



# Comments on the Hungarian Recovery and Resilience Plan from an environmental perspective

## Introduction

Already before the draft of the Hungarian Recovery and Resilience Plan (HRRP) was published, Clean Air Action Group<sup>1</sup> and CEEweb for Biodiversity<sup>2</sup> have compiled a list of conditions which, in the opinion of these organisations, **must be fulfilled by the Hungarian government in order to receive funding from the Recovery and Resiliency Facility.**

[One list](#)<sup>3</sup>, made by CAAG with the help of Transparency International Hungary, contains a set of proposals which must be implemented in order to ensure that EU funds are used transparently and without corruption. Namely, if these measures are not implemented, a substantial part of EU funding will be channelled to political cronies, as it has been the practice already for many years.

The [other list](#)<sup>4</sup>, made by CAAG and CEEweb with contributions from several other environmental NGOs, also contains proposals to enhance transparency and to improve the institutional and legislative framework in Hungary in general, but most of the proposals concern directly the climate and environment.

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<sup>1</sup> Clean Air Action Group (CAAG, <https://www.levego.hu/en>) is a national association of Hungarian environmental NGOs. It has more than 30 years of experience in working on environmental fiscal reform and on EU funding. Recently, CAAG was responsible, among others, for carrying out a survey of civil society experts throughout the EU on the MFF. The results are published in a 288-page document: <https://eeb.org/publications/183/eu-governance/100291/supplement-to-the-climate-change-and-the-eu-budget-report-by-clean-air-action-hungary.pdf>

<sup>2</sup> CEEweb for Biodiversity (<http://www.ceeweb.org/>) is a network of 53 non-governmental organizations in 21 countries which has been committed for the past 25 years to the conservation of biodiversity in the Central and Eastern European region. CEEweb works on transboundary projects, capacity building activities, and advocacy and lobbying campaigns.

<sup>3</sup> Proposals for General Enabling Conditions for the Hungarian Partnership Agreement on the European structural and investment funds 2021-2027 and the National Recovery and Resilience Plan for contributing to a climate-neutral EU. Clean Air Action Group, 09.03.2021, [http://levego.hu/sites/default/files/PA\\_NRRP\\_general\\_conditions\\_2021-03-11.pdf](http://levego.hu/sites/default/files/PA_NRRP_general_conditions_2021-03-11.pdf)

<sup>4</sup> Proposals for the Hungarian Partnership Agreement on the European structural and investment funds 2021-2027 and the National Recovery and Resilience Plan for contributing to a climate-neutral EU. Clean Air Action Group and CEEWeb for Biodiversity, 06.03.2021. [http://levego.hu/sites/default/files/Hungarian%20Partnership%20Agreement%20proposal%20Climate%202021a\\_pr21.pdf](http://levego.hu/sites/default/files/Hungarian%20Partnership%20Agreement%20proposal%20Climate%202021a_pr21.pdf)

Having assessed the HRRP, CAAG and CEEweb have concluded that the HRRP does contain several important elements which might contribute to achieving the EU's targets, however, these are far from being sufficient. The HRRP lacks most of the conditions proposed by CAAG and CEEweb. If the HRRP will be implemented according to the current plan, Hungary will even get farther away from achieving the EU's targets.

## 1. The preparation phase

1.1. The first draft summary of the Plan (13 pages) was published in December 2020. The Hungarian government added some descriptions of each component of the plan in March and April 2021, without financial details. Then the government published a detailed draft of the Hungarian Recovery and Resilience Plan on 14<sup>th</sup> April 2021. This version was a 432-page long document and included financial allocations as well. Later, the government announced that the plan is ready to be submitted, but in parallel, high-level negotiations began on key substantive issues with the European Commission. The Commission reportedly expressed concerns about some components of the HRRP, in particular, the funding of the university reform. Therefore, the government started to rewrite the plan and finally the **amended HRRP was submitted** to the European Commission **on 11<sup>th</sup> May 2021**, in which the final amount requested is EUR 7 billion in grants (almost the maximum of the available budget). According to the current version of the HRRP the loan would not be used by the Hungarian government for the time being. The government intends to obtain parliamentary ratification by 15th June and expects the Commission to approve the plan in August. The submitted HRRP was published on 17<sup>th</sup> May 2021, including a number of significant amendments. This means that there was **virtually no opportunity for public consultation on the final version** which is contrary to Point q) Paragraph (4) Article 18 of the Regulation 2021/241 of the European Parliament and the Council of 12 February 2021 establishing the Recovery and Resilience Facility (hereinafter: RFF Regulation). There have been serious deficiencies concerning public participation even in relation to the draft HRRP.<sup>5</sup>

1.2. The most significant element of the plan is the development of the **healthcare** system, for which 34.1 percent of the resources are allocated. Another priority area is the development of green **transport**, for which 25% of the financial framework would be spent. Also, a priority area is the comprehensive **development of education systems**, including universities, public education, vocational training and adult education. 20.4 percent of the funds will be spent on this. The remaining funds will be allocated to facilitate the **transition to a circular economy**, to **sustainable energy** and for the **catch-up process of the most backward settlements**.

1.3. The draft of April received a lot of criticism, especially from environmental NGOs, because it included too many large investments with huge construction works. A significant part of the healthcare component was the construction of the huge new South Buda Central Hospital, which was proposed to be located in a large green area. The 'renewal of universities' component also included several new buildings. The extraction of construction materials needed to build a huge hospital, especially gravel mining, has an enormous environmental impact in the country. It destroys arable land and green areas, lowers the groundwater level and causes dehydration. The production of the large amount of building material required might be contrary to the 'do no significant harm' principle. In spite of the above, the draft HRRP contained just a single

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<sup>5</sup> See e.g.: The Hungarian government is set to spend over 51 billion Euro, but forgets to consult with stakeholders. 11.02.2021. <https://www.levego.hu/en/news/2021/02/a-kormany-19-ezer-milliard-forint-elkolteset-tervezi-de-a-tarsadalmi-egyeztetesrol-megfelelkezik/>

statement about this principle that ‘it is not relevant’. Moreover, Hungary’s health care and educational system are in a dire condition, so it is not new buildings that are needed but increased expenditures for the existing systems.

Similarly, the ‘green transport’ component of the April draft included a new bridge on the Danube. This plan also raised concerns, because the building and the operation of the bridge might damage and disturb the nearby Natura 2000 area, while the new option would attract unprecedented traffic to the area, which will increase emissions of air pollution and greenhouse gases.

Due to the above concerns most of the **major construction investments were left out** (such as South Buda Central Hospital, or the new Danube bridge) of the submitted HRRP, which can be considered as an important step forward and makes the HRRP less worrying in terms of the non-compliance with the ‘do no significant harm’ principle.

1.4. However, it is not enough to demand that the Recovery funds are not used for potentially harmful projects. There is a risk that the government will use the grants for other scheduled projects and save money with which they will subsidize environmentally harmful activities. We suspect that the huge construction projects are still on the agenda, but these will be implemented using other financial resources. Thus, the situation is as worrying as if the plan itself included these investments. Therefore, funding from the Recovery funds should be provided only if the Hungarian government **commits themselves to eliminate all environmentally harmful subsidies** (from the Recovery funds, from the MFF, and from the national budget).

1.5. EU grants should be provided only to those governments which **implement all possible best practice measures to eliminate corruption and improve transparency** (in accordance with the recommendations of Transparency International, GRECO, etc.). These measures should be implemented before receiving any grants. Only this would ensure the coherence with the country-specific recommendations as well as with Point r) Paragraph (4) Article 18 and Article 22 of the RRF Regulation.

## 2. General remarks

2.1. The European Commission requires Member States to spend at least 37% of their allocation on measures that contribute to the EU’s climate objectives. The draft plan published on 14<sup>th</sup> April tagged 51% of the grants to **climate expenditures**, but the final, submitted HRRP decreased this rate to **41%**. The documents published so far by the government do not contain strategic environmental assessment or any other environmental study, which makes it very difficult to evaluate ‘climate tagging’ numbers. In addition, there is **no deep evaluation attached** to the measures regarding the ‘do no significant harm’ principle, neither a quantitative nor a qualitative analysis can be found, merely statements that the planned measures do not violate the principle. In our opinion this violates Paragraph (2) Article 5 as well as Point d) and e) Paragraph (4) Article 18 of the RRF Regulation.

Table 1: Fulfillment of climate targets in the HRRP, according to the final document, 10.05.2021

Component	Budget	Climate tagging	
	(Billion HUF)	(Billion HUF)	(percent)
<b>A. Demography and public education</b>	230.69	12.80	0.00
<b>B. Highly skilled, competitive workforce</b>	281	24.20	8.61
<b>C. Catching up backward settlements</b>	77.47	11.55	14.91
<b>D. Water management</b>	44.35	17.66	40.00
<b>E. Sustainable green transport</b>	631.00	613.00	82.69
<b>F. Energy</b>	262.49	262.49	100.00
<b>G. Transition to circular economy</b>	103.00	67.00	65.05
<b>H. Healthcare</b>	857.04	25.28	3.20
<b>I. Other country-specific recommendations</b>	24.21	0	0.00
<b>Overall</b>	<b>2 511.27</b>	<b>1 033.98</b>	<b>41.17</b>

2.2. A further concern is that the **distinction between RRF and cohesion funding** for some of the planned measures is not clarified properly in the plan. Therefore, it is difficult to judge whether the HRRP is in compliance with Paragraph (1) Article 5 of the RRF Regulation.

2.3. The HRRP itself recognizes in several places that an important goal is to **supply the construction industry with public purchase orders**, and this is clearly reflected in the planned measures. The general descriptions are intended to support environmental purposes in many places, but if we look at the details of the measures, it seems that green transition is not the priority. The situation is similar when we have a look at **innovation**, with a significant proportion of measures having **few or no such element**. In our view, the above means a complete **misunderstanding of the country-specific recommendations** which refer to the balance of economic development and environmental aspects and to economic structural change. The above makes the compliance with Paragraph (3) Article 17 of the RRF Regulation doubtful.

2.4. The HRRP fails to analyse and describe the **accompanying measures** that would be necessary for the effective implementation of the planned steps. In particular, the necessary legislative changes, strengthening of authorities and awareness-raising programs are lacking, without which the effectiveness of some measures is in doubt. This means a non-compliance with Point m) Paragraph (4) Article 18 of the RRF Regulation.

### 3. Remarks to the components of the HRRP

#### 3.1. Component A

##### Demography and public education

3.1.1. There are certain elements to support the green transition in this component, such as the environmental, climate-conscious education, and an energy conscious modernization program. Unfortunately, a **relatively small number of schools** (300) are planned to take part in the latter program though.

At the same time, it is questionable that the plan **focuses mostly on asset acquisition** rather than structural change and the professional training as well as the motivation of those working in public education, because the goals will only be achieved if trained and committed teachers participate in the programs. The Hungarian education system has been deteriorating in the last decades. This deterioration has become much more profound during the last 12 years. This is reflected in the worsening OECD PISA results of Hungarian students.<sup>6</sup> The main reasons are underfinancing, the practical elimination of the independence of the schools, the intimidating atmosphere created by the government, the elimination of the possibility to use high quality teaching materials from independent publishers, and also the raising of the compulsory teaching hours for teachers from 22 hours to 26 hours (which made high quality teaching practically impossible). Thus, working as a teacher has become very unattractive. This is reflected in the fact that already in 70% of the elementary schools there are less teachers than officially required.<sup>7</sup> 42% of the teachers are older than 50 years.<sup>8</sup> Thus, without substantial reform of the education system, in this component, the effectiveness of the RRF might be very low, and it certainly will not have a lasting impact. This might contradict p. 3. (g) of Article 19 of the RRF Regulation.

A significant part of the grant allocated for this component will be spent for the purchase of 615,000 pieces of IT equipment. This huge number shows that not only those will receive such tools who are socially deprived, but virtually all students and teachers concerned, whether or not they already have such tools. This may cause unnecessary products to become **waste**, not to mention the **environmental impact of producing** such a quantity of electronic products and batteries. There is no evaluation of these effects in the plan, which makes it contrary to Point d) and e) Paragraph (4) Article 18 of the RRF Regulation.

#### 3.2. Component B

##### Highly skilled, competitive workforce

3.2.1. The most important part with the largest allocated budget of the draft of the HRRP was the renewal of universities and a complex investment program to develop the institutions concerned. In the meantime, the funding and oversight of the entire Hungarian higher **education system is being re-regulated**, with the management of most universities falling into the hands of foundations legally independent from the government which has raised serious concerns about the state of academic freedom and proper financial management of these

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<sup>6</sup> Programme for International Student Assessment, Results from PISA 2018, Hungary.

[https://www.oecd.org/pisa/publications/PISA2018\\_CN\\_HUN.pdf](https://www.oecd.org/pisa/publications/PISA2018_CN_HUN.pdf)

<sup>7</sup> Miért ilyen súlyos a pedagógushíány Magyarországon? Portfolio.hu.

<https://www.portfolio.hu/gazdasag/20210512/miert-ilyen-sulyos-a-pedagogushiany-magyarorszagon-482420>

<sup>8</sup> Drasztikusan csökken a fiatal tanárok száma. Mércse. <https://merce.hu/2020/01/13/drasztikusan-csokken-a-fiatal-tanarok-szama/>

universities.<sup>9</sup> This was reportedly the most controversial point in the negotiations with the European Commission, with the Commission expressing **concern about Community funding for non-state foundations** whose appointment of board members is less transparent and who will be partly out of the scope of public procurement obligations. As a result, this component has been completely transformed and the vast **majority of the related grants have been phased out**. The component was renamed to ‘Highly skilled, competitive workforce’ and instead of the measures for universities, other measures have been included in the plan (e.g., improving the conditions for vocational training).

It should be also noted, that in full contradiction with the EU funding for higher education and the Hungarian government’s commitment (in the Partnership Agreement) to substantially increase the number of persons with higher education between 2013 and 2020, the government has greatly reduced funding to the higher education, and the number of students admitted to higher education institutions has decreased by 25 percent between 2010 and 2020.

Thus, without radical changes in the system of higher education, in this component, the effectiveness of the RRF might be very low, and it certainly will not have a lasting impact. This might contradict p. 3. (g) of Article 19 of the RRF Regulation.

A substantial part of this component would finance research and innovation. However, in Hungary, a large part of the funds allocated for innovation is swallowed by corruption, but these sums have also been accounted for as expenditures for innovation.<sup>10</sup> Therefore, the effectiveness of this part of the component largely depends on the implementation of Component I (Other country-specific recommendations).

### 3.3. Component C

#### Catch-up process of backward settlements

3.3.1. A number of measures in this component **includes energy efficiency measures**, such as renovation of buildings in backward settlements. This may contribute to the improvement of energy efficiency. There is **no concrete numeric data or calculation** though, therefore the exact impact of these measures cannot be evaluated. Moreover, the renewal of heating systems is focusing on **electric heating** which generally could not be considered as the best available technology and therefore its widespread use is recommended only after very thorough supporting calculations. In many cases, it would be more efficient and more environmentally beneficial to replace the current bad systems with modern pellet boilers or wood gasification boilers. In the short term, the greatest result would be achieved by **extending the social firewood program** and implement it so that all those in need receive good quality, dry firewood. This would ensure that people living in underdeveloped settlements do not have to burn various types of waste for heating purposes. (Residential waste burning is extremely widespread in Hungary<sup>11</sup> with serious consequences for the health and environment<sup>12</sup>.) The above means that

<sup>9</sup> Fidesz makes Hungary’s universities an offer they can’t refuse. Balkan Insight.

<https://balkaninsight.com/2021/02/23/fidesz-makes-hungarys-universities-an-offer-they-cant-refuse/>

<https://www.dw.com/en/hungarys-viktor-orban-seeks-to-control-universities/a-57444869>

Hungary’s Viktor Orban seeks to control universities. Deutsche Welle. <https://www.dw.com/en/top-stories/s-9097>

<sup>10</sup> There are many examples on the website <https://korrupcioinfo.hu/>

<sup>11</sup> We disapprove it, yet we burn waste – Opinion poll on residential waste burning. Clean Air Action Group, 08.12.2017. <https://www.levago.hu/en/news/ellenezuk-megis-egetunk/>

<sup>12</sup> Air pollution may be much more hazardous than follows from official monitoring data. Clean Air Action Group, 2021. <https://www.levago.hu/en/campaigns/waste-campaign/>

Brutal amount of toxic, carcinogenic substances is emitted when burning solid waste at homes. Clean Air Action Group, 2020. <https://www.levago.hu/en/news/2020/07/brutalis-mennyisegu-mergezo-rakkelto-anyag-kerul-a-szervezetunkbe-ha-hulladekot-egetunk/>

this component only partially complies with Points d), e) and m) Paragraph (4) Article 18 of the RRF Regulation.

This component also includes the construction of social housing. However, a new draft law which is before the Parliament and which will be certainly adopted within a few days (as it has been approved by the relevant parliamentary committees, practically eliminates existing social housing, and might have tragic consequences for many people.<sup>13</sup> This decision of the Hungarian Parliament, if adopted, will make farce of the HRRP.

Even if only the positive parts of this component will be implemented, the financial sustainability and the long-term commitment of the government is the key to its lasting success.

### 3.4. Component D Water management

3.4.1 Although the introductory text of this component refers several times to the need of moving towards ecological water management, the vast majority of its measures proposes **investments for irrigation**, thus indirectly serving the **interests of large-scale intensive agriculture** which is often contrary to environmental interests. The HRRP mainly includes construction of new irrigation systems and the development of current networks. The Plan does not include proper safeguards to ensure that irrigation expansion would be embedded into an integrated water resources management (IWRM) system. In light of the fact that the currently existing canal system was constructed many decades ago, irrigation currently largely drains water from heavily dammed and regulated rivers, leaving off-river sites and ecosystems without appropriate water supply. Without proper safeguards and arrangements over water use rights, the investments planned by the HRRP risk competing uses of water (agricultural and ecological), which may lead to the **desiccation of habitats**. In addition, the expansion of irrigation infrastructure, due to the lack of proper monitoring of groundwater use, **may cause overexploitation of groundwater** resources, too.

The minimal requirement should be that in parallel with or instead of such measures **strict control mechanisms** are developed to completely prevent ecological water deficit. The approach of the HRRP does not contain environmentally friendly solutions. It is also doubtful whether the mentioned water retention efforts will serve healthy ecosystems or will be used up by irrigation. It is a telling fact that the grants allocated for irrigation projects many times exceed the allocations for nature conservation within this component. The irrigation component in its current form risks **violating the ‘do no significant harm’ principle**. The proposed measures also contain **waterbed dredging**, which should also be considered as hazardous activity. Some measures (e.g., the Rábaköz-Tököz project) may require **shrub and tree cutting** activities to make room for water management facilities. This may also cause significant harm in habitats. The HRRP however tagged 40% of the expenditures in this component as climate cost.

This component also completely ignores the many coupled benefits of ecological river restoration for flood protection, ecosystem health and services, prevention of desiccation and money savings (compared to engineering measures).

Due to the above-mentioned reasons, this component certainly violates Point d) Paragraph (4) Article 18 of the RRF Regulation.

3.4.2. It also raises concern that the HRRP intends to **simplify water use licencing procedures**. Unfortunately, practice to date shows that this has led to a weakening environmental enforcement and the opportunities for effective public participation, which is a big step

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<sup>13</sup> Observer: Orbán’s raid on the public housing sector. Hungarian Spectrum, 17.05.2021, <https://hungarianspectrum.org/2021/05/17/observer-orbans-raid-on-the-public-housing-sector/>

backwards. This is also contrary to Point d) and e) Paragraph (4) Article 18 of the RRF Regulation.

3.4.3. The HRRP's contribution to biodiversity protection is minimal and misses the opportunity to introduce nature-based solutions, small-scale and local biodiversity protection programs, or initiate biodiversity-mainstreaming. While the proposed projects have the potential to bring benefits in this realm, the overall effort of the HRRP to restore healthy ecosystems on all scale is negligible.

### 3.5. Component E Sustainable green transport

3.5.1. The plan considers the majority of the transport measures proposed by the HRRP as green investments contributing to the climate targets. However, the plan does **not show an estimate of the environmental damage and risks caused by the investments, and the expected results are not quantified either.**

3.5.2. What is even more worrying, the **alternatives** of the proposed measures to the possible more efficient means of transport organization and regulation with less harmful effects have not been examined at all. The evaluation of the 'do no significant harm' principle is very incomplete, and the relevant table has not even been fully completed.

3.5.3. The construction of **large-scale new train facilities** could also be perilous because these might occupy additional valuable **green space**, especially in urban, suburban areas, and will **increase noise and other pressures** on the population in more places. Such measures should only be implemented if it is guaranteed in the meantime that those impacts will not occur.

3.5.4. The creation of new P+R parking lots would be very counterproductive: it would result in increased car traffic, elimination of green areas, more urban heat islands.<sup>14</sup>

3.5.5. The measures themselves proposed in this component will not result in a reduction of car traffic, therefore in parallel it is necessary to reduce the overall road traffic by effective **traffic calming measures** (road pricing, congestion charging, LEZ, more bus lanes, etc.<sup>15</sup>). Most importantly, it is urgent to internalize the external costs of transport. According to Integrated Transport Operational Programme Plus (IKOP Plusz<sup>16</sup>), the external costs of transport in Hungary equal to 6% of the GDP, i.e., about 3000 billion HUF annually.<sup>17</sup> Comparing this sum with the sum allocated for greening transport in the HRRP, i.e., about 100 billion HUF a year for the next 6 or 7 years, we can easily come to the conclusion that the investments in this

<sup>14</sup> Újabb P+R parkolók? Jobb, ha elfelejtjük! Levegő Munkacsoport, 30.03.2020.

[https://levegomunkacsoport.blog.hu/2020/03/30/ujabb\\_p\\_r\\_parkolok\\_jobb\\_ha\\_elfelejtjuk](https://levegomunkacsoport.blog.hu/2020/03/30/ujabb_p_r_parkolok_jobb_ha_elfelejtjuk)

<sup>15</sup> The detailed proposals of Clean Air Action Group for the decarbonisation of transport: Hungary Report on the Decarbonisation of Transport – National Policy Recommendations to Meet 2030 Climate Targets. Clean Air Action Group, 2018.

[https://www.levego.hu/sites/default/files/Hungary%20Report%20on%20the%20Decarbonisation%20of%20Transport%20\(EUKI%20Project\).pdf](https://www.levego.hu/sites/default/files/Hungary%20Report%20on%20the%20Decarbonisation%20of%20Transport%20(EUKI%20Project).pdf)

<sup>16</sup> [https://www.palyazat.gov.hu/integralt\\_kozlekedesfejlesztesi\\_operativ\\_program\\_plusz](https://www.palyazat.gov.hu/integralt_kozlekedesfejlesztesi_operativ_program_plusz)

<sup>17</sup> An earlier study by the Institute for Transport Sciences in Budapest estimated that the external costs of road transport range between 7 and 13% of the GDP:

The social balance of road and rail transport in Hungary. Közlekedéstudományi Intézet, 2010.  
[https://www.levego.hu/site/assets/files/5529/social\\_balance\\_transport\\_hungary\\_20110131.pdf](https://www.levego.hu/site/assets/files/5529/social_balance_transport_hungary_20110131.pdf)



component will be by far insufficient to achieve the green transformation of transport. Therefore, a radical reform of transport taxation and subsidies is necessary.<sup>18</sup>

According to the above this component may be non-compliant with Point d) e) and m) Paragraph (4) Article 18 of the RRF Regulation.

### 3.6. Component F Energy

3.6.1. According to the introductory text, the focus of this component is ‘greening’ Hungary’s energy supply. It aims to achieve this through **developing the electricity network** to make it suitable for renewables as well as through investments in **residential photovoltaic systems** and transition to **electric heating**. According to the plan, 100% of the measures to be implemented are for climate protection. Our most important concern is that there is a **lack of measures on non-refundable support for the energy efficiency renovation of residential buildings**. While most of the housing stock in Hungary is extremely poorly efficient, the development of household renewable systems and electric heating systems without energy renovation will not achieve the desired goals. The low energy efficiency of buildings is one of the main causes of the terribly high air pollution<sup>19</sup> and also of another huge health problem: according to Eurostat data, 26 percent of Hungarians live in a dwelling not comfortably cool during summer<sup>20</sup> and nearly 20 percent live in a dwelling not comfortably warm during winter time.<sup>21</sup> In many cases, this is a question of life and death: for example, in recent years during heat waves in Budapest the number of deaths increased by 15 to 30 percent.<sup>22</sup>

The lack of energy efficiency investments will result in either wasteful investments, especially in underdeveloped settlements, or in the fact that a larger and more financially deprived part of the population will be left out of the program. The first and foremost thing should be the energy-efficient renovation of buildings, and only then should any further investment be considered. A measure which aims to renovate buildings is part of Component C (Catch-up process of backward settlements) though, but it would be essential to align with energy investments and to allocate more resources to this area.

3.6.2. The HRRP also intends to take steps towards the **electrification of residential heating**, while there is no founding calculation, and the plan in no way justifies this direction. There are serious concerns about this however since solar panels produce electricity in summer and heating is necessary in winter which means that the electricity used by these heating systems **will mainly require fossil or nuclear resources** and that leads us to a climate-damaging result. Of course, one can imagine that in some cases electric heating is the only solution that does not lead to a deterioration of air quality, but **alternatives should be considered**, among which, if no other method is available, modern wood burning (wood gasification boiler or pellet boiler) may also be considered.

<sup>18</sup> Clean Air Action Group published a concrete proposal for such a reform:

Proposal for the internalisation of the external costs of road transport in Hungary. Levegő Munkacsoport, 2020. [http://levego.hu/sites/default/files/internalisation\\_transport\\_costs\\_hungary\\_final\\_2020-1.pdf](http://levego.hu/sites/default/files/internalisation_transport_costs_hungary_final_2020-1.pdf)

<sup>19</sup> See, e.g., <https://www.levego.hu/en/campaigns/waste-campaign/>

<sup>20</sup> [https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc\\_hcmp03&lang=en](https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_hcmp03&lang=en)

<sup>21</sup> [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Share\\_of\\_population\\_living\\_in\\_a\\_dwelling\\_not\\_comfortably\\_warm\\_during\\_winter\\_time\\_by\\_material\\_deprivation\\_status\\_2012.png](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Share_of_population_living_in_a_dwelling_not_comfortably_warm_during_winter_time_by_material_deprivation_status_2012.png)

<sup>22</sup> A hőség napi halálozásra kifejtett hatása budapesti adatok alapján (2000-2011). Országos Környezetegészségügyi Intézet, 2013. [https://www.met.hu/doc/rendezvenyek/metnapok-2013/P3\\_Paldy\\_etal.pdf](https://www.met.hu/doc/rendezvenyek/metnapok-2013/P3_Paldy_etal.pdf)

3.6.3. Another worrying point in this component is the **expansion of the electricity network** which may involve **construction of new line facilities** and therefore **deforestation, loss of green areas and local environmental conflicts**, the extent of which has not even been estimated by the plan.

Due to the above and referring to the country specific recommendations this component does not comply fully with Paragraph (3) Article 17 as well as with Point d) e) and m) Paragraph (4) Article 18 of the RRF Regulation.

Note: A detailed assessment of this component was made by Energiaklub.<sup>23</sup> We fully agree with this assessment.

### 3.7. Component G Transition to circular economy

3.7.1. This component plans to allocate financial resources to **previously proposed measures** concerning waste management activities. The measures aim to contribute to **increasing waste recycling rates**. Basically, this component is not expected to seriously violate environmental principles, but it **lacks measures to prevent waste generation and to raise awareness**. The elimination of illegal landfills is also a welcome goal, but it would be important to **take serious measures to prevent illegal waste burning** in parallel. Otherwise, it may happen that the waste that has not been dumped due to the stricter sanctions will be burnt by residents. This means a non-compliance with Point m) Paragraph (4) Article 18 of the RRF Regulation.

### 3.8. Component H Healthcare

3.8.1. Basically, this component does not contain dedicated environmental projects. Concerning a few measures, **energy efficiency is mentioned** as the green dimension of the project, but it only deals with the energy efficiency and use of renewable energy in new buildings to be constructed using the grants. These mentions are **not specified**, nor is the exact technical implementation or quantified environmental impact presented. On the other hand, the plan does not mention the environmental impacts of the new investments, the need and impact of raw materials to be built in, and the green area used.

3.8.2. A large part (35%) of this component would be used for raising the salary of the doctors. While this measure is highly commendable, and it will certainly help retain doctors in Hungary, it will not increase the work capacity of doctors which is very limited – to a great extent due to the lack of sufficient number of other medical personnel, forcing doctors to carry out work which could be performed by persons with lower qualifications. If this problem is not tackled, then this component will contradict p. 3. (g) of Article 19 of the RRF Regulation.

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<sup>23</sup> Az Energiaklub szakértői véleménye Magyarország Helyreállítási és Ellenállóképességi Tervéről.

[https://energiaklub.hu/files/content/HET%20v%C3%A9lem%C3%A9ny\\_Energiaklub.pdf](https://energiaklub.hu/files/content/HET%20v%C3%A9lem%C3%A9ny_Energiaklub.pdf)

Brief Summary - Energiaklub's Experts Opinion of Hungary's Recovery and Resilience Plan. Energiaklub, 2021.  
[https://energiaklub.hu/files/news/Brief%20summary%20of%20Energiaklub%20on%20the%20NRRP\\_EN.pdf](https://energiaklub.hu/files/news/Brief%20summary%20of%20Energiaklub%20on%20the%20NRRP_EN.pdf)

3.8.2. Looking a little bit at health issues, there is a painful **lack of programs that focus on promoting healthy lifestyle, nutrition and disease prevention** in general.

Due to the above, in our opinion, this component is also contrary to Point d) and e) Paragraph (4) Article 18 of the RRF Regulation.

### 3.9. Component I Other country-specific recommendations

3.9.1. This component should include measures, such as **anti-corruption steps, the reform of the public procurement system, tax reform, digital platforms** in the public administration.. The budget for this part of the plan has increased slightly compared to the draft HRRP, but the measures envisaged in this component are far from enough to achieve the intended changes.<sup>24</sup> In the last 11 years the whole Hungarian institutional and legal system has been transformed in a way that makes widescale corruption and fraud on high level much easier. This has been demonstrated in many studies.<sup>25</sup> Many of these studies (e.g. “Proposals to reduce corruption in Hungary” by Transparency International Hungary)<sup>26</sup> also proposes concrete measures. In the HRRP, there is no mention of **strengthening control authorities and more effective enforcement** although this is one of the preconditions of reducing corruption. **Strengthening civil society and improving the conditions for public participation** is also totally missing although this was an important element of the country-specific recommendations. The measures necessary to achieve a substantial reduction of corruption can be implemented within three months. **The implementation of these measures**, many of which are described in the study “Proposals for General Enabling Conditions for the Hungarian Partnership Agreement on the European structural and investment funds 2021-2027 and the National Recovery and Resilience Plan for contributing to a climate-neutral EU”<sup>27</sup>, **must precede the approval of the HRRP by the Commission. Otherwise, as practice has proven, EU money will continue to be used inefficiently, riddled with widespread corruption and fraud.**

3.9.2. According to the HRRP, the aim of the tax reform is to **improve the investment environment**. It would be even more necessary to implement an environmental tax reform to reduce the harmful environmental and climate impacts. Without such a tax reform, the environmental and climate targets cannot be attained.

Thus, this component does not comply with Paragraph (3) Article 17 and with Point m) Paragraph (4) Article 18 Point (g) Paragraph (3) of Article 19 of the RRF Regulation.

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<sup>24</sup> See also the assessment of the draft HRRP by Transparency International Hungary:

<https://transparency.hu/hirek/nem-alkalmas-a-korrupcio-erdemi-csokkentese-a-magyar-kormany-helyreallitasi-terve/>;

English version: <https://transparency.hu/wp-content/uploads/2021/05/Transparency-HET-Eng.pdf>

<sup>25</sup> See, e.g., Footnotes in “Proposals for General Enabling Conditions for the Hungarian Partnership Agreement on the European structural and investment funds 2021-2027 and the National Recovery and Resilience Plan for contributing to a climate-neutral EU. Clean Air Action Group, 09.03.2021, [http://levego.hu/sites/default/files/PA\\_NRRP\\_general\\_conditions\\_2021-03-11.pdf](http://levego.hu/sites/default/files/PA_NRRP_general_conditions_2021-03-11.pdf)

<sup>26</sup> Proposals to reduce corruption in Hungary (Executive Summary). Transparency International Hungary, January 2018. [https://transparency.hu/wp-content/uploads/2018/01/transparency\\_int\\_jogallam\\_korrupcio\\_tanulmany\\_kivonat\\_angol\\_nyelven\\_2.pdf](https://transparency.hu/wp-content/uploads/2018/01/transparency_int_jogallam_korrupcio_tanulmany_kivonat_angol_nyelven_2.pdf)

(Full version in Hungarian: <https://transparency.hu/wp-content/uploads/2018/01/Javaslatok-a-korrupci%C3%B3-visszaszor%C3%ADt%C3%A1s%C3%A1ra-Magyarorsz%C3%A1gon.pdf>)

<sup>27</sup> Op. cit.

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*Orsolya Domaniczky*  
*Policy Officer*  
*CEEweb for Biodiversity*

*András Lukács*  
*President*  
*Clean Air Action Group*