

## Environmental and Social Data Sheet

### Overview

Project Name:	RURAL DEVELOPMENT CO-FINANCING 2014-2020 (HU)
Project Number:	2015-0628
Country:	Hungary
Project Description:	Co-financing of selected measures of the Hungarian Rural Development Programme for the 2014-2020 programming period
EIA required:	The project is a multi-scheme Framework Loan and some individual investments may require EIA
Project included in Carbon Footprint Exercise <sup>1</sup> :	Yes

### Environmental and Social Assessment

#### Environmental Assessment

The Project is structured as a framework loan from the EIB to the Government of Hungary, in support of the national public contribution to the financing of the 2014-2020 Rural Development Programme (RDP). The Project will support nine of the RDP's nineteen measures which deliver support to SMEs, climate action, environmental protection and improved resource efficiency. In addition, measures delivering horizontal support to those measures through the provision of training, advisory services and related activities are also included.

The Project is expected to deliver multiple environmental benefits, including reduced risk of forest fire damage, protection of wetlands and increased resource and energy efficiency in agricultural, forest and food production. The programme is also expected to contribute to EU environmental policy objectives in the field of soil and water management, biodiversity and climate change.

Hungary has identified restoration, preservation and enhancement of ecosystems related to agriculture and forestry as its main priority area in its 2014-2020 RDP. In addition (1) promoting food chains and animal welfare in agriculture; and (2) promoting social inclusion, poverty reduction and economic development in rural areas are significant programme priorities.

In the Hungary – EU Partnership Agreement for the 2014-2020 programming period, the RDP was aligned with Hungarian commitments in the sphere of the environment, primarily its Operational Programme (OP) for Environment and Energy Efficiency, financed by the European Regional Development Fund and Cohesion Fund. The two programmes therefore share three thematic objectives covering low carbon economy, climate change and resource efficiency.

#### Public Consultation and Stakeholder Engagement

<sup>1</sup> Only projects that meet the scope of the Pilot Exercise, as defined in the EIB draft Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: above 100,000 tons CO<sub>2</sub>e/year absolute (gross) or 20,000 tons CO<sub>2</sub>e/year relative (net) – both increases and savings.

Luxembourg, 30 September 2016

During the preparation of the 2014-2020 RDP, public consultation and stakeholder engagement were conducted in line with the requirements of Regulation (EU) No 240/2014 on the European code of conduct on partnership in the framework of the European Structural and Investment Funds, meaning engaging relevant public, private and NGO partners at each stage of the planning process, from needs identification through allocation of funding to determining the composition of the monitoring committee for the programme.

The process is documented in the text of the RDP itself, as well as in supporting documentation, including the Strategic Environmental Assessment, conducted as part of the RDP's preparation.

Stakeholder engagement is an important principle of rural development programming and as such National Rural Networks (NRN) are supported under RDPs to increase the involvement of stakeholders in RDP implementation and inform the public and potential beneficiaries on rural development and funding opportunities. In Hungary the NRN is comprised of the representatives of rural communities, local action groups and sector associations, as well as agriculture, food and forestry research and development practitioners.

Where required by EU legislation as transposed into Hungarian law, public consultation may be required for the implementation of selected sub-projects, in conjunction with public authorities.

### **Carbon footprint**

Hungary's Rural Development Programme foresees the establishment of 20,000 ha of forest plantations under Measure 8. It is estimated that the relative carbon footprint arising from this is 306 kt CO<sub>2</sub>eq/y. This exceeds the threshold for inclusion in the Bank's carbon footprint exercise (which is 20,000 t CO<sub>2</sub>eq/y).

Absolute sequestration by 20,000 ha of forestry plantations including some under semi-intensive management, and assuming average MAI (Mean Annual Increment) of 6 m<sup>3</sup>/ha/y (average for the country's forest estate), is estimated to amount to 200 kt CO<sub>2</sub>eq/y. The without-project baseline is estimated to arrive at 20% of that, assuming a much lower interest in establishment of forest plantations, with predominantly marginal agricultural use or shrub cover in the areas concerned. Therefore the relative footprint amounts to 160 kt CO<sub>2</sub>eq/y.

### **Other Environmental and Social Aspects**

All investments envisaged under the RDP are subject to applicable EU environmental and social regulations. As such, certain activities may require an EIA, subject to the determination of the competent authority, in accordance with the EIA Directive (2011/92/EU, as amended). Furthermore, where an action may affect a Natura 2000 site, as designated according to Habitats or Birds Directives (1992/43/EEC and 2009/147/EC respectively), the Bank requires that the Promoter follow the directives' procedures, as transposed into national law.

The Promoter will undertake not to commit any EIB funds to sub-projects that require an EIA, biodiversity assessment, River Basin Management Plan amendment, Flood Risk Management Plan, biomass sustainability and air quality impact assessment, according to EU and national law without, prior to commitment, receiving consent from the competent authority and having the relevant documentation made available to the public.

Luxembourg, 30 September 2016

## Conclusions and Recommendations

Taking into account the disbursement conditions and contractual undertakings associated with the Project as well as the capacity of the Promoter and the systems in place to manage environmental and social impacts and issues, the Project is acceptable for the Bank's financing in environmental and social terms.