

REGIONAL COOPERATION IN IMPLEMENTING A WASTE MANAGEMENT PROJECT

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ABSTRACT

A precondition for the successful implementation of the ISPA/Cohesion Fund project entitled „Regional Waste Management Program of Szeged” and adopted in 2000 was the establishment of a project-based region with a population of 250 thousand inhabitants as the beneficiary of the said project. In this paper, I studied the experience obtained so far in connection with the establishment of regional cooperation, together with a review of the opportunities for further long-term cooperation.

1. INTRODUCTION

Accession of Hungary to the European Union has created a major opportunity for developing the infrastructure related to environmental protection. As early as in the beginning of the accession process, some EU resources were made available, and, from the year 2000, a considerable increase in funding has taken place (ISPA). Today, as a full member state of the European Union, Hungary is entitled to utilize common Cohesion Fund resources. These resources can be utilized under extremely strict conditions, a prerequisite for accessing them being in almost every case some kind of regional cooperation or regional integration. The old traditions of cooperation based on natural and mutual benefit had died off over the years of socialism. In the period of dictatorship, cooperation only existed in a form controlled from above and mostly subjected to the subordination and super-ordination relations imposed by a hierarchy of power. The majority of these relations became disrupted in the period following the change of the political regime, and was replaced by mistrust in and repugnance to any kind of integration efforts. Within a short while, however, the EU-initiated projects facilitated the creation of new forms of regional cooperation and the formation of project-based regions.

2. OPERATION DEFAULTS IN REGIONAL PUBLIC ADMINISTRATION FOLLOWING THE CHANGE OF THE POLITICAL REGIME

The change of the political regime brought with it a considerable increase in the autonomy of individual local governments. The law on local governments granted a number of new scopes of competence to the elected general meetings, the board of representatives of each settlement, including full political and pecuniary self-dependence. While a part of these rights had in principle been granted already in the single-party ("council-based") period, their exercise in practice was nearly impossible owing to full implementation of the central will. Contrary to local governments of the settlements, county-level local governments (earlier referred to as "councils") have lost their power, their competence and opportunities decreased dramatically, their activities became reduced to operating some institutions and assets remaining under county-level

supervision. One can argue, in general, that cooperation offers more advantages to the participants than disadvantages. Of course, that is true only if correct relations are maintained both internally and among the participants, with no participant trying to take advantage of his current situation or power. That was not the way things were managed during the period of socialism, so that unfavourable experience from the past coupled with an air of mistrust hindered integration processes considerably. However, the general world-wide tendency to promote and aim at integration appears to clearly demonstrate an increase in added value resulting from integration. This trend is best exemplified by the

European Union itself, on the one hand, and regionalism, which is one of the most important principles of integration in the European Union, on the other hand.

3. ESTABLISHING THE PROJECT REGION

As of 1999, the then available but officially unpublished criteria regarding project application required that a region of at least 250 thousand inhabitants and a budget exceeding EUR 5 million be targeted for the project to receive support. The latter criterion was easily met, however, in the case of Szeged, a total of 165 thousand inhabitants represented the beneficiaries. The organization of a waste management project region commenced on the basis of the guidelines of the Independent Department of International Support of the Ministry of Environmental Protection and the Delegation of the EU to Hungary. The objective was to set up a consortium comprising Szeged and the surrounding smaller settlements as project partners, whose purpose was to find a solution for the development of waste management in the region and establish long-term cooperation in order to prevent or eliminate pollution of the environment caused by wastes. There are 32 settlements located to the west of the Tisza river and to the south of the Maros river, within a 30 kilometre circle of Szeged. In the beginning, the majority of those settlements were reluctant to join the proposed project region. Following a period of several months of harmonization discussions and after the Local Government of Szeged had assumed a definitive obligation to assume all costs arising during project implementation, including the expenses related to design and preparation, as well as the provision of 10% of the project budget as own contribution, it was possible to have all the local governments concerned adopt and sign a Consortial Agreement.

3.1./ Consortial Agreement

The Consortial Agreement imposes obligations exclusively regarding the Local Government of Szeged, whereas the smaller partner local governments appear to assume liability only in certain particular issues, and only at the level of letters of intent. All in all, they agreed to support the development activities directly affecting them (waste courtyards, waste collection islands, remediation of contaminated areas and dumping grounds), to take over the public utility assets to be created as a result of development and, perhaps, to joining the mutual integrated waste management system that is to be set up at a later time.

3.2./ Financing the project

The party commissioned to implement the project was the Waste Management Public Benefit Company of Szeged, the public service provider owned by the Local Government of Szeged, the hosting organization of the Consortium. The costs arising were also covered by the said business entity. A coverage for the several hundred million HUF connected to preparatory activities and own contribution was provided by the fees collected by the waste management public service of Szeged. In other words, all the costs related to developing the infrastructure of regional waste management were borne by the population of Szeged. In the course of project preparation, experts from the European Union reviewed, as part of a cost-benefit analysis, the issues of project financing in detail, including not just the period of investment but also that of operation at a later time. Based on a cash-flow analysis prepared for a 25-year period of operation, they concluded that the investment project cannot be financed in the long run from the rate of revenue realized in 1999, especially taking into consideration that the approximately 350 million HUF yearly depreciation of the public utility assets worth more than 6 billion HUF (and its accounting will be strictly requested by the European Union). According to their calculation, an immediate 100% increase in the public service fees of waste transport then (2000) collected may provide sufficient means for implementing the project and maintaining operation in the long term. Taking such a radical step appeared impossible both amid the prevailing political relations and because of the inhabitants' limited load-bearing capacity, therefore the Local Government of Szeged adopted the below compromise. In order to double the real value of public service fees collected in 1999, the General Meeting assumed an obligation to increase the average fee by 10% above the rate of inflation over the period between 2000 and 2007. An agreement was made with the experts of the European Union, according to which such an obligation would provide sufficient guarantee to satisfy the financial feasibility criterion, thus they submitted the project in Brussels with their support, providing the above condition was met.

4. TENSION AMONG THE LOCAL GOVERNMENTS OF THE REGION

4.1./ Differing public service fees

The project is approaching its end, and the fees in Szeged have by now in fact doubled in terms of real value, while the fees collected in the surrounding settlements, which had otherwise been lower compared to those in Szeged, increased by a rate in proportion with that of inflation as a maximum. This actually means that an inhabitant residing in or renting an average home in Szeged pays approximately twice as much as an inhabitant of a small settlement located at a distance of as much as 30 kilometres from the city (which involves a considerably longer route of transportation). This situation turns out to be especially clumsy in cases where the service provider is one and the same entity (the Waste Management Public Benefit Company of Szeged), because an inhabitant of Szeged is right when asking why he needs to pay more, and why not just the opposite is true: why is it cheaper to collect waste from a longer distance. The service provider has identified the issue of maintaining identical public service fees for regional waste management services as a priority. Almost all service contracts concluded with the various local governments include a provision regarding catching up with the fees paid in Szeged. However, since fees are determined exclusively by the

general meeting or the board of representatives of the local governments concerned, the company responsible for the operation has no other possibility than to accept their decision, and has only limited (persuasion, some kind of pressure) to influence their decision. The objective that has been proposed includes a kind of regional tariff union to be set up for the coming five-year period, which means the application of identical fees within the region, regardless of the actual distance involved.

4.2./ Disputes over remediation

The process of remediation of dumping grounds on small settlements has been delayed considerably, first of all owing to difficulties in, and the complexity of the related permission procedures, and also due to a shortage in domestic governmental resources of funding. The Hungarian government agreed with the representatives of the EU in 2006 on financing the remediation activities from a separate national programme, therefore, the issue of remediation has been eliminated from the Waste Management Programme of Szeged officially. Although these tasks will be performed, contrary to the original schedule, only in 2008, things have changed favourably and the activities are now expected to be completed by the end of the first half of 2009 through 100% subsidy and no need for own contribution by the local governments. The local governments concerned appear to promote the completion of remediation as soon as possible because, in most cases, the validity of environmental permissions has expired and no more waste can be delivered to those dumping grounds. While everyone appears to be keen on starting and ending remediation activities within the shortest possible time, there is a conflict between the smaller local governments and the representative of the host partner Szeged, as the former keep blaming the representative for the delay, in spite of the prevailing circumstances. A specific situation has developed regarding the operation of the dumping grounds. The Local Government of Szeged purchased ownership rights for the territory of all such premises in order to perform the licensing procedure necessary for remediation in accordance with the Hungarian building provisions currently in force. The lengthy procedure of preparatory activities, however, has resulted in a number of problems. When affecting the transfer of ownership rights, Szeged only wanted to assume the task of remediation of the dumping grounds, and did not intend to take over the tasks connected to the operation of the dumping grounds as well. Even the mere costs of remediation amount to several tens of million HUF, but the settlements concerned contributed to it with no moneys at all. Now there are some local governments proposing that Szeged, the new owner of their dumping grounds, operate these premises until the completion of their remediation and, if additional costs should arise, even in the period that follows. In other words, they expect Szeged to prevent illegal waste delivery to the grounds, provide for guarding them, have the areas surrounded by a fence, extinguish any fire that may break out, and ensure that the regulations pertaining to dumping grounds are followed (including landscaping, earth covering, establishment of protective belt ditches). Considering the 32 settlements concerned, the related costs may reach as much as several hundred million HUF. This means that some of the local governments expect Szeged to have the citizens of the city pay for the costs of elimination of environmental pollution caused by the waste deposited on those settlements over several decades. They also expect Szeged to provide, free of charge and to the maximum extent, for the appropriate conditions of operating those dumping grounds as required by current EU regulations, conditions which they failed to grant over the past decades. That is, they wish these costs to be borne also by the citizens of the city of Szeged through the fees which they pay, because

a legal explanation of the situation that has resulted from the necessary transfer of ownership rights even allows for such an interpretation.

5. COMPLETION AND FURTHER OPERATION OF THE PROJECT; ESTABLISHING A LOCAL GOVERNMENT ASSOCIATION

The ISPA/Cohesion Fund project entitled the „Regional Waste Management Programme of Szeged” is coming to an end. According to information provided by the Development Directorate of the Ministry of Environmental Protection and Water Management, the public service assets created in the course of subsidized investment become, in line with the effective support regulations of the European Union, the property of the local governments involved, and are to remain their property for a period of at least 10 years. The Consortium that was set up earlier upon the recommendation of the Delegation of the European Union to Hungary and the Independent Department of International Support of the Ministry of Environmental Protection and Water Management (the legal predecessor of the Development Directorate) — whose establishment was a precondition for submitting the project proposal documentation — is not a legal entity, therefore it cannot carry out independent business activity, thus it is legally unsuitable for taking over and managing the assets. Hence, according to the harmonized position of the governmental bodies and the European Union, the issue of ownership of the assets can be legally resolved in a way that is acceptable to the EU requirements through establishment of a local government association. In accordance with the official position of the Development Directorate, the Consortium that was set up in order to implement the project needs to be transformed into an association of the local governments involved so that a legal background is provided to settle the issue of ownership and management of the public service assets created through support from the European Union.

5.1./ Ownership rights within the Association

The Association as an organization representing an independent legal entity will be the owner of the public service assets created as a result of joint development activities. The ownership of the undivided common property is shared among the local governments participating in the Association in proportion to their respective share of liabilities. Common liabilities and costs are shared among the participants, by default, on the basis of the proportion of the population. By contrast, in the case of the Regional Waste Management Programme of Szeged, all costs so far have been borne by Szeged alone. As regards costs that will incur in the future, the local governments will have to perform payments to be determined in line with the number of inhabitants.

5.2./ Provision of basic service, management of the public service assets

According to the Consortial Agreement, the provision of basic service and the management of the public service assets is the duty of the public service provider owned by the Local Government of Szeged, the hosting organization of the Consortium. In pursuance of the Association Contract, the Association will acquire an undivided common ownership share in the Waste Management Public Benefit Company of Szeged, consequently, the Company will be entitled to extend waste transportation public service on the public administration territory of the member local governments of

the Association without a need for announcing a public procurement tender, and also to manage the ISPA assets representing the common property of the Association.

The investment is shared among the local governments according to territory as follows:

- The regional waste management infrastructure is predominantly implemented in the Szeged region, within the public administration limits of Szeged. A part of the waste courtyards and waste collection islands have been established on the territory of the smaller local governments. This accounts for less than 10% of the whole investment.
- Remediation is performed on those waste dumping grounds of the smaller local governments which contaminate the environment; therefore this project does not directly impact Szeged. This aspect has a relevance because, according to the earlier agreement, the related costs are borne exclusively by Szeged.

6. SUMMARY

The strict regulation pertaining to environmental protection, imposed as a result of legal harmonization with the European Union, forced the Local Government of Szeged (actually, the public service provider, a business organization fully owned by the Local Government of Szeged) to elaborate designs for the technical protection and additional insulation of the Central Waste Disposal Plant of Szeged back in 1997 and 1998. Availability of ISPA funds in 1999 opened the way towards implementation; however, strict regulations of the European Union required that further conditions be met. A project region of a population of 250 thousand inhabitants had to be established; an integrated waste management model for the region thus created had to be worked out, in which insulation of the Central Waste Disposal Plant represented only a part of the global project. The Local Government of Szeged was compelled to assume all organization work and bear all related costs in order to obtain the support of the European Union for the several billion HUF investments. The smaller local governments and the 32 nearby settlements looked upon the idea of regional cooperation with mistrust, presumably as a result of earlier unfavourable experience, which made them suspicious and were reluctant to accept the city's approach as bringing benefit to them. Following lengthy preparatory activities and a lot of persuasion, those involved finally managed to sign the consortial agreement. Although the smaller local governments received considerable amounts through the project:

- infrastructure – HUF 20-30 million on the average,
- remediation - HUF 200 million per local government on the average,

they bore and still bear no costs and assumed no obligations whatever. They do not appear grateful for there being some entity that takes care of the issue of remediation of the waste dumping grounds of the smaller local governments which contaminate the environment, which is one of the priority issues for the majority of Hungarian local governments. They appear to abuse Szeged's emergency situation resulting from the fact that the additional technical protection of the Central Waste Disposal Plant could not be postponed any longer, which represented a task that is even beyond the own capacity of a local government of a city as large as Szeged. Transforming the Consortium into an association representing an independent legal entity will create a new situation. Joint ownership and operation of an integrated waste management infrastructure created through support by the European Union and the Hungarian Government, and a public service business enterprise may open up new perspectives regarding cooperation.

An expansion of the Association by way of inclusion of further local governments may develop into cooperation at an EU region level (involving the counties of Békés, Csongrád, and Bács-Kiskun), which may appear to the European Union as a project region that is easier to handle, thus it may attract further support from the European Union.

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Resource documents:

Consortial Agreement of the ISPA project „Regional Waste Management Programme of Szeged”
The ISPA project „Regional Waste Management Programme of Szeged”
Documentation
The ISPA project „Regional Waste Management Programme of Szeged”
Financing Memorandum and Agreement on Support
The ISPA project „Regional Waste Management Programme of Szeged” Tender
documentation.