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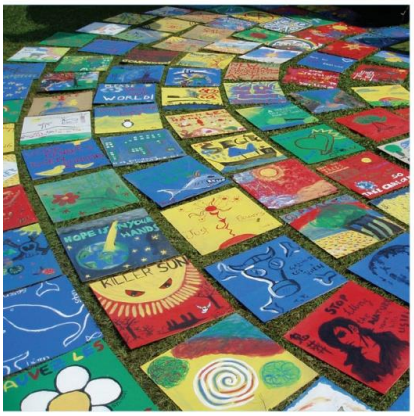
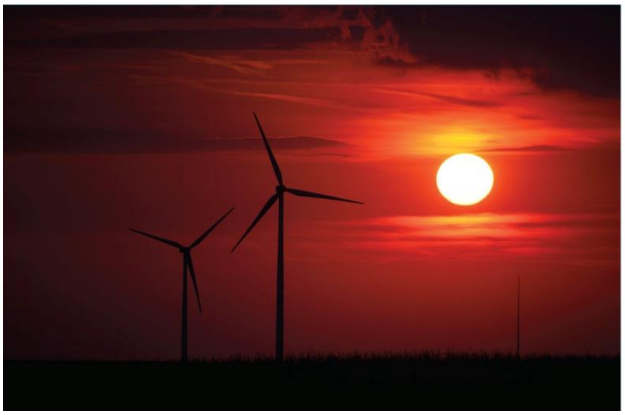


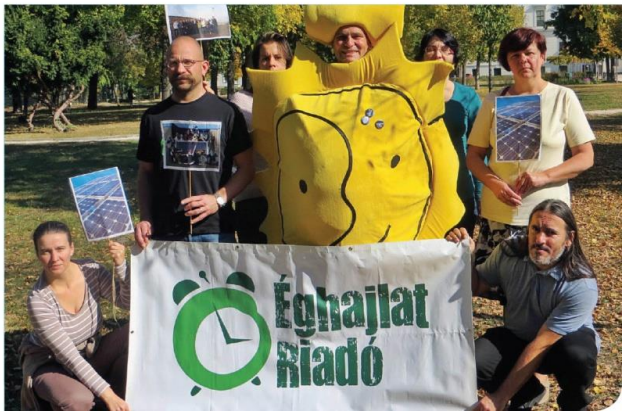
For a life-affirming economy

Recommendations for Hungary's "green" economic recovery

Summary

Friends of the Earth Hungary, 2020





For a life-affirming economy

Recommendations for Hungary's "green" economic recovery

Summary

Content

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Foreword

Although the COVID-19 pandemic started last year, the spread in Europe came as a surprise for our countries this spring. We thought that our modern society could prevent us from such catastrophes. We were wrong. Now, we have to face the biggest threat of our generations. Some want to return to our previous lifestyle as soon as possible and continue business as usual. They claim that this is an unexpected and stand-alone health issue. They are wrong. Even the 2005 review of the Sustainable Development Strategy by the European Commission acknowledged that "greater contact and mobility around the globe has increased the impact of health threats through infectious diseases". Since then, we became more confident and even such strategies neglected such possibilities.

Although there are a lot of uncertainties regarding the pandemic, one thing is certain; the virus would not spread so dangerously and rapidly if the economy and life were not that globalized. On the other hand, its economic impacts would not be that devastating in a system based on local resources. Reconstruction must contribute to an economic transformation that is more resistant to crises. This is because the epidemy is just one of the growing threats such as climate change, biodiversity loss, inequality, or the unprecedented high levels of debt. It must be recognized that the root of these problems is the same; namely, that we take too many resources away from nature, disrupting its normal functioning. The current environmental policy paradigm is ill-suited and therefore unable to overcome the environmental crisis, consequently, radical solutions focusing on the driving forces of the problems must be sought.

The Central Bank of Hungary asked green actors for advice on the green recovery in March 2020. We put together the basics of this set of recommendations for that purpose. We decided to develop and publish it because there is a surprisingly strong and growing public discourse about the need of new ways of economic recovery in Hungary. We also decided to publish a petition, to involve more and more people in this discourse. Our principles have remained the same not only since the beginning of the pandemic but since the the foundation of the organisation:

- Decisions must be taken primarily to serve the safety and well-being of people with the aim to meet not their demands but their needs;
- Natural limits must be taken into account and resource use reduced in absolute terms, focusing on sufficiency rather than efficiency;
- Hungary's independence, self-sufficiency and the resilience of local levels must be strengthened.
- The responsible and ethical behaviour of social and economic actors, stronger cooperation between them and the democratization of the economy must be promoted.

Ákos Éger
Executive President
Friends of the Earth Hungary

A life-affirming society and economy![1] - petition

The Covid-19 epidemic has highlighted the unsustainability of our globalized lives. Moreover, the epidemic is just one of an increasing number of threats such as climate change, biodiversity loss, extreme social inequality or unprecedented high levels of debt. The causes of the problems are common: we have taken too many resources away from nature, subordinated our communities to an anti-life economy, focused on our comfort and material consumption, we have become conceited - we thought science and technology would solve the problems caused by our attitude.

We Hungarians use twice as many natural resources a year as would be available to us sustainably. So we need to change radically, and change needs to cover all levels. Therefore, I undertake the following as an individual, strive for it as a member of local communities, I expect from state and economic decision-makers, or I implement these as a decision-maker:

Sustainable use of our natural resources

- I undertake to live in harmony with nature: I minimize my energy use and transportation, I buy fewer and more durable products, I do not poison my environment.
- I seek to participate in energy communities operating within ecological limits and support the nature conservation activities of local communities.
- I expect decision-makers to introduce regulations that will reduce the use of energy, materials and natural habitats in absolute terms, increase the proportion of nature-friendly farming, protect our natural values, so that we would use our resources to the extent of their renewal only.

Localization instead of globalization

- I undertake to mainly buy products and services produced closest to my place of residence. We cover the needs of our family ourselves as much as possible.
- I seek to participate in local sovereignty initiatives such as local sustainable food communities.
- I expect the sovereignty of local communities to increase, the state to support the development of local and national self-sufficiency while strengthening global solidarity, reducing participation in global tourism, trade and the production chain. Hungarian foreign investments and aid must meet local needs there, considering environmental limits.

Responsible corporations and transformation of finance system

- I undertake that, as a consumer, I prefer the products and services of responsible companies.
- I seek to participate in bottom-up, democratic economic co-operatives, local exchange trading systems.

[1] This petition was published on 18.05.2020 by Friends of the Earth Hungary, signed by almost 100 people representing a wide range of the society – mayors, professors and academicians, bishops, teachers, activists, artists, civil society representatives.

- I expect decision-makers to increase the accountability of companies and banks, reduce their excessive influence and the potential for abuse of legal personality, so that they do not pass on the external costs of their operations to society. Decision-makers should give preference to family and community companies. The issuance of money should serve community needs and nature rather than the extra profit of banks and the creation of new debts.

Renewal of thinking and morals

- I undertake to seek happiness in satisfaction, love, and social justice instead of prioritizing consumption, comfort, and self-realization.
- I seek to participate in groups, non-governmental organizations and churches working for a society of solidarity and nature protection.
- I expect politics and the economy to be based on morality, truth and cooperation, with the active involvement of the society. We should measure our success with indicators of well-being instead of financial ones.

1) National Society of Conservationists – Friends of the Earth Hungary

The National Society of Conservationists – Friends of the Earth Hungary (NSC-FoE HU) is a community of more than 100 Hungarian environmental and nature protection organizations, the main goal of which is to protect nature as a whole and to promote sustainable development. The members of the Society, founded in 1989, are present in all counties of Hungary and fight for the protection of our natural values and the prevention of environmental pressures. NSC-FoE HU is a member of different European and international networks, such as Friends of the Earth, CEE Bankwatch, CEEWEB, CAN Europe, EEB, Eurodad, European Environmental Bureau, IUCN.

NSC-FoE HU is a radical organization in its principles: we want to draw the attention of decision-makers and citizens to the causes of environmental problems through community actions, authentic professional events, well-founded studies and publications, and targeted lobbying. We do not believe in technical or superficial political solutions but feel the need for a radical transformation of our thinking, morals and at the same time, our system of production and consumption.

Nature and environment protect means for politics and most people, the preservation of areas that are still intact and protected from nature conservation, or certain protected species. For us, nature is the big whole of the environment around us, the source from we humans feed, take the goods necessary for our lives, and we are a part of, we do not rule over it, but depend on it for a thousand threads.

Nature responds to this real situation and perception, demanding modest behavior from humanity. Man's goal is, of course, to develop his society, to improve the quality of human life, but he must realize that this goal can only be achieved through the maintenance of nature. If you like: it is our own selfishness, our well-conceived fundamental interest, that requires us to preserve nature.

2) The nesessity to go beyond traditional policies for the sake of survival

There is hardly anything but uncertainty around the COVID-19 pandemic, except for two hard facts. On one hand, the virus would not so dangerously and rapidly if the economy and life were not that globalized, and, on the other hand, its economic impacts would not be that devastating in a system based on local resources.

It is beyond debate that people in need must be given immediate help. Firefighting is needed now, but its medium- and long-term effects need to be considered even in emergency. In long-term planning however, new approach is needed. To admit this, a look at the results of global economic, financial and environmental policies is enough.

According to the IMF, there were 145 banking crises, 208 monetary collapses and 72 sovereign debt crises between 1970 and 2010. In 2010, only 2% of foreign exchange transactions worth $ 4 trillion a day were tied to the real economy, with 98% being purely speculative. Currently, 47% of low-income countries are in a debt repayment crisis or are at high risk of falling into it. Global income inequality is growing constantly; in 2016, the income of the 8 richest people was equal to that of the poorest half of the world (3.5 billion people).

Nor can we report better results in the field of environmental policy, and contradictions are increasing. According to a 2019 report by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, the abundance f key terrestrial species has declined by twenty percent in the last one hundred and twenty years, and one million animal and plant species are threatened with extinction. According to the IPCC, climate change will certainly increase the risks to people, the economy and ecosystems and pose a major threat to food security. Despite the environmental policies of recent decades, the global ecological footprint is constantly growing, and this is not only attributable to population growth. The richest 10% of the planet is responsible for half of the fossil greenhouse gas emissions from individual consumption, while the poorest half of the Earth's population - 3.5 billion people - are responsible for only 10% of emissions. The ecological footprint also highlights another important contradiction. While Sweden uses the highest share of renewable energy in relative terms(54%, 2016) and is also one of the best in terms of per capita greenhouse gas emissions related to energy consumption, it still has the fifth largest ecological footprint in the European Union. There is a similar contradiction related to the UN Sustainable Development Goals, with the countries "best performing" on the goals having the largest ecological footprint.

Developed countries use more than three and a half times the available global biocapacity per capita on average. The ineffectiveness of current environmental policy is indicated by the fact that this ratio has hardly changed in the last 20 years, with the ecological footprint of high-income OECD countries declining by only 5% between 1995 and 2012.

The same conclusion was reached by the European Environmental Bureau (EEB) in its study on decoupling. It examines why the decoupling of economic growth and environmental burdens has not been successful so far in seven areas:

- *Rising energy costs:* when extracting a resource, we use cheaper, easier options first, followed by increasingly resource and energy-intensive modes, resulting in an increase in the total environmental pressures per unit of extracted resources.
- *Reversive effect:* efficiency gains are often partially or fully offset by reallocating saved resources and money to the same or a different type of consumption (e.g. using a fuel-efficient car more often or buying a plane ticket). The same goes for companies, the savings and profits achieved through efficiency can be re-invested. This can also bring about structural changes contributing to higher consumption, such as more fuel-efficient cars strengthening car-based transport rather than greener alternatives such as public transport.
- *Reshuffling of problems:* technological solutions to an environmental problem can create new ones or exacerbate existing ones. Examples are the environmental and social consequences of the extraction of lithium, copper and cobalt used to produce electric cars or the adverse land use impacts of agrofuels.
- *Underestimated impact of services:* the services sector can only exist based on the real economy, not instead of it. Services have a significant environmental footprint, which does not replace but complements the pressures by goods.
- *Limits of recycling:* the recycling rate is currently very low and is growing slowly only. Recycling processes themselves still require significant resources, energy and raw materials. Most importantly, recycling alone cannot provide resources for an ever-expanding material economy.
- *Insufficient and inadequate technological change:* fundamentally, technological innovation does not aim to develop factors of the ecological sustainability of production. They do not lead innovation reducing environmental pressures / burdens.
- *Cost shifting:* the occasional decoupling of environmental burdens and economic growth is not more than the relocation of environmental burdens and impacts from high-consumption countries to lower-consumption countries through international trade, typically. As the example of Sweden shows, the calculation based on the ecological footprint also taking into account the impacts of imported goods is much less optimistic / favourable.

The study argues that efficiency-focussed policies should be complemented by sufficiency-based policies that reduce the volume of production and consumption in developed countries by an order of magnitude.

Financial and ecological problems stem from a common root, namely, overconsumption. The gap between real performance and over-consumption is well illustrated by the fact that while the gross world product (GWP) was $ 65.82 trillion (a thousand billion) in 2007, external debt of countries was $ 44.61 trillion only. This was striking even then, but by 2018, GWP grew to

$ 85.8 trillion, public sector external debt to $ 58.5 trillion, and total debt to $ 247 trillion which is more than 300% of global GDP.

The link between the ecological crisis and overconsumption is even clearer:

- The growth in resource use in recent decades has far surpassed population growth;
- The environmental impact of EU consumption increased by 5% between 2010 and 2015 and exceeds the carrying capacity of our planet in key areas.
- If taking into account emissions embedded in imported goods, Europe has not met any climate change emission reduction targets since 1990.
- The latest Eurostat data show that in 2017, Europeans generated more packaging waste than ever before in history.

It must be assumed that environmental emissions are always linked to the use of natural resources, ie. existing environmental problems are generated by resource use. If we reduce the overall use of natural resources, we will certainly get rid of significant environmental burdens. Nevertheless, today's policies are still aimed at the vain reduction of emissions instead of reducing immissions.

The adaptation to the COVID-19 pandemic and reconstruction must contribute to an economic transformation that is more resilient to crises. This is because the epidemic is just one of the growing threats such as climate change, biodiversity loss or the unprecedented high levels of debt. It must be recognized that the root of these problems is the same, namely, that we take too many resources away from nature, disrupting its normal functioning.

Therefore, in making economic decisions:

- Decisions must be taken primarily toserve the safety and satisfaction/well-being of people with the aim to meet not their demands but their needs;
- Natural limits must be taken into account and resource use reduced in absolute terms, focusing on sufficiency rather than efficiency;
- Hungary's independence, self-sufficiency and the resilienceof local levels must be strengthened;
- The responsible and ethical behaviour of social and economic actors, stronger cooperation between them and the democratization of the economy must be promoted.

For more details, see annex No 1 (Hungarian): „Why have we not been able to reduce environmental pressures causing ecological problems so far, and how could this be done when the COVID-19 pandemic is over?"

3) Sustainable use of natural resources

In the past centuries, we have mostly been using our natural resources as if they were infinite, endlessly available (not depletable or degradable). According to the UN International Panel of Experts on Resources, there is a strong link between resource use and the deterioration of environmental systems. *It is necessary to reduce global resource* use to keep global warming below 1.5 or 2 degrees Celsius.

Economic regulators need to reflect the finite nature of natural resources, thus it is necessary to introduce meaningful economic regulatory tools to reduce resource use.

Our recommendations are aimed at this.

3.1 Climate protection incentive system

Today's climate policy seeks to address the threats of climate change by reducing greenhouse gas emissions into the environment. This is an essential but not sufficient condition, the restoration of ecosystems is the basis of climate regulation and adaptation. Thepolicy to reduce greenhouse gases is not the most appropriate: if we only want to reduce GHG emissions, we can falsely do so for the time being by shifting to other environmental burdens. A real way of reduction that means a reduction in all environmental impacts is to reduce the source of emissions so reducing *the use of fossil energy sources*.

The use of fossil fuels can be reduced by energy savings, increasing efficiency or replacing themwith renewable energy sources. An effective means of reduction can be the introduction of the so-called. *fossil fuel consumption allowance trading system* (consumption allowances for short).

A decreasing amount of fossil consumption allowances would be distributed between different consumer groups (individuals, companies, institutions) from year to year. Those who save at least part of their allowances (quotas), can sell them through the consumption allowance system manager to those who have consumed more than their yearly allowances. The manager sells the quota to the buyer for HUF and transfers the amount in *green money (money substitute)* to the seller (to its "quota account").

Green money can be exchanged for goods or services in a closed trading system (green market). Entities that meet the sustainability criteria can be registered in this producer-consumer group of the market. In this way, green money paves the way for a regional sustainability-based *green market*.

For producers and consumers, i.e. for everyone, another tool, a *revolving fund* will be available in order to help with saving allowances and with investment decisions. From this fund, all participants can apply and receive interest-free loan, in green money, repayable in the same

green money currency. Therefore, the saved consumption allowances can also be used to finance green investments.

The revolving fund creates an opportunity for everyone to invest and save, while it stimulates and restructures the economy together via the system of consumer allowances. Green money offers an opportunity to improve social justice, and a significant reduction in environmental pressures is expected through economic restructuring.

More details about the topic you can read in the annex No 2 (Hungarian): „Climate protection incentive system and improvement of ecosystem services"

3.2 An incentive system for the transformation of land-use

If we want to respond to climate change, we need to treat changes in the spatial structure of the earth's surface as a pressure at least equal to GHG emissions. The continuous decline of natural vegetation is a burden competing with the emission of greenhouse gases in it's impacts, and they also reinforce each other's effects. As a result of human interventions, declining natural vegetation in its extent is unable to keep pace with increasing atmospheric carbon emissions.

- The most urgent task is to complete the further reduction of green space, *to eliminate greenfield investments*. To this end, it must be stated that it is not possible to irreversibly withdraw more land and arable land covered with natural vegetation. New land use needs can only be met in an area-neutral way: within existing areas with the same use (eg brownfield investments) or by replacement.
- *All subsidies that finance* the destruction of ecosystems or soil from public funds should be abolished, as they run counter to the public interest. Voluntary land use providing better ecosystem services, technology change, land reconstruction and rehabilitation, which means the use of a larger proportion of living labor, must be supported from public funds.
- The agricultural economy must protect its most important foundations: *soil*, *water, landscape and biodiversity*. To this end, knowledge about sustainable resource management and complex ecological land use must be expanded.
- In the field of agriculture, the condition for the fulfillment of sustainable *farming is the abandonment of agricultural technologies with tillage*, and the phasing out of fertilizers and pesticides. Alternative technologies are available and their introduction requires a transformation of the incentive system for agriculture. In field farming, there are a number of tried and tested and successfully applied technologies, from reduced tillage through direct sowing to green mulch sowing.
- The extent of *wetlands* needs to be increased.
- Within the agricultural economy, *forestry* should be treated primarily as a service providing better environmental conditions for society. The forest cover of the country and the extent of forest coenoses of endemic tree species need to be further

increased. We need to improve the structure of the forest-covered surface in the direction of naturalness.

- The *climate-conscious design of settlements*, the reduction and greening of heat-absorbing and radiating surfaces, landscaping and the creation of water surfaces can further improve the climate-influencing properties of the surface.
- We recommend the introduction of *a trading system for land use rights*. The aim of the system is to achieve land use at the national and international level in accordance with optimal ecosystem services. The system involves all kinds of land use in the regulation: settlement, industrial, infrastructural, agricultural, forestry, recreational, nature conservation. The regulation prescribes the requirements to be met for each type of land use and classifies them into groups A, B, C. "A" is the highest grade available that corresponds to the optimal ecosystem, service, "B" is an intermediate step, and "C" indicates current use. The regulatory institution develops a set of rules for each type of land use in accordance with sustainable resource management. The essence of the proposed regulatory system is an increasing land use fee, which should be linked to three land use categories for each of the traditional land use methods.

More details about the topic you can read in the annex No 2 (Hungarian): „Incentive system for climate protection and improvement of ecosystem services"

3.3 Community energy

Community energy can be an important tool for strengthening the sustainability of local society and the economy and reducing the environmental burden of energy use. It can play an important role in ensuring *energy security* for those in needs and reducing *energy poverty*, as well as boosting the local economy by keeping investments and *utility costs in the local community*, creating new jobs.
Community energy production has huge potential in Europe. According to a current study, by 2050, half of EU citizens, including local communities, schools and hospitals, could generate their own renewable electricity, meeting 45% of their energy needs. Now, building on the new EU rights for energy-producing individuals and communities, the potential must and can be fully exploited so that Europe, including Hungary, can make significant progress in the energy transition.

The new legislation in *the EU's Clean Energy Package* gives EU citizens and communities new rights to produce, store, use and even sell and supply their own renewable energy.

These rights must now be put into practice by the Member States, including Hungary. This should be done in order to facilitate and ensure the development of the local economy:

- *removing unjustified* regulatory and administrative *barriers*;
- *non-discrimination* compared to other energy market players;
- fair, proportionate and transparent *licensing and registration processes*;
- fair, proportionate, transparent and cost-reflective network and other charges.

The support framework should also actively encourage the establishment and operation of energy communities:

- providing access to the *financial and administrative information* needed to set up and join (one-stop shop)
- ensuring access to energy communities for *the disadvantaged*, those living in energy poverty and tenants;
- *building the capacity of municipalities* to participate in the creation, professional and financial support of local renewable energy communities.

In addition, we recommend the creation of *an interest-free, revolving fund* to encourage renewable energy communities and their investments.

More details about the topic you can read in the annex No 3 (Hungarian): „Renewable energy communities as a possible tool to tackle the global climate, energy, economic and social crisis"

3.4 Residential building energy efficiency – launching of anESCO-type national building renovation program

The ESCO (Energy Service Company) is an appropriate tool to further ensure the developmentof *the buildings* sector and *industry*, to strengthen the positive social impact of their activities and to improve the energy *efficiency of the residential housing stock.*

The advantage of ESCO is that it results *in energy and cost savings* without the customer's own resources. Thanks to the state-of-the-art system and competent operation, the customer pays back the energy efficiency investment price to the ESCO from their energy savings (usually as part of the the energy consumption bill anyway paid to the ESCO, based on the energy performance contract).

A larger ESCO state program to improve the energy efficiency of residential buildings could serve two purposes at once: *stimulating the economy and reducing energy poverty*. Such a program is expected to significantly reduce the currently rising unemployment rate in the coming period while generating many social benefits. There is a great need and potential for development, as about 80% of the domestic residential building stock (4.4 million dwellings) does not meet modern technical and thermal requirements. Residential buildings built before 1980 make up almost three quarters of the housing stock, and their specific primary energy consumption is between 400-500 kWh / m2a, which is extremely high.

The program could determine the level of state involvement, *the grant intensity*, based on the applying consumers' income levels, the intensity varying between 20% and 90% (VAT in Hungary is 27%).

To coordinate the program, we recommend *the establishment of a non-profit ESCO-type company*, in which professionally involved NGOs should be given a role. These organizations could perform most of the tasks in the program in a cost-effective manner. We also recommend setting up *a one-stop, simplified administration for the program*, in which ESCOs

would have an important role. In case of energy renovations (upgrades), deep renovation levels should be encouraged and achieved where possible, *resulting in energy savings of up to 85-90%*.

More details about the topic you can read in the annex No 4 (Hungarian): „Residential building energy efficiency - launching an ESCO-type building renovation program"

3.5 Durable and repairable info-communication products and planned obsolescence

Digitization will inevitably gain more ground in the future, and as we have seen during the response to the pandemic, will play an increasingly important role. However, the social, economic and environmental impacts of the info-communication sector cannot be neglected.

Actions against obsolescence, repairable and more durable products, their re-use, and the support of the Hungarian ICT sector help to:

- *reducing dependence* on global supply chains, which may be even more important in a crisis situation;
- *reducing the digital division* for the socially deprived;
- *helping local small businesses* and increasing employment, among other things, with the expansion of the service sector;
- reducing the environmental burden of the ICT sector.

In this area, *the government can also play a major role* in managing the processes that follow the logic of the market, but are harmful to society and the environment. It is in the financial interest of the players of the market, so its conscious strategy to accelerate the life-cycle of the different products. Altough the technical requirements of the production of more durable products are available, meanwhile the opposite process is taking place. Hungary cannot completely prevent this, but with measures it can influence the processes in a positive direction. Measures to be taken both domestically and internationally should be supported: *increasing the warranty period for durable consumer goods*; introducing economic incentives for producers of *more durable products*; consumer campaigns for re-*use and longer-term usage*; development of our domestic technical and *technological capacities* for recycling; *providing* more complete product *information*, regulating advertising; encouraging manufacturers to make it easier to repair through legislation; *assisting the repair sector*; support for individual, *community actions*; more environmentally and *socially fair public procurement*; supporting new types of product use models; *active participation in international cooperation* for more durable products; *the criminality* of the planned obsolescence.

More details about the topic you can read in the annex No 5: „Recommendations for making the production, use and recovery of electronic products more sustainable"

4) Globalization versus localization

We need to strengthen localization. It would be too risky to rebuild our globalized economic and social system when *COVID-19 epidemic is over*, which would also hamper our move towards sustainability. The ability of our country and the local communities for self-sufficiency and resilience must be strengthened.

4.1 Strengthening localization in economic policy

Our recommendations:

- The goal should not be to increase the size of *international tourism* to pre-crisis levels. The development of the tourism sector should focus on domestic, gentle tourism. As a first step, a good direction can be the strengtheningof domestic tourism element in the cafeteria system. The introduction of the climate protection incentive system mentioned and explained above would also have the effect of strengthening domestic tourism.
- *The development of Budapest Liszt Ferenc Airport*, which is about to double the passenger traffic of 2018/19, to 21 million people, *must be stopped*. Enlargement would currently come from a € 200 million loan from the European Investment Bank (EIB), wich means public money from EU taxpayers, without a proper environmental and social impact study and proper social consultation with the nearly 1 million people concerned. At least until the completion of these, the implementation of the project must be suspended immediately.
- *Radical rethinking of economic development based on mega-corridors*, such as the "Belt and Road Initiative", including related infrastructure developments such as the Belgrade-Budapest railway line, *cannot be avoided*.
- Based on the principle of subsidiarity, we must make our social and economic decisions at the lowest possible level. A local economy based on local knowledge and resources and benefiting locally must be supported. *Development based on self-sufficiency d must be ensured by increasing the food, energy and financial self-sufficiency of the regions*. To this end, the spread of short-supply food chain communities, community energy solutions, and non-interest-bearing local complementary currencies that integrate environmental considerations should be promoted.
- Local communities must possess natural resources, including land and drinking water.
- The role of the local and regional level in social and economic decisions and the allocation of resources must be strengthened. There is a need to support local forms of community cooperation, both economically and socially.
- *EU economic development instruments* should focus on a local economy based on local knowledge and resources. The economic development model that saw the recovery in attracting foreign capital and setting up plants making only parts linked to each

element of the global production chain, by encouraging SME-s (small and medium enterprises) to become suppliers, should be phased out.

- Hungary needs to ensure that the domestic production capacities of *certain strategic sectors increase*, reducing the exposure of the sectors to events such as the world COVID-19 epidemic, such as health care, chemical industry, agricultural equipment manufacturing, food industry.
- *The volume of international trade must be reduced*. Hungary needs to reconsider its position on *EU free trade agreements* (CETA, EU-Mercosur agreement, EU-US trade negotiations). In order to protect domestic, GM-free agriculture and to enforce environmental, climate protection and consumer protection aspects, Hungary must oppose the conclusion of the above conventions in their current form.
- Ensure that key *public services remain in state or local community ownership*, such as education and health. State support in these areas needs to be increased. Families, local communities, civil and church actors need to be given a greater role than to the business in tackling social and health problems.
- The role of *participatory and direct democracy* in local and regional decision-making must be strengthened.
- *National parliaments and governments*, as top-level, democratically elected institutions, have an important role to play in shaping international social, economic and environmental decisions. Transnational cooperation is needed, but the European and global level must be left to deal only with problems that can only be solved at that level.

4.2 Strengthening food sovereignty

Global food trade and intensive, industrialized agriculture and factory farms, as well as over-consumption of natural resources, play a key role in the emergence of crises such as the current one. According to the United Nations Environment Program (UNEP), the following factors play a major role in the development of crises related to viral epidemics transmission from animals like the COVID-19 to humans (zoonosis): deforestation and other land use changes; illegal and poorly regulated wildlife trade; intensive agriculture and livestock production; antimicrobial resistance; climate change; invasive species that introduce microbes to new habitats; international trade and international travel.

The COVID-19 crisis highlights *the vulnerability of our globalized food system*. A globalized food system based on long supply chains will be even less able to withstand *future climate and ecological crises*. As a result of the globalization of agricultural markets, *we have lost control of our food systems*, and as a result of our dependence on imports, long (and therefore fragile) supply chains, our food supply is now under the control of only a few *multinational companies*.

The destruction of nature, which is a key factor in crises, must be stopped. Policies are needed to support a much more resilient, robust and sustainable food system, with a focus on short supply chains and increasing biodiversity.

Our recommendations:

- There is an urgent need to step up our efforts *to protect nature*: to reduce the consumption of agricultural commodities such as soybeans, palm oil, meat; to reduce the global footprint of the resources that feed our overconsumption; to reduce support for large-scale, chemical-based agriculture; and at the same time we need to shift to using agri-ecological solutions, including organic farming, and strengthen and apply nature protection legislation.
- In halting the COVID-19 epidemic and subsequent economic recovery, *agricultural and food policies* need to be transformed to take measures to ensure that *small and medium-sized farmers* in particular have a local, healthy and sustainably produced food supply and therefore receive fair prices.
- The crisis should not be used in decision-making at EU and national level *to weaken environmental rules* or to abandon ambitions for the reform of the Common Agricultural Policy or the planned EU Farm to Fork Strategy or EU Biodiversity Strategy.
- *Policies and measures* supportive to agroecology are needed to ensure the supply of the population through local and diversity-based food systems, in which production takes place in an environmentally friendly way, protecting biodiversity, supporting the self-sufficiency of local communities, prioritizing seasonal and landscape-based food.
- Instead of globalized, export-driven agriculture based on long supply chains and food trade based on "just in time" stocks, local communities and populations *should be supported to increase local food production* (including home gardens and community gardens) so that we have less food exposed to vulnerable, changing external factors (resilience). Support the restoration and development of *local markets*, farmers' markets, by promoting direct trade and *short supply chains* in general. It must be possible to develop decentralized public procurement programs that ensure the supply of institutions of local municipalities by local, small producers.
- The situation with *the COVID-19* has shown in many Western countries that agricultural production based on *migrant workers* makes the economy vulnerable. Therefore, *the employment of local* labor in agriculture should be encouraged - it can also help to absorb the labor generated during the crisis.
- *The national food reserve system,* which was abolished a few years ago, needs to be restored.
- Instead of livestock production based on *genetically modified soybean feed* in South America, further steps should be taken to achieve *feed self-sufficiency, the National Protein Program* should be strengthened, and more space should be provided for extensive grazing livestock, which could play a role in habitat reconstruction.
- *Seed sovereignty* must be strengthened, the return of local, landrace seed varieties to public production must be supported, and seed exchanges must be encouraged.
- *School garden programs* should be supported, and the theoretical and practical education of agricultural knowledge based on the principles of agroecology should be strengthened in both primary and secondary education.

- In order to stop the destruction of our soils, we must prioritize, support, educate and promote *chemical-free, soil-friendly, biodiversity-based farming systems* and methods (organic farming, mulch, deep mulch, composting, permaculture, forest gardenening, agroforestry).
- Ensure that farmers transitioning towards agroecology are supported by *national advisory services*, with advisors trained in agroecology and relevant innovations.
- Initiatives taken by the European Commission to weaken *EU GMO regulation* should be thwarted, and Commission proposals to create loopholes for new genetic engineering technics should be rejected.
- We recommend the *extension of the "Chips Tax" to palm oil-containing products* and, in the long run, the complete phase-out of palm oil. The food industry needs to be prepared to replace palm oil.
- In order to ensure the supply of appropriate agricultural tools to farmers, the development, adaptation and dissemination of *Farm Hack type* open source tools in Hungary must be supported. The domestic spread of similar, innovative *community initiatives* should be explored and supported. An important aspect for agricultural tool is the 'design for disassembly'. Repricability and the right to repair must be promoted, and the production of open source programs and tools must be made more attractive.

More details about the topic you can read in the annex No 6 (Hungarian): „Strengthening food sovereignty"

4.3 Developing of shopping communities and other forms of short supply chain

We support the project proposal of the Nyíregyháza Basket Community and Small-Scale Association (Kislépték Egyesület) which aims to:

- Nationwide extension of the *shopping community initiative*, sharing the experiences of the Nyíregyháza Basket Community by launching and helping 40-50 new shopping communities.
- Introduction of other methods implementing *Short Supply Chain* and related investments.
- Supporting investments for *local food producers*. Acquisition of common assets, financing of developments directly assisting production in the form of microcredit. Establishment of a microcredit institution. Involving local conscious consumers in financing - ensuring community financing and an inclusive market.

More details about the topic you can read in the annex No 7 (Hungarian): „Developing of shopping communities and other forms of short supply chains"

5) Change finance system

Without a *sustainable monetary system* sustainable management is not possible, but the current monetary system is not sustainable. The monetary system strongly determines the functioning of the economy, and thus the way society treats natural goods in. The current monetary system has in the past contributed to high productivity and living standards in the developed world but is now dysfunctional from a national economic perspective and stands in the way of sustainable development. The *current monetary system is not able* to provide *sufficient financial security* and *stability* for the real economy, encourages economic actors to continuously increase production and profits to the detriment of nature, favors the short-term financial interests of financial actors over the social and ecological interests of society, and leads to extreme capital concentration. So, the current monetary system also endangers the material well-being of society in the long run.

5.1 Initiative of the sovereign money system

Transforming the current monetary system into a *public monetary system* would provide *the monetary basis for sustainability*. One of the basic features of the public monetary system is *the separation of money creation and lending*. The state central bank would create money free of credit and interest, which would enter the economy through government spending. This would allow the economy to be sustainable without growth, as to operate in a financially balanced way. In the public monetary system, the public would have access to the financial resources by the central bank not only in cash but also in digital currency. *Commercial banks would no longer be able to create account money* but could only pass on money created by the central bank as credit. It would make the banking system more stable and secure. The creation of money by the central bank commensurate with economic production and the deposit of the newly created money into the state treasury would allow the profits from the creation of money to serve democratically defined *social and ecological goals*.

More details about the topic you can read in the Annex No 8: (English): „The Importance of the Monetary System Regarding Sustainability"

5.2 Establishment of supplementary currencies

The monopoly of competing, interest-bearing money must be abolished and *supplementary currencies* must be created to promote some kind of social public goal and eliminate the negative effects of interest-bearing money. One of the elements of the above-mentioned *climate incentive system, green quota system*, also serves this purpose.

5.3 A debt jubilee to tackle the Covid-19 health and economic crisis

The COVID-19 epidemic is causing serious health, social and economic damage worldwide, with catastrophic effects for hundreds of millions of people in *developing countries*. Therefore together with more than 200 NGO-s we urge a joint statement to cancel all *external debt payments* due to them in 2020 and to provide*emergency additional finance* which does not create debt.

All principal, interest and charges on sovereign external debt due in 2020 should be cancelled permanently, they should not accrue into the future. Cancelling debt payments is the fastest way to keep money in countries and free up resources to tackle the urgent health, social and economic crises resulting from the Covid-19 global pandemic.

Many countries were in debt crisis before the Covid-19 crisis began. Many more will emerge from this crisis with even higher unsustainable debts. Immediate cancellation of debt payments should therefore be linked to a more comprehensive and long-term approach to debt crisis resolution. As such, to make debt restructuring more efficient, equitable and successful we call for:

- The creation through the United Nations of a systematic, comprehensive and enforceable process for sovereign debt restructurings.
- The IMF to introduce clear guidelines on when a debt is unsustainable and follow its policy only to lend to countries with unsustainable debts if there is a default or debt restructuring.

*More details about the topic you can read in the annex No 9 (English): „*A debt jubilee to tackle the Covid-19 health and economic crisis”

6) Corporate Responsibility

In addition to the financial and banking system, it is inevitable to change *the overall regulation of companies*. David Korten sees that one of the fundamental problems is that we have endowed companies with legal personality today. This allows their owners to evade *legal and moral responsibility* for the company's operations. In the case of joint stock companies, ownership is even more elusive. The order of faceless shareholders is focused on the profitability of the company only, driving the management of the company into an operation that damages environmental and social resources.

Through their political and economic influence multinational companies get states to conclude *free trade agreements* that put them in a particularly favorable position. One such tool is the *Investor-State Dispute Settlement Procedure (ISDS),* which allows foreign investors to sue governments that risk their profits in special arbitral tribunals.

Our recommendations:

- *Companies need to be made more responsible* by ending their legal personality.
- In order to promote economic democracy, the *ownership structure should be broadened* by supporting family and cooperative enterprises; transforming corporate giants into smaller businesses with strict antitrust regulation.
- *Investor-state dispute settlement instruments* should be eliminated from trade agreements.
- The operation of *multinational companies* should be limited by creating an international binding treaty.

7) Change in our thinking and morals

Substantial systemic change is possible if only *the basic thinking paradigms of our culture also change*. Changing our thinking and beliefs must be part of both our social and economic development plans and our individual, inner development.

The COVID-19 epidemic has shaken the idea that science and technology can provide an effective response to any problem in the world. Modernity has removed God from public life, morality from economic relations, since the Age of Enlightenment. The almost sole purpose of politics and the economy has been to increase the material needs of man and to satisfy heightened desires. We will only break down our sustainability problems if we break with *blind faith in scientific and technical progress*, if the economy and politics will be on a solid ground of morality, if, in addition to material things, *family, community, nature and – depending our faith - the God* play a greater role in our lives the *relationship*.

For real change, we also need to reshape *our relationship to happiness*. The majority of those living in Euro-Atlantic civilization identify happiness with material well-being. In everyday life

the decisive decision-making aspect is material prosperity, the consumption of pleasures, and the achievement of more and more comfort. As a result of *the COVID-19 epidemic* our notion of happiness has also come into crisis. We should not see *consumption and self-realization* as the source of our happiness, but *caring for the other person, striving for truth, contentment, and accepting our suffering*.

For more details, see annex No 1 (Hungarian): „Why have we not been able to reduce environmental pressures causing ecological problems so far, and how could this be done when the COVID-19 pandemic is over?"

APPENDIX

Annex No 1 (Hungarian): „Why have we not been able to reduce environmental pressures causing ecological problems so far, and how could this be done when the COVID-19 pandemic is over?"

http://mtvsz.hu/dynamic/1_mtvsz_javaslat_kornyezetpolitika.pdf

Annex No 2 (Hungarian): „Climate protection incentive system and improvement of ecosystem services"

http://mtvsz.hu/dynamic/2_mtvsz_javaslat_eghajlatvedelemi_osztonzorendszer.pdf

Annex No 3 (Hungarian): „Renewable energy communities as a possible tool to tackle the global climate, energy, economic and social crisis"

http://mtvsz.hu/dynamic/3_mtvsz_javaslat_kozossegi_energia.pdf

Annex No 4 (Hungarian): „Residential building energy efficiency - launching an ESCO-type building renovation program"

http://mtvsz.hu/dynamic/4_mtvsz_javaslat_esco.pdf

Annex No 5: „Recommendations for making the production, use and recovery of electronic products more sustainable"

http://mtvsz.hu/dynamic/5_mtvsz_javaslat_tartos_ikt_termek.pdf

Annex No 6 (Hungarian): „Strengthening food sovereignty"
http://mtvsz.hu/dynamic/6_mtvsz_javaslat_elelmiszer_onrendelkezes.pdf

Annex No 7 (Hungarian): „Developing of shopping communities and other forms of short supply chains"

http://mtvsz.hu/dynamic/7_kosar_kisleptek_projektjav.pdf

Annex No 8: (English): „The Importance of the Monetary System Regarding Sustainability"
https://mtvsz.hu/uploads/files/01_JoobM_e-conom_IV2.pdf

Annex No 9 (English): „A debt jubilee to tackle the Covid-19 health and economic crisis"