

COUNTRY REPORT

ISTANBUL + 5

ABOUT MEASURES TAKEN IN CONNECTION WITH THE HABITAT ACTION PROGRAM

HUNGARY

INTRODUCTION

The impact of governmental and international engagements taken together with local governments and with non-governmental organizations at the HABITAT II. Conference (Istanbul, 1996) depends on the implementation of tasks coordinated on local, national, regional and international levels. First, adequate national programs should be worked out to support implementation, the realization of programs should be controlled and evaluated by the governments. Governments are primarily responsible for the implementation of Habitat Agenda. In order to promote implementation national methodology should be developed for the coordination on all governmental levels of measures affecting the settlements, their impacts should be evaluated even before taking governmental actions. Guidelines to the implementation of Habitat Agenda also contain that governments should realize their action plans in cooperation with intra-regional, regional and international organizations, in the frame of the UNO system.

In the introductory part of Istanbul Declaration (Action Program) Boutros Boutros-Ghali made the following principal remarks:

- At the HABITAT II Conference the participating countries could develop a system plan which provides useful orientation to different countries in taking their future measures.
- Building of coalition and propagation of innovative ideas were the most important pillars of the Habitat Conference.
- The Conference also made possible the development of a mechanism, in which the most important actors can explain their own ideas and can come to an agreement with governmental representatives.
- This process was confirmed by events, which contributed to the professional development and complexity of the Conference agenda in the form of dialogues, seminars, symposium, panel-discussions and lectures.

The Istanbul resolutions create sound basis for future development. The resolutions should however be manifested in effective measures, national policies, in new forms of

international cooperation, and in the larger consensus resulted between the governments and civil society.

Acts adopted during the past years in the frame of constitutional change of Hungary have also contributed to the realization of aims of Habitat Action Program. The most important acts are act on the transformation and protection of built environment, act on the protection of historical monuments, Act on Nature conservation and on Environment protection. Concerning our subject the most important act is Act XXI of 1996 on Regional Development and Physical Planning, which is the highest level legal regulation of regional policy. On the basis of this Act the Hungarian Parliament has adopted with its Resolution No. 35/1998 (III.20.) the long term National Regional Development Concept, which determines guidelines, strategic targets and most important sectorial priorities of regional development policy. This act also determines that the Government is expected to give a report to the Parliament every second year about spatial processes and about implementation of regional development policy. This means that institutional and legal conditions of regional and settlement development are developed in Hungary. Nevertheless, the next step is separation of institutional functions of local, county and regional levels, the development of cooperation system.

Following the introductory chapter our national report is prepared on the basis of guidelines given by HABITAT Centre. We have to underline however that today the basis of comparison in qualifying the situation is not the highly developed countries of the European Union. On a world scale negative phenomena – especially those connected to the developing countries – would probably deserve relatively better mark. Since Hungary has for several years been a member of the organization of developed countries, of OECD, for the sake of closing-up it is useful to underline critical elements through objective discussion of faults-deficiencies.

Chapter I. *SHELTER*

1.1. General situation

International comparisons show that macroeconomic indicators of the Hungarian housing stock, housing situation are on the whole not worse than indicators of countries on the same development level. If we compare, however the Hungarian housing situation with that of the European Union, a lag can be seen in many respect (mobility is low, housing prices are high compared to average yearly income, there are few tenements, ratio of housing credit within total investment costs is low, etc.). All these have disadvantageous effect on the security of tenure, on the practical enforcement of rights to adequate housing.

On January 1, 2000 the housing stock amounted to 4,061.000. This number would be sufficient, since number of households on national level is 3870 thousand. The problem is the non-satisfactory territorial distribution. On the whole 215 thousand homes, in the capital 14-18 thousand ones are empty. Technical condition and equipment of a lot of flats is very bad, 800 thousand (in the towns 400 thousand) households are living in very narrow, non-acceptable living conditions.

There is little chance to get to social housing and spatial mobility is low, since as a consequence privatization there are extremely few tenements. 95 % of housing stock is in private property, the major part is occupied by the owners.

Physical condition of the majority of multi-apartment buildings in the cities, especially in big cities is bad – as a result of postponed renovations. It is extremely difficult for young people to get their first home, on the other hand financing of maintenance of homes is putting an increasing burden on the older generation. Significant part of citizens is less and less able to cover increased housing maintenance costs. Not only the cities, but rural settlements are also faced with this problem, mostly as a consequence of damages caused by floods and inland waters. Owing to financing problems only part of damaged buildings are restored.

1.1. Housing problems

Situation inherited from the period of centralized economic management and the past decade of market economic change have resulted the following main problems:

During the past 10 years number of newly built homes has continuously decreased. While in countries of the European Union 40-60 new housing construction get on 10 thousand inhabitants, this figure is only 20 in Hungary.

- *Ratio of tenement sector is low.* As a result of tenement privatization in the first half of the 1990s, ratio within the housing stock of local governmental tenements is only 5 %. Ratio of tenements in private ownership is even lower. Lack of a tenement sector, which is more or less protected from the impacts of the market prevents improvement of housing situation of socially disadvantaged people.

Bigger tenement sector is a basic condition of housing mobility on the one, and of providing security of tenure to disadvantaged social layers on the other hand.

- *Technical condition of a significant part of housing stock is not satisfactory,* since during the past 50 years housing reconstructions and modernizations have not followed the envisaged renovation schedule. Thus major part of residential buildings does not meet the valid technical regulations, quality requirements of our age. Lack of reconstruction is first of all typical in multi-flat privatized buildings of big cities (their number is especially high in the metropolitan city). The – sometimes remarkable– results of the subsidy systems operated by some settlement local governments for the promotion of renovations (like e.g. Metropolitan Rehabilitation Fund, subsidy systems of local governments of the districts, etc.) are far from being enough. In case of housing stock of rural settlements hit by natural disasters, the source of problems is not so much lack of renovation, but rather recovery of damages, since state subsidy does not cover all costs of damages.
- *Compared to average income housing prices are high.* In our country the ratio between average housing prices and the average income is six. Total six years income of households is needed to the purchase of an average flat. In countries of the European Union this ratio is 2,5. This situation makes especially difficult

the purchase of the first home, but it also impedes modernization, what's more maintenance of homes.

- *Housing credit ratio is low.* In Hungary – mainly as a result of high inflation and low saving possibilities – ratio of housing credit within housing investments is on the average below 10 %, while in the European Union countries it is 60-80 %. In our country the development of mortgage system and the appearance of mortgage banks are important steps ahead, their wide spreading, however requires efficient measures. Larger scale of differentiated credit constructions adjusted to load carrying capacity of the population would bring a solution in this field.
- *Housing mobility is low.* In the European Union countries households change their homes nearly 6-7 times during the whole life cycle. In Hungary this ratio is 2,7. Owing to low housing mobility significant part of families and persons live in homes not corresponding in size to their life cycle.
- *The security of tenure is lost.* The danger of eviction is mainly threatening households, who, as a result of the changed conditions of credits taken earlier with favourable interest rates, are unable to pay the instalments, or have accumulated significant debt from not paying the rents. Their number amounts to 10 thousand. The Government and the local government – together with the competent financial institutions – have already made proposal for handling the problem.
- *Difficulties of access to land.* Although in principle access to land is provided for everybody who has the necessary financial sources, in practice however this equality of chances is rendered impossible by extremely differentiated financial sources. Thus equal chances are hindered not be by legal or other obstacles, but by income differences or by the extremely strong differences in financial possibilities. Besides and important differentiating factor can be the land price, depending on the geographical location of the land.

Same is the case with credit takings, where also differences of financial sources prevent equality of chances.

- *There are different chances in the access to basic services.* Adequate differentiated approach is necessary between the available basic services.

Certain communal infrastructures can only be provided locally (pavement, local sewage water treatment, water supply, etc.). Deficiencies in this field significantly influence the quality of life of the settlement population, thus they should be provided locally. Since 1996 a lot of measures have been taken in this direction, but owing to the lack of local governmental financial sources we are still not at the point, where all these services are provided to the population.

Different is the case with the basic institutional infrastructure supplied to the population (school, polyclinic, specialist consultation, etc.), where depending

on the number of inhabitants of the settlement this may not be possible to provide everywhere.

In many cases low population number of the settlement does not make possible local operating of basic institutions. During the past years significant steps were taken for the establishment of collective institutions serving several settlements. There are still deficiencies in the accessibility of the institutions, in the transport costs and in the frequency of public traffic. In case of a lot of small settlements these problems can only be solved in the near future and a strong influencing factor is financial situation of the settlement local governments.

Spatial inequalities are manifested on regional level, too. In certain regions of the country level of infrastructural services is low. In many settlements basic services are not available to part of the population, even if their income conditions would make possible for them the use of services. Rural development programs envisage the elimination of this problem (partly with the support of the European Union), the basic aim of which is the closing up of the countryside to the more developed regions of the country, balancing of infrastructural differences. An example of this is the newly started SAPARD Program, the accented element of which is development of rural infrastructure, elimination of differences within the country.

In more developed regions, in the cities there are settlement parts, too where low income level of the population prevents the use of existing infrastructure. This problem is getting more and more serious, the only solution of which is economic development of cities and regions, increase of economic level of the population.

1.3. Promote the right to adequate housing

In order to solve the above-mentioned housing supply problems the Government has worked out a long term program for the easing of described tensions. Basis elements of this program are:

- increase of the number of new housing construction
- increase of tenement stock and
- modernization, renovation of the existing housing stock.

All three elements are basic conditions of the reform of housing subsidy financing system introduced in 2000. Handling of the problem of "homeless" is also to be solved. Subsidies take the form of benefits and interest subsidies.

Forms of benefits (non-refundable subsidies):

- Housing construction allowance, depending on the number of children is 200 thousand HUF per child. 1 million HUF is paid after the second and third children. The subsidy can be used for building or purchase of a new home. The subsidy is

granted to the purchase of a home the size of which depends on the number of family members.

- Tax refund subsidy, which is 60 % of the sales tax, but max. 400 thousand HUF. Can be claimed to construction or purchase of a new home.
- Subsidy to elimination of obstacles, which can be claimed e.g. by handicapped people or by their family members in case of building, purchase of a new home or to elimination of obstacles in existing homes.
- Subsidy to housing saving banks, stimulating savings for housing purposes. Extent of state subsidy is 30 % of yearly saving, but max. 36 thousand HUF. Besides the non-refundable subsidy, favourable credit with 6 % interest rate is also granted, the amount of which is equal to the total amount of saving and state subsidy.

Interest subsidies. One of the subsidies is bigger (10 %), serves narrower housing purposes and aims at narrower social group. The second smaller subsidy (3 %) can be used for wider scope of housing purposes and by bigger circle. Forms are the following:

- Supplementary interest subsidy. Credit with max. 8 % interest rate for the construction or purchase of a new home can be claimed by couples, single parents, or companies, private businessmen, local governments, public companies or housing cooperatives if they are building flats with the aim of selling them to private persons, or are building residential houses for renting. Value of homes should not exceed 30 million HUF.
- General interest subsidy, where through the subvention of resource side of mortgage letters mortgage credits can be taken with lower than market rate interests. Can be used for all housing purposes: construction, purchase, modernization, extension. Maximum amount is 30 million HUF. The credit can have fix or changing interest. Today interest rates are 10,5 and 14,6 %. (Non-subsidized market interest rate is 17 %).
- Subsidy to renovation of residential houses given to collective houses and housing cooperatives. In the first five years of repayment interest subsidy is 70 % of the interest, in the second five years 35 %. Granting condition is that the collective house or housing cooperative establish a renovation fund in advance.
- Renovation credit interest subsidy. Maximum credit amount is 800 thousand HUF. The subsidy is two-third of the interest which can be used for the renovation of building doing the saving.

Local governmental subsidy. Part of the subsidies is granted by local governments:

- Normative subsidy: local governments get 17 billion HUF from central budget, which amount is distributed according to their own housing measures. The subsidy can be non-refundable and refundable, or interest subsidy. It can be claimed for building, purchase, renovation, modernization.
- Subsidy granted via tender. The Government launched State Subsidized Tenement Program in order to increase tenement stock of local governments.

Latest tendencies of housing sector

As a result of the described measures:

- Number of new housing construction permissions has increased significantly (by 30 % in 1999, by 40 % in the first half of 2000)
- the former declining tendency of housing credit stock turned to an increasing one, and the tendency of growth will continue
- local governmental tenement construction will increase to 4-5 times of the former one (this will however still not level number of recently sold tenements).

Chapter 2. *SOCIAL DEVELOPMENT AND ERADICATION OF POVERTY*

2.1. Provide equal opportunities for a safe and healthy life

The negative social impacts of the change to market economy have resulted in Hungary the development of a social layer, which remains permanently outside of the labour market. The poorest layers amount to 4-5 % of the population, one third of which has roma origin. Poverty has become permanent in the following social layers: in case of people living in the countryside – weak labour market position, of those being permanently unemployed, having handicapped family members, three or more children, being single parent, single old-age woman, having low education level, etc. In order to decrease the difficulties the following social system elements were developed:

- health care system
- pension system
- unemployment system
- family subsidy system (children protection)
- system of social aids (social act) and
- measures, program providing equal opportunities
- education.

These systems are partly operated on insurance basis (pension, health care insurance, unemployment benefits), partly through redistribution of tax incomes. Social subsidies are partly state subventions, partly they get to those in need in the form of subsidies granted by local government of the place of residence.

According to basic regulation of *health care system* each citizen paying social charge (or in the name of whom social charge is paid) is entitled to free health care services. For those who are socially in need of the supply but are not paying social charge, local governments provide free access to health care services.

Social security of old people is provided by the *pension system*. In 1996 an act was adopted about the extent of increase of pension, about flexible increase of the retirement age, which was the beginning of the unification of the retirement age of men and women at the age of 62. Regulation of the new pension system started in 1998. The system today has several pillars: state pension pillar, compulsory private pension insurance pillar and the voluntary private pension insurance pillar. Paying benefit in the

form of pension to old people who have not gained the right to pension was introduced in 1998 in order to ensure their safe living.

2.2. Promote social integration and support of disadvantaged groups

The former three element unemployment supply system (paying unemployment benefit in proportion with the period of employment, paying income replacing subsidy for two years after the expiry of the benefit, granting social aid) has changed into a two element system with the cancellation of the element in the middle. The maximum period of granting unemployment benefit has also decreased from 12 months to 9. Local governments should organize at least 30 days employment opportunity for those turning to them for help (public work) and benefit is granted only after fulfilling this work (besides meeting other conditions).

In the field of family subsidies family and children protection has gone through complete renewal and restructuring since 1996 by enacting law no. XXXI. of 1997 on „The protection of children and on management of the system of ward”. According to the act on protection of children implementation of tasks and measures in connection with children and families are to be managed by local governments and by ward corporations operated by them.

Elements of the practically three-pillar children upbringing system are the following:

- *family allowance*
- *tax allowance*
- *regular children protection aid.*

The child care subsidy is the income replacing payment to the parent taking care of the child until 3 years of age of the child.

Children upbringing subsidy can be claimed by families taking care of three or more minor age children.

The system of child care fee was restored on January 1, 2000. Up to age 2 of the child subsidies can be paid to insured parents, who during the previous two years have paid social charge for at least 180 days.

After delivery of a baby mother's allowance can be paid to women who, during pregnancy, have visited the pregnant woman nursing centres at least four times.

Task of central governmental organizations and of county and local governments in the *social aid system* are regulated by law. The elements are the following:

- *Financial supports depending on social need*, like benefits to old age people and regular social aid.
- *In kind social services*: burial paid from public funds, public health care services on the basis of certifying right to health care services.

The above listed forms of subsidies will not be enough on the long run. Therefore actions aiming at the decrease of poverty should be extended. The three main problem areas are the following:

- reintegration of those living in constant poverty, their picking out of poverty,
- handling of specific problems of Roma people
- compensation of disadvantages resulting from decentralization of social subsidy system.

Significant changes have taken place already during the past years in the social supply system – including subsidy of families – in a way that total expenditures within the state budget system have not changed at all, or only to a minor extent. Supplies, subsidies are mostly transferred into the competence of local governments, in principle the system is not related to any sector, the character and way of governmental control is limited to the determination of legislative frames, while multi-channel financing has been developed.

2.3. Promote gender equality in human settlements development

In the field of education in the 25-39 years old generation more women have higher education, than men, the same refers to secondary school education. On the other hand women have larger share in the group having education less than 8 classes of elementary school. (In the 15+ years population 10,6 % of men and 18,5 % of women do not have the mentioned basic education). It is however a tendency that increasing proportion of young women are taking part in higher education.

In the field of health care supply determining fact is greater vitality of women. Expectable life span in 1998 was: 75,1 years for women and 66,3 years for men. Difference between the two genders is 8,8 years. The same figures in the neighbouring Austria were in 1998: 74,3 years for men and 80,8 years for women. In Russia men lived up to the age of 61,3 and women up to 72,9 in 1998. There are only 4 countries in the 43 European countries where expectable life for men is lower than the one in Hungary. In case of women 9 such countries can be found.

The unemployment situation is determined by the conflict between the traditional one earner family model and between the endeavour of the centralized planning system for full employment. Activity rate in the 15-74 age group in 1999 was 61,4 % in case of men and 45,4 % in case of women. In Hungary ratio of registered unemployed was 7 % in 1999. The real situation is however worse, since part of unemployed are not registered. The ratio is significantly higher in Slovakia (16,2), in Spain (15,7) in France (12,1), in Finland, Greece and Italy (in each case 11,7). Characteristic feature of the Hungarian unemployment is the lower ratio of unemployed women compared to men. In international comparison Hungary has an unfavourable position with respect to economic activity. According to a 1998 figure 146 economically non-active persons get on every 100 economically active ones. The same figure is 111 in Austria, 98 in the Czech Republic and 88 in Denmark.

Based on the number of local council members and on their nomination, participation of women is characterized by the following:

Among all candidates of the 1998 local governmental elections 23,7 % was women and 76,3 % was men. Proportion of elected representatives: 77,1 % men and 22,9 % women. 87,3 % of all mayors is man and 12,7 % is woman. These proportions show that direct participation of women in decision-making, thus in the management of settlement development remains below the expectable level, although there is no discrimination in this field.

Measurements, programs promoting gender equality:

- Act and other measures were adopted to promote equality and autonomy of handicapped people, their active integration into social life. The National Handicapped Management Program contains all principles, strategic targets and tasks, which require coordinated government actions in order to implement the equality act, but they cannot neglect support of local governments and their institutions, of civil organizations, as well as active participation of handicapped people
- programs promoting equality of women
- programs alleviating disadvantages of Roma people
- measures dealing with homeless people.

Expenditures for subsidies, services aiming at promoting equality can be divided into two groups from financing point of view:

- direct payments from budget sources (e.g. family subsidies and subsidies to handicapped people and to those with changed working ability),
- supplies provided and financed by settlement local governments to which central budget contributes with centralized budget allocations and with financial and in kind social and child welfare subsidies, granted on the basis of differentiated quotas. The quota is differentiated according to the main social indicators of the settlement.

Chapter 3. ENVIRONMENTAL MANAGEMENT

3.1. Background

Hungary's GDP decreased by 15 % over the period of 1990-1993 and then increased, returning to the 1990 level. Industrial and agricultural activity followed a similar pattern although agricultural output is not yet back to its 1990 level. Since 1990, total final energy consumption has decreased due to the overall stagnation of industrial production and the fall in agricultural production, partly offset by the rise in consumption by households (electricity and gasoline). Road freight traffic has evolved in line with GDP and road traffic remains below OECD average (in vehicle-km per capita terms). Overall, decoupling from GDP has occurred for SOx emissions, for

water extraction and for the use of agro-chemicals. Weaker results (CO_2 and NO_x) and even negative trends (municipal waste) are to be noted. Given the present growth prospects, these results in eco-efficiency need to be consolidated and expanded, with particular attention to energy, industry and transport sectors, and to production and consumption patterns.

At the millennium, the protection of the environment and the conservation of natural resources can be considered to be major challenges in Hungary. With special regard to the future accession to the European Union (EU), Hungary has to take appropriate measures to improve environmental quality and has to eliminate existing deficiency in legislation and implementation while ensuring enhancement of social welfare and increased economic competitiveness.

3.2. State of the environmental media

3.2.1. Air quality

In Hungary, the level of air pollution is determined by production and consumption patterns. During the past decade, several factors affected the quality of air such as e.g. a considerable fallback of the industrial production, the closure of numerous big industrial production plants, the gradual introduction of new technologies, the wide use of modern energy-saving household equipments, increased car traffic, and the exclusive use of unleaded fuel. The air quality of the country – despite a reduction of „traditional” pollutants emitted in the past couple of years – is still not satisfactory in a number of areas. Nearly half of the population lives in polluted areas which account for more than 8 % of Hungary's territory.

During the past decade the emission of sulphur dioxide, lead and heavy metal has significantly been decreasing, so the quality of air has improved in this respect. The emission of particulate matter also shows a significant decrease on account of reduction in industrial emissions (which can be attributed mainly to economic factors), and a reduction of power plant emissions due to the upgrading of dust filters. However, in some specific measurement locations, the concentration of particulate matter is still above the permitted national limits. In the same period, emissions attributed to transport have doubled. Air pollution is still a great problem because of nitrogen oxides and tropospheric ozone concentration. Since 1990, the annual average concentration of tropospheric ozone has slightly been increasing both in urban and rural areas.

3.2.2. Water quality

Our largest rivers (Danube and Tisza) have a significant self-purification and high dilution capacity, due to the large water volumes. Water quality of our lakes (the largest are Balaton, the Velencei and Fertő lakes) and of water reservoirs mostly depends on the hydro-meteorological conditions and also on the actual nutritious material content. Lake Balaton is not contaminated from micro-biological point of view. The Velencei Lake which is in a developed state of eutrophication, contains large amounts of dissolved salt and organic matter. Water quality of Lake Fertő and of Kisköre reservoir is good.

3.2.2.2. Ground waters

Ground waters are extremely important for Hungary because of their determining role in supplying potable water. Nearly two thirds of our water resources is vulnerable. Generally, the quality of our ground waters correspond to the potable water specifications with the exception of some individual water bases where some components in the water do not comply with either the Hungarian or EU specifications (e.g. arsenic).

3.2.2.3. Waste water

The proportion of settlement waste water led into surface waters exceeds 80%. The proportion of biologically treated waste water is around 54% and the part treated mechanically or not treated at all amounts up to 46%. The backlog is especially apparent in the capital city and in some other big cities. Only 40% of the industrial waste water emitted into surface waters is adequately treated. Another problem is that the necessary pre-treatment of industrial waste water led into the urban sewer system is not solved.

Emission of communal and industrial waste water into rivers is concentrated in big cities and in the industrial area. In the second half of the 1970s, load on the surface waters started to decrease mainly due to the decline of industry. During the 1990s, along with the shrinkage of industrial activities, industrial emissions into the surface waters have significantly decreased. Currently, more than 80% of load is emitted on the Danube and the rest on the Tisza seepage area. Nearly three fourths of Budapest's waste water is led to the Danube directly without treatment. The Danube is primarily loaded with the settlement wastewater, the sugar, paper and cellulose industrial micro-pollutants as well as emissions from chemical, iron and steel industrial plants.

3.2.3. Soil

Since the 1970s, one of the biggest concerns in Hungary has been the rapid degradation and loss of fertile soil. Contributing factors are erosion and deflation caused both by natural forces (rain, wind) and by human interference with nature such as the use of different agro-technical elements. Soil degradation is present on 40% of the country's territory. The significance of this can be realized when one takes into consideration the fact that agricultural land accounts for 20% of the total national property of Hungary.

In connection with soils, acidification (when the pH level of soils is below 6.5) is also a significant issue. Salinisation can also be considered to be a severe problem since this phenomenon is present on 760 thousand hectares, i.e. on 8% of the country's territory, out of which 200 thousand hectares have become saline as a result of human interaction. Moreover, 245 thousand hectares are exposed to the danger of salinisation. Not only fertility loss, acidification and salinisation have been the signs of degradation, but also the structure of soil has been deteriorating (e.g. soil compaction).

3.2.4. Waste

The amount of *settlement solid waste* is approximately 5.0 million tons (500 kg/resident/yr) and this raises by 2% each year. The proportion of packaging material and especially of plastic increases while the glass and metal content decreases. Approximately 82% of the settlement solid waste is collected in an organized and regular manner. The vast majority of waste is disposed into communal landfills.

The *settlement liquid waste* as a special category is generated where there is no adequate sewerage network. This amounts up to 100 million m³ each year. A part of this waste is directed to the public sewerage network and another part (70%) into communal landfills. Current capacity of operating waste water plants is far from being sufficient to treat this type of waste.

The *non-hazardous production waste* has greatly been reduced due to the fallback of industrial production. According to current estimates, this is now around 4 million tons. A part of this waste is stored by the producers themselves. Waste accumulated mainly from mining and the energy industry accounts for more than 400 million tons. The amount of waste accumulated in mine reservoirs is an estimated 1 billion tons.

In 1996, approximately 2,6 million tons of *hazardous waste* have been generated. Hazardous waste is stored in the factory landfills for decades, total amount of which is estimated as 34 million tons.

3.2.5. Noise

In Hungary, the main source of noise is road transport which accounts for 90% of the total noise pollution. In urban areas, the level of noise has not been increasing. A contributing factor to this is that the proportion of more environmentally-friendly vehicles has significantly been increasing.

3.2.5. Nature conservation and biological diversity

Thanks to its geographical situation, Hungary has a wide diversity of Euro-Asian flora and fauna, and thus the country is rich in species. Because of the division of ecosystems, many Hungarian floral and faunal species are endangered.

Flora and fauna of Hungary is a mix of species from three climate zones (Atlantic Alpine, continental and sub-Mediterranean). Most part of the country lies in the Pannon bio-geographical region characterized by warm-inclined forest and steppe ecological systems. Major part of the most characteristic Pannon flora and fauna lives on garssy areas and on rocky grasses.

Approximately two thirds of Hungary's territory is agricultural area, most part thereof is arable land and covered by perennial cultures and 13% is permanently grass. Approximately one third of the country is covered by forests and other trees (19%) and areas withdrawn from cultivation (14%).

Chapter 4: ECONOMIC DEVELOPMENT

In the 90s market processes have strengthened spreading of territorial inequalities, mainly between Eastern and Western parts of the country. The small region and settlement development spatial structure is of mosaic type, development axes and in-between shadow areas can be found on the economic maps. It is however a definite tendency that dynamic economic development has started in many regions of the country, while former, outdated, environment destroying technologies have got into the background in industrial development.

Development and growth differences between the capital and the rural areas produce different economic structures and significant duality in living standard and quality of life. Relations of the capital are mainly tied to the world market, at the same time dependence on direct control, what was prevailing in the period of centralized economic management, has decreased significantly.

The main point of economic transformation was elimination of the state's determining role. This was mainly done through privatization, by the appearance of foreign capital and by the restructuring of domestic economy.

Privatization

Regional impacts of state privatization implemented at the beginning of the 90s are contradictory. New owners of the sold companies have in many cases introduced operating capital, technology and modern management methods, contributing by this to competitiveness of the economy. In the course of privatization economic and market objectives were mostly dominating, but where privatization was fast and successful, it contributed to socio-economic renewal of the given region. The collapse of the system of marking Hungarian industrial plant sites is a serious and still today existing problem. The system played a crucial role in the employment of the regions and its destruction has also contributed to the increase of unemployment. Privatization strategies of the 90s had not indicated that it would have been advisable to consider regional aspects in the course of selling state assets, they still can be found in part of the objectives. These are e.g.:

- support of domestic businessmen, suppliers, raw material producers
- subsidies to conservation and creation of workplaces
- spending of privatization incomes on reorganization and mitigation of environmental harms.

The objectives were aiming at enlargement of the market, stimulation of investments, that is general improvement of economic conditions. The financial sources however have been scarce until now.

Foreign capital inflow

The major part of the economy went into foreign property. Two thirds of the output is produced by companies directly owned by foreigners, but taking into account the indirect foreign ownership, the ratio is 85%. At the end of 1997 nearly 26 thousand

companies with foreign interest had been working in Hungary. Regarding the weight of foreign capital in different economic sectors, there is a 85% share in the banking sector, in chemical industry and in engineering sector, while the proportion is significant (around 70%) in food industry, building material production and energy sector. Thus foreign capital basically determines the Hungarian consumer market, too. After finishing privatization, foreign investment will hopefully increase capacities and will introduce certain economically profitable functions (e.g. research + development, supplies).

Change of economic organization structure

Organization structure of the economy has gone through important changes especially in the second half of the 90s. While in 1990 nearly 27 thousand companies were registered, the figure increased 6 times by 1999. During the same period number of registered private enterprises increased by 40% and surpassed the figure of 650 thousand.

4.1. Strengthen small and micro-enterprises in industry

After 1989 tremendous changes have taken place in the organization structure of industry. The big company structure had collapsed, number of smaller industrial enterprises had increased. Industrial production decreased by nearly 20% between 1990-92. Number of employees was by 40% less in 1999 than in 1997. GDP decreased to 40% of the former one. From 1995 production had started to increase again. The key factors of were privatization and appearance of green field investments, which have got significant financial support and brought modern technology, products and capital into the country. In the course of development of the new spatial structure of industry the most important factors were traffic-geographical location (distance from EU and accessibility) and quality of manpower instead of the former raw material orientation and quantity of labour force. These factors are decisive in the renewal of traditional industrial areas and in the development of new industrial locations. In the new of industrial development phase major part of Hungarian economic output is produced by subsidiaries of some big multinational companies. *This may contribute to the growth of small and micro enterprises, the support of which is of priority interest in the national economy.*

4.2. Agriculture

Between 1990-98 both absolute and relative weight of agriculture had decreased in the national economic output. During this decade profound changes have taken place in the property relations of agriculture, caused by indemnification and privatization. As a result of privatization and of transformations role of individual farmers has increased in land use. Nearly 90% of land went into private property and state ownership has remained big only in the forestry sector (over 50%). Characteristic of the organization system of agriculture is that by 1998 number of agricultural enterprises has increased to more than 10 times. Proportion of cooperatives has decreased, while ratio of companies increased to 64,3%. By 1998 number of private businesses has also increased to three times (28 thousand people). Agriculture is not an attractive

investment target for foreigners owing to a ban on purchase of land by foreigners, to the low income producing capacity of agricultural activities and to slow capital return. On the other hand, exactly for this reason it is still mainly in Hungarian property.

Employment difficulties effecting all sectors of the national economy have first appeared in the agriculture, mainly because employer functions of socialist cooperatives which were maintained irrespective of the economic results were ended. Thus by the end of the decade number of agricultural employees decreased to one third (310 thousand people). The mass production-oriented product structure is also outdated. Today diversification of agriculture on the one hand and introduction of other economic sectors on the other are very important to increasing population maintaining capacities of rural areas.

4.3. Tourism

On world scale tourism is one of the biggest and fastest growing economic sector. Its economic importance is indicated by the fact that in 1999 nearly 12% of world GDP was coming from tourism and this sector provided employment to about 200 million people. According to forecasts of tourist world organizations the sector is facing further dynamic development and its volume will probably double in the coming ten years. By 2010 incomes from world tourism – envisaging yearly 4-5% growth – will increase to 6800 billion dollar. In Hungary, following the change of political system and restructuring of the economy market conditions have developed in the field of tourism, too. After privatization small and micro enterprises have been dominating tourism. Since 1998 special Tourism Committee is working within the Parliament, in the government the Minister of Economic Affairs is responsible for the supervision of tourism, the work of whom is supported by the National Tourism Committee, acting as professional body. System of touristic regions covering the whole country and adjusting to the planning-statistical regions has been developed, taking into account specificities of tourism. (9 Regional Tourism Committees and 9 Regional Marketing Directorates and Regional Touristic Project Büros performing operational functions were established). Tourism is one of the success sectors of the Hungarian economy. In Hungary foreign currency incomes from tourism – with very low import content – have increased four times between 1990 and 1999. Total foreign currency income of tourism was 3,4 billion dollar in 1999, covering three fourths of the foreign trade deficit, thus it had significantly contributed to the decrease of balance of payments deficit. According to expert estimations already more than one tenth of gross national product is coming from tourism in Hungary and the sector provides employment and living for more than 350 thousand people. At the same time tourism is able to fasten economic development and to improve economic balance. Tourism sector has one of the strongest pulling force, it may promote closing-up of backward regions, conservation and use of natural and cultural values, improvement of living conditions of the population. Hungary has extremely good conditions to the development of tourism. Hungary is situated in the centre of one of the biggest tourism market of the world, in Europe, concentrating 60% of tourist arrivals and 51% of incomes from tourism. Although there is no world class attraction in Hungary, we have several specific regional touristic features. Hungary has good possibilities for the development of healing and thermal, conference, business, incentive, cultural, eco-, wandering, bicycle, horse riding, hunting and sport tourism. In agreement with the above written the Tourism Development Program of

the Széchenyi Plan envisages for 2001-2002 development of 6 sub-programs, namely healing, thermal, conference, thematic park, palace and castle tourism, building out of touristic information systems and development of other quality touristic products. To this end 25 and 28,1 billion HUF central budget sources are granted.

4.4. Productive services

Business services have changed considerably economic life of Hungary. This is proved by the fact that the sector has a 15-20% share of GDP and 10-12% share of employment. The banking, economic service and R+D spheres show significant territorial differences within the country. These differences decisively determine regional development, which is shown by the reorganization of bank system, too.

4.5. Encourage public-private sector partnership Stimulate productive employment opportunities

Basic changes in property relations have resulted different cooperational forms between public and private sectors. Among them the most typical are: partnerships of local governments and private businessmen, cooperation between the different non-profit organizations and between these organizations and private businesses. Development of partnerships, cooperations is a long process and is based on mutual confidence, on harmonization of different activities, on correctness of business relations. In Hungary we have little traditions in this field owing to the several decades of centralized economic management, support can be received from the meeting of favourable experiences and interests.

Public work programs organized by local governments aim at temporary decrease of unemployment.

In Hungary strenghtening of partnerships and increasing of job creations are supported by tender possibilities, where resources belonging to the disposition of different sectors and funds of foreign aid programs can be gained through tenders. In case of the majority of tenders partnership and job creating projects are granted priority.

In order to accelerate regional economic development a central databank is developed in Hungary in the frame of National Territorial Information System. The next step is the establishment of information systems in the counties in order to integrate small region information on county level. The regions – comprising some counties – can organize their territorial information system via the connection of county networks.

Chapter 5. GOVERNANCE

5.1. Promote decentralization and strengthen local authorities

Constitution of the Republic of Hungary provides the right to local governance for electors of towns, cities, the capital and its districts, and of the counties. This right means independent, democratic management of local public matters, the use of power in favour of the local population. Chapter 44/A of the Constitution ensures basic local

governmental rights. In the frame of this the basic law determines that the board of representatives has independent regulational and management right in local governmental matters, only legitimacy of the decision can be revised. With respect to the local governmental assets, rights of the owner are practiced by local governments. As to its economic activity local government is independent and is venturing on its own account. It is unclear however how responsibility is taken.

In order to perform its tasks formulated in the law the local government has the right to generate income, besides it is granted governmental subsidy in proportion to the assigned tasks. In the frame of the law local government determines independently its organizational and operational structure.

Local governmental system of the Republic of Hungary includes the capital and its 23 districts, 19 counties, 22 cities of county rank, 237 cities and 2875 towns. Total number of local governments is 3177.

Act no. LXV of 1990 on local governments determines operational rules of local governments. In agreement with the Constitutional regulations it stipulates that only the Parliament can set compulsory task for local governments, this right is not granted to other public administration units (Government, decentralized organ). Professional rules of performing different compulsory tasks, their implementation, requirements of operation of local governmental institutions are determined by the competent minister.

The Government, with the involvement of the Minister of the Interior is responsible for the control of the legitimacy of activities of local governments and this is done via the metropolitan and county level public administration offices. Characteristic feature of legal control is that the control organizations only have the right to check the legitimacy of operation, decisions of local governments, their usefulness and economic viability cannot be investigated, such right is not granted to any other organization, either.

Implementation of the decision cannot be suspended even if violation of law is discovered. In case of normative regulation the control organization can turn to the Court of Constitution, in case of other decision, resolution it can appeal to the court in order to terminate breach of law. In general judicial organs cannot change local governmental decisions, but in case of breach of law they can annul them.

The governmental level does not have the right to dissolve a local government, to announce new elections, or to appoint a governmental person for the supply of functions. In special cases, however according to rules stipulated in the Constitution it is possible for the Parliament to dissolve local government operating against the rules of Constitution. In this case the person appointed by the President of the Republic performs the different local governmental functions until the next elections.

The position of local governmental representative is incompatible with certain economic, public administration functions. If the representative does not suspend these activities within a certain time, the board of representatives may announce incompatibility and can cancel the mandate, which decision can be vetoed by the representative in the court.

5.2. *Encourage and support participation and civic engagement*

According to the regulations of the act on local governments the local government has wide enough scope of authority to determine its own tasks (facultative tasks) and to ensure the performance of compulsory functions determined by the law. In order to fulfill these tasks local government determines independently the way of implementation of tasks and its schedule. A recognized need is cooperation, association of settlements for the collective solution of certain problems.

Act on local government regulates the involvement of the citizens, civil organizations into decision-making. Representative bodies should determine forums (city or town political forum, discussion in a part of the city, village meeting, etc.) which serve direct information, involvement into the most important decisions of the population, of social organizations. The decision-making representative body should be informed about resolutions of these forums, about the expressed minority views.

The guarantee of direct exercising of local power is local public voting and the institution of people's initiative. It is also regulated that electors can avail of this right not only for expressing their views, but local public voting can decide a matter, because the representative body cannot deviate from the opinion of the population.

The act regulates the procedure in detail and excludes certain subjects from the circle of local public voting.

Participation of electors with mandates is also an important element of the work of bodies and committees established by local governments. The Act – with referring to it – is urging local governments to elect not only local representatives as committee members, but their dominance should be ensured.

It is also formulated by the law that representatives of important organizations, providing services in the given field, delegates of social organs and other citizens using the services should be elected into the committees.

Certain acts especially underline the right of civil organizations, social organs to require their opinion before making certain decisions, on the other hand these organizations are themselves entitled to initiate the revision of decisions in the court.

5.3. *Ensure transparent, accountable and efficient governance of towns, cities and metropolitan areas*

Economic management, disposal of assets and their legitimacy, usefulness and efficiency are controlled by the State Court of Auditors, subordinated to the Parliament.

These revisions cover definite subjects. During the four years of local governmental cycle, revision is held – in general up to city level – in every county, metropolitan, city local government.

Contracts and tenders relating to services provided by the city are all public. This is also provided by the law on the publicity of data of public interest, stating that all data on economic activities of the organizations – with the exception of narrowly defined state secret and official secret – is public.

Act on local governments also makes possible that – in general – citizens can also participate in the discussion of the content of the contracts on the meetings of representative bodies, they can express their opinions, submit their proposals.

The act makes possible for the local representative body that in case of discussing matters of asset management, if business confidentiality would be hurt, closed session can be declared, where besides the members of the representative body, only the (nationality) minority spokesman and the clerk, as well as – if invited – the concerned person and the expert can be present.

Public procurement procedure of local governments is also regulated by law, which makes compulsory above a certain value the running of public procurement procedure. In principle this makes possible the opening of public tender procedure and making objective decision. The practice however is far from this ideal situation.

The economic management – under outside control – is performed by financial committee of local government and by the employment of auditor, compulsorily demanded for certain cases.

No sanctions can be enforced against elected public officials in case they are making „mistakes” in the course of economic activity or in connection with contracts. Should they however be criminal cases, criminal rules are to be applied.

Responsibility of civil servants preparing local governmental decisions is more serious, their labour and public service responsibility cover competence and objectivity. If these are offended, disciplinary procedure can be initiated against them, which could even lead to losing of office in more serious cases.

In the Hungarian legal system there is no special rule for the dissolving of possible interest conflicts. But both the civil organizations, the population and the individuals have the right to initiate at the Court of Constitution constitutional revision of the local governmental decision if it results infringement of citizen rights.

Parallel with preserving independence and obligations of local governments, bigger space should be given to county and regional institutional systems. Clarifying scope of authorities of middle level public administration is ongoing.

Chapter 6: INTERNATIONAL COOPERATION

Hungary started replacement of Comecon orientation with other international relations at the end of the 80s. The most important relation was cooperation with the European Community. Today this is implemented on national level, direct international contacts of the regions cannot be regarded characteristic.

Hungary and the European Community entered into diplomatic relations in August, 1988. This made possible for Hungary to sign a trade and cooperation agreement with the European Community for a period of 10 years. PHARE Program was worked out in 1989, the aim of which is to provide financial and professional-organizational support in key areas to the change into market economy to countries willing to access the Community.

Agreement between Hungary and the European Community, publicly known as association agreement was signed in 1991. Chapters on cooperation contain integration elements preparing the accession to the European Union. In 1994 Hungary submitted its application for the accession to the EU. In 1995 Cannes Conference of the Council of Europe adopted the legal harmonization program based on the so-called White Book, which was approved by the Government in December 1995 and confirmed by Government resolution no. 2043/1995(XII.12.).

Reply of the Hungarian Government to the European Union's questionnaire was prepared in summer 1996. Based on this experts in Brussels had prepared country report on Hungary, necessary to the starting of negotiations on accession. Regional policy is contained in the chapter about socio-economical cohesion. Negotiation strategy of the Hungarian government, including negotiation principle in connection with regional policy were worked out in 1999. The EU follows with attention preparation of countries waiting for accession. Periodical „country reports” are prepared regularly, the latest one in autumn 2000.

Our most important international cooperational relation is certainly connected to the European Union, in which we will be full right members from 2003 according to the plans. For the preparation of this accession EU is operating wide scale subsidy systems, of which our country is also taking part. Regional policy has an important role in this.

The European Union represents uniform standpoint on regional policy, which is not regarded a sectorial policy, but an integral part of the economy, a development policy sphere comprising the main economic sectors. Countries applying for full right membership are however not yet prepared for the challenges demanded from the member countries in the endeavour to build a unified Europe. Committee of European Communities provides significant financial and professional support to the preparation for the accession (PHARE, ISPA, SAPARD, etc. programs).

Regional cooperation of four countries (Italy, Austria, Hungary, Yugoslavia) under the name of „Danube-Alps Euro Region” started in 1989 on the initiative of Hungary. From 1990 this association was enlarged by other countries, changing its name accordingly (Pentagonale, Hexagonale, CEI – Central European Initiative).

In 1992 the „Visegrád Meeting” was also convened on the initiative of Hungary, where historical agreement of 3 countries belonging to the Western-European cultural circle (Hungary, Czech Republic, Poland) was revived.

Carpathian Euro-region, the regional cooperation of close to the border regions of neighbouring countries (Slovakia, Poland, Ukraine, Hungary, Romania) has also been organized on the initiative of Hungary since 1995.

Hungary has become member of several important international organization dealing with economic cooperation, like e.g. UN European Economic Commission, OECD and CEMAT....

UN European Economic Commission

Hungary takes active part in the work of UN EUROPEAN ECONOMIC COMMISSION (with headquarter in Geneva).

UN EEC has formulated guidelines in its DECLARATION, giving orientation to the EEC region about improvement of settlement conditions in the 21st century, keeping in mind aspects of sustainable development.

In September 2000 Ministerial Meeting was held in Geneva, where the participants accepted the guidelines. The guidelines cover improvement of housing conditions, of settlement environment, questions of urban reconstruction and a lot of other up-to-date problems.

Point 7. of Ministerial Declaration aiming at improvement of living conditions in EEC region in the 21st century urges measures for the establishment of professional, legal, public administrative, economic and social forums.

OECD – Organization for Economic Cooperation and Development

The organization comprising highly developed countries (today there are 30) was established in 1960 with macro-economic orientation, but with objectives covering a lot of other partial areas. Hungary joined the organization as 27th member country in 1996. The organization with head office in Paris has no direct financial sources, but plays an important guiding role in the field of economic development. The member countries – thus Hungary, too – have representative offices in Paris, separate from EU.

Hungary takes an active part in the work of the organization, among others in the

- urban development
- rural development workshops and
- workshop on statistical indicators.

Its activity comprises preparation of regular analytical country reports about the economic and regional development policies. OECD prepared country report about Hungary in 2000.

CEMAT – Conference of European Ministers on Regional Planning

Conference of European Ministers on Regional Planning builds a bridge between European Union member countries and non-member countries. It has sessions every second year and urges the spreading of the European Regional Development Concept to other continents, too. The closing-up of East-Central European countries requires harmonization with regional policy of EU, in which significant role can be played by CEMAT. Resolutions no. 1 and 2. of 12nd meeting of the organization pays special attention to specific regional development questions of newly accessed or waiting for access countries, to the strengthening of cooperation with member countries.

6.1. PHARE Programs

Regional development sub-programs of these programs are operating very efficiently.

The first PHARE Regional development program (1993-1996) covers three subjects:

- further development of domestic regional policy
- implementation of experimental development programs (in Borsod-Abaúj-Zemplén and Szabolcs-Szatmár-Bereg counties),
- encouraging cooperation between settlements.

The program was successfully implemented, its most important results are the following:

- Act no. XXI. of 1996 on regional development and management has integrated a lot of elements of EU regional political practice, as a result of which it can be expected that the Hungarian regional policy will utilize in the future best experiences of developed European countries
- An important change has taken place in the thinking of the participants of regional policy, partly as a result of cooperation of foreign experts, partly following study tours, and domestic team works.
- With the implementation of the program development of domestic settlement associations/unions has been accelerated and their cooperative activities enlarged.

Second PHARE regional development program (from 1997) contains

- Integrated Restructuring Program of Borsod and
- enhancement of regional development system.

In the frame of the implementation of the program a national insitutional system was developed, the most important function of which is decentralization of regional political practice, building out of regional decision-making system. The National Regional Development Council is working efficiently and the regional institutional system is under development which can implement the practice of program planning after accession to the EU, in EU conform system of NUTS 2. Regional units.

6.2. Close to the border cooperational (CBC) programs

These programs have also started with EU support. CBC program was started in 1995 for the common development of European Union member countries and of close to the border regions of neighbouring countries, with the use of EU sources. Among them the most important are:

- Five year indicative program aiming at development of Hungaro-Austrian border regions (subject: regional planning, regional development, development of technical infrastructure, economic development, human resources development, environment protection and nature conservation).
- Hungaro-Slovenian-Austrian nature conservation, environment protection and economic development program (on the basis of yearly plans, with the need for continuation through several years).
- Hungaro-Slovakian-Austrian development program
- Hungaro-Romanian program (regional planning, regional development, infrastructure development, environment protection, nature conservation program).

6.3. SAPARD Program

The European Union's SAPARD program supports agricultural and rural development programs between 2000-2006, the main target of which is closing-up of rural regions, establishment of pre-accession conditions.

The Hungarian SAPARD plan was accepted in Brussels in September 2000, development of tendering, evaluation and monitoring system is ongoing.

Ministry for Agriculture and Rural Development is responsible for the implementation of the Hungarian SAPARD plan with its decentralized institutional system being under construction. The system makes possible better utilization of local resources, more active participation of inhabitants and non-governmental organs of rural settlements, increased cooperation of the concerned economic, social partners.

6.4. ISPA Program

On the threshold of the accession to the EU environment protection problems and development of transport infrastructure influencing quality of life are the most serious problems in our country. Limited availability of resources strongly influence the faster and more efficient solution of these problems.

The EU is also aware of these problems, that's why it established ISPA institution and the financial support fund for the promoting of closing-up of countries waiting for accession. Distribution of financial sources between the two fields is 50-50 %, for which candidate countries can apply with projects meeting priorities of the institution.

Till the day of accession Hungary can apply for about 90 million EUR non-refundable amount every year, to which similar amount of own sources should be added. Projects submitted by our country and accepted by Brussels aim at in the field of environment

protection development of waste water treatment plants, building out of complex communal waste management systems and development of selective waste collection on the settlements (treatment, regional neutralization, recycling), while transport projects contain accessibility and railway rehabilitation project improving service level.

In the coming years the country plans to use this possibility in similar distribution for the implementation of transport projects promoting regional social and economic cohesion and of environment protection investments directly improving living conditions.

6.5. *INTERREG II.C. Program*

This program was prepared for the Central, Adriatic, Danubian and South-Eastern spaces of Europe (CASDES = Central, Adriatic, Danubian, South-Eastern European Spaces). Participants of the program are: Austria, Germany, Italy, Greece and non-EU countries located between them, like e.g. Hungary, Poland, Czech Republic, Slovakia, Slovenia, Jugoslavia, Croatia, Bosnia-Herzegovina, etc.). The program aims at cooperation among actors of „spatial planning”.

Chapter 7. FUTURE ACTIONS AND INITIATIVES

7.1. *Fitting into comprehensive economic development plan*

In 2000 the Hungarian Government worked out a comprehensive economic development Plan (Széchenyi Plan). The plan comprises in a complex system all the fields where lag of Hungary behind the European Union prevents development and closing-up of the whole economy, as well as those outbreking points, development of which would excerce multiplicative and pulling effect on the economy as a whole.

The Plan gives frame and system to actual economic development programs, making possible that individual programs mutually strengthen each other's impacts. Taking into account economic backwardness, outbreking possibilities and stability limits the Plan contains the following operative programs:

- Highway development program
- Innovation program
- Housing program
- Tourism development program
- Supplier program
- Small and micor enterprise development program, as well as
- Regional economic development program.

Housing program of the Plan envisages – as quantitative target – construction of 35-40 thousand new homes every year. Quality target are at least that important, namely:

- ensuring possibilities of obtaining the first home in market conditions and by using state subsidies

- increasing the share of tenement sectors in harmony with characteristics of different regions and settlements
- increase of mobility with housing policy means (promoting the easing of regional tensions and free movement of labour force)
- strengthening of equality of chances (development of constructions for old and handicapped people which increase the possibility of solving housing problems resulting from special life situations), and finally
- improvement of settlement and regional image.

7.2. *Modernization of housing subsidy and financing system*

The Hungarian government has accepted a concept about main housing policy directions and about transformation of housing subsidy and financing system. This concept makes proposal for the subsidy of establishment of homes with coordinated application of economic and housing policy.

Transformation of housing policy means, introduction of new methods and significant strengthening of the role of crediting serve the aim that the chances of young married couples to get a flat increase, the waiting time be shortened. Together with this number of housing construction should increase, building reconstruction should become mass phenomena, tenement sector be enlarged and housing mobility increased.

In order to reach these targets total real value of central and local governmental subsidies should be increased, efficiency of their utilization should be improved by restructuring of subsidies.

Basic elements of transformation of housing subsidy system are the following:

- The present housing construction allowance system is changed, the budget grants subsidy to local governments exceeding the amount granted in 2000, which serves for the subvention of construction, purchase, renovation, enlargement of housing.
 - The circle of those entitled to subsidies are determined by local governments.
 - The state budget provides subvention to the support of market interest of housing credits, on the basis of credit contracts to the issued mortgage letters.
 - Further interest subsidy will be introduced according to certain age and/or family status conditions – in favour of beneficiaries.
 - Besides the above financing a National Housing Target Fund should be separated in the budget for the increase of local governmental tenement stock serving for social housing of people.

The following tasks should be fulfilled in order to implement the housing policy concept:

- Governmental order about budget subsidy of housing credits and mortgage letters should be formulated.

- Transfer to other banks of existing housing credits taken on the basis of legal regulations valid after January 1, 1994 should be made possible.
- Governmental order about rules of creating homes should be formulated.
- Proposal should be worked out about detailed regulation of the use and handling of National Housing Target Fund.
- Information should be sent to settlement local governments about proposed amount of central sources available to them for housing purposes in 2000 and about main conditions of utilization.

Every minister has reviewed tasks belonging to their scope of responsibility and connected to housing sector and made proposals for modernization in order to develop and operate efficiently of a new housing policy. In the future territorial coordination of housing reform measures is necessary.

7.3. *Priorities of sustainable settlement development*

A precondition of the implementation of housing construction programs meeting to the indicated targets is the development of a settlement policy corresponding to settlement requirements and comprising in unified system the general development objectives. This set tasks both to the Government and to local governments. On governmental level efficient regional policy should be operated, spatial and settlement development priorities of which take into account structural and land utilization objectives and restrictions determined from economic development, from technical and ecological point of view according to the following:

- enlargement of local employment possibilities in order to bring closer economic development and income generation of the regions, easing of unemployment by creating jobs in regions hit by heavy unemployment,
- building out, or enlargement of basic infrastructure (energy supply, environment protection) adjusted to the regional economic closing-up program,
- improvement of quality of life of population, moderation of differences in educational, training, social situation of social layers and small regions,
- building out of regional information technology strategies, development of communicational infrastructure in rural regions,
- rehabilitation of settlement system, protection of local architectural values and improvement of their level,
- decrease of migration from rural areas through the increase of alternative income generating possibilities, by stimulation of communal and economic cooperation,
- increase of qualification level of rural population,
- village development and reconstruction, protection and conservation of objective and spiritual values of the countryside,
- making spatial structure of the country more balanced, determination of new development lines and relations, with special regard to East-West and North-South connections supplementing radial spatial structure,

- ensuring more consequent integration into the global and European systems of relations,
- establishment of conditions of equal access to infrastructural services on the whole territory of the country,
- establishment of quality conditions of spatial land use by decreasing non-regulated land use, localizing and isolating land uses harmful to the environment or resulting disturbing impacts,
- establishment technical conditions of inter-settlement relations, cooperational possibilities,
- establishment of spatial conditions of favourable development perspective for the settlements, settlement groups.

7.4. *Priorities of development of international relations*

The Hungarian Government is implementating the HABITAT Action Program according to the indicated priorities, subordinated to a system of objectives which makes possible the accession of the country to the European Union. Therefore it actively participates in the work of international organizations, with special regard to organizations of the Council of Europe comprising special fields belonging to the subject, and to different UN ECE committees. In the future strengthening of regional relations, building out of direct international contacts of the Hungarian regions are first priorities.