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NEW MECHANISMS FOR INTEGRATED TERRITORIAL DEVELOPMENT IN HUNGARY

Új integrált területfejlesztési mechanizmusok Magyarországon

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Hungary is one of the main beneficiaries of the EU Cohesion Policy, which aids the development of the regions lagging behind. As one of the policy's main objectives is territorial cohesion, both the functioning of the territorial delivery system and the role of the regional and local stakeholders have crucial importance. The paper presents and evaluates the regime Hungary uses for integrated territorial development: the territorial strategies devised by municipalities as integrated plans on the basis of a pre-set financial allocation, a pre-defined menu of measures and obligatory performance targets. The research explores the interactions between multilevel governance structures and effectiveness of delivery. The paper is based on a mix of desk research and fieldwork (desk research of publicly available data presented in official reports, documents and data from the Hungarian institutions and authorities and on the relevant EU and national legislation together with the result of interviews with the local stakeholders and experiences of the authors) and it offers empirical experience on how this regime has been functioning and what the impacts are. The Hungarian mechanism implies a renewed system of domestic collaboration and increased territorial responsibilities. Despite similarities, it is a distinct mode from the ESIF territorial toolkit, and even with the establishment of a dedicated financial framework for counties and cities with county rights, the decentralisation of the programming and implementation of ITPs have not been realised.

KEYWORDS:

European Union cohesion policy, partnership, sub-national authorities, integrated territorial development

Magyarország az EU kohéziós politikájának – amely az elmaradt régiók felzárkóztatását segíti – egyik fő kedvezményezettje. Mivel a politika egyik fő célkitűzése a területi kohézió, ezért mind a területi végrehajtási rendszer működése, mind a regionális és helyi érdekeltek szerepe kulcsfontosságú. A cikk bemutatja és értékeli a Magyarországon alkalmazott integrált területi fejlesztési rendszert: egy előre meghatározott pénzügyi elosztáshoz, intézkedésmenükhöz és kötelező teljesítménycélokhoz az önkormányzatok által kidolgozott, integrált tervekben alapuló területi stratégiákat. A kutatás a többszintű kormányzati struktúrák és a megvalósítás hatékonyságának kölcsönhatásait vizsgálja. A tanulmány a releváns szakirodalom és a vonatkozó gyakorlati információk (a hivatalos jelentésekben és dokumentumokban nyilvánosan elérhető információk, magyar intézmények és hatóságok által adott adatok és a vonatkozó uniós és nemzeti jogszabályok, valamint a helyi érdekeltekkel folytatott interjúk eredménye és a szerzők tapasztalatai) feldolgozásával készült, és empirikus tapasztalatokat kínál a rendszer működéséről és annak hatásairól.

A magyar mechanizmus a hazai együttműködés megújult rendszerét és a megnövekedett területi felelősségét jelenti. Azonban a hasonlóságok ellenére ez különbözik az ESBA területi eszközrendszerétől, és még a megyék és megyei jogú városok számára biztosított külön pénzügyi keret létrehozásával sem sikerült megvalósítani a programozás és az ITP-k végrehajtásának decentralizációját.

KULCSSZAVAK:

az Európai Unió kohéziós politikája, partnerség, területi hatóságok, integrált területi fejlesztés

1. INTRODUCTION

The multiple challenges confronting Europe show that there is a strong need for an integrated and territorial, place-based approach in order to deliver an effective response to the pressing demands. Key elements of the 2014–2020 programming period comprise the use of an *integrated approach*, which has been reinforced to increase efficiency via the employment of new integrating instruments such as a common strategy or new territorial development tools;¹² these novel modalities are expected to enhance coordination and prevent overlaps.³ The new regulatory provisions for the European Structural and Investment Funds (ESIF) have followed the formalisation of territorial cohesion as an objective for the EU in the Treaty on the Functioning of the EU (TFEU) and the recognition of its significance in the Territorial Agenda of the European Union.⁴ Namely, the new challenges (globalisation, climate change, energy security, social vulnerability and environmental vulnerability) require a more territorially specific and integrated mix of interventions in order to better their impact⁵ and to fully exploit the development potential of the different types of territories.

The Cohesion Policy highlights the importance of *partnership principle*, too.⁶ The translation of this principle into implementing routines is context specific. Both the national institutional setting and the local circumstances claim a critical role in shaping the multilevel framework and its outcomes.⁷ Involving the local partners is relevant to the adoption of the official positions on the size and objectives of public investments in their localities. However, the essential framework of the territorial funding strands is carved out in the operational programmes. Therefore, little room for maneuver is left for the territorial administration and urban authorities to alter pre-set priorities.⁸

The integrated territorial investment (ITI) instrument⁹ is supposed to encourage the development of urban territories and their functional areas by promoting cooperation for the implementation of common inter-sectoral, integrated projects programmed by an integrated, inter-sectoral territorial strategy. ITI is a tool which enables the delivery of territorial strategies in an integrated manner. This allows Member States to implement their operational programmes in a cross-cutting way and to draw on funding from several priority axes of one or more operational programmes. These ensure the realisation of an integrated strategy for a specific territory. It is important to underline that ITI

¹ Integrated Territorial Investment (ITI), Community-led Local Development (CLLD) or Joint Action Plan (JAP).

² NYIKOS 2011.

³ NYIKOS 2014; HAJDU et al. 2017.

⁴ Territorial Agenda of the European Union 2020 (2011): Towards an Inclusive, Smart and Sustainable Europe of Diverse Regions. Informal Ministerial Meeting of Ministers responsible for Spatial Planning and Territorial Development. 19 May 2011, Gödöllő, Hungary.

⁵ NYIKOS 2013a.

⁶ NYIKOS–TÁTRAI 2012.

⁷ BENZ–EBERLEIN 1999; BACHE 2010; KOLAŘÍK–ŠUMPELA–TOMEŠOVÁ 2014.

⁸ NYIKOS–KONDOR 2019.

⁹ Regulation (EU) No 1303/2013 Art. 36.

implementation tasks could be delegated to any competent legal entity, to the municipality or another appropriate territorial entity concerned.¹⁰

“Many authorities at Member State level recognise the value of, and show enthusiasm for, integrated territorial approaches and some consider them innovative and inspiring. Potential benefits include increased efficiency and more local power/influence in decision-making. However, MAs have the difficult task of having to establish structures and implementation mechanisms that satisfy local actors’ expectations but also adhere to regulatory requirements. Other challenges include local capacity issues in relation to implementing territorial approaches and questions concerning how thematic concentration and results-orientation align with ring-fenced territorial approaches.”¹¹

According to Article 7 of the ERDF regulation for 2014–20¹² at least five percent of ERDF resources have to be dedicated to integrated actions for sustainable urban development. However, the Member State can decide about the exact implementation methods which can take any of the modalities below.

1. Integrated Territorial Investments (ITIs) in the area of sustainable urban development (SUD), thereby contributing to Art. 7 requirements;
2. SUD approaches not making use of ITIs, i.e. implemented either as a separate programme or separate Priority Axis;
3. ITIs outside of Article 7 requirements;
4. Community-led Local Development (CLLD) initiatives, including at least ERDF funding and potentially other ESI Funds; and
5. Other territorial approaches, not using territorial instruments offered by the regulations but still making use of ERDF funding.

Figure 1 gives an overview of Article 7 allocations by Member States and the choice of implementation model.

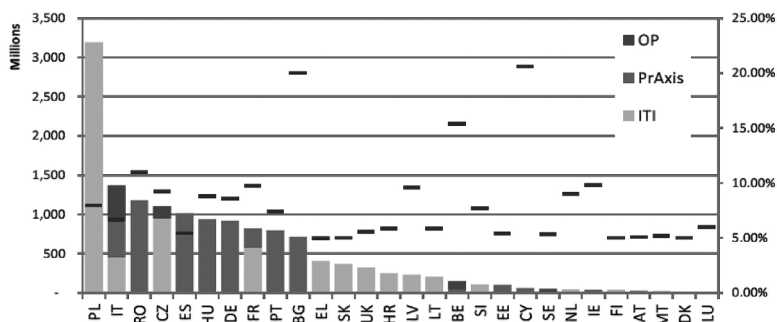


Figure 1 • Financial allocation to SUD (Source: MATKÓ s. a.)

¹⁰ NYIKOS 2014.

¹¹ VAN DER ZWET–MILLER–GROSS 2014.

¹² Regulation No. 1301/2013 of the European Parliament and of the Council of 17 December 2013.

Identifying the value of “integrated” approaches is complex, especially if there is strong diversity in terms of participants, themes and territories covered. Implementation rates can also be affected by administrative reforms or political change.¹³ The success of territorial instruments should be analysed beyond addressing “hard” physical indicators. There are “softer” outcomes, considering other factors such as cohesion within the territory targeted, wellbeing of residents etc.¹⁴ Moreover, there are potentially important effects related to the process of ITI and ISUD implementation that may be observable only over the longer term (e.g. new participatory cultures in policy-making or cooperative governance models).¹⁵

ITI capacity building, particularly at local level, in multi-annual, multi-level strategic planning and policy instrument design, has crucial importance. To strengthen coordination and ensure representation, the increased role of local authorities, NGOs and other sub-national bodies involved in managing and implementing ESI Funds can, in the longer term, help to reinforce capacities for implementing territorial development.¹⁶ The combination of the financial incentives, the requirements associated with the ITI or ISUD and the growing awareness of the strategic benefits have introduced new cooperative dynamics in cases where limited traditions of collaboration among local authorities had previously resulted in fragmentation and rivalry (e.g. between core city municipalities and surrounding areas) in applying for Cohesion Policy.¹⁷ ITI can promote citizen participation in local and regional governance, through direct involvement in the decision-making process, in increasing accountability for decisions.¹⁸

Hungary is a main beneficiary of the EU Cohesion Policy.¹⁹ The combined budget of its two territorial operational programmes²⁰ accounts for approximately one-sixth of the country’s entire financial envelope. The importance of Hungary’s metropolitan areas – namely, of the 23 cities with county rights – in the social and economic development of their regions cannot be overstated. The recognised need for a broader approach to unlock their potential induced the introduction of a new integrated tool, Integrated Territorial Programmes (ITPs).

The research presents a description and analysis of the establishment and functioning of the Hungarian Integrated Territorial Programmes. The main research questions were how the various actors have influenced policy choices and targets or the realisation of investments, what role vertical and horizontal coordination and cooperation have played and how the Hungarian model relates to the ITI approach. The researchers employed a variety of quantitative and qualitative methods. Data collection included acquiring facts and statistics from open access as well as specifically requested monitoring and

¹³ BACHTLER–FERRY–GAL 2018.

¹⁴ URBACT 2015.

¹⁵ Kontigo AB 2018.

¹⁶ FERRY–BORKOWSKA–WASZAK 2018.

¹⁷ EGO 2018.

¹⁸ EUROPEAN PARLIAMENT 2016a.

¹⁹ With an allocation of 21.9 billion euros for the period 2014–2020.

²⁰ These include the Territorial and Settlement Development and the Competitive Central Hungary Operational Programmes (see below).

evaluation papers, completed with information related to the legal-institutional set-up and observations from practitioners.

2. THE INTEGRATED TERRITORIAL DEVELOPMENT IN HUNGARY – A CASE STUDY

Instead of continuing the practice of the 2007–13 programming period and implementing sectoral operational programmes as well as separate programmes for each region, for the 2014–2020 period Hungary established a Territorial and Settlement Development Operational Programme, supporting the six less developed regions, and the Competitive Central Hungary Operational Programme, aiding the more developed central region, Budapest and the surrounding Pest county. This was coupled with the instigation of a new mechanism, the so called Integrated Territorial Programmes (ITPs).

2.1. Experiences from the previous period

Strategic management of all the previous regional development programmes lay with a single managing authority, placed in the central administration; a joint regional monitoring committee was set up to satisfy the highest level decision-making responsibilities, which was supported by sub-committees for each region; day-to-day execution tasks went to the Regional Development Agencies which acted as intermediate bodies. To focus the interventions of municipalities on the particular needs of their localities, the preparation of an integrated urban development strategy was ruled as a pre-requisite to accessing urban rehabilitation funds from the regional operational programmes. This specific instrument offered a single, coherent framework for embracing, ordering and harmonising wider medium term policy objectives (e.g. economic, environmental, social policy) and local needs. Funding was made available through open calls for proposals under the regional and sectoral operational programmes. Additionally, the managing authority launched some targeted calls which narrowed down the participation to cities with county rights.

Although the regional operational programmes evidenced notable progress in upgrading public infrastructure and services for the local communities, the need to revisit the framework for promoting territorial development became evident.²¹

- The strategy formulation was essentially *driven by the modalities of public funding*; at best the strategy document was perceived as an initial guiding framework.
- External pressure rather than own internal needs for strategy formulation, a lack of real ownership, tight deadlines and missing capacity evidently impacted the quality

²¹ As later formally corroborated by the evaluation “Regionális operatív programok 2007–2013-as forrásfelhasználásának területi elemzése,” 2016.

- of the documents. Strategies reflected a superficial approach, incompleteness and lack of coherence, and failed to capture the real challenges and opportunities.²²
- Even if these strategies beneficially influenced the approach of municipal authorities, the documents lacked any direct relation to financial assistance. Namely, the latter was made available through numerous calls for proposals. Municipalities struggled with this *largely fragmented structure of funding*, which itself undermined the realisation of an integrated approach to urban development. Besides, in the absence of guaranteed finance, urban authorities *reacted to any upcoming calls*. The opening up of a new funding opportunity rather than strategic orientation triggered the submission of their applications.
 - Unsurprisingly, strong competition brought about a *very high rejection rate* coupled with growing *frustration* as *scarce resources* were recognised to have been repeatedly invested in *futile project preparation*. (Furthermore, the outstanding magnitude of applications for funding caused marked delays in the project selection process.)
 - Furthermore, applicants displayed great variations in their financial and human capacity as well as their lobbying power. This translated into *important differences* regarding the *rate of success* they eventually managed to achieve. Though unintentionally, this system favored larger municipalities enjoying a better base of fiscal resources.²³
 - Predictably, the *integrated approach* remained far from fulfilled. *Coordination with sectoral policy objectives* essentially occurred when this requirement was articulated in the call for proposals.
 - *Standalone projects* remained narrow in scope and scale and they had very limited effects on the broader socio-economic development processes in their regions.
 - Last but not least, regulatory provisions to *involve partners* have not directly lent themselves to their real engagement and appreciated contribution.²⁴ Systemic shortcomings included the *lack of clear guidelines* on the modalities of partnership, and serious *capacity constraints* on both the municipalities' and the partners' sides.²⁵ Another recurring mistake lay with the *invitation of partners*, especially population groups, *for consultation only in the last phase(s)* of the process, whereas they could have played a critical role in contributing to the situational assessment, vision creation and the definition of functionality.²⁶
 - All these factors coupled with the pressing solidification of interregional and intraregional disparities and the growing complexities of urban development,

²² BARTA 2009.

²³ NYIKOS 2013b.

²⁴ BAJMÓCY et al. 2016.

²⁵ FÖLDI 2009.

²⁶ BARDÓCZI–GICZEY 2010.

converged into a fundamental change of the view of how integrated territorial development should play out.

2.2. ITP as a new approach: preparation and implementation

Although the need to pioneer a new support modality was recognised inevitable early on in the planning process, its conceptualisation and crystallisation took significantly longer than expected. The first issue regional policy planners chose to deal with was the setting up of an enabling financing model. Over the previous decades territorial actors were frequently requested to outline their priorities and strategies in the form of integrated development plans. Nevertheless, these duly prepared plans never benefitted from a single funding pool. Instead, municipalities had to apply for assistance under multiple funding streams, which formed part of various – territorial, economic, transport, environment and social development – operational programmes. Lessons learnt warned of the extreme difficulties of realising a complex intervention package in such a fragmented financing set-up. Moreover, the large differences between local governments in terms of their financial and administrative capacities required attention as competition for the same funding pot proved to be significantly more favourable for municipalities which enjoyed a solid financial foundation.

The importance of the emerging concept of establishing a dedicated financial envelope for each city with county rights received wide recognition. Cities had been working on the revision of their integrated urban development strategies since 2013. They accomplished a complete situational analysis, conceptualised their development priorities and drew up a strategy laying down the groundwork needed for realising their ultimate goals and specific objectives. Meanwhile, they anticipated to be provided with a single funding stream mechanism, tapping into the funds of all the relevant operational programmes.

Negotiations with the European Commission on the operational programmes continued well into 2014, progressing in parallel with the course of planning the municipalities undertook. The finalisation of the programming architecture and definition of the particular dividing lines between these operational programmes constituted important milestones. The two territorial programmes comprised relatively small-scale investment measures of essentially local importance, whereas sectoral operational programmes held the finance for more complex, sizeable interventions of regional or national importance as well as direct business development and job creation schemes.

The idea of employing the ITI model was eventually dropped too, confirming Hungary's previous experience that line ministries and managing authorities responsible for sectoral development prefer to, what is more, insist on directly controlling the corresponding investment funds rather than conferring genuine authority to territorial actors on deciding on allocation and implementation of these funds.

The adjustment of the support framework for cities with county rights and the solidified programme context occurred through the launch of the Integrated Territorial Programmes.

By this point in time, it had crystallised that the funds which the cities could directly access would come from the territorial programmes solely. Therefore, the focus and the key strands of the ITPs were now given; the broad-ranging strategic plans, which had been born out of the concept of multifunded investment packages, had to be narrowed down accordingly. Thematic priorities in the territorial operational programmes were translated into the ITPs, carving out the boundaries of developments the cities could devise contentwise. Moneywise, a tentative budget line was assigned to the thematic intervention areas for each city. ITPs for cities in the less developed regions were based on the following thematic priorities, as illustrated in Table 1:

Table 1 • Thematic priorities of territorial development
(Source: compiled by the authors)

TP	ESI fund	OP priority	Project selection method
8	ERDF	1. Bettering the territorial economic environment to promote job creation	Territorial selection mechanism
6	ERDF	2. Business-friendly, population retaining settlement development	Territorial selection mechanism
4	ERDF	3. Supporting the shift towards a low-carbon economy in urban areas	Territorial selection mechanism
9	ERDF	4. Improvement of public services and intra-community collaboration	Territorial selection mechanism
8; 9	ESF	5. Human resource development at county and local levels, promotion of employability and intra-community collaboration	Territorial selection mechanism
4; 6; 8; 9	ERDF/ESF	6. Sustainable development in the cities with county rights	Territorial selection mechanism
	ERDF/ESF	7. Community-led Local Development (CLLD)	CLLD

Due to tight budget lines, cities in the more developed region of Central Hungary faced a more limited list of investment opportunities, essentially extending to sustainable urban mobility, improvement of childcare services to promote return to the labour market and urban rehabilitation in marginalised community areas.

An ITI generally includes a higher number of thematic priorities, which is not surprising considering that the ITI mechanism is able to combine investment from different priority axes, programmes and funds. In the Hungarian case, one priority was dedicated to CLLD used in the urban context. Nevertheless, in terms of implementation it is separated from the SUD, for the other thematic priorities a specific, so called territorial selection mechanism has been established and employed under the ITPs (see details later).

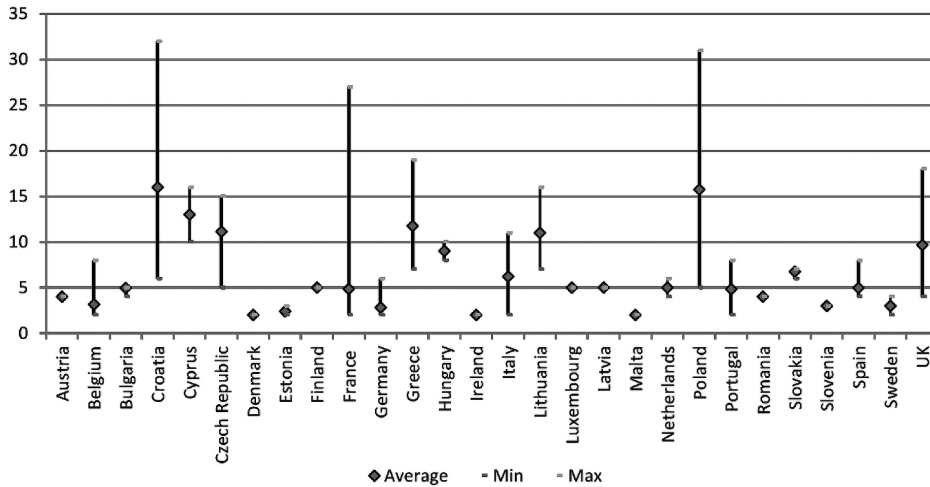


Figure 2 • Average, minimum and maximum number of IPs per Member State (SUD)
(Source: MATKÓ s. a.)

The total allocation of 1.5 billion HUF of the Territorial and Settlement Development Operational Programme and the Competitive Central Hungary Operational Programme was distributed among 23 cities with county rights and 19 counties and the capital (See Table 2).

Table 2 • Operational Programmes with the relevant ITPs.
(Source: compiled by the authors)

Geographical unit	Operational Programme	
	Territorial and Settlement Development Operational Programme (TOP)	Competitive Central Hungary Operational Programme (VEKOP)
Counties	Bács-Kiskun county Baranya county Békés county Borsod-Abaúj-Zemplén county Csongrád county Fejér county Győr-Moson-Sopron county Hajdú-Bihar county Heves county Jász-Nagykun-Szolnok county Komárom-Esztergom county Nógrád county Somogy county	Pest county Budapest

Geographical unit	Operational Programme	
	Territorial and Settlement Development Operational Programme (TOP)	Competitive Central Hungary Operational Programme (VEKOP)
Counties	Szabolcs-Szatmár-Bereg county Tolna county Vas county Veszprém county Zala county	Pest county Budapest
Cities with county rights	Békéscsaba MJV ²⁷ Debrecen MJV Dunaújváros MJV Eger MJV Győr MJV Hódmezővásárhely MJV Kaposvár MJV Kecskemét MJV Miskolc MJV Nagykanizsa MJV Nyíregyháza MJV Pécs MJV Salgótarján MJV Sopron MJV Szeged MJV Székesfehérvár MJV Szekszárd MJV Szolnok MJV Szombathely MJV Tatabánya MJV Veszprém MJV Zalaegerszeg MJV	Érd MJV

Allocations were set forth in the form of government resolutions.²⁸ The acts recorded the size of funding and related performance targets, divided among thematic priorities. The formula which the government applied to determine the funding levels for each city with county rights as well as for the counties themselves took account of demographics (number of inhabitants) and development statistics. Global, ITP level budgets were broken down into pre-defined allotments for the individual thematic priority areas.

The greatest dilemma the cities came across was the matching of particular local needs with the pre-set and unified programme frame. First of all, cities all felt the absence of key

²⁷ The Hungarian abbreviation stands for a city with county rights.

²⁸ Government Decrees 1298/2014. (V. 5.) and 1702/2014. (XII. 3.)

public infrastructure²⁹ and private sector³⁰ development measures from their programmes. Regarding the financial assistance falling into their competency, the mechanistic division of funds and indicators called for prompt reaction. In substantiated cases the managing authority agreed to budgetary modifications, principally to the moving of funds between thematic priorities, swapping between cities, small-scale amendments in any case. The level of flexibility which the managing authority could guarantee was eventually tied by the financial breakdown fixed in the operational programme. Similarly, the requirement to satisfy the milestones and indicators laid down in the operational programmes increased rigidity. The problems of automatic proportionating of unrealistic and/or irrelevant performance targets and corresponding budgets prompted the amendment of the operational programme at a later stage.³¹

The planning process, interrelations between local strategy formulation and the programming exercise are shown below by Figure 3.

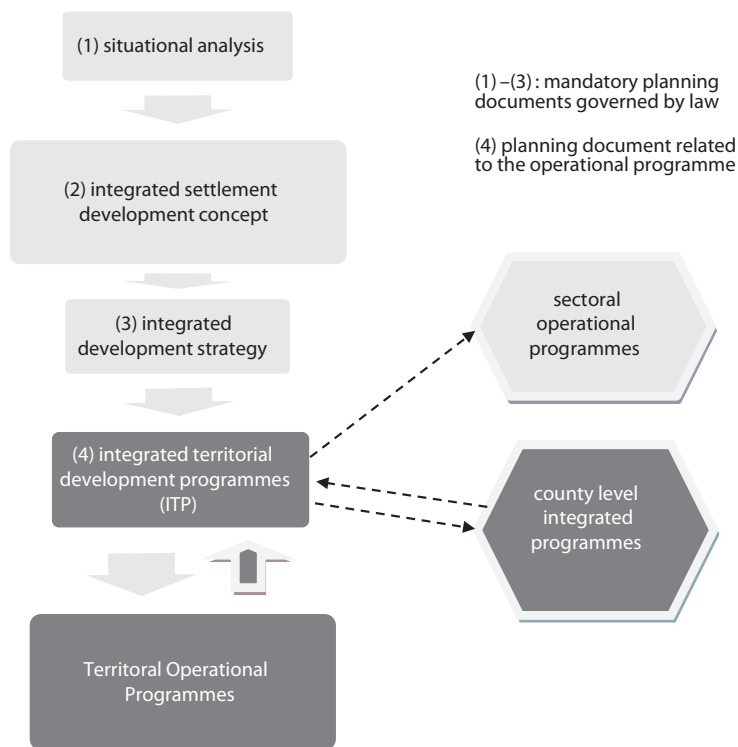


Figure 3 • The planning process (Source: compiled by the authors)

²⁹ BÉRES et al. 2019.

³⁰ NYIKOS et al. 2020.

³¹ The last modification to the operational programme, prior to the deadline of 31 December 2018 to satisfy the pre-determined milestones, was approved in October 2018 by the European Commission.

The existence of multiple approval stages both at MA level in the case of multi-funds and at local level when it involved a wide range of local actors complicated the process. The territorial selection mechanism brought about the conferral of certain programme management tasks to the cities, governed by an agreement they entered into with the managing authority. Cities have been in charge of ongoing monitoring of and reporting on the execution of their programmes. They are also involved in the preparation of calls for proposals and project selection, act as contact points for the OP management entities and other national authorities.

Projects constitute the main instrument for realising strategic objectives set forth in the ITPs. The national implementing regulations instituted a new type of selection mechanism for ITP financed projects. The latter falls into two categories: the cities chose to implement the majority of projects themselves and a smaller proportion of operations was to be managed by local actors, mainly public bodies, socio-economic partners. For projects directly run by the municipalities, the managing authority launched restricted calls for proposals, whereas for the other projects standard, competitive open calls for proposals have been published. Consultation on the funding conditions, namely, draft calls for proposal form a core element of the cooperation between the managing authority and the cities. The employment of the territorial selection mechanism implies that cities are in charge of defining the territorial selection criteria against which all incoming applications are judged, while the managing authority draws up the general, strategic objectives related appraisal considerations. Applications submitted by the municipalities are subject to appraisal by the managing authority. If approved, a separate grant agreement is concluded; the municipality becomes a beneficiary under the operational programme and subject to all obligations accordingly.

The selection of “external” projects follows a different trajectory. A designated representative of the municipality sits in the selection board. As it is a two-person board, the city enjoys a co-decision authority; the municipality may maintain its right to reject a proposal, its participation in the selection process comes along with a veto right. Municipalities have to place a strong emphasis on securing the satisfaction of the territorial selection criteria. These show great similarities among the ITPs and essentially cover the contribution of the project to the ITP objectives (e.g. employment, territorial cohesion), financial management capacity of the project promoter as well as local development effects. Other qualitative aspects of the project plan extend to the scrutiny of the intervention logic, budgeting and long-term sustainability.

Irrespective of the nature of the project promoter, the final decision for all project applications and the corresponding award of grant assistance is taken by the managing authority.

2.3. *Partnership, multilevel governance structures*

The introduction of the ITP, hand in hand with the installation of the territorial selection mechanism, greatly influenced and led to important changes in the legal-institutional system as well as the management regime Hungary has employed for the use of Cohesion Policy funds. The preparation of the integrated territorial programmes called for the mobilisation and engagement of a vast array of partner organisations, although at different levels and at different stages.

The government decree on the integrated territorial planning process³² articulates partnership as a fundamental principle planners have to adhere to through the entire course of planning. The legislation also defines the list of authorities which have to be approached,³³ as at least their official position on the strategy/plan has to be obtained. Requests sent out to these authorities were not necessarily confined to purely seeking consent to the plans, their officials were often invited to take part in various planning platforms (e.g. working groups).

Municipalities also had to think about how to coordinate with line ministries in charge of the sectoral operational programmes. This was essential as the original strategies of the cities had certainly a broad spectrum. With the launch of the ITPs, endowed with a markedly narrower scope, many investment needs which the cities felt to be vital to their ultimate goals remained outside their programme boundaries. Consequently, cities made frequent attempts to ensure financial support for these projects, generally to no avail. After having firmly discarded the idea of piloting ITIs in an earlier phase, the pro-active attitude cities had shown in order to advance harmonisation of sectoral and place-based needs met lack of interest and/or resistance on the other side.

In the early stages of the strategy formulation process cities mainly worked with the regional policy department of the Ministry of Finance.³⁴ As the finalisation of the new operational programmes progressed, the guiding role of the policy planners was taken over by the managing authority. Negotiations of the territorial operational programmes impacted the scope of the ITPs as well as the conditions attached to their funding. Following the formal adoption of the ITPs by the Hungarian Government in 2015, cities continued to work closely with the managing authority. The intention to satisfy the ambitious absorption profile, the need to achieve pre-defined milestone and indicator values and to ensure the regularity and legality of the funds at the same time all converged in more intense cooperation between the managing authority and the cities. To resolve the great difference in the negotiating power of individual municipalities and the managing

³² Government Decree 314/2012. (XI. 8.) on the settlement development concept, the integrated territorial development strategy, other urban planning and design instruments.

³³ E.g. Chief Architect of Hungary, National Transport Authority, National Environmental Institute, County Directorate of Disaster Management.

³⁴ Previously Ministry for National Economy.

authority, the Association of Cities with County Rights became an active partner for the managing authority and represented matters of common concern to the urban authorities.

With the dismantling of the regional development agencies at the end of the programming period 2007–13, the Hungarian State Treasury, backed up by a network of county based offices, was designated as intermediate body. Whereas cities had already accumulated experience with managing projects funded by the operational programme, and through their involvement in the planning exercise they gained insight into the new Cohesion Policy regulations, the State Treasury was new to the job. Despite the apparent need that Treasury staff capabilities are yet to be reinforced to become actual Cohesion Policy specialists, their genuine helpfulness, personal contacts and even the relative closeness of offices helped the immediate launch and continued development of day-to-day cooperation.

The formulation of the integrated development programmes of the cities with county rights and the counties themselves happened in parallel. This implied an on-going dialogue between the two parties, institutionalised through various platforms and working groups. Local governments in the urban agglomerations were also invited to the table. The principal challenge rested with the drawing up of the programme boundaries. Accordingly, discussions concentrated on how funding opportunities could be optimised, overlaps avoided, synergies unlocked, where the intervention package of one programme ended and the other started. Many efforts went into investigating opportunities for harmonised programme delivery, concerted actions and jointly undertaken interventions, ensuring the maintenance of collaboration throughout the entire programme cycle.

On the one hand, the domestic legislation on territorial planning as well as the national delivery rules for Cohesion Policy dictated the conversion of the partnership principle into practice. Nevertheless, neither of these regulations governed partnership obligations for the ITPs. As a matter of fact, cities enjoyed great freedom in deciding whether they involve the partner organisations in the ITP planning process. The majority of the cities chose to treat the ITPs as a document of pure technical nature, which served the operationalisation of the integrated territorial concepts, which partners had already contributed to. Consequently these municipalities considered any further involvement of their partners unnecessary. Even if cities took the effort to reach out to their local partners, lacking clear regulatory obligations, they could create specific implementing rules and define the role which partner organisations could play as well as the modality for their engagement.

Cities presented various approaches to tailor their partnership exercise to the local circumstances and to reach their specific target audiences. However, their practice shows certain common elements, too. Before municipalities began the actual work on their plans, they held a kickoff conference to share information and set expectations across the entire local community. These highly publicised events captured media attention, which was and remained important for profiling the planning process and mobilising the partners. The Internet was employed as the main channel to frequently release information and requests for contributions. Internet platforms were also used to provide access to the preliminary planning documents, and comments on the proposed priorities and course of actions could be sent to the municipality's planners electronically. The involvement of

the wider public was a definite priority and was sought for via different events starting from vision setting forums to bringing local residents together to reflect on potential developments in their neighborhood. Some municipalities devised special instruments to communicate with young citizens who doubtless took a liking to the competitions and knowledge tests which had been organised. Closing conferences enabled the introduction and marketing of the ITPs to a wider range of officials, local/urban development specialists, partners and citizens.

2.4. Results of the use of ITPs

It is important to investigate how successful the new mechanism has proven in driving the counties and cities towards their strategic goals meanwhile fulfilling the expectations of the decision-makers. The objectives, which triggered the introduction of a new planning and implementing regime for cities with county rights, have been twofold. Matching national goals with local priorities ensures on the one hand the adequate addressing of place-based challenges, while on the other, it advances the satisfaction of the more complex objectives set forth in the national strategies.

However, it must be strongly emphasised that the set-up of the integrated territorial programmes largely limited the opportunity for cities to address and incorporate all demands and ideas that partners had communicated via the various forms of partnership instruments. The scope, funding level and structure of the ITPs have been directly impacted by the negotiations of the operational programmes, including the Commission's view on the demarcation line between sectoral and territorial operational programmes. This was compounded by the traditional and insurmountable attitude of line ministries to keep all sector related policy interventions within the confines of their operational programmes and avoid the "transfer" of sectoral funding into territorial investment packages. Devising the use of Cohesion Policy funds in the cities formed part of a longer planning process, during which their actual choices for public policy interventions have shrunk largely.

It would be hard to exaggerate how significant the shift towards a stable financial framework has been. This has allowed cities to concentrate on their priorities rather than trying to put together proposals for any calls, as their approach was before. With the funding having become predictable, budget planning practices within municipalities improved as well.

The execution of the programmes, the monitoring and assessment of performance received limited attention or regulatory articulation. Accordingly, uncertainties repeatedly created difficulties in terms of the interpretation of roles, responsibilities, implementing proceedings, resource allocation as well as communication³⁵ among the various actors. Besides the implementation problems these uncertainties give rise to audit risks.

³⁵ *Az integrált területi programok értékelése, 2018.*

The responsibility of elaborating the ITP and the launch and accomplishment of a diversity of linking projects enforced the upgrading of management and financial implementation systems within the municipalities. Moreover, investments in institutional capacity building had to be made. Not only the need for increased quantity of staff had to be sorted out, but the complexity of programme and project level tasks implied a set of skills which is difficult to create and maintain. The unprecedented challenges which the launch and running of the ITPs have posed for the cities spurred the revisiting of internal and external cooperation and coordination arrangements, too.

The national regulations reinforce the involvement of partners in the OP programming and implementation cycles. Nonetheless these rules only partially covered the multi-phased planning process, leaving a great room for maneuver for cities with regard to the interpretation and implementation of the partnership principle in the phase of the ITP formulation. Besides, by the time the European Codex was adopted, the partnership mechanisms for the ITPs had been solidified and principally allowed for fine-tuning.

Nevertheless, this rather complex and novel planning course also triggered a learning process which either intentionally or driven by the mechanisms themselves affected all stakeholders. Many factors, traditions, networks, experience, local politics affected the engagement of partners in the cities. Both municipalities and their local partners have struggled with capacity constraints, building up adequate resources and systems for multilevel government; partnership requires long-term vision, investment and continued attention.

3. CONCLUSIONS

The implementation challenges associated with ITI and ISUD, especially at lower levels of public administration and/or where participation in implementing these types of instrument is relatively new, have been highlighted in academic publications and policy reports.³⁶ Still, with the publication of the proposals for the post-2020 reform of Cohesion Policy, it is clear that integrated territorial development could be an important development tool, as one of the five objectives for ERDF and the Cohesion Fund is *“a Europe closer to the citizens: sustainable and integrated development through local initiatives to foster growth and socio-economic local development of urban, rural and coastal areas.”*

In Hungary the new tool of integrated territorial programmes have indeed addressed systemic inefficiencies recognised in the programming period 2007–13. The adoption of an integrated approach, the founding of a predictable financial framework via the earmarking of funds for each of Hungary’s cities with county rights, the conferral of operational functions (partaking in project selection) to the urban authorities are common traits with the Integrated Territorial Investments.

³⁶ European Parliament 2016a; Tosics 2017.

There are many ingredients that influence the efficacy of delivering the ITP strategies. Regarding the municipalities, the high importance of the interventions and – beyond direct task execution – high commitment to coordination, technical support and communication have played a crucial role. Close supervision and change management have helped keeping implementation on track and/or adjusting plans to developments in the quickly changing environment. In comparison with the actual needs and the complexity of the problems, available resources still might be considered scarce. For that reason, putting a stronger emphasis on working together with the counties and other municipalities, as well as the local partners, is vital as such collaboration improves project quality, advances the sharing of knowledge and skills and fosters the build-up and maintenance of a cohesive professional network. Encouraging local communities to take an active part in the design and realisation of the programmes has contributed to the relevance and credibility of the interventions.

The planning and conversion into practice of these programmes have occurred in a multi-level governance structure and in accordance with upgraded partnership obligations. With the decentralised planning and implementation, the objectives can be better defined and the development measures may be enjoying the trust and support of local, regional levels. The integrated interventions have to be tailored to the characteristics of the affected areas, for Cohesion Policy has shown a significantly lower level of effectiveness where the individual spatial situations and problems have not been or cannot be taken into account.

Despite the establishment of a dedicated financial framework for counties and cities with county rights, the decentralisation of the programming and implementation of ITPs has not been realised. Our research pointed out a range of important planning and delivery elements that should be adequately tackled so that the efficiency and effectiveness of genuinely integrated territorial strategies could be enhanced in the forthcoming programming period of 2021–27.

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