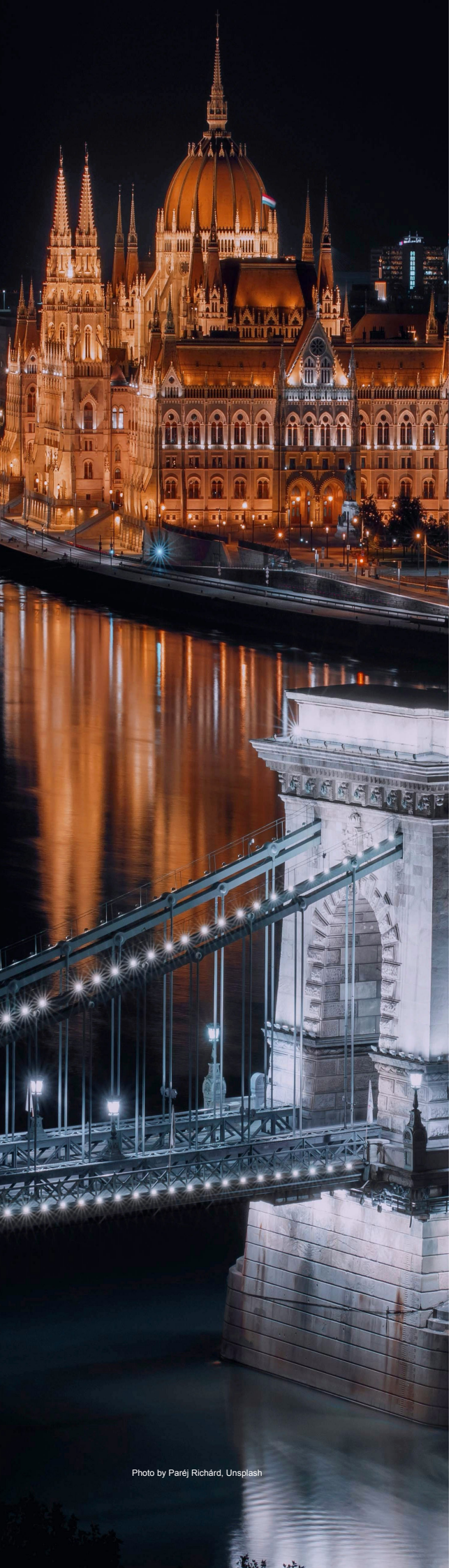


Photo by Paréj Richárd, Unsplash

COUNTRY FICHE

HUNGARY [HU]

During the 2014-20 programming period, Sustainable Urban Development (SUD) initiatives in Hungary targeted 22 cities with special status (county rights) situated in less developed regions. The capital, being part of a more developed region, was excluded from this focus. These initiatives were executed through a multi-fund Priority Axis (SUD PrAx) within the Hungarian Territorial and Settlement Development Programme. Additionally, 98 Community-led Local Development (CLLD) strategies were implemented, drawing on funding from the European Regional Development Fund (ERDF) and the European Social Fund (ESF).

POPULATION	STATE TYPE
9.79 million	Centralised

NATIONAL ESIF BUDGET

EU Contribution (EUR)	€ 27,158,525,188
National Contribution (EUR)	€ 4,929,243,431
Total Contribution (EUR)	€ 32,087,768,619

Note: including all ESIF - ERDF, ESF, EAFRD, YEI, EMFF
Source: Cohesion Open Data Platform (European Commission, n.d.)

Territorial Delivery Mechanism type	No.	ESIF type	Share of ERDF /CF allocation	Share of decided allocations spent (end 2022)
SUD (Art. 7) Operational Programme	0	-	-	-
SUD (Art. 7) Priority Axis	22	ERDF, ESF	7.3%	74%
Integrated Territorial Investment (ITI; SUD)	0	-	-	-
Integrated Territorial Investment (ITI; non-SUD)	0	-	-	-
Community-led Local Development (CLLD)	98	ERDF, ESF	0.5%	79%
TOTAL	**120**	**-**	**7.8%**	**-**

Source: allocations and spending based on Cohesion Open Data Platform (European Commission, n.d.), remaining items on STRAT-Board (JRC, n.d.).
Note: STRAT-Board data is self-reported by strategy holders. There may be inconsistencies between the data reported in STRAT-Board and other databases, such as the Cohesion Open Data Platform.

Figure 1. Geographical distribution of Territorial Delivery Mechanism (TDM) strategies

GOVERNANCE CONTEXT

Hungary operates with three tiers of governance: national, regional (county), and local. The country is divided into 19 counties (megye) and 3,154 municipalities (település). At the local level, governance is organised into 2,809 communities (község), 322 towns (város), 23 towns with county rights (megyei jogú város), and the capital, Budapest (Budapest Főváros). Budapest itself is split into 23 districts (kerület).

There is no hierarchical relationship between the county and municipal levels of local government. Counties are tasked with handling responsibilities that municipalities are not equipped to manage, including territorial development, rural development, land-use planning, and coordination of regional activities.

Additionally, Hungary is divided into seven statistical regions, which were established in 1999 in preparation for the country's EU accession. Hungary's regional policy seeks to reduce territorial imbalances and promote accessibility and mobility through a polycentric spatial structure. This policy is closely aligned with EU Cohesion Policy, which provides significant funding to the country.

Urban development policy is shaped by the National Development and Territorial Development Concept (Nemzeti Fejlesztés 2030), and key principles for urban planning are outlined in the National Development 2030 framework. Hungary's most comprehensive urban policy initiative, the National Settlement Policy, was launched in 2016-17 by the Prime Minister's Office. Until this policy is fully implemented, urban development continues to be guided by the broader National Development Concept. The Modern Cities Programme, a national investment scheme, plays a significant role in urban development, bolstered by substantial EU structural funds.

COHESION POLICY CONTEXT

In the 2014-20 period, Hungary implemented Cohesion Policy primarily through a centralised governance structure, with strong oversight from national ministries and limited autonomy for regional and local authorities. A series of centrally managed Operational Programmes (OPs) were launched to drive development.

The Territorial and Settlement Development Programme utilised the ERDF and Cohesion Fund to promote urban and regional growth in less developed regions, focusing on infrastructure, economic development, public services, and Sustainable Urban Development (SUD) under a dedicated Priority Axis. The Economic Development and Innovation OP leveraged ERDF and ESF to enhance economic competitiveness through investments in small and medium-sized enterprises (SMEs), innovation, research and development, and the green economy. Meanwhile, the Human Resources Development OP, using the same funds, prioritised human capital development in areas such as education, employment, healthcare, and social inclusion. The Environmental and Energy Efficiency OP, supported by ERDF and the Cohesion Fund, targeted environmental protection, climate adaptation, and energy efficiency.

The Rural Development Programme drew on the European Agricultural Fund for Rural Development (EAFRD),

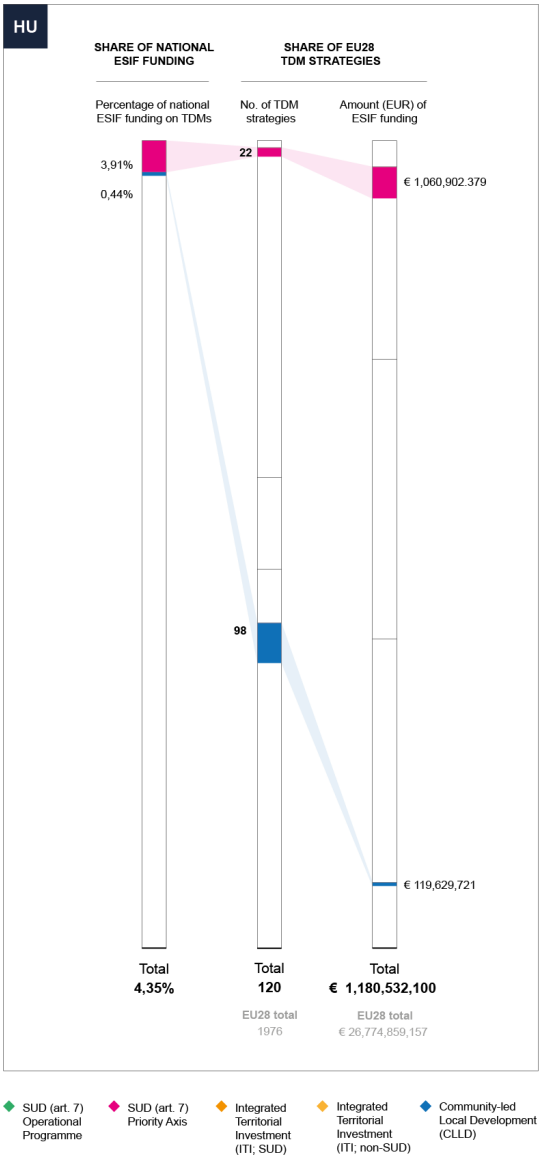
alongside ERDF and the European Maritime and Fisheries Fund (EMFF), to support rural development, including through CLLD strategies. The Fisheries and Aquaculture OP, funded by the EMFF, was directed towards supporting Hungary's fisheries and aquaculture sectors.

In 2013-14, Hungary introduced significant reforms to improve the coherence and efficiency of territorial development. City-wide development strategies were integrated into Operational Programmes, highlighting the central role of Cohesion Policy in national territorial planning. Hungary also placed emphasis on aligning territorial strategies and plans across governance levels, with some responsibilities delegated to sub-national authorities.

By the end of the programming period, Hungary's urban policy had seen considerable development. However, as the planning process evolved, the focus on territorial dimensions and integrated approaches waned. From the outset, sectoral plans only superficially addressed territorial considerations, and over time, sectoral themes became increasingly detached from territorial planning efforts. Importantly, there was no systematic evaluation of local development needs by policy experts, meaning broader territorial contexts and potential synergies between territorial and sectoral development remained largely unexplored. This lack of evaluation prevented these synergies from being fully realised in both the planning and project selection stages.

FEATURES OF THE TERRITORIAL DELIVERY MECHANISMS

Figure 2: Types of Territorial Delivery Mechanisms (TDMs) used, amount of strategies and the corresponding shares of ESIF* contributions



Source: STRAT-Board (JRC, n.d.). Notes: On the first vertical bar from the left, the percentage of all ESIF funding for that country allocated to TDM strategies is indicated with colour. The whole bar represents all ESIF funding for that country. On the second bar (middle), the number of each type of TDM strategy implemented in this country is indicated with the corresponding colour, with the whole bar representing all TDM strategies implemented across the EU28 (1976 strategies, as indicated in grey below the bar). On the bar on the right side, the amounts of ESIF funding for the TDM strategies are indicated with the corresponding colour. The bar represents the total allocation of ESIF for TDMs in the EU28. Please note that there may be inconsistencies between the data reported in STRAT-Board and Cohesion Open Data Platform.

Sustainable Urban Development (art. 7) Priority Axis

The SUD Priority Axis (PrAx) of the Territorial and Settlement Development Programme targeted 22 cities with county rights in less developed regions, excluding Budapest. These urban authorities were granted the role of Intermediate Body, resulting in substantial decentralisation, with project selection delegated to the municipalities. Cities were provided with dedicated budget allocations, which they could manage independently within the thematic areas outlined in the Operational Programme (OP).

SUD PrAx funding played a crucial role in supporting urban development due to the limited availability of domestic resources. Hungary's territorial development has been shaped in line with Cohesion Policy requirements to ensure complementarities and facilitate implementation.

Each city engaged in a strategic planning process, creating a long-term integrated settlement development concept, a medium-term Integrated Settlement Development Strategy based on previous strategic documents, and an Integrated Territorial Programme (ITP), aligning their mid-term strategy with EU-funded OPs. A standard set of objectives and indicative budget allocations was provided to guide this process. However, cities retained the flexibility to choose which parts of the ITP to implement directly and which to address through competitive calls for projects. While the process was centrally managed, cities were invited to give feedback on draft calls for proposals developed by the Managing Authority to ensure they better met local needs.

One shortcoming of the SUD approach in Hungary was the lack of a clear rationale for using the SUD PrAx instrument. Additionally, the strategies were restricted to the administrative boundaries of the cities/towns, which limited the potential for strengthening functional linkages. Nevertheless, within their territories, cities were able to identify areas for urban regeneration projects and could consider functional linkages during project selection. Some cities, like Kaposvár, also sought to coordinate SUD PrAx operations with those

* In order to reflect the contribution of various funds to TDMs, this graph includes all ESIF funds (ERDF, ESF, CF, EAFRD, EMFF).

supported by other national programmes and local resources.

A key value added by the SUD PrAx strategies was the mobilisation of local stakeholders during strategy formulation. In Kaposvár, the establishment of a partnership plan and thematic working groups enabled consultations with a wide range of stakeholders, including civil society, business organisations, churches, and the general public. This structured approach highlighted the importance of inclusivity and collaboration in planning. However, in the implementation phase, existing cooperation structures with territorial stakeholders were deemed sufficient, and no new stakeholders were engaged, as seen in Kaposvár. Greater thematic flexibility could have further enhanced bottom-up implementation.

ERDF funding was allocated to four thematic objectives. The largest share was directed towards developing quality employment (€451 million), followed by promoting a low-carbon economy (€236 million). Environmental protection and resource efficiency received €176 million, while social inclusion was allocated €69 million.

Financially, the SUD PrAx strategies outperformed mainstream Cohesion Policy. By the end of 2022, 74% of the allocated funds had been utilised in projects, compared to 52% for mainstream programmes.

Community-led Local Development

Overall, 98 CLLD strategies were deployed across Hungary. A relatively small amount of funding was allocated to these strategies. Primarily urban-oriented, the Hungarian CLLD strategies typically targeted either entire cities and towns or specific parts of urban areas such as districts and neighbourhoods. All ERDF funding for CLLD strategies fell under the social inclusion thematic objectives. Within this framework, the strategies supported a diverse range of investments across various policy fields, including social inclusion, public spaces, employment and skills development, culture and heritage, and youth initiatives, with funding provided by the ERDF and the ESF. Although there is limited empirical evidence on the impacts of CLLD strategies in Hungary, it can be assumed that each strategy engaged local stakeholders through Local Action Groups to develop and implement the strategies.

By the end of 2022, 79% of the allocated funding had been used for CLLD projects, slightly exceeding the pace of implementation for SUD PrAx strategies and significantly outperforming mainstream Cohesion Policy.

Tailoring SUD PrAx strategy in Kaposvár to the local needs

The city of Kaposvár has a population of around 60,330 and is one of the 22 major Hungarian cities with county rights. It is the capital of Somogy County and also one of the leading cities in the Transdanubia region. The municipality has identified three broad development areas: competitiveness and employment; sustainable ecological and energy systems; and a high-quality urban environment, with an emphasis on an active, healthy, and cohesive society. The city chose to focus on ensuring coherence with other local development strategies, which were used to guide project selection under SUD PrAx and implementation planning. Kaposvár's approach to integration was rooted in the operational translation of the city's overall development strategy, with an emphasis on how different funding sources could complement the priorities outlined in the strategy. Furthermore, a range of stakeholders from the private and civil sectors, as well as local communities, were involved in drafting the strategy, further enhancing the effort to tailor it to local needs.

IN SUM

During the 2014-20 period, Hungary implemented Territorial Delivery Mechanisms primarily in urban areas. Despite a top-down approach used for SUD PrAx, considerable effort was made to adapt the strategies to the specific needs of the cities involved. Although the emphasis on administrative boundaries limited the ability to address functional linkages through strategic connections, efforts were also made to promote functional and thematic integration. This was achieved by ensuring that the interventions under the SUD PrAx strategy complemented projects funded by other OPs and domestic measures.

References

CoR. (n.d.). Division of powers. European Committee of the Regions. https://portal.cor.europa.eu/divisionpowers/Pages/default.aspx

European Commission. (n.d.). Cohesion Open Data Platform. DG Regio. https://cohesiondata.ec.europa.eu/

JRC. (n.d.). STRAT-Board. Joint Research Centre. https://urban.jrc.ec.europa.eu/strat-board/

OECD. (2023). OECD Regional Outlook 2023 – Country profiles: Hungary. https://oecd-cfe-eds.github.io/ro2023-country-pages/tl3-hun.html

Contributors

Marcin Dąbrowski, Niek Lurling, Gisela Garrido Veron (TU Delft),
Fabian Gal (EPRC Research Associate)