

Luxembourg, 08.11.2023

## Environmental and Social Data Sheet

### Overview

Project Name:	RURAL DEVELOPMENT 2023-27 (HU)
Project Number:	2023-0221
Country:	Hungary
Project Description:	A Framework Loan supporting national co-financing of European Agricultural Fund for Rural Development (EAFRD) investments within the EC approved Hungarian Common Agricultural Policy Strategic Plan (CAP SP) in the 2023-2027 programming period.
EIA required:	This is a multi-scheme operation. Some of the schemes may require an EIA under Annex I or Annex II of the EIA Directive.

Project included in Carbon Footprint Exercise<sup>1</sup>: No

### Environmental and Social Assessment

The Project will support priority and mainly small multi-sector investments, co-financed with the European Agricultural Fund for Rural Development under the Common Agricultural Policy Strategic Plan for Hungary (CAP SP) 2023-2027, approved by the European Commission on 07.11.22. The selected Rural Development interventions fall under Articles 73 (Investments), 77 (Co-operation) and 78 (Knowledge) of the Regulation (EU) 2021/2115 determining rules for CAP SPs.

Hungary's strategy is aimed at supporting the economy of its rural areas and putting them on a path of sustainable development, while taking advantage of the opportunities offered by modern technologies. The overall CAP SP seeks to contribute to creating job opportunities and making living conditions in rural areas attractive. It also aims to make agricultural production, including the production of quality food, a profitable and a socially recognised activity. Furthermore, the CAP SP aims to ensure the security of food supply for the population, while at the same time significantly improving the environmental conditions and contributing to the renewal of natural resources. More broadly, Hungary allocates 38% of the total budget to agri-environmental interventions, 8% to the further development of organic farming and about 5% to the protection of Natura 2000 sites, which cover around 162 631 hectares. These schemes added together will contribute to sustainable nutrient management and the reduction of fertiliser application and ammonia emissions. The CAP SP also promotes the afforestation of 21 174 hectares of land and sustainable forest management on an additional 127 000 hectares.

### Environmental Assessment

An Ex-ante Assessment and Strategic Environmental Assessment (SEA) referred to in Directive 2001/42/EC was conducted in the frame of the CAP SP, before presenting the CAP SP to the EC. The main findings to be addressed were covering co-ordination/coherence,

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



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quality of certain plans, consultation with environmental organisation, and the extent of climate/environmental ambitions. These observations and recommendations also issued by the EC on the communications dated 18.12.20 and 31.03.22 on the draft plan. Hungary provided to the EC the additional information/conditionalities necessary to follow up the EC's observations/recommendations and submitted a revised version of the SP. Subsequently the EC approved the CAP SP on 7 November 2022.

Specifically, the EIB Project will contribute to Climate Action and Environmental Sustainability through the following interventions:

- Improving energy efficiency and supporting renewable energy sources supporting the reduction of CO<sub>2</sub> emissions and energy use on farms, increasing the self-sufficiency of farms and reducing energy dependency.
- Encourage the implementation of projects following a circular biomass-based economy model, which are based on the use of local biomass resources. The utilisation of the by-products generated is also an important aspect (e.g.: improvement of soil).
- Support activities and technological developments to reduce emissions of ammonia and GHG gases, improve air quality and reduce pressure on surface and subsurface waters.
- Establishment and development of aquatic facilities for spatial water retention in deep lying areas.
- Support, at farm level, the introduction of water-saving irrigation technologies, the optimisation of water use of existing irrigation systems.
- Capacity building, including cooperation and best practice sharing, among irrigator associations to increase the efficiency and security of agricultural production.
- Afforestation, planting of wood plantations for industrial raw materials.
- Planting of perennial crops for biodiversity protection is to develop habitats favourable to pollinators, small game species, bird species linked to agricultural areas and other animal species, to improve high nature value areas (MTÉT), to help the operation of ecosystems and to improve habitat network.
- Improve competitiveness across the entire business landscape of forest management, in line with sustainability aspects: continuous availability of quality reproductive material supply, efficiency of primary assortment production, higher value-added product production.
- Prevention of biotic and abiotic damage to forest potential, restoring forest potential and increasing the resilience, adaptation or environmental value of forest ecosystems to climate change.
- Cross-cutting activities: Support for the digital transformation of agricultural holdings, training and demonstration programmes, information and advisory services that will contribute to Climate Action and Environmental Sustainability.

All schemes must be implemented in compliance with the EU and national environmental legislation. Some schemes may eventually fall under Annex I or Annex II of the EIA Directive and the Promoter would be required to act according to the Directive, with specific requirements towards the EIB noted below.

The Project has been assessed for Paris alignment and is considered to be aligned with both low carbon and resilience goals against the policies set out in the Climate Bank Roadmap (Bioeconomy subsectors in sustainable forestry, resilient agricultural land management, sustainable biomaterials, rural infrastructure including irrigation and machinery and reduction of GHG footprint and pollution).

Finally, the funded activities are consistent with the national and regional adaptation strategies and other climate policy documents related to the sector.



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The overall net environmental and social impact of the project is positive, with improved environmental and social conditions for the rural population and farmers in the country.

### **Social Assessment, where applicable**

The Charter of Fundamental Rights of the European Union and the United Nations Convention on Persons with Disabilities have been applied over all successive phases of CAP SP programming in line with Regulation EU 2021/2115. They shall also be applied during implementation – project selection, award, and in the monitoring and control functions. In addition, the investment schemes supported under all specific interventions shall comply with the principles of gender equality, inclusion and non-discrimination. The Hungarian CAP SP Monitoring Committee (MC), who will i.a. approve project selection criteria, has permanent members with voting rights delegated from civil organisations including the Hungarian Women association, the National Roma organisation, as well as the Office of the Commissioner for Fundamental Rights. The above framework mitigates the risk of exclusion/discrimination of certain groups.

The Hungarian CAP SP is consistent with the Cork 2.0 Declaration 'A Better Life in Rural Areas', targeting job creation and generational renewal (a particularly strong emphasis) in rural areas and promoting social inclusion. The Plan addresses the specific objective under Article 6 (h) to promote employment, growth, gender equality, including the participation of women in farming, social inclusion and local development in rural areas, including the circular bio-economy and sustainable forestry. Via specific social inclusion initiatives in the scope of the EIB Project, around 11 000 persons are expected to be covered by supported social inclusion projects under cooperation support for the digital transition of small municipalities (smart village), and for social enterprises. In addition, improving the employment rate of women is a priority of the Hungarian CAP SP.

### **Public Consultation and Stakeholder Engagement**

The SEAs as well EIAs of the relevant underlying schemes are subject to the public consultations in line with the SEA Directive and the EIA Directive, as transposed into national law.

## **Conclusions and Recommendations**

The following undertakings will be required for this Project:

- The Promoter will be required to act according to the provisions of the relevant EU Directives, including EIA Directive (2014/52/EU amending 2011/92/EU), Habitats (92/43/EEC) and Birds (2009/147/EC) Directives and Water Framework Directive (2000/60/EC), and with the national legislation.
- The Promoter shall not commit any EIB funds against schemes that require an EIA or appropriate assessment according to EU and national law without, prior to commitment, receiving consent from the competent authority, and the EIA report having been made available to the public.
- For schemes in relation to which a screening or appropriate assessment of impacts on Natura 2000 sites is carried out, are assessed in view of site-specific conservation objectives (SSCOs). For schemes subject to screening/appropriate assessment, the promoter will inform the Bank about any changes/updates to the conclusions of the screening/ appropriate assessment, in view of the site-specific conservation objectives, as defined by the competent authority and reflected in their decision.



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- In case a scheme of costs of over EUR 25m requires an EIA and/or an appropriate assessment or equivalent, the Promoter shall submit prior to allocation of the Bank's funds the EIA report and/or appropriate assessment to the Bank.
- Wood harvesting in Natura 2000 sites or other protected areas are excluded.
- Biomaterials and biofuel production that make use of feedstocks that can serve as food or compromise food security are not supported activities. Biogas, bioliquids and biofuels are produced from the sustainable advanced feedstock listed in Parts A & B of Annex IX of Directive (EU) 2018/2001, for the production of biogas, a maximum 20% restriction of energy crops used as feedstock may be considered.
- In-farm investments to improve irrigation efficiency will not lead to an increase in water abstractions or expansion of irrigated lands and will target measures necessary to bring surface and subsurface water bodies into good condition and/or to maintain good status as per approved River Basin Management Plans.

Taking into account the 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 risks, the Project is acceptable for the Bank's financing in environmental and social terms.