

**PART II:**  
**COUNTRY STUDIES**

# **Hungary: Political Transformation and Environmental Challenge**

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Hungary is undergoing both radical economic transformation and political change. Presently a number of challenges converge and compete simultaneously for attention and resources. Hungarian environmental policy and administration are part and parcel of these changes and the competing demands they make on the limited capacities of the institutions of governance. Improving institutional capacity is likely to be difficult since the issues involved are deeper than merely technical and administrative improvements. While democratisation, in many ways, makes improving the institutional capacity for managing environmental quality in Hungary more difficult, it may also be a prerequisite for it. In Hungary institutional capacity is generally in short supply. Consequently, the broader challenges and institutional needs of the nation are also a piece of the explanation of the problems of implementing environmental policy. A significant expansion of institutional capacity is required as part of any concerted effort to address environmental issues.

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Like other countries in ECE, Hungary is presently undergoing both radical economic transformation and political change. While in the longer run these transformations may be mutually reinforcing and, indeed, the one may be the prerequisite for the other, in the short run, there are often palpable tensions, even outright conflicts between them. Presently a number of challenges converge and compete simultaneously for attention and resources. On the one hand, the development of an effectively functioning market economy is seen as the prerequisite for providing the material basis for long-term social welfare and well-being. In the short term, the process of privatisation has disrupted existing economic relationships and led to high levels of unemployment and lower levels of production. On the other hand, the democratisation of the political system has infused new meaning into traditional institutions and created a set of new political actors who must learn to work under the new rules of the political game. A new civic culture must be created along with the associational infrastructure that will

be necessary to carry the redefined relationship between government and society. New forms of co-operation and collaboration must be developed which rest on the new functional division of labour and a respect for the autonomy of different institutions and actors.

At present, however, the reaction against the defunct political and economic system of socialism, with its centralism, state control and politicisation of society via both state and party organs, has encouraged centrifugal forces that fragment and undermine the effective institutional capacity of the country and separate different sets of actors from one another. Newly resurrected local authorities jealously guard their autonomy and powers from unwelcomed intrusions by national authorities as well as from each other. Likewise, advocates of privatisation and the market are suspicious of interventions by the state to regulate and guide economic activities in the name of other societal values and objectives.

Hungarian environmental policy and administration are part and parcel of these changes and the competing demands they make on the limited capacities of both political and administrative institutions. Improving this institutional capacity is likely to be difficult since the issues involved are deeper than merely technical and administrative improvements. While the changes since 1989 have opened up a window of opportunity for far-reaching changes, they have also made more difficult the design and putting into operation of new institutional forms and relationships. For the enhancement of institutional capacity in this field is related to efforts to democratise and facilitate the growth of civil society. To begin with, there remain tensions between environmental objectives and social welfare needs. But, here too, at a deeper level and in the longer run, both are needed for democratisation. In addition to the tension between the commitment to rapid economic development, as a precondition for creating the foundation for social welfare, some of the initial consequences of democratisation create problems for environmental policy managers. The everyday challenges of survival, along with the desire for quick improvement in the material situation, compete with, and usually win out over concern for environmental quality and support for more vigorous action aimed at promoting more sustainable patterns of development. Both the legacy of the socialist political system and the initial form giving to democratic institutions undermine, or have negative consequences for, the need to build a flexible system of intergovernmental, but also private-public co-operation, and partnership required in confronting environmental problems.

While democratisation may, in many ways, make improving the institutional capacity for managing environmental quality in Hungary more difficult, it may, on the other hand also be a prerequisite for it. Building effective institutional links with the emerging private and industrial sector;

encouraging real civic dialogue by developing the capacity to involve, for example, non-governmental organisations (NGOs), in environmental deliberations and decisions; developing bridges for collaboration and joint environmental management between central ministerial actors, regional inspectorates and local governments are equally crucial for effective environmental management. The most fundamental challenges are, therefore, the adaptation of existing institutions to the new demands; the creation of intergovernmental and private-public linkages needed to manage the interrelationships between economic development, societal change and environmental quality; and the development of the management skills necessary to both construct and operate such a system. It is difficult radically to transform a system of governance while, at the same time, struggling to provide for the daily needs of society, itself a prerequisite for building the legitimacy and support for the efforts to bring about the needed changes.

### **The Environmental Legacy of Socialism**

Hungary, a landlocked country in ECE, has a population of approximately 10.6 million, 20 per cent of whom live in Budapest, the capital. The relatively small size of the country (93,030 square km) and the geographic/topographic setting mean that Hungary is heavily interdependent in ecological terms with its neighbours. The interdependence has consequences for several environmental media and has occasionally resulted in high-visibility international conflicts and negotiations. For water, to take an example, Hungary is particularly reliant on supplies from abroad, and the increasing levels of contamination of ground water make this fact even more important. Indeed, threats to water quality are currently seen as the leading environmental challenge – unlike the situation in some neighbouring countries, where combating air pollution constitutes the first priority [*Hanf and Roijen, 1995*]. The ecological interdependence extends beyond water issues, which have attracted the most domestic and international attention in the case of Hungary, to air pollution and acid rain. But not only factors beyond Hungary's borders affect the country's agenda of environmental problems. The full set of environmental issues are affected as well by the processes of political and economic transformation currently under way within the country itself.

While Hungary has not experienced some of the severely devastating environmental catastrophes that some of its neighbours have had to face after decades of state socialism, there are a number of regions in the country where serious environmental problems have been identified and have been matters for discussion, particularly within government and among some NGOs.

At the start of this decade, Hungary ranked second in the dubious

competition among nations of ECE for the highest quantity of sulphur dioxide emissions per capita. The national standing for nitrogen oxides in the region, again based on a per capita measure, was third. If emissions are standardised for level of economic activity, '[e]mission of both pollutants per \$1000 of [Gross National Product] in early 1990 was almost 9 times higher than the average in the countries which make up the European Community in the West' [Bochniarz *et al.*, 1992: 180]. A comparison of indices of productivity '... demonstrates the serious gap between Hungary and the most developed countries of Western Europe in terms of technologies and resources available for investment in environmental protection and restructuring' [Bochniarz *et al.*, 1992: 180].

This particularly unfavourable situation reflects in significant measure the choices, and miscalculations, made by the government prior to the 1989 transition to a liberal regime with a goal of a market-based economy. Hungary's centrally planned industrial base was built upon a set of assumptions that have come back to haunt decision-makers today. From the 1970s until nearly the time of regime transformation, the nation embarked on a set of industrial investments based on an expectation that the economic future lay in large mass production enterprises. This choice placed Hungary behind most of its Western neighbours, who were moving toward service-based and knowledge-based economies.

The investments also concentrated on energy-intensive industries, thus placing further burdens on both the economy and the environment. In fact, the political regime treated the oil price increases of the 1970s as aberrations. Instead of adjusting economic planning away from energy consumption in view of an expectation of higher energy prices over the longer term, the country chose instead to safeguard, even increase, energy supplies and production.

As a consequence, Hungary entered its transitional period toward a democratic political system and market economy with great reliance on heavy industry [Kerekes, 1993: 140–41] and little investment in energy saving and environmentally friendly technologies. Currently, Hungary uses energy at approximately twice the intensity of Western European measures, although Hungarian energy efficiency is one of the highest among the nations of ECE [Hungarian Commission on Sustainable Development, 1994a: 11–12].

The ill effects of these choices were further exacerbated by the centrally-planned suboptimal allocations of investments over time, particularly the under investment in essential infrastructure – including environmental infrastructure – and environmentally threatening concentrations of polluting facilities in the same vicinities [Ministry for Environment and Regional Policy, 1991: 16–18].

### Political Transformation

Even though the former Hungarian state socialist system was known to be somewhat more open to the West than were regimes in some of the surrounding countries, the setting for political expression and policy-making on environmental issues differed in important respects from systems in the West. Particularly important in this regard were the following: limitations placed on political expression, gradually giving way to environmentally focused political protest in the 1980s; one-party central governance, with little overt political conflict and therefore little sensitivity to, or tactical positioning on, environmental policy issues; a consequent lack of 'green' political parties and strong, effective NGO efforts (until the time just prior to the political changes, in the case of the latter); state established investment plans and pricing schedules that paid little attention to environmental questions and, indeed, encouraged environmentally destructive choices; lack of independent local governments with capacity to exercise autonomous choices regarding environmental issues; and the inevitable placement of issues concerning the international dimensions of environmental problems in the context of political competition between larger national powers to the East and West.

The political changes since 1989 – resulting in a conservative coalition national government for the first four years of post-socialist governance, subsequently followed by a left-liberal coalition beginning in 1994 – have drastically altered the context within which environmental policy is developed and executed. Among these changes are more open political processes and agitation for more participation and involvement on the part of NGOs, citizens, and others, including on issues of environmental policy; political competition, which creates some possibilities for political leaders to advance their careers and party interests by pursuing environmental questions (though this incentive is limited by the perceived precedence afforded economic issues, as explained later); a significant reduction of the role of the state in controlling investment choices and the management of key industrial sectors, with privatisation and similar initiatives now well under way; establishment of the beginnings of independent local governments and, as a consequence, the initiation of both problems and opportunities for local involvement in policy-making and execution on environmental questions; and a complex and dynamic set of challenges now facing decision-makers in Hungary, many stemming from the multiple difficult adjustments necessary in the transition to a market economy.

### **An Economy in Distress**

The political changes were accompanied by widely supported decisions to develop a market economy in part through the privatisation of a substantial portion of state assets. The several privatisation programs, and the inevitable liquidations that followed for numerous unprofitable enterprises, placed additional strains on the developing institutions of the mixed economy as well as on the government that was seeking to stimulate economic success.

The Hungarian economy has faced exceedingly difficult circumstances since the political changes of 1989. The Eastern markets, and Comecon, collapsed. The economy was poorly structured to take advantage of markets to the West. The country was further handicapped by a huge foreign debt (more than US\$21 billion). Although the decision to privatise much of the economy was widely accepted and resulted in the largest foreign investments in the region, and although many new businesses were founded, the picture on balance has remained bleak.

Bankruptcies escalated, particularly among firms that were forced to deal with market conditions for the first time. The privatisation process experienced significant implementation difficulties [O'Toole, 1994], and in the early years was executed without substantial attention to the environmental problems inherited from firms' earlier period under state control. Industrial output dropped by 30 per cent by 1993 and then stabilised, and the Gross Domestic Product (GDP) fell by 20 per cent [REC, 1994a: A5-6]. Unemployment escalated, from virtually nothing to 12 per cent between 1990 and 1992 (see, for instance, United Kingdom [1995]).

### **The Environment as a Domestic Issue**

Under the earlier socialist regime the government was at first relatively unresponsive to the emergence of interest in environmental matters. For instance, Hungary did not participate with representation at the United Nations Conference in Stockholm in 1972, although the country did accept the recommendations developed at that meeting. The mass development of citizen involvement in pressing for the addressing of environmental issues awaited the Danube movement in 1984, which sought to halt construction of the Gabčíkovo-Nagymáros dam.

Even now, public opinion is 'ambivalent' regarding environmental matters generally. There is an increasing amount of concern, but 'the general level of ecological consciousness is still rather low' [Ministry for Environment and Regional Policy, 1991: 24]. The economic stresses of the current period contribute to the restrained interest on the part of the broad

public. In a recent public opinion survey the issues receiving the highest rankings in terms of salience were those associated with the economy (inflation, unemployment, social welfare, and pensions). The environment ranked in the middle of the list. While it may not be literally true, as one recent analysis reports, that the environment has 'fallen off the political agenda' [REC, 1994a: A4], it is clear that there is little popular support for environmental measures that pose a risk to the fragile economy. This circumstance is expected by most analysts to persist for the foreseeable future.

On the other hand, some recent evidence indicates that environmental perceptions on the part of private corporate executives and managers in Hungary are virtually identical to the perceptions held by managers and executives in other parts of the world [Vastag *et al.*, 1994]. Hungarian executives and managers do differ somewhat from their counterparts elsewhere on the most appropriate means of addressing environmental issues that affect their companies. For instance, Hungarian business executives are more supportive of indirect regulatory measures and the use of incentives to encourage environmentally sound company decisions – this despite the general lack of such policies in the current Hungarian setting.

The Hungarian private business community itself, collectively speaking, has recently begun to consider environmental questions as a part of its agenda. The Chamber of Commerce has created a position for an environmental officer to deal with such issues on behalf of business interests. Nevertheless, Hungarians are currently burdened with many serious problems and do not see the environment as most urgent. While many people recognise the seriousness of the environmental situation, they are so pressed they feel they cannot become active themselves on the issue. Moreover, their experience with government over the decades provides a negative context for their assessment of the ability of such activism to have an impact. In the light of the overall situation in Hungary, this appears to be a sober but not unreasonable or unrealistic perspective [Flaherty *et al.*, 1993: 93].

The highly visible environmental activism of the 1980s was based on real public concern but was also used opportunistically by both citizens and those with political ambitions as a vehicle for opposing the regime more generally. It has since given way to less overt and highly fragmented, but still significant, efforts by a huge variety of NGOs. NGOs have begun to participate in the public debates surrounding environmental issues in the post-state socialist setting. For instance, they provided input in the extensive discussions surrounding the general new environmental policy considered by Parliament during the last couple of years. But the general waning of salience of environmental issues in the public at large and among the



political leadership affects their degree of influence. The lack of regular access on the part of these organisations to government decision makers also limits their involvement.

Several hundred NGOs currently operate in the environmental sector in Hungary. Some of these are well known, a few internationally, while the large majority are small and narrowly focused. Almost all are poorly funded, and competition for financial support from foreign or international sources is keen. The environmental movement, as expressed through the NGO community, is not organised into a broad coalition; nor is it experienced at acquiring and analysing information from government or other sources. The government, for its part, is in the early stages of learning how to interact productively and with openness with environmental NGOs and others. Some officials in certain ministries have developed working relationships and some level of mutual respect and trust with representatives of certain environmental NGOs. These links, however, are relatively few.

### **Developments in Environmental Policy**

Leaving aside governmental policies enacted as early as the nineteenth century and designed primarily to provide some protection against industrial hazards, Hungarian policy on the environment began in the 1960s and 1970s, with a series of laws enacted by the state socialist regime to cover a range of issues. Besides the law on the protection of air purity (1973), however, these were largely aimed at preserving resources important to processes of production.

For environmental policy in general, the most important piece of legislation adopted under the state socialist system prevailing was the Act on Environmental Protection, enacted in 1976, and still in force in 1989, when the old regime fell. This law, which was the first explicit establishment of principles of environmental policy, established the (formal) right of citizens to live in a healthy environment and proclaimed protection of the human environment a responsibility of the broad society. Although the regulations stemming from the 1976 Act were quite stringent, at least on paper, they have proven unsatisfactory in dealing with the practicalities of environmental pollution.

Until late 1995, no broad, comprehensive environmental policy existed in Hungary. The 1976 law, with its several amendments, together with numerous narrower pieces of legislation and more specific regulations, continued to be the primary policy in the field. While the political regime had changed and the economic system had been dramatically altered, the formal policy on environment remained essentially constant.

An Hungarian Commission on Sustainable Development was created in

1993 to coordinate the national efforts in working out the principles and implementing concrete tasks of sustainable development. It was also intended to bring about the effective incorporation of environmental considerations in various long-term sectoral plans, and to increase public awareness of relations between economic development and environmental issues [*Hungarian Commission on Sustainable Development, 1994b: 3*]. Still, even now there are no national programs incorporating principles of sustainable development into the routines and regular decisions of the government or the implementers of environmental efforts. The most visible sign of acceptance of such principles has been the adoption of a governmental resolution on 2 April 1993 regarding a commitment to follow up on the UNCED initiatives on sustainable development by incorporating such priorities into actions within the country (Decree of the Hungarian Government No. 1024/1993). Another indication of this commitment is the acceptance of a new environmental policy in 1995.

The extent to which such formal commitments will influence the concrete actions and programs of Hungary remains to be seen. Available evidence suggests that there has been hard fighting, since the political changes, between a number of economic experts and environmental advocates, both within and outside government.

The former, along with some politicians, assert that there is currently not enough income for the government to initiate the technical changes needed to improve environmental conditions. The argument here is to opt for the strategy of focusing on economic growth now and using the income generated to convert technology, as necessary. Those advocating a more environmentally focused agenda argue that the time is ripe to eliminate archaic technologies and industrial operations, and to begin to alter consumer/household actions as well. In the three most environmentally central sectors – energy, transportation, and agriculture – the government's efforts should be directed toward change as a top priority. According to these advocates, the present time is ideal, since the economic transformations now create opportunities to undertake the conversion before major new investments are sunk into place.

The elections of 1994 resulted in a new coalition government consisting of parties in opposition during the first four years after the political changes. As far as the perspective and approach of the newer coalition toward environmental issues are concerned, most observers agree that the new government is not behaving much differently than the previous coalition. Indeed, the new government seems somewhat more interested in ensuring that the processes of privatisation and liquidation do not result in the ignoring of environmental damages or liabilities. To that end, programs have been initiated to deal with some of the environmental aspects of the privatisation process.

Moreover, national policy on environmental matters has recently begun to be modified. New legislation accepted in Parliament in September 1995 aims to begin a process of updating and systematically revising the Hungarian approach to environmental issues. Many aspects of the new legislation could eventually be significant. Newer approaches to environmental issues, particularly those founded on principles of sustainable development, are officially espoused. However, once again there is little evidence of sustainable development principles being converted into practical action through government. Instead, public policy, as interpreted via programs adopted and in place now, focuses almost exclusively on regulating 'end-of-the-pipe' emissions through punitive regulatory controls that are neither very punitive nor broadly and carefully implemented. The broad endorsement of the use of economic instruments where feasible, as well as the explicit adoption of some important, if vaguely formulated, environmental principles are among the features of potential interest, as the legislation and other recent governmental statements are given concrete meaning in the future.

Agencies and programs focusing on environmental issues continue to be plagued by a policy of budgetary stringency, as the new government struggles to deal with the nation's economic problems. While the serious economic distress reduced some immediate measures of environmental difficulty (for instance, emission levels derived from industrial sources), the changes can hardly be viewed as long-term solutions to the country's environmental problems. In fact, the problematic economy has made it more difficult for those espousing environmental causes – whether within or without government – to be influential. In many circles, advocacy of environmental issues is viewed as antagonistic to economic, indeed social, welfare.

### **The Impact of the Environmental Policy of the EU on Hungary**

An important influence on environmental policy has been the susceptibility of the new national regime to influences and events beyond the borders of Hungary. With the collapse of the Soviet bloc, new governments throughout the ECE region not only adopted the formal constitutional principles prevailing in much of the rest of Europe; they also explicitly proclaimed a reorientation of national interests and perspectives with openness toward the West. Nowhere is this clearer than in the strong desire expressed by the national governments of the region for full membership in the EU as a matter of high priority.

Hungary currently has associate member status in the European Union and hopes to be accepted as a full member as soon as possible. Support for

EU membership crosses virtually all political parties with any popular following within Hungary. With the choice to 'go European' has come an array of opportunities and constraints: the requirement to adopt European Union policies into national legislation, the chance to receive financial assistance in making the transition fully effective (particularly through the EU's PHARE programme), and so forth.

Some institutional changes with regard to the location of responsibility for coordinating activities on European issues have been made within the government as part of Hungary's increasingly European outlook in national policy. Moreover, a number of efforts are being made to alter Hungarian policy, particularly formal law, so that national legislation comports with the requirements of the EU. A portion of the harmonisation effort is being devoted to environmental policy generally. The general commitment to harmonisation is now expressed in broad national policy concepts on the environment [*Ministry for Environment and Regional Policy, 1995: 39*], and more specific harmonisation efforts are under way.

Some participants and observers in the environmental policy field in Hungary are nonetheless sceptical of the importance of environmental issues in the generally well-accepted Hungarian commitment to harmonisation and EU membership. Some see governmental discussions of harmonisation as focused almost exclusively on economic, especially 'market', considerations. Opening the markets, rather than regulating or controlling economic activities within generally market settings, is what the government most consistently emphasises. This leaves some observers worried about the ultimate fate of environmental considerations in the policy and implementation efforts to be undertaken in the coming period.

Initiatives have been under way to influence harmonisation on environmental issues, especially air pollution and acidification. Of importance is an effort funded by PHARE. Half of this sizeable project is being used for harmonisation of environmental law, the other half for training of environmental personnel regarding EU requirements and the importance of national compliance. This initiative is likely to have a significant impact on environmental law and its implementation in Hungary, and certainly the assistance can be expected to have a measurable effect on the institutional capacity of Hungarian environmental policy management.

As noted above, a revised national law on the subject has already been drafted, in part with a view toward the harmonisation objective. Its requirements are already affecting the informal communications developing between governmental officials, particularly in the Ministry for Environment (sometimes aided by information and contacts provided through the Ministry of Industry and Trade), and large industrial sectors over the statutory constraints likely to be in force in the future. In this way,

some industrial firms, including some of the largest ones, are even now adjusting to EU regulatory constraints through this somewhat indirect route.

### **Institutional Arrangements for Managing Environmental Policy**

The general approach taken by the Hungarian government to issues of environmental pollution has remained relatively constant, even through the dramatic political and economic changes. At the same time, the actual execution of the policy and the institutional framework through which the policy is carried out have undergone substantial change.

The institutional structure for carrying out environmental policy has been altered several times but remains subject to criticism from observers. Administration of environmental policy in Hungary is organised around, in the first instance, the Ministry for the Environment and Regional Policy, which in turn is divided into a number of specialised units. The current formal structure of this ministry is the latest of several reorganisations since the late 1980s. Further restructuring has been considered during the tenure of the current minister as well.

The Ministry, for instance, was reorganised in 1987 to place environmental issues and water management in the same administrative 'home'. However, this arrangement lasted only until 1990, when water management duties were removed from the agency and placed with the Ministry for Transport and Telecommunications. In 1990 additional restructuring resulted nevertheless in the distribution of some environmental duties among numerous other units. More modest structural changes have taken place a couple of times since 1990. Yet the Ministry has not enjoyed a strong reputation, even in its revised form.

This unit performs many of the national government's regulatory (and other) environmental duties, particularly in terms of establishing rules and broad policy guidance. Yet it also houses additional functions, certain of which appear to some observers to be tangential to the environmental portfolio. Furthermore, throughout the successive incarnations of the environmental presence within the Hungarian administrative apparatus over the years, the structure has always been an 'Environment *and ...*' arrangement, with the environmental issues always included with (and, some would say, in competition with) such other goals as water supply or regional policy. In other words, the environment has been a persistently weak and somewhat grudging portfolio both before and after the political changes.

The heart of the field presence for enforcing environmental regulation is in the Regional Environmental Inspectorates, of which there are 12. These units have remained in place through the recent reorganisations. They operate in practice with considerable autonomy from the central ministry in

Budapest, although the chief inspectorate, to which the regions report, is appointed by the minister.

An examination of the current position of the regional inspectorates makes clear some of the critical limitations in institutional capacity currently plaguing environmental administration in Hungary. Due to severe budgetary restrictions, inspectors lack the resources to conduct their official duties. This has led to a situation in which inspectorates work partly as government authorities and partly as private consulting firms because they are only partially supported from the state budget [*REC, 1994b: 40*]. One way in which this dual role manifests itself is through the process of environmental impact assessment. The inspectorates are charged with reviewing assessments before, for instance, construction of a new plant is begun. However, sometimes the inspectorate itself has been hired to conduct the review, thus involving itself in a conflict of interest.

This institutional insulation of regional decision-making from the central national policy unit is only one source of discontinuity in environmental policy implementation. Another important pattern of differentiation separates execution of national policy into a number of different functional authorities, depending on the issue under consideration. In practice, other ministries and agencies of the central government are involved on a day-to-day basis in issues affecting environmental decisions.

The regional environmental authorities control the emission of pollutants, and they are charged with establishing emissions standards. However, ambient air quality standards inside settlements are set elsewhere in government: the public health authorities of the Institute of Public Health, located within the Ministry of Welfare. Because of the organisational locus for this task, the ambient standards are set with human health concerns uppermost in mind.

Meanwhile, mobile sources of emissions are the province of the Ministry of Transport, Telecommunication and Water Management. Supervision of the vehicle inspection programme is in the hands of the Public Transport Supervision Offices, and private firms can also undertake inspections if the firms have been licensed by the Offices. Violations are to be enforced by the Offices or the police.

Furthermore, the National Meteorological Service, a fourth administrative presence in this sector, is responsible for the measure of background air pollution away from settlements. The nation's energy inspectorates have also been involved in providing technical assistance in this sector. However, the shift to privatisation has made it more difficult for these experts to advise firms, while firms themselves have been reluctant to employ energy experts during the recent economic difficulties. Some have even eliminated positions formerly devoted to this specialty.

An important actor during much of the period since the political changes has been the State Property Agency (SPA), a governmental unit responsible for – among other duties – selling state assets into private hands through the privatisation initiatives. The privatisation process itself has been complicated by the question of legal responsibility for environmental damage done by the firms. Thus the environmental ministry and the SPA have had to interact during and sometimes after the property transfer process.

These several kinds of units inform each other of pending new regulations by circulating drafts, but little regular and predictable coordination occurs following the setting of these central policies. No standing committees (below the level of the Cabinet) mediate regularly among them. In some locales, informal coordination among field officers of the units allows for a more integrated approach. But this depends on the individuals involved within a given region and varies greatly in practice from one part of the country to another. Such informal ties were, reportedly, functioning better several years ago, before the political changes disturbed the stable patterns of patronage and personalistic coalitions that had marked the previous regime.

In sum, the system for dealing with issues of environmental quality in Hungary is complex and difficult to administer. The standards are formally restrictive, but in practice enforcement provides loopholes. Nor has this situation been eased in the transitional period following the political changes of 1989. Many new laws have been passed, though these are largely uncoordinated with each other. Changes have been made in the rules for controlling environmental pollution, but these changes do not get to the heart of the enforcement and coordination questions. Although a comprehensive new environmental policy has been accepted by the Parliament, an overall new set of programmes, with implementation arrangements and realistic budgets, has not been enacted.

### **Local Government and Environmental Management**

Prior to the political changes, independent local governments did not exist as autonomous public decision-makers. With some exceptions, local councils were largely subservient to the central-party controlled system. Since 1989, more than 3,000 local self-governments have been created. The Fundamental Law on Local Self-Government charges the new local units with a range of significant responsibilities for environmental matters and also provides a set of powers formally available to use for dealing with pollution problems within their jurisdictions. They can also determine the amount of penalties assessed against violators.

These local governments might have taken some of the responsibility for environmental protection. However, in practice, local self governments have had to contend with contradictory regulations established by the national level, and are overburdened with a daunting number of duties.

In connection with the current process of property shifts, some industrial firms have been placed in the hands of local self-governments. Environmental problems in these cases may be serious but the locals are often in poor position to fund clean-ups or shifts in technology to ameliorate recurring problems like air emissions. Local governments themselves are also initiating new businesses, some of which have the potential to generate significant quantities of pollution. Some of these units of government may be caught between the conflicting desires to use such businesses as centres of revenue for local purposes and the policy goal of limiting traffic and emissions in their jurisdictions.

Except in rare cases, these local governments are not well equipped in terms of expertise or financial resources to assume a significant role in environmental matters. Some local governments, especially the larger ones, have contracted with consulting firms to assist them in assessing their environmental problems, and this activity appears to be on the upswing. However, the majority of local units have done relatively little thus far about environmental matters.

Matters have not been made easier by the tendency of some in the regional environmental inspectorates to seek to retain primary control over air quality rather than ceding some to the localities. Friction between localities and regional inspectorates is not inevitable, but it has developed often enough to limit the effectiveness of localities in addressing their air quality problems.

### **Enforcement Overview**

Standards for protection of the environment are central elements of Hungarian national policy, but serious problems of enforcement have long plagued the system. Many of these have their roots in Hungary's legal and political system. According to Bándi [1993], in the past, the State focused on technical issues, rather than regulation and enforcement. Monitoring, largely conducted by industry with poor equipment and very little regulatory oversight, produced little useful information. What enforcement and implementation there was tended to focus on sanctioning those who polluted rather than on preventing the pollution. When a penalty was imposed, it was often insufficient to provide an incentive to curb pollution. Perhaps most importantly, there was no public participation in the decision-making process, and the role of civil law and the courts was very limited.



Even when citizen intervention was permitted, non-governmental organisations were too weak to support successful public involvement. Bándi points out further that organisational weaknesses also limited Hungary's ability to protect the environment. As we have seen, the ministry charged with implementing environmental policy is much weaker than the economic ministries, in terms of both power and resources. Spheres of authority are poorly defined and are constantly being changed. This unclear division of power creates uncertainty and hesitation, not only for the environmental agencies, but also for the regulated community [Báñdi, 1993: 2].

Environmental policy in Hungary from the days of state socialism until the present has emphasised punishment for violation of regulatory standards rather than other types of policy instruments. As one Hungarian environmental economist has explained, 'A strange paradox of our development is that Hungarian environmental protection regulations are in many respects stricter than the average EC standards and much stricter than justified by our economic development level. The standards are so strict, in fact, that industries cannot comply with them' [Kerekes, 1993: 146]. In particular, designing policies to prevent pollution in the first place has been neglected. A permitting process is activated prior to construction projects, but thus far comprehensive environmental coverage is not provided. The heart of environmental protection remains with the system of standards and associated penalties.

Some non-punitive efforts have recently begun with the aim of focusing more on preventive aspects of policy. But in most spheres, non-punitive and especially extraregulatory instruments are only sporadically employed. For example, economic policy instruments have been discussed but have been mostly notable for their absence in functioning programs. A superficial exception is the system of penalties for violation of standards, which actually functions as a fund-raising mechanism and not as a deterrent to pollute.

Although many aspects of Hungarian environmental policy can be criticised, a major difficulty stems not from lack of reasonable standards and boldly stated objectives but, rather, from a lack of adequate governmental implementation capacity in the field of environmental policy. An important reason for this situation has to do with what Hanf and Underdal have called the 'vertical disintegration of policy' as it moves from general national commitments to the specific demands (costs) placed on social sectors relative to the benefits they can expect to reap directly [Hanf and Underdal, 1996]. This disintegration, or perhaps benign neglect, is most apparent when environmental questions face economic ones in the difficult transitional period. Here the generally accepted environmental goals lose out in the competition.

In addition to the vertical dimension, there is a more 'horizontal' one: the ability of central government to involve important sectors of the public in policy discussions and, potentially, in mobilising support for new initiatives. On this score different political systems develop these links in different fashions. For instance, pluralist and corporatist patterns of interest involvement can be markedly different, with real consequences for policy and practice. In Hungary and other formerly one-party systems, of course, the mobilisation of public 'support' for official actions has left an aftertaste in the current transitional period. Those in the wider society with, for instance, deep environmental concerns have been wary and somewhat distrustful of government action; even on those occasions when involvement in real policy discussions has been possible, motives have been suspect. Nor have government officials had much experience with or interest in sharing influence and dealing in good faith with such 'outsiders' as NGOs. When combined with the lack of experience on the part of some NGOs and others, these inclinations on the part of government representatives have translated into relatively weak and unproductive horizontal connections with potential allies or sources of support in the broader society.

### Conclusions

The domestic political changes in the country have affected the context in which environmental issues are considered. As the Hungarian transition continues, it is likely that a more open political system, with more coherent political groupings and a stronger environmental voice from NGOs and political parties, will emerge and that the way in which environmental issues are approached will change. Thus far, however, the most notable feature of the Hungarian system is how little the altered political landscape has influenced the way that environmental issues are handled. It could be argued that the lack of change itself reflects the broader sense among the public that economic considerations and social welfare concerns should take precedence over environmental questions during this period.

The property shifts and emergence of market forces in Hungary show signs of the double-edged impacts on environmental protection efforts. The most obvious implementation challenges derive from the proliferation of regulatory targets and lack of 'bridges' in the increasingly differentiated setting, as well as from the slowly emerging involvement of local governments. The very deliberate pace so evident in the introduction of incentive-based policy instruments is due in part to the 'market as prison' [Lindblom, 1982] aspect of the emerging mixed economy – as policy makers in Hungary seek to avoid further economic pain by keeping

marginal enterprises in business. But market forces can also aid efforts to meet the environmental challenge – by discouraging waste, for instance, even if the increased costs of goods like energy impose social distress; and by providing entrée to efficient multinational firms, even if some of these seek to apply in Hungary technologies deemed unacceptable in some other national settings.

More specifically, with regard to the overall institutional capacity to plan and manage a transition toward sustainable development, we can conclude the following. The political changes of 1989 have removed several obstacles to the effective implementation of environmental policy: depoliticisation of enforcement is taking place; privatisation in any case alters the relationship between regulator and regulated; judicial review is now a standard part of the legal system; and broader participation by those outside government is gradually emerging. Obviously, policies can still be improved. Furthermore, government could increase the priority it now places on environmental issues. But even high levels of commitment on the part of a government matter little if the commitment cannot be converted into effective streams of action. In particular, the complexities of policy implementation continue to frustrate these efforts.

Years of lack of attention during the era of state socialism, a fragile economic system during the transitional period, shortages of financial resources and staff in the relevant ministries, a lack of effective channels of coordination among the several official units acting to execute national policy, and limited horizontal connections with those interested in stronger and more effective environmental efforts have all meant that limitations on institutional capacity have constrained what has been possible during implementation. The lack of capacity is manifest not only in the relatively limited resources, influence, and vertical linkages within government, but also in the very limited ties with, and networking opportunities among, NGOs and others who remain seriously concerned with environmental questions and might be able to help catalyse support for environmental action.

But the vertical disintegration and 'horizontal' gaps as sketched here are not the only considerations. It is not merely that environmental institutions are less powerful and exhibit less capacity than other, competitive sectors and institutions, although that is indeed the case. The explanation lies also in a broader institutional incapacity. In its transitional period, Hungary has faced the handicap of having to develop institutional capacity generally, across policy sectors, levels of government, and in the broader society rather than merely the state. All these sectors and levels are short on expertise, lacking in needed budgetary resources, and often handicapped by a lack of pressure group support from the broader society.

Explaining the implementation gap on environmental issues does require comparing the relative support for environmental *vis-à-vis* other institutions and interests in contemporary Hungary. But it is important to bear in mind that in Hungary and the transitional nations of ECE, institutional capacity is in short supply more generally. Any analysis that treats environmental policy in Hungary as merely an instance of environmental institutions losing in political competition would be somewhat misleading or incomplete. The broader challenges and institutional needs of the nation are also a piece of the explanation. In this context, then, the Hungarian government has had need for significant expansion of its own institutional capacity as a part of any concerted effort to address environmental issues.

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