

# INTEGRATED APPROACH TO SOCIAL AND ECONOMIC INCLUSION

## Background material

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### I. EU FUNDS FOR HOUSING AND URBAN REGENERATION IN HUNGARY

Hungary has no national level policy on urban regeneration which would be independent from the European Regional Development Fund. Urban regeneration is currently mostly tied to EU funding mechanisms.

There have been EU financed urban regeneration programmes since 2003 (the Phare programme), which continued during 2004-2006 and 2007-2013. These programmes were considered to be innovations in the field of urban regeneration as the adaptation of the integrated approach was a fundamental, compulsory element.

The 2007-2013 period resulted several changes concerning urban rehabilitation approaches. One was the introduction of the socially sensitive rehabilitation concept with the focus on the most deprived areas, and the other was the introduction of the Integrated Urban Development Plans (IUDPs). Hungary introduced IUDPs as a compulsory element for cities tendering for EU urban rehabilitation funds. Cities started to prepare the documentation for medium-term integrated plans, each following a strict thematic structure prepared by the Ministry for National Development and Economy. The plans set out an overview of the situation of the whole city and define all the potential areas for development – not only regeneration of urban areas, but greenfield developments as well.

The IUDPs had to identify “action areas” that would be the focus of regeneration or new development and prepare a related initial financial plan. Plans were discussed with the residents and the wider stakeholders. There was also an “anti-segregation” chapter required in the IUDP that aimed at identifying the segregated and marginalised areas together with a draft strategy to start addressing these problems. From 2007, about 280-300 of the 330 Hungarian cities prepared an IUDP. In 2009 the preparation of an IUDP was made compulsory for all urban settlements (regardless of EU funds).

The urban rehabilitation programmes are financed from the Regional Operational Programmes in Hungary. (There are 7 ROPs for the 7 statistical regions.)

Urban regeneration has two main subthemes to be delivered through separate programmes (both of them co-financed from ERDF):

- Market-oriented rehabilitation programmes that focused on the most populous urban areas and could potentially attract (at some point) substantial private capital. These were basically the centres of cities or - in the case of Budapest - of the districts. About 180 projects have been contracted under this theme so far.

- Socially sensitive rehabilitation programmes that aimed to revitalise the deprived residential areas which had little chance of improvement without substantial public resources. Housing interventions were programmed into these projects based on the original article 7.2 of the ERDF. Around 25 projects have been contracted so far.

Both projects discussed in details in the course of the visit to Hungary, the (second phase of) Magdolna project and the Ady project were implemented in the framework of the Central Hungarian OP, under the socially sensitive regeneration measure (all ROPs include such measure and their regulations are very similar). Such measures aim to handle physical and social deprivation by an area based and integrated approach. The action areas can be of two types: (1) housing estates which are threatened by deprivation and (2) traditional urban areas (including Roma neighbourhoods) which are already in the state of deprivation.

Cities that want implement socially sensitive regeneration project have to meet the following criteria:

- they have to develop an Integrated Urban Development Strategy (IUDS) which designates the target area for regeneration among other development areas. The IUDS has to contain a desegregation plan for the spatially concentrated marginalised groups. The city can submit its project proposal if an anti-segregation expert approves the desegregation plan.
- the deprivation of the target area have to be proved by indicators defined in the ROPs
- the proposed regeneration project has to include housing interventions and two other types of physical interventions and three types of soft projects (e.g. educational, employment, community development projects) in order to ensure the integrated nature of the project.

There is a two-round project selection procedure in the case of regeneration programmes:

- in the first round a preliminary project proposal is submitted together with the Integrated Urban Development Strategy (IUDS) of the city. First the IUDS is appraised and only if it meets the minimum requirements the preliminary project proposal is evaluated.
- if the preliminary project proposal is selected the project can enter into the second round. Here, first there is project development period (0,5-1 year) supported by Managing Authority for Regional Operational Programmes (and their regional development agencies). At the end of this period the final proposal is appraised.

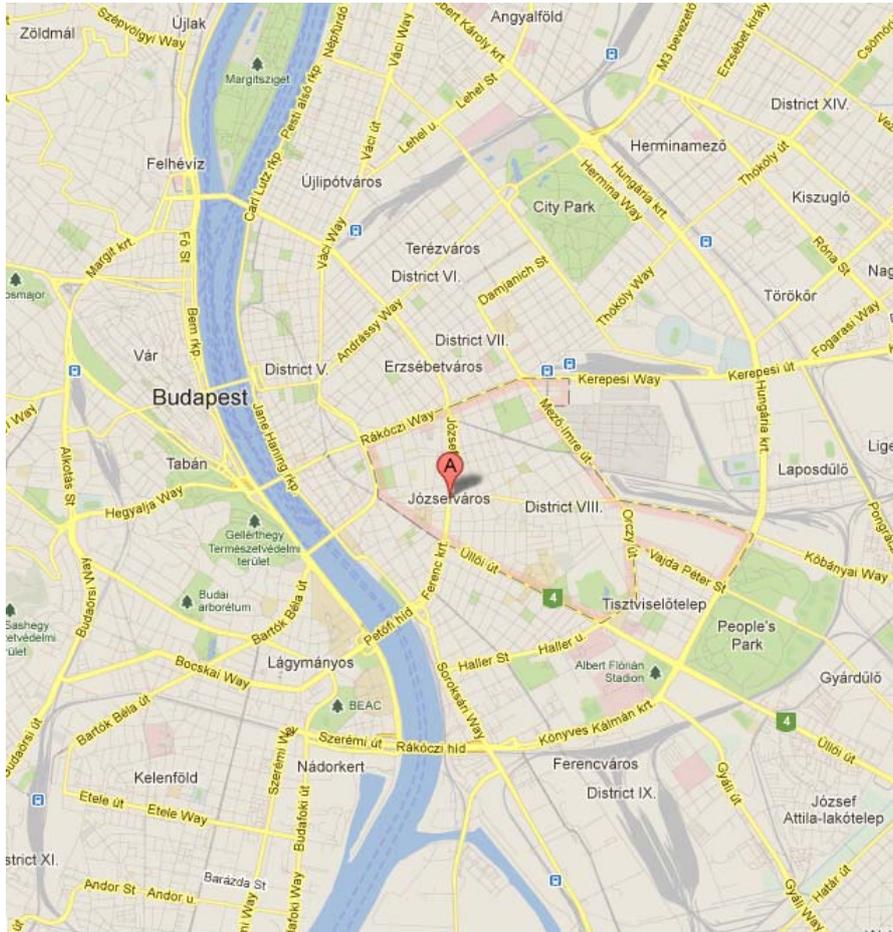
The Central Hungarian Operational Programme priority axis of 'Development of settlement areas' includes measures for urban development. The intervention areas of the priority axis are the 'integrated, social-type rehabilitation and the urban centre developments'. The aim of the socially sensitive regeneration is defined as 'To find remedies for the economic, social and environmental problems concentrated in certain urban crisis areas or in districts threatened by decay, new economic, cultural, social and community functions must be created and existing ones strengthened.'

## II. EU SUPPORTED INTEGRATED URBAN RENEWAL IN JÓZSEFVÁROS – DISTRICT 8 OF BUDAPEST<sup>1</sup>

### *Budapest, Józsefváros (District 8) and the Magdolma neighbourhood*

Budapest is a city with 1.7 million inhabitants (shrinking in population from the peak of 2.05 million around 1980). The city has a two-tier local government system: besides having a directly elected Mayor and assembly, all the 23 districts also have their directly elected Mayors and assemblies. The tasks of local governments are split between the two levels according to the Law on Local Governments.

Józsefváros is the name of District 8 of Budapest. From the beginning of its development after the Turkish occupation, this district - called Józsefváros (Joseph-town) since 1777 - has been one of the most diversified areas of Budapest, outside the gates of the medieval town, between two main roads - Kerepesi Road on the North and Üllői Road on the South - towards the countryside. The construction of the Grand Boulevard (1870s – 1890s) has cut the district in two. The large scale developments of the 1880-90s were made in the middle of the town, in the inner part of Józsefváros. This geographic and historic division can be seen even today in the quality of housing stock and the social status of residents. Since decades Józsefváros is one of the most problematic districts of Budapest with its ethnic problems and high rate of crime.



**Figure 1: The location of District 8 (Józsefváros) in Budapest**

<sup>1</sup> Based on the analysis of Eszter Somogyi (Metropolitan Research Institute, Budapest), prepared for the study: 50 Good practices in urban development supported by the European Regional Development Fund during the 2007-2013 programming period'. Contract reference 2011.CE.16.0.AT.035 Signed between EC – DG REGIO and AEIDL on the 20th October 2011

The Integrated Urban Development Strategy (2004) of the 8<sup>th</sup> District states that during the nineties the district was without any prospects and future possibilities. Since then substantial developments have been carried out. However the social problems concentrated in two areas: in the Magdolna and Orczy quarters. The aim of the future developments is to increase the competitiveness of the districts (by developing the central areas) and to continue the fight against the spatial and social division of the district.

The original idea to implement a socially sensitive regeneration project in the Magdolna quarter came from the rehabilitation company of the district, the RÉV8 Ltd. The RÉV8, a publicly owned company, established in 1997 with the aim to accelerate the rehabilitation process in the district. The RÉV8 elaborated a District Development Strategy in which they developed a new URBAN type approach for the most deprived areas. This new approach came from the already existing western European practice which had been seen by the leaders of RÉV8 on a study tour in Sandwell, United Kingdom funded by the Know-How Fund<sup>2</sup> The Budapest Municipality supported the district's new initiative and as a result the first phase of the Magdolna programme was launched in 2005.

The planning of both phases of the Magdolna project relied on several surveys and research studies in order to examine the living and housing conditions of residents, their problems and their opinions on the quarter and the conditions of local trade. But no needs assessment was implemented in the strict methodological sense, except for a smaller one related to the local economic programme.

### ***Regenerating a deprived urban neighbourhood in Budapest***

The Magdolna project is Hungary's first truly integrated socially sensitive regeneration project. Taking place in one of the most deprived areas in Budapest, it aimed to strengthen local society as well as improving housing and living conditions. Two phases have been implemented so far. The first was carried out in 2005-2008 funded by the district and city municipalities, while the second in 2008-2011 was supported by the ERDF. However these two phases are only the start of a longer development strategy for the neighbourhood, which is likely to take 15 years.

The second phase of the project cost €7.3 million and brought about substantial improvements to housing as well as the local environment. The hard infrastructure investments were complemented by many soft projects which aimed to tackle the severe social problems of the marginalised groups in the neighbourhood. This case study focuses on the second phase of the project.

The socially sensitive regeneration programmes were not totally new in Hungary. The Budapest Municipality has operated a Rehabilitation Fund since 1994, to which districts can apply with rehabilitation projects. In 2005 the socially sensitive regeneration was introduced in the framework of the Rehabilitation Fund with two pilot projects among them the first phase of the Magdolna project. However, afterwards no further projects were launched because of lack of funds.

### ***Socially sensitive rehabilitation***

The Magdolna quarter is part of the 8<sup>th</sup> District of Budapest, and near the city centre. It is one of the most deprived areas in the city. Social segregation is constantly on the increase, fed by the continuous influx of disadvantaged people. The quarter is also home to a large number of Roma people, who are estimated to make up 30 per cent of its population of 12,000. The area's main problems are high unemployment, low educational levels, dilapidated housing, a poor living

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<sup>2</sup> The Know-How Fund is a former UK international development fund which helped Eastern Europe and the former Soviet Union.

environment, low public safety and high criminality, including drug abuse and trafficking. The high concentration of homeless services in the district also generates social tensions. Despite local efforts the public services are unable to cope with the accumulated difficulties, which are also shown in the severe segregation of the local education system and the overloaded social services.

The second phase of the Magdolna Quarter Project is a part of a long-term (15-year) development plan which was first developed in 2004. The first phase of the project was carried out between 2005 and 2008 and was financed jointly by the district and the Budapest Municipality. It served as a pilot project for the subsidy scheme of Budapest Rehabilitation Fund. The project represented a new approach which addressed not only the traditional renovation of old housing but also the crucial social problems as well.

In the EU's 2007-2013 programming period the socially sensitive rehabilitation programme was mainstreamed into the urban rehabilitation measures of the regional operational programmes. The appraisal and selection of project applications is a two-stage process. First an expression of interest is submitted. This preliminary project plan is then assessed and, if selected, the second phase consists of a project development phase with funding support from the managing authority (and from the regional development agencies). The project itself has to be of an integrated nature including different kinds of physical and soft interventions as well as housing improvement measures.

### ***Sustainability and solidarity***

The second phase of the Magdolna project was implemented as part of the Central Hungarian Operational Programme with a budget of €7.3 million. The main contractor was the Municipality of the 8<sup>th</sup> District with a consortium of seven condominiums. An extensive partnership was built up which meant that several public institutions and many NGOs both local and national participated in the project.

The overall objective of the Magdolna project was to make the quarter socially, economically and environmentally sustainable and to increase solidarity in local society. The most important medium-term goals were to slow the segregation process and foster local social relations, to decrease unemployment and enhance economic activity, and to improve the environment and housing conditions.

The project combined a number of physical and social interventions in order to tackle the complex problems of the quarter. The physical interventions included the renewal of several housing buildings (both privately and municipally owned), the renovation of the local school to save energy and allow barrier-free operation, and the creation of new community spaces. It was one of the priorities of the project to increase the amount of public open space which could play a community function. The neighbourhood's main square was renewed, a pedestrian zone was created around it, and two empty plots were converted into recreation areas.

The soft projects consisted of a wide range of activities. Training and employment projects were developed to tackle the problem of severe unemployment: unemployed people were trained to meet their personal needs, a job club was held each week for the unemployed, and several job-market events were organised at which job-seekers could meet potential employers. These projects were organised with the close cooperation of the local Employment Office. Another focus was to strengthen local social services. A special intensive family preservation project was introduced to manage the problem of families in crisis and to avoid having to take children into foster care. Regular low-threshold services for young alcohol and drug users were carried out. Activities addressing the low educational performance and deviant behaviour of local children and young people played a decisive role. Therefore special training sessions for teachers and group-work for students with restorative conflict solving techniques were organised in four primary schools. A range of regular and

occasional free-time activities for children and teenagers were also implemented. Public safety actions included the establishment of a neighbourhood police patrol project. A public employment project was set up to provide additional street cleaning, which gave jobs to the homeless people.. Additionally NGOs and public bodies gave crime prevention lectures and interactive lessons at local schools, and night table tennis facilities were laid on. The economic projects included the renting out of five empty municipally-owned shops to new local enterprises on favourable terms.

The activities of the second phase were largely built on the results of the first project. The soft and community projects and events of the second phase were accommodated in the newly-built community centre and the renewed park which had been completed in the first phase. The first phase had also strengthened those NGOs and civil organisations that were able to play a partner role in designing and implementing the second phase.

### ***Improving housing***

Hungarian regulations state that housing interventions can only be supported by the ERDF as part of socially sensitive rehabilitation programmes. Eligibility is defined by the “old” ERDF housing regulations<sup>3</sup>, which means that condominiums and municipal social housing are both eligible. The measures focus on the renovation of the common parts of the buildings including the structural elements, utility pipes, electrical wiring, windows, doors and so on. Work can only be done inside the units in the case of social housing and then only on a limited scale: bathrooms can be installed and the heating can be modernised. The reason for these eligibility restrictions is to avoid money being misused: if the full renovation of apartments were allowed it could encourage the municipalities to pursue gentrification, even though Hungarian regulations require a 10-year ‘sustaining’ period in the case of the refurbishment of municipal social housing.

The housing interventions represented a substantial part of the project, absorbing almost 60% of the budget. Seven condominiums and 16 municipal buildings were renewed, but to different standards. Two municipal buildings were fully renewed, which meant that the inhabitants were moved out during the renovation, the units were modernised, bathrooms installed, and some were enlarged by including the space formerly occupied by shared toilets. The number of units decreased as the rear wings of the buildings were pulled down and temporary apartments were eliminated. Ten municipal blocks were partially renewed, including the replacement of water mains and sewage pipes, which enabled the tenants to install new bathrooms. The structural elements were fixed and windows and doors were changed if this was needed. The façades of four buildings were renovated; these buildings had already been partially renewed in the first phase of the programme. In the condominiums, the extent of renewal depended on the financial capacity of the owners, as they had to cover 30% of the costs. This resulted in very substantial differences between those buildings which had extensive renovation and those which opted for more superficial treatment. The cost of renovation was ten times more expensive in the case of the highest level of renewal than for the lowest.

The improvement of the local housing stock was of great importance as a large part of the stock was in a dilapidated condition and consisted of small often overcrowded units with unhealthy conditions. This was true especially for municipally-owned buildings. The critical state of the housing stock is reflected in the statistics: out of the approximately 5,500 units in the neighbourhood, 37% were of substandard quality and 42% were in municipal ownership. This is more than four times higher than the average for the city of Budapest which had an even higher proportion of substandard units (2001 census).

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<sup>3</sup> EC 1080/2006 Art 7(2) and 1828/2006 Art 47.



**Figure 2: One of the fully renovated municipal blocks at 14 Danko Street, before and after**

The buildings that were selected for the project fall into three categories according to the social composition and the quality of the housing stock:

- less problematic buildings, mainly condominiums with a higher rate of households with a diploma-level education
- socially more mixed buildings in worse condition
- the worst buildings in both senses



**Figure 3: Danko Street 33 before and after**

The approach to planning and organising housing interventions differed substantially in the two phases of the Magdolna project. In the first phase there was a high emphasis on involving the tenants. Four municipal buildings were selected in which more than half the tenants agreed to cooperate closely with the management organisation, RÉV8. The tenants and RÉV8 negotiated what kind of renovation work RÉV8 would do and what could be done on a voluntary basis by the tenants. Each building had a fund of 100 million HUF (€364,000) and on the basis of the technical assessment of the building, the tenants could decide on the exact content of the renovation works.

In the second phase funded by the ERDF, the tenants could not be involved in the planning phase because of the much more bureaucratic application process for EU funds. Only a short time was available to prepare the application, and although it was a two-round application process the exact content of the housing interventions had to be submitted in the first round. However during the implementation phase, which was complicated by many conflicts, the tenants became motivated to participate in the renovation and so in the end they carried out voluntary work nonetheless.

The condominiums could participate in the project on a voluntary basis if they could meet the stiff administrative requirements of the call. This demanded a good condominium management and an acceptable financial situation – specifically no debts and sufficient cash reserves. It was not easy to find such condominiums as frequently residents fail to pay their share of the common costs, leaving their finances in crisis. The condominium management is often overloaded by trying to provide a minimum level of operation of the problematic buildings. They often have neither the capacity nor the interest to prepare and manage the renovation. The only way that progress could be made was through RÉV8, which supported the condominiums in the process of planning and implementation. RÉV8 organised several meetings for the assemblies of owners in each condominium. At these meetings they introduced and explained the projects. This was followed by assistance with planning the activities. RÉV8 organised the public procurement process to select the contractors and helped to negotiate between the contractor and the condominiums if problems emerged. It also helped prepare reports to the managing authorities and effectively took over this task from the representatives who were charged with doing it.

During the implementation of the works, several problems and conflicts emerged that were partly related to the marginalised situation of the residents and the critical condition of the housing stock. The main problems were as follows:

- At the beginning many tenants were against the renewal because they were afraid of rent increases, and hence mistrustful of RÉV8. However as the renovation progressed the tenants' expectation grew very high and they wanted full renovation of their apartments as well;
- Many conflicts developed between the construction workers employed by the contractors and the inhabitants. The workers were not accustomed to working with marginalised groups and they could not handle some situations. As many people stayed at home during the day because they were either unemployed or elderly, they were constantly 'checking' the work. Some people wanted to make the workers fix problems in their apartment. Additionally, the direct witnessing of crimes such as drug dealing, prostitution, and assaults disturbed the construction workers;
- Some of the contractors carried out low-quality work and this generated conflicts between the residents, the contractor and RÉV8;
- Because of the critical condition of the buildings many unexpected technical problems arose during the work. This meant that RÉV8 had to ask the permission of the managing authority to change the specification. In some cases the contribution from the condominiums or the municipality had to be increased in order to finish the work;

- Some of the condominiums had problems in making their own financial contribution in the implementation phase because they had spent the funds since the original application process two years earlier. During the application they had had to prove their financial reserves to the Managing Authority and often these reserves had been used for other purposes. When this happened RÉV8 and the representative of the condominium worked together to solve the problem, for example by one member of the condominium taking out a loan;
- In the two social housing buildings that were fully renovated, an unexpectedly high proportion of the tenants had no current legal title to rent their apartments. For those who were squatters no solution could be provided and many of them left before work started. For those who formerly had had a rental contract a solution was found.

It required a substantial input of time and expertise to manage such problems from the side of RÉV8 as well as special competences to work with problematic groups and solve major conflicts. To help the team in their work the staff of RÉV8 were given training in conflict resolution. The most extreme conflict arose in a municipal building which was inhabited by families involved in crimes, squatters and families in deep poverty. The conflict between the tenants and the construction workers developed so severe that the workers left the building and declared that they were not prepared to continue the renovation. RÉV8 decided that the community of the building was absolutely unsustainable as there was severe tension among the tenants. In the end the families were moved to different apartments in the district and the building was turned to social housing for the local police force.



**Figure 4: Lujza Street 14, where serious social problems led to the building being converted to social housing for the police**

The modernisation of social housing raises the question of affordability as well. The substandard apartments had low maintenance costs as often they did not even have running hot water. With the renovation such costs are likely to increase substantially. However there is no concrete information yet about the exact impact on rents, service and utility charges.

#### ***Promoting participation***

RÉV8 had a crucial role in initiating, planning and implementing the strategy and the two phases of the Magdolna project accomplished so far. The innovative approach, the ability to adapt good examples from abroad and knowing the local situation, problems and stakeholders enabled the management to achieve such results.

However such complex projects with different kinds of measures and multiple stakeholders were new to RÉV8 as well so it was a learning process for them too. To manage the multi-sectoral projects RÉV8 built up a multi-disciplinary team including architects, sociologists, social workers and community developers. The management was structured according to the sub-projects (housing, employment, community centre, community development and crime prevention) and these teams worked together closely.

Despite RÉV8's strategic role in project development, its authority to take decisions was reduced gradually over time. In the first phase of the project, the development strategy and the concrete project proposal were approved by the district assembly (the political body). However during the implementation RÉV8 enjoyed a greater freedom in deciding on practical, technical issues. The reason for decreasing its decision-making competence was distrust by politicians who felt that even though the municipality owned RÉV8, its status as an arm's-length company meant that they could not exercise sufficient control over its activities. This made the implementation very bureaucratic and slow. A good example was the contracting procedure with the NGOs who were going to implement the small-scale soft projects. Approval from the newly-elected committee was needed to sign the contract. But it was reluctant to sign as it knew neither the projects nor the NGOs. This caused several months of delay and some NGOs had to leave the project as they did not have enough capacity to wait for so long. Finally, after the 2010 election, a Strategic Planning Office was established and the strategic planning competence of RÉV8 was transferred there while most of the technical decisions had to be approved by the assembly or by individual municipal committees. Recently the Strategic Planning Office and the RÉV8 cooperate in elaborating strategies, proposals and implementing projects.



**Figure 5: Voluntary work by tenants outside a municipal block in phase 1**

RÉV8 promoted partnership from the very beginning of the Magdolna project. The first phase that was implemented from national funds provided more flexible conditions for partnership building and the second phase could mainly rely on the social capital that had already been established.

The partnership building had two main directions: first to organise the involvement of NGOs and public institutions in the project planning and implementation, and secondly to involve local residents in the regeneration process.

The first direction included building up an efficient cooperation with the public institutions and involving NGOs in service provision. The NGOs brought in innovative, more personalised and more tailored projects that were designed for specific groups – such as the restorative conflict resolution project in the field of education. In the second phase the NGOs were already involved in the planning period and the projects were carried out together with them. Special attention was paid to building up partnerships with the local NGOs not only to contribute to their capacity building but also to further the sustainability of the project.

Another even bigger challenge was to generate the active involvement of local residents, because this culture did not exist in Hungary and the political sphere generally saw it as a trouble-making factor rather than a positive development. Nevertheless building up partnership with local residents was an overarching process throughout both phases of the project. The first phase concentrated on the tenants of the four renewed municipal buildings. The tenants were activated through the planning of renewal activities and their own voluntary work which proved to be effective as the ‘Four Building Association’ was established by them. However this association could not include the tenants of the other twelve buildings which were renewed in the second phase.

The second phase concentrated on establishing a neighbourhood association which could bring together the local NGOs serving as a local forum and could channel and articulate the problems and interests of local residents toward the municipality. A local person with substantial experience in civil activities took over its leadership. He was successful in motivating people and in helping different residents’ groups to organise around a position and present their views to RÉV8 and the municipality when there were disputes and conflicts. Despite the achievements made so far, the capacity building of the association is still a problem. The association currently includes 10-15 active people but leadership depends too much on one person.

The partnership building activity resulted in serious conflicts within the regeneration project. As has been mentioned, there were many conflicts related to the renovation of the residential buildings. Another serious dispute was over the establishment of a pedestrian zone. This generated significant protests because of a reduction in the number of parking places and the fear that it would provide space for teenage gangs and homeless people to hang around. According to RÉV8 such conflicts are an inevitable part of the process of regeneration but conflict resolution based on the involvement of residents can foster their engagement in the project and future activities. This issue of conflict was recognised in the work of community organisers in the United States such as Saul Alinsky<sup>4</sup> who used conflicts with institutions as a way of bringing the community together.

### ***Sustainability – a key issue***

Through the six years of the Magdolna project substantial results have been achieved:

- A wide range of physical and social measures have been implemented within the framework of a complex project with an integrated approach in order to tackle the severe problems of the neighbourhood;
- Tangible improvements in housing conditions and the living environment have been effected;

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<sup>4</sup> Barack Obama trained in the Alinsky method while working as a community organiser in the South Side of Chicago.

- Innovative social and educational projects have been tailored to the needs of marginalised groups, while community activities have reached local society more broadly;
- Partnership building increased the capacity of local NGOs, establishment residents' organisations and improved cooperation between local stakeholders (municipality, institutions, NGOs);
- A professional, multi-disciplined and experienced management organisation was developed, which is able to prepare strategies, plan projects and implement multi-sectoral projects. The experience of the Magdolna project was mainstreamed into the programming of EU-supported socially sensitive rehabilitation programmes.

Despite the substantial results of the project, the sustainability of Magdolna is still an issue. The district applied for a third phase of financing from the Central Hungarian Operational Programme but its proposal was rejected in the first round of the application process as some of the condominiums did not meet the administrative requirements by failing to submit key documents. This demonstrated the inflexibility of the application system, which requires almost every technical detail to be included even in the first round. It had a consequence on RÉV8 as well, in that a large part of its stuff had to be dismissed and the majority of the soft projects could not continue (e.g. neighbourhood patrol, social and employment projects, some of the community activities, housing renewal) or had to continue on a smaller scale (e.g. educational projects).

Nevertheless RÉV8 together with the Strategic Planning Office continued the planning and tried to obtain other resources. Recently a large-scale project proposal was prepared for the ESF, and this may ensure the continuity of some of the soft projects.

According to RÉV8 one of the main guarantees of sustainability is the reinforcement of the neighbourhood association as it can articulate needs and initiate projects from the side of the local residents and thus put pressure on the municipality to go on with the complex rehabilitation.

### ***Lessons learned***

The Magdolna project is a good example of the upgrading of a deprived urban neighbourhood in the sense that it was the first project that adopted a complex, multi-sectoral and integrated approach to a complex problem. This is not to say that implementation was without mistakes and problems, but rather that it was a learning process for the municipality, the management organisation and also for the residents and their organisations. The project's future depends on how much use the stakeholders can make of the experience they gained. The main lessons can be summarised as follows.

- To regenerate a deprived urban neighbourhood is a long-term process that takes at least 15 years. A single EU-funded project can be only a part of it. This is especially true in the present Hungarian programmes as they allow only a two- or three-year implementation period. It would be better to ensure longer implementation periods for such projects, as the results of the project phase are very limited and even these limited results cannot be sustained after the project has ended. It also highlights the importance of strategic planning in terms of scheduling projects with different sources of funding.
- Regeneration is a complex and complicated process with many different projects and stakeholders, and therefore not every action and partner contribution can be designed and planned in advance. The EU-funded programmes should ensure more flexibility during the application and implementation phases. Instead of the very strict technical requirements of the calls, the monitoring of the projects (in both the technical and professional senses) by the managing authority should be stricter during the implementation. This could enhance the capacity of the project to adapt to emerging needs and problems. The application phase

should be used to work up the technical dossier so that housing owners can proceed with some confidence that their plans will be implemented.

- The participative approach is essential to the achievement of real success because it can channel the capacities of NGOs which have the knowledge needed to deal with marginalised groups in a flexible way, and it can mobilise the support of local residents. However the participation of the different residential groups generates many conflicts during the planning and implementation of the projects. This conflict needs to be seen as a natural part of the process: the key question is how to build capacity among stakeholders so that they can manage it properly. One key type of stakeholder is the neighbourhood associations which can articulate problems and interests to the managers. The managers of the project (in this case RÉV8) need a greater capacity to engage constructively in conflict resolution. They need special skills to communicate with the residents, especially with the marginalised groups who have less ability to articulate their interests and problems. Another problem, which should be handled through communication, is the exaggerated expectations of the inhabitants, who expect that the project can solve all their problems.

The above-mentioned factors mean that such a project can be implemented only by a professional, experienced and multi-disciplined management organisation which has sufficient decision-making authority to be flexible – for instance it needs to be free to decide on key issues such as who is the best partner to involve. However this issue of decision-making authority can create fierce conflict between local politicians and the project managers. The former tend to attempt to manage hands-on so as not to lose control over the processes, while the latter want to retain the authority to implement the project efficiently.

Consequently the issue of legitimacy gaps has proved to be an important problem for the project. First, there is a legitimacy gap in that the management organisation lacks authority because of distrust from the politicians. But there is also a legitimacy gap on the side of the various residents groups, because it is unclear whose interests they really represent. This highlights the need for mechanisms which could increase the transparency of the process and structure the representation of interests more efficiently.

### **III. CONCLUSIONS AND OUTLOOK**

Hungary is one of those new (2004) member states which have adopted quite quickly and well to the requirements of Cohesion Policy and the spirit of Structural Funds. Since 2007 an innovative framework for urban regeneration has been developed which made integrated planning compulsory prerequisite for those cities which wanted to receive EU funding for urban renewal.

A real novelty within the urban regeneration scheme was the idea of socially sensitive rehabilitation – earlier urban regeneration automatically led to the exchange of population, as most of the original residents of the deprived areas could not afford to pay the costs of market-led regeneration. Magdolna neighbourhood and Ady estate are examples of the two tracks of the socially sensitive rehabilitation programme, representing old city areas and large housing estates respectively.

Both cases illustrate the high importance of EU funding for urban regeneration, as the residents of these areas would have been unable to finance from their own means the improvements. As a result of the socially targeted use of EU money also important environmental aims have been achieved (greening of public spaces and heating improvements). The soft educational and training programmes, together with the improved physical surroundings, increase the chances of the

residents to get access to the job market. Consequently the interventions can really be considered as integrated.

The analysis of the cases has explored a series of shortcomings, related partly to the design of the complex programme, partly to the process of implementation. As both projects will continue in the next phase of the urban regeneration programme, there is an opportunity to learn from the mistakes and the projects with their next phase might come closer to the ideal of longer term integrated interventions.

In the 2014-2020 period Hungary will continue to devote a part of Structural Funds resources to the integrated urban renewal programme. Besides modifications due to the lessons learnt from (among others) the Magdolna and Ady projects, also the new tools, ITI and CLLD will hopefully contribute to the success of area-based, socially targeted interventions in deprived areas of cities.

**Keywords:** integrated urban regeneration, socially targeted renewal, improvement of deprived areas. social inclusion of marginalized population groups, participation of residents, sustainable development, post-socialist urban development