

## The Features of State Regulation of Agricultural and Rural Development of Territories in Hungary



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**Abstract.** The purpose of this paper is to highlight the effects of the rural development, particularly the main role of the subsidy system. The determining part of the agricultural and rural development is the relevant effective subsidy systems. The study is focusing on the New Hungarian Rural Development Programme operating specialities and influence, which are my PhD study main components. Political goals and directions can be manifold; they are determined by the leaders' vision, way of thinking, ideology, and view of spatial structures. At the same time, the development, i.e. the series of actual interventions and their technique, stems from the particularities of the area system. [1]; [2] After 1990, a change of the model took place in central and eastern European countries, the centralized, state-centred national administration had to be replaced with a democratic public administration. The relationship between central and local bodies had to be placed on new foundations, the same had to be done with the fulfilment of the tasks of the State and those of local governments. The countries of the region are characterized by continuous pathfinding [3]. At the time of EU accession in 2004 and even before that, Hungary was entitled to pre-accession funds such as ISPA, SHAPARD, PHARE [4]; [5]; [60]. The purpose of my paper is to shed light on the regional effects of rural development in regional politics, and among them, the decisive role played by the aid system. A key element of the possibilities of agricultural and rural development is the effective operation of relevant aid systems. The study focuses on the operational features of the New Hungary Rural Development Programme and their effects, which comprises an important part of my PhD thesis in the process of being completed.

**Key words:** agricultural support, rural development, economic development.

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## Introduction

The EAGGF was the only fund to finance the Common Agricultural Policy. In 2006, it was split into two parts, the EAGF, that is the European Agricultural Guarantee Fund, and the EAFRD, that is the European Agricultural Fund for Rural Development [7]; [8]; [9]. Many developed countries struggle with major problems due to their ageing society and decreasing population [10], with Hungary as a whole among them, but particularly the eastern regions. These two pillars account for more than one third of the European Union's budget [11]; [12].

The development of rural areas may be greatly influenced by their access to available funds, their capabilities and skills for application, [13]; [14] as well as the establishment of the related tendering system and the specificity of its operation, of which I will make a brief overview in the following.

### Evaluation of tendering systems, impact assessments

The term 'impact assessment' means the analysis of some kind of 'intervention', 'measure' or 'programme'. This analysis, all things considered, can be descriptive in general terms, presenting the participants, the implementation and the execution of the programme. The term 'impact assessment' is used in a narrower sense as the method of identifying and measuring the effects generated by the programmes, therefore its fundamental aim is to prove causal links.

In the course of different evaluations, the term 'programme' is generally used to refer to a set of interventions (action plans, measures, actions etc.) which gives rise to some kind of change in the participants, i.e. it has some kind of impact. Impact assessment is used to measure exactly these changes. The measurement of impacts means the quantification of the

change that has taken place, therefore it is typical to use statistical and econometric methods in the examination. One of the most important function of econometric models is the prediction of economic variables. Time series forecast usually endeavours to estimate and forecast a variable's value on the basis of its own value in the past. Econometric forecast sets up a regression model based on the relationship between one or more result variables and some explanatory variables. It can be established that the most interesting element of time series analysis is the forecast. It has two forms, one being the 'ex post' (retrospective estimation), where estimations are made for the observation period, where the actual time series observations exist. The other is the 'ex ante' (prospective estimation), where estimations are made for a period outside of the observation period. [15] Thus, we can distinguish between posterior (ex post) and anterior (ex ante) impact assessments.

The basic principle of forecast is that, knowing the nature of the examined phenomenon, one aims to find a rule driving the phenomenon, and such rule is assumed to be unchanged outside the observation period, as well [16]. When preparing the forecasts, we should always bear in mind that it is not (only) formal regularities (e.g. shape of trend line) that we want to foresee, but the actual regularities behind them.

Impact assessments usually focus on the question whether a measure or a public policy programme does indeed bring about the impacts intended by the decision-maker. It is important to make it clear in the beginning that in the case of certain participants the impact can never be identified. The hope is that the average impact can be measured, however, in an ideal situation, this can be measured

very accurately. The validity and reliability of impact assessment results depends on the characteristics of the programme (method of selecting participants), the quantity and quality of available data (including data collection in the framework of the programme), and the chosen method of analysis, as well. All of these aspects will be discussed in this chapter in the appropriate place. The fundamental difficulty faced is that the distribution of Community or member state funds among market operators usually takes place in tendering systems. The essence of tendering systems is that they rank in some way the development plans submitted or those to be further elaborated.

The reason for ranking is that the development funds are limited and they are available within a time limit (bound to a programming period, or even further limited), so that it is not possible to finance every development idea, and it would not even be reasonable to do so from the social aspect, since unlimited support would result in considerable price increase in the input markets.

The need for ranking is also justified by the following:

1. Projects can only be compared on the basis of an elaborate scoring system.
2. Basic principles to be used in tendering systems can only be ensured in this way.
3. Processing capacity – review of applications for support – is limited, within any free text system the demand for certain human resources significantly increases, leading to significant costs. Therefore, only scoring systems with strict volume and content restrictions, comparing project ideas on the basis of adequate criteria can be operational.

In the light of the foregoing, it can be concluded that such scoring systems can serve adequately the interests of the community concerned that support development ideas

bringing the most benefit as opposed to projects bringing less benefit.

### **Social benefit**

In this case, benefit means social benefit, and not the benefit achieved by a market operator. Measuring the benefit faces numerous obstacles, and although on macro level, instead of GDP, i.e. added value, there are indicators taking into account other social benefits as well, at micro level – in the judgement of specific projects – this task has many difficulties [17].

The evaluation of each project must be made in such manner that the scoring systems will support projects offering the chance of the greatest social benefit, i.e. the goal is to find the best solutions – in other words, best practice.

In this regard, it is essential to differentiate between social and private benefit. In case of the support of market operators, in the absence of realizable private profit, social benefit cannot be realized either, as certain market operators will not decide altruistically to implement a development plan that is economically not sustainable. Social benefit, however, serves as evidence for the justification of the whole programme from the aspect of taxpayers. Ideas without social benefit, or only with social costs cannot be supported in the long term.

The examination of social benefit can also face problems, for example, how to evaluate each benefit, whether an investment to create jobs that also causes environmental damage can be supported, or, the other way round, whether support can be given to a precision development idea that would result in a decrease in the number of employees, but would also decrease the amount of chemicals discharged.

### **Material and methods**

Since the beginning of my research I have studied both the Hungarian and the foreign scientific literature, of which I will present only a minor part in this paper.

During my supplementary research I have collected all information available to me in connection with the international practice of the writing of agricultural tender applications.

During my domestic and foreign study trips, I have always put great emphasis on the opinion of agricultural and rural development enterprises on tendering systems. During my activity of writing tender applications, I have met hundreds of enterprises, and the almost five hundred tender applications I have written and my special professional experience of almost 15 years provide a good basis for the soundness of my conclusions.

### **Results**

Following a short introduction, I continue with the presentation of my findings, in which I organize and summarize my practical experiences and my knowledge gathered on the basis of the processed literature.

### ***Risks of inappropriate evaluation***

If the system supports the previously mentioned goal – i.e. not the best solutions –, the following risks are to be reckoned with:

- the supported development idea will not be implemented – for example, due to the absence of own financial contribution – thus it will tie up the available funds for a significant time, which means that the social benefit, the increase of added value will not ensue, or will ensue later;

- community financing of projects not fulfilling the basic principles will become impossible, instead, they will have to be financed from member state tax revenues;

- although the implemented project involves an increase of added value at the market operator's level, at local or regional level the implementation of the project will cause a setback, for example a decrease in workforce used;

- the project supported will not represent a step forwards either at the level of the enterprise or at local level, it will only contribute to the preservation of an existing, outdated business model, instead of being sufficiently innovative;

- the tendering systems will only support projects that are not adequately elaborated, it will only be revealed once the support is granted that the costs are much higher, or that the given project does not really fit into the long term approach of the market operator;

- the preparation and review of the applications will entail significant costs and time commitment for both the market operators and public actors. In case of projects supported but not implemented, the market operators lose the money spent on preparation, drawing funds away from normal daily operation. Public actors, on the other hand, lose the time spent on such applications, i.e. the time demand of the review and project management of the rest of the applications increases significantly, resulting in further expenditure at the market operator's level as well, e.g. in the market of input materials.

### ***Interpretation of scoring criteria***

For the sake of clarity, in the following I will make an overview of the scoring systems of the NHRDP and the RDP, and group the scoring criteria. Upon examination of the scoring related to horticultural investments, it can be stated that there was no significant difference between the two programming periods. The criteria were the following:

1. ***Professional criteria*** – the elements of examination classified here are the ones expected by the profession from its own members, i.e. it considers that those market operators can serve as a model within the profession who fulfil these criteria. In the framework of the NHRDP, membership in

producers' organizations and the participation in agri-environment management belong to this group. While the former aims to offset professional representative bodies and little bargaining power in the agricultural market, the latter can be expressed by the fact that only operators meeting higher requirements of environmental protection can take part in it. This latter criterion in the RDP was complemented with participation in a quality scheme, which does not mean the existence of a quality assurance system, but the participation in recognized Hungarian quality schemes.

**2. Energy-related and environmental criteria** – this group comprises energy-related criteria already appearing in the NHRDP, getting even more important in the RDP. These are related to projects, and characterize implemented projects. Community taxpayers expect that wasteful development plans that rank environmental considerations lower should not be financed from Community resources. Whereas in the NHRDP only the use of renewable energy was awarded with points, in the RDP this criterion was further refined, i.e. besides the use of renewable energy, saving water or wastewater, decreasing air pollution or decreasing the volume of waste produced have also appeared as scoring criteria. In addition, in the RDP the decreasing of specific energy consumption was also awarded with three points, depending on the percentage of energy savings. No other criteria related to projects were examined either in the RDP or in the NHRDP.

**3. Client criteria** – this includes the criteria characterizing clients. They are usually given parameters on the part of the applicants, which cannot be changed before the submission of the application. Evaluation according to place of implementation belongs to this group, which would be essentially that development

ideas implemented in economically backward settlements should have advantage. The other criterion in this category was significantly different in the two programming periods: while disadvantaged workers or clients were rewarded in the first one, in the second programme SME status was scored with significantly high weight.

**4. Creating and retaining jobs** – while in the NHRDP it was possible for the client – although losing some points thereby – to decrease the number of its employees, in the RDP it was compulsory to retain it, therefore this latter criterion was not rewarded in the period ending in 2020.

The above criteria are fundamentally and sufficiently objective and transparent, nevertheless it is clear that within the total score they only have nearly half of the weight of all evaluation criteria. In the case of both the NHRDP and the RDP, the business and financial plan were evaluated with significant weight, but it was not always possible to know the related evaluation criteria in advance, and they were not specified in a sufficiently objective manner.

#### **5. Business and financial plan criteria**

As the above table shows, business plan and financial plan feature among evaluation criteria with significant weight in both programming periods. In both periods, these two parts, the business plan part and the financial plan part 'lived separate lives', i.e. the examination, scoring of one of them did not influence the scoring of the other. To turn this thought inside out: submitting the financial plan of a horticultural enterprise, but presenting an animal breeding facility in the narrative part could also yield the maximum number of points.

As a result, the question arises whether the business and financial plans submitted were real, or they were just simplified financial tables side by side with a textual description.

Table 1. Scoring used for tender applications for Horticultural development in the RDP and the NHRDP

Criterion	NHRDP (2007-2013)		RDP (2014-2020)	
	Beneficiary	Max. score	Beneficiary	Max. score
I. Professional:	Member of producers' group or producers' organization	10 points	Member of producers' group or producers' organization	4 points
	Participation in AEM programme	4 points	Organic farming	3 points
			Participation in quality scheme	4 points
II. Energy-related and environmental criteria:	Renewable energy resources	10 points	Renewable energy resources	3 points
			Implementation of environmental aspects	3 points
			Improving energy efficiency	3 points
III. Client:	Female, Roma origin, reduced working capacity	6 points	Small or medium enterprise	15 points
	Place of implementation	2 points	Place of implementation	5 points
IV. Creation of jobs:	Retention	6 points	Creation	6 points
	Creation	12 points		
V. Financial plan:		20 points		-
VI. Business plan:		30 points		55 points
VII. Total:		100 points		100 points
	Communication plan	(+) 5 points		-
	Social responsibility of enterprise	(+) 5 points		-
VIII. Max.		110 points		100 points

Source: own compilation, 2019.

Both in the practice of the NHRDP and the RDP, the textual parts included the following:

1. Merits part – description of the applicant and its activity, its customers and suppliers in detail, simplified SWOT analysis.
2. Sustainability part – presentation of investment, goals, composition of resources, effects, risks.
3. Innovation part – presentation of product and technological innovation.
4. Cost efficiency part – presentation of the cost-efficient nature of the investment.

The applicants made a financial plan separately from the textual part, but there was no scoring criterion or regulation to examine the connection between the two parts.

As an example, during the review of financial plans the yields, the material or personnel costs were not examined, i.e. if the client stated that it would increase its greenhouse tomato production tenfold, it was not cross-checked whether this increase had any trace in the personnel and material costs,

and in the profits. Likewise, the balance sheet parts were not checked to see whether the investment, the support granted, the intended capital increase or fund raising appeared in the appropriate lines of the financial plan.

Instead of the above, the scoring of the financial plan considered only such criteria as whether the turnover would increase, whether the profit before tax was always positive, and whether the planned investment support would exceed the turnover of the previous closed financial year multiplied by ten.

The review of the financial plan was not always carried out in this manner. At the start of the NHRDP, there were attempts to evaluate the financial plans in a way different from the above, in a more sophisticated manner, I will discuss these in the part on good practices.

***Other important, but not evaluated criteria***

Both in the case of NHRDP and RDP the following criteria were not, or not sufficiently evaluated.

Among them, what I regard as the most important criterion is the *examination of the degree of preparation*. For example, it was not evaluated in either programming period whether the client had obtained a final building permit, or, in addition, whether it had implementation plans or in the case of larger investments, an environmental permit. In both programmes it was sufficient that the clients proved that they had applied for the permit, therefore many clients made use of the possibility to halt the costly process of the permission until they got the decision on support. This involved that it was not the well-conceived projects with permits obtained that were granted support, thus the funds were tied up by projects that, for example, could not be implemented on the target site.

Neither programming period evaluated the *existence of the sources of funding*. This means that support was granted in many cases to projects where, besides the permits, the required own financial contribution was not available when the application was submitted, nor when the support was granted. In these cases many applicants took the view that they would arrange for the required funds once the application for support was accepted, or they trusted the assumption that by significantly overpricing the development, thereby substantially increasing – although it was against the rule – the ratio of the support, they would be able to finance the investment themselves. For this reason, many market operators planned investments of such magnitude that was, in the current situation of the enterprise, unjustified and excessive.

In the case of applications submitted within the framework of NHRDP and RDP, *previous experience in the field of project management* was not or not sufficiently evaluated. Enterprises that have already implemented an investment have more experience to avoid the pitfalls

of a project. Although this criteria system can be subject to the criticism that support will be granted again to those who received support earlier and accounted for it, but if the governmental objective is to draw down Community funds as early as possible, this should have been taken into consideration as well.

In addition to the previous aspect, other criteria not evaluated were those related to *external experts* involved to assist the internal project management: what qualifications they have in project preparation, planning and implementation, and what experience they have in project management. I regard as a major flaw of the previous years that the criteria related to enterprises writing tender applications were not defined. As a result, this cannot be currently evaluated in an objective way, but it is certainly true that the involvement of a tender advisory enterprise with experience in finance, public procurement, planning, and budgeting in a project will speed up both the preparation and the execution, and will facilitate the success of implementation.

In relation to applications, the question of *how long the enterprises have been operating* was not evaluated either. A long period of operation always means greater commitment on the part of the owners. These owners consider their development ideas more thoroughly, and will not embark upon a development that would threaten the long-term viability of the enterprise.

In addition to the above, we could determine numerous *other criteria*, such as the system of relationships of the management and owners of the enterprise, role played in other organizations (farmers' associations, producers' groups, representative bodies, chambers etc.), history of bank financing and so on, which criteria certainly have positive effect on the

implementation of an investment, however, these criteria are difficult to quantify, therefore it is uncertain that their inclusion in scoring would be justified.

***The most common mistakes made in scoring systems***

Both the Rural Development Programme, both the preceding NHRDP programme contained a number of mistakes in their scoring methods, which adversely affected certain applicants, I will look at some of these – a non-exhaustive list – in order to call attention to the problems of scoring.

***Inappropriate examination of effect exerted on enterprise***

As it can be seen in the previous table, 3-3 points could be awarded for using renewable energy and improving energy efficiency in RDP. The condition for the first one was that the plan should include the use of renewable energy, but its effect on the size of the enterprise was not examined. For example, if the client applied for a solar system of minimal size with a power of 1-2 kW, it could get the same score for it as it would if its whole electricity demand was supplied by a photovoltaic system. In the same manner, in the case of energy saving, it was enough to save 10% of energy, but its base was not defined, whether this should be interpreted to apply to each building, each business site or each applicant. If, for example, the client planned energy modernization of a porter’s building of 10 square metres, it could achieve the same score as with the insulation of a poultry house of 2000 square metres.

***Inappropriate weighting between certain criteria***

In the framework of RDP, the size of the enterprise was awarded with 5/15 points if the number of employees was below 50, i.e. the enterprise was not a medium enterprise. This weight of 15% practically predetermined

the range of winners under the items ‘Modernization of bovine holdings’ and ‘Building, modernization of small sized facilities for storing, drying and cleaning of crops’. Those having more than 50 employees in the first case, or more than 10 employees in the latter, started out with little chance, as with -10 or -15 points they would certainly fall below the line drawn during evaluation.

***Inappropriate parameterization***

In the RDP, a total of 6 points could be given for the creation of jobs, as follows:

More than 50 million forints / new job	0
10 – 50 million forints / new job	3
Less than 10 million forints / new job	6

In the case of an animal breeding facility demanding the maximum amount of support (500 million Forints) the enterprise should have undertaken to employ 51 people for 6 points. Today, a poultry or swine breeding facility can be sustained with 4-5 permanent employees, therefore this was an unrealistic requirement on the authorities’ part. At least 11 employees should have been undertaken even for 3 points.

As a result, many applicants simply ‘let go’ of this 6 points, i.e. they did not undertake to have a certain number of employees, despite the fact that the employment of 3-4 persons would have been feasible for them.

***Pointless scoring criterion***

It was already included in the programme of the RDP – erroneously, I note –, that extra points are given for the client’s participation in a quality scheme (4 points). However, at the start of the RDP in 2016 and at the time of the avalanche of applications in 2017, there were no accepted and operating quality schemes in Hungary, it was only at the end of 2018 that the MA issued a decree on their establishment. Accordingly, nobody could get points for this criterion.

***Scoring affecting certain applicants adversely***

In the NHRDP the scoring system favoured the employment of Roma people – but not for all clients. If the client was a legal entity, it was sufficient to undertake to employ Roma people, however, in the case of natural persons (private entrepreneurs, primary producers) this criteria earned points only if the client himself/herself was of Roma origin – independent of how many Roma persons he/she employed, or planned to employ after the development.

***Useless criteria***

I have already pointed out in connection with the scoring of the business and financial plans that the fact that the client lists three risks and three methods of risk management, or whether the turnover in the financial plan increases continuously, are not adequate criteria for granting a support amounting to 500 million forints. When tying up an amount of support of such size, more elaborate evaluation criteria should be used, even those also used by banks, in order to prevent a situation where, due to the lack of bank financing, the granted support would be tied up for an unnecessarily long period.

***Good or better solutions in the evaluation systems***

In the foregoing I have expressed quite a lot of criticism of the scoring system of both the RDP and the NHRDP, however, I must point to one advantage they have compared to the ARDOP programme, being that they were able to evaluate a large number of applications for support with comparatively small time commitment. It is true that these time savings were lost due to other administrative demands in the case of RDP, nevertheless, if these bureaucratic obstacles were removed, the above scoring methods would make quick evaluation possible.

***Pest County applications***

There are, of course, many scoring systems which accompany the rest of the operative programmes. Based on my professional experience so far, I regard the scoring system of Pest County Application as one of the clearest evaluation systems.

Among evaluation criteria, the scoring of corporate past clearly appears here, awarding significantly less points to project companies – i.e. those founded only to draw down funds. Financial indicators like performance, investment proportional to turnover (either too high or too low is not good), growth potential and investment proportional to return on assets are presented in a clear and well-defined way to the applicants, thus the applicants can estimate the achievable scores in advance.

Degree of preparation also receives points, so those who elaborate their applications thoroughly and obtain all proposals can achieve the maximum score, as opposed to the practice in the RDP that the applicants only needed to present the proposals when they put the application in order, therefore those who prepared their applications for support in a hasty way, less thoroughly, could start out with equal chance.

In addition to the above criteria, the principle of programming also appears in this scoring system – under the heading ‘complexity’. Thus, if the client verified that the development is linked to another development started earlier, the client could receive additional points.

***Evaluation system of financial plans at the start of NHRDP***

In 2007, an evaluation system of financial plans was elaborated by Szent István University and the Agricultural Economy Research Institution, which took distinctive features of the applicants and the support titles into consideration.

The reason for the elaboration of the system was that the assessment of financial evaluation systems used in the previous ARDOP programme was time- and energy-consuming, and at the same time it was not adequately objective and professional.

The scoring system was comprised of five groups of criteria. The first was the coherence examination for the years of investment, for which a total of 4 points could be given as follows:

**1. The increase of the value of fixed assets minus the value of that year's amortisation equals to +5, -10 percent of the investment amount: 1 point**

**2. The increase of the value of equity equals to the sum of non-repayable grants and the given year's profit/loss according to the balance sheet. If the difference is +/-10%: 1 point.**

**3. The increase of the value of depreciation expense equals to the amortisation calculated for assets acquired (or to be acquired) +/-20%: 2 points, if it is +/-40%: 1 point, otherwise: 0 points.**

The second criterion was the coherence examination for the years of operation, as follows:

**4. The equity has to increase by the given year's profit/loss according to the balance sheet, as well. If the difference is between +/-5%: 2 points, otherwise: 0 points.**

The aim of both coherence examinations was to find out whether the rules of financial planning were adopted at the preparation of the financial plan, i.e. the financial plan was made according to well-founded rules or used numbers entered on an ad hoc basis.

The third group of criteria was the evaluation of base data. During this the following base values of the previously classified holding were compared with the standardized values of the

sample holdings in the farm accountancy data network of the AERI:

**1. Production value per 1 ESU without agricultural services (thousand forints/ESU),**

**2. Profit/loss before tax per 1 ESU (thousand forints/ESU)**

**3. Production value proportional profitability adjusted with agricultural services (%).**

If the applicant's indicator fell between the average of the lower and the upper quarter, 1 point, if it fell between the lower and the upper quarter +30%, 2 points, i.e. a maximum of 6 points were given to the applicant.

The fourth group of criteria was the veracity of the financial plan, where the indicators of the previous group were examined, not for the base period but for the fourth year of operation. If the indicator of the holding is less than the lower quarter, or higher than the upper quarter +30%, the applicant received 0 points. This means that unrealistically low or high numbers in the plan scored zero. However, if an indicator was between the lower and upper quarter +30%, the score could be 1 point for each criteria.

The last criterion of examination was the growth of the holding:

*If the utilized agricultural land of the holding increases by the fourth year, 1 point can be given for each 5 percentage points, but a total of 5 points can be awarded.*

In this way, the 5 groups of criteria could yield a total of 20 points for the applicant. The advantages of the system were the following:

- The evaluation was fully objective, the scoring could be carried out in an automated way on the basis of the table for holding size and the financial plan.

- Indicators of the holding were not compared with arbitrarily predefined values, but with those of holdings actually existing in Hungary, operating in the same sector and of similar size.

- The system contained a “saddle point”. This involved that neither an underestimated, nor a too optimistic, unrealistically high turnover or profit planned by applicants would lead to a maximum score.

- The system examined standardized values, therefore the differences between the applicants arising out of holding sizes could be filtered out.

Like all scoring systems, this one has problematic elements, too:

- The reference values – although the AERI made them public in their data disclosures – were not known to many, so the applicants did not know in advance the score they could achieve. (However, if they had known, the veracity examination would not have made sense.)

- The system demanded sophisticated preliminary programming, but afterwards it could be used for quick scoring.

- Both private entrepreneurs and primary producers had to make plans using the double-entry method to ensure comparability, which was a further challenge for many clients.

### **Conclusions, suggestions**

The studying of tendering systems of different types and related to different sectors have a long history [18], which was greatly influenced by the quantitative and qualitative questions of economic, natural and human resources, and by the constant changes of related political wills, however, the examination of this issue will continue to be on the agenda due to its complex effect on social and economic processes.

Most of the studies on this subject so far aimed to reveal the sets of problems affecting the majority of tendering systems. In many cases, the subject of the studies was the vulnerable social structure, adverse social and demographic processes, ageing population,

migration, unemployment, and efficiency improvement of certain sectors. Besides causal links, comprehensive processes based on historical specificities have also been unveiled. The overall picture in the end is that there is a great need for more efficient operation of the domestic agricultural aid system, and there are vast reserves from the point of view of the improvement of efficiency.

My study was basically motivated by the fact that I wanted to examine the operation of the Hungarian agricultural tendering systems, since, after the thorough analysis of this issue, I intend to contribute to the further development and setting up of the system with several modifying proposals in order to facilitate its operation in a way that, in my view, is more efficient.

One of the main features of project cycle management is that we incorporate the experiences gathered during earlier projects into the new project. This can essentially work not only on project level, but on programming level as well, i.e. the scoring experiences gained during the execution of the NHRDP could have been used in the RDP as well, although there was limited intention to do so, and there was not an adequate amount of resources available to process the large amount of data generated, in order to draw conclusions.

The fundamental task would be to operate a dynamic evaluation system, [19]; [20]; [21] one that would record the specificities of former evaluations and executions in a database, analyse these data, and fine-tune the scoring systems accordingly. This is what I call a dynamic evaluation system.

The features of a dynamic evaluation system are the following:

- it takes the results of the previous programming period, or mid-term review as its starting point;

- collects the outcome indicators of successful projects, e.g. on the basis of number of employees, qualifications, experience, past, innovation, financial data, public visibility;

- in addition to the above data, it summarizes the data of rejected applications, projects supported but not implemented, and projects supported but not working, as well;

- ‘fine-tuning’ of criteria is done on the basis of the resulting data.

After considering the criteria studied in the previous parts and describing the errors made in connection with certain evaluation criteria, as well as presenting the possible good or better solutions, the requirements for evaluation criteria can be specified as follows:

**1. The scoring systems are adequately objective, and these objective criteria can be known in advance, i.e. the market operators are aware of how much chance they have for a successful application.**

**2. The control of each criterion is ensured, it does not demand significant time or expenditures on the part of any participants.**

**3. Each criterion is evaluated according to its weight.**

**4. The scoring does not contain logical flaws, mistakes in adding up and quantification.**

**5. Criteria that cannot be fulfilled by all applicants or any applicants are not imposed.**

**6. Criteria are determined in such way that the scores achieved by projects evaluated will vary significantly, so that it is possible to draw a clear dividing line between projects supported and those rejected.**

**7. Scoring criteria and the related procedures are indisputable and objective, and do not give grounds for contest.**

**8. There should be a theoretical possibility for every market operator to fulfil or undertake to fulfil the scoring criteria, the criteria should not impose unrealistic requirements.**

**9. The criteria should take the specificities of the target group into consideration.**

**10. Scoring should mean selection, i.e. scoring systems where all the applications are rejected or supported make no sense and have no significance.**

**11. A realistic sanction system should be attached to it.**

**12. The scoring systems should be dynamic, i.e. the experiences of the previous tender periods should be incorporated into the following periods, or programming periods, we should not make the same mistake repeatedly.**

The results of the research are of scientific value in the aspect of studying tender systems. Application of the requirements to the evaluation criteria, which we have formulated, will help solve many of the problems that currently hinder and slow down decision-making. In our opinion, this would lead to a noticeable improvement of the studied tender system’s operation. As far as we know, such a large-scale study has not yet been conducted in Hungary. Moreover, taking into account the proposals made, it would be possible to significantly improve the efficiency of expenditures on rural development.

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