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Center for International Development  
**Local Environmental Management Project**

## REPORT OF A FIELD TRIP TO POLAND AND HUNGARY

September–October 1992



Research Triangle Institute  
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# **Report of a Field Trip to Poland and Hungary**

**September 8 - October 2, 1992**

**Decentralization of Local Government  
Environmental Management (DELGEM) Project\***

**AID/EUR/ENR Contract No. EUR-0039-C-00-2065-00**

**Research Triangle Institute**

**October 25, 1992**

\*The project title has since been changed to Local Environmental Management (LEM), which will be used in all subsequent reports.

# CONTENTS

<b>Section</b>	<b>Page</b>
EXECUTIVE SUMMARY .....	i
<b>PART I</b> Report on Trip to Poland: 9/8 - 9/20/92 .....	Poland - 1
1. Report .....	Poland - 1
2. Trip Schedule .....	Poland - 25
3. Briefing Outline, USAID/Poland .....	Poland - 26
4. Project Description (Poland) .....	Poland - 28
<b>PART II</b> Report on Trip to Hungary: 9/20 - 9/30/92 .....	Hungary - 1
1. Report .....	Hungary - 1
2. Trip Schedule .....	Hungary - 26
3. Briefing Outline, USAID/Hungary .....	Hungary - 31
4. Project Description (Hungary) .....	Hungary - 34
<b>PART III</b> Remarks by June Beittel, ICMA	
<b>PART IV</b> Local Contacts: Poland, Hungary, EBRD	
<b>PART V</b> List of Publications Received	

# **SUMMARY OF FIELD TRIP TO POLAND AND HUNGARY**

**September 8 - October 2, 1992**

## **I. Purpose**

To determine from visits to Poland and Hungary (a) whether there is a need for this approved project; (b) whether there is, or would be, tangible support at both the central and local levels for the project; (c) to solicit any suggested changes in the current project design that would make it more practical; effective, and acceptable; and (d) to design a strategy for project implementation if (a) and (b) receive positive responses.

## **II. Composition of the Field Teams**

In Poland, team members were Alexi Panehal, Deputy Chief, AID/EUR/ENR; Andrzej Pecikiewicz, Project Analyst, AIDREP/Warsaw; Bill Sommers, RTI; Bob MacLeod, AID/OHUD/ICMA; and Frank Ohnesorgen, ICMA.

In Hungary, team members were Bill Sommers, RTI; Jim Taft, AID/EUR/ENR; Bob MacLeod, AID/OHUD/ICMA; June Beittel, ICMA; and Jim McCullough, WASH team leader, RTI. The latter was associated with the DELGEM team for the last week. Ferenc Melykuti, Project Assistant, AIDREP/Budapest also participated in a trip to Miskolc and accompanied team members to various meetings.

## **III. Meetings Held**

In total, the team held 45 meetings and met with 93 people at the central, regional, and local level.

## **IV. Summary of Findings**

The findings are summarized below for Poland and Hungary respectively.

### *Findings in Poland*

Very little is being done at the gmina level and the idea of working at that level is well supported.

Neither the proposed changes in the local government structure-i.e., insertion of the powiat/county level-nor the plethora of foreign assistance given in places such as Katowice, appeared to be an impediment to beginning the project.

The idea to focus on a few specific gminas and on the management, administrative, organizational, and financial problems as they related to handling environmental problems found generally wide acceptance. While the idea of developing "feasible" projects was also acceptable, the team found a not unusual obstacle in the ability, or desire, to pay for services.

The overwhelming number and type of problems make it difficult to concentrate on a specific level and a specific project. Many of these problems also have a "global" context—for example, air pollution, confusion in governmental roles, autarchic approach to problem-solving.

The relatively high degree of technical understanding of problems is not necessarily matched by well-developed managerial or organizational tools. Likewise, the scattered, sometimes confused patterns of authority and responsibility at the voivodship/gmina levels clearly are obstacles.

A surprising number of focused NGOs have articulated problems and improvements that are needed, and could be an asset in working at the gmina level.

### *Findings in Hungary*

Both the structures and the responsibilities of central and local governments respecting the environment are going through a number of changes that have not been completed. The word we heard the most was "transition." Nearly everyone is waiting for the other shoe to drop.

Finances available to local governments and local public authorities for operation, maintenance, and capital investment in environmental projects are very scarce. Much of the interaction of local finances, for example, and centrally managed funds and subventions are not clear.

Representatives of both central agencies and local government units with whom we talked were interested in the scope of work defined in this project that would bring technical assistance down to the local government level.

Local government units are knowledgeable about their environmental problems and are more than interested in organizing themselves to tackle some of the problems that are of reasonable dimensions. Many acknowledge a lack of management and administrative background in this area.

The new local government law has, in effect, implemented a kind of "pancake" model of administrative management between levels, and is taking a great deal of time to get used to. In some cases, the "new look" inhibits the organization of certain kinds of area solutions to operational problems.

The impact of inflation and unemployment is a serious problem at the local and national level in terms of infrastructure loans, growth of user fees, etc., particularly in finding local solutions to environmental problems.

The team believes, however, that there is a great need for a project targeted at the local level, within a discrete framework, and focused on practical ways to improve environmental management.

Other observations appear in our trip notes, but these points indicate some of our considerations in implementing the DELGEM project in Hungary.

### *Additional Findings*

One problem, internal to the administration of A.I.D.-sponsored projects in both countries, became apparent: the relation between the DELGEM project and project activities carried on through various subprojects of the Office of Housing and Urban Development. DELGEM focuses on working on environmental management with municipalities in the so-called "hot spots"—its work is likely to focus on particular projects in water supply, wastewater, and solid waste systems. This is also part of the focus of A.I.D.'s Office of Housing and Urban Development in Hungary and Poland. The question then becomes, How can both projects work together as complimentary and coordinated efforts within the full context of A.I.D. assistance?

After considerable discussion, the team suggested that DELGEM would work with smaller municipalities, largely in the "hot spots" (e.g, Borsod County, Hungary; and Katowice/Wroclaw, Poland), while Housing would concentrate on larger municipalities out of the hot spots. In order to coordinate efforts and to cooperate in handling inquiries for assistance and advice from other municipalities, the AID/OHUD Field Coordinator based in Poland, Ms. Sonia Hammam, would handle the inquiry referrals, as well as other questions that might arise on coordination of the two projects, and would make necessary decisions to effect coordination and cooperation.

Bob MacLeod was asked to write a short paper setting out the details of this approach and circulate it among the concerned staffs for comment and eventual approval as a working guideline to solve this problem.

#### **V. Proposed Strategy**

1. DELGEM will choose two, three, or four municipalities each in Poland and Hungary to be part of the project and begin working with them as soon as possible. Suggestions for which municipalities to be included, given the selection criteria referred to in the body of this report, would be made by the central officials, e.g., Ministry of Environment, Ministry of Interior; and by the regional bodies, e.g., county organizations in Hungary, voivodship self-governing bodies in Poland.
2. A DELGEM team would then return in November to visit the proposed municipalities and at the conclusion of that visit, decide which municipalities would be included. The latter would then be officially notified of their inclusion through the Office of the AIDREP in each country.
3. Based on these decisions, RTI would formulate a work plan.
4. The resident DELGEM advisor would arrive in Poland (to reside in either Warsaw or Krakow) and begin to implement the project.

## **PART I**

**Report on Trip to Poland: 9/8 - 9/20/92**

## Report on Trip to Poland: 9/8 - 9/20/92

Date	Location	Meetings	Page
9/9	Warsaw	Initial planning meeting . . . . .	1
		Ministry of Environment . . . . .	2
		A.I.D. Representative . . . . .	3
9/10	Warsaw	Office of Local Government, Council of Ministers . . . . .	4
		Institute for Sustainable Development . . . . .	5
		Foundation in Support of Local Democracy . . . . .	7
		Environmental Protection Bank . . . . .	7
		Central Government (Member of Parliament) . . . . .	8
9/11	Warsaw	Senate Local Government Commission . . . . .	9
		Poland/Hungary Aid for Restructuring of Economies (EC/PHARE) . . . . .	10
9/13	Warsaw	U.S. Environmental Protection Agency (EPA), Region III . . . . .	11
		European Bank for Reconstruction and Development, Warsaw . . . . .	12
9/14	Katowice	Regional Project Implementation Unit, Ministry of Environment . . . . .	13
		Polish Ecological Club, Katowice . . . . .	15
		Katowice Voivodship Sanitary Inspectorate . . . . .	16
		Katowice Self-Governing Council (Sejm) . . . . .	16
9/15	Katowice	Polish Foundation for Energy Efficiency . . . . .	18
		Slask Ecological Foundation . . . . .	18
		Center for Ecological Education . . . . .	19
9/16	Wroclaw	German-Marshall Fund . . . . .	19
		Woj Environmental Protection Board . . . . .	20
		Polish Ecological Club, Wroclaw . . . . .	21
9/17	Wroclaw	Wroclaw Voivodship Self-Governing Council (Sejm) . . . . .	21
		Wroclaw Woj Sanitary Inspectorate . . . . .	22
		Regional Water Development Authority and the Institute of Environmental Protection . . . . .	22
9/18	Warsaw	European Bank for Reconstruction and Development, Warsaw . . . . .	23
		A.I.D. Briefing . . . . .	24

## **REPORT ON TRIP TO POLAND: September 8 - 20, 1992**

We arrived in Warsaw via Frankfurt/Delta at 1530. The team consisted of Mr. Bill Sommers, RTI/DELGEM Team Leader; Ms. Alexi Panehal, AID/EUR/DR/ENR; Mr. Bob MacLeod, AID/PRE/H; and Mr. Frank Ohnesorgen, International City Management Association (ICMA; subcontractor to RTI on the DELGEM project). We made arrangements to meet in the hotel lobby the next morning to discuss strategy and plan meetings; Mr. Andrzej Pecikiewicz, USAID/Poland project officer, would join us with the proposed meeting and travel schedule. (See attached tentative schedule of meetings in Warsaw, prepared by Mr. Pecikiewicz.)

**WEDNESDAY, SEPTEMBER 9**

### **Initial Planning Meeting**

The team met at 0830 in the hotel lobby and discussed the project, how to approach the coming meetings, and how to describe the project and elicit responses on the project concept and strategy. The main points of the project description were as follows:

- The DELGEM project aims at improving managerial competence in the environmental area—including finance, etc.—by focusing on one, two, or three specifically targeted municipalities. The project personnel will work with these municipalities to identify specific environmental project needs that are (a) realistic in size and (b) possible for the municipality to manage. The next step will be to develop a package for at least one project (e.g., wastewater primary treatment, solid waste collection systems, etc.) and advance it to a point at which the municipality may then take it to a money source, internal or external, for funding. The project will also assist the municipality in carrying through on obtaining and using the loan once it is approved.
- The project will give specific training and technical assistance to the municipality in relationship to these projects.

We discussed criteria for choosing municipalities (gminas) for inclusion in the DELGEM project, and agreed upon the following as working "criteria" to be used in the upcoming meetings:

- the mayor is strong and forceful, representing an active political will;
- the administrative staff is effective and stable, and has shown promise in undertaking other projects or programs;
- the municipality is able to pay all or part of the costs for selected projects in the community, such as water rates or solid waste collection rates;
- observers receive a general impression that the municipality has a good chance to succeed in this undertaking, and that it is not overwhelmed by its own problems; and

- the gmina must be within an environmental "hot spot," although it need not be an entire hot spot by itself.

While Ms. Panehal agreed with the approach, she had the following comments on applying the project to Poland:

- It might be found that no municipalities (gminas) in either Katowice or Wroclaw fit the criteria—in which case we could start the project in Hungary. She wanted it clearly understood that AID/EUR/ENR is not committed to Poland.
- The team may decide to wait until proposed revisions to the local government law are passed before DELGEM begins in Poland.
- If no suitable gminas are found in Katowice or Wroclaw, the team may consider a revisit to see if other regions should be included.

Ms. Panehal discussed the problem that should be resolved between PRE/H and ENR over jurisdiction, because locally focused projects of PRE/H may conflict with DELGEM. She advanced the idea that PRE/H would deal with the larger cities as well as macro-level assistance, while the DELGEM project would work "hands on" at the local level. She hopes to resolve this problem in further discussions with the A.I.D. Representative and Sonia Hammam.

Mr. Andrzej Pecikiewicz of USAID/Poland joined the discussions at this point. He had the tentative meeting schedule for the whole trip and had left enough open time so that other meetings could be included as the need arose. He supported the project and raised a number of points on the items previously discussed that were both thoughtful and of value as an introduction to the team's work. He also included with the trip agenda a series of documents giving more information on the organization and trends in the current local government scene in Poland.

An important issue that surfaced in the ensuing discussion centered on the funding of feasibility studies for projects developed under DELGEM for participating gminas. In most cases, submissions to external funding agencies need feasibility studies—i.e., economic, financial, technical, and environmental. DELGEM does not have funds for such detailed studies. In some cases, banks may advance loan funds for the studies or give outright grants to determine feasibility. But this is an issue that has to have an answer by the time the project gets under way.

### **Ministry of Environment**

Our first meeting was with Mr. Stanislaw Sitnicki at 1300 at his office in the Ministry of Environment. He is a Director of Studies and Policy and is reputed to be a key person in the Ministry. He received us warmly and was already familiar with DELGEM, having met with Ms. Panehal on her July trip.

### *Opinions and Recommendations for DELGEM*

The Director was in agreement with the team's approach and urged that we get started soon. In discussing our criteria for choosing participating gminas, he suggested that we pick gminas and

projects that would both be environmentally valuable and have a good basis for success. There are poorly run municipalities and there are well-run ones and, from the beginning, we should structure the approach for success. The Director, in response to our questions, told us he believed that changes in the local government structure were not forthcoming and that in any event it was not necessary to hold off implementation of the project until changes were effected.

In response to our question, he did not think the Katowice region was on "donor overload," although it might become that way. The problems are large but at the same time there is great awareness in the region of what needs to be done, despite a background of serious financial restraints. If, however, we did not want to go into the Katowice area, then we might do something in a place like Legnica. After Soviet troops left, the area was found to be an environmental disaster area; there is very little donor activity in this area but the problems are severe and need attention. However, the team felt that such an effort might be more than the project should attempt to take on at the beginning.

### *Funding for Feasibility Studies*

We also discussed the issue of obtaining funds for a targeted project in a selected gmina. The funds could be used to develop the various feasibility studies that international funding sources would require. He understood the problem and believed there were a number of sources for such activity—e.g., the National Fund for Environmental Problems, international banks, and other country donors such as the Danish donor agency (DANIDA)—that have expressed an interest in similar endeavors. The team raised the question that in the case of DANIDA, assistance might be "tied," requiring a donor-country contractor to do the work, and thus might not serve the gmina's interests. Mr. Sitnicki replied that although this was true, the return to the GOP and the gminas would be about 85%—which he felt was a good risk for "tied" assistance. He closed the meeting by once again endorsing the project and asking that we start soon.

### **A.I.D. Representative**

We were late to the scheduled 1500 meeting with the A.I.D. Representative, Mr. Joslin, arriving about 1530. He had invited Ms. Sonia Hammam, the RHUDO Officer, as well as Mr. Kalbowski, a Polish staff person working in the RHUDO program.

### *Opinions and Recommendations for DELGEM*

Mr. Joslin was cordial and listened carefully to our presentation of the project. In reply he suggested that our criteria should not put too much weight on the elected officials since there will be new elections in the spring. Instead, we should put more emphasis on the administrative echelon, which could carry on no matter who was in the elected office. He also suggested we look at gminas with an industry that is being rejuvenated under a joint venture, wherein foreign partners, knowledgeable about modern management, etc., might afford the project additional support.

He also suggested that we talk to Peace Corps workers in our area of concentration and check on possible contributions the MBA "hands-on" program might contribute. Mr. Joslin felt we should not wait until prospective changes in the local government law are in place before we begin the project; instead we should start immediately. Nor did he think that we would be overloading the

Katowice area, even though the DELGEM project has a long-term residency with sustained technical assistance. He wanted us to start the project as soon as we could. He also asked us to debrief him before leaving the country.

Ms. Hammam concurred that we should not wait for the changes in the local government structure that are being talked about; she too believes it is not likely to come about in the near term. She believes that local government officials work out their problems by broadly interpreting or going around the law. She did, however, reiterate what others had said, namely, that the current structure does not clearly define responsibilities for all the actors in the local government scene, and thereby contributes to instability in operations. She also raised questions of coordination between this project and the other PRE/H programs. Mr. Joslin, Ms. Hammam, and Ms. Panehal agreed to discuss this after our meeting, although Mr. Joslin thought the problems of coordination could be worked out as the project became operable. He felt that it was unnecessary to make too much of coordination in the abstract.

THURSDAY, SEPTEMBER 10

#### **Office of Local Government, Council of Ministers**

Our first meeting was with two officials from the Office of Local Government, Council of Ministers: Prof. Henryk Goik and Dr. Mirosław Stec. We were joined in this meeting by Mr. Janusz Wanejowski, an advisor to the Council of Ministers on Environmental Affairs.

#### *Levels of Government*

The meeting was devoted largely to an explanation of how local government works. The officials stressed to us, as others did in ensuing meetings, that local self-government in Poland has but one level: the gminas. The voivodship is actually an administrative level of the central government; the voivodships sometimes have subsidiary administrative levels in which several gminas are grouped together for purposes of administrative efficiency. But these are simply convenient administrative subunits, largely ad hoc, that increase the voivodship's ability to better discharge its own functions.

The two "directors" presented an analysis of finances, noting, in general, that local finances consist of locally raised revenues based on certain fees, fines, and limited taxes collected at the local level (e.g., land tax, road or transport tax, real estate or property tax, various licenses and fees). There is no tax on agricultural land. Other taxes are collected locally by voivodship and are shared between the gmina and the voivodship; for example, 15% of the income tax and 2% of the corporate income tax is redistributed to the gminas. And, of course, there are straight subventions from the central government.

The two directors also noted a dichotomy in assignment of duties. While the gminas are very active and interested in environmental affairs, their actual power is limited and they cannot inspect or fine violators; this is done at the voivodship level. Moreover, fines collected from companies violating environmental laws are divided between the center and the voivodship: 60% goes to the center and 40% is held at the voivodship to be used to alleviate environmental problems in the gminas. This money is administered through the environmental commission, chaired by the head of the Regional Environmental Unit. The commission includes representatives from the gminas. The

amount of funds varies with the size of the voivodship and the fines levied. Generally, enforcement is minimal because the factories and other violators are also large employers; the decision is often a choice between protection of the environment and protection of employment.

We were told about the need for a second level of self-government and about the interest within the Office of Local Government in promoting this second level. It would be an intervening, self-governing level between the gmina and the voivodship. The idea is rooted in the not-too-distant past, when such a unit did exist, although not in a self-governing form. It would be called the "powiat," and each powiat would encompass five or six gminas, depending on the size of the voivodship. The plan also calls for a reduction in the number of voivodships from 49 to 15. Their administrative structure and role vis-à-vis the central government, however, would not change.

One reason for this change would be to clarify the assignment of duties and responsibilities of the local government in relation to the central government and its agent, the voivodship. The plan would also group gminas together so they could solve mutual environmental problems which, in many cases, affect more than one gmina—thus increasing the efficiency of local self-government.

The two officers from the Office of Local Government noted that if the responsibilities—and thus the authority—of the local governments could be clearly defined, the reforms could also stabilize the fiscal system, allowing local governments to make better plans based on relatively fixed sources of income (either local taxes or state subventions).

When pressed for details on exactly how all this would lead to better administration, the Director General said better organization, including stability in organization and fiscal affairs, would give local governments a better chance, over time, to improve their administration and management.

### *Opinions and Recommendations for DELGEM*

When asked what criteria the team should use to select gminas to participate in the DELGEM project, the two suggested we look for gminas with a record of stable fiscal and operational management. The two directors were also asked by the team if they recommended that we delay implementation of the DELGEM project until proposed local government revision was in place; they replied that the project could go ahead because any changes that occurred would only strengthen local government and help the project.

### **Institute for Sustainable Development**

The second meeting of the day took place with Dr. Andrzej Kassenberg, President of the Institute for Sustainable Development. He began the discussion by explaining the role his organization plays in the Polish environmental scene, laying particular stress on the Institute's third-ranked activity for 1991-1992, namely, "Local Strategies for Sustainable Development: Defining the Role of Local Self-Government." This is a research project that is nearing completion. He will send a copy to A.I.D. as soon as it is available so that a summary can be translated. Parts of the study may be helpful in formulating the DELGEM project.

### *Institute Perspective on Local Government and Environmental Management*

Dr. Kassenberg favors the "second tier of local government"; however, he is not optimistic that this idea will be adopted soon because of considerable opposition. When the team asked him whether he thought we should delay implementation in Poland until the projected changes were in place, he stated that we should go ahead with the project regardless of the changes, which, if put into effect, would not hinder the project. He also noted that local elections were scheduled for the middle of 1993 but he was not sure that the GOP would hurry the local government changes in order to incorporate them into the elections. If the changes are not expedited, they might be further delayed in order to avoid the heavy costs of having yet another election to fill seats in the "second tier."

In trying to pinpoint who at the gmina level is usually in charge of the environmental problems—and problem solving—Dr. Kassenberg noted that each gmina is organized differently depending on size, finances, etc., and it would be better to find the answer to this question in the field.

### *Opinions and Recommendations for DELGEM*

When asked about criteria we should use to choose gminas for the project, Dr. Kassenberg suggested the following:

- Choose gminas with a stable administration.
- Design a project approach that is simple and understandable, allowing the local units to demonstrate their management capabilities.
- Make the project visible so that its success will encourage other local units to adopt a similar approach to problem solving.
- Choose communities that have strong nongovernmental organizations (NGOs) that will help carry out the chosen project.

### *Data and Research*

Dr. Kassenberg also urged us to discuss the ecological data base currently being developed that gives current statistical analysis of the environmental problems throughout the country. This information rests on a detailed survey of environmental problem areas, factories, industrial establishments, etc. He showed us a recent report produced from the operating data base and suggested that we talk to the environmental management staff at the Katowice voivodship to obtain locally relevant data.

He also gave us a copy of his recent article on the Katowice environmental situation, published as part of a compendium of articles on environmental activities in Poland.

## **Foundation in Support of Local Democracy**

The next meeting, held in the same building, was with the Director and Project Director of the Foundation in Support of Local Democracy, Maria Ptaszynska-Woloczkiwicz and Maria Nagorski. Ms. Nagorski, however, had to leave early to attend parliamentary hearings that were in progress on local government finance.

The Director explained the Foundation's work done through its training centers established in key places throughout the country, coupled with five long-term local government training academies. The Foundation has completed a first round of orientation training for local elected councilors and staff employees on the general scope of local government and its operation; a second round of training applied to the environment, fiscal matters, and administration will begin soon. The Foundation is launching a training-of-trainers program so they can multiply the results of the training and make these directly available to the center's growing clientele.

### *Opinions and Recommendations for DELGEM*

In discussing criteria to be used in choosing DELGEM participating gminas, the Director suggested the following items:

- Be sure the gmina wants to solve the problems.
- Choose an area whose local government is stable and has a good-quality administrative record.
- Decide whether to choose easily solved problems or more complex ones.

The Director also suggested that once the project is in operation, seminars be held among related gminas to identify project results and show the other municipalities how DELGEM results can be applied.

The team asked the Director to suggest gminas in the Katowice area that, based on the Foundation's training experience, would fit the criteria she had suggested. The Director agreed to send a list to the team as soon as she could. She also recommended that while in Katowice, the team meet with the director of the training center, Mr. Michal Kalitowski. He could also give the team a list of the Foundation's participants, which might be helpful in choosing participating gminas.

## **Environmental Protection Bank**

The next meeting was at 1400 with officials of the Environmental Protection Bank. Although they were in the midst of a board meeting, we were able to meet with Janus Golab, a Bank director, and WacLaw Kulczynski, a Bank ecology specialist.

### *Financing Procedures*

The team asked about the procedure by which credit might be extended to gminas applying for assistance under the DELGEM project. The director explained the loan procedure:

- The Bank limits its participation to 50% of the total cost of an approved project; the Bank must be assured that funding for the other 50% of the project is immediately available.
- The Bank cannot, in any case, loan more than 15% of its own available loan funds for any one project.
- Repayment has to be completed within 3 years of the signing of the loan contract; this includes 1 year of grace on payment of the principal but not the interest. This quick payback is based on the estimated inflationary growth in Poland and the extent of the Bank's own loan payouts. The Bank attempts to lend its funds below the current bank interest rate of 50%—within a range from 8 to 32%. For municipal applications, it could give preferential rates of around 8%.

The Bank has established a number of branches, including one at Katowice. The director noted that they had, for example, loaned funds for the recirculation and treatment of water used in a coal mine, thus making the water available for use by the people.

In discussing loans to municipalities, the Director indicated that one of the problems was the absence of clear title to some land/buildings held by the municipalities. When the communists took over, they appropriated land but did not always adhere to their own rules of ownership. Thus, many owners do not have clear title. In these cases, the land/buildings cannot be used as collateral. Municipalities, in addition, can only pledge 10% of their previous year's income for collateral.

Loans are given to solve environmental problems and are usually proposed within the voivodship environmental committee, which reviews the applications. Approved applications are, in turn, sent to the Bank for their review and decision. The Bank may send down its own inspectors to take a closer look if they are not satisfied, particularly with the plan for payback of the loan.

### *Bank Operations*

Whereas it receives many worthy applications, the Bank is chartered to operate as a commercial bank. In times of high inflation, therefore, it has to recover capital quickly or else it will lose substantially because of the devalued payback.

The Bank has been in business for less than 2 years and has very little experience to build upon. It should be remembered that not long ago, Poland only had two banks in addition to the central bank which, in the words of the bank director, was merely an organization for disbursing paper money. Banking is very new to Poland; therefore, the Environmental Protection Bank must proceed with caution as it learns how to operate.

### **Central Government Perspective**

The last meeting of the day was with Dr. Irena Lipowicz, a lawyer and member of Parliament from Katowice. She came after work and met the team at the hotel. The team discussed what we hoped to accomplish in Poland under the DELGEM project. Dr. Lipowicz noted that so many experts had visited Katowice, and so much emphasis had been put upon the region, that at least now there is more understanding of the problems. Moreover, under the new regime in Poland, unlike

under the communists, information is available; every day, for example, the radio and television announce the environmental conditions in scientific terms, analyzing the pollution content of the air, including descriptions of the metals, chemicals, etc., polluting the air. As a result, more of the population are aware of the serious environmental conditions under which they live.

This increased knowledge, in turn, makes the people—and the gminas—more aggressive in trying to solve their problems. They are demanding more and quicker action by the government, especially the central government. At the same time, the government is in a bad position financially and cannot respond; it has, in fact, had to stop building a number of critical projects because of lack of funds. The irony is that the local governments in 1991 ended up with a surplus of nearly 5 billion zlotys, which the central government may now appropriate in order to help reduce its own budget deficit.

Dr. Lipowicz then related examples of the grave health problems in her district: the inability of a small, underequipped hospital to deal with severe respiratory cases among children; the plight of caregivers having to choose who will receive care and attention and who will not, because of the lack of facilities.

She mentioned certain long-range environmental projects that are in effect. One focuses on gathering environmental data, computerizing it, and then using geographical information system (GIS) procedures to map the severely threatened areas in air pollution, for example. She mentioned Dr. Sliwka and Dr. Klashk, who are heavily involved in this type of work in Upper Silesia; such information might be of particular value for DELGEM.

#### *Opinions and Recommendations for DELGEM*

We asked Dr. Lipowicz if she had suggestions on how to choose the gminas for the project and if she knew of gminas that might fit the criteria. She agreed with the criteria and mentioned two gminas in Katowice that would qualify: Myslowice and Swietochlowice. The team will try to meet with officials from these municipalities when we are in Katowice.

When the team asked if she felt the project was worth doing, since it was small and probably could not address the larger problems, she responded that on the basis of the description, it should be started and that it appeared to be needed, no matter how small; the problems are so severe that everything positive that can be done should be done.

FRIDAY, SEPTEMBER 11

#### **Senate Local Government Commission**

The first meeting of the day was with Senator Stepien of the Senate Local Government Commission. He began by briefing us on his own role in elections, local government reorganization, and economic development. He spent some time in explaining the transition period from the communist system to today's government system. He noted that the old system must be changed to accommodate a market economy, but there are great obstacles. For example, although the old-line communists are out of power as such, they are still much in evidence behind the scenes. Many

former communists are becoming involved in the growing banking community and are thus still in—or near—the seats of economic power.

He also believes that a strong distinction should be made between the political aspects of the state and its actual administration. The country suffered under the communist government's merger of politics and administration. Now changes are in order. The state should divest itself of government-owned enterprises; this policy is being actively pursued by the present government, to the extent of having a central ministry devoted to that activity. He also offered the opinion that the economy could only grow significantly by establishing joint ventures and by emphasizing cooperatives, steps that had proved a great boon in the United States.

With regard to local government, he was also an advocate of "the second tier" of local self-government. He was not sure when this change would take place but hoped it would be soon. When asked whether he believed that the former communists were also in the shadows of power within local government, he thought that this was not true in the urban areas, where liberal, democratic forces were in ascendancy; however, in gminas with populations less than about 5000, in the rural areas, he said the communist "old order" still maintains a hold on the population.

Senator Stepien also stressed that decentralization is still in the experimental stage in Poland; there are many alternatives. It is possible, for example, that more fiscal and administrative authority might be accorded to the gminas of 100,000 population and greater, turning them into actual "cities." The tax on property should be restructured to collect more; existing central government subventions are neither sufficient nor—what is more important—stable enough to encourage good local planning and budgeting.

In discussing local finance and the "second tier" proposal, the team referred to a recent World Bank study on this issue. The Senator was very familiar with the report, having visited the Bank in Washington, DC, a few weeks before. The Bank's report was incorrect, he felt, regarding its suggestion of a "go-slow" attitude respecting the second-tier approach. The proposed intermediary unit, the powiat, has been used in one way or another in Poland for many years; its revival is in keeping with Polish tradition. He also pointed out that one of the Bank's recommendations—i.e., the establishment of a central unit to monitor local government problems—has already been acted upon with the creation of the Office for Local Government in Council of Ministers' Office.

#### *Opinions and Recommendations for DELGEM*

When we discussed the details of the DELGEM project with the Senator, he approved of the project goals, believing they would strengthen the hand of those pushing for more autonomous local government. He asked to be kept informed on DELGEM's progress.

#### **Poland/Hungary Aid for Restructuring of Economies (EC/PHARE)**

The last meeting of the day was with Mr. C.B. Coulson, representing Poland/Hungary Aid for Restructuring of Economies (EC/PHARE). After being introduced to DELGEM, Mr. Coulson spent most of the meeting time discussing the background and current developments in the operation of the environmental phase of the PHARE program in Poland as applied to the Katowice area. Mr. Coulson

suggested that we visit with Mr. Lowas(?), PHARE's Katowice coordinator, for details on individual projects.

PHARE's environmental program works through the Ministry of Environmental Protection, but it focuses on Katowice. It is being instituted in three phases. The first phase is complete and consisted of efforts to break various bottlenecks in environmental administration: management, training, operations improvement, etc. Phase II is following an integrated approach to achieve decentralization and devolution by function and sector. At the same time, PHARE has adopted a policy of "pay for things as they are," meaning that solutions to the region's environmental problems must be paid for by the people and cannot rely any longer on grants and handouts by the central government. Functional areas of concentration are air pollution, water protection, deficits in drinking water sources in Upper Silesia, solid waste, and contaminated soil.

In the solid waste subproject, PHARE has prepared a handbook for use by the municipal units to assess and manage solid waste problems. However, Coulson emphasized that PHARE is not advocating "magic bullet" solutions, such as incineration. Under the rubric of contaminated soil, an important health aspect of the PHARE approach is to discourage or stop the cultivation of foodstuffs in contaminated soil that leads to serious longevity problems in all age groups.

Within the two initial phases, PHARE has 20 to 25 projects in the development stage; however, none of them as yet has been put out for tender offers.

Mr. Coulson also commented on PHARE's hazardous waste emergencies project, which has provided equipment and training for personnel in the Ministry of Interior's (MOI's) fire brigades, concentrating on the control of petrochemical hazards. Funds have been made available for the privatization of water supplies. Mr. Coulson also reported that PHARE soon will have two solid waste technicians/advisors in Katowice.

It was not clear what would constitute Phase III, but presumably it would be the implementation stage of projects developed in Phase II.

#### **SATURDAY, SEPTEMBER 12**

(The team rested on Saturday.)

#### **SUNDAY, SEPTEMBER 13**

Two unscheduled meetings were held on Sunday.

#### **U.S. Environmental Protection Agency (EPA), Region III**

The first meeting was between the team and Mr. Stanley L. Laskowski, Deputy Regional Administrator, EPA, Region III, Philadelphia. He has been coming annually to Poland for the past 4 years. EPA Region III has been assigned coordination and technical backup to Poland, and particularly Katowice voivodship, under the overall EPA Eastern Europe program. He was here to

work with the Ministry and would then visit Katowice beginning on Monday or Tuesday. Mr. Laskowski said one of the purposes of his visit was to work out the final details of a "twinning" program that EPA/III is establishing between Allegheny County (Pittsburgh) and Katowice Voivodship. They have already exchanged professional visits. Allegheny County, because of the similarity in problems, is to serve as a technical resource to Katowice, supplying the latter with problem-solving references and short-term technical assistance on related problems—i.e., air pollution, control of coal emissions, and administrative and organizational problems.

Mr. Laskowski related some observations on expected changes in the Ministry of Environment. He said that Mr. Sitnicki would move out to head the Ecofoundation—which is the unit to administer environmental funds contributed by the Polish government based on the international debt-forgiveness program accorded the Polish government. The GOP is obligated to deposit a certain amount of money for reduction of environmental problems, to be administered by the Fund. Apparently, Mr. Sitnicki wants to take the Project Implementation Unit (PIU) with him but the current Minister has not approved; it may stay in the Ministry, autonomous but administered by Mr. Andrei Czyz, who now heads the Ministry's International Cooperation Unit. How all of these changes will work out is not clear. EPA has also given the Ministry a proposed reorganization plan that may be implemented soon.

#### *Opinions and Recommendations for DELGEM*

When the team apprised Mr. Laskowski of the proposed DELGEM project, he was supportive and felt that cooperation and coordination between our project and what EPA is doing in Katowice would be worthwhile. To this end, Mr. Laskowski is going to give the team a copy of the proposed reorganization plan as well as a listing of the approximately 135 projects that Mr. Sitnicki says are the major projects being undertaken by the Ministry with foreign donors.

#### **European Bank for Reconstruction and Development, Warsaw**

The second meeting was between the team leader, Mr. Sommers, and Mr. Frederic Lucenet, Project Analyst for Infrastructure, Energy, and Environment of the European Bank for Reconstruction and Development (EBRD). Mr. Sommers explained the DELGEM project and asked Mr. Lucenet (a) what role the European Bank could play in giving grant funds for the detailed development of proposed projects from the gminas included in DELGEM, and (b) details of the Bank loan process.

Mr. Lucenet replied that he liked the idea of a project working directly with the gminas. The Bank does have grant funds to provide technical assistance for feasibility studies on promising projects. It can also provide continuing technical assistance associated with project implementation once the loan is approved and construction is under way. The Bank is particularly interested in the development of adequate financial and cost-recovery procedures to finance the projects.

Because the DELGEM project does not have enough funding to finance detailed feasibility studies for the project, Mr. Lucenet felt the Bank could give grants for this purpose, providing the projects were otherwise acceptable—i.e., could be financed. However, this position would have to be verified with Bank management.

He also pointed out that the Central Government of Poland has not yet agreed to guarantee loans made to the gminas and thus, at least in the eyes of the EBRD, the gminas are on their own. Financing of the proposed loan has to be clearly feasible; dedicated funds would be put into a special account as collected for the repayment of the loan. Moreover, the loans would be repaid on the basis of the German deutsche mark to avoid effects of inflation. The EBRD would like very much to work with the gminas; Mr. Lucenet expressed hope that cooperation with the DELGEM project might continue. We confirmed an appointment for late in the afternoon of October 1 in London to discuss the EBRD's loan program in detail.

\* \* \* \* \*

The team left for Katowice on Sunday afternoon, September 13, by train. Team member Ms. Alexi Panehal, AID/EUR/ENR, returned to the United States on Sunday. The team going to Katowice consisted of Mr. Bob MacLeod, Mr. Frank Ohnesorgen, Mr. Bill Sommers, and Mr. Andrzej Pecikiewicz.

MONDAY, SEPTEMBER 14

#### **Regional Project Implementation Unit, Ministry of Environment**

The first meeting in Katowice was at the Regional Project Implementation Unit (RPIU) of the Ministry of Environment with Ms. Malgorzata Wysocka, who represented the Director. Ms. Wysocka outlined some of the main project activities being managed by the RPIU. Her two main concerns were a World Bank loan and an EC/PHARE technical assistance grant.

#### *World Bank Projects*

Under a World Bank loan, the RPIU is engaged in a large-scale capacity-building program concentrating on the Ministry in Warsaw and the voivodships of Katowice, Krakow, and Legnica. One of its principal efforts is training voivodship and other government professionals in how to conduct environmental audits covering (a) energy (mining), (b) cement and coke plants, (c) chemical plants (both organic and inorganic), and (e) ferrous and nonferrous metals; there is another related program on (f) auditing and managing air and water quality.

The environmental audit training program enlists about 150 participants from the 3 targeted voivodships. The program consists of an intensive 3-week training session plus 4 weeks in the field doing actual audits under the direction of a technical advisory expert. There is a 1-week interval between each of the six training units (i.e., covering the six topics listed in the previous paragraph). As a result, the full program spans about 48 weeks, or nearly a year. The program is on its third module. The project goal is to have a group of trained technicians who are available for environmental audits throughout the three most heavily polluted regions, and who can conduct audits at the request of the voivodship, the gminas, and individual firms and companies.

World Bank funds are also being used to train a number of officials from the three voivodships' environmental offices in the use of air monitoring equipment, and to provide such monitoring

equipment so that the data can be recorded, analyzed, and reported. Apparently, some of this work is already under way, because the voivodships have been publishing air quality data in a computerized GIS system for 2 or 3 years. (This assumption was substantiated by a report we were given subsequently at the Katowice Sanitation Inspectorate.)

Another training program focuses on water quality on the Vistula River and its contributing tributaries. This thrust will provide both training and equipment and is apparently part of the larger program of monitoring the rivers of Poland that flow into the Baltic, the pollution of which is a major concern to a number of countries whose seacoasts are on the Baltic.

### *PHARE Projects*

The EC/PHARE program (see discussion with Mr. Coulson reported above for September 11) is concentrated at the voivodship level and encompasses solid waste, air quality, water/wastewater quality, and soil contamination. The solid waste subproject is aimed at strengthening the capacity of the gminas and groups of gminas to take action. Although the exact nature of the PHARE intervention is not clear, Mr. Coulson did say that a solid waste management handbook was nearly completed. The air quality effort focuses on a changeover in the small localized heating plants and heating of individual households. A pilot project(s) [?] is being readied to test power generation from sources other than coal, or to examine more sophisticated uses of coal to conserve energy and reduce emissions. This would encourage the closure of coke plants—which contribute significantly to air pollution. It would also encourage a shift to electricity and natural gas. The soil contamination component focuses on changes in agricultural practices in order to curb the growth and usage of vegetables and other food products grown on highly contaminated soil. The contaminants infect the foods with metal concentrates, which in turn have threatening consequences to lifespan, birth rate, and children's health in general. It was not clear, however, exactly what interventions were contemplated under the PHARE program to tackle this problem.

Apparently, a number of requests for proposals (RFPs) are being prepared to implement various phases and aspects of the PHARE program, including training, pilot project construction, and equipment purchases. RPIU expects to award the contracts early in 1993.

### *Opinions and Recommendations for DELGEM*

Mr. Pecikiewicz then explained the DELGEM project to Ms. Wysocka and asked for comments. She felt that the gminas have too much of a "not in my backyard" (NIMBY) attitude, and thus it is difficult to accomplish environmental projects with them; she felt it was most necessary to "soften them up" in preparation for participation in the project. She agreed, however, that if we gave her a summary of the project and the criteria for selection of the participating gminas, she would review it and come up with recommendations on which gminas should be considered for inclusion in the project.

Ms. Wysocka also asked whether we had (or knew of) any good material on ecology and environmental issues. One of the nearby technical colleges with which she is associated could use the material, even if it were all in English.

## **Polish Ecological Club, Katowice**

Our next meeting was with Dr. Piotr Poborski and his assistant (whose name we did not get), who both worked with the Katowice branch of the Polish Ecological Club. This is a volunteer operation manned, in part, by members of the Institute of Ecology, which is under the guidance of the Ministry of Environment. The Institute was being "rechartered" to become directly associated with the Ministry, changing its previous status of being a field branch of the National Institute of Ecology.

### *Club Activities*

The Club is working on a number of volunteer projects. One high-priority project is aimed at alleviating the problems of agricultural use of contaminated soil. This project has two parts. First is the provision of vegetables and other foodstuffs that are uncontaminated to people in the area who are members of the Club (?). The second, and more difficult, part of the project is to encourage farmers to produce foodstuffs from uncontaminated soil or through growing methods that do not use contaminated soil. A second priority deals with solid waste management, particularly in communal waste. The NIMBY problem looms large here, as does the lack of finances to work out acceptable solutions.

The Club is also engaged in various educational projects to promote awareness of ecological problems; it is also considering the possibility of training programs on the environment for gmina personnel.

Some of the Club's work receives assistance from the EPA. They have also organized a number of workshops on waste management covering (in separate sessions) gminas in the agricultural areas as well as in the large towns. They also have conducted information workshops for young people as well as workshops on the general subject of industrial waste.

The Club also has received assistance from private organizations in Germany and from NGOs in Holland.

We also received an outline of a workshop being given on solid waste management as an example of training sponsored by the Club.

### *Opinions and Recommendations for DELGEM*

Dr. Poborski appreciated the DELGEM idea of working directly with the gminas, although they also stressed the difficulties they felt would ensue because of the lack of financial resources in the gminas and the obstacles of NIMBY, especially when it came to cooperation between gminas for landfill/solid waste management. They suggested that we work with small projects and try to improve the methods and processes now in use, rather than striking out on more difficult, obstacle-strewn "new approaches." They suggested that we include the gminas of Katowice, Bytom, and Grawice in our project.

## **Katowice Voivodship Sanitary Inspectorate**

The next scheduled meeting was with Mr. Kowal, Vice Director of the Katowice Voivodship Sanitary Inspectorate, and his staff. Mr. Kowal detailed the workings of his office. The Inspectorate periodically inspects sanitary conditions in the gminas and issues reports to the mayors on various problems and conditions noted, along with recommendations for improvement. They work with the individual gminas to correct conditions but do not have complete enforcement powers to compel the gminas to correct deficiencies. The Inspectorate operates through 14 field units, each of which is assigned an average of 6 gminas.

In the area of water and wastewater systems, the Inspectorate reported that about 30% of the water systems are run directly by the gminas and 70% are run by contractors under franchise (?) to the gminas. Here the Inspectorate does command some authority. If, for example, its inspections indicate that a plant or process involving water or wastewater is an actual, demonstrated threat to public health and life, it may then order plant operations to be suspended until the problem is rectified. This authority also applies to landfills. At the same time, applications for new water and wastewater facilities—as well as landfills—must have the approval of the Sanitary Inspectorate. If the Inspectorate disapproves, the Voivod usually will disapprove the project, but the Voivod has the final authority. Usually these kinds of communications, as well as the reports sent periodically to the gmina, are addressed directly to the mayor as both the political (elected) and the administrative executive of the gmina.

The Inspectorate officials agreed that air pollution and soil contamination were the most serious threats to health. Progress has been made in decreasing the dust and lead content in the air; however, there appears to be no decrease in SO<sub>2</sub> content. The lead decrease may be due to the closedown of plants because of the recession rather than to a rationally induced reduction.

### *Opinions and Recommendations for DELGEM*

Turning to the proposed DELGEM project, the staff of the Inspectorate backed the idea of a project dealing with gminas, pointing out from their experience that gminas not only suffer from a lack of funds but also are inexperienced in identifying and focusing on serious problems and then marshaling their efforts to solve the problem. The gminas scatter resources over a number of problems, giving each problem a token amount; this approach does not solve the problems but makes it look as though the gminas are active in all areas. The Inspectorate staff identified two major areas in which the gminas have the power to act and in which they could be encouraged: sewage and solid waste.

## **Katowice Self-Governing Council (Sejm)**

The final meeting of this day was with Mr. Jozef Buszman, President of the Katowice Self-Government, or Sejm. He was accompanied at the meeting by four of his associates, who included a member of the National Parliament, the Chairman of the Environmental Committee of the Katowice Sejm, and two men associated with the Katowice Sejm.

Mr. Buszman gave a short briefing on the Katowice Voivodship. He noted that there are 89 gminas, soon to be increased to 92. About 69 of them are active in environmental areas. Katowice

has some 4 million people and the gminas range from small to large, Katowice Gmina having 380,000 people. Most of the people are part-time farmers with jobs in local industry. The team then explained the project and asked for input from the Katowice officials.

### *Opinions and Recommendations for DELGEM*

In response to our questions about what size of gminas might participate, it was suggested that the size should be in the 100,000 to 200,000 range so that the gmina would be large enough to have some potential to finance projects and to undertake the administration and management—given technical assistance and training.

There then followed a very helpful discussion on questions on the proposed projects, suggestions on what might be included, and a wide-ranging examination of problems besetting the voivodship. While many of the problems for which this group sought advice were outside the scope of the DELGEM project, the team responded that the DELGEM office in Poland (along with an advisor) probably would be able to serve as a "broker" or "information center" to refer many of the questions to other A.I.D. projects or projects being conducted by other governments or donor agencies. This function would be an adjunct to DELGEM's main project purpose.

The voivodship group then made suggestions about the project:

- DELGEM might also work with smaller gminas, helping to build up their capacity to manage environmental affairs even if they do not qualify for specific projects.
- There is a great need among the gminas to learn about human relations. Usually under the old regime, everyone worked under orders rather than by consultation or cooperation; no value was put on personal/human relations as an element of management.

In other comments, the voivodship officials gave an example of a group of gminas that did arrange a cooperative landfill arrangement that is working—but not well, largely because of management and operational problems. They suggested that perhaps DELGEM could help them improve the project outcome by improving their capacity to manage and operate.

When asked whether yet another project with a foreign advisor might be more than they would like in view of the many advisors and experts that are coming in and out of the area, the President replied that whether foreign experts are used often depends on the advisor's personality and the type of project.

The President of the Katowice Voivodship Sejm then expressed interest in the project. The team indicated that within 6 or 7 weeks two members would be back to visit specific gminas to determine which should be included in the project. The president was asked to send suggestions, based on the criteria discussed, to Mr. Andrzej Pecikiewicz at A.I.D.

TUESDAY, SEPTEMBER 15

### **Polish Foundation for Energy Efficiency**

The first meeting of the day was with Mr. Slawomir Pasierb, Director of the Polish Foundation for Energy Efficiency, and Michal Pyka, research specialist at the Foundation.

The Director gave a rather extensive review of the goal of the Foundation, its backers and financing agencies, and the many facets of its research described in an English-language brochure.

The Foundation staff described a number of environmental problems affecting the area:

- Of the 12 million dwelling units in Poland, 7 million have individual heating and 5 million are serviced by central heating boilers with transmission lines to the apartment buildings or individual houses. However, central pricing and rates are based on the number of inhabitants in the dwelling (and/or the square footage of the space) and not on actual consumption. As a result, there is very little incentive for energy conservation and efficiency which, in turn, contributes to environmental problems.

This finding is also true of the efficiency of the producers. Because the charges are based upon an abstract measurement, there is no economic incentive to correct inefficiency in the heating lines, where heat loss is enormous. Thus, if a small heating plant/lines could be included as a gmina project in DELGEM, a substantial demonstration of the relationship of energy efficiency to environmental improvement could be obtained. The project also would contribute to better environmental management at the gmina level.

- A group of gminas around Rybnik has already received a foreign loan to develop a master plan for better energy use. This might be something that many gminas might want to do.
- Part of the Foundation's work is to develop energy-efficient building processes and materials that, if used on new or reconstructed buildings, might produce great savings in energy and thus reduce pollution. The application of these processes and new materials would have to be incorporated into an energy or building code that would, in turn, have to be enforced at the local level. Again, this might be a demonstration project: the development of an energy-efficiency code that would then be applied to all new construction.

### **Slask Ecological Foundation**

The next meeting was with Mr. Josef Zyla, President, Slask Ecological Foundation. The organization was founded in 1989 with the help of a number of companies and the voivodship. They receive grants and various donations and are currently attempting to perform "economic" activities—e.g., doing studies for a fee—in order to carry on their work.

Their aim is to develop and distribute literature and information on the threat to the environment in order to raise the consciousness of the general public. We were given samples of booklets and they also showed us four educational videotapes produced on solid waste, hazardous

waste, etc. These materials are distributed to schools and other institutions, and the tapes are sold to interested groups. Although they have only a three-person office, they have developed a number of approaches for raising public awareness that might be helpful for DELGEM.

In its "economic" activities, the Foundation has begun to do work for gminas. An example is an environmental study done for the gmina Myslowice, which was one of the gminas suggested for inclusion in the project by Dr. Irene Lipowicz (Member of Parliament for Katowice, whom we met in Warsaw). They lent us their copy of the study so that we could photocopy it for future reference.

Mr. Zyla also outlined a proposed project by which they would choose three gminas in the Katowice Voivodship representing a rural gmina, a large one, and a small one, and then give them services to develop an environmental report, as well as a work plan on how to finance the projects. The financing component emphasizes how to solve problems by raising local funds and obtaining funding from other sources. This plan has not been put into action but is a possible way of expanding their services.

### **Center for Ecological Education**

Mr. Zyla took us to the next meeting with Mr. Mirela Dularz and Ms. Krystyna Blaut-Chowaniec at the Center for Ecological Education. The Center concentrates on youth education for schools and provides a variety of programs for young people to raise their ecological consciousness. We discussed their methods and approach but concluded that this effort was not relevant to DELGEM.

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The team left Katowice for Wroclaw on the 1745 evening train.

**WEDNESDAY, SEPTEMBER 16**

### **German-Marshall Fund**

The first meeting was with Ms. Krysna Wozniakowska of the German-Marshall Fund's "Environmental Partnership Project." The purpose is to give small grants, not exceeding \$8,000, to help local self-governments (i.e., gminas) raise environmental consciousness and influence local policy. The grants are also available to NGOs working toward similar goals. The Fund's total budget is \$200,000, including administrative and office expenses. Grants are given for modest technical assistance, training courses, limited office support for NGOs, and fellowship grants allowing qualified people to visit the U.S. and other foreign countries to learn about solutions to specific environmental problems.

The project covers most of southern Poland, including Krakow, Katowice, and Wroclaw. The grants are awarded by way of a careful selection process. Applicants are first obliged to fill out a detailed application form in Polish. Batches of these forms are reviewed every 3 months. The

applications are screened by Ms. Wozniakowska and then are sent with recommendations to a five-member selection panel. The panel is made up of prominent environmental activists in the area.

Since the project began in April 1992, some 51 projects have been approved covering 5 project areas: capacity building, information, pilot projects, gminas, and community education. About a dozen of the grants have been given to gminas in the area.

Ms. Wozniakowska indicated that the largest number of requests are for training in environmental management. She had tried at one time to coordinate these requests with the A.I.D.-sponsored training under the University of Minnesota consortium, but found that the consortium was currently doing private enterprise training only.

The operation is well organized and is one of the few projects we contacted that works at the gmina level. Ms. Wozniakowska agreed to review her experience with gminas in the area and to give us recommendations on which ones might be considered for inclusion in DELGEM.

### **Woj Environmental Protection Board**

Our next meeting was with the Director of the Woj (Voivodship) Environmental Protection Board. As we discussed environmental problems at the local level, the Director identified two main areas of concern: solid waste management and wastewater treatment. He pointed out, however, that the City of Wroclaw has, in addition to these problems, many more that the smaller gminas do not have.

In discussing the wastewater problem, he focused on the upstream pollution of the Olawa and Oder Rivers, which flow into Wroclaw and from which Wroclaw gets a good deal of its potable water. Although the two rivers receive contamination from Czechoslovakia, upstream communities and industries in Poland also add to the problem. He cited two gminas, Strzelin and Wiazow, that are major sources; the former is revising an old wastewater feasibility study in order to see if funds can be obtained for the construction of a modern treatment plant. If they are successful, the plant could improve the water quality and help Wroclaw as well in improving its water supply. The Director, unfortunately, had very little additional information on these two cities to give us. He did say that if the cities wanted to build such projects, the voivodship required that they identify local resources to cover at least 50% of the project costs. He also mentioned that the newly created Regional Water Management Authority was interested in the potential of this project because it would make a considerable contribution on the cleanup of the Olawa and the Oder.

The director also described Wroclaw's solid waste problem. The city operates three to four large landfills; two of these have reached capacity and will close down in the next year or so. Questions remain about what to do next. Many citizens, including environmental groups, are against incineration; but the city, having no more landfill sites, is leaning toward incineration.

## **Polish Ecological Club, Wroclaw**

The last meeting of the day was with the Wroclaw Branch of the Polish Ecological Club, represented by five members: two women and three men who had in total a good command of English. The members described the environmental problems facing the gminas: wastewater, water quality, landfills. They mentioned the Club's opposition to any proposed incineration of Wroclaw's solid waste.

### *Opinions and Recommendations for DELGEM*

In discussing DELGEM and its focus on the gminas, the group responded that:

- gminas do not have the financial capacity needed to solve many of their environmental problems;
- gminas have a great need for improving their management of environmental problems; and
- DELGEM should be flexible and give management/administrative help to gminas even though they may not be able to raise the capital necessary to completely solve environmental problems.

The Club agreed to discuss the project with their membership and make recommendations on which gminas in the area might be good candidates for inclusion in DELGEM. The group also discussed the housing problem with Mr. MacLeod, who replied that he would recommend that the A.I.D./ICMA survey team coming to study housing problems visit Wroclaw.

THURSDAY, SEPTEMBER 17

## **Wroclaw Voivodship Self-Governing Council (Sejm)**

The first meeting on the team's last day in Wroclaw was with the Wroclaw Voivodship Self-Governing Council, or Sejm. Five persons—one woman, four men—were present, including the President of the Sejm and the Chairperson of the Sejm's Environmental Committee. The other three were members of either the Sejm, the Environmental Committee, or both.

The President briefed us on the Woj. It has a population of 1,200,000, with 750,000 in Wroclaw City, including 39 gminas outside of Wroclaw. At the Woj level there are two parts of the government: the self-governing council and the regular state government. Both have tried to work together but with different responsibilities. On the environmental scene, the Sejm has an Environmental Protection Committee that cooperates with the departments in the Woj administration; at the same time the Sejm has its own specific responsibilities to undertake.

### *Opinions and Recommendations for DELGEM*

About DELGEM, our discussants said the Sejm, through the Environmental Committee, had done a lot of research and offered us an excellent study of environmental problems in Wroclaw.

They have had experience with a number of foreign donors, including German and French donor agencies that were interested in giving assistance to City of Wroclaw. We noticed that while the study offered to the team appeared to be an excellent technical document, it did not discuss the financing necessary to effect some of the proposed solutions nor did it make any analysis of the current fiscal situation among the gminas in the Wroclaw Woj.

There are many problems in the gminas, and most do not have sufficient finances to solve them. The Sejm representatives stressed that Polish local governments are in an interim situation, waiting for more definition of their role and authority to carry it out. Thus, the Sejm members felt that a project like DELGEM should define and work on "interim" problems until sufficient financing can be arranged. In outlining the major problems, the group listed communal waste management, wastewater treatment, and provision of potable water. One member commented that the communal waste problem is complicated because most of the gminas do not have the management resources to even approach the problem. The members also took note of the recent establishment of the Regional Watershed Water Management Authority but felt they had just begun their work and it was too early to assess the effect on the whole problem.

The Sejm/Environmental Committee members endorsed the project and said they would pass on to Andrzej Pecikiewicz their suggestions of gminas in Wroclaw that might be included.

#### **Wroclaw Woj Sanitary Inspectorate**

The second meeting was held at the Wroclaw Woj Sanitary Inspectorate. We met with the Director and three assistants. The director identified the main problem here as potable water. The water source for Wroclaw City is runoff, i.e., water taken from the Olava River; the remaining water sources in the Woj are private wells, of which about 80% are contaminated. In the related area of wastewater treatment, the Inspectorate said the city had attempted to restrict the issuance of building permits but this had not been successful. Another pressing problem is solid waste. Landfills are poorly designed and even when a well-designed fill is proposed, none of the gminas wants to have it within its boundaries.

At the same time, the Inspectorate did not have a clear idea of the actual effect that contaminated water had on the health of the population. Their answer was that because of understaffing they could not conduct the necessary surveys to determine benchmarks on health indicators. One inspector did comment on one small study, which showed that in the city, poor water quality was related to the destruction of red corpuscles in the bloodstream of people who were tested.

#### **Regional Water Development Authority and the Institute of Environmental Protection**

The last meeting of the day was with the staff of the Regional Water Development Authority, joined by one of their consultant organizations, the Institute of Environmental Protection. The director, and his staff, explained the genesis and function of the Authority. A recent law divided the country into seven regions, establishing in each one a water development authority whose main function is to coordinate problem-solving efforts in each of the seven river basins. The object is to set up a series of management information systems (MIS) to coordinate information on activities, problems, studies, etc., affecting water management in the region. The regional authority has been in

operation for only one year. It has an annual budget of \$200,000, the same as that for the German-Marshall Fund's "environmental partnership."

The director gave the team maps showing the boundaries of the seven water development regions and one showing in more detail the coverage of this particular authority. A chart detailed the division of responsibilities between the two regional water organizations: water development and water management. It was not entirely clear why there are two such authorities, instead of one that performs both functions.

When we brought up the possibility of supporting a wastewater project in Strzelin on the Olava and studying its effect on relieving contamination in the Olava—and improving the water supply for Wroclaw City—the director was interested. He spoke of the possibility of focusing on this as a demonstration project, bringing together local, regional, and national interests.

The meeting ended with a briefing by one of the consultants on the extensive and serious problems caused by the Soviet military's long-time occupancy of the area around Legnica, the almost impossible task of reclaiming the heavily contaminated soil, and its devastating effect on water resources in the area.

\* \* \* \* \*

The team took the 1600 train from Wroclaw and arrived in Warsaw at 2200.

FRIDAY, SEPTEMBER 18

#### **European Bank for Reconstruction and Development, Warsaw**

We had an early morning meeting with Mr. Yves L. Fortin, Resident Representative of the European Bank for Reconstruction and Development (EBRD). The Bank had been started originally to deal with the breakup of the USSR and was targeted to deal with six client countries. It now has 22 client countries. The Bank is an instrument to promote free-market economies and political democracy; loans are distributed at a 60/40 ratio to the private and public sector, respectively. The Warsaw branch opened in January 1992 and Mr. Fortin arrived in April. He gave us copies of the municipal policy statement, procedures to be used in assessing project environmental impact, and instructions for the use of contractors.

The Bank is interested in funding projects in Poland at the municipal level that relate to the environment, e.g., wastewater, water, landfills, etc. Mr. Fortin's office is proposing a line of credit of \$120 million for this purpose with grant funds for feasibility studies and other activities of \$3.7 million. Loans are slated to run from 10 to 15 years, with a grace period and interest rates pegged to market levels. Currently the Bank is considering a loan to the City of Gdansk of \$27 million for the reconstruction and upgrading of its wastewater system, including treatment and a pipe network. A feasibility study grant of \$110,000 has been extended to Gdynia/Gdansk for a regional solid waste treatment facility (landfill or incineration?); the Bank is also interested in a request from the City of Wroclaw for assistance in upgrading and expanding its wastewater treatment system (potable water improvements as well?).

Mr. Fortin expressed interest in working with the DELGEM project, was concerned about local financial ability to take on loans, and was still in a quandary about which agency in the Polish central government would sign off on pledging the government's backing for loans made to municipalities.

#### **A.I.D. Briefing**

Our final meeting of the Poland portion of our trip was a briefing to be given to the A.I.D. Representative for Poland, Mr. James Joslin. He could not be present so the briefing was given to Ms. Hammam, who represented him; and the office's program officer, Ms. Debbie Brown, from the AID/Washington Office of Housing. Mr. Andrzej Pecikiewicz, as member of both the A.I.D. staff and our team, was also present. We proposed to Ms. Hammam that a two-person team return in a month to choose the municipalities for inclusion in DELGEM; she concurred in this revisit. A copy of the briefing outline is attached.

## **Tentative Schedule for DELGEM Team Visit to Warsaw**

### Wednesday, September 9

- 1:00 pm Stanislaw Sitnicki, Director  
Ministry of Environment, Natural Resources, and Forestry, ul. Wawelska 52/54, 1st fl.,  
#158
- 3:00 pm William Joslin, A.I.D. Representative  
Sonia Hammam, RHUDO

### Thursday, September 10

- 8:30 am Prof. Henryk Goik, Director  
Dr. Miroslaw Stec, Director  
Council of Ministers, Territorial Self-Government  
Al. Ujazdowskie 1/3
- 10:00 am Andrzej Kassenberg, Ecofoundation  
Krzywickiego 9
- 11:30 am Maria Ptaszynska-Woloczkiwicz, Director  
Maria Nagorski, Project Director  
Foundation in Support of Local Democracy  
Krzywickiego 9, 6th fl.
- 2:00 pm Janusz Golab, Director  
Bank for Environmental Protection, Al. Solidarnosci 104
- 5:00 pm Dr. Irena Lipowicz, Sejm  
Hotel Forum, Lobby

### Friday, September 11

- 9:00 am Stepien, Senator, Senate Local Government Commission  
Chopina 1, 1st floor
- 11:00 am C.B. Coulson, Technical Advisor, EC/PHARE  
Ministry of Environment, Natural Resources, and Forestry, Wawelska 52/54

### Saturday, September 12 (rest)

### Sunday, September 13

- 3:35 pm Leave for Katowice
- 6:20 pm Arrive Katowice  
Overnight at Hotel Silesia

September 19, 1992

## **OUTLINE OF BRIEFING FOR USAID/POLAND DESIGN FIELD TRIP, DELGEM PROJECT**

September 8 - 20, 1992

### **I. PURPOSE OF THE VISIT**

To determine:

- whether there is a need for the project
- whether there is support - central and local - for the project
- a strategy.

### **II. MEMBERS OF THE TEAM**

Alexi Panehal, Andrzej Pecikiewicz, Bill Sommers, Bob MacLeod, Frank Ohnesorgren. Alexi returned to AID/W on 9/13. The team spent from 9/8 to 9/12 in Warsaw and from 9/13 to 9/17 in Katowice and Wroclaw. Frank Ohnesorgren will return to the U.S. on 9/19 to be replaced by June Beittel (ICMA). Sommers/Macleod/Beittel will proceed to Budapest on 9/20 and will meet Jim Taft (AID/EUR/ENR) and Sonia Hammam in Budapest.

The team, collectively or individually, held 22 meetings and discussed the project with 60 people.

### **III. SUMMARY OF FINDINGS FROM THE TRIP APPLYING TO THE DELGEM PROJECT**

1. Very little is being done at the gmina level and the idea of working at that level is well supported.
2. Neither the proposed changes in the local government structure—i.e., insertion of the powiat/county level—nor the plethora of foreign assistance given in places such as Katowice, appeared to be an impediment to beginning the project.
3. The idea to focus on a few specific gminas and on the management, administrative, organizational, and financial problems as they relate to handling environmental problems found generally wide acceptance. While the idea of developing "feasible" projects was also acceptable, the team found a not unusual obstacle in the ability, or desire, to pay for services.
4. The overwhelming number and type of problems make it difficult to concentrate on a specific level and a specific project. Many of these problems also have a "global"

context—for example, air pollution, confusion in governmental roles, autarchic approach to problem-solving.

5. The relatively high degree of technical understanding of problems is not necessarily matched by well-developed managerial or organizational tools. Likewise, the scattered, sometimes confused patterns of authority and responsibility at the voivodship/gmina levels clearly are obstacles.
6. A surprising number of focused NGOs have articulated problems and improvements that are needed, and could be an asset in working at the gmina level.

#### IV. PROJECT STRATEGY

1. Choose two gminas in Katowice and one in Wroclaw as a focus for improving environmental management. Develop a priority improvement plan; single out one "feasible" project and develop it to a point at which it can be offered for funding by internal and external agencies.
2. If resources allow, work with the gminas to improve environmental management capacity. Take them to a point at which they can develop their own environmental plan or strategy.
3. Have the DELGEM project act as an "information broker" at the voivodship/gmina level. In cases in which the DELGEM project cannot offer services or respond directly to a request, refer requests for assistance to other A.I.D. programs or other donors.

#### V. NEXT STEPS

1. Produce a draft work plan along the lines indicated in the strategy above.
2. Return to Poland in 4 to 6 weeks. Spend 2 weeks investigating suggested gminas for inclusion in the project and then make a decision on the specific gminas.
3. Once a final work plan incorporating these recommendations has been approved, the full-time advisor will move to Poland.

September 19, 1992

**DESCRIPTION: Decentralization of Local Government Environmental Management (DELGEM)**

This project is sponsored by the U.S. Agency for International Development (A.I.D.) and will, over a period of 3 years, assist the municipalities in Poland to improve their capacity to manage environmental problems at the local level. The project will supply technical assistance (including both foreign and in-country expertise) as well as training (both in-country and U.S.-based short-term) to a small group of selected gminas to improve the management, administration, operation, and financial capacity of these local units as applied to their environmental problems.

The project will assist the selected gminas to develop a priority list of environmental problems that have local solutions and then choose one of these priority projects that is the most promising for further development. The chosen project will, as one of the end products of the DELGEM project, be presented for funding to internal or external agencies for a long-term loan by which the project could be constructed. An example would be a landfill project for one gmina, or a group of gminas, that is carefully developed by the gmina(s) and then proposed to the European Bank for Reconstruction and Development for a long-term, repayable loan.

In addition, the project will also provide assistance to other gminas to develop a long-range environmental management plan that will be available to guide the gminas in the solution of both short-term and long-term environmental problems. The plan could then be used for future requests for long-term funding of selected projects when the management and financial status of the gmina has improved.

Through the DELGEM's resident long-term advisor, the project will also act as an "information and technical assistance broker" to participating gminas or voivodships. The advisor will coordinate with existing A.I.D. and other foreign donor projects in securing technical assistance and training for local problems not covered by the DELGEM project.

**PROJECT FOCUS**

The project will focus on a small group of selected gminas in the Katowice and Wroclaw Voivodships.

**SELECTION OF PARTICIPATING GMINAS**

A two- to three-person selection team will visit suggested gminas in the two voivodships in about 4 to 6 weeks and will then choose the gminas to participate in the project. The basic criteria that will be used to choose the participating gminas are as follows:

- willingness of the people and leaders of the gmina to make a serious effort to solve local environmental problems;

28

- a demonstrated capacity for good, effective administration and management in the operation of the gmina;
- willingness to improve financial capacity and ability in order to pay for solutions to local environmental problems;
- a demonstrated cooperative approach to implement suggestions for general management, administration, and financial improvement.

#### PROJECT STARTUP

Once the gminas have been chosen, they will be asked to sign a Letter of Cooperation as participants in the project. The letter will be co-signed by the Voivodship Self-Government, the voivod, and authoritative representatives of the Ministry of Environmental Protection. The project will begin once these Letters of Cooperation have been filed with A.I.D.

It should be noted that funds provided in DELGEM do not include any capital funds for the construction of environmental projects; these funds will have to be obtained from other agencies, internal or external.

## **PART II**

### **Report on Trip to Hungary: 9/20 - 9/30/92**

## Report on Trip to Hungary: 9/21 - 9/30/92

Date	Location	Meetings	Page
9/21	Budapest	USAID/Budapest . . . . .	1
		Institute of Environmental Management (KGI) . . . . .	2
		Department of Settlement Development and Communities, Ministry of Interior (MOI) . . . . .	3
9/22	Budapest	Poland/Hungary Aid for Restructuring of Economies (EC/PHARE) . . . . .	4
		Budapest Mayor's Office/Department of Environmental Protection . . . . .	5
		European Bank for Reconstruction and Development, Budapest . . . . .	5
9/23	Budapest	Inspectorate for Environmental Protection, Ministry of Environment and Regional Planning (MERP) . . . . .	6
		Department of International Relations, MERP . . . . .	7
		Regional Environmental Center (REC) . . . . .	8
9/24	Miskolc	City Administrators, Miskolc . . . . .	8
		City Water Board, Miskolc . . . . .	10
		Borsod County Government . . . . .	11
9/25	Miskolc	Borsod District Water Authority . . . . .	12
		North Hungarian Regional Water Supply and Water Management Company . . . . .	13
		Regional Environmental Inspectorate . . . . .	14
9/26	Miskolc	Green Action NGOs . . . . .	16
9/28	Budapest	Revisions to Environmental Laws . . . . .	17
		International Bank for Reconstruction and Development (IBRD) . . . . .	18
		Peace Corps . . . . .	18
		Institute of Environmental Management (KGI) . . . . .	19
9/29	Budapest	MERP . . . . .	19
		Environmental Fund of MERP . . . . .	20
		EC/PHARE and Godollo Parks and Forestry . . . . .	21
9/30	Budapest	Department of Settlement Development and Communities, MOI . . . . .	22
		A.I.D. Briefing . . . . .	23
* * * * *			
10/1	London	European Bank for Reconstruction and Development . . . . .	24

## REPORT ON TRIP TO HUNGARY: September 20 - 30, 1992

Members of the team visiting Hungary were Mr. Bob MacLeod, AID/Office of Housing; Ms. June Beittel, ICMA; Mr. Jim Taft, AID/EUR/ENR; and Mr. Bill Sommers, RTI/DELGEM Team Leader. Dr. Jim McCullough, RTI/WASH (Water and Sanitation for Health Project), joined the team on September 28. The team also met with Mr. Sandy Hale, contract advisor for Hungary and Czechoslovakia, who accompanied the team to some of the meetings. Mr. Ferenc Melykuti, USAID/Hungary, arranged the Budapest schedule, participated in meetings as his schedule permitted, and acted as the team's liaison with the Office of the A.I.D. Representative in Hungary. (See attached meeting schedules.)

MONDAY, SEPTEMBER 21

### USAID/Budapest

Our first meeting was with Mr. Ferenc Melykuti, Project Officer, USAID/Budapest. We discussed the team's agenda for the first 3 days; the visit to Miskolc was still in preparation.

### *Projects Already in Place in Hungary*

We discussed the DELGEM project and referred to the project description summary written for amPoland; Mr. Melykuti asked that a similar piece be developed for Hungary. Mr. Melykuti briefed the team on other projects funded by A.I.D. that focus on local government. One project that is drawing to a close is the Local Government/Public Administration project, which has been working for 1 year under contract with the University of Southern California (USC)/Multinational Strategies. It has focused on the city of Szekesfeharvar, conducting a feasibility study on a wastewater plant. A final report is forthcoming and will be made available to the team once it is received, reviewed, and accepted. Mr. Melykuti also mentioned the work of Peace Corps volunteers (15) working with NGOs, and Fulbright Scholars working in two counties on environmental research projects. He reported that there was a Peace Corps volunteer in Borsod County but he had, apparently, left for another location in Hungary. The volunteer was placed with a "green action group," an NGO that operates in the Miskolc area and that has received a grant from the Regional Environmental Center to conduct a heavy metal contamination survey in the Sajo River basin.

### *Local Government Structure and Finances*

Mr. Melykuti also discussed the structure of local government in Hungary. Under current law and administration, all local governments are, in structure and relative authority, the same; there is no longer a distinction between the county (megy), the city (varos), and the small town or village (önkormányzat). They all share the same governmental format. Thus, the county, which once had considerable authority and power over subsidiary units—and apparently was an administrative field arm of the central government—is now regarded as no different from all other local self-governments.

He also touched upon the central problem of local finances. Although local governments have authority over their own operations, they often do not have the funds to operate, maintain, repair, or

build core infrastructure and services. While the local governments do have their own revenues, they are dependent on national shared taxes and subventions. Moreover, in places such as Miskolc (Borsod County), unemployment is over 20%; it is becoming increasingly difficult to raise user fees. The central government is still considering additional changes in the structure of local finances and in the local responsibility for environmental protection/management. Everyone is awaiting the central government's next move.

Mr. Melykuti noted that while the Ministry of Environment and Regional Planning once was responsible for the planning and management of water resources, this authority has been transferred to the Ministry of Transportation, Telecommunications, and Water Management. This change is still being assimilated by all levels. Mr. Melykuti believed that it was largely a political move but was not clear on the origins or the precise motivation for the changeover.

### **Institute of Environmental Management (KGI)**

Our next meeting was with the Institute of Environmental Management (KGI), a support unit of the Ministry of Environment and Regional Policy (MERP). Present at the meeting were Mr. Janos Zlinszky, KGI; Mr. Janos Feher, Institute of Water Quality, a research group connected with the National Water Authority; and Mr. Sandor Kisgyorgy, head of the Department of Water Quality, MERP.

### *Opinions and Recommendations for DELGEM*

The team explained the DELGEM project. Mr. Taft discussed the status of the WASH project and explained the potential correlation between what WASH was doing and what DELGEM proposed to do in the WASH area. There followed a discussion of the status of WASH, particularly the Danube Emissions Decision Support System (DEMDESS). Mr. Feher expressed a desire that the program be modified in accordance with recommendations previously given to Mr. Tim Bondelid, RTI/WASH. MERP wants to apply the final product to all its river basin studies. The KGI/MERP officials confirmed that they wanted WASH to concentrate on the Sajo River Basin.

Mr. Zlinsky thought DELGEM a good idea, especially if coordinated with WASH; it is very important to explore all options by which local units may solve their environmental problems in the face of serious financial constraints. Developing a successful investment package by using local, central, and privatization efforts in any combination is, they believed, workable. Mr. Kisgyorgy also noted that in Europe there are two models for water system privatization: the French and the British. The French system leans toward privatization with a few large nationwide companies, whereas the British experience is to go public with regional water companies and issue shares to make them nearly exclusively private operations.

One obstacle to promoting "loans" to local governments for water/wastewater improvement is the central government's anti-inflation policy, which restricts guarantees for local loans. That is, the national government does not want to incur more debt and is looking to the local governments to solve their own problems. About 85% of Hungary's drinking water needs are met, but only 48% of its wastewater is treated adequately. To close the gap between the two would cost an estimated US \$5 billion. DELGEM might provide demonstration projects with selected municipalities, to show how a mixture of public/private funding could be used to apply new technologies (such as sludge

reclamation or methane gas production) to these universal problems of providing adequate potable water and effective wastewater treatment.

Mr. Kisgyorgy suggested that in assessing fiscal capacity and need, we could make some rough estimates based on the following unit costs for Hungary: to treat 1 m<sup>3</sup> of wastewater, it takes from fts 50,000 to 70,000 estimating only construction costs for secondary treatment based on per capita water consumption of 150 liters per person per day. This applies only to secondary treatment plants and does not include the collection system; rough financial estimates for the latter type of construction are readily available.

In general, despite the financial challenges, the KIG group felt that DELGEM should be encouraged. They strongly endorsed the concept of targeting municipalities. We agreed to meet the next week upon the team's return from Miskolc.

### **Department of Settlement Development and Communities, Ministry of Interior (MOI)**

The last meeting of the day was with Mr. Gyorgy Kertesz, Deputy Head of the Department of Settlement Development and Communities in the Ministry of Interior (MOI). Mr. Melykuti joined us and acted as interpreter.

#### *Local Government Structure*

Mr. Kertesz gave us a quick run-down on the local government situation. As did others with whom we met throughout the trip, he emphasized that Hungary is in transition; local government is still changing. There are 3,200 local governments, all of which have equal power and authority, regardless of size. Municipalities have an elected mayor, several deputy mayors, and a public administrator or notary. Where once the MOI had more direct authority over local governments, municipalities now are, more or less, free to do what they want within their grant of legal powers. But local self-government is a new experience; Hungary is still working out the problems and the bottlenecks. The MOI, for example, guides the local governments (while acknowledging their independence) through an administrative agent. The agent is appointed by the President, works with the MOI, and is assigned two to four counties. The agent gives advice and works with local units to be sure that they follow the law, but does not direct their actions. There are nine such administrative regions in the country.

#### *Opinions and Recommendations for DELGEM*

In discussing Miskolc as a possible DELGEM area, Mr. Kertesz noted that Miskolc is one of the more difficult cities with which the Ministry has had to work: its environmental, unemployment, and political/administrative problems are large and difficult. (The city also is governed by the leading opposition party, the Free Democrats, making it less likely that assistance will be forthcoming from the central government.) The Ozd region further north, however, is in even worse financial shape. The National Parliament has established a fund of fts 1.5 billion, administered jointly by MERP and MOI, by which municipalities in this region can get financial assistance to relieve serious environmental problems.

Mr. Kertesz thought DELGEM was consistent with the government policy on decentralization: local units do need management, administrative, and financial improvements that DELGEM provides. But the financing of suggested environmental projects will be difficult. In addition, there might be areas other than Miskolc that need help and might be more responsive to DELGEM.

TUESDAY, SEPTEMBER 22

### **Poland/Hungary Aid for Restructuring of Economies (EC/PHARE)**

The team met with Ms. Annamaria Klug, Project Officer for the EC/PHARE program, who outlined the environmental portion of PHARE's Hungarian program. PHARE has a three-phased program focused on various aspects of environmental protection in Hungary. The first phase involved 24 million ECU and 22 subprojects. The subprojects established demonstration projects, provided computers, and provided scientific equipment for testing. Specialized training on use of the equipment and computers (as well as more generalized management training) has been provided. One subproject covered work on "nature preservation" in selected national parks. A grant of 1.3 million ECU was also given to Tantioflau municipality for sewage and water system improvement.

Under Phase II, PHARE was allotted 13 million ECU, emphasizing program development and management training under four elements: (a) training to improve management at MERP; (b) air pollution abatement; (c) municipal solid waste, including four demonstration projects on collection in the municipalities of Siofok, Szekesfehervar, Godollo and Sopron; and (d) nature conservation. One outgrowth of item (b) was the formation of a Project Management Unit in MERP with the placement of four long-term advisors.

Phase III is expected to have 10 million ECU focused on implementing projects launched in Phase II.

Ms. Klug also mentioned that under Phase I, a feasibility study was done on improving wastewater treatment in Miskolc, but there was apparently some disagreement with the city on the results and recommendations. Further progress on this subproject has therefore been delayed. The project, if approved, would be considered by the EBRD for at least partial funding.

Ms. Klug said EC/PHARE is working on a plan to continue environmental assistance into 1995, but the environment share of the total PHARE allotment for Hungary is being reduced as a percentage of the total to emphasize health and social projects.

In more general terms, Ms. Klug discussed current developments in the Ministry's Environmental Support Fund. The government wants to pass a framework environmental protection law that would be general in scope and would, once passed, give impetus to additional sector-specific legislation. Again, as mentioned many times during our talks, this was all part of Hungary's transition phase. The government is trying to reach an operable (but often uneasy) economic and administrative balance between privatization, decentralization, and protection of the environment. The Support Fund receives fines levied against polluters as well as fees from permits to draw water from or dump wastewater into existing waterways. However, some legislators want the Fund authorized under a parliamentary law instead of the ministerial decree under which it currently

operates. This would protect the fund against annual attempts by the Ministry of Finance to appropriate it for general fund expenditures.

If the Fund is reconstituted in this way, PHARE may contribute some of its Phase III monies to the Fund to assist projects involved in saving energy, protecting water resources, and improving solid and hazardous waste management. The proposal envisages that the PHARE funds would contribute 30% of the cost with the remaining 70% to come from central/local sources.

### **Budapest Mayor's Office/Department of Environmental Protection**

The team then met with Ms. Katalin Papp, an officer in the Budapest Mayor's Office/Department of Environmental Protection. The gist of Ms. Papp's message was that the newly achieved local government independence had made coordinated solutions to environmental problems nearly impossible—at least in Budapest. Budapest is now a collection of 22 relatively independent local districts in which each unit has an elected council, mayor, and deputy mayor who attempt to make their local unit authoritative, fiscally viable, and the guardian of local prerogatives. The City of Budapest controls only city-wide functions such as water, sewers, collection and disposal of solid wastes, etc. An example she gave of the uncoordinated process involved one of the 22 "borough" governments, which gave permission to a Japanese firm to build a large office/commercial complex with a parking lot—under an existing park. The parking lot will destroy the park because the parking structure will not be completely underground due to the high water table. The city objects because this construction will destroy scarce open green space. But the "borough" is adamant because it will benefit from the revenue that this building will bring in. Even though this construction contravenes the 1986 Master Plan, it is unlikely that any action can be taken to stop the "borough's" action.

She also pointed out that traffic emissions are a very serious problem, but enforcement of minimum standards is the responsibility of the National Traffic Authority, not the City of Budapest.

Ms. Papp also noted that since the City of Budapest's legislature is controlled by the opposition party (Free Democrats), the political standoff between the city and national governments sometimes makes collaborative problem-solving difficult. She also listed problems of drinking water, sewage treatment, landfills, and the needs these problems have imposed on the city. While the city's drinking water is presently good, the continual dumping of untreated sewage, water with heavy metals, etc., into the Danube eventually will compromise the river's purity and that of its aquifers as a source for the city's drinking water. The borough of North Pest is also considering a sewage treatment plant that will cost \$10 million. The city's landfill is slated to reach capacity by 1995, with no alternative in sight.

### **European Bank for Reconstruction and Development, Budapest**

The last meeting of the day was with two officers from the Hungarian Branch of the European Bank for Reconstruction and Development, Messrs. Paul F. Dax, Resident Representative, and Mr. Sunil Sabharwal, Mr. Dax's deputy.

Mr. Dax explained that the bank is just beginning its work in Hungary. It is primarily interested in extending credit to private companies in order to promote the market and upgrade

industries that are now inefficient or have been privatized only recently. The Bank recognizes, of course, that municipalities need help with environmental problems. To this end the Bank commissioned and is now reviewing a comprehensive macro/micro study of Hungarian municipal finance.

It was clear that local government—and its fiscal structure—is in a state of transition, making it difficult to predict outcomes with any certainty, especially in terms of decentralization and the resolution of environmental ills. It was also quite clear, however, that most cities cannot commit and sustain enough of their own resources to get long-term loans. Water, wastewater, and solid waste improvements—though vital—cannot be supported by the current level of fee payments.

One approach that the Bank is considering is to lend money at market rates through merchant banks. Setting up a joint venture between a Hungarian bank and a foreign bank under this model would establish a possible line of credit for local governments, and avoid the necessity of central government guarantees. There might be, for example, a mix of resources between local fee earnings, central government funding, and a bank loan by which municipal projects may be undertaken.

Mr. Dax did express an interest in the project, and suggested some people to talk to in London when Mr. Sommers and Mr. Taft are there to meet with staff of the Bank in London to discuss these matters in more detail.

**WEDNESDAY, SEPTEMBER 23**

#### **Inspectorate for Environmental Protection, Ministry of Environment and Regional Planning**

The team met with Dr. Zsolt Horvath, Chief, Inspectorate for Environmental Protection of the Ministry of Environment and Regional Planning. Dr. Horvath briefed the team on the operations of the Inspectorate.

The Inspectorate is part of the Ministry of Environmental/Regional Planning. It works under the National Authority for the Environment with a central staff of 26. The main body of 1200 administrative staff, technicians, and engineers is distributed through 12 inspectoral regions. These regions are not necessarily congruent with the county boundaries. They are based more on the river basin/watershed delineation than on political boundaries. The Inspectorate regulates industries to see that environmental laws are followed. It issues fines if these laws are not obeyed, or works with the industries to correct environmental violations. The Inspectorate also issues permits for stream discharges and water intake. For example, a municipality that wants to build a new treatment plant first has to get its plans approved by the Inspectorate. Only then is a permit issued. In cases in which new technology is being introduced, the applicant has to get a permit from the Water Board as well as from the Inspectorate. Revenues from collected fines are divided, 30% to the municipalities and 70% to the Ministry. The Ministry deposits the funds into the Environmental Fund for use in the relief of environmental problems.

Larger municipalities usually have a Department of Environmental Protection. The Inspectorate cooperates with these municipal departments as staff, time, and funds allow.

Dr. Horvath commented on the recent transfer of the Water Management Authority from MERP to the Ministry of Transport, Telecommunications, and Water Management. He believed the reason was political, growing out of the opposition to a proposed dam, which has become a national environmental issue. The Ministry of Environment, having the water management authority as well, was too powerful a ministry and might (or did?) become an advocate of the dam. The Parliament may have determined that separating control of the environment from the management of water resources would force MERP to become an advocate of better environmental management, and prevent it from being subjected to powerful forces involved in water development (i.e., the advocates of the new dam).

In discussing the problems involving the inspection of offending industries, Dr. Horvath noted that many large, state-owned companies have been broken up and then sold. Thus, one very large plant may now be controlled by a number of owners, making it difficult to find the responsible party when it comes to assessing the violations.

He also discussed the remediation measures being undertaken by the Government of Hungary in cleaning up the contamination left in the wake of the Soviet military withdrawal from Hungary. There were 174 military sites and 6 airfields that have cost billions of forints to clean up; the Inspectorate plays a very important role in overseeing the toxic waste investigation and remediation.

The Chief Inspector gave the team a series of organizational charts with district maps, along with reprints from the legal code showing the responsibilities of the inspectorates, the cities and towns within the 12 inspectorates, and a listing of their duties. He also gave the team a colorful environmental "map" in English that gives an overall picture of the environmental scene in Hungary.

#### **Department of International Relations, MERP**

The team's second meeting occurred with the head of the Department of International Relations at MERP, Mr. Istvan Tokes, and his deputy, Mr. Janos Sudar. Mr. Tokes had recently taken over this important role in the Ministry.

#### *Opinions and Recommendations for DELGEM*

Mr. Tokes expressed support for a project that would work at the municipal level and apply its technical assistance and training within real situations and real needs, rather than offering only generalized training, which Hungary has already received in too great abundance.

He also had a number of suggestions. He cautioned against putting the project in the Miskolc region because of the uneasy political climate, the serious economic troubles, and the large environmental problems encountered there that might work against the project's success. As the project begins to work, seminars should be held to show other municipalities how to use for their own benefit what has been done in another municipality. Mr. Tokes warned the team that local finance is a new concept in Hungary, that there is very little funding available for investment, and that the local governments have to learn a great deal before they can move in this area, even if the money becomes readily available.

He noted the absence of trained, effective bureaucrats in many cities and towns. Nevertheless, there are many active mayors in small and medium-sized cities who want action and have been stymied, not only by the lack of funds, but also by the lack of "know-how." The DELGEM project could make a good contribution by way of demonstration. Mr. Tokes recommended that we choose cities in growing areas, especially those with new industries. Areas like these could contribute their more advanced views and efforts to help the municipality preserve and protect the environment. He cited one municipality, Kecskemet, which exemplified some of the progress that could be made with lively and thoughtful leadership.

Mr. Tokes suggested that we go out and look at a number of these municipalities before we finalized our choice; his office would be glad to draw up a list of municipalities for possible inclusion in the project by soliciting recommendations from the inspectorates. He again stressed his belief that the project, conceived in this light, would be beneficial. Mr. Tokes then had to leave for another meeting. We then made arrangements to contact his associate, Mr. Sudar, upon our return to Budapest and discuss with him a proposed list of municipalities.

### **Regional Environmental Center (REC)**

The final meeting of the day was with Dr. Branko Bosnjakovic, Development and Outreach Manager of the Regional Environmental Center (REC); and an associate who had recently received her MBA from the University of Pittsburgh.

Dr. Bosnjakovic outlined the background and work status of the REC. He stressed that at the beginning, the Center was a catch-all for too many projects. They have pared down their mission to a more manageable size and scope. The Center gives grants to NGOs, aiming at getting practical research and demonstration projects that, in turn, will be guides for further work. The Center does not work directly with municipalities but attempts to develop generalized tools that may help them confront environmental problems. One example is a proposed *Handbook on Environmental Protection*, designed for use by municipalities and based on a series of lectures authorized by another grant. These lectures are being reworked into the handbook through a series of workshops.

His associate reported on a number of requests for technical assistance received from small municipalities that are in need of help but for whom little assistance is available. She agreed to compile a list of these municipalities and give it to the team.

### **THURSDAY, SEPTEMBER 24**

The team took the 0700 express train from Budapest to Miskolc and arrived a little before 0900. We went to the Hotel Pannonia, where we met Ms. Debbie Richards, who gave us our itinerary for the next two days; we also met the translator, Mr. Demeter Zsekov.

### **City Administrators, Miskolc**

Our first meeting was with the Deputy Mayor of Miskolc, Mr. Istvan Petravosky, Deputy Mayor. He was accompanied by Mr. Jozsef Lencses, the city's environmental assistant.

Mr. Petravosky pointed out that the city and county were independent of each other in accord with the local government law, but that where necessary they tried to cooperate. He then proceeded to give us background on the city and the region. Some of the information he gave us did not correlate with other things the DP had said, and some data were not germane. A number of facts were useful, however. Miskolc has just over 207,000 population. The city is surrounded by a number of suburbs; there was, at its peak, a daily in-migration of about 60,000 per day; however, because of hard economic times, this amount has been halved to 30,000 per day. The commuter problem is difficult but most of the improvement, i.e., less traffic to and from work, is not good because the change is based not on foresight and planning but on job losses. He also paralleled this remark with the fact that industrial environmental conditions have improved because of the shutdown or reduced production in many of the industrial plants in and surrounding Miskolc.

With respect to the environment, Miskolc is waiting for the new environmental law to be issued; when this law is final, the city may be able to improve its environmental management. Moreover, much of the structure and mode of operations are in transition as the country shifts to a market economy. The Deputy Mayor felt that under the proposed new environmental law, the city may be able to strengthen its role in environmental management.

In discussing city finances, a key issue in looking at city management, the DP noted that the city's current budget is fts 10.5 billion (?), whereas only fts 5 million come from the fines and fees related to environmental oversight. About 85% of the budget is spent on daily operations and only 15% on capital investment or regular maintenance. About 80 to 85% of the budget is based on grants or shared taxes sent from the central government and 15% comes from locally collected, locally owned revenue.

The DP also described the substantial assistance (and its costs) given to citizens for necessities that they cannot afford: rent, electricity, gas, etc. The assistance is given either to the companies involved or to individuals, depending on the nature of the service being subsidized. In years past there was no charge for central heating, but now there is, and in many cases this charge has to be subsidized because of high unemployment.

The Deputy Mayor also commented on the city's wastewater situation and the problems therein. The city has mechanical cleaning but does not have biological cleaning. They are trying to remedy this need with assistance from the EC/PHARE program. The city has built an addition to its existing plant that is about 50% completed. However, they have stopped and are seeking more funds to complete construction. The city hopes to secure additional central monies or loans if necessary.

The DP related housing problems affecting the city. Of the 73,000 apartments in Miskolc, nearly 18,000 are owned and rented out by the city. But in the past, these were never properly maintained; they are in disrepair and do not yield a proper return to the city because the rents are low. Deterioration continues and the city is slowly losing its investment. This illustration in many ways exemplifies the problems that the city faces in many of its social and capital endeavors. The DP felt the team should understand this example as we undertook our review of what is going on in the region and what kind of management improvements DELGEM might be able to achieve.

## **City Water Board, Miskolc**

The next meeting was with the City Water Board, which is responsible for both water and wastewater handling for Miskolc. We talked with Mr. Laszlo Vojtilla and Ms. Peterne Lazkovits. These officials told us about the activities, programs, and problems of the Water Board.

### *Functions of the Water Board*

The Water Board originally was founded by the city as an independent entity. However, under the changes being contemplated in water management during the current transition stage, the Water Board will be decentralized and may be changed into a city agency or may become a local (joint) stock company if the privatization trend continues.

Each year, the Water Board prepares its budget and submits its request for water rates to support the budget to the central government for approval, particularly as to rates. This year the command ministry is the Ministry of Transportation, Telecommunications, and Water Management, which has supplanted the Ministry of Environment and Regional Policy in this role. The Ministry approves, or revises, the suggested rates requested by the local water board; the central ministry also allocates the subsidy necessary to support the rates since most local water authorities cannot fully fund their operations, maintenance, and capital needs through the rates alone. The Ministry has a ceiling above which the rates cannot be raised, but rates vary between cities. For example, the approved rates last year for Budapest were fts 13.5/m<sup>3</sup> for water and fts 9/m<sup>3</sup> for wastewater. One of the highest rates was that of Lake Ballaton, at fts 107/m<sup>3</sup> for both water and wastewater. The rate approved for the City of Miskolc was fts 31/m<sup>3</sup> for water and fts 9/m<sup>3</sup> for wastewater. It was not clear whether there are separate commercial and residential rates.

While the City Water Board maintains street meters, individual unit meters, particularly in apartments, are a matter of choice among the residents. If some people put in a meter and others do not, then the Water Board will read the meter and will put the remaining water payment on a flat rate estimate. This procedure is a mixed system, leads to inequities, and does not encourage water conservation.

The Water Board reported that receipts from the rates plus the subsidy given by the Ministry are not sufficient to meet their expenses; the deficit is handled by "rolling it over"—that is, by carrying over the deficit into the next month and, presumably, into the next fiscal year. How this can be done under their fiscal management rules is not clear but it is a convenient way of disguising a deficit that is used in municipalities throughout the world. Eventually, however, the deficit may become too big and cannot so easily be rolled over. At that point, drastic measures may have to be taken.

The Miskolc City Water Board has three sources for its water: limestone springs in the mountains, surface water, and (when necessary) water purchased from the county or from the North Hungarian Regional Water Company. The city officials apparently were critical of the fact that the city had to buy from another water board rather than being allowed to go out and develop the city's own additional sources.

Water bills, including water/wastewater charges, are sent out monthly to the industrial/commercial users and quarterly to the residential users. It was estimated that about 10 to

15% of the bills are uncollectible. If the translation was clear both ways, it seems likely that the uncollectibles are far higher, perhaps as high as 20%.

The City Water Board maintains the lines and the treatment plants. Whereas mechanical treatment apparently is adequate, biological treatment lags behind. As the Deputy Mayor had told us earlier, the city has attempted to correct this deficiency and has, with the assistance of the central government, nearly finished a new biological treatment plant. However, the city ran out of funds before the plant was finished and needs about 40 to 60 million to complete it. To obtain this amount, it must receive an additional grant from the central government. Whether the high cost was due to overruns, underestimation, or poor original design, or whether the project was never given enough funds from the beginning to complete the targeted minimal design, was not clear from the conversation.

The City Water Board attempts to recycle the sludge and make it available for agricultural use; however, the farmers are skeptical about its quality. Thus, the city gives it away to those who want it. We did not have time to find out whether the sludge is fully recycled to eliminate any ecologically harmful elements, e.g., heavy metals; or whether it should not be used as agricultural fertilizer. Sludge quality is monitored daily; it is one-third industrial residue and two-thirds municipal wastewater residue. There must also be a problem with the disposal of the unsold or undistributed sludge. While the City Water Board is supposed to operate within the legal city limits, they do service six or seven suburbs whose connections flow into their main lines. The Board has an arrangement for billing the external communities but it was not clear whether this is done on an individual or city-to-city basis and whether they charge more to these customers.

#### *Opinions and Recommendations for DELGEM*

A good discussion occurred at the end of the formal presentation in response to questions the city water officials had concerning a better approach to metering, billing, planning, and overall operation. They were eager to get technical advice. The Board felt that their city water operation was above average among the 38 throughout the country. They gave us a two-page balance sheet summary of expenditures. The officials requested that the Board be offered technical assistance if DELGEM becomes active in Borsod County.

#### **Borsod County Government**

Our last meeting of the day was with two officials from the Borsod County Government, both of whom were responsible for addressing the county's environmental problems: Dr. Erszebet Sztatmari and her associate. They proceeded to outline the county's environmental problems. These include (a) pollution of the Sajo, (b) wastewater treatment, and (c) solid waste and landfills. They also mentioned the activity of the local ecological club and pointed out that Borsod County is the only county in the country (?) to have authorized and helped to finance a full-scale study of the environmental problems of the county; they showed us a copy of the study, *Borsod County Environmental Study*. The county officials gave us a good deal of information on the organization of the county government.

Mr. Taft explained the WASH program and its proposed work on the Sajo. The county officials gave Mr. Taft a number of contacts in Borsod that may prove useful.

## *Opinions and Recommendations for DELGEM*

The team asked the officials for suggestions on cities that might be included in DELGEM. They suggested Edeleny (population 12,000) located on the Bodva, a branch of the Sajo; and Kazincbarcika (population 45,000), which is the site of a huge, polluting chemical complex. They felt the leadership in both cities, particularly Edeleny, was progressive. They also suggested we consider Ozd, which is undergoing an enormous and painful economic transformation with the shutdown of its major steel mill, where the unemployment is the highest in the county, and where there are very serious problems in all aspects of the environment. So little is being done there and so little attention is being paid to Ozd, especially by foreign donors, that even the smallest effort will, at least, give them some hope for the future.

FRIDAY, SEPTEMBER 25

### **Borsod District Water Authority**

The team's first meeting was with the District Water Authority, which is coterminous with the boundaries of Borsod County. We talked with Mr. Gabor Bathori, the director, and Mr. Sandor Kadar. In discussing the organization of the District Water Authority and its responsibilities, Mr. Bathori prefaced his remarks by repeating what we had heard many times before in our discussions in Hungary, namely, that all is in transition, particularly the local institutions, and that forms and functions are constantly changing. Thus, what he told us that day may not be applicable in the near future. For example, the District used to be under MERP but is now under the Ministry of Transportation, Telecommunications, and Water Management. Moreover, discussions are in progress on the possibility of district water authorities becoming quasi-independent companies but owned by the local communities that they service.

The District Water Authority's main focus is the management of surface water resources. It supplies water to some 200 communities in the county. Its main concentration is the Sajo River. The Authority supplies some 18 billion m<sup>3</sup> of water every year (?) and treats about 10 billion m<sup>3</sup> of waste. Of the 200 communities it serves, 28 have treatment plants or are jointly served by a treatment plant. Many communities have neither a treatment plant nor a community water source. In cases in which the water sources are very unsafe, particularly to infants, the District regularly distributes clean water in "water packages" to families with small children. In addition, the District has provided some communities with community standpipes; a meter is inserted at the line connection and the community is billed for the metered use.

The Director believes that the water in the Sajo first becomes contaminated in Slovakia. Other pollutants are added before it joins the Tisza near Leninvaros. He noted, however, that the water coming from Slovakia has significantly improved in quality lately because of the closing of a large paper mill there that was a major contaminator.

The District Water Authority serves a number of communities directly; it also sells water to cities such as Miskolc and, in turn, must buy water as necessary from the Regional Water Company. The District Authority was formed in 1955. Since then the number of communities serviced has doubled, from 100 to 200. The Authority has 1500 employees, of whom 60 are professional. It

manages, repairs, builds, and services its own water and wastewater facilities, and has an automated billing system.

The director explained further that until 1989, the whole operation was centrally planned and the water/wastewater operations were heavily subsidized by the central government. The subsidy had been 81% but had now dropped to 13%. To compensate for this drop in subsidy, rates have been substantially increased. For example, in 1989, industrial water rates were fts 21/m<sup>3</sup>; they have now risen to fts 46/m<sup>3</sup>. For households, the rates have risen from fts 3.8/m<sup>3</sup> in 1989 to the current charges of fts 40/m<sup>3</sup>. These charges have caused considerable grumbling among the rate-payers. But there is still not enough income to declare a "profit," or to set aside funds for expansion and capital repairs. They have relied on depreciation funds for expansions, etc. Out of a cumulative "set-aside" for depreciation of some fts 6 billion, they spent fts 1.6 billion on expansion and reconstruction.

The Authority has a large rolling stock, which it repairs in its own garage; it is also switching from contract repair of its meters to repair by its own forces. Another change that is affecting the Authority is in construction. The District Water Authority used to do its own construction and would prepare bids to both construct and operate new facilities for smaller communities. Now, under a proposed "franchise" operation of water companies, they will have to bid separately on the open market to operate the facility once it is constructed.

The Water District officials then showed a 25-minute video, which was produced in 1990 in English showing their operation. It was very well done. In addition, their engineering staff have developed a unique filter for deep-level water collection and cleaning in wells; they worked with an American company to market the pump/filter in the United States (but the company went bankrupt). The director asked if we would try to make contacts with other American firms that would be interested. We received their English-language brochure and agreed to circulate information about their invention.

### **North Hungarian Regional Water Supply and Water Management Company**

The second meeting was with two officials from the North Hungarian Regional Water and Water Management Company located in Kazincbarcika. We talked with Mr. Laszlo Lenart and an associate.

The North Hungarian Regional Water Supply Company operates in Borsod and Nograd Counties; it also operates in part of one other county. It was established 27 years ago with a mandate to produce potable water in the region. Over the years the Company has taken on many other duties, which it is now trying to divest so that it can return to its primary task. This regional company, like so many other institutions in Hungary, is in a state of transition. One current proposal is to transform the regional companies into "stock" companies or joint ventures; however, another group wants the government to be involved to the extent of 51% of the stock/venture.

The Regional Company sells water to the District Authority and sometimes sells it directly to the City of Miskolc as well. It currently operates 11 wastewater plants but only 3 of these are in Borsod County.

The two officials outlined the basic problems in the area as being:

- contamination of surface water;
- nitrate in the underground water supply;
- increased heavy metal contamination in surface water; and
- the threat of future contamination of reservoirs through air pollution, acid rain, and the seepage of abandoned landfills, especially those containing hazardous waste.

The Regional engineers are aware of the growth in new water testing/treatment technologies but cannot install the latest methods because of lack of funds. Many of their wastewater plants are outdated and are deficient in biological treatment.

Our conferees reported that it is likely the wastewater treatment plants will be given to the local self-governments to operate. If they cannot perform, the Regional Company may have to take them back.

Some of the activities that the regional companies are interested in divesting from their current scope of work are:

- construction of pipe lines,
- operation of five swimming pools,
- responsibility for irrigation, and
- provision of industrial water supply.

Their goal is to return to what they believe are core activities: design and maintenance of water and wastewater facilities.

The two officials recommended that we include the city of Kazincbarcika in our plan because of its problems. They also hoped that if we came to Kazincbarcika, we could also give them advice on management problems. They presented us with their latest annual report, a highly polished, well-designed and edited report on their activities in Hungarian and English.

### **Regional Environmental Inspectorate**

The last meeting of the day was with an official of the Regional Environmental Inspectorate, Mr. Ferenc Sallai. We were joined by Mr. Ferenc Melykuti, A.I.D., who drove from Budapest to attend this meeting and discuss the results of our trip thus far.

The Inspectorate is based in Miskolc but covers the four Northern Counties, including Borsod. Mr. Sallai reviewed conditions in the region, noting that the Sajó and the Hernod Rivers are already polluted when they enter Hungary. In the case of the Sajó, there is additional contamination because of industrial plants along the river. Although the situation is still bad, it has improved greatly since the beginning of 1990 when a number of the major polluters—though not all—either closed down or reduced operations. Although these changes have brought unemployment to the region, they also have reduced pollution. In addition, as we heard before, the closing of a major Slovak paper plant in recent years has helped to reduce pollution. But the pollution that remains cannot be reduced or eliminated except at particularly high cost. Many of the plants that were causing the majority of the

pollution were also ones that had used outmoded technology; if new plants are proposed, the policy is to ensure that they implement advanced technologies that minimize their effects on the environment.

An example of the difficulties is found in the one chemical plant that had treated 10 landfills for its hazardous waste. An assessment of just one of these dumps revealed that it would cost 10 million just to do the borings and other investigations to assess the nature of the contamination, much less do anything about it. Another city (?) within the Inspectorate's jurisdiction contained a Soviet military base; when they left, the soil was found to be contaminated with great quantities of kerosene, threatening water supplies in the area.

Mr. Sallai outlined major activities as follows. The Inspectorate:

- samples/tests the effluent of major polluters twice a year. In the 4-county region, 110 major polluters have been identified.
- certifies that required cleanup is being carried out by the company involved; if it appears that pollution has worsened, the company is given 15 days' notice to ameliorate the condition and the sample is then repeated.
- can levy a fine if the samples taken exceed the standards. The fine is based on a defined scale depending on the observed, recorded, level of pollution.

By the 1980s, nearly all the plants on the Sajó River had their own wastewater treatment plants; however, in many cases this did not solve the problem since there had been no change in plant technology. The treatment plants cannot effectively eliminate heavy metals, ammonia, and arsenic at the source. Thus, outflow contamination continues.

In one instance, a plant did have wastewater treatment, but the sludge produced could not be used for fertilizer because of high-level toxicity. Thus, the plant had to either find new landfills or incorporate additional cleansing processes to produce acceptable fertilizer.

The Inspectorate also concerns itself with the municipalities whose treatment plants may be dumping untreated waste into the river. The City of Miskolc, although it had a mechanical treatment plant, lacked biological treatment; as noted previously, it has to build an addition to its treatment plant to take care of this problem. Although the city's wastewater flow is about 140,000 m<sup>3</sup> per day, this amount is being reduced because of less economic activity and higher fees.

Mr. Sallai reported that there are 15 to 20 concentrated points of discharge along the Sajó and that samples are taken weekly; he estimated about 1000 discharge permits have been issued for the two counties. Permits are not issued for a specified period of time. The time granted depends upon the nature of the discharge; if the discharge ever exceeds the maximum limits, then the permit could be lifted and the polluter would have to take remedial action and apply for a new permit.

SATURDAY, SEPTEMBER 26

### Green Action NGOs

The team spent the morning with Mr. Ivan Gyulai, director of a "green action" NGO in Borsod County. He has worked with various groups and foundations in promoting environmental causes in the region. He is employed by the local museum and also directs a newly formed foundation to keep track of environmental conditions and progress toward remedies and clean-up in the region. He receives funding from a variety of sources, including the Norwegian Government, which has given the foundation a matching grant.

He believes governmental agencies, including the Inspectorate, do not issue reliable data on the true condition of the environment. He is also concerned that little has been done to force the companies, many of which are government-owned, to take remedial action. He feels, nevertheless, that substantial progress has been made in cleaning up the Sajo River. But the most serious long-term problems in the county are (a) the continued use of existing hazardous waste dump sites, and (b) their long-range effect on potable water sites. The government does not know how many sites exist, which are closed, and which are still being used. Nor is there a solid body of information on what the known hazardous waste sites contain. Investigations by experts under contract to his foundation show that nitrate, lead, ammonia, arsenic, and other threatening metals/chemicals are found increasingly in the soil and are gradually moving toward public water supplies.

Mr. Gyulai has a large map in his office that identifies many hazardous waste sites in the Sajo River area. The data-gathering for this map was done by experts working for the foundation. Most of the data were assembled from the results of recent aerial photo work. The results of their findings on hazardous waste and its effect on water supplies will be published very soon.

Mr. Gyulai then took us on a tour of a few hazardous sites located within the area encompassed by Sajoszentpeter, Edeleny, Muscony, and Kazincbarcika. The sites visited were:

- A polluting factory whose managers budget the fine paid annually because of pollution. It makes steel sinters using low-grade coal and ore; the sinters are shipped to a plant in Ozd. The major steel plant that used to be its largest customer was in Ozd but is now closed. There is one plant remaining that buys the sinters. The government is reluctant to close it because of the effect it will have on an area with the highest unemployment in Hungary. The plant managers are making an effort to convert to hazardous waste processing. Getting the necessary government approval for this use, including the siting of a residue landfill, is a long, drawn-out, and excruciating process.
- We next entered the property of a large, coal-burning power plant that had dumped its ash for many years on the land in back of the plant. Now the whole place is a plateau of coal ash with weed-grass growing through, connected by a system of rough, unpaved roads. The Sajo River runs nearby, as does a warm-water backflow stream that carries off the residue from cooling the plant. The surface is covered with a bubbly froth; small fish in large schools race against the tide along the shore.
- We then went under a long network of cables and pulleys that carried two lines of coal buckets—one full of coal, heading in the direction of the power plant, and another going

back empty. The coal source was a great plateau to the north, the site of the coal mine, surrounded by its tailing waste. Two giant "tailing" pyramids dominated the background.

- The coal ash, mixed with water, was also sent out of the power plant through a network of elevated pipes, which deposited the puddled mixture near the ash plateau and the tailing pyramids.
- We came upon a series of large, concrete-lined holding tanks, which received a constant flow of fluid piped from the large chemical plant about a mile away. The plant manufactures polyvinyl chloride (PVC) pipes and discharges a hazardous liquid waste made up of ammonia and chloride into these concrete reservoirs. The liquid then evaporates. The "tanks" gather a brownish deposit on the bottom while the whole of it produces an acrid, biting smell. The "treatment system" is near the city of Muscony, whose steeped church rises high above the city and its wasted landscape.
- Mr. Gyulai next took us to a dump site on the roadside going into the city of Edeleny. The site had previously been a gravel pit where road-building materials were processed. Once the gravel was extracted, the open pit was used to dump hazardous waste from nearby factories. When the pit was nearly filled, it was converted into a regular landfill. The surface is covered with dirt and "chipping" material, giving the appearance of a controlled dump site when, in fact, it covers a large hazardous waste deposit. A short distance away one could see wells from which potable water was being taken to service a nearby city.

He suggested that Sajoszentpeter should be included in DELGEM. The mayor is an environmental activist and the city also suffers more from the surrounding contamination than even Kazincbarcika, because the prevailing winds blow the toxic air masses down the path of the Sajo to Sajoszentpeter. He also concurred with the county officials that Edeleny would be a good site. The mayor, a former communist, has supplied good leadership to the city.

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The team left Miskolc on the 1600 express train and arrived in Budapest at 1800.

MONDAY, SEPTEMBER 28

The team was joined by Dr. Jim McCullough, RTI/WASH Team Leader.

### Revisions to Environmental Laws

We met at 0900 with Ms. Annemargaret Connolly, an attorney from the Washington firm of Weil, Gotshal, and Manges. She has been working with MERP on a revision of the current environmental code. Her work is pro bono and also involves the American Bar Association. Her law firm also represents the American-Hungarian Enterprise Fund and the Polish-American Enterprise Fund, with offices in Budapest and Warsaw.

MERP, along with a number of other organizations, is submitting draft proposals on the revision of the environmental statute later this year so that the Hungarian Parliament can consider revisions in its first session after the New Year. There is no consensus on the revisions. MERP is submitting two "options" without giving formal endorsement to any one course of action. Activist groups as well as members of Parliament are also submitting various versions. Some officials believe that Hungary should concentrate on building the market economy and wait on environmental reform.

Ms. Connolly also noted that because Hungarian law is based on French civil law, it is difficult for American lawyers, raised on the common law tradition, to be effective. Hungary could probably do better by relying on its European neighbors, especially the Netherlands and Germany, which also have well-advanced environmental programs. But these countries have not come forward to assist. Ms. Connolly is leaving this week and will, if possible, get a draft of the law to us upon her return to the U.S.

#### **International Bank for Reconstruction and Development (IBRD)**

Our next meeting was tentatively scheduled with Mr. Andrew Rogerson of the IBRD; the team went to his office but he was heavily scheduled and we were not able to meet with him and could not coordinate our schedules for a meeting before the team was to leave Hungary.

#### **Peace Corps**

The team next met with Mr. Laszlo Karas, Associate Director for Environment for the Peace Corps. The Peace Corps' environmental program has 12 volunteers assigned to it in four programs: NGOs and their administration, environmental education, environmental management, and nature conservancy. He expects to raise the number of Peace Corps volunteers working on environmental issues to 15 in the next group.

We discussed both WASH and DELGEM with him and focused upon the possibility of associating a Peace Corps volunteer with DELGEM. The timing seemed appropriate because a new group of "environmental" volunteers will be in the country in June 1993 to begin orientation. He will request volunteers in November based on detailed specifications. This arrangement will fit in with the team's projected return trip to Poland/Hungary to decide on DELGEM municipalities. If we choose to work in the Miskolc area, there is a good possibility of placing a Peace Corps volunteer with the project. The team leader, Mr. Sommers, agreed to stay in contact with Mr. Karas.

The team then met with the newly arrived Peace Corps director, Ms. Sandra L. Willett. She noted that the Peace Corps had been in operation in Hungary for 3 years and currently had over 100 volunteers, most of whom were assigned to teaching. She expressed a willingness to work with us, through Mr. Karas, in assisting our project with a Peace Corps assignment. She asked that we contact her again when we are next in Hungary.

## **Institute of Environmental Management (KGI)**

### *Review of Trip Findings and KGI Recommendations*

Our next meeting was with the KGI, with whom we had met previously (see notes for September 21). We reviewed the results of our trip to Miskolc and the suggested cities that might be considered for inclusion in the DELGEM project. The KGI group, in response, was confused about the two projects—i.e., whether DELGEM was independent of WASH, or whether the two were linked as one project coming out of the same funding source. If indeed the two were closely linked, then KGI felt that the choice of location should be tied to the results of the WASH survey, particularly the prioritization of pollution sites and their development for remediation through preparation of capital funding requests to organizations like the EBRD. DELGEM, we noted, is independent, with separate funding; AID/W felt it should coordinate in the same region because, as projects, the two have much in common. Dr. McCullough said that it may be possible to base DELGEM selections on the outcomes of the WASH priority listings if the listings become available by the end of the year.

We discussed support from the central government available for environmental/infrastructure projects proposed through DELGEM. There appear to be at least three major sources:

- The Water Fund - administered by the Ministry of Telecommunications, Transport, and Water Management. The fund distributes about fts 2 billion per year. The source of funds is fines, permit fees, and budget appropriations.
- MERP Environmental Fund - administered through MERP with a variety of sources, including 70% of fines collected through the work of the MERP Inspectorate and various licenses/permit fees for using/discharging into public streams, etc. The Ministry uses an interministerial committee to operate the Fund, although the final decision on annual allocations is made by the Minister.
- Special Infrastructure Fund/Ministry of Interior - raised directly out of the general fund and used for local governments and their capital needs, including but not limited to water, wastewater, etc. The team has no information on how this fund is operated.

There was some discussion of the WASH program and its progress. The meeting ended with the KGI offering whatever additional cooperation or information might be needed to get the DELGEM project started.

**TUESDAY, SEPTEMBER 29**

### **MERP Recommendations**

The first meeting was with Mr. Istvan Tokes, head of the Department of Internal Affairs, MERP. The Ministry had, through the regional inspectorates, investigated which cities might meet the DELGEM criteria. Mr. Tokes' office received suggestions that included the cities of Fehergyarmat, Nyiregyhaza, Dunaujvaros, Pecs, Szekesfehervar, Siofok, Veszprem, Ajka, Kaposvar, Gyor, and Supron. MERP will review these preliminary suggestions, prioritize them, and fax a list

to the Team Leader. Although DELGEM may focus on Borsod County, it would be possible to include other cities as a circle of replication. What was developed in Borsod could then be passed on to other cities through seminars and workshops. The team will return to Hungary to make a final determination and will meet with MERP before this is done.

There was further discussion on the WASH project. Mr. Tokes said that if the WASH or DELGEM teams returned—and gave ample notice—he might find time to join them in some field investigations. It was agreed that (a) a prioritized list of the cities suggested by MERP through its inspectorate would be faxed to the Team Leader, and (b) the DELGEM team would contact Mr. Tokes in advance of their visit so he could work a meeting into his schedule.

### **Environmental Fund of MERP**

The second meeting of the day was with Ms. Laura Roboczki, Head of the Department of Economics, MERP, in the same building. She was joined by an interpreter. We discussed the operation of the Environmental Fund.

Although the Fund has been in existence for a number of years, it came into its own in 1986; it currently operates under a ministerial decree but it is likely that a law will be passed authorizing the Fund along with more explicit operating rules, regulations, and criteria. The Fund has a number of financial sources. For instance, there is the recently enacted add-on to the gas tax by which  $\text{fts } 1.5/\text{liter}$  is collected and put into the Fund specifically to support projects aimed at environmental problems caused by air and noise pollution. There is also a tax, first levied in 1992, on foreign cars, that will be channeled toward air pollution projects within the Fund. The EC/PHARE program has also pledged to put monies directly into the Fund and the details of this input are presently being worked out. A long-term revenue source is the payment of 70% of the fines and permit fees collected by MERP's inspectorate, based on the application of environmental regulations to industry.

On the spending side, the Fund receives applications for projects that have an environmental focus. The projects generally represent investments but can also include feasibility studies, equipment (e.g., monitoring and or testing devices) and projects providing support when an industry or business wants to introduce new technology that will benefit the environment. Applicants must show that between 40 and 70% of the funding will be provided by other sources. The percentage varies depending on the nature of the project and on the decision of the interministerial committee and the Minister of MERP. Most applications are processed as grants but in recent years some "soft" loans have been considered, particularly where private businesses are the applicants. Applications are competitive; 200 to 300 applications are received each year.

The application is first reviewed by the regional inspectorate, then forwarded to the central inspectorate with comments and/or recommendations. The central inspectorate office then passes the applications on to the MERP Department of Economics, which prepares a listing and analysis; these are sent to the Interministerial Committee. The committee makes recommendations to the Minister of MERP, who makes the final decision. Under new regulations being drafted to run the Fund, more screening will be done at the regional level, thus reducing the number of projects with little or no technical merit coming to the Ministry.

In 1992, fts 1 billion was awarded to 100 applicants; next year's award may be as high as fts 2 billion. The Department of Economics has noted a change over the past few years. Earlier there were more applications with smaller funding requests; in the past few years there have been fewer applications but for larger amounts.

In discussing the Fund and its application to municipalities, Ms. Roboczki emphasized twice that the Fund regards as its primary target not municipalities, but rather business and industry. Municipalities, particularly for water and wastewater issues, have other sources (i.e., the Ministry of Telecommunications' Water Fund and the Ministry of Interior's Infrastructure Fund).

Applications are received in May and usually are decided by October. Many applications are sent back because of failure to fully document the request. These can be revised and considered at the next round of applications. Many municipal applications suffer because of inadequate fiscal planning, e.g., detailing the total cost and substantiating funding required from other sources.

Once projects are approved, the funds allotted to the individual project are then deposited, or credited, to a particular bank; the applicant makes arrangements with the bank and the funds are paid out based, for example, on receipts for the work accomplished. The regional inspectorate examines the projects and the applicant submits periodic progress reports. When the project is completed, representatives of the bank, MERP, and the regional inspectorate make a final inspection.

MERP is not prohibited from appropriating money from the fund to add to its operating expenses when absolutely necessary; however, the fund is closely watched and the Ministry must have sound reasons for doing this; it is not a usual practice.

\* \* \* \* \*

The team then separated: Mr. Taft and Dr. McCullough went to Mr. Hale's office to discuss additional items concerning the WASH project, while the rest of the team met with Dr. Gruebler at MERP, who is the project officer for some of the PHARE projects. After preliminary discussion, Mr. Sommers, Ms. Beittel, and Mr. MacLeod, along with Dr. Gruebler, drove to the City of Godollo near Budapest, which is one of four cities involved in a PHARE-funded recycling project. There we were joined by Mr. Laszlo Krassay, the Godollo Parks and Forestry Director who is also the PHARE project manager.

## **Godollo**

Godollo has a population of 30,000 in 50 km<sup>2</sup> and is close enough to Budapest that many people live here and work in the capital. It was, in Dr. Gruebler's opinion, beginning to be a "bedroom community." The city is governed by a 27-member local self-government body with a mayor and deputy mayor. The city has about 100 employees. It has 15 lakes, many of which are polluted, and has other environmental problems as a result of Soviet troops having been stationed in the area. The city's major attraction is a large, 18th-century baroque castle frequented by the wife of the last Hapsburg emperor, Franz Josef. This building is being renovated by the central government. The agricultural university in the city is the main employer.

Godollo has twinned with other cities in Germany, Holland, Czechoslovakia, Ukraine, and Romania; twinning with cities in the last three countries is based on the other city having a large Hungarian population. They also receive technical and administrative assistance from their association with Germany and Holland.

*PHARE Recycling Project, Godollo*

The city has a 200,000-ECU grant from EC/PHARE to pilot a recycling project in the central area, plus 10 schools; this covers about 30% of the city's population. Their aim is to reduce the amount of collected solid waste by 25 to 30%. They will receive a recycling truck, a tree limb chipper, 33 plastic recycling containers, and a supply of plastic bags. Bids are to be opened soon on these items. The city is presently planning the route collection and a public awareness campaign once the procedure is decided upon. They will collect once a week. Mr Krassay expressed concern about finding "takers" for recycled materials; he is negotiating with several companies to buy or take the material collected during recycling. If all this proves successful, the life of their one landfill will be extended by 5 to 6 years.

Mr. Krassay gave us an organizational chart of the city and promised to send a copy of the city's budget so that we can become more familiar with the organization and operation of a city government in Hungary. (The budget document was subsequently received.)

WEDNESDAY, SEPTEMBER 30

**Department of Settlement Development and Communities, MOI**

At the team's request, Mr. Ferenc Melykuti arranged a morning interview with Mr. Gyorgy Kertesz, Deputy Head, Department of Settlement Development and Communities, MOI. Mr. Melykuti acted as interpreter.

We reported on our trip to Borsod County and on the possibility of having one or two cities there included in DELGEM. We were particularly interested to find out if the MOI would work with us on the DELGEM project as one of the co-sponsors. Mr. Kertesz said he was sure the MOI would be interested but that he would like to know more detail about the project. The team, through Mr. Melykuti, went into greater detail. We also inquired about training facilities of the MOI and other aspects of project detail.

Mr. Kertesz replied that although the MOI would have to know more about the project and various agreements that may have to be worked out to implement it, he could say, in general, that the MOI would be pleased to work as a partner in the project. He noted that there are training facilities in the region and MOI would work with the project in making these available and helping to devise curricula for courses sponsored by DELGEM. He thought MOI could also help in obtaining funding for worthwhile projects developed through DELGEM. We agreed that on our return trip to finalize the project, we would contact him in advance so we could make our arrangements in accord with his schedule.

### **A.I.D. Briefing**

In the afternoon, the full team met with associates of the A.I.D. Representative for a briefing on our visit. The A.I.D. Representative, Mr. David Cowles, could not attend but was represented by Ms. Mary F. Likar, Program Officer; and Mr. Ferenc Melykuti, Project Specialist. An outline of the briefing, together with a project description for both DELGEM and WASH, were given to the A.I.D. Representatives; copies are attached. In addition, a draft copy of the trip notes was left with Mr. Melykuti. The team noted that, once AID/EUR/ENR approved, there would likely be a return visit in order to identify the cities to be included in DELGEM.

This concluded the DELGEM trip to Hungary.

THURSDAY, OCTOBER 1

**European Bank for Reconstruction and Development, London**

Team members Mr. Sommers and Mr. Taft met with staffers of the EBRD at their London office late in the afternoon after the flight from Budapest. The two officers from EBRD were Mr. W.A. (Tony) Garvey, Senior Program Manager for Public Infrastructure, Energy, and Environment; and Mr. Frederic Lucenet, Project Analyst, Infrastructure, Energy, and Environment.

*Opinions and Recommendations for DELGEM*

We discussed our trip to Poland and Hungary and described the DELGEM project. We asked about EBRD's position on loans to municipalities for environmental infrastructure. With respect to DELGEM, EBRD staffers made the following observations and suggestions:

- DELGEM should focus on fundable projects and not necessarily on cities as such.
- EBRD, through PHARE, is very interested in working with the City of Miskolc on a short- or long-range wastewater improvement plan. A financial feasibility study was completed a few months back on Miskolc; we were given a copy.
- The Bank is not giving concessional rates; it will give grants for feasibility studies on properly prepared project proposals.
- Proposed projects, especially in Poland and Hungary, have to be constructed on a composite of fiscal resources. In Miskolc, for example, they are proposing that the city pick up a third of the cash needed, the central government provide another third, and the Bank come in with a loan for the last third. A similar configuration is being worked out with the proposed loan to Gdansk, Poland, for a reconstruction of its wastewater treatment and delivery system.
- Repayment has to be made either through a commercial bank or with the approval of the central government as guarantor of the loan.
- The Bank would like to see DELGEM work in the City of Miskolc.

Messrs. Garvey and Lucenet also said that we should work directly with their staff in determining project possibilities. They also outlined the process by which DELGEM might propose projects directly to the London office. We should, however, talk to the Bank's resident representatives to keep everyone in the loop.

Mr. Garvey suggested that we visit them on our next trip—either before or after we go to Poland and Hungary.

*Other Topics*

Mr. Taft and Mr. Garvey also discussed progress on the WASH project, the interest of both EBRD and IBRD in covering the Danube and its tributaries, and the status of DEMDESS.

We also received two recent studies on local finance in Hungary: (a) a macro view of local finance by the University of Birmingham's (England) Institute of Local Government Studies, and (b) a report on the Miskolc Sewer Treatment Project by Mott MacDonald.

# Schedule

## for the Decentralization of Local Government Environmental Management Project

September 21-23, 1992

### Monday, September 21

- 10:00 a.m. A.I.D. Representative at U.S. Embassy
- 2:00 p.m. KGI (Institute of Environmental Management)/VITUKI (Water Research Institute)/MERP (Ministry of Environment and Regional Policy. Mainly about WASH project. Host: Janos Zlinszky, Deputy Director of Institute of Environmental Management, 5th District, Alkotmany U. 29. 5th floor, #524.
- 3:30 p.m. Ministry of Interior, Department of Settlement Development and Communities  
Tamas Lloyd, Head  
Gyorgy Kertesz, Deputy Head  
5th District, Kossuth Ter. 4. 4th floor, #42

### Tuesday, September 22

- 9:30 a.m. EC/PHARE  
Ms. Annamaria Klug  
1st District, Berc U. 23.
- 1:30 p.m. Budapest Mayor's Office  
Department of Environmental Protection  
Ms. Katalin Papp  
5th District, Varoshaz U. 9-11. 3rd floor, #373
- 3:00 p.m. EBRD Representative  
Sunil Sabharwal  
5th District, Kecskemeti U. 7.

### Wednesday, September 23

- 9:00 a.m. MERP  
Department of International Relations  
Istvan Tokes, Head  
1st District, Fo U. 44-50. Conference room

11:00 a.m. Chief Inspectorate for Environmental Protection  
Dr. Zsolt Horvath  
5th District, Alkotmany U. 29. 4th floor, #418

3:00 p.m. Regional Environmental Center  
Branko Bosnjakovic, Development and Outreach Manager  
3rd District, Miklos Ter. 1.

Comment: IBRD Representative Andrew Rogerson is abroad. A tentative appointment with him is scheduled at 10:30 a.m. on Monday, September 28.

Címzett: Mélykúti Ferenc  
A.I.D.  
132-8934

Feladó: Richards Debi  
201-7014

Oldal: 2

Az RTI csoport programja./Program for RTI group.

**Résztvevők/Participants**

Bill Sommers  
Jim Taft  
Bob MacLeod  
June Beittel  
Debi Richards  
Ferenc Mélykúti  
Translator

1992 szeptember 24

- 10:00 Petravoszky István  
Miskolc város Polgármesteri hivatala  
Local Mayor  
Városház Lér 8
- 11:30 Vojtilla László  
Miskolci Vízművek Fürdők és Csatornázási Vállalat  
Miskolc Water Board  
József A. 78
- 13:00 Fenyvesiné Dr. Szatmári Erszébet  
Magyei önkormányzat  
County Government  
Városház tér 2, A épület, 221 szoba

1992 szeptember 25

- 9:00 Báthori Gábor  
Borsodi Megyei Vízművek  
District Water Authority  
Besenyői ut.

- 11:00** Fehér István  
Észak-magyarországi Regionális Víz- és Vízgazdálkodási Vállalat  
North Hungarian Regional Water and Water Management Company  
Besenyői ut., II e.
- 13:00** Gavaller István  
Észak-magyarországi Környezetvédelmi Felügyelőség  
North Hungarian Environmental Protection Inspectorate  
Mindszent tér 4.

## Schedule

### for the Decentralization of Local Government Environmental Management Project

September 28-30, 1992

#### Monday, September 28

9:00 a.m. Ms. Conally

10:30 a.m. IBRD  
Andrew Rogerson  
7th District, Nagymezo U. 44. 4th floor  
(not confirmed yet)

8:00 p.m. KGI (Institute of Environmental Management)/VITUKI (Water Research Institute)  
5th District, Alkotmany U. 29. 5th floor, #524

#### Tuesday, September 29

9:00 a.m. MERP  
Department of International Relations  
Istvan Tokes, Head  
1st District, Fo U. 44-50. Conference room

10:00 a.m. MERP  
Department of Economics  
Ms. Laura Roboczki, Head  
B. Building 5th floor, #525

11:00 a.m. MERP  
Dr. Gruebler  
Visit to Godollo

#### Wednesday, September 30

9:00 a.m. Mr. Benedek will be at Hotel Kempinski (tentative)

2:30 p.m. Debrief A.I.D. Representative

September 30, 1992

## **OUTLINE OF BRIEFING FOR USAID/HUNGARY ON DESIGN FIELD TRIP, DELGEM PROJECT**

**September 20 - 30, 1992**

### **I. PURPOSE OF THE VISIT**

The purpose was to discuss this approved project with A.I.D., Hungarian Government officials (central, regional, and local), pertinent NGOs, and other donor agencies; and to gather from these meetings sufficient information and direction to design a work plan for the project's implementation in Hungary. An additional purpose was to confirm the geographic focus of the WASH-Danube project, and to discuss Phase II activities with appropriate officials (see attached list of names).

### **II. MEMBERS OF THE VISITING TEAM**

Bill Sommers, RTI, DELGEM Team Leader; Jim Taft, AID/EUR/ENR; Bob MacLeod, AID/Housing and Urban Development; June Beittel, ICMA, Project subcontractor to RTI; Jim McCullough, WASH Team Leader, RTI.

During the course of its 9 days in Hungary, the team held 23 scheduled meetings, met with 33 people, and visited Borsod County and several cities in Borsod, including Miskolc. The team also visited the city of Godollo. Detailed draft notes of all the meetings have been given to Mr. Ferenc Melykuti, who was extremely helpful and generous with his time in assisting the team to schedule its meetings. A full report will be made on the trip based on the notes, and a work plan will be developed as a result of this trip.

### **III. SUMMARY OF FINDINGS FROM THE TRIP APPLYING TO THE DELGEM PROJECT**

1. Both the structures and the responsibilities of central and local governments respecting the environment are going through a number of changes that have not been completed. The word we heard the most was "transition." Nearly everyone is waiting for the other shoe to drop.
2. Finances available to local governments and local public authorities for operation, maintenance, and capital investment in environmental projects are very scarce. Much of the interaction of local finances, for example, and centrally managed funds and subventions are not clear.

3. Representatives of both central agencies and local government units with whom we talked were interested in the scope of work defined in this project that would bring technical assistance down to the local government level.
4. Local government units are knowledgeable about their environmental problems and are more than interested in organizing themselves to tackle some of the problems that are of reasonable dimensions. Many acknowledge a lack of management and administrative background in this area.
5. The new local government law has, in effect, implemented a kind of "pancake" model of administrative management between levels, and is taking a great deal of time to get used to. In some cases, the "new look" inhibits the organization of certain kinds of area solutions to operational problems.
6. The impact of inflation and unemployment is a serious problem at the local and national level in terms of infrastructure loans, growth of user fees, etc., particularly in finding local solutions to environmental problems.
7. The team believes, however, that there is a great need for a project targeted at the local level, within a discrete framework, and focused on practical ways to improve environmental management.

Other observations appear in our trip notes, but these points indicate some of our considerations in implementing the DELGEM project in Hungary.

#### IV. PROJECT STRATEGY

The project will focus on one or two cities that are amenable to participation in the project. It will give technical assistance in management, administration, and financial procedures relating to the cities' responsibilities in the field of environmental management. It will help the cities to develop a workable plan to handle environmental problems. Where possible, this effort will identify actual projects that can be developed for capital funding. It is also an aim of the project to work with the WASH project in Borsod County.

The trip has also brought out some alternative suggestions, such as:

1. To focus on one or two cities in Borsod and another city outside of that severely environmentally impacted area.
2. To work not only with local governments—i.e., cities—but also with one or two local authorities.
3. To do some broader local government capacity surveys in Borsod and perhaps one other county. Doing so would give the project team a better and closer view of local government operations, and assist in choosing local government projects that will (a) benefit the most from DELGEM and (b) also relate to other A.I.D. projects, such as WASH.

## V. NEXT STEPS

We will bring our findings to AID/W and discuss the specific approach to be adopted. The approach, of course, will be guided by the concerns of USAID/Hungary regarding the implementation of the project.

We will then resolve the approach or strategy and return to Hungary within 6 weeks to visit specific cities and determine, in cooperation with the relevant ministries—and USAID/Hungary—those cities to be included. The choices will be made based on region, need, willingness, capacity, and coordination with other A.I.D. projects, particularly the WASH program.

**DESCRIPTION: Decentralization of Local Government Environmental Management (DELGEM)**

This project is sponsored by the U.S. Agency for International Development (A.I.D.) and will, over a period of 3 years, assist the municipalities in Hungary to improve their capacity to manage environmental problems at the local level. The project will supply technical assistance (including both foreign and in-country expertise) as well as training (both in-country and U.S.-based short-term) to a small group of selected local units to improve the management, administration, operation, and financial capacity of these local units as applied to their environmental problems.

The project will assist the selected local unit(s) to develop a priority list of environmental problems that have local solutions and then choose one of these priority projects that is the most promising for further development. The chosen project will, as one of the end products of the DELGEM project, be presented for funding to internal or external agencies for a long-term loan by which the project could be constructed. An example would be a landfill project for one local unit, or a group of local units, that is carefully developed by the local unit(s) and then proposed to the European Bank for Reconstruction and Development for a long-term, repayable loan. It is likely that the sectors of concentration for these specific projects would be water, wastewater, and solid waste.

In addition, the project may also provide assistance to other local units to develop a long-range environmental plan that would be available to guide the local unit in the solution of both short-term and long-term environmental problems. The plan could then be used for future requests for long-term funding of selected projects when the management and fiscal status of the local unit has improved.

Through the DELGEM's resident long-term advisor, the project will also act as an "information and technical assistance broker" to participating local units in coordinating with existing A.I.D. and other foreign donor projects in securing technical assistance and training for local problems not covered by the DELGEM project.

**PROJECT FOCUS**

The project will focus on selected local units in the Miskolc/Borsod County area, northeast of Budapest, and will coordinate with the outcomes of the WASH Phase I and Phase II findings.

**SELECTION OF PARTICIPATING LOCAL UNITS**

The basic criteria used to choose the participating local units are as follows:

- willingness of the people and leaders of the local unit to make a serious effort to solve local environmental problems;
- a demonstrated capacity for good, effective administration and management in the operation of the local unit;
- willingness to improve financial capacity and ability in order to pay for solutions to local environmental problems; and

65

- a demonstrated cooperative approach to implement suggestions for general management, administrative, and financial improvement.

## **PROJECT STARTUP**

Once the local units have been chosen, they will be asked to sign a Letter of Cooperation as participants in the project. The letter will be co-signed by a representative of the Ministry of Interior and representatives of the Ministry of Environmental Protection. The project will begin once these Letters of Cooperation have been filed with A.I.D.

It should be noted that funds provided in DELGEM do not include any capital funds for the construction of environmental projects; these funds will have to be obtained from other agencies, internal or external.

## **DANUBE RIVER BASIN PROGRAM FOR HUNGARY**

### **Background**

A regional Danube River Environmental Program was jointly established by the riparian states of the Danube in September 1991 in order to develop a strategic action plan and carry out institutional strengthening and human resource development in the Basin. The project is divided into two phases:

#### **Phase I:**

The objective of the first phase of the project was to identify and collect data to be used in the establishment of a management program for the Basin, as well as to conduct an inventory of point source discharges and municipal government administrative and financial authorities in the riparian countries of the Danube River. The level of effort for this phase of activities was approximately 800 person-days. The first phase of the project began in September 1991 and ended in June 1992. To date, the accomplishments include:

- 1) preparation of an initial computer-based system (DEMDESS) and user manual for decision makers to manage data on point-source wastewater emissions and emitters; to support reduction of pollution in the Danube basin;
- 2) identification of high-priority, immediate investment needs for which reinvestment studies might be funded by international donors and funding agencies; and
- 3) evaluation of institutional conditions and needs to support the system and implement wastewater emissions control programs.

The reports for this phase of activities are currently in final draft form and are due to be finalized in early October 1992.

#### **Phase II:**

The second phase of activities is intended to undertake pre-feasibility activities in selected tributary rivers of the Danube Basin to identify "bankable" projects immediately in high-priority areas. The intended level of effort for this phase of activities is approximately 1,700 person-days.

Specific objectives of the second phase of activities include the following:

1. provide institutional support necessary for each country to establish and use the decision support system;
2. identify priority sites and corresponding projects that can immediately be considered for financing;

3. design a 12-month program of pre-investment technical assistance for selected lesser-priority sites; and
4. conduct a Regional workshop to disseminate the results of the analyses and to discuss issues of common relevance throughout the Danube River basin.

### **Geographic Focus of Phase II Activities in Hungary:**

The preliminary recommendations for Phase II activity from the Ministry for Environment and Regional Planning (MERP) was the Hernad River on the basis that the Hernad/Hornad would be a joint project with Slovakia. However, after it became clear that such a cooperative effort was not possible at this time, the focus of Phase II activities was shifted to the Sajo River basin in Borsod County. MERP has recommended this basin since the Ministry is undertaking a "water quality objectives" program with domestic funding. This Program involves data collection and a model which complements the DEMDESS model.

The Sajo would be in the first round of river basins included in the Ministry's program and is scheduled to be completed this year or early next year. The MERP would like to test the combined use of DEMDESS and the water quality objectives model. If successful, this approach could be extended to the Hernad early next year and eventually to all Hungarian River basins.

The Sajo River has long been considered one of the most polluted waterways in Hungary. Ironically, however, its quality has improved of late as industries in both Slovakia and Hungary have been forced to close. Nevertheless, a wide array of problems attributable to both municipal and industrial point-source discharges, as well as to nonpoint sources such as hazardous waste landfills, continue to plague this region.

### **Special Considerations:**

#### **Available Information:**

, Based upon discussions with officials from the Ministry for Environment and Regional Planning (MERP) as well as discussion with local officials, it is apparent that a good deal of specific information on point source discharges and ambient water quality in the Sajo basin exists. It will therefore be necessary to assemble this information, determine the accuracy of the data, and identify any data gaps.

#### **Institutional Relationships:**

The DELGEM (Decentralization of Local Government Environmental Management) project manager will be reviewing candidate sites and activities and narrowing the project focus over the next few months. Specific information on institutional relationships at various levels of government in Hungary gathered by this project will be invaluable in terms of preparing feasibility studies for high-priority projects as well as conducting pre-investment studies for other lesser-priority projects. Similarly, it would be ideal to use the results from the initial portion of Phase II of this project (a priority ranking of sites) to help direct final selection of communities under the DELGEM project.

### **Feasibility and Pre-investment Studies:**

Based on discussions with a variety of parties, it is clear that this aspect of the project will likely prove to be the greatest challenge. A range of financing options will need to be examined and the most feasible approach developed. In the process of developing financial support for the projects identified through Phase II, a number of key factors will need to be carefully considered and addressed, including:

- current and future uncertainties regarding responsibilities and relationships among various levels of government;
- likely unwillingness of the national government to incur more debt by underwriting local government loans;
- changing policies with respect to the various national government funds which might be available; and
- current and future policies of IBRD and EBRD with respect to environmental loans.

## **PART III**

**Remarks by June Beittel, ICMA**

**Decentralization of Local Government Environmental Management (DELGEM) Project Design Trip: September 8 - October 2, 1992**

**Remarks by June Beittel**

**Purpose of Trip:** To accompany the DELGEM project design team to Hungary and to briefly overlap in Poland to ensure that the role of ICMA in providing technical assistance to the project was clearly defined at the outset. To describe ICMA's involvement in the region to date as well as the organization's potential for delivering targeted training to municipal officials for improving the management of environmental services and infrastructure such as drinking water operations, wastewater treatment, and solid waste collection.

The reconnaissance trip was undertaken to re-design this approved A.I.D. project by conducting meetings with national, regional and local government officials, relevant non governmental agencies and donors to tailor the project so it can effectively work with municipal governments in Poland and Hungary. Frank Ohnesorgan and June Beittel's particular task was to present the ICMA perspective on the technical assistance program. Frank Ohnesorgan accompanied the team from September 8 - September 20 in Poland. June Beittel joined the team in Poland on September 18 and proceeded to Hungary.

In the contract awarded in July, ICMA was slated to provide approximately \$865,000 of assistance out of a \$4 million dollar project total for the three year life of the project. With this limited budget in mind, the project focus was narrowed considerably on this trip to improving the management, administrative, operational and financial capacity of three to four local governmental units in two countries.

**Team Composition:** The team in Poland was composed of Andrzej Pekekiewich (USAID/Warsaw), William Sommers (RTI, Project Director and Team Leader), Frank Ohnesorgan (ICMA, subcontractor to RTI), Robert MacLeod (AID Office of Housing and Urban Programs) and Alexandria L. Panehal, EUR/DR/ENR who is the A.I.D. project officer for DELGEM. Ms. Panehal left Poland on Tuesday, September 15. In Hungary, the team was joined by James Taft also representing the European Bureau's environmental division where Jim will have some oversight responsibility for both the DELGEM Project and the Danube River Basin Program for Hungary, another A.I.D.-funded regional environmental project conducted through the WASH office with RTI as a subcontractor.

I overlapped with Frank Ohnesorgan for two days in Poland, after the group made visits to Katowice and Wroclaw. In Hungary (September 20th - October 1st) the team composition changed to include myself representing ICMA, Jim Taft, William Sommers, Bob MacLeod, and for a few days Jim McCollough, RTI's team leader to the Danube River Basin Program. Team meetings in Hungary were arranged by Ferenc Melykuti (USAID/Budapest) and Debbie Richards who arranged the field meetings in Borsod County.

**Project Goal:** Each local government selected to participate would receive technical assistance to conduct an analysis of its environmental needs and develop a feasible plan to bring an actual infrastructure project through to a point where it was eligible for capital financing from an international funding source such as the European Bank in tandem with locally generated revenues and national environmental grants where available. In both countries, the team made field visits to heavily polluted regions that had been the focus of other A.I.D. assistance. For increasing collaboration and getting more leverage from existing programs, the DELGEM team was to give serious consideration to focusing the project in municipalities within these heavily impacted regions (in Poland, Katowice and Wroclaw and in Hungary, Borsod County).

**Findings:** The team met with over 90 people in 45 meetings over the course of the two-country visit. Detailed notes of all these discussions were left with the Mission staff in the respective countries following a final briefing by the team. Several matters seemed to be firming up by the time the team left Hungary on October 1st.

#### 1. Logistics:

- The project manager would serve to coordinate municipal projects in both countries but would be based in Warsaw beginning in December.
- A return trip is planned for November to sign letters of agreement with those municipalities selected to participate in the project.

#### 2. Observations concerning the project:

- Quick results would be welcomed because these countries have not received a great deal of "on the ground" assistance that has led to actual completed projects. Local governments do not need additional pre-feasibility studies of their environmental problems; they do need assistance seeing projects from start to finish. In addition, few programs have effectively targeted the municipal level. While such efforts will be hampered by the economic hardships and political uncertainties plaguing Hungary and Poland, the focus on this level was broadly encouraged.
- There is a strong interest in improving municipal management, and local and regional governments are seeking such training opportunities. In Poland, Frank Ohnesorgan notes there were many requests for training of local government officials in general management, organizational structure, treating city service recipients as customers and improving citizen participation. In Hungary, the water companies providing drinking water and wastewater treatment to many municipalities had a lot of technical skill and awareness on how their companies, which were previously state-owned, might be run as businesses. They requested assistance in budget management, rate setting and metering, and putting together financing packages that would attract international donor support and consequently allow them to expand/upgrade their services. A

subproject working with these organizations that serve multiple local governments should be considered.

- Changes in local government laws affecting relationships between different levels of government and new environmental legislation will influence the project in both countries, but these changes are not a reason to delay work in either country. Assisting committed municipal governments to push projects through may work from the "bottom up" to test legislation that is being developed during this transitional period.

- The major issue will be securing capital financing. There is high unemployment in the impacted areas where at least two of the subprojects will be located. In Hungary the government's "anti-inflationary" policy makes it unlikely that the central government will undersign international loans sought by municipalities and the situation in Poland is even more restrictive financially. Frank Ohnesorgan comments "my impression is that the project would have a better chance of success if some of the municipalities selected were in less contaminated areas, especially projects the size of which was discussed." In Hungary, many towns eager to participate can be found outside of Borsod County and some have projects "on the shelf" like Szekesfeherrar. Besides considering a town in Borsod County such as Edeleny, Kazincbarcika or Miskolc itself, a local government outside the region that demonstrates some financial capacity and a strong interest in completing an environmental project should be included.

- In Hungary, smaller cities of 10,000 - 20,000 in size would make good demonstration models for the rest of the country. Outside of Budapest, the majority of the cities and towns are relatively small. The major thrust should be a project that can be moved toward completion demonstrating that environmental improvements are possible for the typical city.

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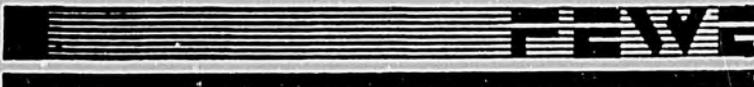
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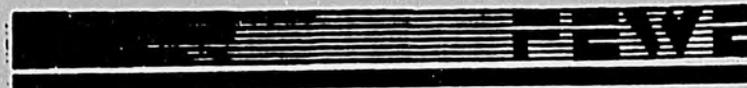
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### **List of Publications Received**

## **PUBLICATIONS AND DATA SHEETS RECEIVED IN POLAND**

1. Outline of Environmental Training Course, Polish Ecological Club, Institute of Ecology, Katowice, Poland.
2. German-Marshall Fund, Application Procedure and Details of Application Requirements, Wroclaw, 1991.
3. Environmental Survey and Plan, Voivodship of Wroclaw, 1991.
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  - a. Policy on Environmental Protection in Voivodship Katowice
  - b. The Interrelationship Between Economics and Ecology
  - c. Duties and Responsibilities of Citizens in Environmental Protection
  - d. Nature Endangerment in Katowice Voivodship
  - e. Eko-Alarm: A Citizen's Awareness Booklet
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64

17. **Transforming Public Administration: Basic Assumptions, The Group for the Reorganization of Public Administration, Warsaw, March 1992.**
18. **Annual Report, 1991: Foundation in Support of Local Democracy.**
19. **Article, "Poland Threatened with Waste Invasion," by Krystyna Forowicz, August 1992, Rzeczpospolitan No. 202.**
20. **Environmental Protection Bank, Authorizing Statute, Warsaw, 1992, plus Annual Report, 1991.**
21. **The Polish Foundation for Energy Efficiency, Explanation Brochure, undated.**
22. **"Diagnosis of Environmental Protection Problems in Poland," Andrzej T. Kassenberg, from Environmental Case Studies, 1992.**
23. **Review of Energy and Environmental Policies in Poland, report by Slawomir M. Pasierb, Executive Director, Polish Foundation for Energy Efficiency, prepared for Prague Conference, June 17 - 19, 1992.**
24. **Report on the Condition of the Atmosphere, Department of Sanitation Inspections, Katowice, Poland, 1991.**
25. **Series of four public information videotapes from Silesia Ecological Foundation:**
  - a. **Communal Waste**
  - b. **Death Waits for You in Heavy Metals**
  - c. **Bad Air**
  - d. **Panorama of Pollution**

(Note: These videos are in Polish and are being converted to U.S. standard for video to determine their content, their usefulness in future training for the DELGEM project, and their general applicability.)



## **PUBLICATIONS AND DATA SHEETS RECEIVED IN HUNGARY**

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2. Workbook on Putting an Environmental Plan into Action, lecture by Louis Hutten Mansfield, Ph.D., Ministry of Environment, Netherlands, Feb. 7, 1991, REC.
3. Fundamental Acts on Self-Government in Hungary, Ministry of Interior, 1990.
4. North Hungarian Regional Waterworks Report of Activities up to 1990, Kazincbarcika, 1990.
5. Operation Rules and Organization of Borsod County Government, February 1991, Miskolc, Hungary.
6. Procedures of County Government Organization in Borsod County, April 1, 1991, Miskolc.
7. Report on Varifilter, Borsod County Waterworks, Filter Process Invention, 1990.
8. IBRD Project List, Hungary, September 1991.
9. 1991 Financial Balance Sheet, Miskolc Water Authority.
10. Organizational Chart and Assignment of Regional Responsibilities for Environmental Inspection, including Map of Regional Environmental Authorities, MERP, 1991.
11. Organization and Activity of the Hungarian Environmental Protection Authority System, by Attila Kemeny, Deputy State Secretary for the Environment.
12. Environmental Objectives of Budapest, Mayor's Office of Environmental Affairs, April 10, 1991.
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14. "Our Environment in Facts," MERP, 1992.
15. Organizational Chart, City of Godollo, Hungary.
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3. **Policy Determinants of Municipal Credit in Hungary, Final Report, Institute of Local Government Studies, University of Birmingham, England, August 1992.**
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