV):
Agricultural crisis insurance scheme*

358. Hungary should explain better how this intervention is implemented, which are the rules for the constitution and management of the mutual fund and what are the risks covered by the fund. Complementarity with other interventions should be included. Hungary should also clarify which is the triggering factor for compensation and the methodology for the calculation of losses.
359. Hungary should include information as regards the duration and degressivity of support and how overcompensation is avoided, notably in view of the other (national) risk management schemes and sectoral interventions.

2.3.4.6. Cooperation (Article 77 of the SPR, section 5 of the Plan)

360. Innovation support: under Article 77(1)(a) of the SPR Member States may grant support to (1) prepare and (2) implement the projects of the EIP Operational Groups. This could be very useful to develop bottom-up ideas into a solid project proposal with the right expert partners involved.
361. Hungary should clarify if cross-border operational groups are planned and with which modalities. The Commission advises to continue learning as much as possible from other Member States on the cooperation and knowledge measures.
362. The Commission invites Hungary to ensure that the challenges of depopulation, ageing, poverty and the special service needs of rural vulnerable groups (in SO8 SWOT: Gy1, Gy2, Gy3, F1, F2, F11, between the needs: 8.2.1., 8.3.2., 8.4.1., 8.4.2.) are also targeted on a corresponding way in interventions 50_R10_SEC_77, 51_R11_TUC_77, 56_D03_SVC_77.
363. Hungary should elaborate further the interventions which fall under the category “Support other forms of cooperation’ and provide a more comprehensive and complete description, including a revision of the links with Specific Objectives and result indicators, which should be based on direct and significant contributions of the respective interventions, taking into account the assessment of needs.
364. Information about the explicit purpose of the cooperation scheme, the usefulness of collaborative approaches compared to individual investments support, the expected number of cooperation schemes for each intervention, the complementarities with

other rural development interventions, the eligibility conditions and eligible costs, the beneficiaries, and the minimum requirements laid down by the Articles 73, 74 and 77 of the SPR, should be provided.

365. It should be underlined that the scope of the cooperation must comprise elements that would not have been possible without the aggregation of the partners and their joint work in the new cooperation project and not merely replace individual investments. Under this type of intervention, support may be granted for new forms of cooperation, including existing ones if starting a new activity.

RD57_R15_LDR_77 - Preparation and implementation of LEADER strategies

366. Hungary should explain the strategic orientation of LEADER (objectives, needs, scope, results, outputs etc.).
367. Hungary should demonstrate how it will ensure that Local Action Groups will apply each of the principle of LEADER/CLLD method as stipulated in Article 31 of Regulation (EU) 2021/1060; to clarify the scope of the LEADER intervention and its added value in terms of increase in social capital, better local governance and better projects/results compared with non-LEADER delivery.
368. Hungary is also encouraged to explain the use multi-fund LEADER/CLLD, making use of the lead Fund options for simplification.
369. Hungary should elaborate the reference for 'regional perspective' under 'Principles governing the establishment of selection criteria'. What are the specific territorial principles for these activities?

RD45_R04_GIS_77 - Cooperation to develop a new EU and voluntary quality scheme and to further develop existing national quality schemes

370. Hungary should take into account the minimum requirements laid down by Article 77 of the SPR about cooperation interventions such as the maximum period of support and new forms of cooperation including existing ones if starting a new activity.
371. Hungary should provide more information about the selection criteria, complementarities with sectoral interventions and/or any mechanism avoiding overcompensation, the type and the rate of support, the justification for the planned unit amounts and beneficiaries for each sub-measure. Also, the direct and significant contribution of the intervention to the Specific Objective 9 and Cross-cutting objective should be explicitly described.
372. For the purposes of this intervention, Hungary should take into account the Delegated Regulation (EU) 2022/126 regarding the national recognised quality schemes.

RD46_R05_GIJ_77 - Cooperation for existing quality schemes or registered PDO/PGI/GI/TSG

373. Hungary should revise the indicative yearly financial contribution table, taking into account the committed period for cooperation schemes.

374. The direct and significant contribution of the intervention to the Specific Objective 9 and Cross-cutting objective should be explicitly described.
375. Hungary should provide more information about the selection criteria, complementarities with sectoral interventions and/or any mechanism avoiding overcompensation, the rate of support, the justification for the planned unit amounts (flat rate), and the beneficiaries of each sub-measure, by revising also state aid rules statements and the WTO compliance explanation.
376. The eligibility criteria in interventions RD45_R04_GIS_77, and RD46_R05_GIJ_77 include a condition of having at least one young farmer in the cooperation. It is suggested that cooperation interventions regarding EU quality schemes should be open to all producers (in all sectors), in line with the Commission's recommendation to increase the resilience of the farm sector to add value to products via EU quality schemes. However, if the SWOT analysis has demonstrated that young farmers have to be supported in particular, it is also possible to make targeted actions or to prioritise them.

RD48_R07_QSP_77 - Support for information and promotion of quality schemes

377. The scope of the cooperation scheme is not comprehensive, and all the sections should be revised and further elaborated, including complementarities with sectoral interventions. Similar activities are proposed under the intervention RD45_R04_GIS_77 — Cooperation to develop a new EU and voluntary quality scheme and to further develop existing national quality schemes.
378. Information and promotion activities should not be linked to any result indicator (Article 111 of the SPR).

RD15_W04_COP_77 - Support for agricultural irrigation communities that improve water efficiency

379. It is mentioned that this intervention contributes to Need 8.1.1 - Increasing the employment of women in rural areas, but the design of the intervention does not contribute to this need. Hungary should clarify the scope of the cooperation project. Additional information is needed regarding the activities envisaged for the groups/communities.
380. Result indicator R.26 cannot be linked to interventions under Article 77 of the SPR.
381. The Commission considers the planned intervention should define more clearly what is meant by the targeted efficiency of irrigation and how it will be ensured that the operation will not negatively impact the long-term sustainability of local water management, in light of the changing climate. There is a need to specify in the investment eligibility criteria and to explain how Hungary will comply with these criteria.

RD37_F04_FRC_77 - Collaborative support for forest fire prevention and risk reduction

382. Hungary should specify the duration of the cooperation project. It should also examine the general comment regarding the support of investment costs (85% of the budget is for investments). In addition, risk prevention and resilience measures

against additional forest-related risks such as pest diseases, soil erosion and droughts could be considered by the Hungarian authorities.

RD47_R06_QSJ_77 - Support for connection to quality assurance and management systems

383. Hungary should justify how this intervention contributes to 6 SOs and 9 needs, and clarify the scope of the cooperation scheme, the aim of the intervention, and the beneficiaries. All the sections should be revised and further elaborated.

RD49_R09_SCC_77 - Rural development cooperation for the development of Short Supply Chains

384. Hungary should clarify the link between this intervention and Specific Objective 6 and Needs 4.1.2, 4.2.1 and 7.1.2. Hungary should also consider that the general comment regarding the support of investment costs applies to this intervention. The maximum grant amount per project is EUR 500 000, which seems high. The target 23 seems too low in view of the needs.

RD07_B03_YFO_77 - Generational renewal, economic transfer cooperation

385. Hungary is invited to provide more information on the contribution of the proposed intervention to the SO8 and Cross-cutting Objective, the co-financing rate of the intervention, the justification about the criteria and amounts proposed for each type of agricultural holdings. The role of young/new farmers in the cooperation scheme, the activities to be supported and related eligible costs and the complementarity, if any, with the intervention "RD06_B02_YFY_75 - Support for generational renewal should also be described explicitly.

386. Hungary should explain how the transfer of farms inside the family is avoided.

387. Result indicator R.37 could be linked to this intervention.

RD50_R10_SEC_77 - Rural Development Cooperation for the Development of Social Entrepreneurship

388. It is to be noted that administrative costs of the cooperation group or 'maintenance' of a plan should be clearly linked to the new activity proposed under this cooperation scheme. Hungary is invited to provide more information about the expected number of cooperation schemes, the purpose of the cooperation scheme in relation to proposed Specific Objective 3, Specific Objective 7 and Specific Objective 8 and needs, the steps of the cooperation scheme (preparatory action & implementation) and the minimum requirements for individual projects. The financial information such as support rate, type of support, eligible actions etc. should be further elaborated.

389. Hungary should reconsider the proposed R.39 instead of R.42 and provide further information about any eventual complementarities with similar activities proposed under LEADER intervention and/or other European funds. Social economy was supported in the 2014-2020 period in Hungary under priority 5 of the Economic Development and Innovation Operational Programme. The Plan could refer to the experiences or lessons learnt from those measures, while also using them as a reference baseline for the calculation of the unit amount.

RD56_D03_SVC_77 - Rural development cooperation to support the digital transition of small settlements (smart village)

390. Hungary should provide more concrete information about the expected number of smart villages strategies, the characteristics of proposed disadvantaged and remote areas/municipalities, the role of CAP Network support Unit in the setting-up of smart villages strategies, the distinct steps of the whole process from the setting-up of the strategy till the implementation of the projects and any complementarities with similar activities proposed under LEADER intervention.
391. Hungary should provide more detailed information on the forms of support (lump sum, flat rate), the unit amount, the support rate and the beneficiaries for both preparatory action (preparation of a smart village strategy) and for the implementation projects.
392. Hungary should provide a precise demarcation with TSDOP Plus measures, as the smart village programme in the Plan largely overlaps with the smart settlement development interventions of TSDOP Plus.

RD44_R03_POG_77 - Support for producer groups and producer organisations

393. Hungary is requested to include a description of the complementarity with the intervention SC28_E01_FVI_47: Sectoral interventions for fruit and vegetables: Support to producer organisations. The maximum amount for the implementation of new activity should be EUR 100 000 per year, not EUR 500 000.
394. The aim of the intervention is rather linked to scale creation, economic organisation and efficiency, productivity growth and competitiveness and not “survival” as mentioned via EAFRD support PG/PO.
395. Support shall be also limited to the first 5 years following recognition. Hungary should set the proposed setting-up support lower than 10% during the second year in order to ensure degressivity with the proposed 10% in the first year (see Article 77(8)(b) of the SPR).
396. Hungary should detail the information about the eligible sectors and explain the consistency and synergies with the relevant sectoral measures open to producer groups or producer organisations under the Plan.

RD51_R11_TUC_77 - Rural development cooperation for regional active and ecotourism development

397. Hungary should justify the link between this intervention and Specific Objective 3, Specific Objective 4, Specific Objective 6, Specific Objective 7 and the Needs 4.1.2, 4.2.1 and 7.1.2, the aim of the intervention. All the sections should be revised and further elaborated. The maximum amount for the implementation of new activity should be EUR 100 000, not EUR 500 000. Hungary should also clarify the link between this intervention and result indicator R.18.

RD52_R12_BIC_77 - Rural development cooperation for the development of a biomass-based economy

398. Hungary should justify the link between this intervention and Specific Objective 1, Specific Objective 7 and the Needs 4.2.1, 4.2.2 and 6.5.1. Cooperation can also involve food processors, forest owners or forest processors, not only farmers. The general comment regarding the support of investment costs applies to this intervention. Hungary should also revise the aid intensity.
399. While attempts to stop open waste burning and open burning of garden residue are very welcome, this is not in itself a sufficient air quality measure. Any promotion of biomass combustion must be accompanied by sufficient safeguards to ensure no negative air quality impact. Conditionality regarding low emission techniques (BATs) needs to be added to complement these commitments.

RD53_R13_GAC_77 - Rural development cooperation in the field of game management

400. Hungary should clarify why the proof of hunting permission is required as an eligibility condition. Hungary should also consider the provisions of Article 77(4) of the SPR when the eligible costs are established. The result indicator can be R.16 in case forestry and food processing is not included.

RD55_D02_RUF_77 - Development of the digital services of forestry based on cooperation

401. There is no correlation between output and result indicators. The scope of the cooperation scheme is not comprehensive, and the aim of the intervention is not clear. All the sections, but in particular sections 5, 7, 12 and 13 should be revised and further elaborated.

2.3.4.7. Knowledge exchange and advise (Article 78 of the SPR, section 5 of the Plan)

402. Hungary must ensure that all obligatory fields and obligations listed in Articles 15(2), (3) and (4) of the SPR are taken into account, including adequate implementation modes such as openness and the obligatory training of advisors. How exactly will the implementation of this intervention be organised and coordinated by the AKIS Coordination Body? Will advisors network within Hungary and beyond?
403. The Commission invites Hungary to explain how the provision of advice and training will be aligned with the specific demands for knowledge and innovation of agricultural holdings.
404. The Commission advises Hungary to continue focusing the demonstration intervention on all kinds of genuine farms working under real production conditions.
405. For intervention “RD59_A02_INF_78: Information services”, Hungary should adapt the EAFRD contribution so that the 43% contribution rate is fully complied with.

406. For intervention “RD61_A05_EIP_77: European Innovation Partnership (EIP) cooperation” data for year 2025 seems to have been erroneously encoded. Hungary should correct it.
407. Hungary is requested to provide further description of the structure responsible for coordination of the Farm advisory services, at national level. The Commission would like to remind Hungary that the AKIS coordination body should be, in principle, the driving force to organise the AKIS related interventions/calls and to interconnect advisors, researchers and the CAP network. For the Commission, this AKIS coordinating body will be the contact point to discuss progress or deficiencies related to AKIS in the Plan. It is expected that the AKIS coordination body would work together on a regular basis with an AKIS platform, built upon a diversity of AKIS actors, who can inform, give feedback on the AKIS strategic approach during the whole the period and help the implementation in practice.
408. Hungary is strongly encouraged to provide a continuous funding for knowledge exchange and advice, as well as for cooperation interventions, especially for the ones with environmental scopes.
409. Intervention RD58: Hungary should explain why planned public expenditure and training hours (O.33) are only indicated for the years 2024 and 2025.
410. Intervention RD59: Hungary should explain why planned public expenditure and training hours (O.33) are only indicated for the years 2023 and 2024.

3. FINANCIAL OVERVIEW TABLE

411. For Direct Payments interventions, the total amount of planned interventions exceeds the maximum allocation (Annex V of the SPR) for calendar year 2027. It is not possible to plan transfers between Direct Payments and Rural Development for calendar year 2027 (Article 103(1) of the SPR).
412. For financial year 2023, the transfers between direct payments and rural development notified to the Commission by 1 August 2021 cannot be changed. The correct amount for financial year 2023 for the flexibility transfer is EUR 62 530 000 (from rural development to direct payments) and EUR 30 200 000 (from direct payments to rural development) for the product of reduction.
413. As a general rule, amounts entered in section 5 “interventions” should match the data entered in this overview table (only totals should match for rural development).
414. Based on the data entered in section 5.3, the total planned expenditure for Rural Development interventions (the amount corresponding to 4% of the EAFRD allocation for technical assistance) exceeds the maximum allocation available.
415. It should be noted that in accordance with Article 156 of the SPR, the sum of all payments made during a given financial year for a sector - irrespective for which programme and under which legal base they took place - cannot exceed the financial allocations referred to in Article 88 of the SPR for that given financial year for that sector.

416. As regards the type of interventions in certain sectors defined in Article 42 of the SPR, expenditure that will be paid in 2023 or in the subsequent financial years relating to measures implemented under Regulation (EU) No 1308/2013 for these same sectors shall NOT be entered in the Annual indicative financial allocations under Section 5 or in the Financial Overview table under Section 6 of the Plan.
417. The amount of the flexibility transfer from EAFRD to EAGF for financial year 2023, included in row 24 of the financial overview table, is higher than the amount notified to the Commission by 1 August 2021 in line with the provisions of Regulation (EU) 2220/2020. This results in a lower amount of the adjusted EAFRD allocations. Given that the percentage of the amount reserved for environmental and climate related objectives under EAFRD is calculated on the adjusted EAFRD allocation, the resulting calculation for financial year 2023 is consequently higher.

4. CAP PLAN GOVERNANCE, EXCLUDING CONTROLS AND PENALTIES

418. In section 7.1 Hungary should:
- i. Clarify the composition of the Monitoring Committee, along with how it will ensure its independence from the Managing Authority and it would be expected that they are designated as separate bodies;
 - ii. Clarify the role of the delegated and intermediate bodies and of the four Control Bodies;
 - iii. Provide a description of the set-up of the Competent Authority as well as a description of how it will carry out its ongoing supervision of the work of the Paying Agency and its compliance with the accreditation criteria.
419. Regarding Section 7.2, Hungary is invited to describe the IT systems and databases developed for the extraction, compilation and reporting of data to be used for performance reporting, reconciliation and verification purposes, along with the controls in place to ensure the reliability of the underlying data.
420. With regard to sections 7.3 to 7.5 (control system and penalties), comments will be delivered by the Commission services in a separate communication.

5. ANNEXES

421. The Plan contains only preliminary summaries of the ex-ante evaluation and the strategic environmental assessment (SEA) reports, therefore Hungary is invited to finalise and submit them as soon as possible.
422. The Commission invites Hungary to present the result of the public consultation planned for the beginning of 2022 and to summarise the outcome of the comments and suggestions stemming from the previous public consultation, which took place in December 2021. Hungary should also prepare a comprehensive analysis of the documents received in the framework of the green consultation and ensure continuous partnership with stakeholders.
423. Hungary is requested to confirm that the total amount that Hungary envisages for additional national financing presented in Annex V is EUR 4 573 496 795.

424. Hungary should also confirm that the last 3 columns of Annex V (“a higher aid intensity”, “providing financing to a certain operation within the intervention” and “additional information”) have been left unfilled on purpose.
425. Finally, Hungary should correct the envelopes for dairy premium from Annex VI as those are slightly above the maximum envelopes due to rounding. Hungary should also provide additional information regarding the complementarity of the aid with other CAP interventions.