

EUROPEAN
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FINAL REPORT

EUI CAPACITY BUILDING EVENT

Fostering the development of functional urban areas in
Hungarian SUD cities

21st November 2023, Budapest, Hungary



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1. Introduction

1.1 Event parameters

The aim of the meeting was to boost dialogue, related to Functional Urban Areas (FUA) in Hungary, fostering cooperation between the national level and local municipalities, and contributing to the ongoing legislative and policy development.

The event was hosted at the Aranytíz House of Culture, a beautifully renovated building situated in the heart of Budapest—a location that seamlessly combined practicality with elegance. The overall organization was commendable; plenaries unfolded in a spacious, theater-like room, while the afternoon saw the formation of five breakout groups in separate rooms. The provision of lunch, coffee breaks, and the networking cocktail was of high quality, adding to the overall positive experience.

93 people registered for the event, of whom 74 participated.

At the beginning of the event the moderator asked a few questions through SLIDO, to get information about the participants. 46 participants answered in SLIDO regarding their background: 33% of them was from municipalities, 9% from municipal agencies, 30% from ministries or managing authorities, 15% was consultant and 13% had other background. Regarding their profession the following picture was clarified through SLIDO: politician 2%, public officer working on the local level 28%, on another territorial level 9%, on national level 26%; employee of public institution 2%, researcher 0%, consultant 19%, other 14%. Related to the knowledge about FUAs (based on 49 answers, where 1 was the worst, 5 was the best): 1 (4%), 2 (29%), 3 (43%), 4 (16%), 5 (8%) – thus the average score was 3.0.

1.2 Introduction to the EU context / framework

Mr. Adam Moricz, program manager at the European Commission DG REGIO highlighted in his presentation that FUA-based urban planning and financial allocation is gaining momentum now in the EU, more and more cities are developing strategies and implementing practices on FUA level. He also underlined the importance of the neighbourhood and FUA level in the mirror of the New Leipzig Charter, according to which cities need to establish integrated and sustainable urban development strategies and assure their implementation for the whole urban area, from the city neighbourhoods to the functional area of the city. In addition, sustainable and resilient urban development takes place within a regional or metropolitan context and relies on a complex network of functional interdependencies and partnerships. This is exemplified by the functional area as stated in the Territorial Agenda 2030. In order to adapt urban policies to people's daily lives, towns and cities need to cooperate and coordinate their policies and instruments with their surrounding suburban and rural areas. In the new programming period 8% of the ERDF is allocated to integrated urban development, of which 55% is going to be used on FUA level. This share was only 20% in the previous programming period, which means that cities understood that planning within the framework of the FUA is useful.

Mr. Tim Caulfield, director of the European Urban Initiative Permanent Secretariat explained that the new grant schemes of the European Urban Initiative can efficiently help Hungarian cities to get a deeper insight about how FUAs (or other policies or tools) work in different European cities. The

easy-to-apply city-to-city exchange, as a new instrument, is the best tool for that, but two-day long peer review events can also be relevant.

In his keynote presentation, based on his broad experience gained within various EU programmes, **Mr. Iván Tosics** pointed out that European cities seek territorial cooperation opportunities, but often this does not mean the territorial level of the FUA. Member states shall create appealing framework conditions to support effective urban planning on the FUA level. He presented two main models of FUA level cooperation: the procedural model, illustrated on the case of the Zurich Metropolitan Area (where the cantons were indirectly forced to cooperate through a planning procedure of the central state) and the institutional model, illustrated by the case of Barcelona (where a separate organisation with dedicated staff and budget was established on the FUA level for FUA-level planning and organization of public services).

In countries characterized by a weak culture of cooperation, particularly those in Central-Eastern Europe (CEE), there is a noticeable absence of bottom-up initiatives supporting collaboration at the Functional Urban Area (FUA) level. Moreover, there is often a lack of political willingness at the top to endorse FUA-level planning. This underscores the significance of the European Union's Integrated Territorial Investments (ITI) framework introduced in 2014 as part of the Sustainable Urban Development (SUD) initiative. The ITI allocates a specific portion of European Regional Development Fund (ERDF) resources to cities. This framework has been a transformative force in some Central European countries and cities, as evidenced by the successful practices in Brno and Wrocław. Given the historical similarities in development patterns among the Czech Republic, Poland, and Hungary, these innovative examples can serve as valuable guides for Hungarian cities and central authorities, demonstrating how to initiate effective functional area cooperation.

1.3 Introduction to the HU context / framework

At the beginning of the current programming period there were 43 Hungarian cities (the main target group of the event) selected as beneficiaries of the Sustainable Urban Development (SUD) programme. 26 of these are relatively larger cities (Cities with County Rights), the others are district centers, medium-sized cities on a Hungarian scale. The 26 larger cities were already part in the previous Cohesion Policy cycle of this direct allocation of the EU funds, while the other cities were not familiar with this possibility earlier.

The large majority of the 43 cities developed their SUD strategy for the administrative area of the city, only 3 cities chose a larger territory. The summary of the ESPON event clearly stated that currently there is no uniformly applied functional urban area definition existing in Hungary.

The SUD strategies shall be reviewed in 2024, based on the data of the 2022 census. At the national level there are some attempts to define the geographical coverage of FUAs, but these are not exact measurements. FUA definitions are mostly based on labour market outreach (commuters), time of reaching out to the areas (mobility) and public service coverage (health institutions, schools, etc). Participants of the breakout rooms admitted that the description of the FUAs in their SUD strategies is very poor in general: there was no interest since financial resource was not allocated to this territorial level.

Yet, there are a few, rather embryonic examples on territorial cooperation in Hungary, as **Ms. Mariann Majorné Vén**, head of unit, Ministry of Territorial Development presented. Three Hungarian cities (Gyula, Békéscsaba and Szolnok), out of the 43 SUD cities, developed their SUD strategies on larger territories than the city boundaries. Their experience was explained in one of the plenary roundtable discussions as part of the conference. These experiments, however, use territorial levels which are not in line with the Eurostat-CSO definition of Hungarian FUAs: two of them chose the micro region, while one the parliamentary election ward as the territory of their SUD strategy. In all the three cases this territory is smaller than the functional urban area. Another example, initiated in 2023 by the ministry, is the pilot city cooperation project between Székesfehérvár and Veszprém as SUD cities, and Várpalota, a smaller city in-between them.

Mr. Ferenc MÁRKUS, deputy state secretary, Ministry of Territorial Development, raised the issue that a new law on territorial development is at Parliament for discussion now. If approved, it will introduce territories to be treated together, such as urban areas and inner peripheries. According to the plans, territorial planning should pay more attention to urban areas in the future.

1.4 Agenda

The main moderator of the event was Mr. Iván Tosics (URBACT and EUI expert), while Ms. Krisztina Hollai, Ms. Ágnes Kalmár, Ms. Zsuzsa Kravalik and Mr. Ferenc Szigeti moderated the break-out group sessions and some of the moderated discussions. The agenda of the event was as follows.

9.00-9.30	Onsite registration
9.30-10.00	<p>Welcome and introduction (Plenary room)</p> <p>The state of affairs of EU programming in Hungary, with special regard on the territorial programmes. Mr. László STEFÁN, head of department, Ministry of Territorial Development / Prime Minister's Office</p> <p>European Commission, DG Regio. Integrated approaches to SUDs and the importance of functional urban areas. Mr. Adam MORICZ, program manager at the European Commission DG REGIO.</p> <p>Capacity building in the European Urban Initiative. Mr. Tim CAULFIELD, director of the European Urban Initiative Permanent Secretariat.</p>
10.00-10.40	<p>Keynote presentation (Plenary room)</p> <p>National policing framework regarding FUAs. The existing Hungarian national regulations regarding the main tasks of the cities in the territorial management of public services. The future planning and regulatory framework for functional urban area cooperation in Hungary. Presenting the future review / amendment of the Hungarian National Concept on Territorial Development and the planned national policies targeting the development of FUAs (HU Ministry of Territorial Development).</p> <p>Mr. Ferenc MÁRKUS, deputy state secretary, Ministry of Territorial Development Ms. Mariann MAJORNÉ VÉN, head of unit, Ministry of Territorial Development</p>
10.40-11.00	<p>Keynote presentation (Plenary room)</p> <p>The importance of FUAs in territorial processes and in European policymaking. Mr. Iván TOSICS, URBACT and EUI expert</p>
11.00-11.20	Coffee break
11.20-12.00	European best practices 1 (Plenary room)

	The case of Brno Metropolitan Area, followed by a Q&A session. Ms. Soňa RASZKOVÁ , head of Foreign Cooperation and Marketing department.
12.00-12.40	European best practices 2 (Plenary room) The case of the Wrocław Metropolitan Area, followed by a Q&A session. Mr. Łukasz MEDEKSZA , deputy director of the Strategy and City Development Department
12.40-13.20	European best practices 3 and opportunities for the future of functional urban areas (Plenary room) Presentation of the World Bank – European Commission initiative on functional urban areas, summarizing the progress achieved. The case of the Cluj-Napoca functional urban area, followed by a Q&A session. Mr. Marcel IONESCU-HEROIU , senior urban development specialist, World Bank.
13.20—14.20	Lunch
14.20-15.20	Workshop (in break-out rooms) Discussion on the key elements of the best practices and their applicability in Hungarian context.
15.20-16.00	Current examples on integrated territorial cooperation in Hungarian urban areas 1 (Plenary room) Roundtable discussion on the experiences from existing Hungarian Functional Urban Areas in the 2021-2027 programming period: Szolnok, Békéscsaba and Gyula .
16.00-16.20	Coffee break
16.20-16.45	Current examples on integrated territorial cooperation in Hungarian urban areas 2 (Plenary room) The pilot action of the Székesfehérvár – Várpalota – Veszprém city-cooperation.
16.45-17.00	Current examples on integrated territorial cooperation in Hungarian urban areas 3 (Plenary room) Kőrmend , as an example of an active and innovative LEADER Local Action Group
17.00-17.10	Supporting Hungarian cities in finding funding Dr. Bernadett PETRI , executive director, The Hungarian Development Promotion Office (MFOI)
17.10-17.15	Closing words Mr. Tim CAULFIELD , director of the EUI Permanent Secretariat.
17.15-19.00	Networking cocktail

2. Learning gained by the Hungarian city participants

2.1 Learning on FUA governance: do's and don'ts

2.1.1. *Key points from international best practices and HU examples*

There are many forms of city-hinterland cooperation in Europe, and cooperation is always fruitful. The most important message from the foreign good practice presentations (Brno, Wrocław, Cluj) was that a national regulation is needed to foster cooperation at FUA level in order to overcome initial barriers, and using the ITI tool can be a good starting point in Hungary as well.

As it has been shown in the Brno case – where the university has been involved in the planning of services in order to achieve transparency, ensure professionalism and exclude political influence – public service facility needs are defined at smaller territorial areas within the FUA and the actual location is decided among the leaders of these smaller territorial areas.

A typical issue is that ‘statistical’ inhabitants, and ‘in-reality’ inhabitants can vary a great deal – as was the case in Wroclaw and in many CEE cities: people are not moving regarding the administrative registration system, but in reality many of them live outside the city, in the FUA area. This makes planning and also decision-making challenging.

In the case of Brno, the interest towards FUA level cooperation came through engagement in higher level policy work of EURO CITIES and the financial opportunity was opened through EU regulations. In the case of Wroclaw, the national programming of the EU funds made it compulsory since 2014 for the large Polish cities (regional seats) to apply the territorial level of the FUA in SUD planning and implementation.

2.1.2. Outcome of break-out session

Most Hungarian cities possess a general understanding of what settlements constitute their Functional Urban Area (FUA), drawn from everyday life and experience. Cooperation with neighbouring settlements is prevalent in nearly all cities, albeit often only informally and focused only on specific policy domains. In the case public services, like kindergartens or creches, for instance, city policymakers recognize that urban facilities are utilized by residents from the agglomerations. Consequently, the creation of new facilities in villages within the agglomeration could benefit both the city and local inhabitants. Despite recognizing the potential benefits, there is a need for structured coordination mechanisms to facilitate joint developments. Thus, while the notion that FUA level coordination can be advantageous for the main city is acknowledged, mechanisms for coordinated development efforts are presently lacking.

As for cooperation on territorial level there are some examples in Hungary, but these are not very numerous and often thematically restricted. Although all cities have some kind of cooperation mechanisms – at least on informal level – related to their FUA, most of these cooperations are based on the good will and the perceived importance by local decision makers. Politicians at local level work together across municipal boundaries mostly in mobility issues – where the gains from cooperation are most visible. The quality of local cooperation depends largely on the personal connections and the long-established relations between actors.

As a consequence of the current regulations in Hungary, there is unfortunately an intrinsic political interest for cities NOT to work together, i.e. to maximalise their financial gains on their own territory. In order to get into a situation of cooperating at FUA level and coordinating efforts, first of all a national framework and incentives are needed, but the cities also need to cross certain mental barriers of short-sighted gains. In principle, the participating city representatives see the added-value of cooperation and almost all of them would be ready to join pilot programs on FUA cooperation.

2.2. Learning on FUA implementation and planning practices: do’s and don’ts

2.2.1. Key points from international best practices and HU examples

The coordination of the FUA in Brno is based on a board made up of both political and civil society actors, and decision-making procedures are also clearly defined. This is crucial for long-lasting relationships and results. The strategy-making was not an exhaustive exercise, it was rather focusing on possible infrastructural needs and their territorial distribution linked to four priority areas: transport, the environment, competitiveness (+education) and social cohesion (social services and housing). There are many success factors: from 2021 a national-level methodology helps cities and regions/FUA-type collaborations. The fact that the city has a separate IT data analysis department, working in cooperation with the university, and with broad involvement of stakeholders, significantly helps the planning process.

In Wroclaw the ITI office was set up within the municipality as part of the municipal planning department. Similar to the decision-making structure of Brno, the steering committee in Wroclaw also consists of the local mayors, while the representatives of NGOs and businesses are associated participants. The Wroclaw functional urban area consists of 19 settlements, which are divided into 3 types: urban, urban-rural transition (urban+rural) and rural. In other words, in addition to the city, the countryside and agriculture are also significantly presented in the FUA. The ITI has become very popular in the 2021-27 Cohesion Policy cycle, as a mandatory strategy for both EU and local resources. There are many positive results: ITIs are able to incorporate the most important developments; SUMP is a successful part of it, the sharing of knowledge, the strengthening of cities and their responsibility are all success factors. A clear benefit of FUA is to channel service development efforts and eliminate duplications or unnecessary competitions among settlements for such new services. However, for the new programming period on the national level more ITIs were defined and less money was allocated, thus the amount of the Wroclaw ITI money decreased substantially.

In Romania the World Bank provided technical assistance for the SUD and FUA approaches, for the development of strategic frameworks. The SUD programme received more resources, and the FUA-s were legally regulated at the ministerial level by a law in 2022. The recent law on metropolitan areas stipulates that 5% of the income tax goes directly to the metropolitan level, ensuring a separate budget for metropolitan projects. The existence of a national law and the introduction of a dedicated financial resource for metropolitan areas was a very important message for the participants of the seminar. Similar financial incentive would be very important also in Hungary. In Cluj the role of mayors is prominent in development decisions. Related projects concentrate on the following sectors: mobility (metro); blue-green corridor; green belt. All of these contribute to Cluj becoming a climate-neutral, smart city in the EU.

2.2.2. Outcome of break-out session

The Hungarian municipal system is very much fragmented, the territorial system is not efficient, and the principle of subsidiarity is not applied sufficiently. The previous system of territorial development on the level of micro-regions (discontinued in 2014) operated well, it would be highly needed to bring it back, in order to coordinate territorial cooperation.

None of the cities indicated that the functional urban area analysis was carried out in their SUD strategy with sufficient depth and involvement. The reason for this is that the dedicated allocation of development resources to the administrative area of the larger SUD cities led to a situation that the

cities consider this as their own money, which the local political decision-makers would not want to give up.

Under such circumstances collaborations from the bottom up are very limited. In the past, the joint strategic planning of small district associations, involving joint operation of certain services (education, social care, mobility) created a culture of cooperation and was beneficial, which, however, lost its advantages with the continuous reorganization of public administration.

3. Summary recommendations for Hungarian cities

From the foreign good practice presentations and the the debates among Hungarian cities the following recommendations can be chrystallized.

In order to strengthen cooperation at functional urban area level

- a national regulatory framework and financial incentives are needed
 - as a first step, to overcome the initial barriers, the ITI tool can be a good stimulus in Hungary
 - later the establishment of an institutional capacity on the FUA level and the introduction of a dedicated financial source could be envisaged
- cities themselves should play an important catalizing role for territorial cooperation behind their administrative boundaries
 - starting with win-win functions, offering cooperation which is of mutual interest with the surrounding settlements
 - actively lobbying the national government for the acknowledgement of the FUA level in the planning and implementation of EU programmes
 - engaging in international exchange networks and platforms to learn about and interiorize good practices of FUA level cooperation.

Most of the affected Hungarian cities are positive about the idea to open up the use of ITI on the FUA territorial level in Hungary in the next Cohesion Policy programming period.

Until the achievement of this fundamental change, as a first step, projects that apply the territorial level of the FUA and are developed in local partnerships should get priority.

4. Conclusions and possible ways ahead

Functional urban area cooperation provides an opportunity to address issues that extend beyond the administrative boundaries of individual settlements in a comprehensive manner, helping to coordinate various projects. When well-organized, this approach ensures that none of the involved settlements is neglected or left behind. The strength lies in the collaborative effort, fostering joint and more efficient developments within the association of settlements.

4.1 Main needs to develop the FUA approach in HU

In the Hungarian SUD cities, the operative/executive level is prepared and motivated for strategic planning at the FUA level and would presumably effectively support the implementation of the

projects on the FUA level and through the ITI tool, if this becomes possible by law and policy. For such a task, the relevant organisations would need dedicated resources to carry out the tasks on FUA level.

On the other hand, as for the local political leadership, there is a clear need to strengthen the cooperative approach and establish interest-reconciliation mechanisms.

4.2 Opportunities for the future

The representatives of the participating cities agreed that functional urban area (or inter-city) collaborations cannot typically be based only on bottom-up initiatives, they must also be supported from above (centrally), e.g. with legal background, methodological help and planning-cooperation resources and incentives. The best combination may be to stimulate cooperation from above and below at the same time. There are expectations for cooperation at the FUA level, even the possibility of making it mandatory could be acceptable by the SUD cities if a clear set of conditions is assured, together with the sufficient financial contribution.

4.3. Further support available from EUI e.g. city to city, peer review (plus potential need for specific skill sets – making presentations, designing meetings)

Participants clearly found the presented foreign examples useful and interesting, especially since they all came from post-socialist countries, with similar conditions to Hungary. While acknowledging the presentations, participants would have liked to delve more into the practical details and ask related questions. Thus, Hungarian SUD cities would be happy to participate in on-site knowledge sharing and experience exchange within the framework of study tours to good case cities. They also expressed their willingness to join a potential domestic pilot FUA model program, especially if they could get methodological and material support.