

**Summary of the Audit on Service Provision by Local Governments in the  
field of Sewage Water Facility Operation and Development Measures  
(0416)**

In the period preceding the accession to the EU it was necessary for Hungary to carry out, among others, the obligatory legal harmonization and to set up in line with the schedule agreed some sewage disposal networks and sewage plants. The relevant EU-regulation specified the requirements as a function of the waste material output of the individual urban areas. Furthermore, it stipulated that the disposal and cleaning of the households' waste water are mandatory services to be provided by the member states, and stipulated the elaboration of national programs for implementing the respective tasks ahead the member states.

The basic requirements of water quality protection were laid down in the Act on Water Management and the Act on Environment Protection, both passed in 1995. In 1996 the Government approved the "National Program of Household Wastewater Disposal and Cleaning", setting the duties and tasks from 1996 to 2010 for the national and territorial tier. An organic part and high-priority task of this program is the government measure that promotes the wastewater treatment in the capital and 22 county-status towns through an individual system of public financial assistance. The National Environment Protection Program, passed in 1997, has stipulated that the degree of biological cleaning should be applied and waste content should be reduced accordingly. The National Program of Implementing Household Wastewater Disposal and Cleaning, passed in 2002 meets the water quality protection requirements of the European Union, with respect to the provisional derogations Hungary got for different issues until 2008, 2010, and 2015.

The development measures were funded through a variety of financial channels: earmarked subsidies, targeted subsidies and other decentralized government resources (1. the financial assistance provided for the wastewater cleaning measures of the capital and county-status towns; 2. appropriations managed autonomously by the central budget chapters; 3. interest-related subsidies) all played a part in the continuously improving subsidization system, where among the objectives the utility development measures were specially emphasized. With improvement in the financial incentives the subsidies became more concentrated, and several new arrangements, conditions were introduced for the applications in order to further the economy in the investments and also a better utilization of the available industrial capacities. Such new arrangements were (1) the promotion of new connections to sewage plants with underutilized industrial capacity, (2) putting priority on the simultaneous implementation of sewage channel network and sewage plant (3) the obligation to have at least 60 % of the

households connected to the network. On a national scale from 1996 to 2002, local governments of communities have spent HUF 465.911 million on setting up sewage networks and plants and 51,9 % of this amount came from the central government.

The local governments under review have spent HUF 90.045,1 million on the development of the sewage utility. 47,4 % of this amount was either financial assistance from the central budget or other central government assistance. From 1996 to 2002 the total length of sewage network of community local governments has increased by 23 %. The percentage difference between the proportions of households linked on one hand to the drinking water network, on the other hand to the sewage network has decreased from 38,2 % in 1996 to 28 % in 2002.

In 2002 the proportion of households with links to a sewage network was 67,6 % in annual average and this value meets the EU-requirements. At the end of the reviewed period each reviewed local government had its own sewage plant(s). The average utilization of sewage plants' nominal industrial capacity has slightly decreased, due to the decrease in industrial and household water consumption. Thus the concentration of the waste content in the water has increased; 29 % of the plants could not clean sufficiently and 87 % of them had to pay a fine.

Requirements concerning water quality protection were enforced better than before. As regards the local government reviewed by the SAO 57,7 % of the wastewater caught and disposed by the publicly owned sewage network was cleaned, and the remaining 42,3 % was discharged in the recipient water without cleaning. By the end of the period under review there wasn't any sewage plant with only mechanical cleaning performed. In 2002 cleaned output per day was 579.900 m<sup>3</sup>, 75, 5 % of which was cleaned mechanically and biologically. In addition to mechanical and biological cleaning, the remaining 24,4 % was subjected also to the 3<sup>rd</sup> degree cleaning, which means the removal of nutritive materials (P, N) that plants can use.

The major sewage development program with a financial frame of HUF 80 billion, covering the capital and the county-status towns was not finished by the original deadline (2004). The small proportion (25-30 %) of the central government financial assistance, the lack of adequate preparatory measures in terms of engineering and economy, lack of adequate coordination between authorities have all contributed to this fact. At the negotiations with the EU, derogation was given until the end of 2010 for the complete implementation of this program. In the capital city the economical and engineering preparations for the central sewage plant (located in North-Csepel) were insufficient. As regards the South-Buda Sewage Plant not even the application documentation was prepared.

The responsible government department stated that on the basis of detailed engineering and economical analyses and calculations of sewage development investments in a totaling to HUF 900-1,000 billion are required from 2003 to 2015 in order to attain the goals set by the EU-requirements for the period until 2015.

Due to the multiple-choice provisions of the Act on Earmarked Subsidies several water utility enterprises and property management companies contracted by local governments took possession of some sewage plants examined by the SAO. However, such changes in possession are contrary to Act on local governments, and the Act on water management. Both Acts impose a ban on such privatization, and stipulates clearly that the water utility property of local governments constitute part of their principal property and therefore is only partly negotiable and can be run on the ground of a contract or in form of a concession granted by the local government. Therefore, and also for the reason of securing service provision to the citizens, it is necessary to harmonize the legislation.

At the site audit recommendations were made to the local governments with the aim to further the lawful and expedient running of sewage water utilities. The Government Minister of Environment Protection and Water was recommended to settle the possession-related issues of water utilities, to survey the utilization of sewage plant' industrial capacity and to review the system of how statistical and financial data are delivered.