

The approach of Budapest to the European Union: The Europeanization of a post-socialist city

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1 Introduction

Budapest was physically always close to the heart of Europe, however, politically the position of the city changed dramatically in the 20th century from being close to Europe at the beginning of the century towards being far away (in the inter-war decades and even more in the socialist period) and then coming gradually closer again, since the 1980s and especially after the collapse of socialism (see Tosics, 1998). In this sense 'Europeanization' in the case of the post-socialist cities has a double meaning: not only coming closer to the European Union but also gaining back their earlier position in Europe.

The Budapest case study will address all aspects of the book: horizontal networking, the 'download' and the 'upload' perspectives. In fact it would have been very difficult to separate these aspects from each other – their interrelation is an important part of the story.

The east-central European countries had very similar top-down political and institutional determinants of their development during the socialist period. These determinants were lifted with the change of the political system, and in the post-socialist period some differences emerged in the way and speed of the introduction of market mechanisms. Although EU accession came at the same time for the east-central European countries (with a slight delay for Romania and Bulgaria), some differences can also be discovered in the approach of the large metropolitan cities towards the European Union.

The Budapest case represents a particularly active city regarding horizontal networking and the 'upload' perspectives. On the other hand, in respect of the 'download' perspective Budapest shows very similar problems to those in the other large cities of the east-central European region ²⁾.

¹⁾ The author wishes to thank Gizella Mátyási (head of the Brussels Office of Budapest) for her information support to this paper.

²⁾ The author was active participant from the beginning on in the shaping of the Europeanization of Budapest. When writing this paper he made all possible efforts to remain neutral and objective – even so the paper is based on his own judgements and does not represent by any means an 'official' evaluation of the processes in the last two decades.

2 The position of Budapest: Historical and institutional background

The last decade of the 20th century brought a series of fundamental changes in the framework conditions influencing the functioning and development of the post-socialist cities. The top-down driven, politically dominated socialist system collapsed by the end of the 1980s, giving way to the establishment of democratic political system and market economy. The 1990s can be marked as a transitional period, a largely fragmented and non-cooperative phase of development. It was around the end of this decade when a new top-down coordination started to emerge, increasingly based on the perspective of the approaching EU accession – which finally took place in 2004.

The paper and the examples for illustration (small case studies) will focus on the lastly mentioned period, which can be called the “main period of Europeanization”. Without the brief overview of the first two periods, however, the real changes Europeanization brought to the post-socialist cities would not be understandable.

Budapest had around 2 million inhabitants in the 1980s (this number decreased to 1.7 million since then) which means a substantial share of the capital city within the country of 10 million people. This ‘water-head’ phenomenon, as some analysts call it, developed as the result of the historical and political changes of the 20th century which we cannot describe here in details (see for an overview Tosics, 2005b).

Being the only one metropolis of the country, ten times larger than the next city, Budapest was always a strong power centre. The leader of Budapest (whether called council-president or mayor) was, and also recently is, at least as powerful as a minister. The change of the political system in 1990, however, altered the local and internal power structure. In the top-down, politically dominated socialist system (see the explanation of the “socialist city-development model” dominated by state control and non-market institutional forms in Hegedűs and Tosics, 1996) Budapest had a centralized political structure. Districts with elected leaders existed already at that time but the real decisions were taken on Budapest (or even on higher political) level. Links to the surrounding agglomerational belt were less hierarchical but major decisions could not be taken against the will of the capital.

The democratic/capitalist system can best be described with decentralization and privatization processes (see for an overview Tosics, 2005a). This resulted in substantial independence of the local governments. Due to the lack of a powerful middle-tier (counties or regions), a very simple multi-level governance structure has been developed: there is no level between the national and the Budapest level and the latter acts in many regards independently. However, the same relies for the agglomerational settlements around Budapest, and even more interestingly, to a given extent to the districts of Budapest. The once monolithic power structure of Budapest changed into a real two-tier system, in which the municipality has the ownership of the public utilities and has some strategic planning power, while the districts decide about basic level services and control as much as half of the total public money available for the city. The agglomerational settlements around Budapest became ‘equal’ with the capital, there is almost no planning or development control over the area.

All this can be summarized as a very fragmented setup within and also around the city. The earlier strong political control mechanisms disappeared totally and were in the first decade not replaced by anything else. It is only the 2000s when new planning and cooperation mechanisms started to be developed, partly connected to the Europeanization process.

One of the areas not touched so much by fragmentation was international relations. Budapest developed independently her links with other cities and became very early well-embedded in the network of large European metropolises.

3 Horizontal cooperation and policy learning through networking

After the fall of the Iron Curtain in 1989-90, post-socialist countries have received help in many forms in their transition towards the democratic political system and market economy. The technical assistance efforts have shown some kind of geographic logic, for example Scandinavian countries mainly concentrated their efforts on the Baltic states, while Germany was largely occupied to handle its internal unification challenge. In the first half of the 1990s Hungary received relatively substantial assistance from the USA, through USAID programmes, and from the UK, via the Know How Fund programmes.

By the second part of the 1990s there was a belief that the first phase of transition has been finished, with the establishment of the basic democratic institutional structures and market-oriented regulatory and legal systems. USAID has left the central European countries around 1998, at the same time when a new phase of European international cooperation was around to start. The challenges of the time were summarized in a 1998 presentation (Budapest, 1998) as follows.

In the process to build up a market society two types of changes were of crucial importance: the transformation of public property into private ownership and the decentralization of political control with the empowerment of local governments. According to the opinion of many analysts, in Hungary both transformations went a bit too far, leading to 'over-privatization' of property (e.g. the share of public housing decreased well below 10 percentage in a country where the share of people living in poverty is above 20 percent according to all estimates) and to 'over-decentralization' of the government system. The latter means that local governments became relatively small (their number doubled to around 3300 in a country of 10 million people) and, at the same time, very independent, due to the fact that the medium tier of the government structure (the counties) has practically lost all power. In their 'ecstasy of independence' most local governments tried to maximize their own benefits. To generate maximum revenues and foster local development, local governments aimed for huge investments, without consulting other local governments in their area, who might have been affected by spillover effects. To maximize the 'revenue-creating' opportunities many local governments extensively expanded their land zoned for future development, regardless on the future infrastructure and environmental costs. Most local governments did not show any interest for dialogue and joint actions with other municipalities. They became suspicious of any form of territorial planning, which they misinterpreted as a new form of top-down control.

Budapest suffered from this non-cooperative, short-sighted attitude of local governments – both of the districts of Budapest and of the agglomerational settlements. Budapest wanted to learn what types of efficient regulatory and institutional systems could be introduced that could lead to long-term, cooperative strategies for the larger functional urban area, instead of concentrating on the immediate gains only.

In the second part of the 1990s it became clear that EUROCITIES, the network of large European cities offers the best opportunities to get information about potential tools to handle these problems. Besides this learning attitude there were also two other aims of Budapest at that time, for which the participation in the EUROCITIES network seemed to be useful:

- lobbying towards the national government to involve the local authority level in the preparations for the EU accession negotiations
- providing information towards the European Commission about the specific problems of cities and urban areas of the accession countries.

In the terminology of this book these could be called as ‘up-load’ efforts, regarding which Budapest recognized very early that joint efforts with EUROCITIES (European city-to-city cooperation) might prove to be much more efficient than individual lobbying of one city.

So it happened that Budapest, member in the first half of the 1990s of the Council of Europe’s Congress of Local and Regional Authorities, shifted gradually her interest towards the European Union, becoming observer in UCUE (Union of Capitals of the European Union) and associated member in EUROCITIES from 1996. Soon it became clear that the EUROCITIES network became the most important institutional framework for the Europeanization process of Budapest. The city played from the beginning on very active role in EUROCITIES, first in the East-West Committee (being its chair at the end of the 1990s), later in the Economic Development and Urban Reconstruction Committee (EDURC, EDF).

4 The ‘down-load perspective’: The effects of EU matters on Budapest

The 1996 membership of Budapest in EUROCITIES means that the city became part of the network of European cities eight years before the country joined to the European Union. Through the participation in the work of the committees (later forums) and of the annual conferences of EUROCITIES, Budapest became gradually prepared to understand the challenges of EU accession and to develop strategies to handle these challenges.

In the course of the years the city modified many times her institutional structure and the procedures for better adaptation. Although many of these changes proved to be very useful, the overall evaluation of the adaptation process is less satisfactory.

4.1 The process of adaptation

In 1999 the International Department has been turned into EU Integration and Foreign Relations Office, within which a part of the staff was dedicated exclusively to EU matters. Parallel to that, each department of the municipality had to nominate one employee as EU liaison person. Since the early 2000s training sessions have been organized for these people. Budapest became active participant in the Open Days of the Regions (organized once a year in Brussels), from the beginning of this initiative.

2003 marks the establishment of the Brussels office of Budapest – since then one or two permanent Brussels representative(s) of the city (as employee of the Office of European Affairs) ensure two-way flow of information.

The accession to the EU in May 2004 means the beginning of a new period, in which the country and the city became fully eligible for the EU Cohesion and Structural funds. Compared with the earlier period, when only smaller projects were funded by the pre-accession funds, by the end of 2009 the amount of EU funding channelled into the development of Budapest reached 1.250 million euros (of which 90% went to the two largest projects, a new subway line and a new sewage plant).

In order to handle this huge amount of development means the city had to develop the institutional structures which are needed for the planning and implementation of Structural Funds programmes and projects.

In 2007 the Office of European Union Affairs became totally independent from the Office of Foreign relations. As more and more projects had to be planned, the number of employees increased significantly. Moreover, in 2008 a new Project Implementation Unit has been established, which takes over the coordination of the implementation of EU projects after the subsidy contract has been signed. As the implementation of the projects belongs to the functional units of the municipality, many of these units had also to be expanded. Finally, for the case of the largest EU funded projects separate project companies had to be established (Enviroduna) on the proposal of DG Regio.

From the middle of the 2000s the focus shifted from cooperation and exchange of experience (through EURO CITIES work or in different 'soft' cooperation projects financed by the INTERREG, URBACT or the R&D Framework programmes³⁾ to the preparation of 'hard' (real new development) projects financed by the Cohesion Fund and ERDF. The differentiation between soft and hard projects is used time to time by the officials themselves. While there is a large increase in the number of officers working on hard projects, the number of in-house officers and external experts working on the soft activities is unchanged and very limited. This tendency coincides with the relative 'downgrading' of the soft activities in the eyes of most employees of the City Hall.

³⁾ Budapest Municipality participated in a number of such 'soft' projects (e.g. Regenera project on urban renewal within URBACT, Interact project on strategic and Cabernet project on brownfield regeneration within the 5th Framework Programme, Vital Cities project on the development of the commercial sector within INTERREG III.B), represented by officials, background organizations or outside experts. At the same time some of the districts of Budapest participated independently, on their own right as local governments, in other projects (e.g. District X. Kőbánya in one of the URBACT projects) – there is not even a full overview available about that at the municipal level.

4.2 The major actors and drivers of the adaptation

In such a paper it is impossible to describe in details the actors and drivers of the European adaptation process – this would need more space and would require local knowledge from the reader. Thus the following paragraphs give only a snapshot of the factors influencing this process.

The political level

On the international stage it is the Mayor who represents the city. There is a long stability in the leadership of Budapest. The Mayor (Mr Demszky) is since long (starting in 1990) well known on European level through his active participation in many European events. Most of the other political leaders of the city did not have similar ambitions to play international role.

The committees of the local assembly are the main organizations where the elected politicians belonging to different parties work together on local political issues. The committees have substantial amount of financial resources and organize quite often study tours to other countries. This is practically the only channel of the European machinery of Budapest which is used also by the politicians of the opposition parties.

The two-tier local government system of Budapest does not create optimal conditions for cooperative approaches. Districts usually prepare their own plans and project applications separately and do not exchange information with the municipality. Formally there is a cooperation in 'soft' (e.g. training) issues but even this does not function well. The only real initiative for cooperation is financial: if this is the precondition to get Structural Funds money, the two tiers of local governments might be able to cooperate.

The situation is very similar regarding the links between Budapest municipality and the settlements of the agglomerational belt. Although Budapest and Pest county (which contains the largest part of the functional urban area around Budapest) belong to the same NUTS2 region, this fact in itself does not ensure good cooperation. The links between the two territorial entities are very much limited to the legally prescribed issues, including the preparation of a Regional Operational Programme and decision-making about the allocation of Structural Funds money among the project applications. Thus the joint work in the Regional Development Council did not lead so far to enhanced cooperation in a broader, governance sense.

The level of the Mayor's Office

As we described above, in the last two decades the administrative structure of dealing with EU affairs changed many times. This does not mean, however, substantial modernization of the institutional structure of the Mayor's Office – there is no real change in the 'silo structure' of the administration. In other words: the office has a highly compartmentalised, fragmented administrative structure, where the departments rarely cooperate with each other without an explicit order by the head of the office.

The main interest within the administration changed towards the planning and implementation of the 'real, hard' projects. This means that the participation of politicians and officers in 'soft' European programmes is not very substantial. With the exception of a

few dedicated persons it is very difficult to find officers with satisfactory language skills who are interested in European exchange projects. Even the dissemination of new information about European projects is not solved in satisfactory way. There is a general belief within the office that routine operation and functioning is the most important, anything innovative above that should come from outside the local administration.

There are a few very positive developments, though. One of these is the establishment of the Brussels Office of the city of Budapest. This gives the opportunity for Budapest to receive new information, through being embedded directly in the informal Brussels networks. However, the real use of the new opportunities created by this office is not optimal, restricted mainly only to concrete project matters. There are only very few officers in the City Hall who are interested in broadening their views with Brussels based knowledge. This is not only because of the lack of language skills – not even requests written in Hungarian are very often sent to the Brussels representative of Budapest to explore European information. If there is an interest, however, the office is very useful to organize meetings, study visits, etc. (this happened several times, not only for the municipality of Budapest but also on the requests of some of the district local governments).

Language remains a major problem, preventing English language reports, summaries, mission reports to reach wider audience. The monthly EU Observer, prepared by an outside consultant, can only create some interest because of being written in Hungarian.

Outside consultants

One of the distinct features of Budapest is the fact, that the City Hall is surrounded by a number of more or less independent companies which work permanently for the municipality and perform important tasks. This 'outsourcing' attitude is present since long, indicating the limited capacity and also the lack of some types of special capabilities of the in-house staff.

Among these outside companies there are some which are created and are owned by the municipality ⁴⁾ – in this case the municipality has put a portion of its capacity outside the City Hall and direct control, probably in the hope to achieve more innovative and more flexible work. Besides, there are also companies which are totally independent from the municipality, linked to it through yearly contracts ⁵⁾.

Although all kind of generalization is dangerous, the hypothesis can be raised that these out-of-the-house capacities are indeed more innovative and more flexible in their work as most of the in-house departments of the municipality. There remains, however, an important question about the link between the outside companies and the administration of the municipality. For a product it is not enough to be very innovative, it also has to be understood and accepted by the administration to have some real effects. In this regard the

⁴⁾ For example Budapest Entrepreneurship Development Foundation (trainings for SMEs, creating links between entrepreneurs and the local government sector), Studio Metropolitana (active in management of urban development), Budapest Chance (public employment programme), Budapest Social Resource Center (help in social policy field to local governments, NGOs).

⁵⁾ Such private companies are involved in giving legal advice for the municipality, performing research in transport and urban development questions, including the development of the Strategic Development Plan of Budapest.

model and work of the out-of-the-house capacities of Budapest can be evaluated as only partly successful.

4.3 Small case studies illustrating the changes in the process of Europeanization

In the 'down-load' perspective the paper aims to differentiate domains of local government functioning, where Europeanization brought positive changes, from those domains, where such changes are minimal or even negative tendencies can be discovered.

a) Domains of local government functioning where positive changes can be seen

The paper already addressed the effect of EU accession on the institutional structure, enforcing the establishment of functional public entities outside the municipality structure, see e.g. Enviroduna for the large sewage plant project.

The positive effects of Europeanization of Budapest on the functioning of the city administration can also be illustrated with concrete projects, which require agreement between oppositional political forces – these are first signs of a new compromise culture, which is in the making. One of the examples is the Structural Funds supported project "The Heart of Budapest". This is a large project in the central business district (CBD) area of Budapest, aiming at traffic calming (closing the area for through-traffic by cars) and improvement of the public space. The absolute positive aspect of the project is the cooperation between the municipality of Budapest and the district 5 local government. These two local governments are on opposite sides of the political spectrum but – quite unusually in Budapest standards – managed to build up and implement a joint project.

The other example is even more unusual, as the positive outcome, the cooperation of otherwise competing local governments, can only indirectly be connected to financial advantages. The area plan of Ferihegy is the first example around Budapest for an innovative, bottom-up planning cooperation, based in many regards on knowledge learnt from earlier European projects and good examples on governance type cooperation.

The essence of the "Ferihegy program" can be summarized as follows (based on a presentation of Péter Schuchmann, Pestterv Ltd, the initiator of the project – one of the private planning companies which are connected through projects to the municipality).

There are 104 local governments in the agglomeration, all with the full rights to approve their own plans. After ten years of no-cooperation in the last years there are the first signs of some cooperation to be observable.

The case study is the Ferihegy Airport development and planning problem. In the last years, in connection with the development of the M0 orbital motorway around Budapest, 2500 hectare (previously agricultural) land has been rezoned into industrial, logistical area outside the city border, without ensuring any infrastructure conditions and without taking the environmental consequences into account.

After rezoning the second step is the approval of the regulatory plan, only this creates building rights. This is the moment when local governments

usually ask money from the developer, in the form of a “development agreement”, in return for the infrastructure development which makes the development possible.

Although the method of development agreements is flexible and innovative, they have serious problems. All the municipalities use different methods to calculate the required financial contribution from the developer. This creates a competition situation between the municipalities: developers will determine the place and the sequencing of the development according to the size of the money they are requested to pay to the different settlements and not according to the logic of the development. In many cases the revenues do not go into a development fund but finance the gaps in the functioning of the settlement. Furthermore, everyone knows that 2500 hectare is way too much for new development. There is also a lack in cooperation for the infrastructure development – five sewage plants are planned at the moment by neighbouring municipalities.

In this situation Pestterv initiated a joint planning work to make the problems visible. The contractor is the municipality of Budapest, and through the Budapest Agglomerational Development Council ⁶⁾, the mayors of seven suburban settlements (who otherwise would never exchange information about their development plans) participate in an ad-hoc committee.

As the regulatory plans for the oversized developments are already approved by the municipalities, the actual development process can only be influenced through the development of the missing infrastructure. Pestterv will prepare a plan to prioritize the most logical development ideas while to postpone those which are clearly mistaken. There are some chances that developers will accept such a prioritization as they can wait even longer time to carry out the development.

b) Domains of local government functioning where the changes are very slow and ambiguous

In the Europeanization process the development of multi-level governance should be an important milestone. In this regard, however, there is virtually no change towards a compromise culture. In those cases, where different levels of governments are brought together into one body (such as the case of Regional Development Councils), decisions are still more based on power (political dominance) than on real negotiations between the actors of the multi-level governance structure. A big step forward would be to give strong – self government – status to the middle tier of government, the regions, after which multi-level governance relations could develop between two equally strong levels. There is, however, no political agreement about the strengthening of the status of the regions – in the lack of which the endless fight and competition between local governments continues.

⁶⁾ The Budapest Agglomerational Development Council is formed by Budapest and 82 surrounding settlements. Having no legally ensured rights and only a small budget, the role of the BADC is rather limited.

Another important step forward should be changing the planning culture towards more integrated planning. This should mean a change in the priorities of politicians towards acknowledging the need to deal with the deprived areas and people. There is even an attempt from the national level to connect the allocation of Structural Fund means for larger cities to the preparation of Integrated Urban Development Strategies, which compulsorily have to contain anti-segregation plans. Even so, the changes into this direction are very slow, the large majority of EU money is continuously used for infrastructure development, it is very hard to find social rehabilitation projects of substantial size. This is partly due to the 'short-termism' of local policy making – the wish to produce visible outcomes before the next elections practically excludes the difficult, long-term integrated projects. But there are also other reasons, explained in the next examples.

c) Domains of local government functioning where the changes are rather negative

At first sight it might be surprising that the introduction of European regulation and funding might have negative effects on the functioning of local governments. Below there are three concrete examples which show that such effects exist. All these examples are in connection with some peculiar aspects of the Structural Funds regulations.

Emerging subsidy-shopping on the example of the Central Hungarian Region.

As it is well known, the allocation of Structural Funds resources is regulated according to the eligibility of the NUTS2 region, depending upon its GDP/capita level compared to the EU average. This sounds as wise regulation: poor regions (defined as having their GDP/capita below 75% of the EU average) should get more financial means than the more affluent regions. However, this eligibility regulation has a strong negative effect in administrative-institutional sense, as it initiates interests to change the regional borders.

As already mentioned, Budapest and the surrounding Pest county (both are NUTS3 units) together constitute the Central Hungarian Region, one of the seven NUTS2 units ⁷⁾. In this way Budapest is in the same region as the largest part of her functional urban area. This can be considered as an advantageous situation, especially if compared to Vienna or Prague: these cities are in separate regions from their agglomerations and have a lot of problems to adjust the conflicting development interests. In fact the CHR can be considered to be the most 'natural' region of Hungary – in the case of the other six regions the grouping of 3-3 counties can be debated while in the case of the CHR the functional links between Budapest and Pest county are self evident.

Even so, Pest county, the poorer part of the CHR, repeatedly aims at separating from Budapest in the NUTS system. This is understandable from a purely financial point of view, as the eligibility level is based on sharp geographical borders in the Structural Funds regulation (Pest county as part of the CHR receives less support from the SF than it would as a region in its own). In that way the eligibility regulation for the Structural Funds creates a strong incentive to split the only one really functional region of Hungary. To overcome

⁷⁾ The other six NUTS2 regions all consist of 3-3 NUTS3 level counties. Although the counties have self-government status, they constitute a weak level of government.

this negative incentive it is important to modify the eligibility regulations of the SF – besides which, however, also the internal cooperation within the CHF should be improved.

Changes in priority setting on the example of the Northern bridge of Budapest.

The Urban Development Concept of Budapest (see Budapest, 2003) gives high priority to a new bridge, called Aquincum bridge, in the North, close to the existing Óbuda Railway bridge, emphasizing the importance of this new link in the development of the Northern part of Budapest. Even so, after EU accession another bridge idea got priority, that of the M0 bridge, lying at the northern border of the city, outside of Budapest. The reasons are easy to understand: to finance a bridge from EU Funds is easier outside the city borders than inside, and the need to harmonize the plans of the originally aimed Aquincum bridge with the existing railway bridge would have created some difficulties. As a result, the M0 bridge has been built, the railway bridge renovated and the original idea suggested by the Development Concept (to build the new Aquincum bridge) postponed for decades. This is not to say that the M0 bridge is not useful (the M0 orbital motorway had to be closed on the Pest side anyway), but it is clear that the priorities have been changed due to the logic of the EU development support system.

The weakening of integrated approach in the Magdolna Quarter programme.

In some cases the strict Structural Funds eligibility regulation can have negative effect even on the content of interventions. The Magdolna Quarter renewal programme is the first and largest urban renewal attempt in Hungary which aims for real integrated development, i.e. dealing not only with the hard infrastructure and the buildings but also with the social, educational, cultural elements. The programme started in the early 2000s from the very limited resources of district 8 and the municipality of Budapest. With hard work the interdisciplinary team of REV8 management company (owned 61% by district 8 local government and 39% by Budapest Municipality) established step-by-step a new participatory planning framework, in which the residents of this poor area increasingly accepted to be involved in the planning and also in the implementation of the renewal.

Based on the initial achievements the Magdolna Quarter renewal programme has been awarded to become one of the 'direct programmes'⁸⁾ for Structural Funds support. Suddenly much more money became available, thus also the renovation of the quite rundown building stock could be started. This was a big step forward, however, it was accompanied by a negative aspect: due to the strict N+2 rule (the money about which the subsidy contract has been signed, has been spent within 2 years) the programme execution had to be speeded up, not allowing any more for the time-consuming participatory processes.

All the mentioned negative aspects are in connection with the rigidity of the Structural Funds regulations and with the way how the EU programmes are implemented in Hungary.

⁸⁾ The financial means of the Structural Fund are usually allocated through bidding processes, where local governments or other actors can bid with their projects within the framework of the defined priorities (e.g. for urban renewal). The major exception from the 'selection through bidding' rule is the financing through direct programmes, which are pre-defined larger projects, selected one-by-one by the higher level authorities.

The latter means that the 'Brussels bureaucracy' cannot be blamed for all the problems. The EU-wide framework regulations are largely applied into practice by national regulatory systems and institutions. In many cases the latter are responsible for the lack of any innovative solutions: national regulators want more to suit the 'Brussels expectations' than to take some risk to allow innovative solutions. Some people even talk about the 'Reign of the Lawyers', referring to the enormous, over-bureaucratized domestic systems of regulations.

4.4 To sum up the 'down-load effects': Institutional adaptation without basic functional change

In the two decades of the post-socialist period the market-oriented transformation resulted in quick and deep changes in the private sector. The change of the structures of public administration was influenced, besides this transition, also by the Europeanization processes of the last decade.

The analysis of the down-load effects in Budapest has shown substantial changes in the institutional structure of the local government. However, 'below the surface' the picture is less satisfactory: the main driver of the changes is the aim to absorb as much project money as possible, less the modernization of the functioning of the administration. The adaptational pressure coming from the EU institutions is not strong enough to modify significantly the institutional structures and power relationships, determined by internal political factors and the rigidity of the administrative structure. The spread of new governance practices is very slow.

5 The 'up-load perspective': The efforts of Budapest to influence the EU

It is very important to understand that the 'up-load perspective' was a novelty for post-socialist cities. In the socialist times the reality was a strong top-down political framework, which could only be influenced through individual political links, exclusively in negotiations behind closed curtains. After the collapse of socialism the first years of the market economy were dominated by a strong feeling against any political frameworks – local governments wanted to have as much freedom as possible and national government policies went into this direction with decentralization of the administration and privatization of the public goods.

Thus it is understandable that post-socialist countries and cities started their membership in the EU with sub-ordinated feelings and very selfish negotiation positions. It took a while for them to recognize that EU policies are themselves results of negotiation processes, in which there are possibilities from the 'bottom-up' to influence the EU bureaucracy. Such efforts, however, can only be successful if strong coalitions are built up with other countries/cities from new member states, in order to be able to deliver the relevant views with the needed strong voice towards the Commission.

5.1 Efforts to influence the accession negotiations

Joining EUROCITIES in 1996 Budapest became member of the East-West Committee and soon the chair of EWC (1998-2000). In this position Budapest – together with the city of Gdansk – was the initiator of a paper to summarize the special position and needs of east-central European cities. The 1998 published paper “Assessing the fundamental needs of central and eastern European cities” became a reference point for the urban parts of the later negotiations towards EU membership. Already in this paper the housing estates and public transport were mentioned as the potentially positive elements of socialist heritage, the preservation of which, however, needs special approach and means.

On that basis Budapest strongly argued for concerted EUROCITIES policies to fight for a substantial role of local authorities in the accession negotiations: national governments were lobbied to take on board the special problems of cities and the local level.

5.2 Efforts to influence the 2007-2013 Structural Funds regulations

More intensive lobbying started after joining the EU, in the 2004-2006 years, in connection with the debates of the Structural Funds regulation for 2007-2013. It was important to build up direct links with the Commission officials, as at the beginning the Commission did not understand at all the real problems of the urban areas in the new member states. Cities had to find ways to broaden the knowledge of the officials of the Commission. This was important as in those days, before enlargement, the Commission had almost exclusively officers from the old member states – as opposed to the situation today when the share of bureaucrats from the new member states is increasing.

This ‘up-load’ process to convince Commission officials to accept the realities they did not know, is illustrated in the following with two short case studies, from the fields of housing and urban transport.

a) The ‘battle for housing’: A drama in three acts

As housing was never part of the community policies, no Structural Funds money could be spent on residential buildings at all. However, in the new Member States housing problems were larger, while the domestic public sector was much less in the position to finance the housing element of integrated urban renewal programmes. If the housing element were missing, the URBAN-type integrated programmes would not function well.

Hungary discovered this problem quite early and intensive lobbying started through the group of the Visegrád countries (Poland, Czech Republic, Slovakia, Hungary, known as V4 group), which was successfully extended by the efforts of Budapest through her own channels.

The V4 countries aimed to explain the special situation of the new member states and their urban areas to the Commission. Two times V4 delegations of leading experts and ministry officials visited EU institutions and gave presentations, which were followed by

heavy discussions with the relevant Commission officials in Brussels. (The detailed description and analysis of the debates can be found in Tosics, 2008.)

Finally a revolutionary breakthrough was achieved by early 2006: the Commission agreed to add a new element to the Structural Funds regulation, allowing in the new Member States the improvement of the common parts of multifamily residential buildings with EU funding up to an upper limit of 2% of all ERDF allocation.

After achieving the aimed result on European level, a second act of the drama started: the fight for a national level programme. With the involvement of Budapest intensive discussions started with the ministries to develop a national integrated urban development programme. The following issues were discussed: programme priorities (to what extent integrated and what does this mean); the relative importance of the housing element; the share of large housing estates (threatened by deterioration) vs. old urban areas (already deteriorated in physical and/or social sense) within the action areas; the decision-making system (separate Operational Programme or compulsory axis within the Regional Operational Programme).

The finally adopted programme on urban renewal within the Regional Operational Programme (ROP) had two elements (integrated social-type residential renewal, and 'main street' type plus brownfield renewal). All these are part of ROPs and have to be based on Integrated Urban Development Strategies and need action-plans for the area-based interventions. Integration means social+physical in the first, economic+physical in the second. The housing element is only possible in the first type. Also the eligibility criteria have been defined precisely (with indicators and benchmark values), differently for large housing estates and old urban areas.

As the last act of the battle intensive work started to elaborate local programmes and projects for the new housing element of the ROP. The larger cities of Hungary were not prepared at all for complex, integrated programmes, they wanted to spend the money on simple physical interventions. According to a new Hungarian regulation, cities now have to prepare their Integrated Urban Development Strategies which have to include a specific anti-segregation programme (controlled by independent specialists). Cities have to prove the eligibility of their chosen action-areas and have to develop detailed plans for the integrated area-based interventions, where housing is a compulsory element.

The battle for housing was mainly an effort of the national level. However, it would have never taken place and achieving success without the early preparatory fights of Budapest. Also the accompanying lobbying of the city in her own networks played important role.

b) Lobbying for an European policy on urban transport

The density and large share of public transport in urban areas can be considered as the other speciality of post-socialist cities (besides the large housing estates). Here the challenge is to improve public transport to allow preserving its leading role against the quickly growing individual car use.

In the transport sector the EU always played some role, however, mainly in connection with long distance transport forms (financing railway lines and motorways). Thus for the

Commission it was not an easy step to 'enter' into urban areas and start to deal with urban transport problems. This change happened gradually, resulting in the elaboration of the Green Paper on urban transport. EUROCITIES was in the forefront from the beginning to organize lobbying in favour of taking urban transport problems serious on the European level, allowing the use of Structural Funds money for the development of urban transport.

The 2007-2013 Structural Funds regulation finally gave green light to the use of Structural Funds money for urban transport. The idea was to support the development of new infrastructure: building new tram and subway lines, and financing new 'rolling stock' (i.e. trams, metro-cars) on the freshly established new tracks.

Here it came the distinctive role Budapest played in these discussions. Due to the special heritage from the pre-socialist and socialist periods, the large cities of the new member states already disposed of extensive networks of public transport. The main wish of these cities was not to build additional new lines but to avoid the deterioration of the existing network. It had to be explained to the Commission that the new regulation for Structural Funds support in urban transport should also include the major renovation of existing tracks, and in such cases the cities should also become eligible to get support to buy new rolling stock.

The fight to achieve changes in the EU approach to urban transport financing was not an easy task. The Mayor of Budapest was chosen by EUROCITIES several times to represent the organization in large European transport conferences and in meetings with the Transport Commissioner. Budapest also initiated the Declaration of Mayors of cities in new Member States, as contribution to the debate on the Urban Transport Green Paper. One of the keynote presentations at the Fourth Cohesion Forum in autumn 2007 was given by the Mayor of Budapest.

Finally the intensive lobbying brought some success: the Guidelines on State Aid for railway undertakings, issued in April 2008, referred to the improvement of the existing network and rolling stock as an optional possibility.

The story of the urban transport lobbying is significantly different from the previous case study on housing. While the housing issue was fought mainly on national level, the transport issue has been brought up by the cities (especially Budapest). What's more, in the urban transport case cities lobbied for stronger involvement of 'Europe' as an external lever for bypassing national barriers, for bringing forward their ideas for changes. This was important, as in the 1990s in most post-socialist countries the national level has withdrawn most financial support for local public transport. Thus, to avoid the dominance of car traffic, cities had to turn to 'Europe' to get the necessary public support and put pressure on the national governments to help the public transport systems in urban areas again.

5.3 To sum up the 'up-load effects': Success factors for influencing the EU

Budapest has quickly learnt that influencing the EU can only be successful if prepared and carried out through international cooperation. In the case of housing this has meant mainly V4 cooperation, with cities playing secondary role. In the case of public transport the

influence and initiating power of the cities was larger. Both topics were very well embedded into the 'up-load' strategy of Budapest city, which was developed when joining EUROCIITIES in the second half of the 1990s.

Another important lesson to learn was that lobbying should not be terminated when a political decision has been achieved – the implementation is at least of equal importance. Both in the case of housing and urban public transport national legislation and local actions were needed after the decisions taken at EU level.

The main reason behind the relative success of Budapest in the fight for changing EU policies was a good cooperation between the actors: the local level team (expert, officer, politician) being in connection with a national level team (officer, politician) and on the international level with EUROCIITIES and other existing city connections. It was clear that the lobbying activity had to switch many times between the levels and also between the expert/officer and the political scenes.

The sound basis for specific lobbying actions has been created by permanent networking. As discussed earlier, Budapest has been since 1996 very active member of EUROCIITIES, in the beginning in the thematic committees and forums, and most lately as member of the Executive Committee. The city is also active in shaping the European documents through EUROCIITIES policy papers and related innovative activities (policy and research seminars, expert meetings).

The international activity of the mayor, supported by the Brussels office and innovative and active external experts made Budapest one of the most active cities in the European debates about urban policy making and certainly the most active among the post-socialist cities in this regard.

6 Summary

The chapter aimed to describe and analyse the Europeanization process of Budapest. Since the middle of the 1990s Budapest changed from passive observer, through active partner in developing the CEE agenda of problems, towards active leader in inter-city lobbying on European level.

The substantial international results, based on active collaboration between the political, office and consultant level, is probably the most positive aspect of the Europeanization of Budapest. Unfortunately, this is very much limited only to the up-load perspective, i.e. there are only very limited spill-over effects of the positive international results on the internal functioning of the administration in the municipality of Budapest.

In the City Hall of Budapest new governance practices are very limited, the administrative structures are rigid. Individual learning achieved by officers through participation in 'soft' European projects filters through only very slowly into collective learning. Even those officers who become interested in Europe are not always supported to use the new approaches in their work.

The need and the opportunities to modernize the administration of Budapest are big, compared to which the achievements are relatively little. This can be explained by many factors:

- partly external, such as the unsatisfactory Hungarian regulatory and institutional environment (two-tier structure with sharp limits of rights and responsibilities); combined with the rigidity of the EU regulations,
- partly internal, such as the lack of compromise and cooperation culture among politicians, the inefficient organization of the large office, the lack of language skills and motivation among employees.

With a simple metaphor Budapest could be described as an enormous cruiser, having large difficulties to change orientation and speed. This cruiser is surrounded by many smaller, more mobile ships, which, however, can have only very limited effect on the cruiser. It will take further time until innovation arrives to the large structure. Budapest was more successful to change Europe, than Europe to change Budapest.

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