

A personal view on EU policies

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Tesserae Talk

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Prologue: a dilemma of a young researcher

The dilemma was linked to housing privatization in the early 1990s in Hungary.

- Why has evidence-based research so limited chances to convince policy making?



Margaret Thatcher and János Kádár (HU communist leader) in 1984 in Budapest



Marx and Engels in Budapest – until 1990



Memento park at the edge of Budapest – since 1990



Statue of a man in a suit, standing on a brick pedestal with his right arm raised.

MADRID
JARAMA
GUADALAJARA
HUESCA
BILBAO
BOCHILE
MURCIA
LEON
VALENCIA

Peter Marcuse and Karl Marx

- In early 1990 Peter Marcuse wanted to see a particular statue of **Marx** in Budapest. When we got there the statue was totally boarded up. You know said Peter, when the boards come down it will be a statue of **Adam Smith**.
- Peter was right insofar Marx has been transferred into the statue park. Instead of Adam Smith Budapest has now a statue of **Ronald Reagan**...



1990s: mass housing privatization

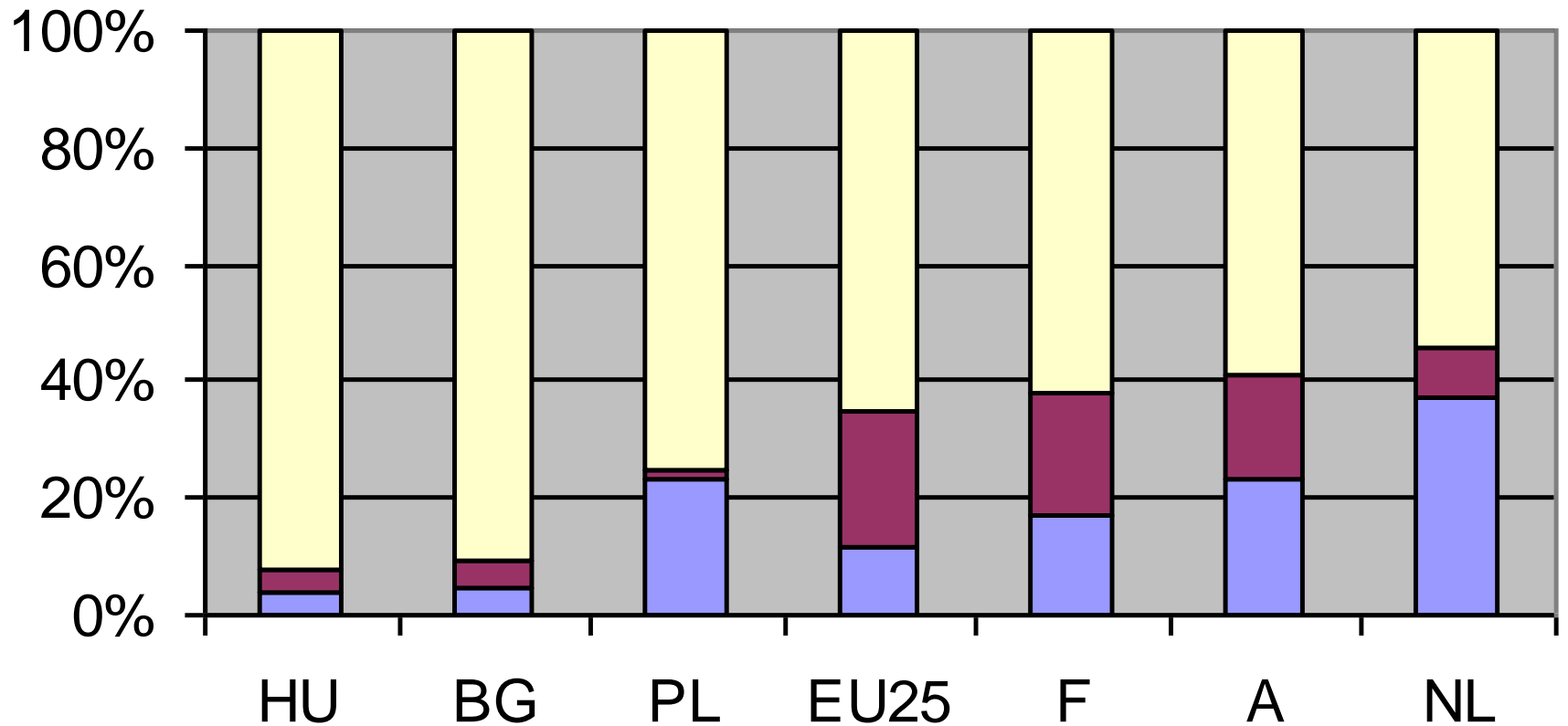
The course of housing privatization in Hungary

- It started in 1986 for smaller houses
- 1990-93: local government decisions
- From 1994 on tenants were given the right to buy

Housing privatization 1990-2006

	Public rental as a percentage of all dwellings		Estimated percentage privatised since 1990
	1990	Around 2006	
Estonia	61	4	93
Latvia	59	11	78
Lithuania	61	2	96
Poland	32	12	62
Czech Republic	39	10	74
Slovakia	28	4	86
Hungary	23	3	87
Slovenia	31	3	90

Tenure categories in EU countries



■ social rental ■ private rental ■ owner occupied

Countries	Social (public) rental housing	Poverty rate
Old EU countries		
NL, S, A	25 – 35 %	10 – 13 %
D, F, UK	15 – 25 %	14 – 18 %
ES, P, EL	1 – 5 %	19 – 23 %
Transition countries		
CZ, POL	10 – 12 %	15 – 25 %
H, EST	3 – 4 %	20 – 30 %
ALB, BUL, ROM	1 – 3 %	30 – 40 %



International housing conference, organized by MRI, in the early 1990s

Evidence based message of researchers

- **International housing conferences in Hungary, organized by MRI in 1989 and in 1990**
- Many participants from the **UK**, presenting results of empirical analysis of the **very negative social consequences of the Thatcher ,right to buy' housing privatization**
- Message of the researchers: do not commit the same mistake, **do not sell out the public housing stock**
- Urban Institute (Washington) – MRI (Budapest) pilot project in Szolnok, 1992, proving that **a different reform of the public housing stock is possible**: no privatization of housing but competing management companies; rent increase and housing allowances

The exceptional Ferencváros model: urban renewal instead of privatization

The Ferencváros model was developed between 1990 and 1993

- to continue a small renewal pilot which begun in socialism
- a decision was made on the comprehensive rehabilitation of a part of the city, thus **compulsory privatization could be avoided**
- permanent **relocation of the lowest status groups** to similarly poor neighborhoods
- the creation of a **new non-profit organization (SEMIX) based on the French mixed economy model** to manage new developments, while the public sector was responsible for the demolition of dilapidated houses and the refurbishment of the remaining ones















AREA

17



The consequences of mass housing privatization

- Despite the arguments of researchers and the success of the pilot in Szolnok, politicians decided in 1994 for giving the tenants the right to buy

The consequences of almost complete housing privatization were foreseen by researchers

- Making organized urban rehabilitation impossible
- Sharpening of differences between different areas of Budapest
- Making social housing policy difficult, almost impossible









A later dilemma of mine

Later I got increasing doubts **whether the ideas/concepts I believed in were realistic, feasible under given circumstances**

Was the non-profit rental sector alternative to mass privatization realistic in the early 1990s in Hungary...?

- Probably not, as neither central, nor local politicians were prepared to run a non-profit housing model
- The future would have been very risky for the tenants, thus their movement to buy was understandable

Lesson I have learnt: **it is not enough to find a good, evidence based idea, it should be realistic, as well**

Becoming part of the EU roller-coaster: a drama in many acts

- 1988 establishment of the **European Network for Housing Research**. ENHR was the first organization giving **equal chances for CEE researchers** (due to visionary Swedish president, Bengt Turner)
- 1990s: **strong link to Budapest municipality**: always on contractual basis, but backed by mutual trust between a politician and a researcher
- This advisory role allowed **participation in large EU events**



Urban Forum

Some 700 people came together to discuss the challenges and opportunities of urban areas where 80% of the EU population live.

Leading politicians emphasized that EU policies must become more “urban-sensitive”, dealing with the urban economy (growth and jobs), the sustainability of the urban environment, social inclusion through more urban regeneration and improved links between the different levels of government.

The Commission promised to continue the urban agenda.

VIENNA, 1998

The ,colourfulness' of the EU: core and peripheries

The core and peripheries within EU



Source:
Policy Discussion Brief for the
European Commission on
housing in EU member states.
Habitat for Humanity
International Europe, Middle
East and Africa June, 2016

Table 1. Basic economic and demographic indicators according three groups of the member states

	Indicators	Core - Western & Northern Europe	Periphery I. - Southern Europe	Periphery II. - new member states	EU average
I1	GDP PPP per capita, 2013	43,386	33,131	24,682	36 918
I2	Average salary (EUR/month), 2013	2,103	1,360	628	1,610
I3	Inability to make ends meet - Percentage of EU population, 2011 (%)	14.7	36.7	40.2	25.4
I4	Total change of population between 2011 and 2013 (per 1,000 people)	13.3	7.3	-6.5	7.7
I5	Net migration between 2011 and 2013 (per 1,000 people)	8.6	8.2	-1.9	6.3
I6	Population born in other EU MS, 2014 (%)	4.5	3.5	1.1	3.5
I7	Population born in non-EU countries, 2014 (%)	8.0	7.3	2.1	6.6
I8	Population (million person), 2014	273	130	104	508
I9	Share of the population (%)	54.0	26.0	21.0	100.0

Source: Policy Discussion Brief for the European Commission on housing in EU member states. Habitat for Humanity International Europe, Middle East and Africa June, 2016

BUDAPEST AS ACTIVE MEMBER OF EUROCITIES UNTIL 2010

- ◎ **very active role in Eurocities:** leading role in East-West Committee, later in the Economic Development Committee and in the Executive Committee
- ◎ 1998 paper “Assessing the fundamental needs of central and eastern European cities”: **housing estates and public transport** were mentioned as the positive elements of socialist heritage, the preservation of which needs special approach and means
- ◎ active lobbying with other cities for **changes in EU policies in relation to eligibility of housing and public transport** for Cohesion Policy funding (playing pioneer role to increase the knowledge of EC bureaucrats about the real situation in the new Member States)



Lobbying example: housing

- Budapest organized **cooperation between V4 countries** to explain to the Commission the special housing situation of the NMS-s
- example of good cooperation between political and expert level
- understanding, how the EU makes decisions
- a revolutionary breakthrough was achieved by early 2006: the Commission agreed to **add a new element to the Structural Funds regulation**, allowing in the NMS-s the improvement of the common parts of multifamily residential buildings with EU funding up till 2% of ERDF allocation

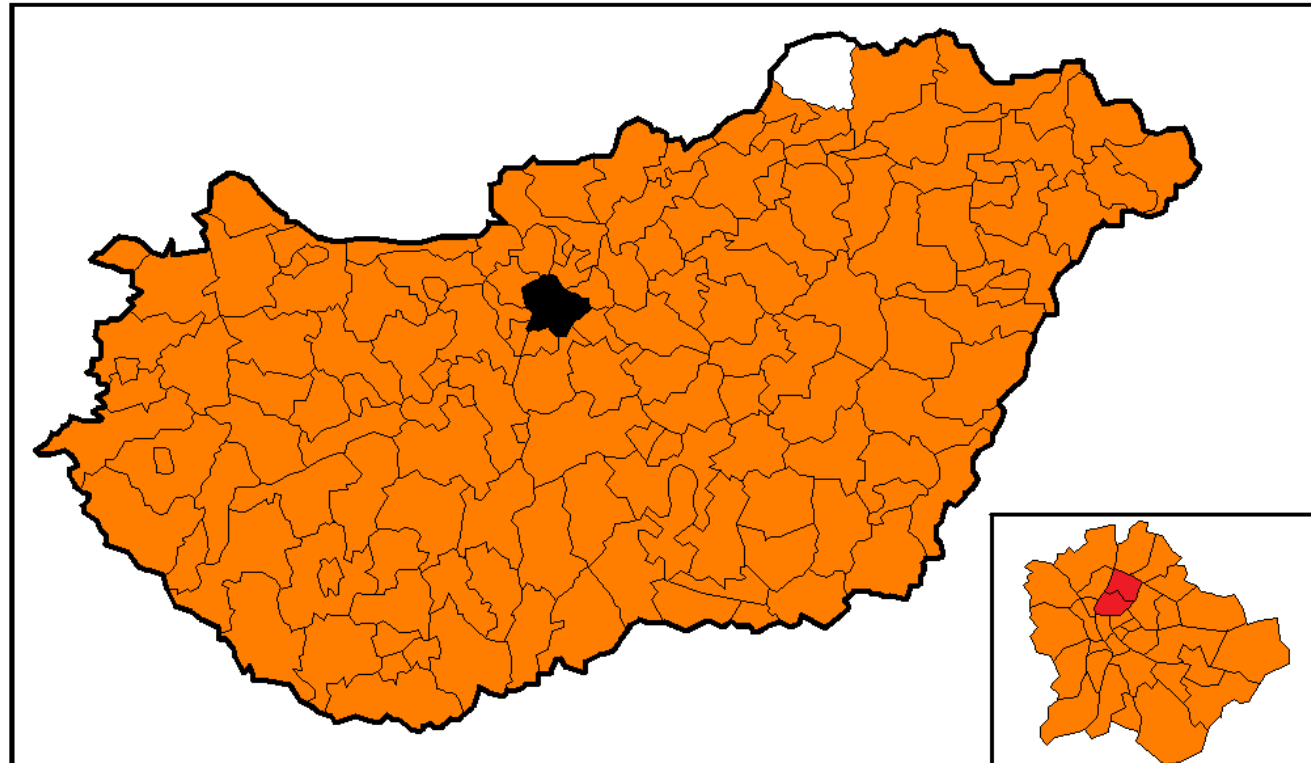
The NMS-s in the EU: innovations

In the second half of the 2000s: innovations coming from the New Member States

- HU: serious conditionality on the use of EU funds as EU-wide innovation (2008 financial crisis and 2010 political change washed it away)
- PL: regionalization and functional urban area cooperation as innovation (ITI story, supported by Polish ministry: strong research background, stable leadership, even during change in government)

The development of an illiberal political system in Hungary since 2010

2010: landslide victory of the right wing. 64% of population was voting, Fidesz has got 52,7% of votes, acquiring 68,1% of parliamentary seats, i.e. **super majority**



Power politics with super majority

With 2/3 majority in Parliament, Fidesz could **change all laws**, including the **constitution**.

Change of the **election system**, the electoral procedure, the rules governing campaigns and campaign financing.

Eliminating checks and balances: Fidesz people put in all key political positions

As a result Fidesz acquired in **2014 again super majority:** with only 39,8% of the votes, 66,8% of the seats. In **2018** this happened again: with 49,2% of votes 66,8% of the seats

Killing pluralistic media: Fidesz has transformed the entire media system in a way that allows it to disseminate political messages and political propaganda more effectively than ever before, through a **small group of loyal media owners**, who are completely dependent on the governing parties

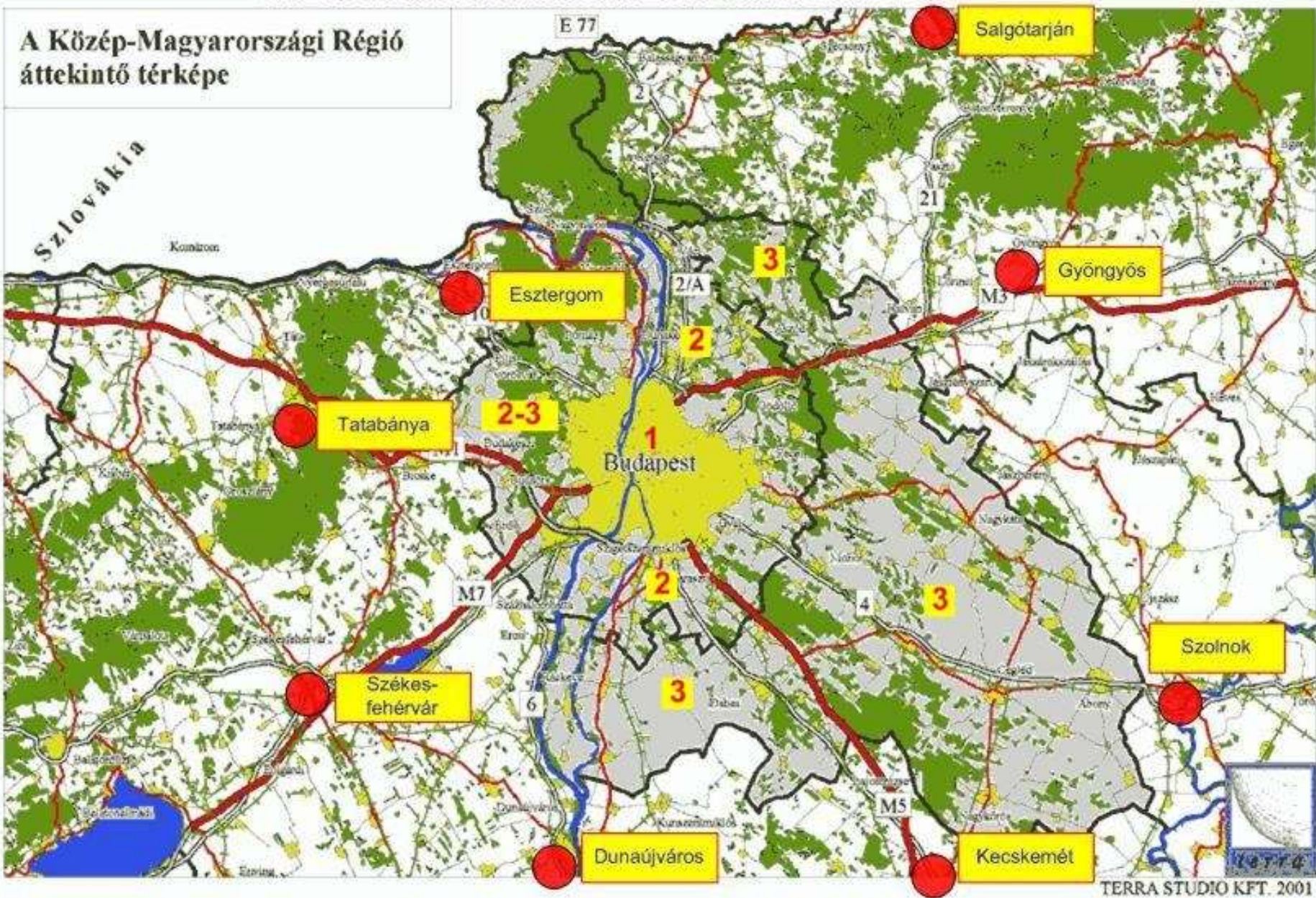
The expansion of the new media 'oligarchs' is also helped by the **distorted allocation of state advertising spending**, the credits extended by '**oligarch-owned**' banks, and the **media authority's** (exclusively made up of Fidesz-delegated members) practices in deciding radio frequency tenders and in evaluating media market mergers

Consequences of the political shift

- In Budapest: no chance to continue, all my knowledge and contacts were dropped (cf Oslo story).
- Eurocities experience: if I am not supported by the mayor, I can not attend any more meetings.
- National level: 2011 EU Presidency conference on demography was 'allowed' – the topic (demographic decline and the opportunities of migration) could have become an important document, if the government supported it...

KÖZÉP-MAGYARORSZÁGI RÉGIÓ STRATÉGIAI TERV

A Közép-Magyarországi Régió áttekintő térképe



The dilemma of the Central Hungarian Region

	Popula- tion (million)	Administrative status	Functional importance
Budapest municipality	1.7	local government	
Agglomeration of Budapest	2.5	none (statistical unit)	job market, housing market, infrastructure
Region of Budapest	2.9	NUTS II planning level	none
Economic area of Budapest	4.0	none	economic area (investors)

City Park – the story of the museum quarter



ZIGETVÉDŐK
A
KITARTÁS
HETE
2016.07.04-10.

BEJÁRAT
→



How EU programmes are dealing with peripheral cities (and researchers)?

Supporting actively peripheral cities

- URBACT, Eurocities

Giving equal chances to the participation of peripheral cities

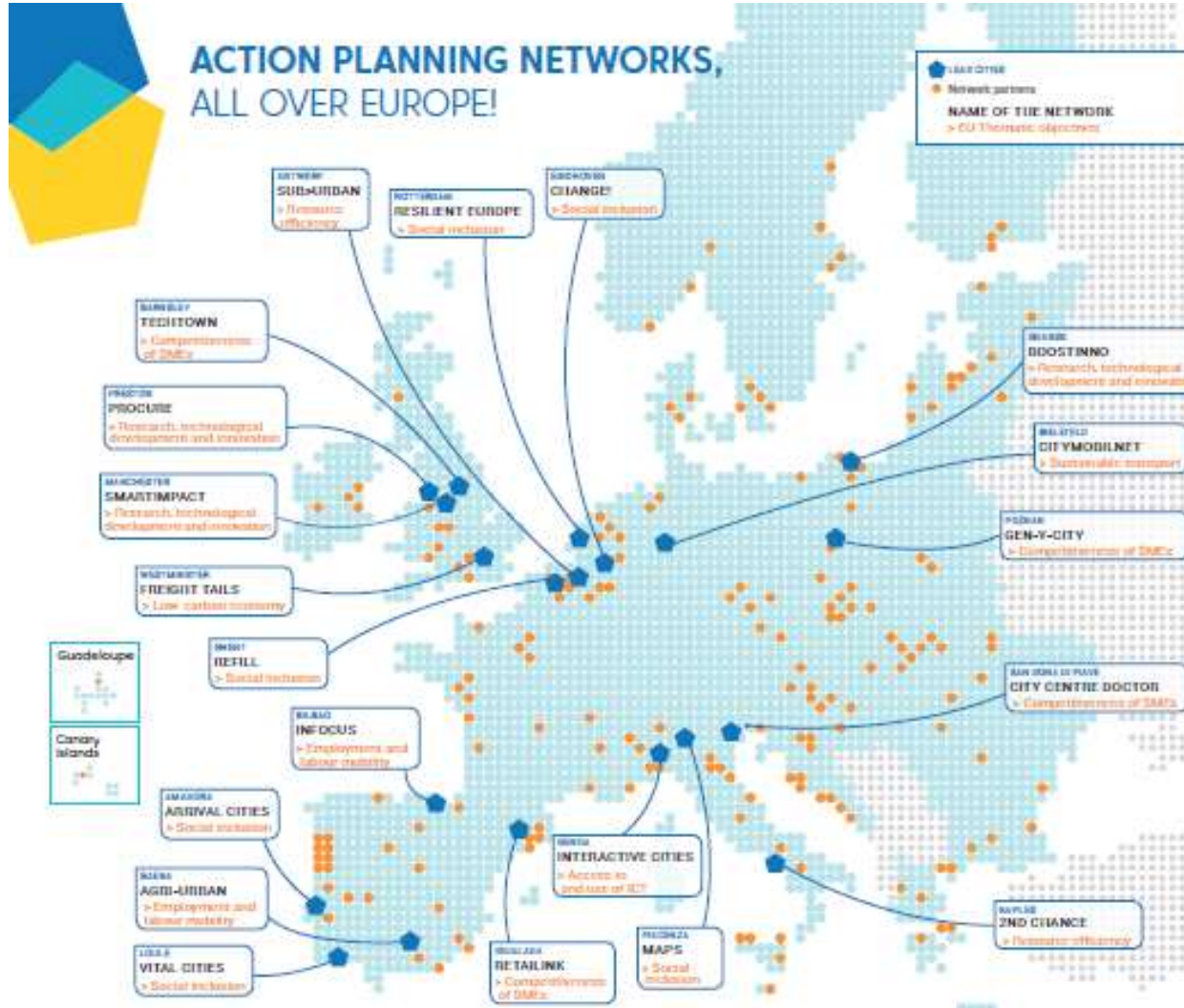
- ESPON, Interreg, Urban Development Network, Urban Innovative Actions, Urban Agenda partnerships, EUKN

Giving less chances to peripheral cities

- Horizon 2020

Large differences in the payments of researchers...

ACTION PLANNING NETWORKS Lead Partner & Project Partner



CAPACITY-BUILDING

- Toolkits, methods
- National seminars
- URBACT Summer University



EU Cohesion Policy: a promising but finally failed attempt in the early 2010s

Early 2010s: acceptance to ringfence financing for integrated development with ITI as compulsory tool for it

ITI was promising from many aspects:

- to put strategic thinking ahead of project based actions,
- to support functional area approaches both on neighbourhood and on city-region level as opposed to the administrative territories,
- to push for integration between policy fields and between funds,
- to acknowledge the local/metropolitan level as direct client in Structural Funds policy (delegation)

No wonder that **many cities became excited** and raised high expectations (getting block grant) towards the post-2014 Structural Funds.

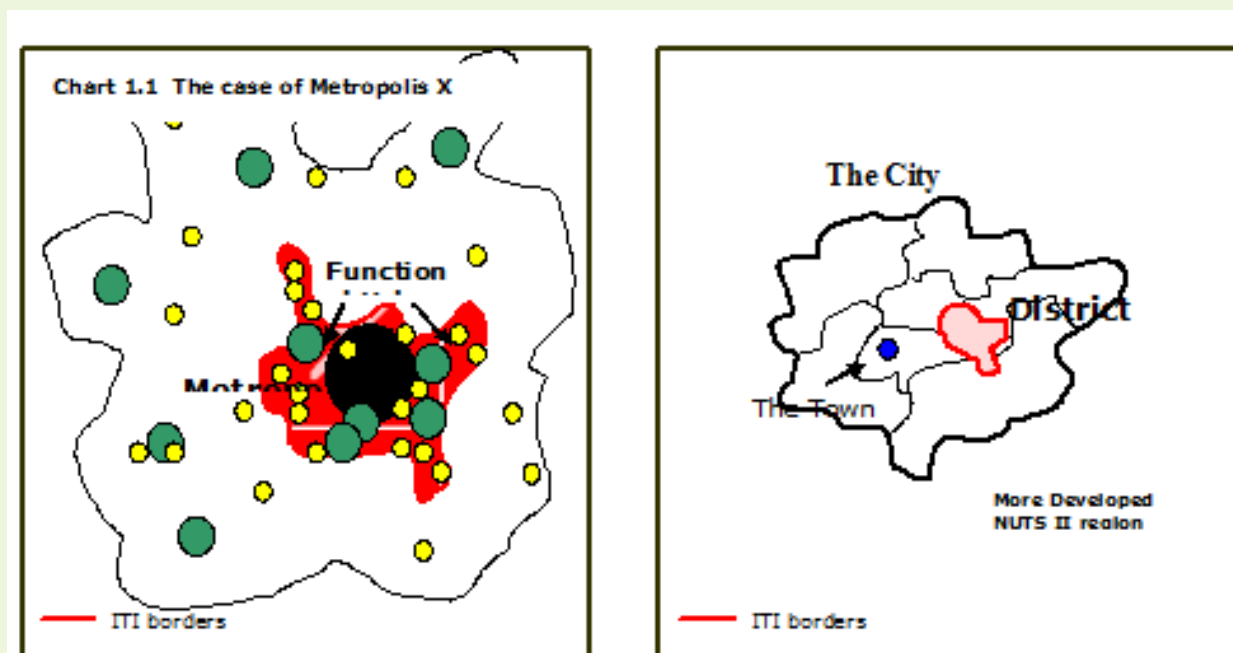
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2nd joint EU Cohesion Policy Conference, Riga

Main types of ITI-s: suggested by the Commission

Four 'Scenarios' for ITIs: metropolitan urban area, deprived urban area, territory with specific features, integrated regional development with urban rural linkages.



By the end of 2014 only the first two were available as non-binding materials

Unwilling Member States, cautious Commission, hesitating Parliament

The brave proposals of the Commission have been substantially **“watered down” during the 2010-2012 debates with the Member States**

- the broad application of multi-fund financing was unrealistic as not even the Commission itself could achieve better cooperation between ERDF and ESF
- the delegation to the city level was a wish of the EC and EP but the national and regional level was completely against it
- the simplification was only a dream: the Commission was pushed by the Court of Auditors into more control with ever more administrative conditionalities: ERDF – ESF; thematic concentration, transition regions
- the new ideas for integrated approach would have needed clear explanations but the Commission was in serious delay with documents helping to operationalize ITI

As a consequence the resulting regulation-compromise proved to be too weak to achieve the originally aimed strong position of the European cities

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Critical issues in implementation of integrated urban development with Article 7

1. Thematic concentration, result orientation
2. Multi-fund
3. 'Delefbobia'
4. Training needs of cities

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1. Thematic concentration, result orientation

- These two are essential aims of the new approach of Cohesion policy, linked to the EU 2020 strategy
- Not criticizing the importance of these aims, both are very much against locally determined (participatory, bottom-up developed) integrated thinking
- These aims divert further away from the original global-grant type of intention: cities are not allowed to develop their integrated strategy and collect money from different funds, without fulfilling conditions raised by those from whom the money came

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2. Multi-fund

- ERDF and ESF: these are still very different regarding institutions, definitions, strategies. Some of the member states further aggravate the problem with national ESF regulation, excluding any opportunity on the regional or local level to use ESF resources as part of integrated interventions.
- Urban and rural: although in real life it is more and more difficult to delienate clearly urban from clearly rural areas, in EU funding this is required among the first steps of programming. The efforts towards RURBAN are only hiding this basic conflict and can not counterbalance at all what was ruined by the separation of rural and urban development.

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3. 'Delelobia'

'Delelobia' describes the hesitation of MA-s to share management and implementation functions with local authorities, as the MA-s consider them inexperienced in cohesion policy matters, potentially endangering the financial accountability of the programmes.

On the side of the cities at least three different strategies can be observed.

- Many cities are self conscious and fight against the MA-s in order to get more delegated power from them (e.g. Italian Metropolitan Cities).
- Some cities would in principle be able to take over more power but refrain from doing so due to fiscal austerity (e.g. English cities).
- Finally some cities do not want to become Intermediary Bodies, not even for the minimal task of project selection as they think not to have the knowledge and capacity for that.

4. Training needs of the cities

Cities which will receive relatively the highest amount of Article 7 money are the least experienced in the complex planning, governance and implementation mechanisms which are needed for the required integrated use of these resources.

No wonder that some cities or newly formed metropolitan collaborations are unwilling to take over even the minimal task of project selection. In their case the training of the existing personnel is of crucial importance.

In some countries many efforts are done to train cities. In France substantial training activity is included into the TA budget to allow cities to prepare. Also in Italy the maximum possible resources are given to TA, including a national committee to support the 14 metropolitan cities as new Intermediary Bodies.

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THE EU IN A PERFECT STORM

- ◎ Brexit and the restructuring of EU policies
- ◎ Political challenges: rising populism
- ◎ The future of the EU and of Cohesion Policy – ideas as of the end of 2019



**Post-2020: what
kind of EU it will be?**

Crises affecting the EU: Brexit, refugee crisis, illiberal policy-making

- Financial consequences of Brexit: **budget reduction** (appr 15 bn eur)
- Political consequences: Brexit could have strengthened the remaining EU27 but the **refugee crisis weakened it (illiberal policies: HU, PL)**
- Dilemma: keep the unity with stronger control or **differentiate between MS-s** (euro-zone; double speed EU)?

End of the 2010s: very limited progress with the new ideas for 2021-27

- **urban dimension:** suggestion only for slight increase
- new policy objective on functional territories, but **no Commission guidance** on this, arguing with flexibility (in reality: weakness)
- **metropolitan agenda: no chance for it** in the lack of any enforcement and even Commission guidance
- Urban Agenda: useful sectoral advices but **neglecting the horizontal aspects**; UA Partnerships can be evaluated as **new sectorialism**
- **no signs of reorientation of the Semester and CSR-s** toward growing priority to urban development or to ease the deficit rule (except for arguments for more social investments in the agenda of Juncker)

Pessimistic views about the future

Enzo Mingione: bleak projections for the future.

- **Capitalism produces unsustainable and disruptive results**, and democracy cannot control it under conditions of globalisation.
- The 2008 crisis worsened this scenario as it exacerbated the **erosion of protective institutions**, undermining their ability to challenge the processes of the market.
- Capitalism is leading to **conflict-ridden, unequal and exclusionary societies**.



Then came COVID

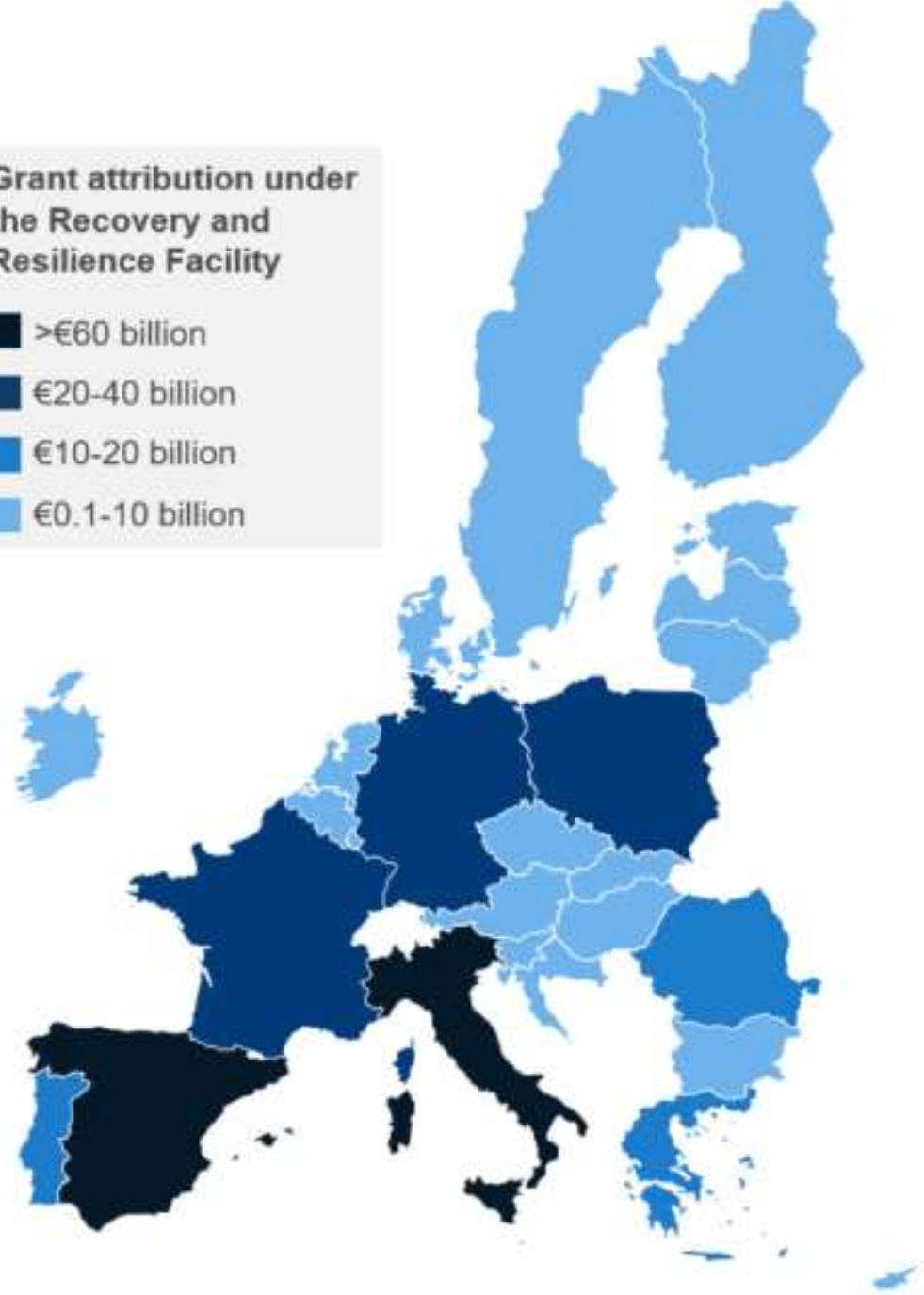
- **July 2020:** unprecedented rescue package adopted in a five days meeting of the Council of the EU
- Agreement reached on the **2021-27 EU budget** (Multi Annual Financial Framework) and the **Next Generation EU as recovery package** – subject to the approval of national Parliaments
- **Resilience and Recovery Facility (RRF):** high amount (€360 billion in loans and €312,5 billion in grants) and high ambition, **mission-oriented programme for transformative recovery**, led by the European Green Deal and technological innovations/digital services

Resilience and Recovery Facility

- Member States have to prepare **recovery and resilience plans (RRP)** that set out a **coherent package of reforms and public investment projects**, which have to be **implemented by 2026**.
- These plans have to address challenges identified in the **European Semester**, particularly the country-specific recommendations adopted by the Council
- Each plan has to include a minimum of **37% of expenditures related to climate** and a minimum of **20% of expenditures to foster the digital transition**.
- Allocation key of money involves also the observed and projected **loss in real GDP over 2020-2021**.

**Grant attribution under
the Recovery and
Resilience Facility**

- >€60 billion
- €20-40 billion
- €10-20 billion
- €0.1-10 billion



The procedure of the RRF

- Member States were preparing their RRP-s, which had to be sent to the Commission before the **end of April 2021**.
- These national plans were **assessed by the Commission**, on the basis of which the **Council decided**: 23 of the 27 RRP-s were approved.
- The RRF regulation refers only to the Member States, there is **no obligation or requirement to involve subnational authorities** into planning and implementation, despite the fact that **local communities suffer greatly** from the economic and social consequences of the crisis and that **cities that are the drivers of the green, digital and just transitions** that Europe needs for recovery.



FLAGSHIP AREAS FOR INVESTMENTS AND REFORMS

POWER UP

CLEAN TECHNOLOGIES AND RENEWABLES

RENOVATE

ENERGY EFFICIENCY OF BUILDINGS

RECHARGE AND REFUEL

SUSTAINABLE TRANSPORT AND CHARGING STATIONS

CONNECT

ROLL-OUT OF RAPID BROADBAND SERVICES

MODERNISE

DIGITALISATION OF PUBLIC ADMINISTRATION

SCALE-UP

DATA CLOUD CAPACITIES AND SUSTAINABLE PROCESSORS

RESKILL AND UPSKILL

EDUCATION AND TRAINING TO SUPPORT DIGITAL SKILLS

The reality: centralized planning

- There are only a few examples known from EU countries (Finland, Netherlands and to some extent Italy) where national governments **involve representatives of the local level** into discussions about the RRP.
- In some countries, like France, Spain, Poland the national level **consults at least the regions**.
- With these exceptions, the **dominant pattern among Member States is centralized planning** : the RRP is prepared exclusively by ministries, with the total exclusion of the subnational level.
- **Hungary among the worst examples**: the RRP was published only one month before EU deadline

Lobbying of large EU cities

„...we urge the European institutions to recognize municipalities as key allies in our joint fight for a resilient future.

First, we urge **the EU to mandate member state governments to better engage cities when shaping country-level recovery plans.**

Second, we find it crucial that **the EU opens up parts of the Recovery and Resilience Fund directly to local governments...** we specifically urge the European institutions to adopt the proposed amendment in the European Parliament **to earmark at least 10% of the RRF to the local level.**”

Ideas for reforming EU programmes

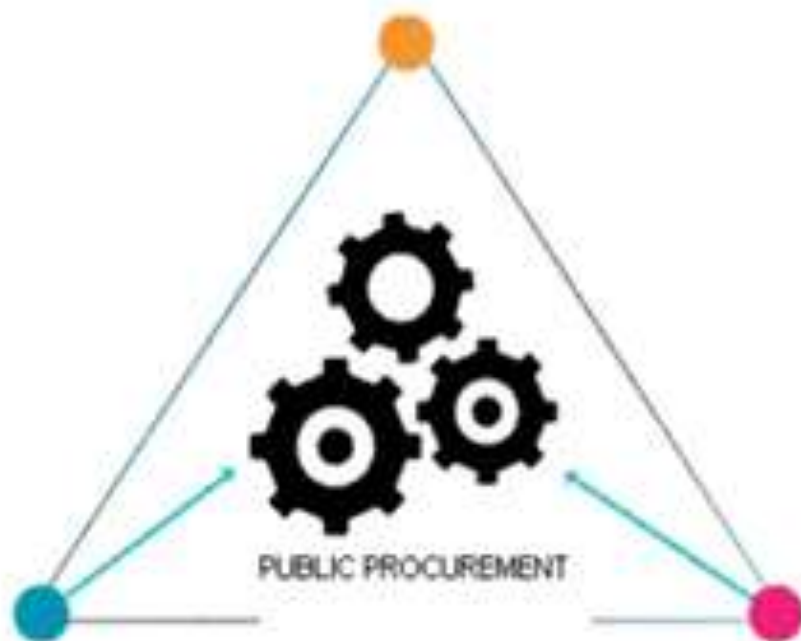
- Cities/urban areas should increasingly become direct beneficiaries of EU funds (like Urban CI)
- Larger share of EU funds should be distributed through direct financing – the control could be outsourced, no need to expand the Commission
- The monitoring of EU programmes should be ‚socialized‘, including cities, NGOs... transparency should be ensured in the form of Integrity Pacts

https://ec.europa.eu/regional_policy/en/policy/how/improving-investment/integrity-pacts/

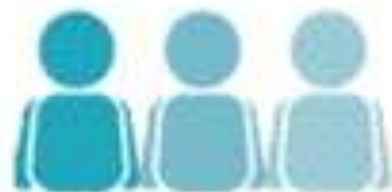
INTEGRITY PACT MODEL



INDEPENDENT OBSERVER



PUBLIC PROCUREMENT



CONTRACTING AUTHORITY



TENDERERS

The hope: innovative local level

New wave of **innovative local approaches since 2008**, the outburst of the financial crisis

- participatory planning
- flexible governance
- urban commons
- universal basic income
- affordable housing
- accessibility through extensive and affordable public transport

Cities as game changers?

- **Sophie Body-Gendrot:** cities are more important and potentially more successful opponents of capitalism than social movements as **cities have the capacity to transform people into citizens.** „The political sphere needs to be reframed so that a democratic Europe based on citizens’ debates about the institutions that they want becomes possible ... Cities have a major part to play in this endeavour.”
- **Patrick Le Galés:** European metro regions are strong opponents of neoliberalism with economic and political capacities. „**European cities are bastions** of resistance against the extreme right ... European cities have **resources and are doing relatively well**, in sharp contrast with the rest of their countries.”



Manuela Carmina
Madrid



Ada Colau
Barcelona



Joan Ribó
Valencia

New mayors with new ideas



Anne Hidalgo,
Paris



Gergely
Karácsony,
Budapest

Fearless Cities conference: Barcelona, 2017

Organizer of the summit: **Barcelona en Comú**, leftist political platform, that combines active citizens with goals and values of **social justice, participatory democracy, equality, ecological sustainability and the right to the city.**

600 people participated in the summit from 180 cities, 60 countries and 5 continents.

Ada Colau closing speech: it is the municipal level where democratic change of politics is possible. Nation states are slow, authoritarian and patriarchal. **The municipalist network has to be ambitious, generous and courageous to link together people from different cities.** It has also to be pragmatic and open to different experiences and also to contamination. „We do not have mediation or economic power, **our power are the people.**”



How far can municipalism reach in changing national systems and capitalism?

Many people believe that **municipalism can become game-changer.**

Jelle de Graaf, Pirate Party in the Netherlands : „When you open up and **actually talk to people, instead of yelling one-liners at them**, radical policy is possible. ... By empowering the commons, and focusing on all those co-operations and active citizens who are already working on green-initiatives, **radically green progress is possible with the support of the people.**

The municipalist movement shows us **there's a viable alternative to both the extremism of the far right or the political stalemate of the traditional parties.** An inclusive, sustainable and just future starts at the local level.”

On the other hand there are analysts who say that municipalism has limited chances, **neither state policies nor the basic rules of capitalism (e.g. the contradiction between capital and work) can be changed from below.**

Iván Szelényi: Lefebvre and Castells believed in a **bottom-up revolution** as the result of growing inequalities. For a few years, in the course of the great financial crisis, there seemed to be a hope that at least some reforms can be achieved in the regulation of capitalism. However, **by today the crisis is over and the capital-led global macro-structures are dominating again.**

There is a need for a REAL EU Urban Agenda

The EU should create a **new framework for sustainable and inclusive urban development, breaking through the blockade of the gatekeeper members states**

- **creating block grants for cities:** similar to URBAN, but on larger scale, directly controlled by the Commission
- **strengthen metropolitan level planning and institutions** to stimulate integrated planning
- support innovative methods towards more participation and inclusion, **strengthening local democracy**

Progressive development ideas can only break through in **cooperation between the EU and the cities**

Epilogue

How can critical thinkers influence policy making?

How long can illusions be chased and what to do when illusions fade away?

- **never give up**, do publish your ideas, create discussion groups, organize demonstrations, wait until someone is listening to you. (New Years photo essays, evening online chats, Budapest Circle discussion group, activism in a few issues)
- **be also self-critical with your convictions**, avoid to become dogmatic, take new information and changing conditions into account. Keep the main ideas but search for best realization.

Finally: a special disclaimer

- As an urban researcher, I am **critical about the EU**, due to the slow development of urban programmes, the silo structure of the EC (DG Regio vs DG Agri), the power game among institutions (EC, EP, Council), etc.
- On the other hand, as a researcher from a peripheral CEE country (never leaving this country), **it is the EU which gave me chances** for achieving results, only based on knowledge
- It was important for me to find **'anchor organizations', giving stable background to the critical analysis**. Happily I found such organizations: **ENHR** (scientific), **Eurocities** (based on affiliation to the mayor), **URBACT** (based on personal knowledge). All these are European...

THANKS FOR YOUR ATTENTION!

Iván Tosics

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