

A Mid-term Assessment of the Environmental Policy Performance of the Hungarian Government

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Introduction

Soon after the formation of the second Orbán Government (in 2010), the environmental and nature conservation NGOs put a package of proposals on the table¹ in order to help the work of the Government. In the mid-term of the Government period of office, it is time for the NGOs to assess the environmental policy of the Government, since it is still possible to change the principles and practice of the Government for the rest of the Government's period of office.

More than thirty-nine experts of nine NGOs participated in this assessment, and altogether 42 NGOs agreed to the following lines. We analyzed and evaluated the situation of 177 subfields under different topics in this document. The environmental NGOs did not analyze from a general political point of view the performance of the Government in the last two years. They did not want to guess at the intentions and motivations of the Government as well. This assessment takes into consideration the professional aspects based on specific governmental actions, and surveys whether the state of the environment and the environmental security were improved or deteriorated as a result of the governmental measures.

Az egyes témákban kifejtett teljesítményeket osztályzattal is értékeltük. Az osztályzatok jelentése:

- 1 – *The environmental policy performance is very weak.*
- 2 – *The environmental policy performance is weak.*
- 3 – *The environmental policy performance is moderate.*
- 4 – *The environmental policy performance is good.*
- 5 – *The environmental policy performance is excellent.*

We hope that the findings of this assessment will be taken into consideration by the Government. We think that a fundamental increase in the priority of the environmental policy and a change in its orientation are essential in the work of the Government. We, the undersigned environmental and nature conservation NGOs, are ready to cooperate in the realization of this renewed environmental policy in order to improve the quality of the environmental conditions of the population, to ensure the interests of future generations and to conserve the nature.

¹ Recommendations on the environment and nature conservation for the Government of Hungary: www.mtvsh.hu/dynamic/Kormanyrak_zold_ajanasok_vegl.pdf (in Hungarian)

Summary

In general, the environmental policy performance of the Hungarian Government for the last two years was rather weak. The result of ceasing the independent environmental administration and giving its tasks to the Ministry of Agriculture and Rural Development (and later on, some water-related areas to the Ministry of Internal Affairs) was not the integration of environmental considerations into other policy sectors. (However; in case of appropriate measures, that could have been the case.) To the contrary, the results were the subordination of the environmental protection and a significant reduction of its capacity. The Government considers the environmental protection as an economic drawback, and does not realize that by the means of adjusting to a material and energy saving economic structure, developing human resources and innovation it could be a successful tool for economic recovery.

Hungarian institutions of environmental protection have drastically weakened, including the legal and participative possibilities as well as the capacities of the authorities. Although the Government has taken constructive steps in some areas, enforcement of the environmental rules is often lacking, and the situation is gradually deteriorating further.

An appropriate managing of environmental issues with effective institutions would also be important because the social and economic activities have exceeded the level of ecological carrying capacity. The overuse of resources and the malfunction of social systems endanger not only the chances of future generations but also directly the living conditions and health of people living today. This overuse has considerably increased our (increasingly unsustainable) dependence on external resources – and among others on different energy carriers – at the same time. A major change of direction will be necessary in the governmental policy in the next period which should be a holistic approach in accordance with sustainability principles, and by realizing the core problems, it should develop the interrelated social, economic and environmental systems.

Institutional system

❶ – The environmental policy performance is very weak.

Environment and nature protection institutions have drastically weakened. The environmental administration was divided, its larger part was absorbed by the Ministry for Rural Development, and the majority of the best experts were dismissed. The number of the authorities was decreased considerably. On the one hand the Hungarian Constitution strengthened the legal basis of the environmental protection (protection of resources, responsibility for future generations) but on the other hand it impaired the institutionalized system of social participation, and abolished the independence of the Hungarian Ombudsman for Future Generations. The frequent legislation

proposals by individual members of the Hungarian Parliament as well as the law on acceleration of investments restricted the social participation in practice as well. Because of the media law, the views of environmentalists can be conveyed to the population much harder. The Government does not regard the environmental and nature conservation NGOs as strategic partners.

Public finances

② – The environmental policy performance is weak.

The Government did not assess the environmental impacts of the public finance legislation, and has not made any effort to eliminate the environmentally harmful subsidies. The tax burden on low income population has increased, while on the higher income population has decreased: this directs the consumers' attention to import and luxury goods.

Several environmentally beneficial tax changes came into effect, for example, environmental product charges, pollution fees, taxes on tobacco and alcohol and taxes on energy companies were increased. The gas price subsidy and the feed-in obligatory electric power production (KAT) system were eliminated. But these tax changes did not constitute a system, and were not able to change the production and consumption patterns substantively.

After initial positive steps, reforms halted in the field of energy, and the subsidy of renewable energies and energy efficiency is unsatisfactory. The situation is paradoxical in the field of transport: besides some environmentally beneficial tax changes, the financial aid of public transport has decreased. Most of the agricultural subsidies are given to support the tendencies of land concentration and intensification. Education and innovation could be the key drivers of economic growth but this is made impossible by large-scale resource extraction from these fields. Governmental resources to support NGOs were decreased drastically.

Economic and cohesion policy

② – The environmental policy performance is weak.

The economic policy did not provide a substantive response to the serious challenges. These can primarily be solved by the development of the human resources, the strengthening of local economies, the rectifying of the distorted price system, and by an enhanced support of research and development as well as innovation. The Government did not realize that a new macroeconomic model is needed, which should be based not on the increasing consumption of material and natural resources. This new model should boost the economy through saving these resources and through a structural change based on resource efficiency.

The Government did not adjust the development policy to the ecological carrying capacity of Hungary. There are no specific measures by which the economic development could be based on local resources and abilities. In some cases, the Government tried to transform the use of EU funds on a forward-looking basis but some significantly wasteful subsidies have still remained. The use of current subsidies and the planning of the next term are behind schedule.

Nature conservation

② – The environmental policy performance is weak.

In general, the situation of the Nature Conservation Administration has considerably deteriorated since the formation of the Government in 2010. Its presence within the Government and its negotiating power have weakened unprecedentedly. The operation of its institutions is rather difficult and sometimes even impossible because of a significant reduction in funding. Besides some forward-looking results, for example the small-scale purchase of national park lands, the development of nature conservation halted or even declined. After the Environment Ministry had been merged into the Ministry of Rural Development – given the detrimental impacts mentioned above – it was legitimately expected that nature protection considerations would be integrated into the rural development as well as into the agricultural practice. This was not the case but even the opposite of this happened. The Ministry of Rural Development carried out the compulsory reduction of staff primarily at the expense of the environmental administration.

Water policy

② – The environmental policy performance is weak.

The Government did not ensure appropriate resources and capacities in order to achieve the plans of the EU Water Framework Directive about good ecological status of water, indeed some water-regulations are still missing in some policy areas. Instead of increasing the staff of water management departments in accordance with the environmental and flood protection demands, the tasks were distributed among ministries, and the long-term professional considerations were subordinated to the short-term interests of public works program.

Hungary made an effort to regard water protection as one of the main issues during the EU Presidency period, and basically represented environmental interests during the conduction of the EU Strategy for the Danube Region, but the Government is not active in carrying out the tasks that should be based on the plans. The Government has realized the ecological risks of the development of the navigation on the Danube, and it does not subsidize this risky project.

Flood protection was carried out sufficiently. The high costs of the protection measures drew the attention to the fact that the concept of water management has to be totally changed, but there were no steps that would urge the changing of this concept. After Hungary's red mud disaster, sufficient work has been performed by the Government, but there are still significant risks of health conditions for the communities in the area, and the measures that would prevent similar catastrophes of hazardous industrial facilities in other areas have failed.

Climate protection and energy

① – The environmental policy performance is very weak.

After an encouraging start, the capacities for the climate policy, renewables and energy efficiency issues, which were transferred to the Ministry of National Development, were decreased in the past two years, and the area became increasingly subordinated. Instead of focusing on renewables, the Government primarily promotes dangerous nuclear and fossil energy production. The life-extension project of the Paks Nuclear Power Plant continues unabated, and the Government plans to construct new nuclear power plants despite the Fukushima nuclear disaster. Furthermore, it provides hidden subsidies for coal power plants. The renewable energy action plan adopted by the Government entails a number of positive elements, but the country is lagging behind in its implementation. The previous system of feed-in tariffs (FIT) for renewable energy, which was implemented in a scandalous way, was abolished, but the development of the new system is lagging behind, which significantly hinders investments. There is only very limited domestic funding available for energy efficiency and renewables; at the same time, it is a positive step of the Government that there are efforts to reallocate EU funds for these purposes.

The new Climate Strategy and the Climate Change Act have not been finalized, and it is unclear what will happen with the potential billions of Forints coming from carbon emission quota sales. Hungary did not support the EU pledge to a 30 percent reduction in greenhouse gas emissions by the end of the decade, despite the medium-term economic and social benefits this would mean for the country.

Rural development and agriculture

② – The environmental policy performance is weak.

In the past two years the greatest achievement in the area of rural development was the adoption of the National Rural Development Strategy, which identifies opportunities for rural areas from the available natural resources. After the Government was formed, a number of positive trends emerged in this field, but most of them have since come to a halt. In principle, the Government is dedicated to supporting family farms, but the way applications for land subsidies are dealt with by the state does not reflect the same dedication in practice. Some steps were taken against the purchase of land by foreigners, but the real solutions, i.e. passing a new Land Act is still pending. There was no paradigm shift in the use of EU funds for rural development: the Government focuses on quantity, and not on achieving the best impact on rural development and the environment. Despite the promises, the system of payments remains extremely cumbersome, and the farmers are burdened with controls that are unreasonably stringent compared to other EU member countries. In the fight against genetically modified organisms (GMOs), Hungary remains one of the most progressive European countries. Its anti-GMO position has been fixed at the constitutional level, but there are disruptions in the protein program as well as in the fields of communication and the conservation of genetic material.

Waste management

② – The environmental policy performance is weak.

The legislative background of the waste management system has undergone radical changes during the past two years. Therefore, it could be evaluated only after getting to know the executive orders (missing almost for two decades in several cases). The new system is mainly reflecting to the new EU directives; there is a considerable delay in conducting it. Instead of implementing the National Prevention Program, the Government focuses on the establishment of a new institutional system, which deals with recycling and environmental product charge. The role of the state has significantly increased in this sector.

Environment and health

③ – The environmental policy performance is moderate.

The cooperation with NGOs in the Plant Protection Committee is sufficient. The program against small airborne dust particles was adopted, but no practical progress has been made, although effective measures would be needed primarily for transport-related urban air quality problems with adverse health effects. The rules on smoking became significantly stricter. As a result of the layoff of the highly skilled professional staff, the area of air quality protection was fatally weakened within the environmental administration.

With the participation of Hungary, the EU has adopted very significant rules regarding harmful substances, but the implementation of these rules has been faltering. Cooperation with NGO representatives within the Committee of Plant Protection has been acceptable.

Detailed policy evaluation

Institutional system

❶ – The environmental policy performance is very weak.

Environmental institutional system

- ⊖ The environmental institutional system considerably lost its operational capacity. The Environment Ministry was divided into parts, and its majority was absorbed by the Ministry of Rural Development, and most of the best experts were dismissed.
- ⊖ In 2011-12, the Government dismissed 6700 employees from public administration. Because of the downsizing, public health authorities, construction inspection, consumer protection, plant protection, environmental and nature conservation authorities, and other state organizations have got into an impossible situation. This was foreseeable, since these organizations – being rather weak formerly as well– suffered from serious financial constraints in the last decade (for example, the National Public Health Service’s budget and staff were halved).
- ⊖ A government decision foreseen that several public bodies, including the National Environmental Protection Council will be regulated not by laws but by a lower level legislation. This might cause a malfunction in the operation of government advisory bodies and their independence will decrease.

Environmental protection in the new Constitution

- ⊖ The Constitution confirms the legal basis of the national environmental protection (the fundamental right to clean environment), incorporates the responsibility for future generations and the protection of natural resources, as well as retains intact the principles worked out by the former Constitutional Court’s practice. The Constitution is progressive in regulations of human health protection and human-environment relationship; furthermore, it expands the aspects of sustainability and the protection of future generations to Hungary’s budget management and foreign policy.
- ⊖ According to the new regulations on the Constitution and on the Parliamentary Commissioner, the Parliamentary Commissioner for Future Generations, which is an internationally recognized institution, lost its independence and its role has weakened. From 2011, the key player in the domestic environmental protection acts only as a deputy of the General Ombudsman; his organizational and professional autonomy and through this, his efficiency are violated.
- ⊖ According to the rules of the Constitution, the citizens’ and NGOs’ right appeal to the Constitutional Court has been seriously violated. The result of this was a decrease in the efficiency of the development of environmental law, with a particular attention to the fact that the former Constitutional Court’s practice had considerably contributed to the development of basic rules of environmental protection.
- ⊖ In contrast to the previous Constitution, this Constitution does not ensure the possibility of public participation in preparation of decisions.

Public participation

- ⊗ Many of the bills were submitted as proposals of individual parliamentary representatives, thus the main fields of law and economy were regulated from one minute to the next, and often at night. Therefore, not just the special and professional parliamentary commissions lost their possibility for parliamentary interventions but the concerned social groups as well.
- ⊗ The tendency – started during the era of previous governments – continued, which encourages and accelerates certain investments by violating the participation rights and possibilities of the citizens and NGOs. In that spirit, for example, the rules of investments of high national economic priority were modified in 2012.
- ⊗ The Government made a new law about the public participation in legislation, which has several progressive elements. In spite of this, experiences have shown that the effect of the provisions of the law did not cause an increase in the involvement of NGOs in the governmental decision-making.
- ⊗ The involvement of NGOs in the governmental decision-making differs at of the various State Secretariats. Some of them are open to hear the proposals of the NGOs but others do not want to cooperate with them. It is typical that the ministries want to cooperate with the NGOs of their own choice, and ignore the self-organizing delegation system of the environmental protection NGOs.
- ⊗ The law about public participation in legislation established the institution of strategic partnership. Till now, only the Ministry of Public Administration and Justice have concluded a considerable amount of partnership agreements. Professional considerations apparently did not predominate in the selection of NGOs. Environmental protection NGOs were not selected by this ministry.

Non-governmental organizations

- ⊗ In the past two years, the Minister of Rural Development did not meet environment and nature conservation NGOs personally. In practice, the Minister has no contact with green NGOs.
- ⊗ The Ministry supervising the NGO sector wanted to re-regulate drastically the issue of public benefit in the law on non-governmental organisations, and it would have subjected the public benefit to non-professional, bureaucratic conditions. Finally, because of widespread NGO protests, the Department eased the plan.
- ⊗ In the National Cooperation Fund's (which was established instead of the National Civil Fund) boards deciding on applications, the members appointed by the Government now constitute the majority in contrast with the earlier situation, when the majority of the members were NGO representatives. When appointing of the members of the board dealing with the issues of the environmental NGOs, neither the Ministry of Rural Development nor the Ministry of Public Administration consulted with the NGOs concerned in the field – in contrast to other subsectors.
- ⊗ At the establishment of the National Economic and Social Council (the successor of the Economic and Social Council), despite the stated principles, the Government did not ensure that the representative of the environmental protection NGOs get a seat in the Council. The draft of the law on establishing the Council was submitted to the Parliament without consultation, and the proposals of the NGOs were not adopted even in the Parliament.
- ⊗ There was an unjustified and significant increase in the administrative burden of NGOs (and of entrepreneurs as well).

Media

- ⊖ The new media law, by the enhancement of the central control over the media and by an obligation of revealing the informants' identity, considerably limited the possibilities of the environmental protection confronting typically with economic and political interest groups. Certainly this has also significantly contributed to the decrease in the number of environmental publications in the media (particularly in the electronic media), and, in a much larger extent, in the number of people whom the environmental NGOs could reach through the media. In other words, the environmental information availability became lower primarily in the most popular television and radio broadcasts. The environmental NGOs' access to the media became rather difficult, meanwhile there was no decrease in environmental problems, and there was no improvement in the environmental awareness of the citizens either. Accordingly, there are no objective reasons for the lower availability environmental information. At the same time, there was no decrease at all in the number of programs and news promoting environmental polluting activities and unsustainable production and consumption patterns. Recently, the official Hungarian news agency published a completely unfounded slander as a fact about an environmentalist and decent politician.

Public finance

② – The environmental policy performance is weak.

Legislation

- ⊖ During this governmental period (similarly to other ones) no environmental impact assessments were conducted before changes in the public finance, and no ex-post analyses were conducted either, although these are provided for by the Environmental Protection Law.
- ⊖ It is a more serious problem that no assessments were published on the social and economic impacts either (as far as we know, the Government does not make such assessments), which makes it even more difficult to determine the environmental impacts.
- ⊖ In the budget bills, there is less substantive information compared to even the previous ones, and the structural changes made the evaluation of the annual budget much more complicated as well. (In September 2012, not only the background calculations but also other information are missing from the budget bill submitted to the State Audit Office. The State Audit Office even indicated its serious objections against this in its report.)
- ⊖ There are much less possibilities for social consultation and professional comments during the legislative process than were previously.
- ⊖ The elimination of the apparatus of the Budget Council still made the situation even worse.
- ⊕ In March, 2012, the National Economic Planning Office was established, which could partly replace some of the abolished or weakened institutions. However so far no signs of any performance by the National Economic Planning Office can be seen.
- ⊖ No progress has been made by the Government concerning the identification of environmentally harmful subsidies, despite the fact that not only environmental NGOs, but also the institutions of the European Union and the OECD are urging in the elimination of these subsidies.
- ⊕ It is relatively favorable that the Government tried to improve the budget balance primarily by increasing revenues and not by cutting expenditures, and this did not affect the public services as much as if the opposite would have happened.

Wage taxes and social security contributions

- ⊖ As far as we know, the introduction of the flat-rate income tax has further worsened the state of the environment: this measure has increased the income of the groups with much higher consumption than the average by 400 billion HUF annually. A significant part of their additional income has been spent on import, environmental polluting activities (for example, on bigger cars, on more fuel), as well as on the repayment of foreign currency loans (for example, as an early payment), and partly it has been spent abroad. This measure aided those who had a job and for whom it was not a problem to find a job, thus the employment rate did not improve.
- ⊖ By removing the tax credits, the tax burden of low-income groups has increased. The employees' 5 percent compulsory wage increase has been performed randomly in spite of the governmental sanctions, meanwhile the complicated wage compensation application of 21 billion HUF provides no real solution. However, the net wage decrease in families with children

may have been compensated by the new tax reduction for children; there was an overall increase in the burden of labor. The increase in the social security contributions also affected labor, additionally this decreased the purchasing power of low income consumers primarily. These measures, taken as a whole, have placed the energy and raw material consumption as well as the import into a more favorable position.

Energy

- ☺ A special tax on energy companies was introduced, and from an environmental point of view that is supportable, although other measures would have probably been more effective (the extension of energy tax, and the introduction of energy saving obligations by 1,5 percent annually applied already in six countries and supplied also by the European Commission etc.).
- ☺ The subsidy on domestic gas has been considerably decreased that is partly beneficial, since this urges the efficient use of fossil – mainly imported – fuels.
- ☹ Nevertheless, gas price subsidy still exists in the form of cross-subsidies between the consumer groups that slows the households' return on energy-saving investments.
- ☹ At the same time, the Government failed to take measures so that the people do not switch to other much more polluting fuels or do that with modern equipments. Consequently, solid fuel heating is spreading that causes much more pollution in general than gas heating.
- ☹ It is a more serious problem that more and more people are burning plastics and other hazardous waste posing very serious health risk.
- ☺ The VAT of the district heating was decreased to 5 percent. This is beneficial because it fosters the maintenance of this relatively environmentally friendly heating method.
- ☹ There were no decisive changes on the support of energy efficiency (thus on the support of building renovation), and the former and unfavorable situation remained.
- ☺ The KAT system (feed-in tariffs for renewables and district heating), which disproportionately supported some power plant investments, was eliminated.
- ☹ The reform started by the elimination of the KAT system was implemented incompletely, since instead of the combined electricity production, combined heat production should be subsidized through the promised but not installed METÁR² system.
- ☺ An Action Plan for District Heating is being prepared for the period until 2030, and aims to modernize, widely disseminate district heating and, after these, make it competitive without any subsidies.
- ☹ No progress has been made in the field of the (previously also weak) subsidy of renewable energies (see the chapter on “Climate and energy”).
- ☹ There are concerns about the situation of emission trading, as well as about the use of the expected revenues from that (see the chapter on “Climate and energy”).

² Heat and electricity feed-in support system produced from renewable and alternative energy sources.

Transport

- ☹ There were no substantive measures for the elimination of the abuses in the accounting concerning the purchase and the use of cars, despite the fact that this resulted of tax fraud and tax avoidance of 1000 billion HUF annually. According to a study ordered by the European Commission, among the 18 examined EU Member States, Hungary has one of the worst positions in this field.
- ☹ The company car tax was slightly increased, though it is still more profitable to operate these as company cars which are used as private vehicles in reality.
- ☹ The registration and vehicle tax was reconstructed in a way that the purchase and the use of high consumption as well as luxury cars are much more rentable than it was previously. As a result of the tax changes, the import of the used cars which are older than eight years has increased that has a negative effect on the environmental indicators of vehicle fleet.
- ☹ The annual government revenue from the registration tax decreased by 16 billion HUF compared to the previous years.
- ☺ The vehicle and registration tax are more differentiated than previously depending on the environmental category of the vehicle.
- ☺ The Government introduced the accident tax (which is the insurance tax of the vehicles) that means government surplus revenue of 30 billion HUF annually.
- ☺ The vehicle transcript fee was increased.
- ☹ From 1 January 2012, the VAT of the rent and the open-end lease of vehicles can be recovered (based on the decision of the European Commission allegedly).
- ☺ The excise tax on fuels was increased more than the inflation rate.
- ☺ The commercial diesel oil was introduced (if the total permissible mass of a truck exceeds 7.5 tonnes, a portion of the excise tax of the diesel oil can be recovered).
- ☺ The tax benefit on E85 agrofuels was withdrawn.
- ☺ Much less money was spent on highway construction than previously.
- ☹ The government subsidy on the railways and on the inter-city and urban transport decreased.
- ☺ The public transport fares were not increased, i.e. there was a decrease in their real terms.
- ☹ A considerable decrease in the benefits on public transport fares was put on the agenda.
- ☹ In 2011, the government subsidy on RoLa (a combined transport system to transport trucks by rail) was decreased by 100 million HUF compared to the previous year, and in 2012, it was completely eliminated. Thus, the RoLa has got into a serious trouble, and because of this, more tens of thousands of trucks are flooding our highways.
- ☹ Practically nothing has been done in order to introduce the distance-based toll for trucks for two years.
- ☺ At the same time that the Széll Kálmán Plan 2.0 was disclosed, serious preparations were begun to introduce the kilometer charge of the trucks in 2013.
- ☹ On the pretext of saving public money, more than 400 rail services were cancelled, despite the fact that according to experts' opinions the negative impact of this measure on the national economy is greater than the positive one.

Environmental product fees and pollution charges

- ☺ Environmental product fees were considerably increased. In 2012, there were 60 billion HUF government revenues from this resource, in contrast to the revenues of 21 billion HUF in 2011.
- ☺ The soil pollution charge was significantly increased that encouraged to be connected to a sewer where it is physically possible.
- ☹ During the increase in soil pollution charge (despite the EU standards), the Government failed to eliminate the regulations which impeded the use of natural water treatment systems, thus new sewers are being built in those areas where they are inadequate from an economical and environmental point of view.

Other commercial taxes

- ☺ A special tax was introduced on commercial chains (i.e. big shopping malls).
- ☹ Nevertheless, there is a considerable amount of tax avoidance in this field, and a significant flow of funds to abroad but no action was taken to curb such activities.
- ☺ The chips tax was introduced but not on so many products by far as it was originally planned and would be justified.
- ☺ The tax on alcohol and tobacco was considerably increased (the latter one is still partly under progress).

Agriculture

- ☺ The orientation of the approved National Rural Development Strategy is good, although in the Darányi Ignác Plan aimed at implementing the Strategy there is no considerable shift to subsidize the smallholdings, it only lists the entitlement payments of the EU's Rural Development Program having the same purposes.
- ☹ Most of the agricultural subsidies still foster the concentration and the intensification of the lands.
- ☹ A part of the payments, which is aimed at rural development and environmental and nature friendly farming, is given to the large farms which are major environmental pollutants. Business operation of family farms becomes impossible because of the monitoring and delayed payments.
- ☺ There are no appropriate incentives and regulatory environment for local sale of local products having the smallest ecological footprint. Some progress was made in this field (for example, the traditional village cuisine) but this has halted.

State administration

- ☹ The state administration suffered from extremely large losses. Between 2002 and 2009, the previously weak public health, construction management, consumer protection, plant protection, environmental and nature conservation, and other state organizations have suffered serious financial constraints (for example, the National Public Health Service's budget and staff were halved), and, in the last two years, these mostly became unable to operate normally any more due to these financial cuts. For example, in 2012, (in real terms, compared to 2011), there was a decrease in the budget of the Inspectorate for Environment by 14 percent, in the budget of the Environmental, Nature Conservation and Water Directorates by 31 percent, in the budget of the

National Park Directorates by 17 percent, in the budget of the National Public Health Service/the Office of the Chief Medical Officer of Health by 32 percent, in the budget of the Food Safety Authority by 11 percent, and in the budget of the General Inspectorate of Consumer Protection by 71 percent. Because of the financial cuts, for example, from the environment and water bodies 250, from the institutes for public health 329, from the Meteorological Office 70, and from the Central Statistics Office 70 employees were laid off, and the staff of the National Transport Authority was decreased by 5 percent.

Education, culture and health

- ⊖ In order to be able to face the enormous (and not least the environmental) challenges ahead successfully, Hungary needs to have high qualified healthy people with high literacy and work culture. In this field, Hungary had been far behind from the Western-European countries, and in the last two years, those fields that are highly responsible for the development of human resources get into even much worse situation. In 2010, 1571 billion HUF, in 2011, 1551 billion HUF, and in 2012, only 1499 billion HUF were given to education from the public budget (these were in nominal terms, so the cuts were much more in real terms). Among others, as a result of the new tuition fee (a hidden tuition fee) introduced in higher education, and an unprofessionally decided decrease in the number of students in state-supported full-time education (the education of economists and lawyers in state-supported full-time education is practically eliminated except for two universities in the capital), the number of first-year students getting a place in higher education expectedly decreases by 20 percent in 2012.

Health expenditures in these years are the following: 1228 billion, 1221 billion and 178 billion HUF respectively; and 198 billion, 196 billion and 169 billion HUF remained for cultural activities. The victims of the financial cuts are the environmental education, the environmental culture and the environmental health as well.

Innovation

- ⊖ There were drastic financial cuts on innovation. In the two years following the change of government, almost every government subsidy on innovation was withdrawn. This resulted in researches stopped, and research groups established by hard work during several years were eliminated, and many high-qualified experts went abroad. Environmental researches also declined (for example in the field of energy efficiency and renewable energies).

Non-governmental organizations

- ⊖ The operating conditions of the NGOs dramatically worsened in the past two years. Previously, the National Civil Fund administered a budget of almost 7 billion HUF annually, and ten thousand NGOs were subsidized from this in every year. The Government decreased this to 2.8 billion HUF in 2011. There was originally only 1.4 billion HUF for the National Corporation Fund (the successor of the National Civil Fund) in the Budget Bill 2012, later that was increased to 3.4 billion HUF because of widespread protests. Ministry resources, which were to support the work of NGOs, were drastically decreased. Because of these reasons, it is also getting impossible to have an access to EU funds because NGOs now generally have own resources neither for co-financing, nor for pre-financing which are necessary for receiving EU funds. What is more, the access to the EU funds managed in Hungary became more difficult due to increased administrative burdens.

Economic and cohesion policy

② – The environmental policy performance is weak.

The main orientations of the economic policy

- ⊖ The Hungarian economic policy is in serious trouble for several reasons. Much of the gross domestic product goes abroad because of the debt service and the capital extraction of foreign-controlled companies. Hungarian companies suffer from the lack of capital; above all, from the lack of intangible capital, i.e. they have a poor supply of human resources. On one hand, the major cause of this is the poor and deteriorating quality of education, health, culture, research and development as well as innovation, and on the other hand (mainly as a result of the foregoing), the migration of highly skilled and enterprising workforce abroad (this has highly accelerated recently, particularly because of the governmental measures, for example, the changes in higher education). The employment-rate is extremely low. The economy's great need for import – which manifests mostly in the import of energy and (raw) materials – makes the situation even more difficult and considerably contributes to the outflow of income.
- ⊖ The Government took some progressive steps in order to improve this vulnerable situation but this was undermined by other measures. Among these latter, we consider the following measures as fundamentally wrong:
- downsizing of the state (and among them, the environmental) institutional system,
 - financial cuts from those sectors which are engaged in the development of human resources (education, health, culture and science),
 - ceasing the support for innovation,
 - drastic decrease in the financial and administrative support of NGOs,
 - weakening workers' rights,
 - the introduction of the flat tax on wages,
 - attracting foreign capital (partly by exceptional governmental decisions) most of the time in a questionable way,
 - and last but not least, maintaining seriously market-distorting direct and indirect state subsidies.

These methods hinder the achievement of the Government's own goals set for economic policy: the decrease in indebtedness, the increase in the employment rate, and the development of the economy. At the same time, these methods further deteriorate the condition of the environment.

- ⊖ The major orientations of the economic policy still have to be in compliance with these goals. These can be achieved namely primarily by the development of human resources, the strengthening of local economies, the rectification of the distorted price system, and by an enhanced support of research and development as well as innovation. All these are to be achieved by the operation of the economy within the limits of environmental sustainability. The Government does not realize that there is a need for a change of macroeconomic models to one which is not based on an increase of material consumption. It should boost the economy by savings and by the replacement of the current production structure to a resource-efficient one.

This would produce less environmental burden under adequate conditions, and, at the same time, it would satisfy the needs of impoverished groups.

Environmentally harmful subsidies

- ⊗ No progress was made by the Government concerning the identification of and the awareness on environmentally and economically harmful subsidies, despite the fact that according to some studies these subsidies have a value of several 1000 billion HUF annually. These are partly direct state subsidies but most of them are indirect. The latter include the income generated in gray and black economy (and by corruption connected with that), as well as the costs of environmental and health damages not paid by those who caused them. Experts (and among them, the experts of NGOs) had a number of proposals for phasing out harmful subsidies but these were generally ignored by the Government. What is more, according to Transparency International Hungary, the governmental measures of the last two years caused higher levels of corruption in general.

The development of local economies

- ⊗ The Government's macro-economic plans (New Széchenyi Plan, Hungarian Growth Plan, and Rural Development Strategy) aimed to develop local economies – as a priority of development/cohesion policy; these were supposed to contribute to the establishment of a new economic structure based on autonomy and local market. However, this orientation has become dominant neither in these plans – except for the Rural Development Strategy – nor in the governmental activity. The Government subsidized several investments in car manufacturing lead by multinational companies that do not contribute to the diversification of the economy and to sustainability. From the same amount of money, small and medium-sized enterprises (SMEs) could have created many more jobs than the aforementioned companies' investments were able to. In the Government's view, the development potential of SMEs mainly lies in becoming suppliers of the mammoth multinational companies; however, this makes the economy even more vulnerable.
- ⊗ There is a lack of concrete measures by which the development of an economy based on domestic and local resources, as well as on environmental and cultural conditions could be the main orientation of cohesion policy in the following years; an orientation we regard as highly desirable.

Taking the carrying capacity of the environment into consideration in economic development

- ⊗ The Government did not adjust economic development to the fact that the social-economic activity has already exceeded the carrying capacity of Hungary's ecosystem. Even though the New Széchenyi Plan, for example, tries to take the environmental aspects into consideration, and at some points, it draws attention to the sustainability limits of some development measures – which is to be welcomed –, in the more detailed paragraphs, environmental considerations lack weight. There are sustainability problems for example with the following efforts: the strengthening of transit traffic, including especially the development of motorways and waterway transport; the unrestricted use of geothermal energy; the reduction of administrative burdens – with the consequences of weakening mandatory control, the violation of the

principles of public participation and of sustainability guaranteed by environmental permits; the favoring of the use of biomass; and the subsidies to car industry.

Basic problems with the financial system

- ⊖ Even though the Government imposed a tax on the Hungarian bank system which is highly profitable at European level, sufficient steps were not taken to eliminate the basic problems of the financial system. The current interest rate mechanisms keep pumping incomes from the peripheral countries to the center, and within the countries from workers to capitalists. The Government sympathized with the initiatives of alternative local currencies aimed to break these mechanisms; however, it has not developed a comprehensive electronic system to provide them with support and framework. The Government has not examined the macro-economic possibilities in supplementary currencies and community-based funds/currencies.
- ⊖ The transformation of the cafeteria system is welcome because it retains the revenue from the exchange of supplementary currencies in Hungary.

The use of EU funds

- ⊖ After taking the office, the Government started to transform the goal and institutional system of the EU subsidies but finally no considerable transformations were achieved. A large part of the subsidies served the benefit of the society correctly but, in our opinion, others did the opposite. In some cases the Government tried to transform the objectives of the aid progressively; for example, by eliminating the subsidy to agrofuel investments and reallocating funds from major transport projects (for example, the navigability of the Danube) to investments based on energy efficiency and renewable energies. However, subsidies to several significant and wasteful objectives have remained unchanged. These include environmentally harmful activities, as well as activities which should not be financed from public funds (for example, the development of public roads and the establishment of oversized sewage networks, wastewater-treatment plants and landfills). From time to time, there was unconvincingly refuted news that the government plans environmentally harmful investments like establishing the Danube-Tisza canal or the Csongrád dam in the next term. Sustainability criteria are not applied to projects when subsidizing enterprises. Individual subsidies given to the enterprises (even if through tenders) severely distort the market and may lead to disturbances in the economy. The termination of support of innovation caused immeasurable damages to the economy and the environment.
- ⊖ The institutional system of management has not been transformed sufficiently and there are significant delays in the absorption of funds, which entails the risk of losing significant resources. It is mainly the former government's bad decisions that can be blamed for this but the activities of the current Government are not efficient in this field, either. When the decision-making system on project proposals was transformed, NGOs were left out from the evaluation committees, thus transparency decreased and the risk of corruption increased.
- ⊖ The Government fails in its duty to establish the institutional system for planning for the 2014-2020 budgetary period of EU funds. It is feared that, due to the delay in the start of planning, there will be no possibility for a substantive participation of social partners.

Nature conservation

⊖ – The environmental policy performance is weak.

Institutions of nature conservation and their capacity

- ⊖ During the past two years, the institutions of nature conservation drastically weakened. Because of the unjustified incorporation of the Ministry of Environment and Water Management into the Ministry of Rural Development, nature protection is represented only by the head of a department and the ability to defend environmental interests became too weak. Meanwhile, the staff and the financing of the national park directorates and inspectorates were considerably decreased. The lack of dedicated and experienced staff and leadership made the work impossible.

Financing

- ⊖ The state financing of the basic functioning of nature conservation institutions were reduced to an unprecedentedly low level. While the Government made general financial cuts of 10 percent, the public financing of the national park directorates was decreased by more than 40 percent. Thus, compared to the National Nature Conservation Protection Basic Plan, which aimed an increase of 15 percent, this decrease halved the initial value of the support. The requirement of business revenues instead of a normative subsidy on the basic functioning is contra-productive in the absence of management plans as well as of the appropriate ownership and infrastructure background.
- ⊖ State nature conservation institutions run a considerable number of projects from tender resources. The use of these resources is needed to be able to finance the pure existence of these institutions, and it does not really solve the financial problems; what is more, it makes the institutions more vulnerable. The project-based operation has a result that state's nature conservation tasks are marginalized.
- ⊖ The finance of nature conservation projects continued with some pauses. The applications slowed down significantly compared to the plan. The conduction and the support of projects of environmental NGOs became more difficult or were terminated. The channeling of EU funds is blocked by the NGOs' inability to ensure own contribution. Thus, only part of the planned socially valuable nature protection projects can be implemented.

Natura 2000

- ⊖ After the network of Natura 2000 was first completed in the year 2005, most of the additions required by the EU were completed by 2010, and taking this fact into account, the establishment of this network can be considered to be completed in the autumn of 2011. But the Government attacked the network systematically and called for a review.
- ⊖ There were more problems in connection with the network and these had to be solved with the intervention of the EU. The enlargement of Audi factory should be explicitly mentioned, where the Hungarian state initiated the elimination of a total area of Natura 2000.

- ⊖ As for the maintenance plans of Natura 2000, progressive steps were made only in the fact that according to a notice published in May 2012, it is possible to apply for preparing plans from the funds of “New Hungary” Rural Development Programme.
- ⊖ It is highly problematic to operate the monitoring system in accordance with EU directives because of the complete absence of resources. Accordingly, it is difficult to fulfill reporting obligations as well.
- ⊖ Natura 2000 payment schemes have partly begun but their monitoring and refinements were not achieved. By taking into account the natural forests, the forestry schemes of Natura 2000 begins in 2012, though with less efficient principles from an environmental point of view. But it slightly increases the social acceptance of the network of Natura 2000 even in this way.

The conservation, improvement and introduction of protected natural areas

- ⊖ The zone systems of national parks still not have been established. Thus, new farming-free i.e. nature zones are not determined as well.
- ⊖ No progressive steps were made in the issue of Zempléni National Park.
- ⊕ There were positive tendencies in some fields in order to remedy asset management of national park areas by purchasing new lands.
- ⊖ Because of a ministry instruction, some national park directorates cancelled lease contracts with farmers or companies with a remarkable amount of livestock, and these enterprises usually win the lawsuits initiated because of these cancellations. Despite of this fact, media informs us about newer revisions, as if the only point in the lease of national parks would be the revenue, and there is not a word about the conservation of nature values.
- ⊖ As for the state forests, the “control” side of the forest law was considerably improved but as for the national parks, there are no considerable changes concerning the management of protected forests. The construction of a zoning system is missing in this field as well.
- ⊖ A hunting area of 5000 hectares was designated in the Hortobágy National Park, where there have not been hunting sports for decades.

Protection of species

- ⊖ Species protection plans could be realized only by gaining funds from EU and other international applications. After closing the current applications, no funds will remain to carry out the tasks.
- ⊖ No state funds will remain for monitoring and research tasks which are for the protection of species as well.

Conducting nature conservation plans as well as validating the criteria of nature conservation through sector regulations

- ⊖ The nature conservation administration integrated into the Ministry of Rural Development in principle could make it possible to achieve the integration purposes of the National Nature Conservation Basic Plan, but no such efforts were made; only headings were indicated in it. It is more typical that nature conservation aspects get lost in the big integrated structure.

Making a fully functional Nature Conservation Information System (NCIS)

- ⊖ The resources of NCIS have run out, and there are no signs that it will be continued.

Nature Conservation Guard

- ⊖ Because of the uncertainty around the guard, the question of the reorganization and the negative atmosphere in the guard; the field presence and the effectiveness of the authority have weakened.

Water policy

② – The environmental policy performance is weak.

The announcement and the implementation of river basin management plans

- ⊖ The River Basin Management Plan (RBMP) was not published in a ministerial order, referring a statement, namely: the RBMP includes text that “cannot be regarded as standard purposes, thus these cannot be applied as laws”. The governmental decree that finally published it [gov. decree of 1042/2012. (II. 23.)], does not define objective obligation to any of the responsible organizations or institutions for achieving the RBMP’s goals. The tasks, which have deadlines, have not been carried out, and the capacities are not provided to do that in the future. .
- ⊖ Due to the valuable freshwater resources, flood risk and the increase of water scarcity at regional level, as well as quick loss of wetlands, it is irresponsible that only 100 million HUF were to be given for the tasks necessary to implement the Water Framework Directive (WFD) from the budget of 2011. This amount was further decreased in the budget of 2012; meanwhile the costs of the tasks were almost 4 billion HUF even in 2011. In 2011, the funds for WFD and Environment and Energy Operational Programme (EEOP) were decreased, as well. The complete lack of budgetary provision and the reorganization of the water sector bring question marks, whether the government decree is a real governmental intention to implement the RBMP, and to manage responsibly Hungary’s water management tasks.
- ⊖ We think that it is not ensured that comprehensive regulation and planning measures (for example, the incorporation of the RBMP’s requirements into the environmental impact assessment and into other procedures that require permissions, or the groundwater tables’ and water retention areas’ designation during spatial planning works) would be implemented within the deadline of December 2012. Without these measures, neither other tasks of the RBMP can be implemented. After this deadline, the EU can take legal action against Hungary.
- ⊖ The training and education in compliance with the requirements of WFD and the selection of ‘WFD qualified’ employees were not completed.

Water institutions

- ⊖ It would be necessary to increase the number of the staff of the professional organization of water in order to implement domestic legislation and EU directives, and not to separate the water sector that would lead to a decrease in the number of the required staff. By separating the water sector and giving it under the control of the Ministry of Interior, the Government takes the risk that there will be not enough professionals for achieving professional tasks, cooperating with partner institutions (environmental organizations, environmental authorities) and for carrying out cross-border and international tasks in the staff of the Ministry of Rural Development. This trend leads to a continuing decrease in funding as well as to weakening of the practice of laws, but authorities have not enough capacity to carry out established licensing procedures as well as appropriate inspections even nowadays.
- ⊖ Formerly, it was the task of the minister responsible for water management to conduct and announce the River Basin Management Plan but under the amended law, it is now the task of

the Government. In theory, this can have a result that the implementation of the river basin management into other policies and long-term plannings would also be tasks of other ministries. Nevertheless, there will be positive effects only if there is more intensive inter-ministerial consultation and there is more intensive institutional cooperation, than recently.

EU Presidency

- ☹ It is appreciated, that the priority topics of Hungary's EU Presidency were water-related issues. Professional conferences and an informal meeting of the Environmental Council gave the opportunity that Hungary could focus on water-management issues. Nevertheless, the professional conclusions and the resolutions adopted by the Council did not emphasize sufficiently the principle tasks of water management in national and EU wide level. Moreover, the conclusions did not determine the points (the coordination of the Water Framework Directive and the Common Agricultural Policy, a more efficient cooperation in water-management in transboundary river basins, the influence on the infrastructure projects on water-bodies, the ambitious goals to decrease water use, etc.), which would facilitate EU-level reforms in order to establish a more efficient water-management.
- ☹ Hungary was not an active participant in conducting the analyses of the European water management after Hungary's EU presidency period, but even in 2012, there is an opportunity to be involved into conducting of the "Blueprint to Safeguard Europe's Waters" document.

Flood protection

- ☹ The flood protection was managed properly in Northern Hungary in 2010. Although, the urgent and high-cost protection works have drawn attention once again to the fact, that the concept of the current water management (regulated rivers, increase the altitude of dykes) should be totally changed. So far, no Government has made the sufficient steps for the previous decades, though all spared time increases the severity of the consequences and the responsibility of the decision-makers.
- ☹ An unexpected result of the flood protection measures that there were urgent interventions against flood risks of small streams primarily in hilly areas in insufficiently big dimensions. In most of the cases, these interventions ignored the basic ecological and environmental aspects. To avoid the further negative effects of these interventions, transboundary flood protection should be developed that satisfies ecological demands. The flood protection and water management should be follow new concept due to the effects of climate change (i.e. water retention and utilization instead of water regulation) which can only be carried out by a coordinated territorial planning between the different sectors.
- ☹ EEOP funds have been opened related to the flood protection programme called "Improvement of the Vásárhelyi-Plan" (that follow new concept in some elements), in order to plan the water management measures in existing and future reservoirs that improve extensive agriculture and landscape management. However, it cannot be expected from SMEs to apply extensive landscape management without the development of common agriculture policy. Furthermore, it is an important task to redesign the water management and land use outside the existing and planned reservoirs.

Danube Region Strategy

- ☺ Hungary's proposals were implemented into the action plan of the EU Danube Region Strategy, and most of that met the recommendations of the green NGOs. We think that Hungary gives obviously more consideration to ecological and environmental considerations in controversial issues.
- ☺ Hungary is the coordinator of the environmental risks and the protection of water quality issues of the Danube Region Strategy priorities.
- ☹ In the last two decades, there were extremely dry and wet periods, which revealed that water management and environmental risk management should be totally redesigned and follow new concept. The coordination of the priority areas of the Danube Region Strategy gives an opportunity to deal with these tasks on river basin level, but there is still a lack of clear goals and objectives, and there are still no financial resources.
- ☹ In order to coordinate the priority areas more efficiently and to enforce interests, Hungary should give more initiatives, recommendations and steps for changing management practices and should give more chance to discuss the proposals of the stakeholders. The coordination of these two priority areas is a chance to Hungary to publish and open for discussion initiatives for changing the concept of water management in the whole river basin of the Danube. Hungary's coordination should be more intensive for harmonizing the tasks and requirements with the leaders of other priority areas, who have other interests.

The development of the navigability of the Danube

- ☺ The Government realized in time that there are ecological risks of developing the navigability of the Danube. The Prime Minister and the Secretary of State for Environment have clearly confirmed several times that they did not support the proposed technical interventions for the development of the navigability of the Danube. During the conduction of the plans, the anticipated environmental impacts of the river regulatory interventions (deepening of the riverbed, river training works – groynes, riverbank-embankments and new structures) were not analysed sufficiently. These uncertainties appeared in the plans, and the impacts of them are likely to affect adversely unique and Natura 2000 habitats and species (that are unique even in European level). The ecological risks of the development of the navigability can be decreased significantly if the navigation sector is developed by alternative and soft methods, protecting water-bodies and habitats instead of technical interventions.

The red sludge catastrophe and its water relevant issues

- ☺ After the red sludge catastrophe in Kolontár, the Government made a good job in remedying damages and in treating effects afterwards. Water recovery works were achieved sufficiently. The interventions served and helped the recovery of the affected wildlife at the river- and stream banks.
- ☹ Unfortunately, there was an excessive remediation in some areas, thus there was an unnecessary damage on the wildlife. The elimination of the dust in the dried reservoir has not been achieved, and the dust on the surface has not been wetted as well, thus the area is continuously immersed in the corrosive and harmful red sludge dust.
- ☹ The measures which would prevent similar disasters have failed. There were no restrictions in environmental permitting processes, and the weakening of the authoritative apparatus may bring

further risk. Due to the decreasing capacity and the deteriorating conditions, it is not possible to establish a permitting process that require thorough investigations.

- ⊖ At the area of the red sludge reservoirs in Almásfüzitő, the red sludge contamination of the soil water is several hundred times more than the limits. **“From the landfills built with inappropriate technical protection, the polluted water gets mixed with fresh water and goes to the Danube without any major obstacles.”** explains the Geographical Research Institute of Hungarian Academy of Sciences. Nevertheless, the company got a permit to deposit compost from 412 thousand tons of waste per year (from which 132 thousand tons of waste are hazardous and contain toxic metal). Despite the fact, that the greens called attention to this, the environmental and water authorities did not do anything against this risky activity.
- ⊖ It would be a step towards the conservation of living waters if the Government urged the revision of risky industrial activities next to the streams/rivers. It is very important to prevent the polluted water and the toxic substances get to the living rivers and lakes, not only for protecting wildlife, but for protecting drinking water supply, as well. After the red sludge catastrophe, this issue has been apparently neglected. Hungary did not seize the opportunity of the period of EU presidency to highlight this under-treated Central and Eastern European problem. Management proposals related to the affected areas of the Danube and the entire catchment of the Tisza could have been submitted after this measure.

Climate protection and energy

① – The environmental policy performance is very weak.

Institutional reforms

- ⊗ Within the Ministry of National Development a subordinated Secretary of the State with only limited capacities is responsible for climate and energy issues. Recently, there has been a setback in planning and implementing previously agreed strategies and projects. In 2010 and during the last half a year (after the open-minded and sustainably thinking State Secretary responsible for this area left his office), several experts were dismissed.
- ⊗ Despite earlier promises, the national Climate Law was not put on the agenda. Hungary took a bad position in several EU climate and energy discussions, for example in the Energy Efficiency Directive of the EU.

Suppressing renewable energy

- ⊗ The Government accepted the National Action Plan (NAP) for renewables which with its commitment of 14.65 % share of renewables by 2020 goes beyond the EU's objectives for the country. It is good that the share of different renewables in the NAP is much better than the current ratio in which biomass represents 80% of all renewables.
- ⊗ But we are lagging behind in the implementation of NAP, and it is highly questionable whether it will be possible to meet these objectives by 2020.
- ⊗ The Government eliminated the previous feed-in tariff system (KÁT) and is delaying the adoption of the new system (METÁR). Therefore large-scale renewable production has not been supported in Hungary for almost a year. According to the current situation, the new FIT system (METÁR) will not be decided before mid-2013. The consequence of this is that investments in renewables are not expected to happen in Hungary before 2015.
- ⊗ Although it was scandalous in the KÁT system that the subsidies for renewables were basically given to combined heat and power plants running on fossil fuels instead of wind, solar and geothermal power plants but, at least, some money was given to the truly renewable power plants as well. There is a risk that the Government wants the new FIT system to be subsidizing low-carbon technologies and not only renewables, and this way catering for the fossil fuel industry through carbon capture and storage (CCS).
- ⊗ In the summer of 2010, the Government in one of its first measures withdrew the wind tender which has not been re-launched since then. By this measure, it blocks the expansion of wind energy despite the fact that the NAP plans to establish a wind power capacity of 740 MW by 2020.
- ⊗ The Renewable Energy Law was not completed. Bureaucratic obstacles are still hindering investments in renewables; the problem of grid access was not settled, and these truly clean and energy independent energy resources still do not get network priority.
- ⊗ The National Energy Strategy that was adopted in the autumn of 2011 is rather controversial. It would exploit every kind of energy source until 2030 despite the fact that the big centralised

nuclear and coal fired power plants are not compatible with renewable energy production. Furthermore, the Strategy plans only a tiny increase in renewable resources after 2020 which is in contrast with worldwide trends, and would mean the intentional suppression of the renewable industry.

- ⊖ It is good that the Government eliminated the agro-fuel projects from the Environment and Energy Operational Programme, and increased the tax on agro-fuels. But unfortunately, the Energy Strategy plans a 17% share of agro-fuels by 2030 which is in contrast with the principles of sustainable land management of the National Rural Development Strategy.
- ⊖ Recently the subject of constructing a pumped-storage power plant at Prédikálószék has been brought up several times in various circumstances although such a project is highly questionable environmentally as well as a method of energy production.
- ⊖ Nature conservation considerations are not ensured even for the few new renewables developments. There are no strategic plans regarding land use for wind, biomass and other renewable power plants.

Pushing for dirty energy

- ⊖ The Government supports hazardous nuclear and fossil energy production instead of going for renewables.
- ⊖ Coal mining and the issue of uranium mining in Mecsek were put on the agenda again.
- ⊖ Changes in the Mining Law make it possible to build carbon capture and storage (CCS) systems in Hungary. The country plans to exploit its lignite resources with CCS-ready power plants despite the fact that lignite was the energy resource of the 19th century, and CCS technology will not be available at an industrial scale for at least 10-20 years.
- ⊖ Several changes were introduced to the Atomic Energy Law in order to make it easier to construct two new blocks at Paks Nuclear Power Plant. Among other things, the law now makes it possible to run licensing and construction works in parallel. Furthermore, it decreased the size of the protected zone and made it possible to establish a nuclear fuel processing facility.
- ⊖ The Government continued to push for the life-time extension of the Paks Nuclear Power Plant despite the Fukushima disaster. The responsible Minister often held propaganda speeches during the first stages of the stress tests, and announced the “safety” of the power plant in advance. Security and social issues were increasingly overshadowed by the interests related to Paks. Every Euro put into the plans of a new nuclear power plant at Paks diverts public money from the truly clean, safe and environmentally friendly solutions of energy efficiency and renewables that could bring economic recovery and energy independence.
- ⊖ The Government has been continuously providing hidden subsidies to the profitable Mátra Lignite Power Plant for years through a reduced mining fee (compared to the gas) and through giving them large amounts of carbon quotas for free. Mátra Power Plant received more quotas than its emissions, thus the Power Plant could even sell its surpluses!

Lack of climate protection

- ⊖ The national Climate Protection Strategy was not revised.
- ⊖ How the 30 billion HUF income from quote sales will be spent is up in the air. There are news about dangerous plans and it is not ensured that the Government will spend these funds

exclusively on energy efficiency and renewables in compliance with EU directives. It is positive that the Government has proposed to transfer 160 billion HUF to support energy efficiency and investments on renewables from EU transport programs. Unfortunately, besides this measure, nationally funded programmes almost completely ceased.

- ⊖ Hungary has submitted a derogation request so that the electricity sector would continue to receive carbon quotas for free instead of starting any serious climate protection programme.
- ☹ Hungary supported the emission reduction targets of the EU's decarbonization roadmap, supporting a 25% reduction by 2020. However, Hungary did not publicly support the EU-wide reduction of emissions by 30%, which according to science, would be the necessary to halt global temperature rise below 2°C. Hungary did not support the 30% reduction target despite the fact that many studies have shown that this would lead to economic and social advantages for the country already in the medium term.

Rural development and agriculture

⊖ – The environmental policy performance is weak.

Rural development

- ☺ National Rural Development Strategy: During the past two years, the greatest achievement on the field of rural development was the Government's adoption of a rural development strategy till 2020 which derives the possible opportunities of rural areas from the available natural resources. Instead of large farms it builds on family farms, and focuses on environmental and landscape management aspects.
- ⊖ After the adoption of the Strategy, the Secretary of State, responsible for its development, resigned. The Department of Strategy, the major contributor to the Strategy, has been significantly changed. Key experts of the Ministry left or were forced to leave. The professional competence at the Ministry weakened. It is strongly questionable whether under these conditions the objective of implementing the Strategy can be taken seriously.
- ⊖ The system of agricultural consultancy is still not resolved. The situation is particularly severe on the field of environment and landscape management consultancy. The farmer assistance network is suffering from serious lack of capacity, and the agricultural chambers do not provide this service at an appropriate level either. All these hinder the spread of landscape-level management and the success of agri-environmental schemes.
- ☺ The establishment of the Hungarian National Rural Network, its objectives and its supply with resources is welcomed and positive.

Soil

- ⊖ During these two years the Government hardly made any progress on the land-related Government program. The extension of the moratorium on land acquisitions by foreigners is a success. The Government has promised several times to create legal frameworks solving the problem permanently, while eliminating pocket contracts, but the implementation of the promise is delayed. The Government gave subsidies to the Órség National Park in order to make it possible for them to acquire land areas involved in pocket contracts in the area. Regarding the farm size regulations, we do not see it guaranteed that the principles of the Rural Development Strategy – the priority of locals, family farms having 300 hectares or less – will be applied. Our doubts are supported by the fact that according to the first revealed statistics on the lease of state lands the majority of the land leased by the National Land Fund were given not to locals and family farms, but to farms having more than 300 hectares or to individuals lacking agricultural experiences. Due to this, the future of those working with native animals is jeopardized whereas the Government supports it in principle. We hope that within the new Land Law that is to be adopted in the autumn the Government will effectively put barriers to the land purchases of foreigners and domestic tycoons and will go back to the principle of favoring locals and family farms of 300 hectares or less.

Environmental aspects in spending rural development funds

- ⊖ **There was no paradigm shift in general:** the Government still concentrates on the quantity of EU funds and not on how those funds should be spent in order to generate favorable rural development and have positive environmental effects.
- ⊖ **Natura 2000.** According to the EU directives, the development and the operation of the Natura 2000 network is mainly supported by the European Agricultural Fund for Rural Development (EAFRD). Subsidies for conserving grasslands and forests can be claimed, however, the agreed management conditions do not sufficiently serve the protection of the environment. Although giving resources for the development of the conservation plans is welcomed, these allocated resources are much less than expected. So far, there is no supporting scheme for developing conservation plans of the forests within the Natura 2000 network despite the fact that most of the protected species and habitats listed in the Birds and Habitats Directives live in our forests.
- ⊖ **Agri-environmental schemes.** The vast majority of the funds meant to support landscape management are channeled into the integrated subsidy scheme of arable lands which hardly has anything to do with landscape management. The Government was not able to change this policy due to the 5 year subsidy period. By the internal reorganization of the resources of EAFRD, there would have been a possibility for introducing schemes with greater environmental benefits [wetland scheme, further High Nature Value Areas (HNVA)]. This is not expected in the remaining part of the subsidy period. Till this day, the monitoring of the environmental impacts of agri-environmental schemes has not been implemented, thus making the professional evaluation of the schemes and the credible preparation of a new planning process hopeless.
- ⊖ **Environmental protection of forests.** There was substantial delay in the start of the ambitious, forest and environmental protection scheme which stated strong goals on protecting the natural values in privately owned forests. Being a new scheme its promotion is essential, still there were hardly any available funds for this. Therefore, very small portion of the farmers have applied for funds in the scheme, the remaining funds have been transferred to other schemes of EAFRD which is a significant loss for the efforts to establish more natural forests.
- ⊖ **Other forest payments.** Still, most of the forest development payments are spent on plantations and the maintenance of these plantations, from these funds a significant fraction is spent on invasive acacia plantations.

Hungary's position in the Common Agricultural Policy reform

- ⊖ Against the principles of the National Rural Development Strategy, during the establishment of the new Common Agricultural Policy Hungary advocated the intensification of agriculture and to keep direct subsidies at the highest possible level without sufficiently emphasizing the consideration of environmental aspects.

EU Plans for the period of 2014-2020

- ⊖ It is good that the Government has established the structure needed for planning, although some countries are even more ahead than Hungary. However, the appropriate human resources with sufficient professional background for the efficient planning are not ensured, the comprehensive evaluation of existing schemes and the extensive involvement of civil society are still missing.

Genetically Modified Organisms (GMOs)

- ☺ The Government's advocacy of GM-free agricultural production is positive, and this is in line with sustainability and rural development goals. The adoption of the GM-free status of Hungary in the Constitution is an immensely strong gesture but it is legally questionable.
- ☹ The proposed changes to the Gene Technology Act are steps mostly in positive directions and solve long standing problems. Meanwhile the regulation of the status of the Gene Technology Review Committee (GTRC) by government decree instead of the former legislative level as well as the lack of development of rules related to publicity and information sharing are steps backwards.
- ☹ There were no measures to support the protein program and grazing, although supporting both could lead to the decline of import of GM fodder crops.
- ☹ High quality and effective work cannot be performed without substantially increasing the capacities of the ministry which is responsible for domestic permitting, international (Cartagena Protocol) and EU tasks, legislation, monitoring, strategy development and the diverse procedures related to the operation of GTRC.
- ☹ Concerning the testing of seeds and food products the communication of the Rural Development Ministry is not sufficient: we do not know whether all the imported seeds were tested before the sowing season, and whether GM soybeans and maize were found in food products.

Gene conservation and gene bank network

- ☹ For the in-situ gene conservation, there have been no major improvements, the Hungarian gene banks are in terrible situation, most of them are on the verge of bankruptcy. For their future there is no thoughtful strategy backed with resources which is a rather sinister situation as financially strong global seed companies are ready to buy the gene banks storing the genome data of the Carpathian Basin, possibly making it permanently inaccessible to us.
- ☹ A positive social cooperation was initiated with the support of the Government for the local conservation of traditional and area-related species. Due to personnel changes, the Government does not support this anymore.

Waste management

⊖ – The environmental policy performance is weak.

The application of the EU Waste Framework Directive

- ⊖ The standard of the EU Waste Framework Directive (2008/98/EK) should have been incorporated into the Hungarian regulation system not later than 12 December 2010 but it has not been performed. Instead of the amendment of the Waste Management Law No. XLIII. of the year 2000, a new law was framed. Even its title conveyed the most important message: “A law on waste prevention and waste management”. Unfortunately, from the title of the new version the word “prevention” was dropped, so remained purely the word “waste”. The draft still provides for National Waste Prevention Program (as an independent part of the National Waste Management Plant, NWMP) in order to prevent waste as well as to decrease waste generation and its harmfulness. But we do not know about the ministry’s actions aimed to reach this goal. While the institutional system dealing with recycling and product fee was being established, the priority of waste prevention was ceased.

Waste Management Law

- ⊕ It is a positive change in the draft law on waste management that under the principle of extended producer responsibility, it should be ensured at the production of the product that the product should be durable and easily repaired resulting little (and less hazardous) waste, and after having become waste, suitable for easy recovery. Furthermore, the duty of establishing recycling networks is a progressive tendency which is to improve the products and prepare them for re-use. We suggest that stronger incentives should be given to the industrial and the commercial sector to reduce emissions, to use secondary raw materials and to integrate these into the responsibility of the producer and into the economic incentive system sufficiently.
- ⊖ But the draft does not solve the problem of the commitment (which shall be borne by the waste owner) to transport and manage the waste placed uncontrolled at the site. Among several aspects to determine the value of the waste management service fee, there are no aspects for a fee of proportional quantity compulsorily. We suggest that it should be an obligation to measure the quantity of the actually removed mixed waste and apply a compulsory fee of two components. The biodegradable organic matter content of the deposited municipal solid waste should be decreased to 35 percent by 2016 compared to that of 1995, but this is problematic as only few municipalities collect this fraction separately, and encourage the citizens (with a possibility to choose a smaller container and to introduce a fee of two components) to compost at home.
- ⊕ According to the draft, the landfill operator will (rightly) pay contributions to prevent waste dumping. But the extremely high contributions and the short time for its introduction could cause several problems. We see a serious uncertainty in the proposed provision according to which the waste management public service can be carried out only by the enterprises mostly owned by the state or local governments in the future. We support a greater state intervention, but this should be introduced gradually, with a focus on the state regulation and control.

- ⊖ In contrast to the Constitution, the draft of the new law would allow transporting mixed waste into Hungary which is unacceptable, since it runs contrary to the principles of proximity, and to the interests of Hungary as well, since the country's landfill sites would be filled earlier.

National Waste Management Agency

- ⊖ Because of the significant increase in state intervention, after ceasing the coordinating organization model, the National Waste Management Agency (NWMA) coordinates the waste management and controls the collection and use of the waste from products subject to environmental product charges. According to the plans, the revenue from product charges will significantly increase (due to the increase of the charges and the elimination of exemptions), but a major part of that disappears in the state budget, its goal is unknown, thus, the fee will function less as an incentive, but rather a tax. It is a positive change that at least 75 percent of the product and material flow has to be recycled. The NWMA was endowed with considerable power, but its tools are quite incomplete. There are significant delays in calling for tenders on the collection of each type of materials. We think that it is problematic that under the new Product Charge Act (Act LXXXV of 2011), also those who organize their waste management individually have to pay a system operation fee. More specific professional tasks were given to the National Tax and Customs Authority (NTCA) from the environmental authorities, decreasing the power of the latter ones. The NGOs were not invited to delegate a member into the Product Charge Committee (consisting of nine members) which has even not convened yet.
- ⊖ The NWMA spends at least 7 percent from its revenue on enhancing the environmental awareness of the society; this exceeded one billion HUF this year. Several spectacular programs have been organized, but most of them are occasional events. Their social embeddedness is a matter of question. It would be better if also the NGOs' programs about waste prevention, sustainable consumption, home composting, encouragement of selective collection, and elimination of illegal landfills were supported through calls for proposals.

Other institutional questions

- ⊖ The new waste management system can only be evaluated after getting to know the proposals of the implementing regulations. Therefore, we urge their elaboration (particularly in case of the deposit fee and the escrow fee, the latter one missing almost for two decades) and the publication of their drafts.
- ⊖ In contrast to the previous tendencies, the Government did not subsidize the construction of waste incinerators.
- ⊖ There are several problematic issues concerning the management of hazardous wastes., The permit given (before the change of the Government) to the company operating the red sludge reservoir in Almásfüzitő to compost and deposit the waste contaminated with heavy metals is in contradiction to several long-existing national legal acts and the Waste Framework Directive according to lawyers. However, the situation has not changed in the last two years.
- ⊖ Several experts were dismissed from the Ministry's Department of Waste Management during the last two years.

Environment and health

⑤ – The environmental policy performance is moderate.

Air pollution

- ⊕ The regulations on smoking were considerably tightened.
- ⊕ The Government adopted the government decree [no. 1330/2001.(X.12.)] on the intersectoral action program of decreasing small-sized particulate matter (PM10). This program was developed in close cooperation with environmental NGOs.
- ⊖ In practice there were no progressive steps taken for the reduction of air pollution.
- ⊖ Several highly qualified experts were dismissed from the Ministry Department responsible for air quality protection. This Department was weakened so much that it is not able to perform its tasks prescribed by the legislation anymore. The Government is in a severe delay in performing the tasks determined by the legislation of the European Union.
- ⊖ The Government is still unable to stay below the exposure limits defined by the EU directive regarding particulate matter pollution (PM10), hence the infringement procedure against Hungary is still in progress.

Chemicals

- ⊕ NGOs are regularly invited to the Plant Protection Committee. But the industrial dominance is very strong there.
- ⊖ Similarly to the other EU member states, the implementation of the EU regulation of chemicals (REACH) is lagging in Hungary.
- ⊕ With the participation of Hungary, the EU created a very ambitious biocide regulation. Therefore, for example, a few years on, carcinogens or hormone-disrupting pesticides will not be on the market.
- ⊖ The National Action Plan on the Sustainable Use of Pesticides has not been developed yet. Although the deadline is December 2012, it would be favourable if the interested parties, including the Hungarian environmental NGOs, would be able to discuss the draft as soon as possible. There are examples when our food and freshwater, occasionally also the drinking water, are contaminated with pesticides. This shows the necessity of the Action Plan.
- ⊖ During the Hungarian EU Presidency, the Government fostered or did not act against the authorisation of pesticides with very severe health effects, for example against the authorisation of carbendazim. Even such chemical substances were authorized which after the Hungarian Presidency, because of a new and more stringent legislation, would not be authorized. The new EU legislation on pesticides bans the use of carcinogenic, mutagenic and hormone disrupting substances which are toxic to reproduction. Still shortly before 14 June 2011, before the legislation's entry into force, the Hungarian EU Presidency had asked for derogation on carbendazim which is mutagenic and toxic for reproduction capabilities.