

# **THE DEVELOPMENT AND PROBLEMS OF BUDAPEST**

**IVÁN TOSICS**

**Metropolitan Research Institute  
Budapest**

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IHEDATE**

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The heritage of the past: historical overview of city development

- the administrative establishment of Budapest in 1873
- most dynamic period of city development of Budapest at the end of the XIXth century, until the War
- interwar period: Budapest as capital of a country which lost two third of its territory
- the 44 years of socialist system: first isolated, later, from the 1960s onwards, gradual opening in foreign relations
- the collapse of socialism, the change of the political and economic system in 1989
  
- very different political regimes: the openness of the Bárczy éra around 1910, the conservative interwar period (Budapest in fight with the central government), the struggle of the municipal level for power with the state and the party in the socialist system

### The changes in economic terms

- At the beginning of the 20th century the level of economic development of Hungary was equal to that of Austria, Finland, Italy and Spain.
- In the interwar period the country could only very slowly and gradually try to regain its importance on the international scene
- After WWII the 44 years of Soviet dominance and imposition of the socialist system created at the beginning very unfavourable conditions for Hungary. From the middle 1960s onwards Hungarian economy gradually opened towards market oriented development
- By the end of the socialist period Hungary sank down substantially, to the level of Greece and Portugal.
- Since the 1990s quick economic development, larger growth rates than in the „old EU” countries

### **The decision making structure in the inter-war period**

- Budapest was independent local government, with strong control of above
- Public Works Committee: delegated members come from the central and from the Budapest level (50-50%). Broad competencies, even some control over the surrounding area of Budapest
- 1940: the first overall development programme, reflecting capitalist development considerations

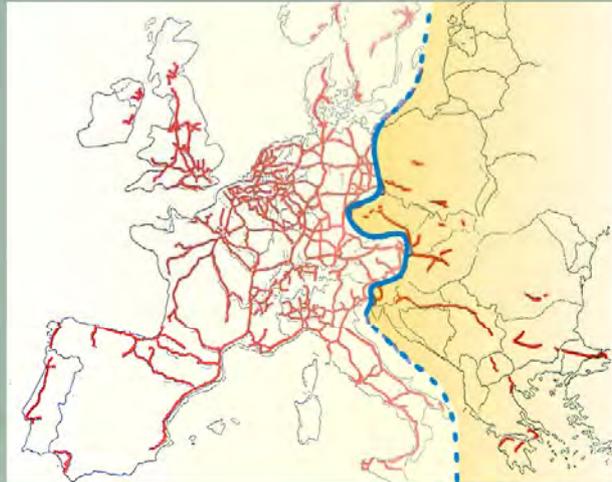
## The socialist development period (1948-1990)

- First phase: the elimination of the independence of the local level, politics dominates and sectoral ministries are stronger than local councils. 1960 Master Plan: the compilation of sectoral ideas
- Second phase: in the 1960s the council gains ground against the sectors. The result is top-down planning, local independence is limited to find the place for developments.
- Third phase: from 1986 reform of municipal finance, introducing the regulation of revenues (instead of expenditures)



## Autópályák Európában

(1996)



Gazdasági és Közlekedési Minisztérium



## **The transition: the main factors of changes**

The democratic political system from 1990: changes on the national and local level

The Law on Local Governments (1990): new administrative structure

The two-tier administrative structure of Budapest

- 1990-1994: the period of equal rights in municipal-district relations
- 1994-1998: modification of the Law on Local Governments, the municipal level has got some more rights, especially in planning for the whole city.
- 1998-2002: the increase of the role of the districts, especially in the allocation of central budget transfers.

Budapest and its agglomeration

The political leadership: continuity in Budapest, even the mayor remained unchanged since 1990. Budapest was twice in opposition to the national government (1990-94, and 1998-2002), while three times on the same political side (1994-98, 2002-2006 and from 2006 onwards).

## **The transition: economic development in the Budapest metropolitan area**

- Cash privatisation and foreign direct investments

FDI was the most important driving force for the economic change: by 2003 altogether 31,5 billion EUR of FDI came in into Hungary, more than half of it to Budapest.

- Quick economic restructuring

The restructuring of the economy of Budapest was very fast, in which the tertiary sector has achieved - with its over 80 % share - a dominant position. The unemployment rate has been about 5% in the last 4-5 years, compared with the national average of 6-8%.

| Key indicators – Budapest               | (Hungary = 100%) |
|---|------------------|
| Population, 2003                        | 17,0%            |
| Active economic enterprises, 2000       | 29,4%            |
| Enterprises with foreign owner(s), 2000 | 53,5%            |
| GDP, 2002                               | 35,1%            |

### New developments in the city

- Budapest's buoyant real estate market  
Over the last five years some 580.000 m<sup>2</sup> quality "A" office space, 670.000 m<sup>2</sup> retail space, 1.600 hotel rooms and 500.000 m<sup>2</sup> logistics/warehousing facilities were built in the city and in the immediate vicinity.
- Spatial allocation of new developments  
Far more shopping centers were built within the city, than in the agglomeration. Following the boom in office and hotel construction, in the last two years there is also a boom in new housing construction to be observable, both within and around the city.





## The problems of Budapest

- Suburbanization
- Traffic crisis
  - Growing car use
  - Decreasing public transport
- Brownfield problems
- Deteriorating residential areas
  - Inner city neighborhoods
  - Large housing estates
- Growing social differentiation

## **Processes and tendencies at the beginning of the XXI century**

### **Directions and Tendencies in the Migration of Population**

overall figures  
the destination of outmigrants  
the origin of outmigrants

Territorial differences in population decline of Budapest: the –15% decline is of different pace in the different parts of the city:

- 30 percent for the CBD area of Budapest (districts I and V)
- 25 percent for the inner city (VI-IX districts)
- 17 percent for the transitional belt (X, XIII, XIV)
- 8 percent for the high quality Buda side (II, III, XI, XII, XXII)
- +6 percent for the outer districts (IV, XV-XXI)

## **Population change in the Budapest urban area**

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|      | <i>Hungary</i> |        | <i>Pest county</i> |       | <i>Budapest</i> |        | <i>Budapest agglomeration (78)</i> |        |
|------|----------------|--------|--------------------|-------|-----------------|--------|------------------------------------|--------|
|      | '000           | Chg. % | '000               | Chg % | '000            | Chg. % | '000                               | Chg. % |
| 1993 | 10 310         |        | 964.9              |       | 1 995.7         |        | 579.5                              |        |
| 1994 | 10 277         | - 0,3  | 973.3              | + 0,8 | 1 930           | -1, 2  | 585.1                              | + 1,0  |
| 1995 | 10 246         | - 0,3  | 985.1              | + 1,2 | 1 906.8         | - 1,1  | 588.8                              | + 0,6  |
| 1996 | 10 212         | - 0,3  | 994.5              | + 0,9 | 1 886.2         | - 1,3  | 615.1                              | + 4,5  |
| 1997 | 10 135         | - 0,7  | 1 006              | + 1,1 | 1 861.4         | - 1,2  | 618.3                              | + 0,5  |
| 1998 | 10 092         | - 0,4  | 1 018              | + 1,2 | 1 838.7         | - 1,2  | 628.6                              | + 1,7  |
| 1999 | 10 043         | - 0,5  | 1 032              | + 1,4 | 1 811.5         | - 1,5  | 640.5                              | + 1,9  |
| 2000 | 10 196         |        | 1 080              |       | 1 774.0         |        | n.a.                               |        |
| 2001 | 10 175         | - 0,2  | 1 089              | + 0,8 | 1 739.6         | - 1,9  | 678.0                              |        |
| 2002 | 10 142         | - 0,3  | 1 105              | + 1,4 | 1 719.3         | - 1,2  | 691.3                              | + 1,9  |

| The relative change in population 1980-2000, in percent | City and urban agglomeration | City proper | Urban agglomeration |
|---|------------------------------|-------------|---------------------|
| Berlin  | 11.9                         | 10.3        | 18.5                |
| Vienna  | 8.9                          | 4.9         | 20.9                |
| Budapest  | -0.3                         | -12.3       | 34.5                |
| Ljubljana   | 13.4                         | 2.4         | 31.6                |
| Prague  | 0.1                          | 0.3         | -1.7                |
| Zagreb  | 22.2                         | 22.8        | 20.7                |



| The change in motorization and in the modal-split, 1990-2000 | Motorization (number of vehicles per 1000 population) |      | Modal split (public-walk-car) |          |
|--|---|------|-------------------------------|----------|
|  | 1990  | 2000 | 1990                          | 2000     |
| Berlin   | 325   | 322  | 27-36-37                      | n.a.     |
| Vienna   | 365   | 385  | 37-26-37                      | 37-26-37 |
| Budapest   | 235   | 300  | 66-21-13                      | 50-26-24 |
| Ljubljana  | 335   | 420  | 20-38-42                      | n.a.     |
| Prague   | 277   | 523  | 54-26-20                      | 44-24-32 |
| Zagreb   | 220   | 245  | 51-28-21                      | 37-37-26 |





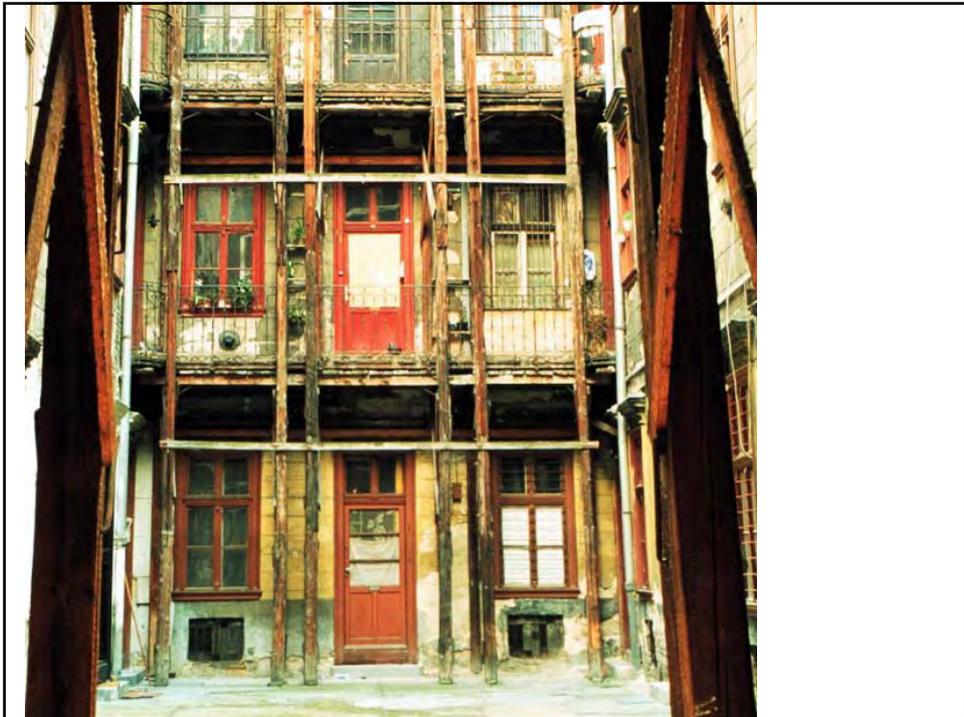
## Housing policy and the built environment

Transition with massive privatization of housing

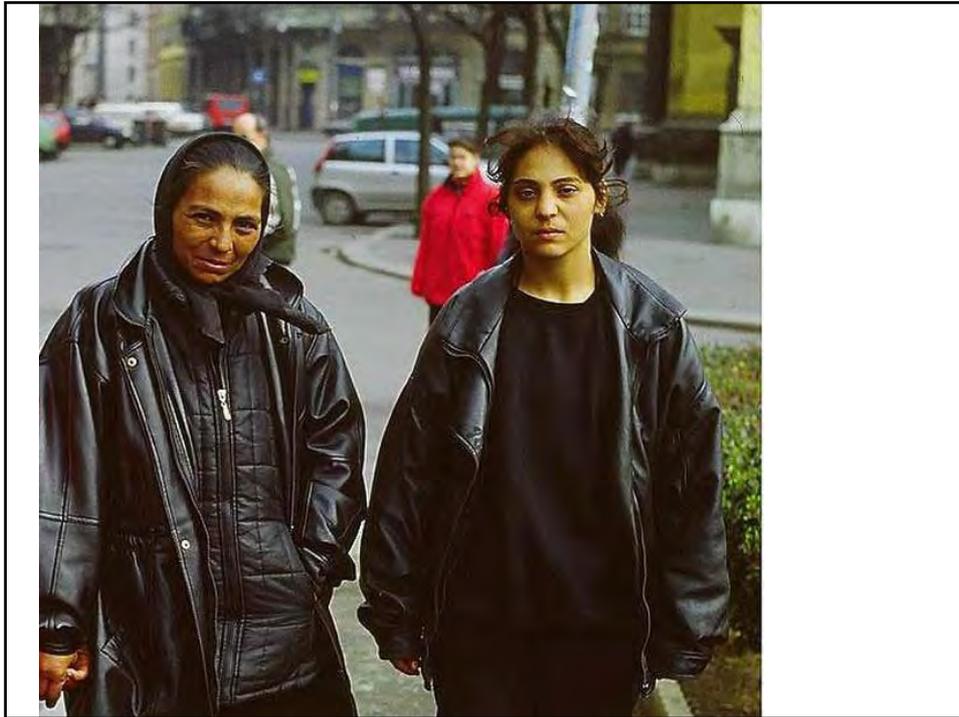
From housing point of view: "non-policy" period

- central (national) level:
  - support for infrastructure development
- local level:
  - municipality: housing is a non-issue
  - districts: very few are active
  - suburban settlements: active policy in many of them

Housing construction and infrastructure







## **European cities on different economic development levels**

- Gross Social Product per capita on constant prices (showing the economic development level of the region, rather than the standard of living of the urban population)
  - 33.000 EUR: Hamburg, München, Helsinki
  - 27.000 EUR: Stuttgart, Paris, Brussels, Vienna
  - 20.000 EUR: Köln, Strasbourg, Utrecht, Marseille
  - 13.000 EUR: Birmingham, Dresden, Manchester, Barcelona
  - 5.000 EUR: Athens, Budapest
  - 4.000 EUR: Prague, Warsaw

## Institutional circumstances of planning in Budapest

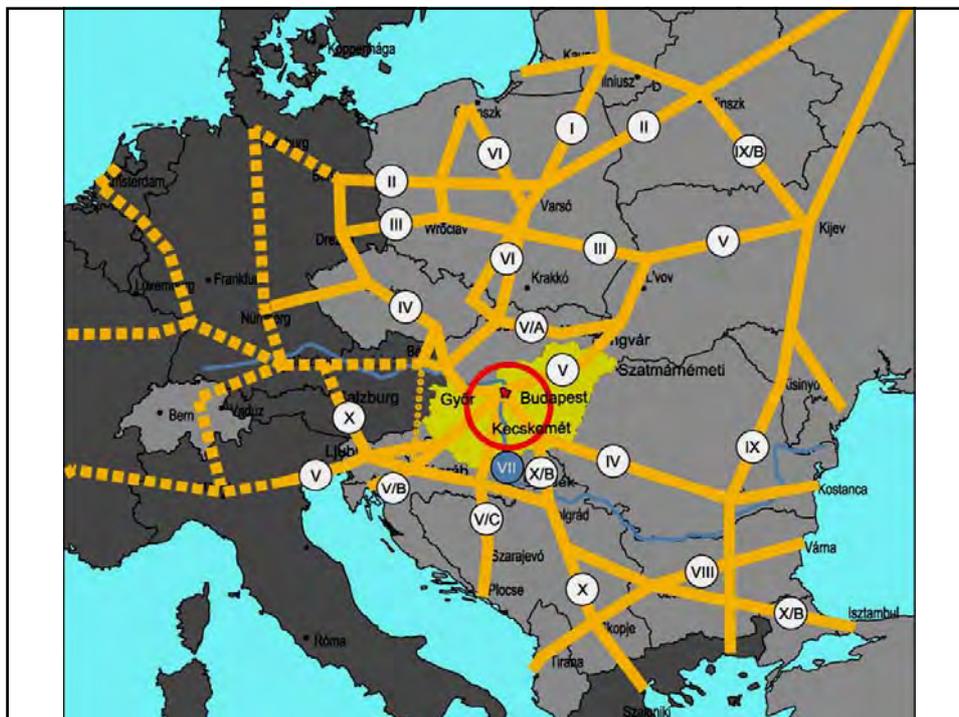
- The central government has left Budapest alone in earlier periods (withdrawing most of the support, even from public transport), the situation improved only from 2002
- Almost no public ownership of assets (comprehensive privatization of land and housing)
- Too much fragmentation in the administrative system within and around the city

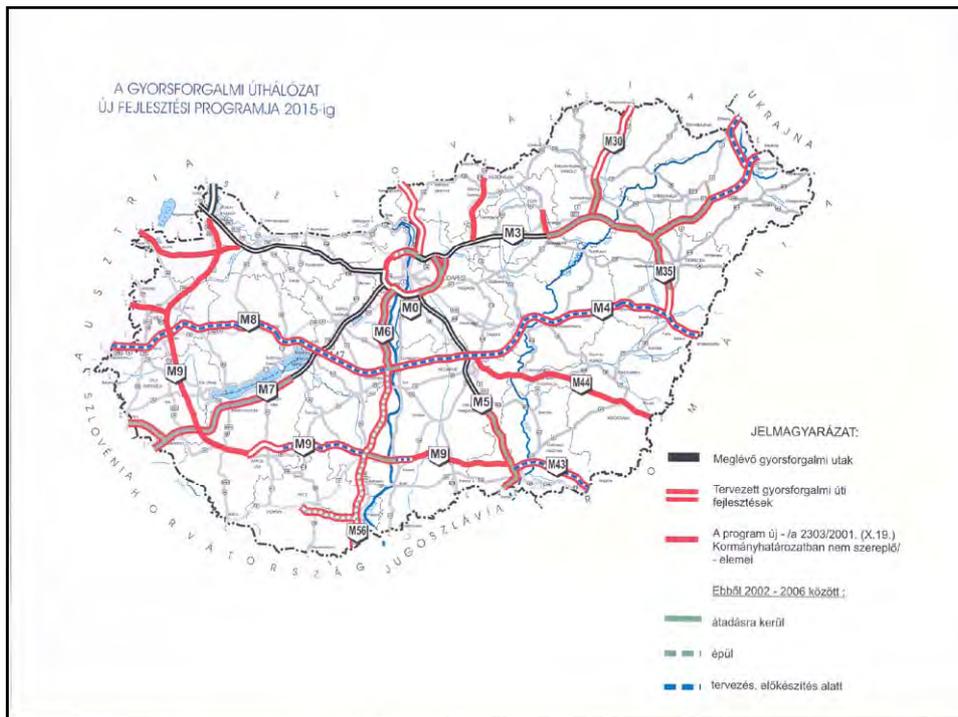
## The inner structure of the cities

| Levels of government | Centralized city  | Centralized two-tier city | Deconcentrated two-tier city | Real two-tier city | Decentralized city          |
|----------------------|-------------------|---------------------------|------------------------------|--------------------|-----------------------------|
| Municipal            | +++               | +++                       | ++                           | ++                 | +                           |
| sub-municipal        | 0                 | 0/+                       | +                            | ++                 | +++                         |
| <i>EXAMPLE</i>       | <i>Copenhagen</i> | <i>Vienna</i>             | <i>Stockholm</i>             | <i>Budapest</i>    | <i>(Warsaw, until 2002)</i> |

## STRATEGIC DEVELOPMENT PLAN OF BUDAPEST: VALUES

- efficiency – competitiveness:  
the municipality must provide adequate location and enterprise environment for the economic stakeholders, modern industry and service sector.
- liveability:  
protecting and cultivating the quality of the natural and the built environment, which makes Budapest a city where it is good to live.
- social sustainability:  
the municipality must support and assist the most disadvantaged social groups and urban neighbourhoods in catching up with the others.

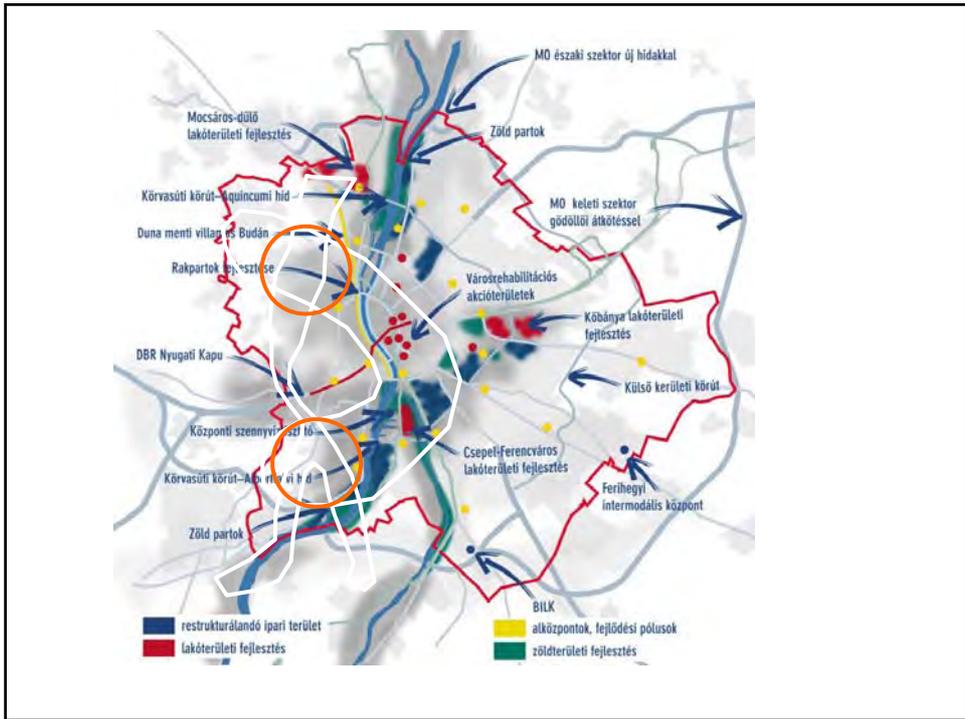




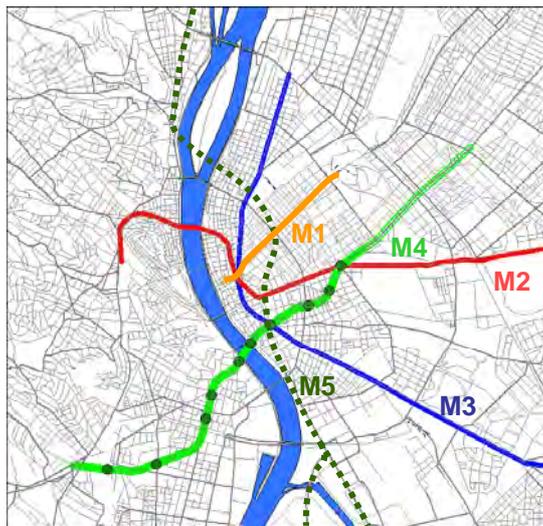
## The Strategic Development Plan

Approved by the Municipality of Budapest (27 March, 2003), sets the following strategic goals:

1. Promoting economical strength:  
making the best use of the geopolitical position of Budapest, fostering efficiency in the urban economy
2. Intelligent transport system:  
developing the transport system in an environmental-friendly way
3. High-quality built environment:  
improving the quality of the built environment
4. High-quality natural environment:  
improving the quality of the natural environment and the system of parks and open spaces, environmental-friendly infrastructure development
5. Strong cultural character:  
providing adequate conditions for leisure and cultural activities
6. Social sustainability:  
providing social sustainability by social services, meeting the requirements of sustainable society
7. Regional cooperation:  
improving the regional integration of Budapest and its surroundings
8. Well-balanced spatial structure:  
developing the spatial structure of the city

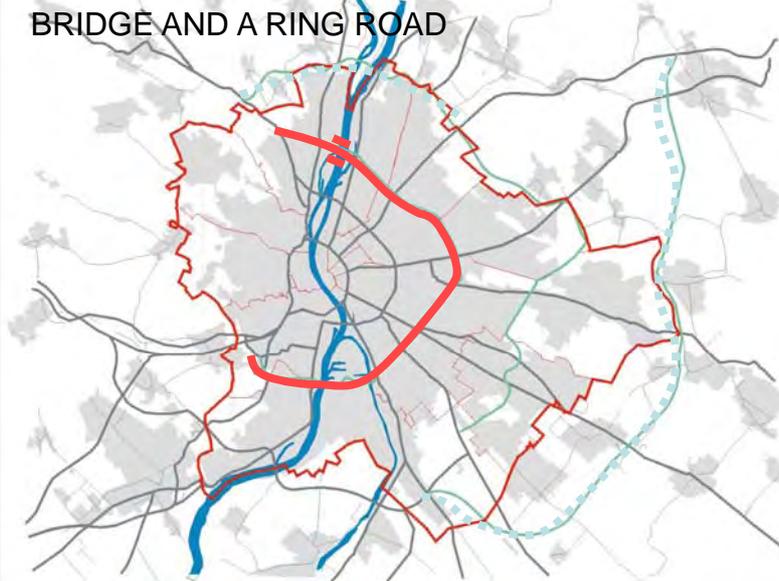


## STRATEGIC DEVELOPMENT PLAN OF BUDAPEST: priority for public transport



- Neither in the country as a whole, nor in Budapest is the road network sufficiently developed, compared to the huge increase of car ownership
- Consequently, parallel to the development of public transport there is a need for investments into roads, with the aim to create an integrated system
- Within Budapest new inner connection roads are needed, the development of radial roads should not be a priority

PROVIDING BETTER ACCESS TO THE  
TRANSITIONAL ZONE BY CONSTRUCTING A NEW  
BRIDGE AND A RING ROAD



## From the long-term Concept to a medium-term Programme

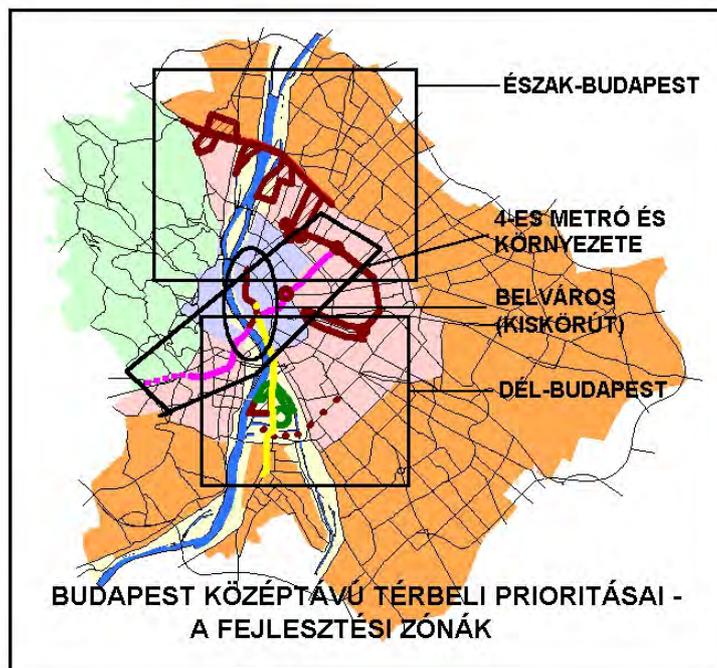
- Strategic development Concept of Budapest: passed in March 2003
- „Following the acceptance of the Concept, a 7-8 years' medium term urban development programme should be worked out, highlighting those strategic aims of the Concept which fulfil the most of the functional and spatial aspects, and contribute in this way to the revision of the mostly sectoral logic of the 7 years' financial and development plan.”

## The draft of the medium term urban development programme 2005-2013

- The different ways to assign priorities to a Strategic Concept
- The draft of the medium term urban development programme (Városkutatás, 2005) defines two types of the priorities:
  - synergic spatial development program areas
  - comprehensive horizontal programmes

## Synergic spatial development program areas

- Planned new developments have more chance if spatially concentrated and if connected to major infrastructure developments (like Metro 4, Aquincum bridge) and/or to areas, where the municipality owns significant amount of properties
- The priorities of the synergic spatial development program areas are geographically well balanced: West-East axis, North Budapest, Inner city, East Budapest, South Budapest, Buda, Agglomerational belt



## Synergic development program areas, as spatial priorities

- West-East axis: development of Metro 4, with parallel renewal of attached urban areas and development of intermodal junctions of Keleti pályaudvar (Eastern Railway Station) and Etele tér (Kelenföld Railway Station)
- North Budapest: development of the northern sector of the Körvasúti körút (Circular Railway Boulevard) with the Aquincum-bridge, connected to the area's urban renewal sites, taken the future Metro 5 with P+R parking and intermodal junction needs into considerations.

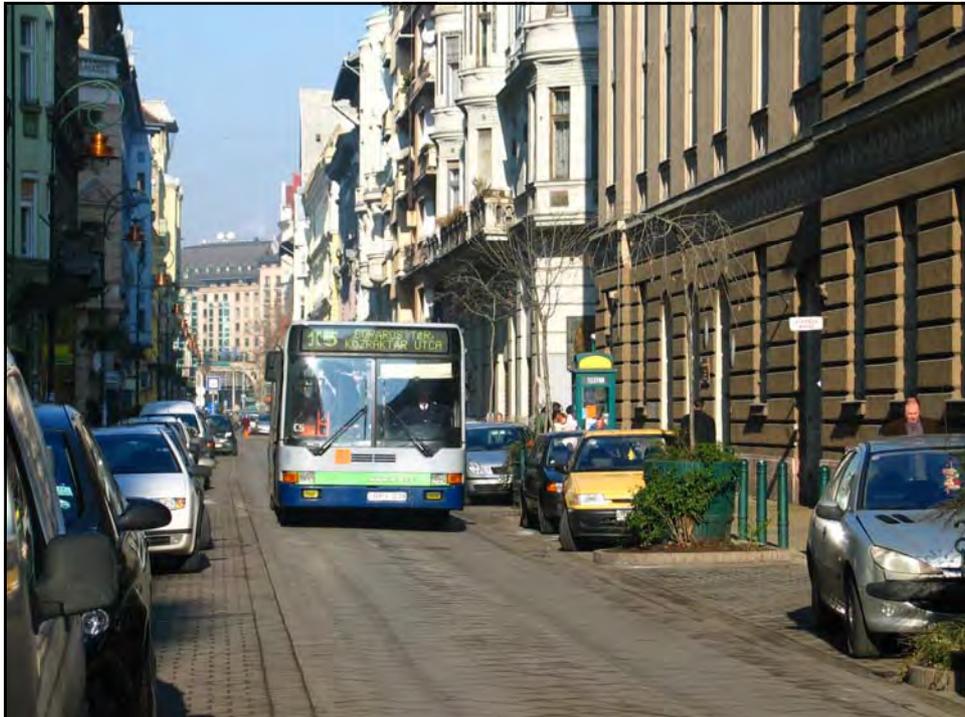
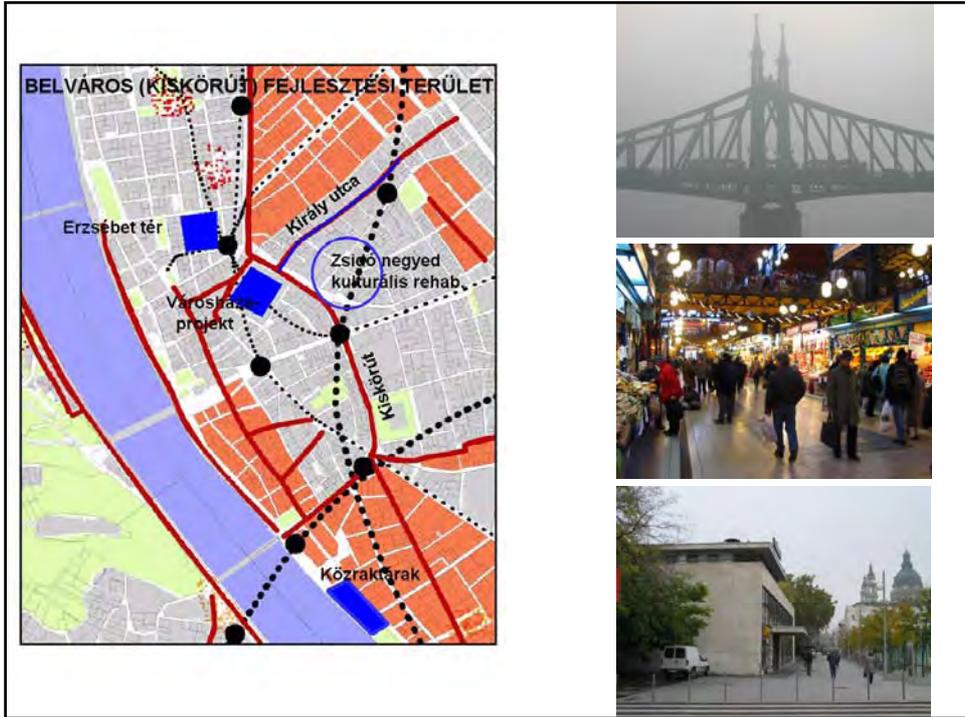








- **Integrated downtown (inner city) development** with traffic restrictions, improvement of public transport and the parking system and urban renewal of residential, public and green areas
- **South Budapest:** the development of Csepel Island-North, to the Central Sewage Works and to the planned Metro 5 till Kálvin tér and Astoria.
- **Inner transitional zone:** renewal of residential and public areas with social renewal aspects, renewal of east-southern rustbelt areas





## Synergic horizontal programmes (some elements)

### For the liveable city

public transportation, urban rehabilitation, garbage management, modernization of the district heating system, increasing the green surface

### For the effective city

science city, support for SMEs, reform of the vocational system, brown-field development, road development

### For the city with solidarity

reform of the health infrastructure, social rehabilitation, increasing the physical accessibility of transport

## Medium term development programme: the „Core programme” and development options

The „Core program” includes all the necessary developments needed to make the city more dynamic and liveable:

- Synergic spatial development program areas (6+1)
- Horizontal programmes:
  - Preference for public transport, urban renewal in residential areas, regional development, district heating modernization,
  - ICT development, brownfield regeneration
  - Social rehabilitation, Roma integration, regional hospital reform
- Financial calculation: adjusting the ideas to reality
- Above the ‘Core Program’ development options were created: liveable city, effective city, city with solidarity, mixed development

## Some elements of the „Core Program”

### **Sustainability**

- Downtown for pedestrians (restricted traffic areas, parking solutions, rehabilitation of public spaces)
- Metro 4, metro 5 (1st phase)
- Intermodal node
- Budapest Transport Association
- Urban renewal areas

### **Efficiency**

- Renewal of the vocational training system
- Airport – downtown railway connection
- Development of the innovation capacity

### **Solidarity**

- Restructuring of regional hospital and public health system
- Clean urban transport systems (to provide equal opportunities for disabled people)

## Dilemmas and discussions: substantive issues

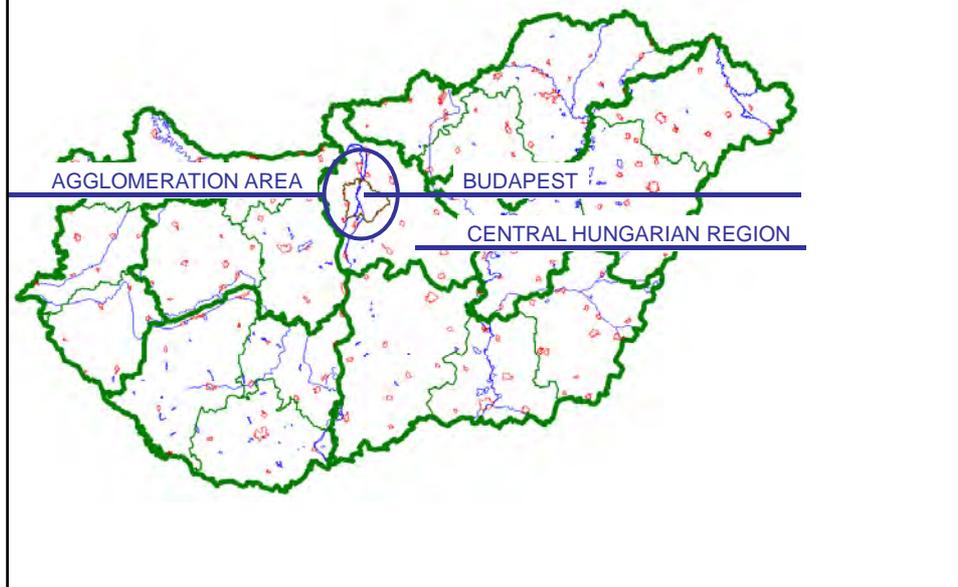
- How can the orientation role of the medium term urban development programme over the 7 years financial and development programme be ensured (especially in the period determined by EU Structural Funds money)
- How should the institutional system and monitoring of the medium term urban development programme be established

## Dilemmas and discussions: partnership issues

How can the necessary good relations and partnership be established

- with the central level institutions
- with the districts, other public and private stakeholders
- with the settlements of the agglomerational belt and with Pest county

## BUDAPEST AND THE CENTRAL HUNGARIAN REGION



### **Budapest and the region regarding the Structural Funds regulations**

- The capital (1,75 million people) is part of the Central Hungarian Region (2,9 million)
- The CHR is eligible for Objective 1 between 2004-2006, but her GDP/capita exceeds 75% of EU average, thus will lose eligibility for Objective 1 after 2006 ('phasing in' into Objective 2)
- Hungary will continue to be eligible for the Cohesion Fund post 2006

### Debates about the CHR: the conflict of short and long term considerations

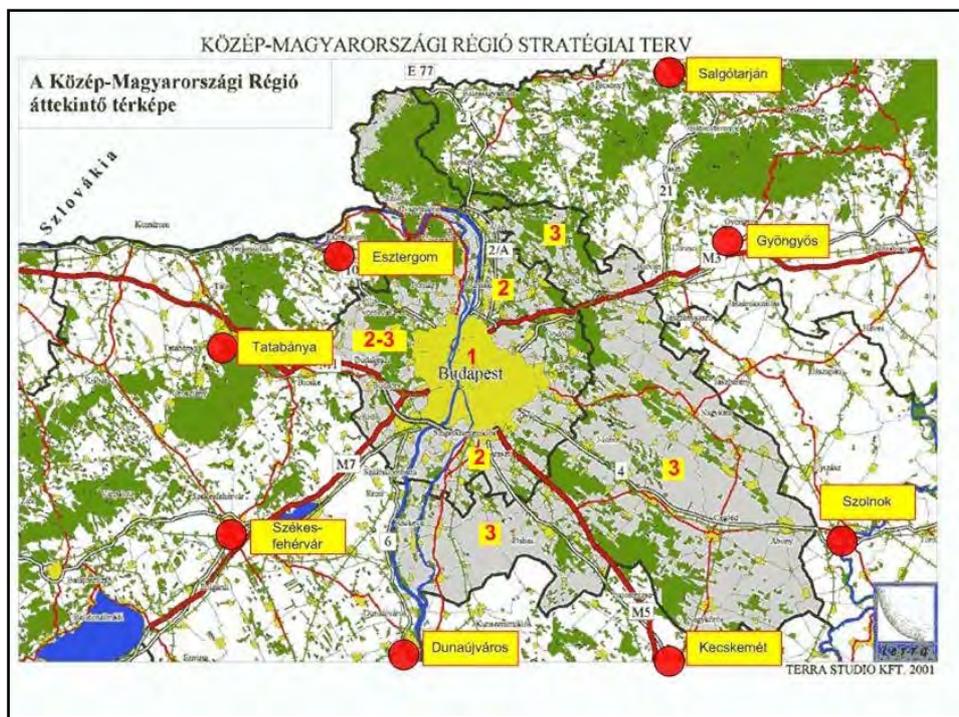
- Leaders of Pest county and of the EU ministry wanted to split the CHR region, separate Budapest (108% of EU average) and Pest county (44% of EU average), ensuring that the latter continue to be eligible for the higher support
- Leaders and experts of Budapest consider regional cooperation much more important (for competitiveness and sustainable urban development) than short-term financial considerations
- As there were no advantages for the country as a whole from splitting, this issue was put aside in 2005

### Critical analysis of the new development

- The transformation of the urban economy is much faster in the post-socialist countries as in the rest of the EU. In this extremely intense process the newly established, fragmented, unexperienced local self-governments were not equal partners of the well experienced western investors. The sub-national level (the counties, regions) remained weak.
- The economic development processes within and around Budapest were mainly directed by the foreign developers, who made good advantage from the fact that the fragmented local governments followed exclusively their own interests, without any territorial cooperation.
- The result is spontaneous territorial development, creating nodal points according to market interests and not at all according to the regulations expressing public interests (case study: Budaörs-Törökbálint development pole)

## Options for “more cooperative competition” in central and eastern Europe

- Cooperation possibilities with the Vienna-led Centrope: recently there is some cooperation on W-E axis, while fierce competition for the N-S axis. Cities might have their specialities in which they lead clearly, while in other aspects the competition might be open.
- A „large Centrope” region (potentially extended towards Munich, in accordance with the Magistrale initiative) could even be competitive with the Oslo-Copenhagen region
- In the European territorial cooperation models the CEE region might be important, including the cooperating area of Vienna-Budapest-Katowice-Prague



## The efforts of Budapest

- Budapest introduced strategic planning, the long-term development concept has been passed by the assembly in March 2003
- On the basis of the concept a medium-term development programme has been elaborated, which has been passed in June 2005
- These programmes enabled the participation of Budapest in the elaboration of the ROP of the CHR and gave good basis for the Budapest Economic Pole
- Future development depends on the EU money but also on the cooperation willingness of the main actors

Thank you for your attention!

[tosics@mri.hu](mailto:tosics@mri.hu)

