



Work package 5

Governance of economic development: the case of Ostrava city region

Governance of inner city regeneration: the case of Ostrava

Governance of social cohesion: the case of Ostrava

Research Report

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1 Governance of economic development: the case of Ostrava city region

by Petr Rumpel

1.1 Introduction: Rationale for the focus on governance of economic development with emphasis on job-creation and diversification

At the beginning of our case study we have to emphasize, that the dominant policy initiatives of Ostrava city region's governance system 1990-2010 were motivated economically and not by slight process of shrinkage of the city Ostrava. The major goal of governance system has been to strengthen the local economic base in the course of deindustrialization and restructuring, induce economic growth and help create jobs. Even if in the period 2007-2010, the shrinkage became a reality and topic of political discourse, it is not recognised as a specific problem of Ostrava, but rather of whole Czechia and Europe. Moreover, the shrinkage process (as depopulation, vacant houses, dilapidation of building stock, ageing, social exclusion) is more profound in rural, most peripheral areas of Czechia or Moravian – Silesian region, where there has been almost no action dealing with (opinion of an interviewee). There has not been any important policy initiative dealing with the shrinkage as a new normality to be prepared for. We can speak about „almost no direct action“ in the field dealing with shrinkage. The reasons are the „slightness“ of shrinkage in 1990-2010 and almost no visible signs of negative serious developments caused by shrinkage. The low birth rates and closures of kindergardens and primary schools, population ageing, out-migration related to suburbanisation and so on in 1990-2010 are perceived by experts or politicians as general societal problems, not as something specific only for Ostrava.

On the contrary, there is a belief in economic recovery and growth as panacea for all problems of the city of Ostrava. The concept of shrinkage (defined as pure population decline) is not a reason for activity by governance system of Ostrava city region. The cause of policy initiatives and activities is to support by all means the economic recovery. Urban regeneration or emerging weak activities dealing with social inclusion are considered as activities supporting future economic development and growth.

In order to be able to understand the governance arrangements and institutional milieu in the field of economic development in the city of Ostrava in 2000s, in our opinion, we have to explain the historical development of actors of economic development and patterns of their interactions, structural context and normative framework. In our descriptive and explanatory analysis positivist and normativ approaches will be used.

The city of Ostrava (300,500 inhabitants in 2010) has been the largest old industrial city in Czechia which development and growth were determined by the found of coal in 1770s and it's industrial processing and development of closely related industries such as iron, steel industries, metalurgy, chemical industry, heavy engineering and machinery during the next 150 years. Ostrava is socioeconomic core of the Moravian-Silesian region, located in North East part of Czechia. Ostrava experienced a long period of economic and population growth in the years 1828 (1828 the foundation of Vítkovice ironworks) – 1989 related to the

industrialization and urbanisation processes, accompanied by many changes of administrative and spatial structures of the city of Ostrava. In this period until 1989, Ostrava was an growing industrial city because of plenty of job opportunities and good performing residential development, which was the cause of population increase by in-migration and natural population growth by high birth rates.

Especially, the economic development of Ostrava in 1948-1989 under Communist party plays a certain role in the establishment and changes of path dependent institutional milieu even in 1990s-2000s. This 1948-1989 historical period is characterised by the structural context of totalitarian political system managed by communist party as the solely decision making actor and centrally planned economic system supporting the development of nationalised heavy industries according to the communist economic ideology imported from the Sowjet Union.

In 1980s began the communist regimes in central Europe to collapse and in 1989 took place the so called “velvet” democratic revolution. The collapse of communist regime in Czechoslovakia was enabled externally by the process of reforms (“*perestroika*” and “*glasnost*”) imposed by Michail Gorbachov and internally caused by several reasons such as the dissatisfaction of the broad population with sinking living standards in comparison with neighbouring western capitalist countries and the need for political and economic freedoms. Democratic revolution brought change of political elites, the leading role of communist party was replaced by the gradual creation of political pluralist system.

The new elite began in 1990 the transformation of the political and economic system of the former Czechoslovakia, which brought the liberalization and opening of the economy to the external global competition. After 40 years development behind the iron curtain (1948-1989) and of development in the framework of communist command economy (centrally planned economy) isolated from the global competition, the return to the global trajectory took place and a new stage of the history of Ostrava as a part of global economy began. The competition pressures revealed the very complex weaknesses of the regional economy of Ostrava city region and it's big companies in old traditional industrial branches and launched their adaptation process to conditions of global market. The restructuring process had different intensity with regards to the Czech, European and global economic development context, but brought high unemployment, especially because of the deindustrialization. The deindustrialization has been an inevitable process in the course of the economic transformation, which helped the adaptation of Czech industry to global competition.

The deindustrialization started at the beginning of 1990s and hit very hard the old industrial region of Ostrava. The biggest company OKD (Ostrava – Karvina mines) had in 1989 118.000 employees in the whole mining region. However, in 2006, this mining company had 18.000 employees. In June 1994 all the collieries and most of coke plants on the territory of Ostrava were closed down. In metallurgy and steel industries dropped the employment from approximately 80.000 (1989) to 20.000 employees (2006). In 1998 the blast furnaces of Vítkovice ironworks were closed by political decision of the central government from environmental reasons such as air pollution. Similar development we can trace in chemical industry, heavy engineering and other related industries on the territory of Ostrava (e.g. chemical plant in Hrušov).

The outcomes of several waves of deindustrialization 1990-2003 have been high number of unemployed people and emergence of brownfields on the city territory. The intensity of deindustrialization depended on the state on global market, the stage of economic cycle and

the economic growth of the whole Czech Republic. Especially strongly hit the consequences of economic depression 1998-2003 the Ostrava region, when the unemployment increased dramatically (of course due several other reasons as well such as the change of monetary policy by central bank or the privatisation of banks and the end of “bank socialism”). The peak of unemployment rate of 18% was reached in 2003.

In the period 1990-2003 came to crucial changes in the socioeconomic position of Ostrava city region. Ostrava became 1990 the unattractive socioeconomic periphery of the Czech Republic, if we take into consideration only economic phenomena (not environmental or sociodemographic). First, the loss of jobs or rapid decrease in job opportunities in the traditional economic branches, slow and insufficient creation and of job opportunities in new sectors and branches (such as retail, construction companies, transportation or ICT, business services) could not compensate for loss of jobs in traditional branches, which was the reason for out-migration, especially of young, highly educated people (graduates of local universities) – called brain drain. (Unfortunately, there is no precise statistical data on brain-drain and out-migration. We know about this phenomenon from interviews with graduates, from our own experiences as university teachers and some data by Labour office). Second, the state pushed residential development of prefabricated housing estates stopped and no new apartments for inhabitants have been available. From this point of view, we can state, that one of the causes of shrinkage is the deindustrialization and job related out-migration.

In 2004 began the economic recovery of the Ostrava city region, after restructuring and modernization of companies in 1990-2003 and after depression of Czech economy 1997-1999. The deindustrialization process and high unemployment has been dampened by tertiarisation and strong re-industrialization of the regional and national economy.

1.2 Role of shrinkage in policies

As stated above and in our case study “trajectory of shrinkage”, in the period 1830s-1989 the Ostrava city region was growth region with rapid increase of population drawing on growth of job opportunities. The growth in our region was very extensive and followed almost the same development trajectory in as industrial regions in west european countries until the end of 1960s (e.g. Ruhr area, Saarland). However, from 1970s in western countries began in similar „old industrial“ regions the restructuring process towards more sophisticated industrial production based on automation and on the development of service sector. On the contrary, in Czechoslovakia and Ostrava city region the communist party via centrally planned economic system followed the failed policy of support for heavy industries and their extensive growth until 1989, which meant the delayed beginning of restructuring since 1990. The beginning of the shrinkage process in Ostrava (or more precisely in all new democratic countries in Central and Eastern Europe) is connected with the necessary societal transformation and restructuring, which can be described as rapid adaptation process to the structural conditions in EC countries. Immediately after the openness of former communist countries at the beginning of 1990s changed the normative values, structural condition and role of new political actors. In practice, the lifestyle and values of young people changed in comparison with the lifestyle of 1980s. In 1990s they began to travel, study, do careers which had impact on the drop in birth rates and out-migration.

The urban shrinkage in the city of Ostrava and in its parts has following causes:

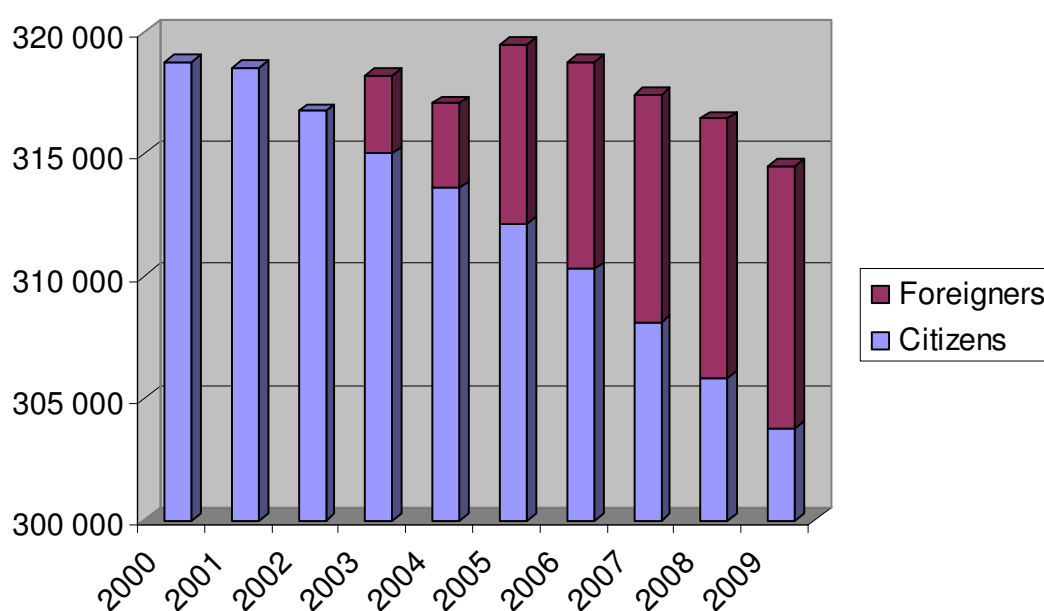
- First, the drop in birth rates after 1990, which is typical in whole Czechia or other CECs.

- Second, out-migration related to lack of (quality) job opportunities, air pollution and bad environmental conditions and bad image of the city as well.
- Third, suburbanisation and the out-migration from urban inner city neighbourhoods to the more „rural“ outskirts and to villages in the vicinity.

The depopulation process was perceived by new political elites as „normal“, as temporary process connected with the necessary transformation and restructuring of the economy. The opinion to depopulation was / has been that it is connected with temporary economic decline and the situation will change with positives economic development in near future. Moreover, there were problems which were perceived as more important than slight dropp in population in Czechia and it's secondary cities such as the creation of conditions for economic development with accordance to *acquis communautaire*, privatization, unemployment, construction of new infrastructures.

Generally, until today (2011) the process of urban shrinkage (depopulation of cities, ageing, underusage of housing and infrastructure, social segregation and exclusion, emergence of brownfields) is not on political agenda of the local political representation. One of the reasons can be the slightness or relatively low intensity of shrinkage in the city region of Ostrava (7% dropp in population number in 20 years), which is being perceived by policy makers as „no significant problem to be delt with“. According to the statements of politicians and experts (in the course of our interviews and at the stakeholder meeting) „the most important thing is economic growth and development“, which will help to eliminace all the negative aspects of the process of shrinkage. In the political discourse are used concepts such as „economic growth, innovation, competitiveness“. The dropp of birth rates is „a phenomenon that can not be influenced by political initiatives of any kinds“. Urban shrinkage appears on the political agenda indirectly e.g. in the context of pension and health care reforms and necessary provision of more social care and services. At the stakeholder meeting only few academics and demographers (such as Solansky, Šotkovský, Kovář) acknowledged that shrinkage will be the normality in the future of Ostrava city region and not the development and growth.

Figure 1 Population of Ostrava



Source: CZSO 2010

When we analyse the normative conditions, then we have to state, that the local governance arrangements are concentrated on support of economic development, job creation and diversification, which can help to retain the population in the city and city region. The shrinkage is not perceived as recent and future normality (or reality). Thus, in 2010 the urban governance and policy is pro-growth oriented and does not recognise the shrinkage as a new normality, which should be dealt with.

If the pro-growth economic approach as the dominant approach of the urban governance system is unambiguously successful is hard to say. On one side, there has been an increase in job opportunities and drop in unemployment rate during the re-industrialization and economic development process in 2004-2008, as this case study will describe an evaluation as a success even in comparison with development of similar west European regions, where there has been even higher unemployment for last 20 years. On the other side there is slight decrease trend in population numbers which coincides with the negative prognosis of population structure by Solansky or Šotkovský. There are even other profound negative processes and phenomena in the city of Ostrava such as social segregation and social exclusion, ageing, environmental pollution and environmental damages, missing social housing or lack of very attractive places in the city.

1.3 The impact of shrinkage on the economic development

Here we will try to explain how shrinkage has played a role in policies and a brief summary of the impact of shrinkage on the policy area will be given, using the WP2-4 results.

Shrinkage – or more precisely one of the major causes of shrinkage of Ostrava e.g. de-industrialization and job related out-migration has become an issue in politics at the beginning of 1990ies. This time, restructuring and closures of companies and growing unemployment rates have become a new reality in Ostrava region to be dealt with. Most of the policy initiatives carried out by local government and its partner are motivated by the economic decline of the regional economy.

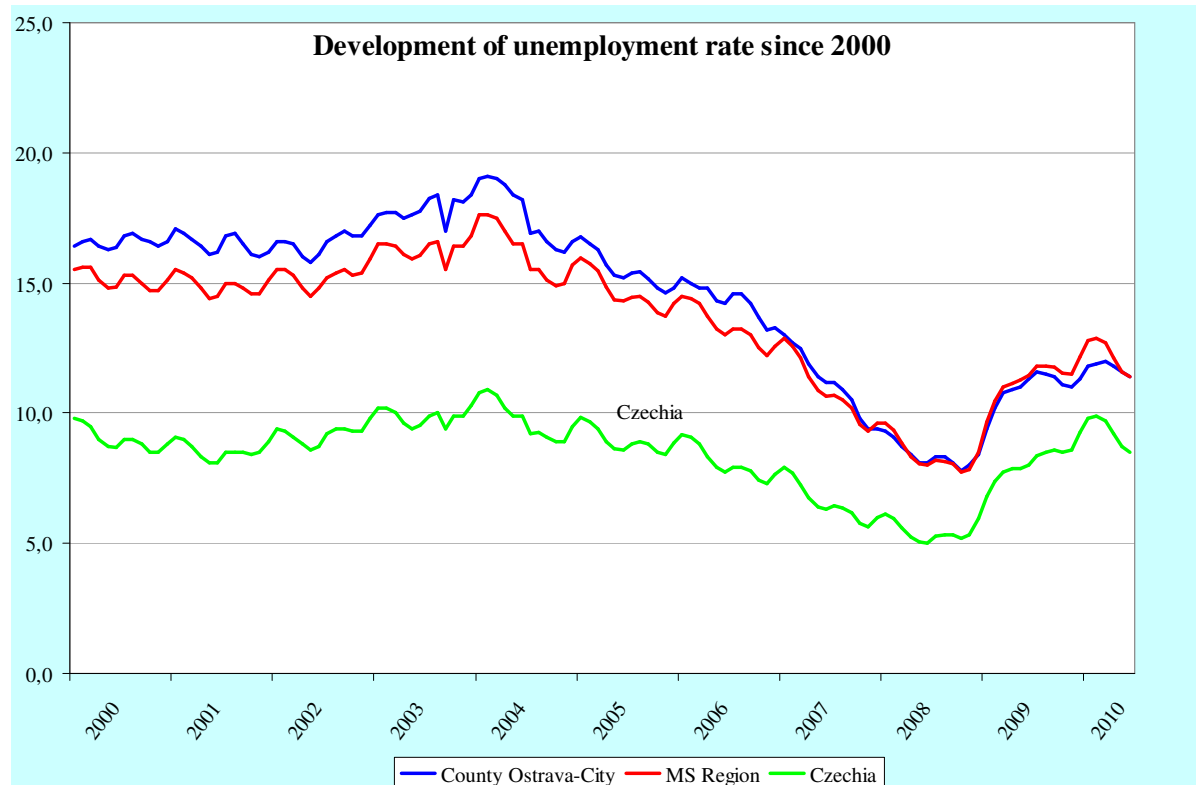
Analyzing economic development it would not be the right approach to focus the research “only” on the territory of the city of Ostrava delimited by administrative city borders. The processes of job creation and diversification of the economy, which can influence some causes of shrinkage (such as job-related out migration) play in the broader Ostrava city region. Very often people stay or leave the city, when they can not find available jobs in the whole labour market region, connected by appropriate transportation system enabling labour mobility. Thus, we have to take into consideration the whole Ostrava metropolitan polycentric region with regional subcentres such as Karviná, Havířov, Frýdek-Místek, Třinec, Český Těšín, Orlová, Bohumín and many other municipalities, which together have more than 700.000 inhabitants. Ostrava region has been in 1990 traditional old industrial, miners’ region with all the negative characteristics such as environmental damages and pollution, with bad image as region of workers and without appropriate quality of life. Nowadays, it is appropriate to consider the Ostrava metropolitan region as a homogeneous labour market region with many economic cores such as Ostrava – inner city (all kind of services, but industry as well), then “new” industrial zone Ostrava – Hrabová in the southern outskirts of the city or Nošovice regional strategic industrial zone with one of the main employers in the region

– the Hyundai Motor Czech company. Very important part of this labour region is becoming the Airport Ostrava – Mošnov 20 km southwards of the center of Ostrava.

Economic restructuring and development of the Ostrava city region has been on the top of agenda setting by local actors since 1990s. Local authority (City hall, corporate city) at the beginning of 1990 was very unexperienced, unprofessional and the whole system immature. The transformation of political and economic system was implemented in a much centralised way “top-down” by few reformists with Vaclav Klaus as a leader, who repeatedly and convincingly put through the idea of free market economy without attributes based on private initiative. Logically, after 40 years of communist command economy, almost nobody understood the functioning of market economy and the role of public sector in creating conditions for sound economic development. Local politicians, new appointed “managers”, like other people as well, just followed the instructions from the top without any initiative of local public sector, which was understandable because of general weakness of politicians and civil servant’s knowledge (know-how to manage economic decline and restructuring). At the central level has been decided on the rapid closure of the inefficient coal mines and coke plants in Ostrava.

The labour offices began to monitor the unemployment rate in 1991 at the level of counties (okres), i.e. is in our case the county Ostrava – City. The unemployment rate trajectory developed as follows. According to data by Labour office in 1991 was the average unemployment rate in Ostrava county 4.7%. Strong impact on raise of unemployment had the economic recession in Czechia and abroad 1997-1999. Therefore then in the period 1997-2003 the unemployment in the Ostrava region grew gradually and significantly to the highest rate in 2003 with 18.4% (in comparison with the whole Czech Republic 7.8% in 2003, and in 2003 was almost three times higher than the average unemployment rate of the Czech Republic). From 2004 to 2008 in the course of economic recovery and growth the unemployment rate began to fall by almost 2% yearly and reached the bottom in 2008 with 8.4% (Czech Republic 4.4% in X/2008). In the course of economic crisis 2009-2010 the unemployment rate in the Ostrava region (herein Ostrava county) has gone up to 11,4% (XII/2009, CZ 9,2%) and 12,0% (III/2010, CZ 9,7%).

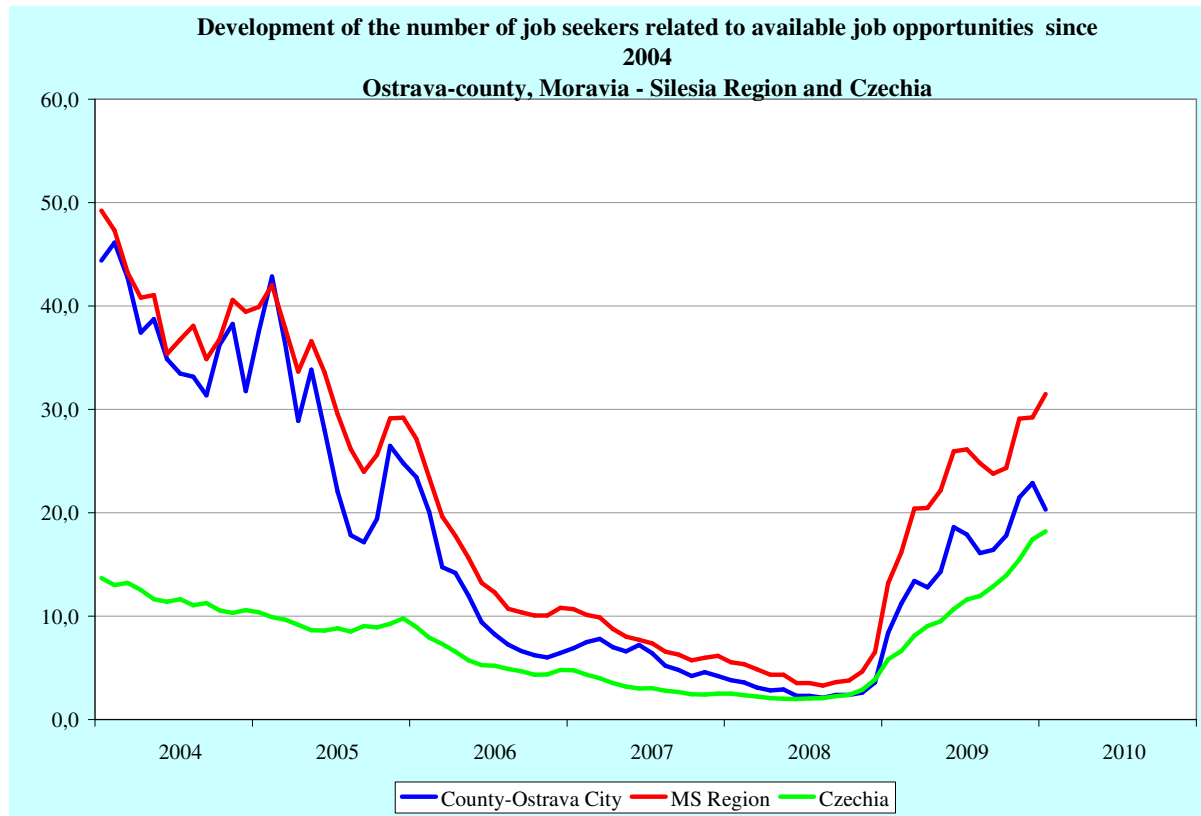
Figure 2 Development of unemployment



Source: Labour office, 2010

There is a correlation between the development of unemployment rate and out-migration, which proves the relatedness between job creation/losses and losses of population via out-migration (and weaker in-migration). In the crisis period 2009-2010 the out-migration of the Moravia – Silesia region has been growing.

Figure 3 Development of the number of job seekers



Source: Labour office, 2010

In following several paragraphs we will try to show what the governance arrangements (institutional responsibilities, relation of public and private stakes, interaction of local, regional, and national levels of government) for the particular policy area are and if they have changed as a result of the shrinkage?

1.4 Governance of economic development policy

1.4.1 Institutional arrangements before 1990

It may be correct to state that Ostrava city region was not the master of its fate but rather prisoner of its external environment and structural conditions (constraints) in its last 150 years history and especially in the communist period 1948-1989. The development of the city region (and of course, of the whole Moravian Silesian region and Czech Republic) was strongly determined by external geopolitical and geoeconomic structures and external decisions made elsewhere. The development history of the city region is a history of dependence on external decisions and resources and of insufficient space for own decisions made by local or regional actors.

In order to understand the situation in 1990s and to capture the background of the challenge of the transformation and restructuring of the local and regional economy of the “shrinking” city of Ostrava it is necessary to describe briefly the institutional arrangements of the totalitarian system before the democratic revolution 1989.

Ostrava developed 1948-1989 in the totalitarian political system governed by Communist party with top – down support for industrialization and urbanisation in the framework of centrally planned economy, which should help the communist government fulfil the objectives set up in the normative framework of the failed communist economic ideology formulated by Sowjet leaders (in 1920s). The result of this policy was extensive economic growth in old industries and growth of population due to support for the construction of housing estates, in-migration and pro-population policy. Main actors were communist party leaders at central, regional and local level and directors of major industrial combines, who allocated the resources voluntarily.

The communist party led Czechoslovak society and economy 40 years with negative impact on civic freedoms, natural environment, public morality and general economic performance characterised by “lack of almost everything”. The differences in living standards and conditions between poor Central European and rich western European countries were abysmal depth. The collapse of this communist system was inevitable, but dependent fully on external political conditions such as the power of Sowjet Union over Eastern Block countries in the framework of bilaterally divided world and the policy of the United States and their European allies.

In 1989 came the collapse of power of communist parties in the Central European countries and the communist regime in Czechoslovakia broke down in November 1989. The new political elite were dissidents and pro-reform experts (many of the members of the Institute of Prognostic established by Communist Party in order to help to improve the failures of communist systems) organised in Civic Forum, which had local branches. In December 1989 the Civic Forum as representative of reformist forces presented the programme “Back to Europe”, which meant that reformist forces want Czechoslovakia to be integrated into political, economic and cultural community of west European countries with democratic political system and market economic system i.e. into European Community as soon as possible. In September 1990 the “Scenario of Economic Reform” had been submitted and presented to the Parliament of Czechoslovak Republic. It said that “economic reform is a total change of economic institutions and their interrelations ...it will be profound and radical change of economic system from centrally planned economy to the market economy ... it will be very complex transformation of political and economic system.” Very figuratively we can say, that the transformation process from centrally planned economy to market economy has been *“a process of creation of lively aquarium from spoiled fish soup”* or *“engraft market economy into inertial relics of communism”*.

There were important changes in the public policy system as well since 1990. The regional level of public administration was abolished 1990.

1.4.2 Agenda – setting / problem identification 1990-1993

Agenda setting and problem definition had been determined by the appearance of the phenomena such as gradual lay-offs in large industrial companies and growing unemployment related to the necessary processes of transformation, restructuring of the economy and de-industrialization, which began just at the beginning of 1990s. However, the problem of high level of unemployment deepened in 1997-2003. The political actors in the multilevel governance system (EC, countries willing to co-operate, Czech government) and the local governance system of Ostrava responded to this challenge with several political initiatives towards support of re-development of local economic base.

We find very important to describe the historical background of the economic situation in 2000s in Ostrava – as one of the causes of broader shrinkage process, which depends on inherited and persistent structures, processes and patterns of thinking and behaviour. Because of the path dependent development of regional economies we will try to mention briefly the evolution of the economy of the metropolitan region of Ostrava.

In December 1989 during the velvet revolution the political elite or major actors and their interactions changed completely. The motto and proclamation by the new political elite was “Back to Europe”, which meant as fast as possible to join European Community as a symbol of democracy and prosperity. All the efforts were focused on as far as possible fast adjustment of political and economic system to the governance systems of West European countries, which could ensure democracy, freedom and economic success.

In the course of political and economic transformation the external conditions for the development of the Ostrava city (and the whole region) changed entirely. Main actor became strong, democratically elected central government in Prague as initiator and catalyzer of reforms and transformation towards democracy and market economy. The main personality and leader of economic reforms was Vaclav Klaus – the powerful finance minister, who prepared the strategy of the transformation and who influenced by his statements most strongly the normative framework. Vaclav Klaus has been very influential partisan of Thatcherism and neoliberal (TINA – there is no alternative) ideology. Paradoxically, according to the statements of new leaders, the role of central state and public sector’s in society and economy should be gradually minimized and replaced by private initiative and individual responsibility and activity. The new reform government rejected any direct state interventions into companies and proclaimed that the government has “to create framework conditions for successful economic development”.

The major elements of the economic transformation have been: price liberalization, trade liberalization, privatization and appropriate restrictive monetary policy in order to avoid inflation after price liberalization.

The normative framework was set up in the political discourse dominated by Vaclav Klaus and the new values were conceptualised into terms such as shock therapy of the economy, free market without attributes, privatisation and private initiative. The new values of population became individual success, private initiative (instead state assistance), private property accumulation and entrepreneurship.

The regional level of administration was completely abolished through the abolishment of Regional National Committee of North – Moravian Region (existed from 1960-1989), which was led by Communist Party in 1990. The regional level of government had been missing and compensated by different forms of regional partnerships. In 1990 was established Economic and Social Council of Ostrava-Karvina agglomeration, which should represent interest of regional subjects such as municipalities, companies, labor unions, banks and educational institutions, substituting for missing regional level of administration.

In 1990, local self-governments (new municipal corporations) in municipalities were established according to Municipal act. Local government of the city of Ostrava became new actor of economic development. However, it was weak, unskilled and inexperienced. The mayor of the city followed the new economic ideology of free market and of the maleficence of local public sector activities or interventions into local economy.

At the end of 1980s and then after democratic revolution 1989 different NGOs were established, who fought against the huge environmental damages caused by mining and heavy industries. At the beginning of 1990s played the NGOs initiatives very important role in

closures of outdated plants on the city territory (or even in the city region) such as mines, coke plants, ironworks- blast furnaces and chemical plants. The activity of environmentally oriented NGOs was successful in terms of closures of main polluters especially at the beginning of 1990s in changed and chaotic political and societal conditions. However, after the closures of main polluters, the economic interest and political and social stability were perceived by central government as crucial and more important as environmental protection or public health. We can assume, that bad environmental condition and bad image of Ostrava city region as the locality with most polluted air in Czechia had and have impact on out-migration (people leaving the region of environmental reasons) and on the attraction of investors from abroad as well.

Very important phenomenon was the appearance of “private sector actors”. New private actors were the emerging entrepreneurs as founders of new Micro- and SMEs and the newly appointed directors of industrial companies as well. In 1990 first private companies were established and then in 1991 during the small privatisation (privatisation of nationalised property by communists after 1948, especially service and retail units) and restitutions process came to restoration of micro- and small and medium sized enterprises. In big industrial companies in Ostrava, the managers should restructure and reconvert their inefficient, former state companies, dependent on state decisions into flexible market subjects according to the changed framework conditions of emerging market economy. The directors were appointed according the political affiliation (being against communism) and did not have any needed managerial skills or necessary know-how for restructuring. However, there was no better alternative.

Since 1990, the implementation of the European Community’s PHARE (Poland and Hungary Aid for the Restructuring of Economies) programme played an important role (grants/funding provision and know-how transfer) in support of institutions creation, transformation and restructuring. European Communities and their member states feared negative spread effects such as massive immigration waves from CEECs connected to political, social and economic instability during transformation. Immediately at the beginning 1990s, the EC and countries took initiatives such as provision of know-how, experts and grants to help the transformation to succeed. According to statements of interviewees, there were communication and understanding problems between actors on both sides the local actors and foreigners as well. Local actors were inexperienced in terms of functioning mature democracies and market economy and on the contrary the foreign actors were not able to understand the very specific situation of societal transformation in CEECs and their localities. However, the know – how transfer from abroad in terms of restructuring was of crucial importance for this process.

The new reform government in 1990 criticised strongly the former communist redistributive policies on behalf Ostrava’s regional economy based on support for “outdated” heavy industry economy in the period 1948-1989. New reform central government left the companies’ management to carry out the restructuring of the companies into efficient entities on their own in the changed structural conditions at the level of state government and adjust to the economic conditions on western markets.

According to statements by leaders of economic transformation in 1990 (such as Ministers of Economy Vladimír Dlouhý and Karel Dyba) the heavy industry in Czechia should roll back and new economy and service sector roll out. However, there was missing absorption capacity for know-how transfer at company’s and local authority level, even if there was a crucial need for learning by interacting with abroad.

This new institutional arrangements and structural conditions connected to the policy of transformation had direct impact on the economy of the region of Ostrava. In 1990 changed the normative framework in the course of total ideological turn towards neoliberalism or it's Central European post-communist modification. The major declared approach by the right-wing government and the ruling party ODS (Civic democratic party) has been "the creation / establishment of free market economy without any attributes" (V.Klaus) through the privatization, liberalization of prices and foreign trade and through creation of condition for new emerging entrepreneurs since 1990. According to Klaus "the government should not intervene into market and allow the free market forces to work". The central government was explicitly against governmental support for restructuring of mining or outdated heavy industries. Accordingly, free market conditions and privatization should become "the panacea for regional economy restructuring and recovery".

The main challenge of the Ostrava city region in 1990s was the restructuring of mining industries concentrated in the OKD company (Ostrava - Karvina – mines, state company), which was the biggest hard coal exploitation company with related economic activities such as coke production, transportation, mine and land reclamation and others. According to Břusková (1997), the peak employment in OKD and the mining branch was reached in 1989. In OKD were employed 104.436 employees (72.558 miners of those 104.000, 31.12.1989) in 15 mine plants (in the whole region between Ostrava – Karvina – Frýdek-Místek) with exploitation of 22,3 Mio tonnes of hard coal. OKD launched in 1990 the restructuring programme in the line with the policy of state government. In the period 1990-1994 all the mine plants and their branches on the territory of the city of Ostrava were closed, because of economic inefficiency and environmental reasons. It was the very begin of deindustrialization. However, the hard coal exploitation continues in the Karvina subregion until recently. The closures of mines brought about massive losses of jobs (until 1994 35.000 jobs were lost) and appearance of brownfields in the city of Ostrava. The main driver of economic development of the city of Ostrava – the mining of hard coal and it's processing as regional economic base disappeared after 200 years of existence. The restructuring process was enabled and assisted thanks British know – how fund for know-how transfer implemented by British Coal Enterprise. One of the measures was the Agency Job Shop, which helped with re-training of former miners, consultancy and assistance with job-seeking outside the mining sector. Some redundant buildings of the OKD company were made available for business development. It has to be emphasized, first that there was no knowledge or know how in the Czech Republic or Moravian – Silesian Region in terms of transformation of state-owned company to private company or how to manage impact of closures and restructuring of companies. This know how was brought in via Czech – British contacts between Czech Ministry of Economy and British Coal Enterprise and OKD. Once again, it is necessary to take into consideration the dependence of the region on external resources.

This stage 1990-1993 of institutional arrangements in terms of local economic development is characterised by:

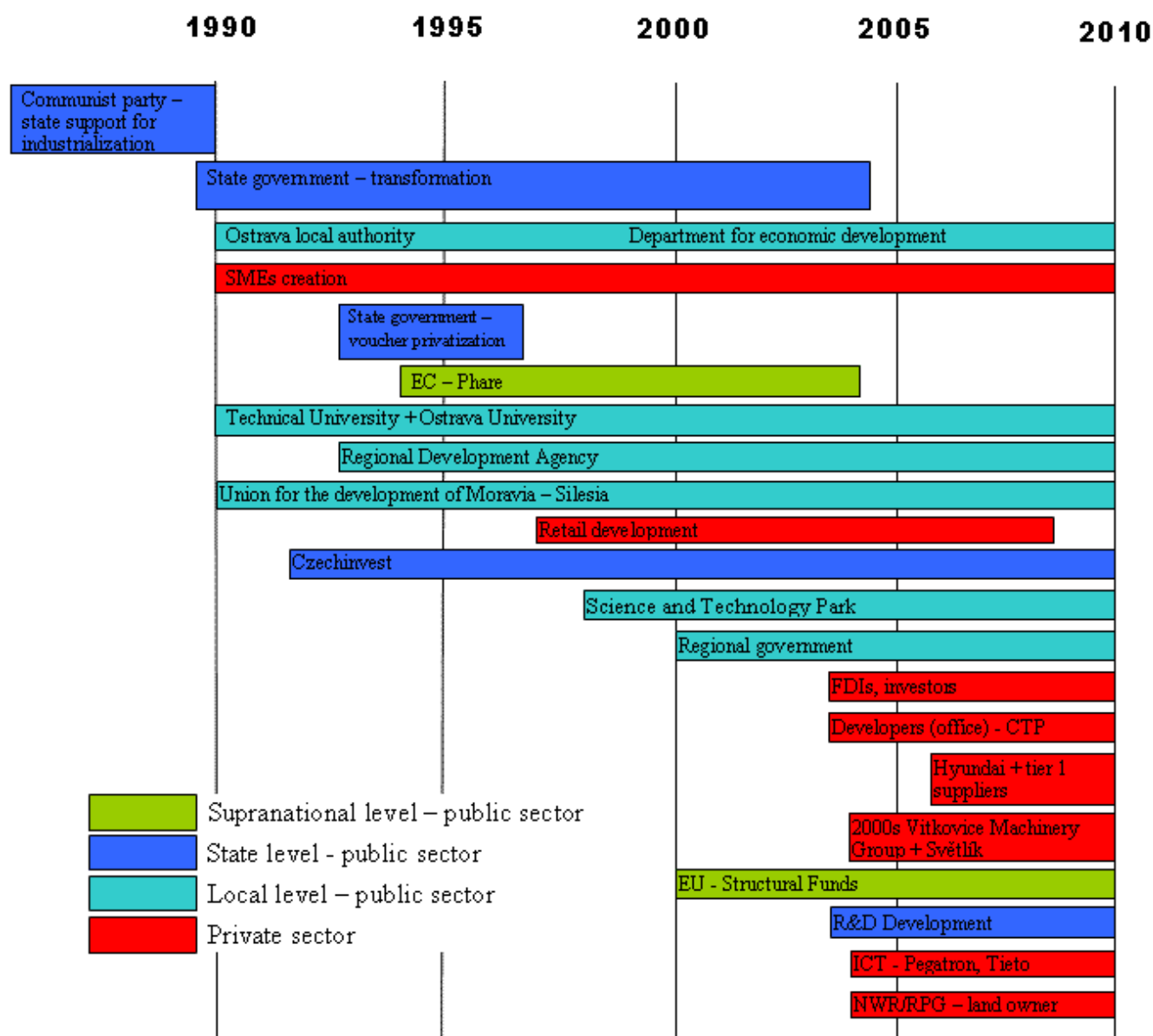
- Dominant position of central government, especially of the leader of transformation Vaclav Klaus and his core team and the impact of it's "top down" decisions for the city region. Deetatization, small privatization, restitutions, voucher "big" privatization and transformation of state owned companies to private (inc.) were launched by central government as one of first steps on the way to market economy.
- EC countries as anchor or "example" for political and economic transformation, as a source of knowledge and provider of grants. However, in the course of know-how transfer and adaptation from Western developed EU countries came to "post-

communist mutations” of concepts and approaches. Generally, there was weak absorption capacity for necessary knowledge transfer.

- No regional government from 1990 (to 2000/2001)
- Weak, inexperienced self-government of the city of Ostrava in terms of active independent local (regional) development policy; low developmental capacity
- Big state owned companies in traditional industries influencing the normative framework, values, atmosphere in the city region (cognitive lock in)
- Newly appointed managers of this companies without necessary experience and knowledge of the functioning of market economy and restructuring
- Emerging private sector actors, SMEs
- Economic and social council as emerging “bottom up” partnership in form of cooperation between big regional companies and public bodies such as municipalities and universities
- Technical (Mining) University of Ostrava as source of knowledge for traditional industries and 1991 established University of Ostrava
- Very weak horizontal interactions between actors, generally fragmentation or weak ties between actors
- Lots of institutions: but not mature, lots of competition
- Strong networks in traditional industries

Figure 4 Major actors of economic development

Major actors of economic development of the city of Ostrava 1990s-2010s



Source: author

1.4.3 Policy formulation and decision making 1994-2003 in Ostrava region

From 1994 to 2003 we can speak about second stage of creation of institutions dealing with the dominant problems of the Ostrava city region such as deindustrialization. In 1990-1994 all the mines and most of the coke plants at the city territory were totally closed. The traditional state owned industrial companies (e.g. Iron and Steel Works Vitkovice, New Steel Mill Ostrava) were converted into corporations (Inc.), which carried out the policy of efficiency improvements in many ways such as staff reduction. Thanks to favourable conditions on global market 1994-1996 and thanks to “*bank socialism*” (state controlled banks gave almost

unlimited credits to large companies) the economic decline of local companies was not radical or rapid until 1997 and the export success contributed to rather low unemployment rate until 1997, when the situation on labour market in the course of depression 1997-1999 worsened abruptly in the Ostrava region. Moreover, the growth of service sector and creation of new SMEs could partly compensate for the decline in production and employment in traditional large industrial companies until 1997, when to economic depression in the whole Czech Republic began and peaked in Moravia – Silesia in 2001/2002.

However, the state government and local actors and experts anticipated and expected the inevitable decline of regional economy of this old industrial region based on coal and steel due to well-known decline/development trajectories of similar cities and regions abroad as Pittsburgh in the USA and Saarland or North Rhine Westphalia in Germany. Thus, the normative framework of the Ostrava city region was defined through the motto that jobs and employment matters. Each activity of development actors at local level was motivated through the necessity of support the economic growth by every means.

Due to the changed economic performance in new structural conditions (competition of Western companies hard to face) and of negative expectations based on regional benchmarks, the institutional milieu in Czechia and Ostrava changed as well. New actors emerged and new institutions had been created and new policies formulated. According to Uhlíř (Uhlíř 2004, p. 270) after the mid-1990s, the Czech Republic experienced a change in its policy approach. First, Western-style regional policies began to be debated, studied and implemented. Attracting foreign direct investment was one of the first direct instruments of economic policy that the Czech Republic adopted. This economic development policy was supported by the creation of new institutions at national, “regional” and local levels. This new actors and institutions was Czechinvest at the state level, Regional Development Agency at quasi “regional” level and Department of economic development at local level of the city of Ostrava.

In 1992, thanks to support and grants of the European Community and World Bank (or more precisely it's WB Foreign investment advisory service), established the Ministry of Industry and Trade (MIT) the agency “CzechInvest” in order to promote the image of the Czech Republic abroad and to attract foreign direct investment. Paradoxically, the agency CzechInvest did not have any political support by the MIT or policy makers. The MIT established the agency because of the support grants by EC and WB, not because of the need to attract investors into Czech Republic. In the period 1992-1996, the Czechinvest did not have support by Vaclav Klaus, the partisan of “laissez faire” and free market without state interventions. In 1997, after the political change at governmental level, when the neoliberal rhetoric by Vaclav Klaus and “his” government was replaced by more pragmatic attitude of new government of Czech Social Democratic party, the role of Czechinvest had been strengthened. In 1998 – 2000 the Law on investment incentives was elaborated and approved by parliament and implemented by activities of Czechinvest agency. To the tasks of Czechinvest belonged since 2000: administration of subsidies for the construction of technical infrastructure for industrial zones (in cooperation with municipalities), administration of regionally differentiated subsidies for job creation through foreign investors, provision of re-training grants, promotion of local subcontracting networks and provision of other after-care assistance (Uhlíř 2004).

In this period several new actors and institutions began to conceive new strategy of the economic development of the Czech Republic and of the region. We can call the strategy “low road strategy” which was based upon relatively low wages or low prices of production factors. The regional companies have been competitive mainly because of the lower prices of

production in comparison with Western European companies. The regional competitiveness draw on low prices of production factors, which was attractive for (foreign) direct investors and should attract such investors. However, the investors did not come to Ostrava city region until 2003, except for retailers. The reasons for lack of investors until 2003 in the region were: better conditions in West part of Czechia (e.g. proximity to German market of regional capital of Plzeň) than in North-East Moravia; bad image of environmentally damaged and polluted region of Ostrava; missing prepared industrial and business zones until 2000s and missing speed railway or motorway connection with Brno and Prague.

There has been to strengthen that even if they had the same goal (attract investors), the relations between them were changing over time in the very chaotic structural (political) post-Communist conditions and changing normative framework. The mayor 1993-2001 of Ostrava, Evžen Tošenovský, was the partisan of Klaus and believed in the free market forces and did not supported actively the policy of attracting FDIs by means of incentives. On the other side the Social Democratic Party as coalition partner supported the strategy of attracting FDIs with the help of incentives. This ambiguous policy approach by local government coalition towards Czechinvest caused chaos and hampered the initiatives by Czechinvest. During our interviews in other research project blamed mayor of Ostrava the CzechInvest agency for low activity and support. On the contrary, the Czechinvest representatives blamed the mayor for being the brake of economic development of the city of Ostrava through the reluctant (and “overcautious”) approach to pro-active economic development policy and belief in free market forces.

In 1993 had been established RDA Ostrava, which was the political initiative of EC aiming at strengthening regional institutions in two most problematic regions Ostrava/North-Moravia and North Bohemia/Most, which should help the restructuring of the region. The establishment of RDA had been financed by PHARE and French government grant. RDA’s main stakeholder had been the city of Ostrava. RDA had been very important institution for especially know-how transfer from Western Europe to the region Ostrava (*European pipelines of knowledge*) and for gaining and distribution of European funds and grants. We can say, that this RDA supplemented for missing regional government and missing capacities and capabilities of local administration of Ostrava in terms of economic development support until 1996 or even later on.

We have to stress the role of knowledge pipelines as source of knowledge in the 1990s for the formulation of policies tackling deindustrialization and supporting economic development. Thanks to partnerships of the local government of Ostrava with “structurally similar” US American cities (e.g. Pittsburgh) and with Western European regions and cities (e.g. North Rhine Westphalia) the local actors got inspired and gradually adapted the idea and policy of creating favourable conditions for investors (investors friendly city or entrepreneurial city).

In 1997-1998, the consulting company Barents group Ltd. (Norton Berman) in close cooperation with regional partners – such as RDA Ostrava - elaborated Strategy of economic development of the City of Ostrava and recommended the establishment of the Department of Economic Development DED in order to create favourable conditions for the attraction of FDIs and carry out regional marketing activities. As a result of the recommendation the DED was established in 1998 and gradually became an important actor of economic development of the city region, especially in the area of preparation of green field industrial zones and their marketing.

One of the first support institutions in the field of economic development has been Technology innovation centre TIC in Ostrava-Vitkovice. TIC was founded in 1994 as an initiative of Mr. Kunčický. TIC had reused vacant premises, which were no longer used by the Company Vitkovice. In 1996 TIC became a member of European Business Network EBN and accordingly re-named to BIC Business Innovation Centre. In the period 1994-1997 TIC/BIC supported 62 firms and helped create over 600 jobs in new local micro- and small and medium sized enterprises (SMEs).

In 1998 began the negotiations on access of the Czech Republic into the EU and European politicians, Commission experts and officials, forced all levels of Czech public administration system to adapt the *acquis communautaire* and adjust administrative structures to the EU conditions. In 2004 Czech Republic became a member of European Union (and 1998 of NATO), which improved significantly the image of Czechia as normal, democratic state, safe for investors. Czech Republic began fully benefit from Cohesion policy and structural funding, especially its structurally weak regions such as Ostrava. Before however, as a necessary step in 2000, first Law/act on regional development was approved by the Czech parliament. Since 2000 Czech actors of regional development became eligible to use the structural funding like assistance through funds such as ISPA, SAPARD and PHARE II (existing since 1990 as a fund of financial assistance) until 2004. The implementation of structural policy according to its principles (concentration, partnership, programming, additionality, monitoring and evaluation) had and has an enormous impact on the functioning of local, regional and state government or more precisely on the institutional arrangement and governance system of economic, social and environmental of the Czech Republic. The local development needs are determined externally by the many different operational programs and directions by the EU. There has been a high level of dependence of local and regional development actors on EU structural funding. The behaviour of these actors is pre-determined by above mentioned principles of Cohesion policy such as partnership between all important actors of regional level, which mirrors in a creation of an array of “enforced” partnerships motivated by the possibility to get a grant, while declaring partnership.

In 2000, the regional level of government in the Czech Republic was set up in the line with constitution of the Czech Republic. Moravian – Silesian region and regional self-government as new institution had been established. In 2001, the just elected Regional Commission, Regional Council with hejtman (governor of the region) on the top and Regional Office as executive public body began to work. However, logically, the political power, financial resources and know-how were at the beginning at very low level. The relations of regional government to other actors and institutions such as ARD had been weak, non-partnership or even latent rival. In period 2000-2004 played regional government as emerging institution very weak role as actor of regional development.

We can define the structural conditions in the period 1994-2003 through: a) immature Czech market economy with strong new role of clientelistic networks between political elite, managers of partly privatised companies and local entrepreneurs (SMEs) b) local authority activation in know – how transfer and policy learning via Czechinvest activity, city partnerships and involvement of consultancies into economic development planning c) the EU as an policy anchor, the preparation on EU entry (according 1995 Association agreement and 1998 negotiations) and the implementation of the principle of partnership.

1.4.4 Implementation of economic development policy in 2003-2008

To explain the process of implementation of economic development policy of the city of Ostrava, we have to mention the evolution of external structural conditions once again and go back into 1990s. In 1992, the Ministry of Industry and Trade established the agency Czechinvest in order to attract foreign direct investment into Czech Republic and promote the image of Czech Republic abroad (Uhlíř, 2004). Attracting foreign direct investment was one of the first direct instruments of economic policy that the Czech Republic adopted, and at the end 1990s it has proven to be one of the most successful instruments, especially in the Western part of Czechia (capital Prague or Plzeň). The old industrial areas such as Ostrava city region could take advantage from the inflow of FDIs in the industrial and business services sector later, from 2003 to 2008 thanks to high levels of subsidies, relative investment saturation in the more attractive western parts of the Czech Republic and the necessity for investors to look for new still vacant locations in North East to invest in.

The city of Ostrava followed the national strategy of economic development and the local government focused on attracting foreign investors, for instance by preparing gradually green-field industrial and business zones. The most important actor was the local government, the municipal authority of the city of Ostrava, especially the Department of economic development DED. However, we know according to interviews, that there had not been any consensus among the political actors and leaders at the City hall of Ostrava. The right-wing mayor Evžen Tošenovský had been very reserved and reluctant to policy initiatives for attracting investors from outside or abroad and he were using the neoliberal rhetoric of not intervening into free market by initiatives by public sector. The mayor had after the damaging flood in 1997 priorities such as establishing more efficient risk management system and remedy flood damages. He criticised the Social Democratic Government (since 1998) for giving massive incentives to FDIs. He said, the local economy will recover and modernize and it is only about creation of good economic framework for entrepreneurial activities. On the other side there were active deputy mayors, who carried out the policy of attracting FDIs without mayor's direct support.

Thus, an exogenous development strategy of attracting FDI by promoting low-cost inputs was the most important economic development activity of the city in close cooperation with other regional actors such as Regional Development Agency. Most of politicians and experts believed that FDI would help to open the Ostrava region up and provide new innovative impulses to the regional economy and create jobs, which mirrored in the political discourse and normative frameworks. Throughout the 1990s and up until 2008, regional and local government actors gradually formulated and implemented a fundamentally "low road strategy", based on promotion of low cost inputs for attracting FDI as a means contributing to increase the strengths and diversification of the weakened local (and regional) economy.

Additionally, certain measures were taken to strengthen local and regional economy, such as the establishment of new universities and faculties, the establishment of business innovation centres and science and technology parks.

We have to emphasize that for the future demographic development of the city of Ostrava, especially in terms of the elimination of job related out-migration, play a very important role the job creation in the whole labour market region of the Ostrava region, not „only“ on the territory of Ostrava city. Moreover, Ostrava municipal authority has been the owner of Business Zone Airport Ostrava-Mošnov (Mošnov is a small municipality 20 km from Ostrava with a former military airfield) and one of the actors of the development of the industrial zone Nošovice for Hyundai (Nošovice is a municipality 30 km southwards from Ostrava).

However, as stated above, the old industrial city region of Ostrava in the north-eastern part of the Czech Republic became successful in attraction of investors later than other important economic cores such as Prague, Plzeň or Brno. Ostrava became attractive for investors in 2004, but the cities such as Plzeň or Brno attracted investors much earlier in 1998. There are many reasons for the “later success”: better locations in the Western part of Czechia from the point of view of Western investors until their relative saturation (?2003), missing motorway in Ostrava city region, bad image of this old industrial region, higher wage requirements by formerly wellpaid workers, reluctance of major political actors such as mayor because of lock-ins, lack of cooperation because of institutional thinness and fragmentation, low level of preparedness of industrial zones until 2003.

The period 1998 to 2008 is characterised by attempts of the attraction of investors from outside the Ostrava region or more precisely by attraction of foreign direct investment (FDIs) to the industrial / business zones prepared and owned by the city of Ostrava and by other cities in the whole Ostrava metropolitan region. We date the start of the concrete activities into 1998, when the City of Ostrava took part in the MIPIM Cannes 1998 as a part of regional marketing and communication strategy. MIPIM is real estate fair, where cities and region promote their investment opportunities and localities to investors and developers. In 1998 the main locality, which was promoted by was the Karolina post-brownfield site in the city centre of Ostrava. It was a first step into creating international awareness of Ostrava as a city region to invest in. Unfortunately, this time (in 1998) Ostrava was totally unprepared for the inflow of investors. Ostrava DED presented plans how to develop in future and not any concrete industrial zones (as products for investors) prepared for investors. We can consider the participation of Ostrava at MIPIM 1998 as policy learning initiative or know-how transfer event, which contributed to the activation of the local governance system in the future. Since then Ostrava takes part in real estate fairs (MIPIM Cannes, Exporeal Munich) regularly and promotes the strengts of the city (cheap labor force, industrial zones, universities and STP) and concrete locations for investment.

It is hard to say, which investor and when was the first one. The goal of policy initiative was defined as attraction of strategic industrial investor into Ostrava city region, which will contribute to massive job creation and diversification of economy. As one of the first foreign investors was the German retailer Makro Cash and Carry, who came in 1997 to Ostrava – Hrabova business zone. This investor influenced the structure of the regional retail sector, but the impact on employment was rather insignificant. The city government proved that Ostrava is investor friendly city (friendly to any foreign investor) and demonstrated it's openness to investors, which partly improved the city image. Later on, in 1998-2008, we can speak about clientelistic approach by local politicians to retail developers and retail investors. The experienced and financially strong developers were able to “manipulate” the “investor friendly” politicians, and public administration, adjust them to their needs and interests and made them change zoning plans in a very voluntary nontransparent ways and sell the sites in the inner city or city center for retail development.

Major policy initiatives in the field of economic development by the governance system of Ostrava were the **Science & Technology Park Ostrava, Business and Industrial Zone Ostrava – Hrabová, Industrial Zone Nošovice** and **Mošnov Development Area – strategic business and industrial development zone**. We describe and explain the evolution of governance of economic development in these partial case studies.

1.4.4.1 Science & Technology Park Ostrava

In 1997, the Science & Technology Park Ostrava was established as a joint venture involving the Technical University, Ostrava University as main partners and the City of Ostrava under the guidance of experts of the Regional Development Agency. We can consider this new institutional arrangements from 1997 a corporate governance regime based on partnership between the municipal authority and universities supported by the facilitating Regional development agency. It was a typical public – public partnership induced by the awareness of the necessity to support economic upgrading of the local economy.

First impetus for the establishment of STP came earlier, in 1994 as the representatives of the city and Technical university saw similar technology parks in Western Europe and wanted to replicate this measure of innovative economic development in the context of transformation of Czech economy and in the context of restructuring of old industrial city. The STP should be a business incubator for spinn-offs from the universities and innovative start-ups. That's why the site for the allocation of STP facilities had been chosen close to campus of the Technical University of Ostrava, in order to ensure through the vicinity between STP and TU the cooperation, knowledge flows and know-how transfer. In 1996-1999 period the concept and technical documentation had been elaborated, plots for STP had been bought out from land owners (10 hectares) and in 2000 the necessary technical infrastructure had been constructed and provided. The investor of the STP was the city of Ostrava supported by PHARE fund (20%) and governmental agency Czechinvest. In 2001 the first private investor Czech-Spain company Ingelectric used the opportunity and constructed first building in the STP. In 2001-2003 the multifunctional building had been built with office space, laboratories, conference room and restaurant. In 2006 third building for companies has been built. Since 2007 is the STP the seat of Elcom, which is first important spinn-off company located in the Park. ELCOM is Czech endogeneous innovative firm and specializes in IT systems integration in the field of measurement and testing. It is considered a flag ship company because of its good performance on European market, local embeddedness and established connections to the university.

Figure 5 Science nad technology park Ostrava



Source: Department of economic development of the Ostrava city

1.4.4.2 Industrial zone Ostrava – Hrabová

The case of development of the industrial zone Ostrava – Hrabova illustrates very well the functioning of the local governance system of Ostrava city region in terms of economic development and job creation. It shows, that the local government, because of the awareness of it's own weakness of institutional capabilities concerning attraction of investors, established PPP public private partnership with experienced actor from private sector and let him act in order to gain the objective of job creation. Similar actors and patterns of their interactions we can see in the governance of urban regeneration projects in the old industrial city of Ostrava. Or maybe even at the level of post-transformation CEECs, the whole Czech Republic? Public sector and particularly municipal authority (local government) has been initiator of policy initiative, who paid the very high initial costs and private actors have been the ones, who yield the benefits. The public sector had seemed to be weak for any more sophisticated policy initiative or action because of it's cognitive lock-in (belief that public sector should only create legal framework conditions enabling private initiative and disbelief in advisability of support or interventions into market economy), low know-how levels, missing human resources – professionals, and missing public funds for public investment. Public sector initiates and stimulates the activity of private actors without keeping the power to regulate possible negative developments. According to the statements of interviewees, analysis by NGOs and media news, for post-transformation countries such as Czech Republic, is typical clientelism and corruption. We can consider it a typical neoliberal approach at the local level of the city of Ostrava, which reflects the broad dominant normative framework of neoliberalism and demonstrates the high level of dependence on external structural conditions such as globalisation, economic crises, economic development in the EU or Czech Republic, provision or non provision of grants from EU structural funds etc..

In 1999 the local government of the City of Ostrava decided to prepare a new industrial zone in the south, in Ostrava-Hrabová, next to the bussiness zone occupied by retail investors Makro (since 1997) and Tesco. The reasons for allocation of the industrial zone in Hrabova has been the vicinity of motorways (D1 and I/56) and the airport in Mošnov. We have to strengthen the important role of public private partnership (PPP) between the local government and a private company CTP Invest, which has been very important actor in terms of the development, promotion and marketing of this industrial zone. CTP Invest is the Dutch developer company, which owner and manager Remon Voss decided after negotiation with the municipal authority representatives to take over a part of the IZ in 2004. According to the contract between the City of Ostrava and CTP, the CTP company will be entitled to buy the appropriate part of the industrial zone, if CTP will be able to attract investors, who will create 1100 jobs. In 2005, thanks to support and activities by CTP, the first FDIs on the Ostrava territory has become the Taiwan company ASUS, which is the producer of computers and components. After that, the CTP was entitled to buy significant part of the zone for it's own business purposes as developer.

For the stage 2004-2008 is typical clientelistic – corporatist mode of governace based on partnership initiated by municipal authority of Ostrava (especially former deputy mayor Petr Kajnar and DED), supported by Regional Development Agency or Czechinvest. The main actors however are private sector actors and developers such as CTP Invest. The structural condition can by characterised as improved (after complicated economic development 1997-2003) and rather stable conditions for externally induced economic growth, modernisation of traditional firms and positive atmosphere. Favourable conditions for strong inflow of investment were: global economic growth, membership of Czech Republic in the EU since 1.May 2004 and Czech Law on investment incentives (No. 72/2000/2007). Normative

frameworks was characterised by beliefs of political leaders in positive role of FDIs (paradoxically, even left wing Social Democratic leaders), in diversification through ICT and automotive sector growth.

Figure 6 Greenfield industrial development zone Ostrava - Hrabová



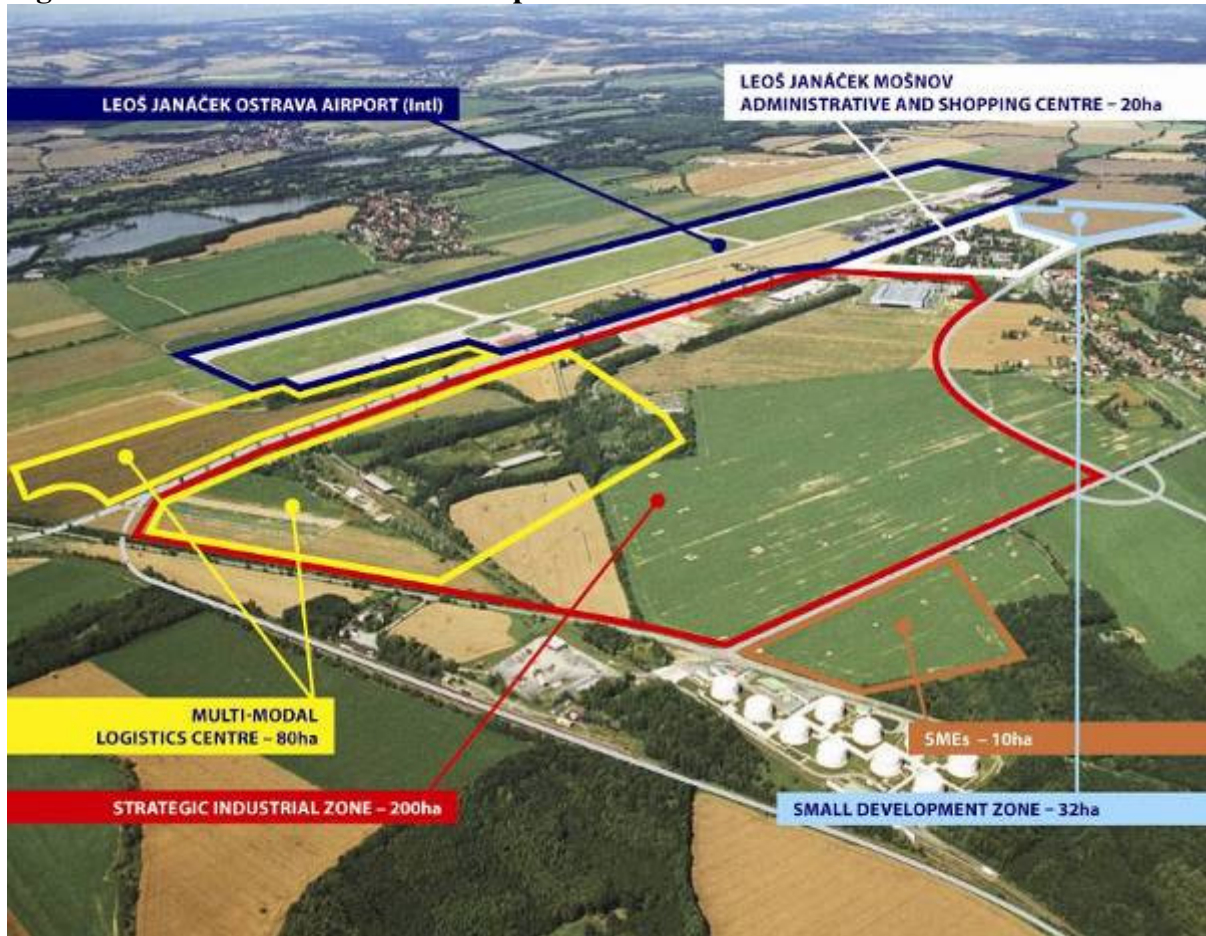
Source: Department of economic development of the Ostrava city

1.4.4.3 Mošnov Development Area – strategic business/industrial development zone

This strategic business zone is located in Mošnov - 25 km from the centre of Ostrava - next to the international Leoš Janáček Ostrava Airport. This strategic business and industrial development zone has 200ha and is owned by the City of Ostrava and the Moravian-Silesian Region (the Airport area).

It is divided into multi-modal Logistics Centre (I.stage: 30 ha and II.stage 50 ha), then small Development zone: 32 ha; SMEs zone: 10 ha and Leoš Janáček Airport Mošnov with Administrative and Shopping Centre on 20 ha. There are following investors already on site, who created 1000 jobs: Plakor (400 jobs), Behr (400 jobs), Cromodora Wheels (230) and Slovak developer HB Reavis Group in the field of logistics is constructing it's facilities. According to statements by Czechinvest representatives new investors are coming 2011, after the crisis 2008-2010. In April 2011 is still 80 ha of land vacant. Some efforts have been made to market the vacant parts of the zone by Czechinvest, Regional government (especially, concerning the airport development) and the City of Ostrava.

Figure 7 Greenfield industrial development zone Mošnov



Source: Department of economic development of the Ostrava city

1.4.4.4 Nošovice – Regional strategic industrial development zone and HYUNDAI Investment

The main goal of all the local and regional subjects dealing with support of economic development had been to attract large and strategically important industrial investor, who creates jobs and helps lower the high unemployment rate in the city region of Ostrava. The same goal of job creation and restructuring of the regional economy had the government in Prague, which feared the social and political instability in the Ostrava city region with its population of 700.000. The foreign direct investments were generally considered as remedy for economic and social revival. Therefore, possible negative aspects of dependence of the region on the decisions of the major foreign investor or of environmental and social sphere (e.g. paper by Pavlinek) such as deskilling, appropriation of agricultural land, were not discussed or taken into account in any way.

In 2005, thanks to regional marketing activities carried out by partnership of the governmental agency Czechinvest, municipal authority of the City of Ostrava (DED), the Moravian – Silesian regional government and Regional Development Agency, began the negotiations with the Korean Company Hyundai on the location of its European plant. The company Hyundai decided in 2006 to locate its first European plant to the Moravian – Silesian region, or more precisely to its core Ostrava city region. Hyundai declared to invest 1,3 miliard EUR, which had been the biggest industrial investment in the Czech Republic ever.

As very powerful company, Hyundai set up some pre-conditions to be fulfilled by Czech government and regional authorities. One of them was the as soon as possible construction of motorway D47/D1 Brno-Lipník nad Bečvou-Ostrava. All the important actors in Ostrava city region had been fighting for this motorway for at least 16 years, since 1990. Therefore, the support for the allocation of Hyundai plant into the region meant for local and regional politicians to be able to make pressure on the government in Prague. Make them approve the “immediate” construction of the motorway into the Ostrava region. From this reason, even politicians, who were again attraction of FDIs by means of any kind of benefits and subsidies, supported the policy of FDI attraction.

The company Hyundai in negotiations with government, regional authorities and municipal authority of Ostrava decided 2006 to choose for its plant the locality in municipality Nošovice, 35 km southwards from Ostrava (approximately 20 minutes by car), at the motorway towards Poland and Slovakia. Nošovice were chosen because of the favourable location at the motorway and relatively near to KIA plant in Žilina in Slovakia.

In this case we can see the corporate mode of governance, when all important public bodies and quangos in locality, region and state created partnership and tailored favourable conditions according to the need of private investor without taking into account any environmental aspects, which has been criticised by NGOs. Thus, possible negative aspects of this huge investment were ignored, and even not discussed. The attraction of Hyundai into Ostrava city region was presented as a big victory in dealing with unemployment or in terms of know-how and skills transfer.

Not “only” automotive industry, but ICT sector as well, had been the subject of support by new institutional arrangements since 1990 and especially since 2004.

1.4.4.5 ICT industry support of development by economic governance system

In general, the term ICT sector describes a combination of ICT manufacturing and ICT service industries. The ICT sector in Moravia Silesia, or more precisely, Ostrava city region, region ranks the fourth position out of 14 regions in the Czech Republic as to number of ICT firms and employment and it is supposed to play a strong role for desirable diversification of the economy. This sector receives a considerable attention and support not only from national and European support programmes but also from a range of regional actors (universities, Regional Office of Moravia Silesia, City of Ostrava and companies as well).

Efforts to develop and apply information technologies in the Ostrava city region (or North Moravia region until 1989, or Moravia Silesia region since 2000) we can find even under communism before 1990, yet they were subjected to technological blockade by “western” countries (the prohibition of the export of hardware and software into communist countries). However due to the presence of many manufacturing companies in the region quite large departments of ICT were located here which employed thousands of employee mostly in ICT services. A significant development phase for the ICT sector in the Czech Republic came in the period from 1990 to 1995, especially in relation to the dynamic development of the ICT sector in the most developed countries and in connection with the possibility of the transfer of technological know-how after the fall of the Iron Curtain. Urgent need for ICT upgrading both

in public and private sectors, alongside with a strong inflow of FDI increased demand for ICT services.

However, the main player in the governance system of economic development in terms of ICT sector development, has been the Technical University Ostrava, the Faculty of Electrical Engineering and Computer Science, founded in 1991. This Faculty is growing rapidly, not only in terms of the number of students and graduates (more than 3500 in 2009) but also in involvement in research activities at both national and international levels, plays a key role in this area. The Faculty also initiated the establishment of an IT Cluster and continues to play a key role in this initiative, the president of which is the former dean of the Faculty, Prof. Ivo Vondrák, himself.

Three basic types of ICT firms can be distinguished in Moravia Silesia region. The first type includes new companies, established in the region by ICT experts, who originally worked in the ICT departments of large state-owned companies, during the late 1980s. The second type is made up of new branches of foreign companies that have been established here. The third type of firms consists of those companies, established by young university graduates.

Concerning ICT manufacturing one large company Pegatron Czech employing about 1200 employees in a production of ASUSTeK computers is located in the region. Employment in ICT services in Moravia Silesia increased from 9 thousand in 2004 to 11 thousand in 2008 and it is expected to grow.

Most ICT companies in the region are SMEs with the exception of Finnish company TietoEnator (1800 employees in 2011), which can be considered the regional flagship and the most dynamic ICT firm in the city region in terms of growth of number of employees. The most significant evidence, concerning the improved innovation performance and competitiveness of ICT companies in the Ostrava city region, is the dynamic growth in the number of employees from 2004-2010 to approximately 12.000. This can be seen not only as a contribution to the improvement of regional competitiveness, but also as the diversification of an old/traditional industrial economy.

1.4.5 Evaluation and preliminary conclusions

As important fact to be strengthened is, that Prof. Vondrak became the rector of the Technical University and is recognised leader and personality, who influences the normative framework of the governance system. Since 2000s he became the new opinion leader for the new economy in the Ostrava city region, who is able to form the opinions of politicians and important decision makers such as the mayor of the city, Mr. Kajnar. The rector supports the plans of Mr. Světlík, the owner and manager of the Vitkovice Holding company and owner of significant parts of city. Reciprocally, Mr. Světlík supports plans of the Technical university. We can speak about strong partnership - Tripple Helix like (government, university, business, see Etzkowitz, Leydesdorf) - of the mayor Petr Kajnar, the rector Prof. Ivo Vondrák and the owner of Vitkovice Mr. Světlík. They are strong leaders with complementary interests and vision of strengthening the competitiveness of economy of the city of Ostrava and improve their attractiveness for people and business by several urban development projects (see the case study on governance of urban regeneration). However, most of plans are dependent on external conditions and decisions such as IT4I, Nové Vítkovice etc.

Consequently, in the whole region of Ostrava, between 2000 - 2010, about 20 industrial zones with an area of more than 1000 hectares were prepared. Hundreds of firms established new locations in these zones. This accelerated the re-industrialization of the regional economy through the influx of FDI into the automotive industry, electronics, ICT and business and personal services. These include one of the most important investments in Czechia: the Hyundai Motor Company's investment in Nošovice (near Ostrava) which resulted in approximately 2500 new jobs in the plant and an additional roughly 10,000 jobs in supplier companies located mostly in the vicinity of the assembly plant.

Additionally, at the same time 2004-2008, in the course of economic revival through industrial investment, came to dynamic development at the real estate market in line with economic growth and gradual increase of employment. The demand for land for residential, office, hospitality and logistics development has gone up. We have already mentioned, that retail developers and foreign retail chains were since 1997 the first foreign direct investors at all. The clientelistic-corporate mode of governance of economic development replicated once again. The politicians and municipal authority officials applied towards developers the same approach as to foreign direct investors i.e. the unlimited support of any initiative by private sector, especially developers and investors. The developers, who were able to establish networks with leading politicians got all the necessary support by public sector according to their needs and business interests.

In 2007 the hejtman of Moravian – Silesian region (the governor of the region) Mr. Evžen Tošenovský, stated at the conference “D2R Developers to region”, that *“After 15 years of efforts by public sector concerning the creation of favourable conditions for entrepreneurial and business activities, fortunately, the private sector actors as the dominant market force, became most important actors of the city and took over the major initiative in regional development. The public sector is not allowed to interfere into market mechanism or to hinder free market forces in any way. From this moment the development will be managed by market forces and not by bureaucratic decisions by public sector”*. This statement has to seem to be exaggerated or extreme from the Western point of view. But it should be understood in the evolutionary perspective of transformation from centrally planned economy to post-transformation market economy in CEECs and Czechia (1990-2004). We have to agree with the importance of private sector, but we have to reject the notion of unimportance or even harmfulness of public policy and public sector in the local development.

In 2004-2008 several projects of commercial residential, office and logistics development had been carried out. The Irish developer company Red Group constructed “The Orchard” at the Hornopolská Street, which is a mixture development consisting of offices and hotel. In one of the new buildings is located the HSBC bank service department with 800 jobs in service sector.

If we consider, that the attraction of investors has been the main approach of economic development, job creation and diversification, then we can see that there is a correlation between the entry of investors into the particular industrial zone and the decrease in unemployment and increase in GDP growth. However, we have to mention the favourable structural conditions for economic development on the global and European market in the period 2004-2008.

1.4.5.1 Science and Technology Park S&TP

In the above mentioned Science & Technology Park Ostrava (in Ostrava-Pustkovec, at the campus of the Technical university) had been created until December 2007 803 jobs in 30 companies, mostly in the new economy sectors such as ICT and R&D. In 2008-2010 the number of jobs dropped because of crisis and 2010 there are 650 jobs in 28 firms, plus jobs in services such as restaurant, facility management, sports center and security. These policy initiative of the S&TP by municipal authority of the city of Ostrava in partnership with universities is considered a success in the support for development of more sophisticated economic activity and diversification of the regional economy. According to our research, in firms of S&TP approximately 80% of employees are university graduates. In S&TP there is a number of firms such as Siemens, Bang & Olufsen and Tieto Enator, there is innovative firm Elcom and several typical start – ups. There is almost no vacant office space and new premises should be built according to the statement of Václav Palička, the head of Department of Economic Development. The construction of new office buildings depends on the availability of EU structural funds, which shows – once again – the high level of dependence on external structural conditions and decisions by EU and central government.

On the other side, there is a lot of criticism on the operation of S&TP, which has been intended to be a technological incubator with subsidised spaces and labs for spinn – offs and start-ups and an interface for cooperation between firms and technical university. However, due to external structural conditions such as the initial disinterest to establish spinn-offs and start ups in the region resulting in financial problems of S&TP, launch of economic boom in the region in 2004-2005 and immense demand for high quality office spaces by investors the policy of the major shareholder – the city of Ostrava - changed. The city did not want to give public subsidies to S&TP and decided to relax the rules for the incubator and rent the publicly financed buildings to firms at the commercial prices. Then, in 2005, the Technical university decided to establish it's own Centre for Advanced Innovation Technologies and Business Incubator (BI TU), which will serve to spinn-offs and innovative micro-firms. In interviews has proved, that there are rivalries between S&TP and BI TU or even between BIC Vitkovice and S&TP, who do not collaborate in any way. It would be advisable to cooperate in terms of sharing information and concentrating capacities on regional marketing and attraction of innovative firms into Ostrava.

1.4.5.2 Ostrava – Hrabová business zone

CTP Invest is owner of 90 ha of land of the IZ Hrabova and provides all the activities related to attraction of investors in coordination with local government of Ostrava, the agency CzechInvest and Regional development agency. The CTP part of IZ is 90 ha and has been divided into CTP Park Ostrava and Axis Office Park (office and logistics). In the Axis Office Park Ostrava is accomodated since 2006 the company GE Money Bank (750 job in administrative centre), which had been the first big tenant here. In the part of IZ Ostrava-Hrabová prepared by the City are located 3 companies (Briggs & Stratton, Asus / Pegatron-computer manufacturing and services, Sungwoo Hitech – the automotive sector -1430 jobs in 2010) on 30 ha land. Here in Ostrava is the European Service Center of Asus (330 jobs). Later, Asus has been taken over by company Pegatron with almost 1400 jobs in ICT sector.

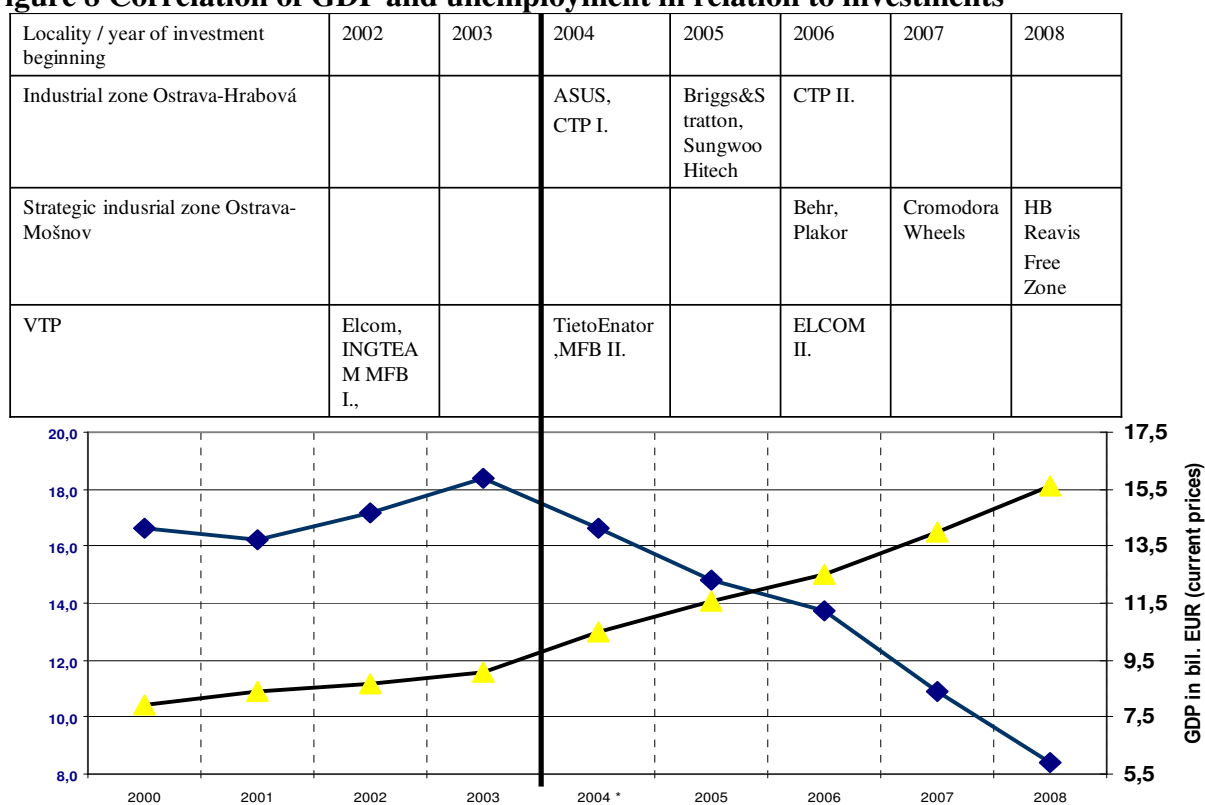
Generally, some 8.000 jobs have been created at the industrial zone Ostrava – Hrabová, thanks to partnership of the local government with CTP Invest. In 2010 there are approximately 8000 new jobs in the whole IZ Hrabová. The sectoral structure of the companies is very heterogeneous and diverse – ICT manufacturing and services (Pegatron –

Asus Czech Service), advanced services – banking (GE Money), automotive (Sungwoo Hitech, CTS), logistics (DHL), media print (Ringier Print). Despite the crisis, in 2009-2011 the CTP company has extended the Axis Office Park for new tenants.

1.4.5.3 Nošovice - Hyundai

For the labor market of the city region Ostrava the launch of operations of company Hyundai has been very important. In fall 2008, at the beginning of economic crises, the company Hyundai began their operations und until April 2011 created 2800 job direct in it's plant. With Hyundai came other Korean investors as it's tier 1 suppliers, which located in the industrial zones in the Ostrava city region (Ostrava – Hrabová, Mošnov, Třinec, Český Těšín). These investors created more than 7.000 jobs in different professions. The general outcome of the policy initiative of attracting investment is more than 10.000 new jobs in the automotive branche having positive impact on the employment and positive signals to other investors to invest in Ostrava city region. After the crisis 2009-2010, nowadays in 2011, the company plans to broaden their operations and impose 3rd shift, which would be some 500 new jobs more.

Figure 8 Correlation of GDP and unemployment in relation to investments



Development of unemployment in Ostrava and GDP in Moravian-Silesian region from 2000 to 2008

Source: Department of economic development of the Ostrava city authority

Figure 9 Macroeconomic indicators of Czechia

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010 (est.)	2011 (est.)
Unemployment rate	7,3%	7,8%	8,3%	7,9%	7,1%	5,3%	4,4%	6,7%	9,8%	10,7%

Inflation rate	1,4%	-0,1%	2,6%	1,6%	2,1%	3,0%	6,3%	0,6%	2,4%	2,1%
GDP growth	1,9%	3,6%	4,5%	6,3%	6,8%	6,1%	2,5%	-4,4%	1,4%	2,2%

Source: CZSO, 2009

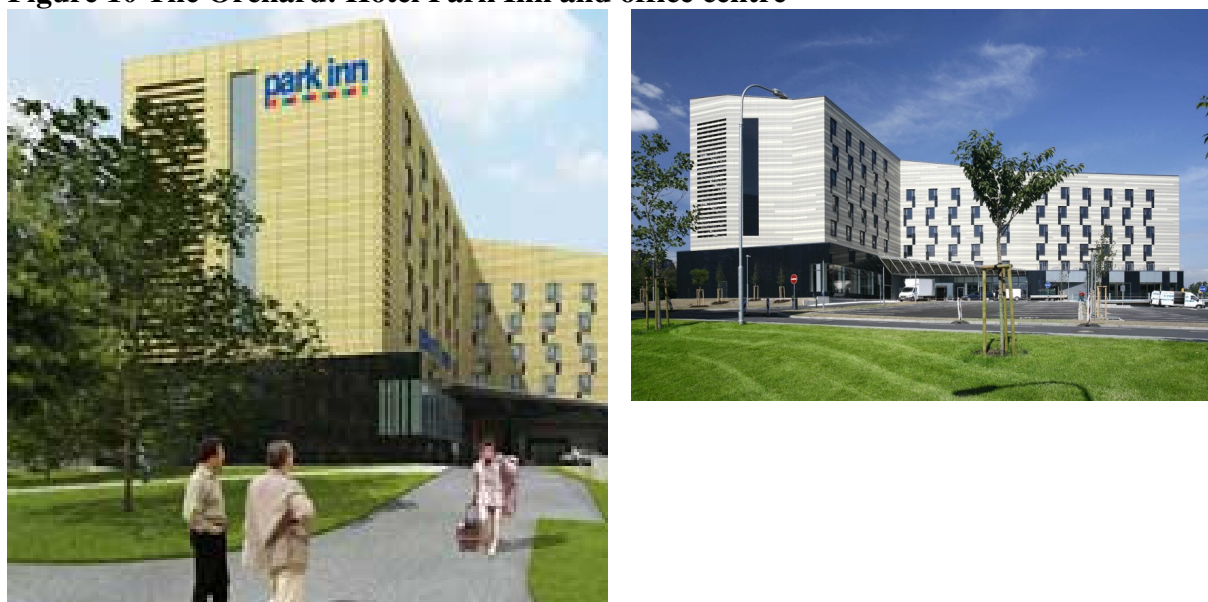
1.4.5.4 Other development activities 2004-2011

Thanks to almost unlimited support of developers by politicians and the municipal authority of Ostrava, who beliefs in economic growth and job creation and in-migration into Ostrava, a lot of projects have been carried out.

In 2004-2011 in the field of commercial residential development new residential housing projects have been carried out and 506 units – flats constructed in building such as Podkova, Ameba, Městská brána in the inner city and Atrium Slezská at Slezská Ostrava or Nová Poruba in Ostrava – Poruba.

In the office development there have been constructed 86,500sqm of A-class offices such as The Orchard (Irish developer Red Group), Varenská Office Centre, AXIS Office Park at Ostrava Hrabová (developer CTP) and Nordica (by Skanska).

Figure 10 The Orchard: Hotel Park Inn and office centre



Source: Department of economic development of the Ostrava city

Concerning logistics development there are 120,000sqm total area (2009) in logistics Parks such as CTPark in Ostrava – Hrabová, ProLogis Park Ostrava – Poruba or Tulipan Park Ostrava (Přívoz)

In terms of Retail and Hospitality Development there have been carried out projects such as Futurum, Avion Shopping Park. In the Orchard at Hornopolní have been constructed new hotel Park Inn and direct in the city centre has been reconverted one older building (former building of labour unions) into hotel Mercure.

The developer ICT plans for 2011-2012 new buildings for Tieto Enator company at Náměstí Republiky in the inner city (named IQ or Tieto towers), in which should be concentrated the operations of Tieto (with almost 1800 new jobs in ICT branche).

1.5 Another political cycle? Endogenous economic development strategy

1.5.1 Agenda setting – problem identification

New structural conditions since 2000 were important for the start of a new political cycle in the economic development policy of Ostrava city region. As already stated above, the EU policies towards the candidate countries have been influencing their policies at state, regional and local level through structural policy and the legal framework. In 2000, the EU approved the Lisbon strategy (Lisbon Agenda / Lisbon Process) and forced both, the member states and candidate states, to pursue the strategy with EU support. The Lisbon strategy was an action and development plan for the economy of the EU between 2000-2010. The goal of the strategy was to make the EU “the most competitive and dynamic knowledge – based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion by 2010”. The Lisbon strategy was based on the economic concepts of innovation, learning economy, clusters, innovation policy and national or regional innovation systems.

In terms of normative frameworks emerged in 2000s new concepts or even buzz words such as regional competitiveness, innovation, endogenous economic development based on R&D and improved performance of regional universities; the role of soft factor of economic development such as people and business climate etc.

Thus, concurrently, in theory, two strategies of economic development has been carried out. First, the low road exogenous strategy of attraction of FDIs and developers from outside the region has been carried out since 1990s with first successful attraction in 2004. Additionally, in 2002 has started the discussion on the new strategy of endogenous development based on support of innovative local firms and universities in the framework of regional development strategies.

In 2000s there have been very strong influence of the EU on the policies in regions (fully established in Czechia in 2001) and on secondary cities' local economic policy (e.g. Brno JIC South Moravian Innovation Strategy). Implementation of the EU innovation policy within the framework of the Lisbon Strategy and the shift towards more endogenous regional development approaches in Czechia comprised the primary reasons to draft a Regional Innovation Strategy (RIS1) in the Moravia Silesia region (or more precisely for its core Ostrava city region). The BIC Ostrava in partnership with RDA Ostrava – as real regional trendsetters - followed the new trends in the EU and decided in 2002 to elaborate new more endogenous strategy of regional development.

Due to the growing cost of inputs in Czechia (e.g. wages and energy prices), increasing global competition and an awareness of the necessity to modernize the regional economy, some of the regional government actors have sought to implement regional innovation strategy, particularly since 2003.

1.5.2 Policy formulation and decision making 2003-2010: Regional innovation strategy and activities towards endogenously induced growth

The first regional innovation strategy (RIS), as a strategic development document, was approved by the Regional council in 2003 and became an explicit strategy of the Moravia Silesia Region. The regional innovation strategy drew on a systemic innovation policy approach, which is based on the interactive model of innovation processes and which should aim in eliminating the drawbacks of interactions or, in other words, should support interaction and cooperation among firms and R&D institutions, including universities (Bach and Matt, 2005; in Dlabáč 2007). One of the central measures of this strategy should have been the establishment of the Moravia Silesia Innovation Centre (MSIC), which has, however, never occurred, due to a lack of political and financial support in the region and due to the fact that the strategy was not prepared on the basis of broad consensus among key regional actors. However, during the 2003-2008 period, several innovative measures that improved the regional innovation system were implemented such as grants for SMEs, support of cluster initiatives and development of R&D facilities at the Technical University.

1.5.2.1 Cluster initiatives 2003-2010

In 2003, the RDA in cooperation with Czechinvest (a government agency set up to attract FDI), the Technical University, the Regional government and the Union began to support the establishment of regional clusters, by facilitating interactions and cooperation between business and academia. Thanks to these efforts, the Moravian Silesian Region can be called the “clusterland” of Czechia (Skokan, 2009) due to its numerous cluster initiatives which try, with varying rates of success, to support cooperation among regional actors. At present, there are 9 cluster initiatives in the region, including the National Engineering Cluster (founded in 2003 as the first cluster in Czechia), the IT cluster (2006), the Moravian Silesian Automotive Cluster (2006), the Moravia Silesia Wood Cluster (2006) and others.

1.5.2.2 The stronger role of Technical university in the governance system

The very important actors of the new strategy of economic development has become the Technical University and their faculties, and another tertiary education institutions since 2000s. In 2011, more than 35,000 students are enrolled in three public universities and three private colleges in Ostrava city region. The most important is the Technical University of Ostrava with its seven faculties, focusing primarily on technical sciences and engineering, which has contributed significantly to the diversification of the regional economy. During this period, initiatives for building the innovation infrastructure were launched in VSB Technical University, resulting in the establishment of the Centre for Advanced Technologies, the Business Incubator and the Centre for Technology Transfer.

1.5.2.3 Regional government

In 2005, the regional government started a non-recurring donation programme to support innovation activities pursued by SMEs. This donation programme from the regional government is still in effect. The economic crisis from fall 2008-2010 affected the economic development of the city region of Ostrava. The strong inflow of FDIs 2004-2008 has stopped and the demand for real estate sank. The crisis showed the high level of dependence on

external conditions and strong impact of globalization, especially on large traditional companies in the region.

1.5.2.4 New RIS2 – Regional Development Strategy since 2009

The formation of the Regional Innovation System in Moravia Silesia began in 2009 with the preparation of new version of the Regional Innovation Strategy (RIS 2) for the 2010-2016 period, under the direction of the RDA in Ostrava. Regional actors, representing the business sector, politicians and academics (involved in accordance with the “triple helix” concept, see e.g. Leydesdorff and Etzkowitz, 1998), became more aware of the necessity to utilise endogenous development strategies as well as a more systemic innovation strategy targeting both knowledge creation and knowledge exploitation subsystems (quality tertiary education and the development of human resources, R&D infrastructure, technology transfer, internationalization). The strategy has been designed on the basis of extensive analytical efforts, including desk research of statistical data and other available sources as well as interviews in companies. Through this approach, both the key traditional industrial sectors (metallurgy, heavy machinery) and new emerging branches (particularly ICT and automotive) were identified. However, in the strategic phase of RIS preparation, a pragmatic attitude and simpler means of combining imitations of measures applied in South Moravia’s apparently successful and more mature RIS with regionally specific measures prevailed. At present, the Technical University of Ostrava has taken the lead in supporting R&D in the region in cooperation with local industries. It is involved in and plays an active role in all of the clusters established in the region and has utilised EU Structural Funds for the development of R&D, implementing projects in progressive industries such as ICT, using new, clean and environmental technologies and new materials.

Big role in the development play the dominant private actors such as Mittal Steel, Vitkovice Holding, Hyundai, Tieto or RPG Real estate, CTP, Multidevelopment as developers. Since 2010s we can see the weak or weakened role of intermediaries such as RDA, Regional Chamber of Commerce or Union for the Development of MS Region on behalf of more clearly defined institutions such as regional government or Office of the Council of the Cohesion region Moravia – Silesia.

The success of implementation of the high road strategy in the city of Ostrava depends on the local urban and regional governance system. Very important actors have been becoming universities improving quality of education and establishing new R&D institutions. Local urban planning actors and institutions support the economic development and attempt to improve conditions for business through provision of land/space to investors and developers. During the elaboration of new Strategic plan of the development of the city of Ostrava and in the course of agenda setting and policy formulation have been mentioned the necessity to improve soft development factors. The local actors, especially politicians in their speeches on conferences, put emphasis on the necessity of quality environment – clean air, water, green areas and parks; recreational and cultural facilities; attractive housing; architectural flag ships; safety; existing events; etc. There are many projects in the pipeline to be carried out such as New Karolina development project, New Vitkovice, Cultural cluster on Černá Louka, IT4Innovations (Information Technology for Innovations is a project of development of research capacities at Technical University of Ostrava via Supercomputing Centre to be supported by EU structural funds).

In 2011, there are still efforts of attracting investors from outside. However, there is the awareness of the necessity to improve innovative performance and competitiveness of regionally embedded firms. New institutional arrangements and partnerships occurred. The main actors are Technical University and Vitkovice Holding, which are supported by the municipal authority of Ostrava and Regional government. We can speak about corporate governance regime with elements of clientelism. There is an fragmented, institutionally thin, emerging regional innovation system in the new economy. We can trace competing interest groups of old vs. new economy. Generally, there is rather unclear fuzzy picture of recent governance system of economic development. The representatives of the old traditional economy are trying to help the modernisation and upgrading of the companies. On the other side there are emerging networks in new branches such as very formal cluster initiatives or informal partnerships. The mayor presents Ostrava as entrepreneurial city, where the local government is investor-friendly and fulfils private (business) requirements. The most important is the dependency of the city of Ostrava on external decisions and resources such as EU structural funding for innovative projects.

1.6 Discussion

1.6.1 Was there a lack of capacity?

1.6.1.1 Is the city [*after shrinkage*] characterised by a lack of capacity (financial, institutional etc.) in this policy area?

In the policy area of economic development 1990-2010 we could observe different stages. In the first stage 1990-1994 there were total lack of capacities in terms of human resources, know – how and financial resources at all levels. Thanks to external resources such as EC PHARE or WB new institutions could be established. In 1992, Czechinvest emerged at the level of Central state and 1993, Regional development agency, which helped to create favourable conditions for investors. However, there has been almost no absorption capacity at the level of municipal authority of Ostrava until 1998, when the Department for economic development has been established in order to prepare industrial and business zone and conduct regional marketing activities.

Nowadays, in 2011, the major problem is human resources and know-how for high added value economic activities and for their support, as organisational capacities are not sufficient as has proved in our interviews. There are only very limited capacities for more sophisticated economic development policy such as implementation of regional innovation strategy. It depends on cognitive lock – in and missing critical mass of leaders. Thanks to some activities by Technical University and it's rector team, the situation improved.

There have been relatively “enough” financial means thanks to governmental programmes and primarily EU structural funding. However the availability of EU fundings depends on the functioning of central government, which is permanently in crisis due to instable political coalitions, changes of staff at ministries, corruption and lack of trust between political actors. In general, there is permanent chaos at the central government level, which causes problems

to decisions makers at inferior levels of public administration concerning planning of development activities!

1.6.2 Did the area experience and dependence on external resources?

1.6.2.1 Does the city [*after shrinkage*] experience a dependence on external resources to enable local actors to cope with the problems in this policy area?

As stated above the city region of Ostrava is fully dependent on external resources at superior levels, which does not have anything to do with deindustrialization and population losses. Local actors rely on the external resources such as FDIs, developers, EU structural fundings or central government and the resources of ministries in Prague. The EU is an anchor of development of Czechia and Ostrava in the positive and/or negative sense. One of the development constraints of Ostrava is the high level of centralisation of powers in Prague.

1.6.3 Were there contradicting, instable governance arrangements?

1.6.3.1 Does the city [*after shrinkage*] experience dependent, contradicting and instable governance arrangements in which local decisions on this issue are highly dependent on shifts of external frameworks?

The framework is very instable and chaotic due to fast changing political priorities and diverging interests of the involved actors at the central government levels. The decisions of local actors are highly dependent on decisions made by central government. There have been animosities between regional government and city government as well due to different political affiliation of leaders. Thanks to many initiatives fostering networking, partnership and cooperation there is the possibility to create coalitions for action

1.7 Conclusions

The city of Ostrava, in 2011 is, a (post-communist) post-transformation shrinking city with many specific features compared with cities in developed old EU member states. The context for economic development in Ostrava in the framework conditions of Czech Republic is very different from Leipzig / Germany, Liverpool / UK or Genoa / Italy.

Ostrava has been old industrial city with all the typical “diseases” (see Hassink, Toedtling) such as lock-ins (thick institutional milieu in the field of old economy), overspecialisation in mature industries and thin institutional milieu in the field of new economy.

The major problems, which has been perceived by politicians, public sector decision makers and private sector representatives since 1990 has been the economic decline, deindustrialization and loss of attractiveness resulting in high unemployment rate and other related problems such as emergence of brownfields, job related out-migration, outdated infrastructures and ongoing social polarization. These challenges become the causes of concentration of actors of the governance system on economic development policy. The main

strategy can be called “low road strategy” and is based on attraction of (foreign) direct investment into the Ostrava city region.

The structural conditions were set up by neoliberal policy of the central government and by the EU policies, especially. New governance arrangements have been established due to external influences of EU and EU member states. These new organisations and formal institutions have been established with the support of EU at the central government level (Czechinvest) and at the regional level (e.g. RDA) and they try to transfer know-how and imitate approaches from outside the region and from abroad in order to catch up with other Czech regions.

The Ostrava municipal authority and there representatives have supported the concept of the entrepreneurial city supporting the private sector activities (as free market forces) in almost unlimited way. This could be considered a good strategy in the unfavourable market conditions characterised by low demand for economic factors, loss of attractiveness due to deindustrialization and job losses, air pollution, bad image etc. These structural conditions and normative framework mirrors in the governance arrangements. The public sector and public policy is inferior to interest and needs of private investors and developers. One of the reasons for that is the limited personal and financial capacity of public sector and missing know – how to be able to sort out the problem of economic development. Other reason could be, according to mass media and statements by NGOs or even governmental advisory bodies (such as NERV – National economic advisory council of the government), high level of clientelism and corruption, when politicians and officials misuse information on economic development, manipulate public procurements on behalf their clients in order to gain all kind of benefits.

After the period of transformation and institutional change at the central state, regional and local levels 1990-2003, and in more favourable economic conditions for the Ostrava city region (saturation of Brno, Plzeň and Prague by investment) since 2004 came to inflow of FDIs and to activities by commercial developers. The most active became actors of private sector. The period 2004-2008 has been very succesful in terms of inflow of FDI, job creation, and economic growth of the regional economy. This period can be called as period of re-industrialization and diversification towards automotive, electronics, electrotechnic. More important became the ICT branche, especially thanks to Tieto Enator investment. Concurrently has grown the service sector due to investment by HSBC, GE Money and others.

The political elites in the Czech Republic became aware of the risky dependence on FDIs and the normative framework (values, beliefs, discourses) changes towards more endogenous development approaches based on the mobilization of resources for high added value activities. The new phenomenon became the growth of importance of universities and their development activities, since approximately 2007. It is determined by the possibility to gain huge fundings for establishment of new R&D university research centres from Operational Programme “R&D for Innovation”. Technical University became one of the main actors of the implemetation of the Regional Innovation Strategy 2010-2016 and the new “high road development strategy” based on innovation, which is at top of the agenda setting since 2008.

The development of the city has been very dependent on the EU structural fundings. EU financial support programmes are very meaningful for the new stage of high road development strategy through innovation.

Despite the inevitable criticism, the city of Ostrava has relatively pro-active economic and urban development policy, local governance system based on emerging vertical cooperation of many actors such as local and regional government, central government and EU (e.g.

attempts of JESSICA implementation) and on emerging horizontal cooperation between active universities, local businessmen (such as owner and general director of Vitkovice Mr. Světlík) and NGOs.

The slight process of shrinkage will continue in some parts of the city, despite the pro-active local governance, and due to the important different shrinkage reasons such as lower birth rates, selective out-migration and weak in-migration, ageing, suburbanization, social exclusion, and environmental situation.

Speaking about evolution of the mode of governance we can see following stages. In 1990-1997 there has been hierarchical managerial mode of governance based on external conditions and normative frameworks set up by central government under the reform leader Vaclav Klaus and right-wing Civic democratic Party. The main goal was to transform the political and economic system towards democracy and free market economy. After the political change in 1998, when the Social Democratic Party won the elections and established government, the main goals became the entry into EU and attraction of FDI with the support of investment incentives. In these external conditions the clientelistic-corporate mode of governance evolved at the local level of the City of Ostrava.

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Annex: Research methods

Methods for the elaboration of this case study on the governance of economic development of the city of Ostrava were as follows:

- literature review and studying papers on economic development
- documentary analysis drawing on studying of development strategies, plans, operational programmes
- analysis of mass media information
- in depth - interviews with major actors and experts
- participatory observations thanks to the engagement of researchers in policy making bodies
- working seminar and stakeholder meeting information and discussion (working seminars such as “think tank” organised by David Sventek or RDA
- papers as results from other research projects

Interviews focused on:

- Politicians at central, regional and local level
- Scholars, researchers at central, regional and local level
- Officials - representatives of the local and regional administration
- Experts of intermediaries and consultancies
- Investors, developers, entrepreneurs
- Opinion makers
- Selected leaders

Interviewees

Dr. Pavla Břusková – former Director of RDA, (OKD, Union)

Ing. Petr Czekaj – Union for development of MSR

Mgr. Filip Chlebiš – Czechinvest

Mgr. Jan Dvořák – PWC, DED Ostrava

Ing. Ladislav Glogar – Leader of Automotive cluster

Prof. Ing. Vítězslav Kuta – TU

Doc. Ing. Marian Lebieczik – Deputy governor of the Region Moravia – Silesia

Ing. Dagmar Matznerová – S&TP

Ing. Jiří Michálek – Vítkovice Holding, Director for Strategy

Ing. Miroslav Neulinger – Director of Business Incubator TU Ostrava

Ing. Václav Palička – Head of DED

Ing. Pivovarová – CTP Invest

Prof. Ing. Karel Skokan – TU, (RDA)

Ing. David Sventek, MBA – Director of the Office of Council of the Cohesion Region

Ing. Marek Valdman – BIC Vitkovice

2 Governance of inner city regeneration: the case of Ostrava

by Ondřej Slach

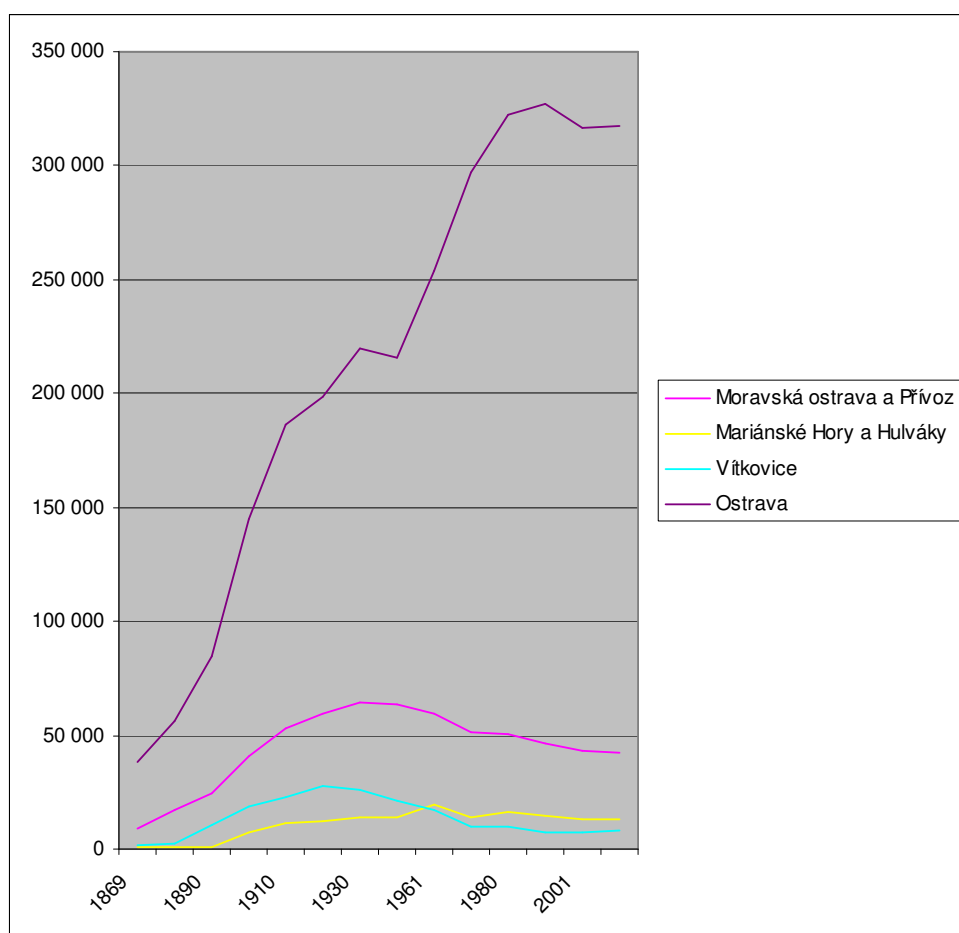
2.1 Introduction

In Ostrava, as a traditional industrial city, the urban functions were not developed like the residential and services functions in historically founded cities. In contrast to historically founded medieval cities, these functions were connected with and developed in the neighbourhoods of individual mines and factories established particularly after 1830s. This situation resulted in a chaotic housing development with multi-core residential structure, together with diffusion of residential and production functions (Havrlant, 1980). During the dynamical industrialization of Ostrava's urban region emerged a polycentric residential system, sometimes called by planners and urbanists also OSRA (Ostrava Regional Residential Agglomeration). Ostrava can be labelled as a functioning big city practically only after 1924 (Kovář, 2010) when the so-called Great Moravian Ostrava was created by merger of Moravian municipalities, which were interconnected by economic and transport relations with Moravian Ostrava. Moravian Ostrava with its ground plan forms a historical fundament of the today's inner city, including the city districts of Moravian Ostrava and Přívoz in the centre of the city, with adjoining city districts of Vítkovice, and Mariánské Hory and Hulváky. Functional and population culmination reached the above delimited inner city of Ostrava in 1930s when 47% of all the city's inhabitants (103,000 inhabitants) lived in the area of the inner city, where were also concentrated important administrative and commercial functions.

The beginning of the Ostrava's inner city decline in the context of the shrinkage process can be observed already since the outset of World War II when destruction of physical structures as a result military operations (bombing) took place, as well as politically motivated deportations of Jews, and also displacement of German population after 1945. Only in the city centre itself was damaged or destroyed 20% of all buildings and emerged a number of gap sites which have been a part of the city structure until now (e.g. at Dr. E. Beneš Square where before 1944 originally stood the German House). The start of communism era resulted in further decay of the Ostrava's inner city. In coherence with the dominating ideology supporting the heavy industry and influx of labour force, new residential sectors were developed (Poruba, Ostrava-Jih) in a long distance from the city centre and outside the coal mining area. Investment activity in these localities was preferred, while after 1945, and in particular in the half of 1960s was considered a demolition and urban renewal of a significant part of original physical structures of the city centre, damaged by the mining and undermined, which also to a large extent became reality. On one hand, the urban renewal brought about positive impacts in the form of demolition of earlier industrial works in the close vicinity of city centre (coal mines, Žofie steel mill, coking plant Karolina), on the other hand was destructed the original housing development in blocks with many architecturally valuable buildings. The ideologically contingent support of extensive development of heavy industry implemented in the period of Communist Party governance in year 1948-1989 also negatively influenced the decline of the city district of Vítkovice. The Vítkovice Iron and Machine

Works as an extensively developing industrial company requisitioned and displaced the residential housing and after 1945, Vítkovice gradually grew into an unattractive industrial quarter with low quality of life (Kocierzová et al, 2002). Since 1960s has also been implemented the intentional spatial concentration and segregation of socially weak classes and Roma population into the inner city, while e.g. in Přívoz as a part of the city centre lived about 43% of all Roma citizens present on the territory of Ostrava (Davidová, 2009), and the situation in Vítkovice and Mariánské Hory was similar. Thus, during the first two decades of the communist governance of the city, between 1950 and 1970 the population decreased by 23%, while this trend continued also in 1970s and 1980s. In 1991, only 68,213 inhabitants lived in the inner city of Ostrava, i.e. only 20.8% of the total population.

Figure 11 Inner city population development 1869-2008



Source: Czech statistical office

Another factor affecting the process of shrinkage was the low level of civic amenities and services available in the centre and inner city. The centrally planned economy and its entirely redistributive policy (and thus non-existence of resources allocation by market influence), as well as specific features of housing policy (mass-production building of high-capacity settlement quarters on the periphery of cities) led to the situation that in the centres of socialistic cities could be observed much less physical, functional, and social changes than in the cities in countries with free-market economy (Musil, 1993). Low level of changes' intensity at inter-urban level also reflected the low investments into "non-productive" sector

of services in communist countries (see e.g. Burdack, Rudolph, 2001), while this “undersizing” of services function was in Ostrava as a “Steel Heart” of the country even stronger than in other cities of Czechoslovakia (Sucháček, 2010).

Before the fall of communist system, the inner city of Ostrava was not only demographically, but also functionally and physically “shrinking” part of the city. This was on one hand a result of the Communist Party “controlled destruction” in order to support the heavy industry (metallurgy, mining), and on the other hand it was an effect of the ideology of “socialistic housing development” preferring the new construction of settlements on cities’ peripheries, but on the expenses of regeneration of older, original parts of cities. The decay of such inner city quarters was accompanied by elements of “latent” social segregation, leaving in these city districts particularly the economically and socially weaker classes, in case of Ostrava mostly of Roma origin.

This description of city of Ostrava development situation until 1989 is necessary, as it forms a precondition for understanding the definition of development agenda and identification of principal problems after 1989.

2.2 Inner city regeneration – on overview

This part of study does not aim to analyze and assess comprehensively the governance of inner city regeneration, but its objective is to outline the wider institutional framework into which will be embedded the selected case studies. In the framework of development of the inner city of Ostrava’s regeneration can be in principle distinguished three basic stages which are differing for example by governance regimes, structure of actors, or scope of investment activities.

2.2.1 First stage until 1994 – “wild after-revolution transformation”

In this period of a “wild after-revolution transformation” was taking place the constitution of fundamental structures of the entirely new private, as well as the new “democratized” public sector and public administration at hierarchical level state-government and local governance. Regeneration of the inner city (mainly city centre) was pulled by spontaneous commercialization connected with development of services. Regardless of this situation continued stagnation of a number of localities inside the inner city (particularly the most dilapidated city districts Vítkovice, Přívoz). Only in 1994 was approved the urban plan as a principal regulative tool of the city development, while in this urban plan was for example changed the functional use of the then functioning Lower Area of Vítkovice (coal mining and steel-making complex with area of circa 300 hectares) from industrial to civic facilities, which was among others (decision of the state) one of causes of the termination of operations in 1998 (Světlík, 2008). The principal problem of the inner city was existence of old, as well as “new” brownfields emerging in connection with intensive transformation deindustrialization, as well as bad condition of transport and technical infrastructure (e.g. buried services), which led to formulation of basic concepts in this field (Aldorf, 2007). In this period were not happening any fundamental changes of governance arrangements as its basic components were only being established. However, already at this stage could be observed first signs of the governance mode which with slight modifications continued until now. In 1994 the city district of Moravian Ostrava and Přívoz sold a lucrative land in the city centre to a German retail chain Bauhaus. This was a first, and for a long time most significant investment of this

type not only in the inner Ostrava, and the city hoped that this investment will bring a development impulse for the wider, ravaged environs (Strakoš, 2002), which subsequently led to changes in the urban plan (1999) purely for the needs of the investor, which are today proving to be an important barrier for implementation of current projects in its wider neighbourhood. Part of the transaction was the precinct of historically valued Municipal Slaughterhouse – the contracts were concluded insofar poorly that during the 20 years had been going on a scot-free controlled destruction of this precinct, which intensely limits the development of the nearby entertainment quarter at Stodolní Street (more in Rumpel et al., 2010). Anyway, the very localization of a classic large-area, architecturally unattractive hobby market in the city centre was diplomatically said a “bizarre” act (compare with Pačlová, Walica, 2010). However, this situation well symbolizes the struggle of local government to attract any kind of investment, and effort for meeting any demands of the investor (see Rumpel, Waack, 2004).

2.2.2 Second stage 1995 – 2003 – “sleeping periphery”

In the first period of this stage, on one hand as an effect of the reduced economic basis, and on the other hand by influence of pushing forward the neoliberal approach of “minimalist” interventionism from the side of public sector, that is also by the city, are not taking place any significant displays of regeneration of the Ostrava’s inner city (except for selective regeneration). First more important regeneration projects were the construction of the Puppet Theatre in the area of the first “brownfield” at the territory of Ostrava – at Černá Louka, or restoration of Antonín Dvořák Theatre. At the same time was also running an investment into the transport technical infrastructure. In the same period proceeds the unification of land at Karolina and preparation of architectural competition for development of this locality (see above). By the end of the decade the first big foreign investor (TK Development) enters the territory of the inner city, opening on land, whose functional utilization was changed on demand of the investor, a retail shopping mall with area of approximately 33,000 m², which was in 2007 enlarged with Retail park (10,000 m²). In the period of the most intensive economic depression until 2003 the investment activities (in relatively low volume) are transferred outside the inner city, while in the inner city are implemented mainly infrastructure projects (e.g. collector in volume of 650 million CZK) partially funded from EU (ISPA), reconstructions, or construction of cultural or leisure time public infrastructure. Owing to construction of shopping malls at city’s periphery enabled by the benevolent attitude of public sector (Spilková, Perlín, 2010) is slowing down the “spontaneous” regeneration of the city centre supplemented with insular regeneration of the inner city. An illustrative example of spontaneous insular regeneration can be in this period the regeneration of the social brownfield of “Stodolní Street” pulled by “culture” or “artists”, where it was the absence of any control and factual neglecting of space (“ploaps”, Mommaas, 2004) that enabled the creation of this process (Slach et al., 2011). Besides regeneration also takes place the deepening (floods of 1997) of physical degradation of certain localities (Lower Area of Vítkovice, residential zone of Vítkovice and Přívoz) connected with social spatial segregation (concerning Přívoz more details in Temelová, Novák, 2007).

2.2.3 Third stage 2004 – 2011 – market, developers, EU, or “all for growth”

Since 2004 comes as an influence of positive external conditions the economic revival of the city of Ostrava, or respectively of the whole region, which projects also into the increased

regeneration activity in the inner city. The inner city is fully invaded by new actors – the developers – who are significantly, if not dominantly, forming the governance of Ostrava's inner city.

Outside the Karolina area, the activities of developers in commercial development are concentrated in years 2006 – 2007 into the north-west part of the inner city (Mariánské Hory), or more exactly into the surroundings of the upcoming completion of the inner through-flow of the city (e.g. The Orchard – 100 million EUR) when the city acted in many cases as the vendor of land, and the main effort was to create “favourable” environment for investors. Created are also several projects of residential development in the centre of Ostrava oriented on high-earning groups of citizens.

In the period of chief investment “boom” in Ostrava between 2004 and 2008 was planned a number of commercial projects exceeding by their volume 1 billion EUR, and moreover were heard daring voices of politicians that Ostrava will become a “new Berlin” (meant by intensity of construction works) of Eastern Europe. Nevertheless, the financial crisis brought about the quick burst of the bubble and resulting termination of number of investments (e.g. Jindřich Plaza – 100 million EUR) or postponing of their implementation (see Karolina). In parallel with the inflow of private investment continued also the investment from public budgets (city, districts, EU) into revitalization of transport and technical infrastructure and public grounds (e.g. Masaryk Square).

Since 2007 enters the development of inner city an important actor in the form of company Vítkovice, which through its subsidiary subjects – association Lower Area of Vítkovice and Vítkovice Reality Developments – are implementing regeneration of the above mentioned area, until now largely from public sources (EU – 500 million CZK) with the total declared estimated costs are amounting to 2.5 billion EUR (only redevelopment works should amount according to existing calculations to 3.3 billion CZK). The result of the extensive investment should in the next 10 years be the area of “New Vítkovice” combining the industrial heritage (museum), sports and leisure time infrastructure (culture, entertainment), residential development, industrial zone, and R&D centre. However the role of city in this project is rather limited.

Some areas of dynamic regeneration like e.g. the Stodolní Street have shifted from the culture-led to property-led regeneration, or respectively to consumption-led regeneration, which in this case led to symbolic and functional unification ending in stagnation. In case of Stodolní Street are fully appearing the negatives of the “hands-off” approach of the city or district towards regulation, or more precisely non-regulation of this locality. Islands of “decline” are continuously concentrated in the spatially restricted areas of Přívoz (Hrušov) and Vítkovice, while in the area of Vítkovice is prepared implementation of thematic IPRM – Future of Vítkovice focused on regeneration of selected socially excluded localities.

The first project in which the city should be acting as the principal investor should be the regeneration of an approximately 30 hectares large area of brownfield Černá Louka in the centre of Ostrava. This project was created in 2010 in the framework of the city of Ostrava candidacy for title “European Capital of Culture 2015”. The planned project included creation of cultural cluster with investment budget around 3 billion CZK. Created was even in the conditions of the Czech Republic unique master plan for functional use of the whole area of Černá Louka. However, after the unsuccessful candidacy when the title was awarded to the city of Pilsen, it is now almost certain that only a limited number of buildings will be realized (philharmonic hall), and voices growing stronger about division of the land and selling out the plots to developers are implying that even a partial fulfilment of this ambitious project's vision will most probably never be accomplished.

2.3 Case study Karolina

2.3.1 Introduction

Karolina, as a vast intra-urban black field is a residue of iron and coal production and its typical spontaneous intergrowth with urban functions. The industrial area of Karolina developed on the southern edge of Ostrava's historic core of the city, and the industrial activity started here at the beginning of 1840s with building of mine Karolina in 1842. Around it emerged in the second half of 19th century a local industrial centre which was formed rather independently from the historical core of the city, from which it was divided by a transport corridor. Coal mining and processing of iron was followed in the 2nd half of the 19th century by a foundation of coking plant Karolina, and in 1858 by establishing of metallurgical plants. An important act was the nationalization of heavy industry in 1945 when the individual plants were divided into independent new branches of metallurgy and mines (Tížková, 2007).

Already during the 1970s takes place a gradual decline of production activities in the Karolina area, and the operations were definitely terminated in the half of 1980s when was considered a creation of a technical museum with blast furnaces. However, this museum project was not implemented and all production facilities were demolished. At the end of 1980s thus emerged in a distance of 500 meters from the city centre a large blackfield with more than 70 hectares of land.

2.3.2 Problem definition/agenda setting

Decline of production in 1970s was motivated by an effort for improving the environment of the city, since the close spatial coexistence of a production function and housing had a negative impact on the quality of life in the city centre in the form of strong noise, dust, and odour pollution. At the same time, the whole area offered a high potential for retrieval of a unique compact locality for extension of the city centre in southern direction (Sedlecký, Vltavský, 2006). By its character, the locality awoke expectations that by its utilization for urban functions after its connecting with the city centre will be created a new centre which would be corresponding to the size and significance of the city, or respectively the whole agglomeration (Kuta, Kuda, 2004). After termination of production and demolition of buildings the space was temporarily used as a parking area or a market place (Tížková, 2007). Before the fundamental urban regeneration of this highly contaminated blackfield (e.g. with benzene, naphthalene, phenols, petroleum products), it was necessary in the first instance to accomplish its decontamination and redevelopment which would enable its further utilization. Among typical problems of the redevelopment and regeneration of industrial brownfields are besides a heavy contamination also the unclear arrangements of property rights, or respectively their complexity.

2.3.3 Policy formulation/decision making

First activities related to the redevelopment of the locality occurred only in 1993 when the City of Ostrava as one of the owners of land in the area initiated the creation of "Karolina Coordination Group" associating all 16 owners of land. The principal objective of the group

was setting up mechanism for acquisition of funds for redevelopment of Karolina. At the same time was for preparation of the necessary technical documentation used foreign know-how (e.g. Institut National de l'Environnement Industriel et des Risques), whose transfer was supported by the Ministry of Environment (Čížková et al., 1998). In 1996 the company OKD, as a dominant owner of land, concludes with the National Property Fund (later on Ministry of Finance) based on the Government resolution a contract concerning the compensation of costs expended on settlement of ecologic liabilities incurred prior to privatization (UVCR no. 163), based on which the Czech Environmental Inspectorate as an authorized authority decided about the redevelopment of the locality. The redevelopment works took place between 1997 and 2005 with total costs amounting to 2 billion CZK.

Already during the redevelopment works the city step by step bought out the land in order to unite the locality to be utilized for further development. In 1998 the City Council and City Assembly in cooperation with OKD approved the opening of international architectural-urbanistic competition whose results were announced in 2000. Winners of the international competition were Polish architects who succeeded with a project fulfilling requirements for a compact and functional enlargement of the city centre. The structure of the locality was divided into three fundamental functional zones with high representation of residential function, green infrastructure and public space. Three years later was created an urbanistic study with the aim of a real implementation of the winning project whose contractor was the Karolina Association formed by the winning Polish architects and Czech architects. Functional and territorial directives were incorporated into the existing urban plan, by which it de jure became a basis for urban planning for regeneration of this locality. The approval of the urbanistic study was taking place in the time when Ostrava, as well as the whole region, was in the situation of a severe economic decline and there was no demand for development areas from the side of investors. This situation started to change around 2004 in relation with the economic recovery of the region pulled primarily by the economic growth at global level when the foreign investors started to be interested about the Karolina area. Specifically it was the German developer ECE wanting to build a shopping mall on a part of the locality. Leading representatives of the city confided in the ECE mainly as a result of visits to finished projects of shopping malls in Brno and Wrocław. The developer had a principal interest in a more lucrative land near the road which was however according to the urban plan defined already for other use (public space – park). In spite of this, the city obliged the developer, and the Chief Architect of the City of Ostrava “modified” the urban plan so that it would suit the developer’s needs. This pragmatic modification of urban plan was legally contested by the Karolina Association, as well as by the Czech Chamber of Architects, and professional public. In the same period of time many other investors are becoming interested in Karolina, declaring clearly their unwillingness to carry out investment according to the elaborated urbanistic study which contained too many “non-commercial areas” (parks, public grounds). Management of the city accommodates developers, and despite the protests of the public the results of the urbanistic competition are annulled. The same year (2005) is announced a developer competition for sale of land in the Karolina area. The principle of developer competition in practice meant the following: city in the position of developer conducts the buying out of land and its integration – defines fundamental urbanistic and functional requirements on investors (in case of Karolina without height limits) – announces developer competition for purchase of land conditioned by urbanistic-architectural proposal of development – city sells the respective land to the winner of the competition with condition of withdrawal from the contract in case of non-implementation of the project – followed by the construction of buildings by the investor and creation of commercial “functional area” without possibility of later influence on the utilization of buildings from the perspective of a long-term concept of development of the respective locality, i.e. privatization of (public)

urban space (Rumpel et al., 2010). The city relied fully on the fact that it will be able to influence the further utilization and development of the locality through negotiating terms in the contract (Sedlecký, Vltavský, 2006). In conditions of the competition the city required designing of the Karolina area not as a new city centre which would behave as a competition towards the historical centre of the city, but as an enlargement of the existing historical centre southwards. However, in the competition assignment the city did not specify and did not require any quotas of residential and service functions. Besides the content matter, the developer competition concerned only a territory with area about 30 hectares between the industrial railway on the southern side of the territory and the core of the city. Decision concerning the limitation of the area to be built-up was taken based on the statement of the owner of land below the industrial railway (OKD), which is the transport branch of the local mining company that deems necessary to maintain the operation for the period of further 20-25 years as this area of activity gained again economic importance for the company as a result of a strong demand for its products.

2.3.4 Implementation

The Dutch company Multi Development, whose financial partner was the American financial group Morgan Stanley Real Estate Fund, became a winner of the developer competition in 2006. The company won with a proposal which included construction of 97,000 m² of retail, 67,000 m² of offices, 78,000 m² residential, 3,500 parking places and space for leisure, sports and other functions. The construction is divided into three stages; the total costs are expected to amount to 400 million EUR. One of the most important factors which contributed to the victory of the company Multi Development in the developer competition for development of the land at the territory of Karolina was the commitment to purchase the historical building of the so-called Twin Hall (Dvojhalí – a historical power station) from the private owner, which is located in the southern part of the locality and forms one of its significant urban elements.

In the framework of the contract concluded with the developer, the city pledged to build the services' infrastructure with costs of 14 million EUR, and the technical infrastructure which will follow-up on the development of New Karolina. The mayor of the city stated: "The obligation of the developer is to build the infrastructure only on the territory of New Karolina; the city has to finance all what stands outside of it. We would like to get funding from the European funds which are designated for the development of the city (Stavební forum, 2007)."

After announcing of the competition's results, due to the declared "lack of experience" with construction of multifunctional office buildings, the winning developer made an alliance with the Czech company PASSERINVEST GROUP, which implemented several successful office projects in Prague. As early as five months after the launching of the first stage of the project in 2008, comprising of project New Karolina Park, which was going to offer 25,000 m² of prime office spaces, a shopping mall (50,000 m²), and 200 apartments, Multi Development stopped the works on construction of the shopping mall. The reason was the financial crisis (investor was Morgan Stanley), due to which the company ran into the problems with obtaining credits necessary for the construction in amount of circa 100 million EU. Also the second developer ran into problems.

The financial crisis interrupted the construction for almost two years, and only at the beginning of 2010, Multi Development succeeded in obtaining the needed credit from a consortium of investors led by ČSOB in the amount of 98.5 million EUR. Currently (April 2011), the construction works are again in progress with expected delay of two years in

contrast to the original projections. At the same time, the implementation of the following two stages of construction still remains open, or is respectively quite improbable.

The crisis projected itself negatively not only into the construction, but also into the dealing with the preserved buildings of Twin Hall and power station. These, as already mentioned above, were purchased by the Multi Development, which declared in the contract to restore them in compliance with requirements of the Preservation Authority related to protected buildings. However, already after the announcement of the competition results, the developer was indicating that it will not be disposing of sufficient resources for restoring these buildings, even though that assuming the ownership rights and commitment to restore these industrial dominants were important factors of its victory in the developer competition. Already at that time (2008) the IPRM was being prepared, and the city offered a possibility to co-finance the restoration with the help of European funds. Complicated negotiations concerning the organizational arrangement, which would enable to make use of such resources, and the subsequent recession of the developer's interest in connection with the crisis resulted in the fact that the city bought out from Multi Development these historical objects for a symbolic price to become the city's property (2010). The purchase by the city was motivated by the "precedent" of the Municipal Slaughterhouse (see above), and the effort to preserve this industrial monument. Nevertheless, the problem was in the fact that the city disposed of financial resources in volume of 315 million CZK funded from IPRM – Development Pole, but factually did not possess any "hypothetic scheme" concerning the functional utilization of the space. In this situation entered the game the owner of Lower Area of Vítkovice, who proposed to use these buildings (circa 5,000 m²) as a roofed plaza with leisure time use (sports, culture), by which would be created a interconnection between the Triple Hall (former Twin Hall and power station) with the Lower Area of Vítkovice by way of an underground communication. In order to enable the exploitation of the financial resources and further operation of buildings was established an interest group of legal entities named Triple Hall Karolina.

2.3.5 Assessment of Karolina from governance perspective

As the project is in the implementation phase, it is already possible to make a partial, i.e. "interim" assessment. This assessment has naturally a limited information value; nevertheless, the up-to-now progress of implementation of this project gives us already an "illustrative" perspective of the origination and variability of governance regimes, and an example of functional governance. Simultaneously, this governance regime illustrates fundamental and general governance features of the whole inner city of Ostrava's development. The Karolina project can be categorized among projects focused on regeneration of intra-urban space (with area over 20 hectares), or respectively among the so-called "flagship projects". Such projects can be defined as "significant, high-profile and prestigious land and property developments which play an influential and catalytic role in urban regeneration" (Bianchini, et al., 1992, p. 246). Not only the governance regime, but also the physical form and project implementation process is primarily the expression of an entrepreneurial regenerations strategy (Hall, 1996). The governance of large-scale urban development projects (UDPs) (Swyngedouw et al., 2002) seems to be a suitable analytical framework for assessment of the project.

When analyzing the governance of the Karolina project it is simultaneously necessary to distinguish the two successive stages or levels of regeneration, i.e. a) redevelopment of locality, and b) the following physical regeneration.

The key actors of the redevelopment process were particularly public bodies (state, government, Ministry of Environment, local government of Ostrava), while the role of private sector, i.e. the dominant owner of land at Karolina – the company OKD was more passive and

limited, although it was the main beneficiary of the public money. Execution of redevelopment from public resources was not a part of any systematic brownfields' regeneration policy, but more a "public investment" in the Keynesian sense of words in order to increase the regional demand. From this perspective the redevelopment was taking place more in the regime of managerial governance (Di Gaetano, Strom, 2003), as the principal position was held by the hierarchically organized public sector, while the cooperation of public and private sectors was rather pragmatic, more motivated by allocated financial resources than by consensus.

In the second stage, subsequent physical regeneration, we can observe a much larger complexity, both from the perspective of number of actors, as well as structure of decision-making processes which fully corresponds with statement (Swyngedouw et al., 2002) that large-scale projects are „closely associated with fundamental shifts from traditional government structures to a more diffused, fragmented, and flexible mode of governance" (p. 578). Principal step was that the city took over this brownfield fully into its ownership. During first reflections about the utilization of the redeveloped and decontaminated brownfield of Karolina the city, now as a land owner, decided to act in a conceptual and transparent way. Local government announced an architectural-urbanistic competition, while the main criterion of solution was the urbanistic and multi-functional utilization in compliance with the idea of extending the city centre. This conceptual solution was valid only until 2003 when the city was in an intense economic depression and there was no real demand for land from the side of investors and developers. In this project stage was dominating the managerial governance because the principal actor was primarily the local government cooperating with experts supporting the implementation of the winning project, presenting and promoting the future priorities of the area development.

As soon as the first interest of investors appeared in the context of an economic recovery, main political actors of local governance changed their attitude according to the context. Conceptual, expert solution for building-up Karolina was declared to be unfeasible and unable to be funded from city's funds. Developers became the leading actors, influencing opinions and attitudes of politicians, and arbitrarily also the expert management of the city. From this moment (2003/2004) we can be talking about the combination of regimes of "clientelistic" or "corporatist" governance. In clientelistic coalition with developers the significant political actors started to promote and enforce the shift to a purely pro-market alternative, totally fitted to investors' needs, which was justified by the necessity of a prompt development of the Karolina brownfield and ensuing substantial utility of this project for future development and image of the city (compare with Swyngedouw et al., 2002). The announced developers' competition and resultant winning project meant a wiping off, or significant reduction, of "public grounds as well as other non-commercial functional spaces and buildings". In the winning developer project were deleted – from the perspective of reaching quick profit – "redundant" spaces, and strengthened was primarily the mono-functional commercial usage, especially retail and offices.

Economic crisis of 2008 – 2010 to a full extent unveiled one of classical features of flagship projects which is their dependence on fluctuation of financial markets, as property-led projects of private developers are tied to traditional credits or other commercial sources of financing (Tasan-Kok, 2010). In 2008, the implementation was launched, and discontinued in a short while with relation to insufficiency of credit resources until 2010. The delaying of the project implementation until 2010 resulted also in the further strengthening of mono-functionality and commercial, profitable character of the whole project in order to minimize risks. The less profitable parts of the project would threaten the acquisition of funds from credits, and therefore are not executed (compare with Wiegandt, 2000). Project

implementation demonstrates a number of similarities with Harbour Glasgow project, where the city also after experience with a long-term economic stagnation and insufficiency of investment accommodated maximally to all demands of a private investor (Doucet, 2010). Nevertheless, in case of Ostrava it is necessary to mention that announcement of the developers' competition was taking place already in the context of economic growth and recovery on the real-estate market.

Attention deserves also the role of local government which on one hand committed to build the support infrastructure from public resources, and on the other hand reallocated the public funds to the quasi-NGO "Triple Hall". The Tripple Hall is a part of Karolina brownfield, but the nowadays proposed functional utilization is not only in conflict with the existing city centre, but will also serve and support interests and needs of a private subject (company Vítkovice).

As already mentioned in the introduction, the complex governance analysis of the whole Karolina project cannot be made due to its unfinished state. However, the original expert concept for extending the city centre, which emerged as soon as in 1980s, will not be most probably accomplished. The question remains to what degree will appear the expected and politically declared positive effects after project completion. The impact on the original city centre will be probably negative and can paradoxically deepen the functional and physical fragmentation of the Ostrava's inner city.

2.4 Case study IPRM (Integrated development plan)

2.4.1 Problem definition and agenda-setting

When defining the problem and agenda-setting, we can stem from two basic models – the so-called outside initiation model, and inside initiation model. The first case deals with reaction to changes in external environment, and the second case deals with formulating problems of interest groups (see Jann, Wegrich, 2003). In case of problems definition and agenda-setting in relation to the analyzed IPRM can be taken into account primarily the first model. The spatial, thematic (content oriented), as well as integration of urban policy into the cohesion policy reflects anyway in practice exclusively discussions at the EU level, while the contribution from the side of the Czech Republic has been in essence minimal. From the spatial perspective is concerned the long-term emphasizing of cities' role, or more widely of metropolitan regions, in the cohesion policy as a driving force of economic growth (see e.g. EUREK, 1999), not only from the position of internal territorial cohesion of EU, but also from the position of the increasing economic competition as a consequence of globalization and internationalization. Thematic dimension primarily stems from documents focused on urban policy of EU like e.g. Lille Action Programme (2000), Urban Aquis (2004), or Leipzig Charter (2007), which lay emphasis on integrated, and economically, culturally, and socially sustainable (balanced) development. At the same time, the principles of territorially concentrated and integrated approach, based also on partnership of a wide range of actors were already contained in initiatives EC URBAN I and II (Frank, 2008). Integration of urban policy into the cohesion policy, which was previously a part of EC initiatives, was achieved in the framework of British presidency (2005). This integration was a result of acceptance of urban spaces as key elements for territorial cohesion and competitiveness of EU.

2.4.2 Policy formulation/definition

Constitution and formulation of the first self-contained urban policy at the territory of the Czech Republic is connected with the start of negotiations concerning the framework for programming period 2007-2013, or respectively with formulation of National Strategic Reference Framework. These negotiations were in the first phase carried out between the European Commission and Ministry for Regional Development (MRD), which is the responsible authority for urban policy of the Czech Republic, as given by Article 22 of Law no. 2/1969 Coll. (Law on Competences), and at the same time were invited also other involved institutions. In 2006, as an incentive of the MRD, the partnership is institutionalized in the form of a work group for coordination of urban policy in the framework of the Czech Republic. The result of the work group activities is in the following year a Government Resolution no. 883 containing main principles of functioning and implementation of IPRM, and also a subsequently elaborated methodological framework “Methodical directive for preparation, evaluation, and adoption of IPRM” (Grametbauer, 2008). In the second half of 2007, this directive was approved and issued by the competent authority, i.e. the Ministry for Regional Development. Investment resources for supporting the urban policy in the form of IPRM were integrated in the framework of the Objective 1 Convergence into the Regional Operational Programmes at the level of NUTS II.

In the MRD methodical directive, the IPRM is defined as a “set of actions, mutually interlinked by topic and time, which are implemented at the defined territory or in the framework of a thematic approach in cities; aiming to achieve a common objective or objectives of a city, municipality, or locality. Such actions can be supported from one or more operational programmes”.

Implementation of IPRM is compulsory for cities over 50,000 inhabitants wanting to apply for support for projects dealing with urban problems (in total 22 cities); and further on for towns over 20,000 inhabitants (63 towns including the cities of the first category) wanting to apply for funding dedicated for revitalization (particularly of public grounds and buildings) of socially deprived localities.

In essence, IPRMs are a fundamental development document of major cities for implementation of “hard” and “soft” investment projects for which can be allocated funding from EU structural funds. The Integrated City Development Plan is linked to long-term strategic documents of state administration and self-administration (e.g. Regional Development Strategy of the Czech Republic). Plan also takes into account the concentration principle, because it is related only to a specific territory of the city, or deals with a selected priority topic within the given city. In case of geographic, zone delimitation, is concerned either a territory with high growth potential, or on the contrary, a territory physically (brownfields) or socially deprived (problematic settlement units – support is dedicated primarily for revitalization of buildings and public grounds). The plan comprises several individual investment projects aiming towards a common objective (Malík, 2008). Primarily, the projects are funded from ROPs of individual NUTS II regions (cohesion regions). An advantage is also the possibility of funding such projects also from other operational programmes implemented in the Czech Republic. Individual projects included in the IPRM are awarded bonus points in the process of evaluation of applications for granting public support from EU structural funds.

IPRMs are divided into two basic types – zone and thematic. In case of existence of zone defined IPRMs, the selected territory must fulfil criteria and indicators set by the Ministry for Regional Development, e.g. for a zone with high growth potential is concerned a significant fulfilment of service and administrative functions in the zone, high concentration of

educational activities, etc. Thematic type of IPRMs is linked to the topic across the entire city – a problematic topic can be concerned (social deprivation, exclusion), as well as a growth theme (economy, innovations). For elaboration and implementation of IPRMs are responsible municipal authorities as the competent bodies of public sector and administration. Municipal authorities are coordinating individual projects in the framework of IPRM (component projects can have different proposers), and thus have an opportunity to actively participate on the development of its territory. The subject of this case study will be a zone type of IPRM prepared for implementation on the territory of the city of Ostrava.

2.4.3 Implementation and decision-making

In ROP Moravia-Silesia was allocated 2.9 billion CZK for support of urban policy, i.e. for the Area of Support 3.1 Development poles of the region. Five statutory cities localized on the region's territory solicited for this allocation. Due to the fact that this was to a large extent primarily an exogenously defined support, as already mentioned above, the cities were invited to submit investment projects which could be eligible for funding from this support mechanism. None of the cities, i.e. including Ostrava, disposed of a needed experience and know-how for implementation of an up-to-date conceptual and integrative urban policy on its territory. Municipal authorities in cooperation with other interested actors thus decided to submit applications elaborated on the basis of the already existing project plans from their own "project reservoirs" (N.B. Database of activities and projects for development of the city which could be implemented under certain optimal conditions. Some potential projects already have an elaborated technical documentation and input economic balance and are waiting / searching for source of funding). The assigned Office of the Regional Council collected projects in total amount of circa 6.6 billion CZK. It is necessary to mention that even the Office of the Regional Council itself did not define by which criteria the projects should be evaluated and selected, but it was implicitly supposed that the final allocation will be a matter of a political agreement among the statutory representatives of cities. However, as such agreement could not be concluded, it was decided to cut the funding of projects proportionally, and cities thus received 56% of the requested amounts.

2.4.4 Integrated development plan Ostrava – magnet of the region

This executive document for territory of the city of Ostrava was elaborated in years 2007-2008, and approved by the Office of the Regional Council in the second half of 2008. The zone approach was selected for this document, and the total allocation of investment resources was at 1.6 million CZK, that is more than 50% of the total allocation for this priority axis in the framework of the region. The city centre was defined as an area with highest growth potential, delimited by parts of three city districts (Moravian Ostrava a Přívoz, Vítkovice, Silesian Ostrava) with area of 2,355 hectares, i.e. 11% of the city's territory. The large area scope of the delimited territory practically contradicts the concentration principle, which can be explained in the following way: The definition of the partial zone of the city did not run based on the rational and reasoned analysis of the territory's development needs and necessary integrated interconnection of individual projects with the aim to induce synergic and multiplication effects. However, the zone was defined pragmatically so as to include the implementation area of existing selected projects which were needed to be funded from external resources, i.e. reaching from the development projects of Ostrava ZOO, through the Lower Area of Vítkovice, area of Karolina, up to the Komenský Park. The core of the whole IPRM thus stemmed from projects which were selected either based on previous binding

contracts of the city authority like e.g. construction of the service infrastructure for the area of Karolina included in the contract between the city and the developer company Multi Development, on the basis of demands of city-funded subjects like e.g. the completion of construction of the Puppet Theatre, or on the basis of needs of significant actors like Vítkovice Holding, owner of the Lower Area of Vítkovice. Preferences were given first of all to semi-finished projects in the stage of investment plans, because for these projects was already possible to calculate costs. Preferred were also projects, whose holders were subjects directly or indirectly connected with the city authority of Ostrava. Thematic complementariness of projects with five priority areas (economic development, social integration, environment, attractive city, accessibility and mobility) was incorporated into the document more or less ex post facto and intentionally. This can be also practically stated about the questionnaire survey taken among the city's inhabitants, whose main output was the statement that "the city centre is among the most visited localities from the perspective of entertainment, culture, and leisure activities, as well as tourist activity" (IPRM, p. 39). Vision of IPRM *Ostrava – Magnet of the region* was defined as: "Living, pulsating city, meeting all metropolitan functions. Citizens appreciate the quality of life in the city, visitors are attracted by the specific culture and other attractions; increases inflow of investors which are creating new job opportunities". The main objective of measures and activities of IPRM *Ostrava – Magnet of the region* is to improve image and economic development of the city centre.

However, after elaboration and approval of IPRM *Ostrava – Magnet of the region* in 2008 other changes took place. During 2009 was created another IPRM, mainly on the impulse of universities on the territory of the city of Ostrava, which needed bonus points for pushing through their own projects for funding from structural funds where it was possible to argue about logical connection with IPRM implementation. The new IPRM was now thematically oriented (and not zone-territory oriented) under name *Ostrava – Development pole*, with main objective of economic development (innovations), and secondary objective for improving transport accessibility and mobility. When preparing this IPRM were transferred 2/3 of the funds allocated originally for IPRM *Magnet of the region*, and selected projects (Triple Hall, cycle tracks) were transferred as well into the IPRM *Development pole*.

2.4.5 Assessment of IPRM in the governance perspective

Assessment of this first relatively consistent political initiative, explicitly focused on development of "inner" (in official document a city centre) city will be again only partial, as until now was implemented only one project (annex of Puppet Theatre) and thus can be assessed only a limited component part.

The final contents of IPRM concept at the level of city of Ostrava are in a certain contradiction with requirements and principles of the concept of integrated development of cities. In Ostrava took place a modification of IPRM concept according to the local context and local interests. Concern of EU is primarily to sustain competitiveness of European territory with the pragmatic thought that the driving force of development will be the urban areas (see e.g. Leber, Kunzmann, 2006). Based on these thoughts are formulated principles and implemented policies, which are subsequently further modified during the negotiation process according to the needs of member states. City authorities in member states are motivated by financial resources of EU, and are therefore accepting attitudes and concepts about whose purposefulness are not internally convinced. Acceptance is declared formally in order to obtain financial resources. Then, during the practical application of concepts like IPRM, these concepts and principles of their implementation are "intentionally" adjusted and pragmatically modified according to local needs and interests. In case of IPRM in Ostrava this

meant a purely pragmatic and formal application of the three fundamental principles – integrity, concentration, and partnership.

Volume of financial allocation for IPRM Ostrava (and for other statutory cities) was agreed and decided at the level of regions. The inability of finding an agreement about the allocations among the statutory cities based on the quality of individual IPRMs surfaced, which led to a resulting trivial recalculation of the allocated amount for IPRM projects.

Even the definition of the IPRM on the territory of Ostrava was determined by a pragmatic normative framework – “to acquire financial resources and use them for whatever necessary”. The selection of projects for IPRM was highly pragmatic (and not expert-based), and was practically exclusively formulated by the local government based on the approval of the Regional Council of cohesion region Moravia-Silesia. Significant role in the IPRM implementation played also the low professional preparedness and limited time, and thus were given preference projects with minimal organization demands. Preferred were projects of the city or subjects funded by the city (elimination of partnership). Project-oriented logic of territory development in the sense of “perspective incrementalism” can have its validity (see e.g. Siebel, Ibert, Mayer 1999); however in case of IPRM can be observed a “pure incrementalism” or a pure *muddling through* without elementary principles of planning, which in case of Ostrava means on one hand funding of projects for which are at disposal funds from external resources, and those projects corresponding with partial political interests on the other hand. The idea of integrated development of the territory is then only declared but is not at all practically fulfilled. Identically as for the Karolina projects, this can result rather in a further fragmentation than in a complex and integrated development of the given territory. In a summary, normative and strategic dimension of the inner city development was paradoxically subordinated to operative dimension at the level of individual projects, while all attention was paid only to management of projects. The case of “Triple Hall” besides other things points out another feature of IPRM, because it gives a true picture of contrast between the availability of funds from external resources and emptiness of ideas (see above).

The case of IPRM “Ostrava – Magnet of the region” was purely a managerial regime of governance, as its formulation, but also implementation was authoritative, hierarchically and bureaucratically administered. However, the second (thematic) IPRM shows rather features of corporatist regime of governance as it was formulated based on needs and interests of a limited number of very strong actors on the city’s territory.

Despite this rather critical assessment, we can cautiously observe that in case of critical reflexion of existing processes and stronger emphasis on mutual interconnection of individual projects, the IPRM can become a certain desirable impulse for development of the inner city. For that matter, in a post-communistic and post-transformation institutional context of cities’ development policies in the Czech Republic, dominated by method trial-error, it would be naive to expect that the first implemented political initiative would be demonstrating only a minimum of weaknesses.

2.5 Assessment of Ostrava’s inner city governance process

Sooner than we are to make an analysis of shrinkage impact on governance of inner city development, or respectively the reaction of the existing governance to the process of shrinkage, we will outline the “institutional” arrangements of post-communist space. Particularly in the first, emergent phase of urban governance evolution in 1990s played an important role the post-communistic path-dependency, or respectively the lingering influence of original structural conditions and normative frameworks on institutional arrangements of

city development. In the framework of the system of centrally planned economy in countries of CEECs before 1989 frequently occurred the transfer of social, economic, and cultural functions to production works, and creation of strong dependency of local population on important large local companies (see e.g. Grabher, 1994). In Ostrava played this role e.g. Vítkovice Iron and Machine Works, Nová Hut' or OKD, which decided together with the Communist Party and governed the city or its development. On the contrary, the absolute change of political and economic ideology in the countries of CEECs after 1989 changed the important actors (removal of Communist Party) and their constellation, which placed the actors into a totally new situation. After 40 years of government of Communist Party and totalitarian ideology was created a certain type of institutional vacuum, or destruction of the original totalitarian institutions.

Certain short-term absence of functioning institutions and institutional (meant formal and informal institutions) vacuum was replaced by almost orthodox neoliberal logic saying that the optimal allocation of resources will be always and everywhere secured by the "invisible hand" of market. This approach then won its way also in the urban governance during first half of 1990s in the form of minimal intervention of public sector into the development of cities and application of short-term ad hoc solutions accommodating fully to market needs (Sýkora, 2002). Important role played also the unclear position of the public sector and its part in planning and development of cities (Simpson, Chapman, 1999), which resulted in falling behind at the level of control and regulation of market forces in CEECs, in contrast to predominantly efficient public interventions in cities of Western Europe (Tosics, 2004). The above mentioned characteristics apply also for regeneration governance of the Ostrava's inner city, particularly in the first half of 1990s; however, these aspects are showing themselves also in the current decision-making.

Characteristic for the current state of Ostrava's inner city regeneration, but also practically for the urban policy of the whole territory's development, is the so-called pro-growth mode of governance (Pierre, 1999), or rather in case of Ostrava is concerned a certain form of "meta-governance". Principal, or umbrella objective of this regime is the economic growth (ibid. 385), while the main tools are attraction of investment from external resources and building of infrastructure, or improving the image of the city (ibid.). Certainly are existing some specifics of individual countries stemming from different institutional contexts when e.g. the higher rate of taxes centralization in the Czech Republic does not bring the cities a direct increase of income on the occasion of increase of economic growth like e.g. in Germany or UK, but the objective remains the same, i.e. the support of growth. One of risks of this regime in developed economies is the strong "dependency on private capital for its tax base and revenues" (ibid. 384), which is not due to the above mentioned facts the case of Ostrava, but also here exists a strong dependency on external resources. However such resources have character of private investment or financial transfers in the form of purpose grants from the central state level, that is from ministries (e.g. for redevelopment of brown fields), or massive purpose grants from EU structural funds (see below).

If we attempt to apply approach according to DiGaetano and Strom (2003), then it seems that for governance of Ostrava's inner city regeneration is typical and characteristic corporatist mode of governance with the difference that the regime of interaction is not based on negotiation or compromise between the private and public sector, but more on a clear "power over", or dominance of the private sector advancing its needs and interests even at the expenses of public interest. This logic of governance is highly exclusive and is based on clientelistic (asymmetric) relations in the framework of power coalitions of politicians and businessmen, which are in some cases pragmatically enforced in the "shadow of hierarchy" which tapers off the possibility of its public (democratic) control.

In coherence with the general structural and normative conditions, and the dominant governance regime was the principal reaction the effort to attract investment into the inner city territory for which is held responsible the Economic Development Department of the city of Ostrava whose activities are politically/by politicians guided and modified. However, the “issue” of inner city’s decline started to be a relevant element of the political agenda only after 2005. The actual reaction was the approval of IPRM for inner city, but the vision of inner city development is also from now on oriented primarily on growth in the form of inflow of private investment as a key solution of the issue of long-term decline, or loss of certain city’s localities functions.

The quality of capacities for solving the problem of Ostrava’s inner city regeneration caused by the shrinkage process remains to be still strongly path-dependent, primarily in the sense of institutional hysteresis. The first deficiency can be seen in the low absorption capacity for efficient utilization of resources and know-how (e.g. Cohen, Levinthal, 1990), and whose low quality also limits the ability to interpret and contextualize alterations of social, cultural, or economic reality. Furthermore the weak absorption capacity restricts the transfer and implementation of impulses from external environment and leads to reproduction of suboptimal simple solutions, or respectively to preferring routine problem-free solutions. At the same time, the building of the so-called soft networks (Malecki, 2002) which could be enriching the know-how base is also limited by the arguments about specificity and uniqueness of the territory. However, if the “best practice approach” is already being adapted from external environment, frequently are occurring misleading simplifications (see e.g. the vision of “new Berlin”). Low absorption capacity in combination with low level of know-how generates emergence of the so-called cognitive lock-in reflected in the ignoring of reality and paradoxical creation of new path dependency with axiom of permanent growth.

The lack of know-how leads not only to application of often unsuitable tools and measures for regeneration of the city, but is also the cause of weakness of the public sector in interaction with the experienced investors from private sector. Nevertheless, certain role is played here also by individual power and economic interests of some politicians who are functioning in the clientelistic regime. In spite of this the lack of know-how cannot be neglected and underestimated.

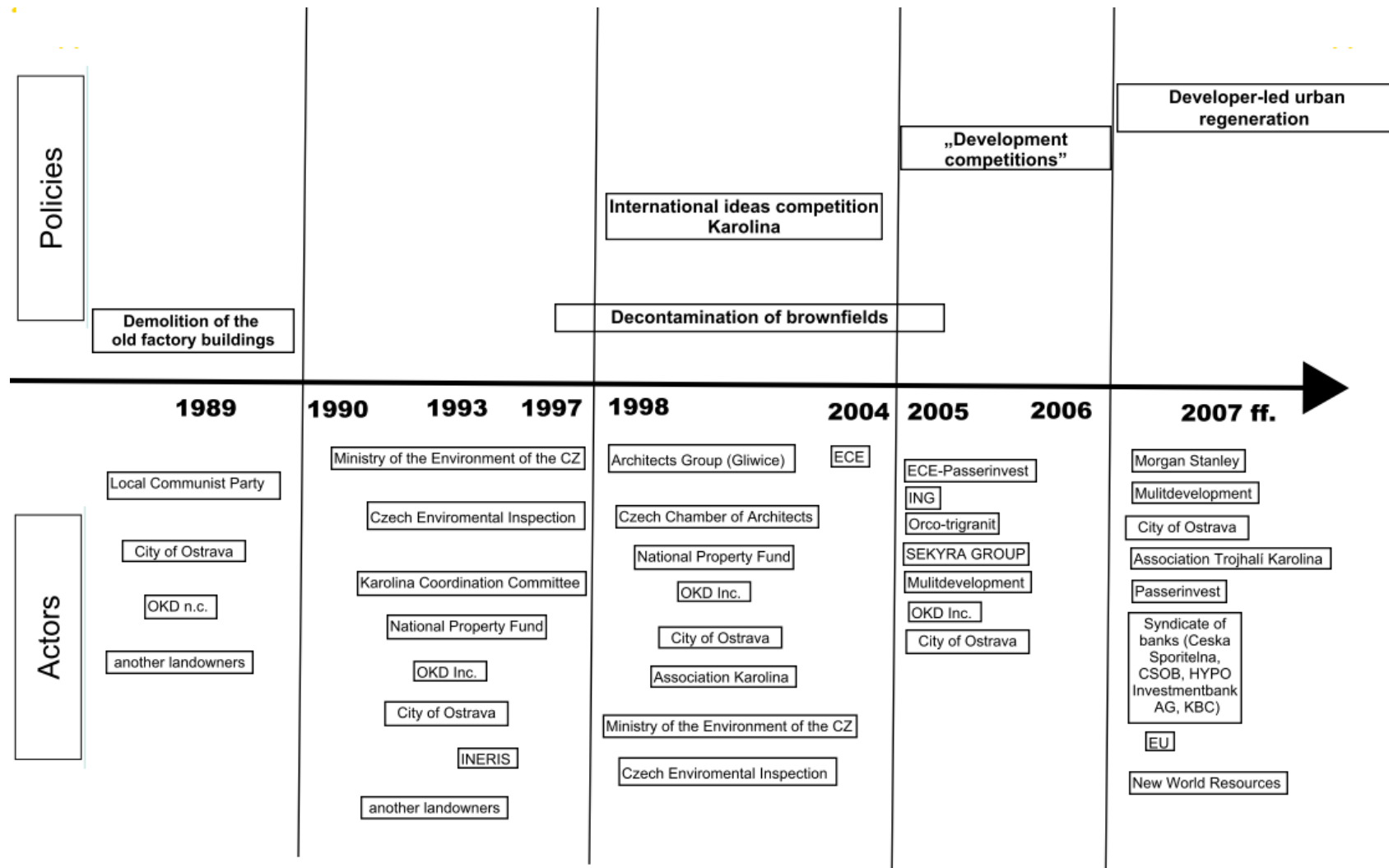
The process of inner city of Ostrava regeneration shows features of strong dependency on external resources which was already mentioned with the governance regime. In the national context of the Czech Republic still continues the strong position of the centre in Prague and tax redistribution from central level, which increases the dependency of lower hierarchical levels on central decisions. Simultaneously the low municipal taxes (e.g. property tax) represent only a marginal item in budgets of cities, that is also of Ostrava. At factual level this dependency can be demonstrated on redevelopments of brownfields which are in most cases paid from the state budget while owing to current uncertainties concerning the so-called ecologic tender (the state, based on public procurement in volume of circa 100 billion CZK, intends to decontaminate and redevelop damaged areas originated before privatization process) arises a delay which postpones the redevelopment works and possibilities of regeneration for a number of brownfields (e.g. the Lower Area of Vítkovice). The second form of dependency which fully surfaced in the connection with the crisis is the dependency on external (multi-national) capital. The decision concerning suspending or termination of a number of developer projects was thus taking place outside the territory of Ostrava and the chance of the city to influence the development by own force was (is) minimal (compare with Bernt, Rink, 2010). In a way can be for example with already mentioned Karolina pointed out the fact that it is also a model example of the result of competition between the cities accelerated by the crisis, which functions as an “external coercive power”, which leads

paradoxically to creation of “repetitive and serial reproduction of certain patterns of development” (Harvey, 1989 p. 10).

The third form of dependency of the Ostrava’s development is related to the flow of financial aid in the form of EU grants when the city owing to the lack of human or knowledge capacity is paradoxically confronted with a certain “financial overload” as a result of which all the activities are concentrating on implementation and management of isolated projects financeable from structural support of EU. The internal resources of the city are now concentrated mainly on co-financing of projects funded from European funds. Ironically, the city of Ostrava (or other municipalities) thus do not concentrate on solving problems which would be a result of a deep democratic discussion and agenda setting, but the managing capacity of the city development is fully exhausted by activities connected with attracting a large volume of funds from operational programmes of EU, fully determining the utilization of grants.

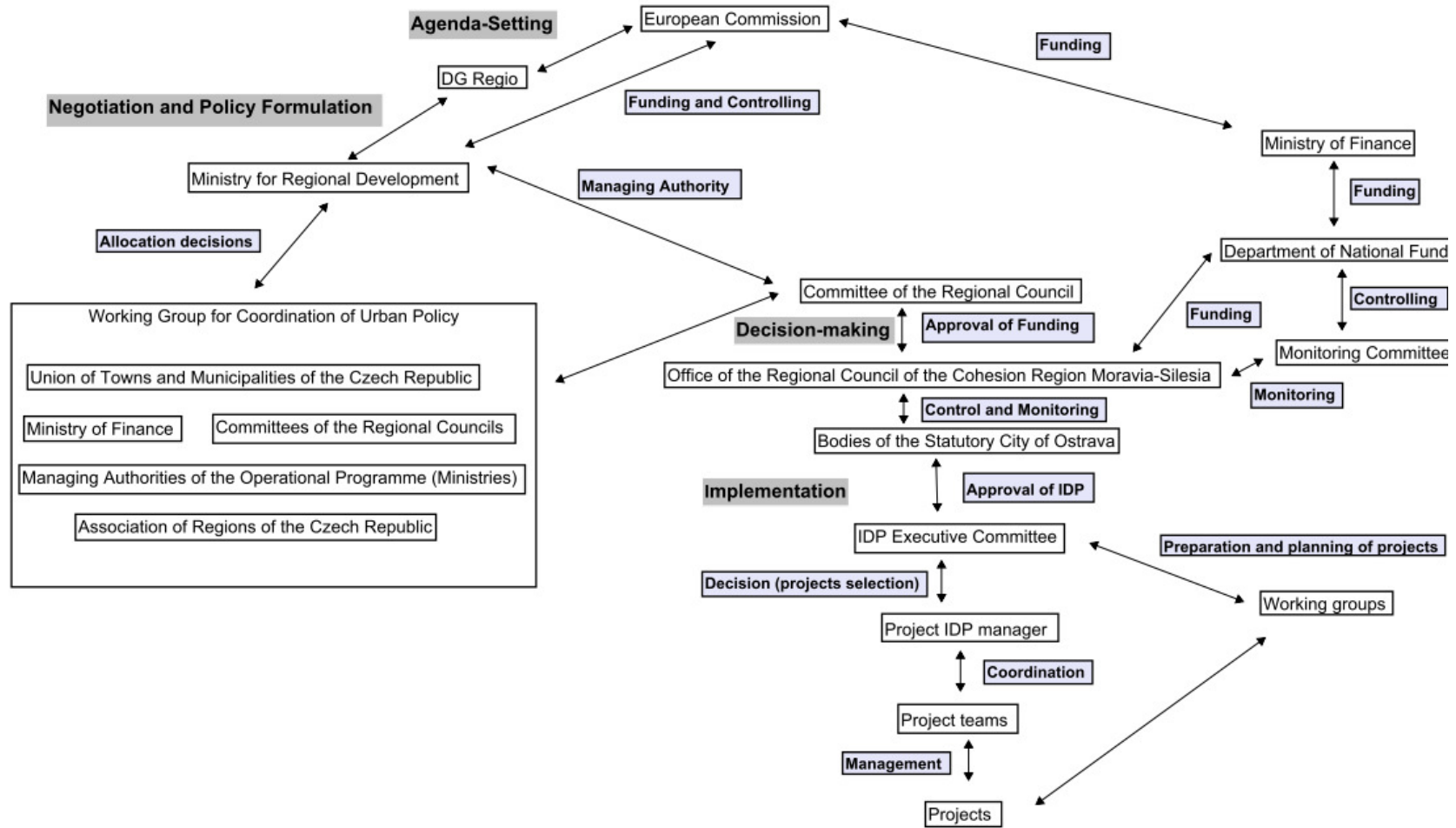
Practically first independent investment of the city on the territory of the inner city should have been the cultural cluster at Černá Louka to be implemented in the framework of project European Capital of Culture 2015, so even its implementation was dependent to a large extent on decision made in the external environment.

Figure 12 Institutional thickness of Karolina



Source: author

Figure 13 Diagram of IPRM



Source: author

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3 Governance of social services and social infrastructure development with emphasis on social cohesion, social inclusion and the challenge of “ageing”

by Iva Tichá

3.1 Introduction

This case study deals in particular with ageing of population and social exclusion. These phenomena represent significant social problems whose importance will be increasing in time. On their solution will participate many actors and concentrate many resources in the framework of municipal, national (Czech Republic), and EU social policies (see e.g. Regions 2020, or Europe 2020). The principal objective of this study is to analyze the governance of social services and social infrastructure in relation to ageing of population and social exclusion. Emphasis will be put on analysis of governance systems actors and their patterns of interaction, on structural conditions and normative frameworks, in which the actors implement their activities (policies) at different levels of intensity in relation to the identified problems.

Ostrava is by population the third largest city of the Czech Republic, and regional capital of Moravian – Silesian Region. In 1990, Ostrava had 331,219 inhabitants, and in 2009 (as of December 31) it had 306,006, excluding 10,600 permanently residing foreigners. The city thus lost 25,213 inhabitants, which is 7.6%. Due to the depopulation trend, as well as other secondary indicators like ageing of population or increasing rate of social segregation, we are bound to characterize Ostrava as the so-called “shrinking city”. Ostrava as a core of metropolitan region has been one of the main industrial centres of Czechoslovakia and Central Europe. Since 1990 – after the fall of communist regimes – it has returned through transformation and restructuring processes in 1990s to a standard development trajectory of western European industrial cities and shares their problems, only in specific framework conditions of post-socialistic countries (see e.g. Sucháček, 2010).

The shrinkage of Ostrava in period 1990-2010 is characteristic with a rather small population decrease, which has not had a fundamental impact on city’s development. However, according to population forecasts stating that the Ostrava’s population can decrease in 2050 to 280,000 (e.g. Solanský O.), or even according to Šotkovský’s negative projection as far as 220,000, the problems connected with depopulation will grow if the trend remains unchanged. The shrinkage becomes a topic of expert discussions, and gradually also a political problem, for which the political representation will have to seek appropriate solution in the form of political initiatives. Shrinkage is not exclusively a problem of Ostrava – by this process is struck a whole number of Europe’s “secondary” cities, particularly the former industrial hubs, which have been losing their attractiveness notably since the 1970s.

In the framework of the case study “Trajectory of shrinkage of the city of Ostrava”, as well as at the stakeholder meeting in Ostrava in September 2010, the experts from practice and politics observed and empirically documented that Ostrava loses its population, and that the parameters of socio-demographic indicators are changing due to 3 most important reasons:

Demographic change

The development of Ostrava’s and Czech Republic’s population socio-demographic structure is being influenced by the radically changed reproductive behaviour of the population after 1990, which implied a radical decrease of birth rate. As observed by the experts (but not provable by exact data), the decrease of birth rate affects more intensely the better educated

and better socially circumstanced socio-demographic groups, while the birth rate of socially weaker classes of population (uneducated, or only with elementary education, often unemployed) is above average, which will most likely lead to a long-term decrease of quality indicators' parameters of the city's socio-demographic structure. The population ages absolutely (as a result of increasing quality of health care and change of life style), relatively (as a result of reduced birth rate), and in long-term the indicator of population's education quality can decrease due to the above-average natural population growth among socially weaker classes of population (uneducated, or only with elementary education).

Deindustrialization

Loss of jobs in traditional industrial enterprises and insufficiently potent process of jobs creation in new enterprises and industries has influence particularly on young and highly qualified population, and becomes a cause of out-migration and "brain-drain".

Suburbanization

The process of suburbanization implies the effect of out-migration of mainly young, better socially and economically situated families from the central parts of cities to their geographic periphery with higher attractiveness of living environment, or possibly to municipalities in hinterland of the secondary cities, which causes social polarization. The result can be emergence of unattractive localities with lower social status population, which will have secondary influence on negative perception of such localities, and vicariously of the whole city.

Ostrava is a statutory city segmented into 23 city districts, which have their own system of public governance (self-government, as well as some competences of state administration executive), which influences implementation of a given social policy. These city districts are very heterogeneous, both from the perspective of population numbers, socio-demographic structure and area, but homogeneous from the perspective of theoretically same scope of self-governance competences. Nevertheless, the practical performance of competences stems objectively from the different intensity of problems in city districts (or even in their parts or localities), and subjectively from the extent of perception of these problems by the political actors.

The largest, in terms of population, city district of Ostrava-Jih has 118,000 inhabitants, and on the contrary, the smallest, in terms of area, are the city districts of Pustkovec (surrounded by the district of Poruba) and Nová Ves (with lowest number of population after floods in 1997). Such information implies that the city districts are different in their social problems, as well as in the scope of offered and provided social services. None of the city districts is a solely socially excluded locality, but in many of them are cadastral areas or basic habitation units, which can be regarded as socially excluded.

The Czech Republic is in comparison to other European countries threatened by social exclusion to an above-average extent, although the poverty rate in the Czech Republic is below EU-average. According to the last available data from 2008 (EU-SILC), 9.1% of population was threatened by poverty in the CR (EU27 average is 17%, EU 25 – 16%). In Ostrava are living persons threatened by poverty, because the poverty imperils in particular long-term unemployed persons, whose number has in Ostrava a steadily increasing tendency (Jára M., Fórum pro integraci). Significant factors of low rate of relative poverty in the Czech Republic are the low differentiation of incomes, and comparatively high efficiency of social transfers. Topics of unemployment, especially the long-term unemployment, social exclusion and cohesion have become a research subject of many research institutions (Masaryk University in Brno, Silesian University in Opava, Institute of Sociology AS CR).

3.2 The impact of shrinkage on ageing and social exclusion

The phenomenon of shrinkage can be observed in Ostrava since 1990. As mentioned above, Ostrava has lost 7.6% of its population since 1990. This shrinkage is not serious and in essence imitates the development of population in many other cities of the Czech Republic (Plzeň, Opava, Havířov). The result from the discussion at the stakeholder meeting was that Ostrava is a shrinking city due to out-migration of young people for work opportunities, low birth rate, and out-migration from less attractive city districts to territories outside the area of inner city for better living conditions. The process of shrinkage is characteristic with depopulation and related phenomena, which can paradoxically be on one hand causes, and on the other hand consequences of shrinkage. As such phenomena can be named the change of population's age structure, or social polarization leading to segregation of certain social or ethnic groups and their concentration in certain localities, which can be also termed "ghettoization". Such phenomena are becoming factors (or causes) which subsequently have influence on further decline of attractiveness of certain parts of the city, which results in reduction of life quality in the city as a whole, and secondary depopulation. The unattractive city districts and localities in their vicinity can thus be affected by out-migration.

Ageing

The phenomenon of depopulation is in Ostrava caused by several factors, on one hand by the drop of birth rate already during the socialism era in 1980s, and on the other hand by a significant change of population's reproductive behaviour at the beginning of 1990s in the framework of second demographic transition. Ageing of population is a "natural effect" of demographic transition (Rabušic L. 2002 v Sýkorová D. 2007).

Ostrava's population ages as a result of low birth rate, and increasing medium-length of life which grows with enhanced medical care and gradual change of population's life style. In 2009, the medium-length of life in Moravian-Silesian Region increased to 72.45 (men), and 79.4 (women) years. However, these values are constantly 1-2 years below the medium-length of life in the Czech Republic.

The average age of Ostrava's inhabitants also grows – from 35.8 in 1991 to 39.8 years in 2005, and to 40.5 years in 2008 (average age of men 38.8 and women 42.1). These values are again imitating the development in many cities of the Czech Republic (Prague 41.7, Brno 41.8, Pilsen 41.9 years in 2007). The factor influencing the growth of average age is the lower birth rate (see Table no. 1). Moderate growth of values after 2002 is caused by the fact that in this period reached the reproductive age a large group of population born in 1970s.

Another factor negatively contributing to Ostrava's demographic development (growth of population's average age) is migration. From 1990 until 2007 (included) left Ostrava 76,724 of its native inhabitants. During the same time period, only 65,076 moved into Ostrava, i.e. since 1990 Ostrava lost only by moving 11,684 inhabitants. Ostrava is being left particularly by young people (mostly women), and the negative migration balance is also one of the causes of Ostrava's population ageing (Solanský O., 2008). This unfavourable situation is multiplied by the fact that Ostrava is being left in particular by young people (age 20-29) with higher education, who did not find here appropriate job and remuneration, or preferring life in a more quality environment. The average age of migrants is also lowered by the fact that young children are moving away with their parents. These people often migrate in the framework of suburbanization into the Ostrava's hinterland, but still are working and using services in Ostrava.

According to demographic projection of O. Solanský (Strategic development plan of the city of Ostrava also works with this document), Ostrava will continue in shrinkage and in 2050 it will have only 280,000 inhabitants, in particular due to population decrease as a result of demise of the largest age group (in 2008 at age 30-34, born 1974-1978), as well as due to low birth rate (since 1990). It is expected that the migration balance and international immigration will be with high probability similar to situation in years 2007/2008, i.e. rather insignificant for the population growth.

Figure 14 Population of Ostrava 1970-2009

Year	Population	Births	Deaths	Immigration	Out-migration	Total balance
1971	279 209	4 672	2 926	7 404	4 967	4 183
1972	283 392	5 003	2 945	6 559	4 593	4 024
1973	287 416	5 503	3 052	5 636	4 909	3 178
1974*	290 594	5 654	3 035	5 027	4 894	2 752
1975	298 497	5 594	3 175	4 872	4 989	2 302
1976	300 799	5 460	3 429	5 020	4 732	2 319
1977	316 797	5 371	3 447	5 261	4 493	2 692
1978	319 487	5 292	3 648	5 236	4 329	2 551
1979	322 038	5 287	3 639	5 722	4 181	3 189
1980	325 227	4 632	3 746	5 303	4 487	1 702
1981	322 318	4 369	3 636	4 578	4 707	604
1982	322 922	4 243	3 707	4 591	4 638	489
1983	323 411	4 217	3 801	4 331	4 509	238
1984	323 649	4 223	3 602	5 286	4 256	1 651
1985	325 300	4 310	3 530	5 523	3 990	2 308
1986	327 608	4 365	3 846	4 582	4 335	766
1987	328 374	4 260	3 865	4 761	3 947	1 209
1988	329 583	4 477	3 175	4 524	4 267	1 019
1989	330 602	4 308	3 786	4 346	4 251	617
1990	331 219	4 516	3 970	4 808	5 107	247
1991	327 250	4 295	3 740	4 495	4 887	163
1992	327 413	3 938	3 779	4 416	4 933	-358
1993	327 055	3 821	3 635	3 551	4 550	-813
1994	326 242	3 394	3 485	3 157	3 638	-572
1995	325 670	3 098	3 627	3 014	3 342	-857
1996	324 813	2 940	3 460	2 881	3 304	-943
1997	323 870	2 901	3 381	3 007	3 220	-693
1998	323 177	2 783	3 445	3 058	3 462	-1 066
1999	322 111	2 804	3 257	3 055	3 450	-848
2000	321 263	2 853	3 342	3 601	3 334	-1 222
2001	316 700	2 867	3 410	3 257	3 972	-1 258
2002	315 442	2 860	3 403	3 759	4 556	-1 340
2003	314 102	3 010	3 393	4 018	4 649	-1 014
2004	313 088	2 980	3 324	3 590	4 932	-1 686
2005	311 402	3 269	3 393	3 513	4 713	-1 324
2006	310 078	3 241	3 233	3 800	4 788	-980
2007	309 098	3 431	3 364	5 096	5 887	-724
2008	308 374	3 481	3 299	4 367	5 156	-607
2009	307 767	3 311	3 349	3 655	5 378	-1 761

Source: Czech Statistical Office

* in 1975 were implemented territorial changes and municipalities with 13,679 inhabitants were attached to Ostrava

Figure 15 Age percentage of population

	1961	1970	1980	1991	2001
Ostrava					
0-14	25.6	22.8	23.8	20.8	16.4
15-59	62.6	62.1	61.8	63.0	66.0
60+	11.8	15.0	14.4	16.1	17.6
Moravian-Silesian Region					
0-14	28.3	24.6	24.9	21.9	17.2
15-59	60.0	61.1	61.4	62.5	65.7
60+	11.7	14.3	13.8	15.6	17.1

Source: CZSO, census data

Figure 16 Prediction of age structure of Ostrava in 2050

	2010	2015	2020	2025	2030	2035	2040	2045	2050
0 to 4	14401	14047	13426	12551	11900	11808	11874	11706	11289
5 to 9	13938	14387	14033	13413	12538	11888	11796	11862	11694
10 to 14	13242	13929	14377	14024	13404	12530	11881	11789	11855
15 to 19	17067	13350	14037	14485	14133	13515	12642	11994	11902
20 to 24	19720	17427	13721	14407	14856	14506	13889	13020	12374
25 to 29	21119	20214	17928	14236	14920	15367	15019	14405	13539
30 to 34	25983	21539	20639	18362	14683	15366	15813	15466	14855
35 to 39	26039	26340	21920	21027	18762	15102	15784	16230	15886
40 to 44	20881	26330	26634	22253	21373	19126	15494	16176	16623
45 to 49	20765	21091	26490	26802	22487	21629	19414	15827	16511
50 to 54	20232	20791	21132	26455	26778	22567	21744	19579	16064
55 to 59	22609	19736	20321	20683	25890	26230	22168	21394	19302
60 to 64	21984	21425	18750	19374	19768	24814	25181	21331	20628
65 to 69	16283	20259	19837	17426	18095	18528	23346	23749	20182
70 to 74	11178	14365	17987	17740	15675	16402	16887	21406	21855
75 to 79	9033	9145	11913	15077	15048	13424	14219	14765	18888
80 to 84	6640	6435	6723	8960	11545	11748	10646	11500	12106
85 to 89	3472	3737	3776	4154	5748	7635	8024	7466	8333
90 and more	820	1425	1787	2021	2438	3540	5094	6117	6431
Total	305406	305969	305433	303451	300042	295725	290915	285781	280319

Source: By Solansky, modified by Rumpel

Note: Red marked is the strong population wave of 1970s

Social exclusion

The issue of social exclusion on the territory of Ostrava is used to be connected mostly with the existence of the Roma ethnic minority on the territory. However, there are only very few accurate information available about this minority. According to opinions of stakeholder meeting participants, it is a community growing in its number, and very problematic mainly with regards to educational structure, employability, and high concentration in certain localities of the city.

However, the Community plan of social services and related activities for the city of Ostrava for period 2011-2014 mentions also other population groups which are threatened by poverty and social exclusion, e.g. unemployed and difficultly employable citizens, individuals and families in unfavourable social situation, national and ethnic minorities, citizens penalized by alternative penalty, citizens released from imprisonment, migrants and refugees.

The Roma people have been more and more concentrated into socially excluded localities. The professional and political discussions pay a substantial attention to the Roma issue as it is not only the problem of Ostrava, but a problem of the whole Czech Republic (e.g. Petřík et al. 2006, Mareš 2000, Polívková 2009). The Roma have been coming to Ostrava since 1946 from Slovakia. The inter-ethnic relationship of majority population versus Roma people can be considered to a certain extent as a heritage of unsuccessful integration and acculturation (Fischer, Pospíšilová, 2005). The last major wave of Roma immigration from Slovakia took place in 1992 shortly before the division of Czechoslovakia. These people with low education in the framework of obligation to work before 1990 were working as auxiliary staff in mines, steel mills, community services and building industry, and were residing in cheap apartments of inferior quality in the less attractive parts of Ostrava. These were often houses with low quality apartments, without maintenance or repair services being done, and were intended to be demolished.

During the socialism period 1948-1989, the Roma people were not directly threatened by social exclusion, because their welfare in the framework of socialistic redistributive model was altogether satisfactory. Furthermore, they were forced to have a job as this was a legal obligation. In this period, the Roma were concentrated into old houses and apartments of lower quality in the dilapidating city districts. With the end of socialism era, the legal obligation to work ceased to exist, and some citizens used the opportunity not to work and live from the welfare benefits. From the citizens, who took this opportunity, gradually emerged a quite numerous group of “inadaptable” citizens living on welfare benefits.

The beginning of 1990s brought about also changes in the area of apartments property structure, mainly as a result of property restitutions (returning the property taken under state control after 1948 back to original owners or their heirs) and privatization. Houses, which were formerly inhabited by lowest social classes and Roma people, were in restitutions and privatization acquired by private owners, who were interested in repairing the houses and using them for themselves. Such new owners were obliged by law to secure for the former tenants an alternative accommodation, which they often found in unattractive localities with apartments of low quality and cheap rents. This procedure increased the concentration of Roma ethnic group and persons threatened by social exclusion in individual localities.

In 2010 was by assignment of the Agency for Social Integration elaborated by Radim Kvasnička description of socially excluded localities in the Ostrava area. This document describes localities with socially excluded population, and identifies localities – streets, blocks of houses, or city districts: Liščina, Zárubek, Hrušov, Osada Míru – Kunčičky, Zadní Přívóz, Sirotčí, settlement Jeremenko, Erbenova, Nerudova, Tavičská, Štramberská, Železná, Bedřiška, Trnkovecká, Prátova, Lipina, Dělnická, and lodging houses Metalurg, Sadová, U Bundy, Cihelní. These localities, according to the survey, are inhabited by 5,574 citizens. Part of the Agency for Social Integration project was also elaboration of an interactive map.

Management of the city and its inhabitants are after 1990 becoming aware of new facts: the polarization of the society is growing; social risks and problem of ethnic segregation are also increasing. According to research works of L. Vidovičová and L. Rabušic, the society in the Czech Republic is not generationally segregated. Results of these researches are corresponding with the situation in Ostrava.

Figure 17 Socially excluded localities Sirotčí and Riegrova



Photo: Peter Lajcha and Iva Tichá

3.3 Governance arrangements of social services related to the challenges of ageing and social exclusion

In the 80ties, in the communist period (1948-1989), social problems in cities weren't perceived as significant.

Ostrava and the sloped region (city of Ostrava region) were characterized by the typical structure of the population which were employed mainly in the extractive industries and industries related to it, ie. coke, chemical industry and iron and steel working. The qualification structure of the population corresponded to the economic structure and demands on the labor market, many workers were skilled in matching technical fields. There was statutory duty of working in the period of communism and everyone of working age had to be employed. Communist ideology promoted an egalitarian approach toward people and remuneration and there was no significant income differentiation, which meant that the incomes of various socio-professional groups did not differ significantly. Also, housing policy and development didn't support the construction of social differentiation, leading to a more uniform spatial distribution of population of different social groups. Nevertheless there was a spatial social differentiation of the population in this period that occurred particularly in the existence of unattractive neighborhoods with obsolete and dilapidated housing stock and the corresponding low prices. These neighborhoods were inhabited by mainly ethnic Roma households, with its exceptionally numerous families, low level of education and relatively low per capita income (or income per person). The absence of significant socioeconomic differences during communism therefore did not require substantive state or local government's interferences in the field of social inclusion. All major decisions not only in relation to social problems were made by the ruling Communist Party and central government. Either local or regional level of government hadn't its own autonomy, competences, to solving specific local social problems and they only implemented central policy. In fact, in the period of socialism and centrally planned economy the private sector didn't exist. There wasn't possibility to run a business and it was very limited possibility of private ownership.

In November 1989, the democratic well known "velvet" revolution passed and the gradual transformation of a totalitarian to a democratic system of central planning to a market system proceeded.

The mentioned legislative changes lead to reintroduction of activities of nonprofit organizations (Act 300/1990 Coll. on association of citizens). The work of nonprofit organizations was primarily based on examples from abroad as well as on foreign financial resources. The first nonprofit organization that was established—or rather reestablished—in the Czech Republic was The Salvation Army. The first project in the area of social services in the city of Ostrava was approved for the grant of 50,000 CZK in 1990, which also meant the first contacts and relationships between the municipality and the nonprofit sector.

In the period from 1991 to 1995 there was the privatization process of companies, mines were being closed (mining concluded in Ostrava in 1994) and metallurgic production was being reduced. These changes caused dismissal of many employees and the related growth of unemployment. In 1990 the Ministry of Labour and Social Affairs helped to establish job centers that were registering the unemployed. The legislation of 1991 enabled the unemployed people who registered in the job centers to cover their costs of living by money from social benefits financed from the national budget. The benefits (such as jobseeker's allowance, income support) were the main tool that was to stop possible/potential expansion of poverty and social exclusion.

In 1995, in connection to restructuring the economy, the unemployment rate began to grow significantly, thus increasing the pressure on expenses of the national budget into the area of

social benefits, mainly the jobseeker's allowance. In reaction to the growth of expenses, a regularization (117/1995 Coll.) was passed to decrease the payments of social benefits. Although the amount of social benefits was being decreased, the number of long-term unemployed citizens who were not able to adapt to the requirements of the labour market was increasing. In spite of the fact that the State paid for retraining programmes via the job centres, the situation in the labour market was getting worse (1997 – 7.5; 1999 – 15.8; 2002 – 17.2%).

After the election in 1997, the relationships between the State and the nonprofit sector were getting better and the collaboration of the municipality and the nonprofit sector was expanding in Ostrava, too. In spite of the growing collaboration and the volume of financial means allocated into the area of social work, the problems in socially excluded areas were escalating after 1997. In Ostrava, the problem of social exclusion was increased by the floods that affected mainly the district of Hrušov.

The reaction of the management of the City of Ostrava to the problems in the social area (not only social exclusion) was preparation of the first Community Plan in the social services (2003) that made a thorough analysis and it defined development priorities (supported flats, integrating the Roma children into the main educational stream, support of field social work and financial support of NGOs). Preparation of the Community Plan was done by representatives of municipalities - the state administration as well as local government, representatives of Romany organizations and nongovernmental nonprofit organizations. Based on the cooperation of many participants, priorities in the social area were formulated in 2003-2004. The method of community planning became a tradition in Ostrava and its realization and updating is still in process. Today the third Community Plan is being realized, its preparation includes still more and more participants. The reason for their activities is the fact that in case of incorporating the priority into the Community Plan of social services, it is easier for them to reach financial means of the City, Region, State or EU.

In Ostrava in 2007 the Agency for social integration - established by the Government of the Czech Republic - started its activities in Ostrava. The Agency works on the principle of realization of local partnership of all participants. A managerial mistake was that the municipality of the City of Ostrava did not cooperate with the Agency for social inclusion, it was only the management of the district of Slezská Ostrava who cooperated and who saw the importance of the problem. The representatives of the district of Slezská Ostrava expected financial means related to the process of joining the project of social integration. The realization of cooperation did not proceed in accordance with the strategic plans and expectations of the district but the cooperation between the municipality and the owners of estates, flats and NGO was started. As the collaboration was not realized throughout the whole city, it did not produce the expected results. For this reason the Agency for social integration is concluding its activities in Ostrava (after the pilot project finishes in 2011) with strong belief that the primary collaborations has been started and it is up to the local participants whether they are going to realize it further.

Ageing

In the 1980s there were only residence services for the senior citizens offered (such as care homes, nursing homes). The City was the owner of the mentioned facilities and decided on allocating the places according to waiting lists. The services offered were of poor quality (poor hygienic facilities, many clients in one bedroom, lack of privacy) and the capacity offered did not meet the demand.

After 1990, the permanently increasing demand in the area of ageing meant also an increase in the offer of services for the elderly. The new services (ambulatory as well as field care)

resulted from the legislation changes (182/1991 Coll.) which enabled the City, districts (established in 1990) and nonprofit organizations to provide field services in homes. From the range of field services the municipalities began to provide services only on weekdays and in usual working hours, so there was open space for nonprofit organizations that also offered the services in evenings, at nights, on holidays and at weekends.

The period after 1990 in the area of residence services for the senior citizens was characteristic by large and long-term investments when the former large uncomfortable facilities were gradually rebuilt in order to comply with new standards, mainly the social and hygienic ones. The range of the services offered is expanded by nonprofit organizations offering mainly ambulatory (day care centres) and field services. The fact that ageing is considered a problems is proved by an example that in the district of Poruba a pre-school was rebuilt as a care home.

The care homes for the elderly (thouses founded by the City) were transformed to the form of allowance organizations by an administrative decision after 2000. Thus the organizations gained their own entity (larger autonomy), although the founder is still the City of Ostrava. In this way, the City also transferred the duty to register the applicants for allocation to these organizations.

The City management realizes that the senior citizens are an important group in the city population and the Mayor established a council body that should inform him on the needs of the elderly. The issue of ageing and the elderly is not seen only as the problem of social services and living but it includes such issues as transport (low-floor buses), availability of health care, security, education, cultural and social activities.

Just as in the area of social exclusions, community planning started in the area of care for the elderly, too. A significant legislation change happened in 2005 when a state care allowance was established. After having been approved, the care allowance was paid to the dependent elderly, it was to motivate the senior citizens to purchase needed and high-quality social services. Financial means for payments of the care allowances were gained by decreasing the subsidies to service providers. However, many senior citizens keep on saving their care allowance, so the financial means do not come back into the system of social services. The allowance was decreased by half in 2011.

The City management in the post-socialist period did not change the attitude to ageing. The aging population is seen as a large group, mainly of left-wing voters, who need to be provided with good-quality services; though it is not seen as a problem that would affect the development of the city.

From the view of Di Gaetano governance models, the method of social services management (in the area of social exclusion and ageing) may be characterized as managerial (the municipality has most of the decision authorities), although it includes elements of corporate management method. The management is based on the method of community planning but the main decision stays with the City management (committee, board, council). The nonprofit organizations are then motivated to collaborate rather on the level of financing than interest in sharing the information.

3.4 The outcomes of governance responses to the problems in the social policy field(s) caused by shrinkage

The Czech Republic belongs to countries with low level of poverty. 8% of the total population lies below the level of median income (in EU it is 15%). In case of people over 60, there are just 4% below the level, but with growing older, the danger of poverty slightly increases and for people over 75 it is 6.6%. Danger of poverty for women is higher in all age groups while men are mainly endangered by the social exclusion and homelessness. A different level of

perception and solution may be described in reactions to problems of social exclusion and ageing.

Recently the issue of social exclusion and ageing is mainly solved on the level of the State in the form of preparation, realization of strategic documents. (*National action plan of social integration, National action plan of employment, National action plan of preparation for ageing*), and realization of partial (steps) projects. A similar situation may also be seen on the regional level but the difference is that the Moravian-Silesian Region is a provider of some social services (outside Ostrava), hence the activities on the level of the Region are not only methodical and supervisory but there are also activities leading to higher quality of the infrastructure of social services (*Medium-term plan of development of social services, Concept of quality of social services, Strategy of anti-drug policy*). The Statutory City of Ostrava and its districts prepare strategic documents just as the other participants do (*Municipal plans of development of social services, Strategic plan of development of Ostrava City, Quality of life of the elderly* – the document is a reaction to the national programme of preparation for ageing).

Social exclusion is an issue that applies to some municipalities only (Slezská Ostrava, Ostrava-Jih, Moravská Ostrava a Přívoz, Vítkovice, Mariánské Hory a Hulváky). The authorities of these municipalities are institutions that are closest to the citizens and their task is to work with families living in socially excluded areas. These municipalities are also founders of preschools and elementary schools which are attended by children from socially excluded areas.

In 1990 nonprofit organizations started working in Ostrava (in the area of social exclusion and ageing), at the beginning their activities were based on foreign experience and financing. In 1993, a challenging project realized by the Archdiocese Charity was foundation of Přemysl Pittr's Elementary School that was to be a multi-ethnic school. At the same time it was the first elementary school in Ostrava that employed a teacher's assistant who was to help the Romany children.

Expansion of relationships between the public service and the nonprofit sector is confirmed by the fact that in 1994 there were 9 projects worth 6 million CZK supported from the budget of the City of Ostrava. Significant development of the nonprofit sector was recorded in 1997 when the relationship between the State and the nonprofit sector was legally modified. In 1997, the civic association *Vzájemné soužití (Living Together)* was founded by the Indian teacher Kumar Vishvanatan. An important project realized by the civic association was building *Vesnička soužití (Village of cohabitation)* in Slezská Ostrava (there are 10 families of the major population, 10 Romany families and 10 mixed families). In the same period there were projects of other nonprofit organizations started and they were mainly directed at field work with families and prevention of social-pathological phenomena. The development of nonprofit sector was also connected to the increasing volume of financial means allotted for projects in the area of social inclusion (from means of the State and the City).

In 1999 in selected authorities of the municipalities there were employed Roma assistants who were to mediate the contact between the authority and the Roma community. This idea proved to be the right one.

In 2000 higher-level self-governing entities of Regions were established and they also joined the planning in the area of social services and gradually began to announce grants where founders and providers could ask for grants. Since 2000 (prior to joining the EU) the relationships between the nonprofit sector and the City management were stabilized. Another step towards expanding the collaboration was introduction of the method of community planning (2003) which is based on work of expert committees. Nowadays there have been 9 expert committees working, they meet every month. A community plan is approved by the

Council of the Ostrava City for a certain period of time. In 2011, the third Community Plan in social services for 2011-2014 was approved.

Ageing

After 1989, the situation in the area of services offered to the elderly was very poor. There was available only a limited range of services with insufficient bed capacity and the citizens asking for the services waited many months for the services. Poor-quality services were offered to the citizens, clients were accommodated in large bedrooms, they suffered from lack of privacy and poor hygienic conditions.

As it was mentioned in the previous chapter, in 1992 significant legislation changes took place and that led to expansion of range of choice of the services offered (expanded by the ambulatory and field services). The services offered to the elderly—mainly the field services—are of sufficient capacity as there are enough providers (City, NGO's, municipalities) who monitor the offer and demand (10 providers – 6 municipalities and 4 NGO's). There is still a problem with capacity for the residence services, clients need to wait for these. The problem is not as obvious as it was prior to 1990, but having considered the contemporary demographic prognosis we may expect a worse situation. The difference between the offered capacity of residence and field services is mainly affected by short-term financing of nonprofit organizations and high input investment into the residence services. After joining the European Union, building and rebuilding has been usually co-financed from the European Union sources.

In 2000 the universities (VŠB-Technical University and Ostrava University) began to apply the concept of active ageing and offered educational programmes of the University of the Third Age where the senior citizens may study branches they are interested in. Similar educational and cultural activities are also offered by schools, cultural facilities and NGO's.

Other institutions respond to problems of the aging population, such as the Department of the Head Architect and Ostrava Transport when they try to react to needs of the aging population. The City management perceives the needs and continuously realizes minor measures to improve living conditions of the elderly. The City management sees the priority in bringing young educated citizens to Ostrava rather than preparing infrastructure for the elderly.

3.5 Discussion

3.5.1 Was there a lack of capacity?

From the perspective of social services funding, the city and local organizations will always be dependent on external resources and not only on the financial level. The state remains to be the principal actor which finances and organizes the social services system (Mátl, Průša, 1999). The state defines structural conditions, issues resolutions and regulations for the whole country, and from these financial decisions stems the decision making of local actors. Another factor is the fact that many important NGOs are multi-national or with all-country activities and therefore are dependent on central offices or mother organizations.

In the field of social services is used a wide range of financial resources. These are for example resources from European Union (ESF, sectoral operational programmes, regional operational programmes). In the long-term, the most important source from perspective of financial resources volume is the state budget. This stems mainly from the weight of Ministry of Labour and Social Affairs budget. Less important are the budgets of regions, cities and city districts (municipalities). Their weight stems from the principles of Law on budgetary allocation of taxes – e.g. the regions were originally funded by costs, and only gradually

during the public finances reform they were granted increasingly more significant tax incomes. The growingly more important source of finances are also the social services users themselves.

From the perspective of financing is a typical feature of social policy funding its multiple resources character. Providers of social services and related activities thus have opportunity to obtain funding from the following resources:

- city budget (city district budget)
- EU grants
- state budget (Ministry of Labour and Social Affairs, Ministry of Health)
- Moravian-Silesian Region budget
- incomes from users (payments for services, care allowance)
- own economic activity
- foundations of OKD, ČEZ, donations
- Norwegian funds, Swiss funds, etc.

Expenditures on social services are also characteristic with rather high personnel costs (circa 60%). From the perspective of personnel costs can be said that wages in social sphere are lower than average wage and societal appraisal of workers (mainly women) in the area of social services is not high. Often are used part-time forms of work.

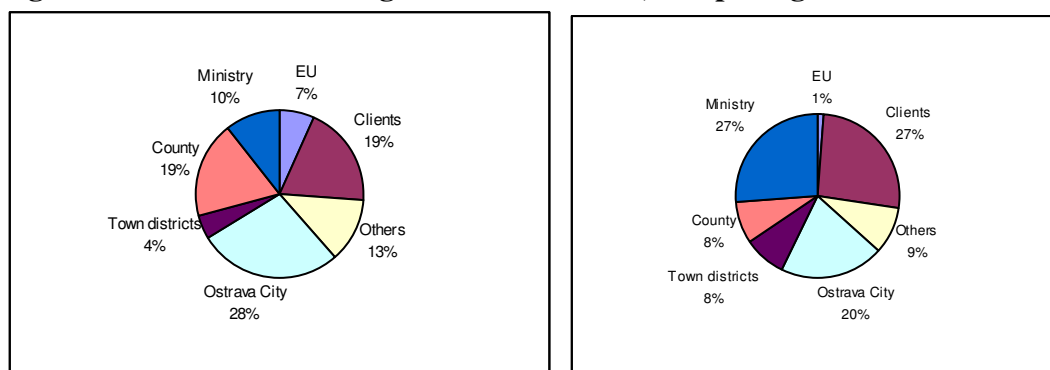
The real situation in 2009 was characterized by the following data:

- in total was approved 82,970,000 CZK for projects and organizations active in community planning
- grant area of criminality prevention and anti-drug prevention – 15,280,000 CZK (60 projects)
- grant area of leisure time 924,000 CZK (9 projects)
- grant area of handicapped persons including youth – 4,505,000 CZK (13 projects)

Source: M. Mariánek, stakeholder meeting

The graphs show the distribution of social services funding. Financial resources from which are funded social services are coming from the European Union, ministries (particularly the Ministry of Labour and Social Affairs), Moravian-Silesian Region, city of Ostrava and its city districts, clients and other resources (foundations, etc.).

Figure 18 Sources of funding for social services, comparing 2006 and 2009



Source: M. Mariánek, stakeholder meeting

The graph also illustrates the comparison of social services funding development between 2006 and 2009. Evident is the pressure on clients to finance their social services from their own resources (or from care allowance if they are receiving it).

Major problem of funding in the sphere of social services is their usually one-year financing. The providers are thus suffering from insecurity of their funding for following years. In this way are influenced particularly the field and ambulatory services. Provider which provides long-term, residential service, e.g. day care house, should be provided with long-term funding so that older people would not be unnecessarily worried about possible further searching of accommodation and subsequent moving.

3.5.2 Did the area experience a dependence on external resources?

The sphere of social services in the Czech Republic has been dynamically developing during the past 20 years. Therefore, it was necessary to formulate and codify the frameworks for providing and funding of social services. Part of the changes was also the property transfers in the field of social services in connection with the public governance reform. In case of Ostrava, these changes were not too much visible on the outside, because the former county of Ostrava was transformed into the City of Ostrava without changes. In fact, the property transfers were carried out only among the city and its districts. However, the result is that even today the situation can be rather unclear for citizens, as founders of day care houses are city districts, but homes for older people are usually founded by the City of Ostrava.

Social services are very dependent on the share of funding from state budget. Limiting of funds from the side of Ministry of Labour and Social Affairs may cause major problems. In this context, the state influenced the planning in the sphere of social services by a legal framework. It was codified that regions are obliged to plan in medium-term horizon and obtaining of financing from EU funds and state budget is linked to the real implementation of community, medium-term, or strategic planning. Currently, it is common that cities, municipalities or associations of municipalities (at least in limited scope) are planning by way of community (medium-term) planning, and therefore are defined priorities and decisions are not implemented from day to day.

One of important decisions, which can affect the state in the sphere of social services, is the reduction of funding of care allowances. Reduction of this allowance will probably motivate the citizens to secure social services by self-help. For population threatened or struck by social exclusion poses a problem the reduction of social welfare benefits. At the beginning of 2011 was cancelled the birth grant for second, third and following child, unemployment

benefit was reduced, and parental allowance was also reduced. Such steps are motivated by the government's effort for savings and creating pressure on citizens to accept whichever, even less paid work.

Another step which has been recently discussed is the fact that distribution of social benefits should not be divided among Labour Office, City of Ostrava Authority, and city district authorities. Instead should be created a single place (Labour Office) where all social benefits would be administered, including unemployment issues. This decision could result in deepening problems in field work with families.

3.6 Conclusions

In the process of gradual shrinkage, the development of social services was determined by transformation from socialistic planning and management to economic-social formation on the basis market economy and medium-term community planning. Such changes influenced roles and competences of actors at legislative level as well as in application of individual steps leading to implementation of social priorities.

Importance of individual actors participating on solving of social issues in the period 1990-2010 was continuously changing for political, economic, and societal reasons. The role of employees' organizations (including labour unions), which had an important position in the socialist era, nearly disappeared. To the contrary emerges a new group of actors from private sector and non-profit sector, which was initially developing on the basis of the so-called civic society. The third group of actors (municipalities) was playing analogously strong roles during the whole period 1990-2010. Although municipalities have been interfering into the social issues on a long-term basis, their significance and way of reacting is developing and diametrically differs at various stages.

From the perspective of wider context, the work of individual partners can be characterized as lacking concept in the long term. Their expert opinions have been gradually developing in relation to successive application of programming documents of European Union. The Czech Republic reacted to the priorities set up in the process of convergence and accession to the EU. Another factor complicating the situation was the emergence of new actors and changing roles among majority of them. Altogether, these factors meant that the system was rather unstable. If looking for a dominant role from the perspective of state, such is in the possession of the Ministry of Labour and Social Affairs, whose budget for 2011 is almost 484 billion CZK. In the incoming period is prepared strengthening of competences of this Ministry for the case that all social welfare benefits would be distributed by Labour Offices which are founded by the Ministry. The Ministry is at the same time founder of advisory bodies, e.g. Government Council for Older People and Agency for Social Integration. The principal role of regions in this field is in particular monitoring of provided services' quality, implementation of development projects, methodological supervision, or identification of specific needs. The city and city districts are above all planning and implementing the offer of social services, it is an actor which is in the closest contact with social services users and their family members, and is able to provide citizens with direct feedback and react to actual needs. City and city districts in their grant programmes support activities of NGOs - more than 100 of them are operating in Ostrava, offering their services to older people as well as inhabitants of socially excluded localities. Representatives of the city and city districts are meeting at common meetings of expert groups in the framework of community planning. These actors are thus jointly formulating the fundamentals and are attempting to implement them. The Community Plan is usually outlined as medium-term plan, but the implemented activities (mainly investments) have a long-term impact.

When defining starting points in the field of ageing, the basic role is played by the fact that the given problem is only starting to be discussed, but no principles of new quality of ageing have been defined yet. Fundamental principle, which has to be in all cases respected when preparing the society for ageing, is to create the age inclusive society and to prevent discrimination on the basis of age, to develop financially, as well as locally accessible social services offered in line with contemporary trends (ambulatory care, field service, active ageing). Currently, the most frequent form of cities' support to older people is economic and social support, e.g. reduced fares, free public transport after 70, reduced admission to cultural events, or events organized directly for older people (activities of clubs for pensioners).

Solving of the issue of social exclusion is also reflected in the Community Plan, in which two work groups are dealing with this issue – group for citizens threatened by social exclusion and socially excluded citizens and group dealing with Roma ethnic group.

In the framework of community planning all actors on the territory of Ostrava succeeded to create structure for cooperation and management, and became an accepted component of the Ostrava's and Region's management. The significance of community planning is documented also by the fact that it is well administratively implemented. The output of common work of all actors is the fact that social services are providing sufficient offer to clients and participate thus on maintaining the intergenerational social cohesion. The oncoming years, which will be characteristic with deterioration of demographic development, limited budgetary possibilities, reduction of social welfare benefits and implementation of the prepared retirement reform (VAT), creating a potentially dangerous situation in medium-term horizon. These risk are being strengthened also by the considered non-systematic measures in the field of taxes redistribution, which should maintain the tax incomes for Prague and smaller cities, and on expenses of Ostrava, Brno, and Pilsen.

The demographic prediction indicates that the future problem will be not only the number of inhabitants, but also the risk that their qualification structure will not be able to secure demands of knowledge society and sophisticated production. Elimination of potential future risks could be reached by the measures like increasing activity in field work with Roma community (as optimal can be considered the combination of economic pressure with offer of wide range of mainly supportive social and education services). With high probability can be expected that a number of measures related to solving of issues of material deprivation, ageing, and social exclusion will stem from the implementation of the document Europe 2020 and National objectives determined on the basis of principal aims of the strategy Europe 2020. To a limited extent can be implemented also motivational measures for arrival of workers from other EU countries, in particular in selected professions.

Figure 19 Policy cycle

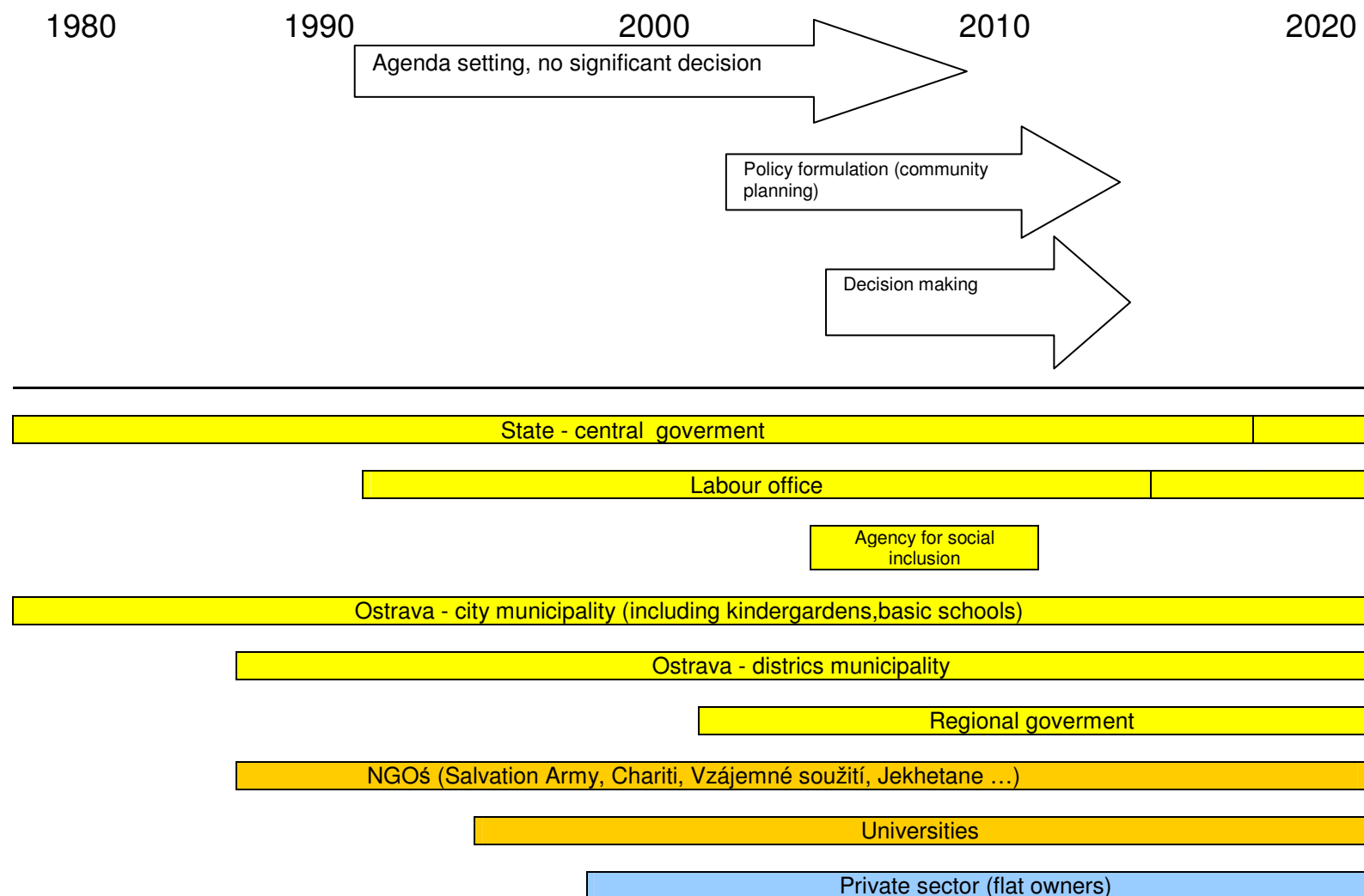


Figure 20 Mechanism of social exclusion

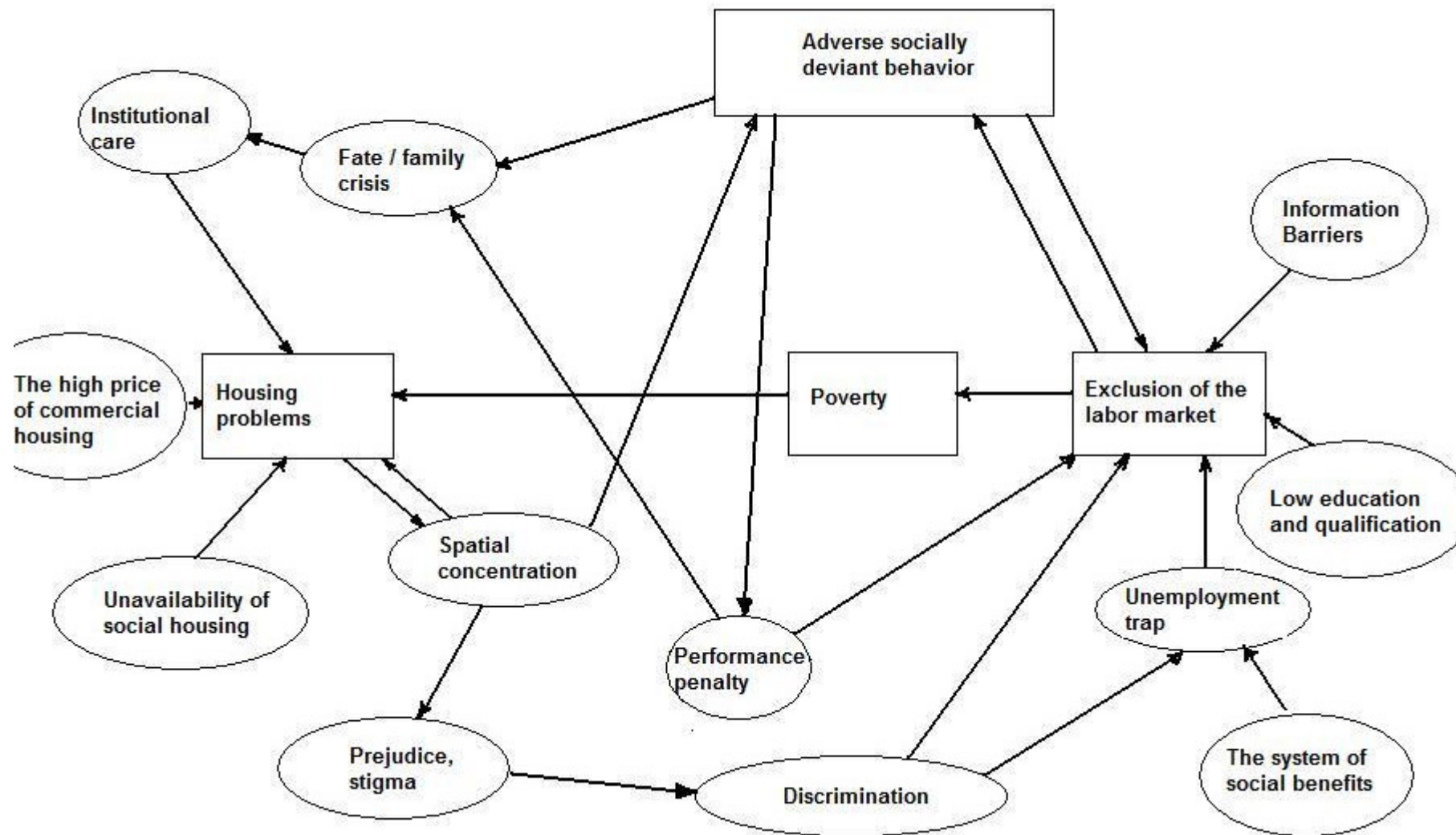
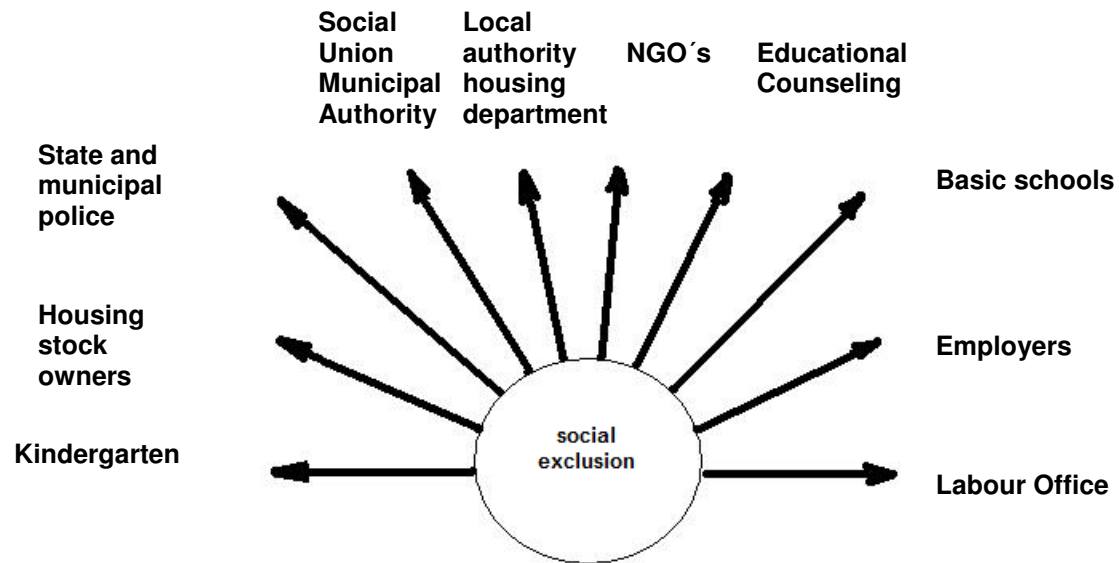


Figure 21 Policies/Agencies

	1980	1990	2000	2010
Policies	low range of services for seniors, elderly care home by relatives, only old people's homes (low quality of services, poor hygiene standards, rooms for many people, without privacy)	Growth of social exclusion, the first nonprofit organization's first projects, the growth of unemployment, ageing - outreach and outpatient services	community planning in social services, active ageing, field work, training, projects for children (preschool, school, teens) projects for mothers, retraining	
Agencies	Central and local government	Central and local government, city neighbourhoods , NGO's, labour office	Central and local government, city neighbourhoods , NGO's, universities, schools, Agency for social inclusion, labour office	

Figure 22 Actors of social exclusion



Source: author

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