

6. Urban rehabilitation projects in Hungary in the new programming period

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The first calls for proposals on urban rehabilitation in the new programming period are open in Hungary and some of the local governments have already prepared their Integrated Urban Development Strategies that defines not only the mid-term goals of the city, but also the projects foreseen. In this paper, I examine the experiences gained from former urban rehabilitation programmes and analyse the changes, the new era brings.

Starting in 2004, the first urban development projects mainly focused on spectacular investments without strategical background and without the involvement of the local stakeholders. With the second programming period starting in 2007, a new approach has been introduced in urban planning in Hungary: cities had to prepare mid-term urban development strategies and they had to involve locals to the planning processes. From 2014, the former approach seems to continue with the integrated approach and the involvement of the inhabitants. But at the same time, the Hungarian regulations changed in a way that the counties took over the tasks of integrated planning and project management. Even though counties are subnational actors, the whole territorial planning seems to tend towards a highly-centralised system. Therefore the real question is whether and how the cities will be able to create and realize projects reflecting their own unique needs in the new system of project planning and management.

Keywords: urban rehabilitation, urban planning, EU-funds, participation

1. Introduction

The first calls for proposals for urban rehabilitation projects in Hungary have already been launched, local governments now have the task to submit their development plans and project proposals. This gives an actuality to review the experiences from the former programming periods considering EU-supported urban development projects, and summarize the lessons learnt. It is also important to analyse the regulatory frames and approaches for 2014–2020, in order to predict, whether the new supported projects will fulfil the expectations on revitalizing the cities and provide better living standards for its inhabitants. In this paper, I am going to introduce the main features of the programming periods of 2004–06 and of 2007–13. Later, I give an overview on the new regulations for 2014–2020, highlighting the changes and trends, that can be observed. Given the complexity of urban rehabilitation projects, I will focus on three main questions and related hypotheses: 1.) Considering regulatory frames, is there a tendency that can be observed on decentralization, complexity,

integrated approach or holistic planning in Hungary? 2.) Is there a growing importance of the partnership principle in the planning process in Hungary? 3.) What changes can be observed regarded the management competences and approaches of the Hungarian local administrations?

My starting hypotheses are the following: 1.) The regulatory frames in the new programming period focus more on complexity and integrated approach, also strategic planning gains ground over time. 2.) The realization of partnership principle becoming more and more important, and actors dispose over growing experiences in this field. 3.) The evaluation of a professional management organization of local governments can be observed, especially with the establishment of professional urban development companies.

In order to validate the above mentioned hypotheses I made a literature review on the approach on urban development on EU-level and on the related Hungarian documents, as well. For the discussion part, I analysed the calls for proposals from the former and current programming period and the “Handbook on urban development” that served as canon for the related projects. The conclusions of this paper are drawn from this documentary analysis and also from the personal experiences and interviews that I collected when I personally took part in the planning, project development and management of three urban rehabilitation projects from 2007 to 2011.

2. The increasing role of urban development within the European Union

The role of cities in the European Union is constantly increasing. Given the fact, that around 70% of the EU-population lives in urban agglomeration, and that 67% of EU GDP is created in metropolitan regions (EC 2011, p.2), it is without doubt, that cities serve as engines for boosting the European economy by creating jobs and economic growth.

This growing importance can be observed also in the evolution of the European policy framework for urban development. 2000–2006 the Community Initiative Urban was dedicated to this topic exclusively, and several other urban projects could be realized under Objective 1 or 2. 2003, URBACT Programme has been launched, that supports the exchange for best practices, capacity building, transnational exchange, capitalization and dissemination amongst cities. However, at this time, regional policy focused mainly on NUTS2 or NUTS3 level regions, not on single settlements.

After several Council Meeting in Lille 2000, Rotterdam 2004, Bristol 2005, a common Urban Acquis started to take shape. The Leipzig Charter on Sustainable European Cities has

been approved in 2007. 2007–13, urban rehabilitation projects were supported both in the Convergence Regions (under Objective 1) as well as in the Regional Competitiveness Regions (under Objective 2). URBACT also kept on running, and a new programme, JESSICA has been created to provide refundable financial sources for urban rehabilitation projects.

In 2011, the Territorial Agenda of the European Union had been published (MRSPT 2011). In order to promote the realization of the EU 2020 strategy from a territorial perspective, 6 priorities have been set up. The Territorial Agenda, also known as TA 2020 can be considered as the forerunner of the new, current programming period by drawing up the new role of cities and the new priorities for them.

The new slogan for the new era is to become a “smart city”. Nevertheless, there is no exact definition on what it means being a smart city, and the adequate monitoring methods are also missing. When we take a look at the “tools” used for achieving a smart city-related goal, we mostly find IT-solutions for energy-, water- or waste management, also for public transportation. The smart city therefore is always a green city. On the other hand, being smart also means to be innovative. Cities therefore have to put emphasis on promoting regional innovation by supporting innovative start-up companies, university-business cooperation, spin-offs, and local SME’s. Being innovative also means to contribute to the fulfilment of the Regional Innovation Strategies for Smart Specialization, the new *“integrated, place-based economic transformation agendas”* (Foray et al. 2012, p. 8)

As for inclusive growth, the key-phrase for this programming period is social innovation. Social innovation is at the core of urban development, it underpins the importance of partnership principle when planning and implementing the projects, and also it stresses the importance of the so called “soft“ or “ESF-type“ elements of the rehabilitation projects where activities can reflect on the aspects and goals of social innovation.

According to the above mentioned, the European Union promotes integrated urban development in this programming era with a seemingly larger intensity, than before. On one hand, it created a framework document (MRSPT 2011) setting up the main priorities. The EU pursues to integrate regional/territorial aspects and sectorial approaches by creating the system of NIS3-RIS3-SIS3 strategies and emphasizing the joint realization of the regional and R&D policies. Also, the EU started to elaborate tools for combining available funding sources

from the European Structural and Investment Funds and from other programs¹. But it is not just the relationship with other policies that is changed. There are shifts in the centre of gravity within the regional policy itself. The main changes of this period are

- the abolishment of the mono-fund principle, allowing Operational Programmes to combine ESF and ERDF financing,
- the general introduction of Community-led Local Development (CLLD), based on former experiences from the LEADER Programme,
- and the creation of Integrated Territorial Investments (ITI).

The importance of cities has been also earmarked by the fact that the name of the former territorial policy of the EU has changed from regional, to regional and urban policy.

3. Planning and realization of EU-supported urban rehabilitation projects in Hungary

3.1. The experiences of the first programming period 2004–2006

Since Hungary joined the EU in 2004, i.e. in the middle of the 2000–2006 programming period, the first urban development projects started in 2004 and 2005 in the frames of the Regional Development Operational Programme. Note, that URBAN Community Initiative was not available in Hungary because its goals had been integrated to the (single) Regional Operational Programme.

The appropriate call (ROP 2.2 – Rehabilitation of urban territories) was very popular amongst local governments, altogether 89 proposals had been submitted with a total demand for support of about 200–205 Mio EUR. Finally, 36 development projects were supported with a value of about 82 Mio EUR. The projects were granted 0.5–3.3 Mio EUR funding (EMIR 2015). The “Handbook on Urban Development” states the following about the impacts of these projects: *“The majority of the projects realized the necessary rehabilitation of the city centres and public spaces, without dealing with the complex solving of urban problems. A contradiction could be observed between the CLLD-driven URBAN, focusing on the needs of renovation of deprived neighbourhoods and the activities realized within these projects that*

¹ The introduction of „seal of excellence” in Horizon 2020 proposals is a good example on this combination. An excellent project might be rejected from being supported, due to financial burdens. But the seal of excellence certificate provides that the project itself is worth for funding and therefore it can be directed to other (EU or national) sources.

were – in the majority of the cases – lacking the social interventions and the integrated approach” (SSLDB 2009, p. 9)

In Hungary’s first programming period after the EU-access, the urban rehabilitation projects were not part of any mid- or long-term strategy, they mostly contained only infrastructural interventions without the involvement of the local community, and the management activities were carried out by the employees of the local administrations or by external experts. Therefore, these projects failed to have a measurable impact on the urban fabric.

3.2. A new approach in the urban planning – 2007–2013

Based on the experiences from the first programming period and the changes in the EU expectations towards integrated urban development – as shown in Chapter 2 – 2007–2013, a new approach in urban planning started to gain ground. Note, that in this programming period Hungary had 7 regional operational programmes, i.e. all NUTS-2 regions had an own document. It is also important to mention, that this was the first time, the Central-Hungary Region had a special position: it was the only NUTS-2 region that felt under the “Competitiveness” Objective, while the other 6 NUTS-2 regions belonged to the “Convergence” Objective.

At first sight, the existence of 7 regional operational programmes might show a growing independence of territorial actors and a growing tendency of bottom-up planning, but in the reality those operational programmes slightly differed from each other. Considering urban planning however, the introduction of Integrated Urban Development Strategies (IUS) can be considered as a significant change in the planning approach. Those cities with more than 20.000 inhabitants had to prepare and submit IUS, which was a mid-term strategy, containing the goals of the city, its planned projects, financial resources and institutional background for the management of those projects.

The Integrated Urban Development Strategies constructed a frame for the further development efforts, and, for the first time it was required to use a holistic and integrated approach when preparing the strategy. Since it was compulsory to enforce the principle of partnership, urban development strategies had been consulted and negotiated with NGO-s, local businesses and inhabitants.

The first calls for rehabilitation projects were launched in 2007, and it was compulsory to submit IUS or a similar document. It was also required, that the project has a detailed feasibility study in the form of a so called “action area plan”. Action area was the

environment directly affected by the rehabilitation project. Considering the aspects of urban rehabilitation, 2 types of calls were available: one for general (i.e. for function expansion) and one for social urban rehabilitation.

It was not only the compulsory consultation procedure that supported the involvement of locals in the realization of the projects. The so called soft elements were also compulsory parts of the rehabilitation, i.e. not only infrastructural activities had to be planned, but also civil programs, events, clubs, trainings in order to provide support and local acceptance for the project. This probably was one of the most difficult part of the cities, for several reasons. On one hand, local governments didn't have any connections, nor former experience working with NGO's. And they were afraid of involving the public and civil actors. On the other hand, these projects were amongst the largest and most complex ones, the local administration had to work with, and they considered to be too time consuming to handle a lot of civil activities within the same project, where they have to deal with a huge infrastructural investment, as well. This hardship had been recognized by the Managing Authority and therefore the later calls contained an opportunity for the local administrations, to set up an own fund for grants for the NGO's instead of managing several small projects.

The third new feature in the calls was the possibility to establish urban development companies. The managing authority supported this by allowing 4% management costs in the case of an urban development company is established instead of 2%. The goal was to create a professional background for local development and integrated planning in the cities. It was also taken into consideration that the possibility to gain non-refundable grants will cease over time, therefore the city has to prepare itself for using refundable funding (such as JESSICA) for its development. According to my experiences, establishing an urban development company was realized in most of the cases by transforming an already existing company that was appropriate for the proposal and not by the analysing and proper planning of the tasks, staff and financing of this organization. Basically, the urban management companies were created for the proposal, but not for long term. The blocking factors were again the lack of experience and the fear of losing control over the most important urban development projects.

To sum up, although there were several new and promising features in the new calls, that could ground the integrated, holistic, bottom-up planning in the cities, the mayors and employees of the local government dared to take only cautious steps forward, due to their lack of expertise and fear of losing control. Therefore the requirements of the proposals were fulfilled, but no further efforts were made.

3.3. Facing the new programming period 2014–2020

The government regulation 1600/2012 (17.12.) appoints the Hungarian counties and cities with county rights (NUTS3 level) as responsible subnational actors for territorial planning and implementation (1600/2012. (XII. 17.)). The government decision 1115/2013 (08.03.) regulates the territorial units affected by the new planning system, and prescribes, that the counties and cities with county rights have to prepare a territorial development programme for the period 2014-2020, that will serve as a basic document for their development efforts (1115/2013. (III. 8.)). In the current era, Hungary (again) has only one, single regional operational programme, the Territorial and Settlement Development Operational Programme (TOP), and there is one programme for Budapest and Pest-county, the Competitive Central Hungary Operational Programme. In TOP, there are separate chapters for the counties (and their “ordinary” settlements) and for the cities with county rights. The planning and available sources are also different: while the “ordinary” settlements have to compete for the funding, the cities with county rights have prepared an Integrated Urban Development Programme in which they allocated some provisional resources to their planned projects. Therefore, the cities with county rights can now submit their proposals for the already named projects and they have a simplified evaluation process for their application.

It is not the same regulatory framework for the capital, Budapest. In the recent years, three thematic development programmes have been created with the contribution of the districts. They are the Thematic Development Program for Social Urban Rehabilitation, for Economic Recovery, for Brownfield Rehabilitation and for the Danube (shores). This programmes give comprehensive overview on the situation of the related fields, and summarize the tools, methods and activities that districts can use while implementing their rehabilitation projects. During the elaboration of these thematic programmes, districts were also asked to identify their future projects, and some preparatory efforts have already been made before the detailed planning² (Budapest Municipality 2014).

At first sight, this modification of the territorial planning system can be seen, as decentralisation and better involvement of the county (i.e. territorial)-level. But taken into consideration, that there are ministerial commissioners appointed in every county responsible for regional development, this change can rather be evaluated as centralisation, serving faster proposal preparation, evaluation and implementation.

² For example, the identification of the eligible blocks for social rehabilitation projects.

Considering the partnership-requirements, there is no dramatic change in the level of involvement “demanded” by the promoter. The development programmes mentioned above also had a consultation process during their approval. In a formal sense, they fulfil the criteria of the partnership principle. But due to the fact, that there was no effort made on sharing practices or train civil servants on partnership and community planning, it cannot be expected that the effective involvement of the habitants will take a big step forward.

Considering the management capacities, the new Hungarian regulation on the use of Structural Funds prohibits the local governments the engagement of private companies and experts for managerial tasks (272/2014. (XI. 5.)). This means that they have to employ their own employees (civil servants) or engage their urban development companies for these tasks. The problem again is that those companies still lack the professional expertise and long-term vision on their existence.

4. Conclusion

Urban development gains an increasing importance in the European Union, as well as in Hungary. In the recent years, due to the requirements of the proposals mainly, new methods became established considering the planning, participation and implementation. Nevertheless, the time for a real breakthrough hasn't come yet.

As for urban planning methods, the hypothesis has to be modified, in order to mirror the current situation. More and more, there are integrated plans for cities and counties on how to use the EU funds in an effective way, but at the same time we experience a more centralized approach on planning and implementation. And with the constant changes of the territorial planning system, responsibilities, tasks, and strategy frameworks, it will be very complicated to monitor the effects of the investments.

As for partnership, it is still regarded as a “compulsory requirement” and therefore the efforts focus on fulfilling the minimum actions that have to be taken and documented. But even with this attitude towards involvement of local people, it is without doubt, that new methods and practice on participation is spreading amongst civil organisations, as well as amongst local governments.

Finally, considering the management competencies, the firsts steps of establishing an own professional organisation has been done by more cities in the former programming period. But it is still questionable, what future is envisaged for those urban development

companies, and if they really have the expertise and capacities for the realisation of future development projects.

Based on these, we can come to the final conclusion that the attitudes towards integrated and holistic development, bottom-up planning, participation and professional implementation of the urban rehabilitation projects seem to evolve in a slow, but continuous way in Hungary.

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