

The European Institute for Comparative Urban Research, EURICUR, was founded in 1988 and has its seat with Erasmus University Rotterdam. EURICUR is the heart and pulse of an extensive network of European cities and universities. EURICUR's principal objective is to stimulate fundamental international comparative research into matters that are of interest to cities. To that end, EURICUR coordinates, initiates and carries out studies of subjects of strategic value for urban management today and in the future. Through its network EURICUR has privileged access to crucial information regarding urban development in Europe and North America and to key persons at all levels, working in different public and private organizations active in metropolitan areas. EURICUR closely cooperates with the Eurocities Association, representing more than 100 large European cities.

As a scientific institution, one of EURICUR's core activities is to respond to the increasing need for information that broadens and deepens the insight into the complex process of urban development, among others by disseminating the results of its investigations by international book publications. These publications are especially valuable for city governments, supra-national, national and regional authorities, chambers of commerce, real estate developers and investors, academics and students, and others with an interest in urban affairs.

EURICUR website: <http://www.euricur.nl>

This book is one of a series to be published by Ashgate under the auspices of EURICUR, the European Institute for Comparative Urban Research, Erasmus University Rotterdam. Titles in the series are:

Metropolitan Organising Capacity

Leo van den Berg, Erik Braun and Jan van der Meer

National Urban Policies in the European Union

Leo van den Berg, Erik Braun and Jan van der Meer

The European High-Speed Train and Urban Development

Leo van den Berg and Peter Pol

Growth Clusters in European Metropolitan Cities

Leo van den Berg, Erik Braun and Willem van Winden

Information and Communications Technology as Potential Catalyst for Sustainable Urban Development

Leo van den Berg and Willem van Winden

Sports and City Marketing in European Cities

Leo van den Berg, Erik Braun and Alexander H.J. Otgaar

Social Challenges and Organising Capacity in Cities

Leo van den Berg, Jan van der Meer and Peter M.J. Pol

City and Enterprise

Leo van den Berg, Erik Braun and Alexander H.J. Otgaar

Urban Issues and Urban Policies in the New EU Countries

Edited by
RONALD VAN KEMPEN
MARCEL VERMEULEN
AD BAAN



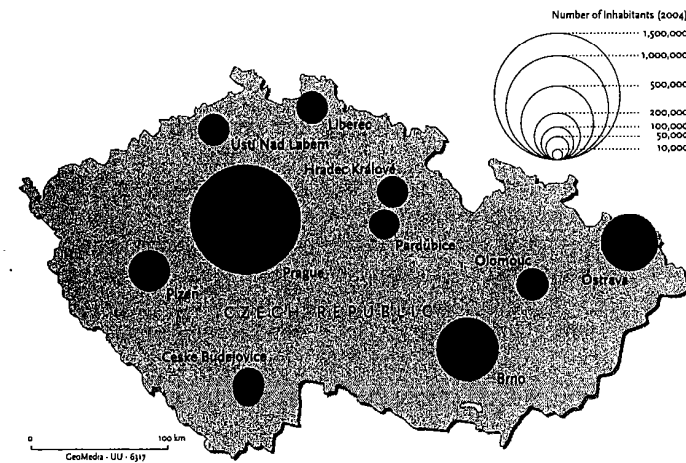
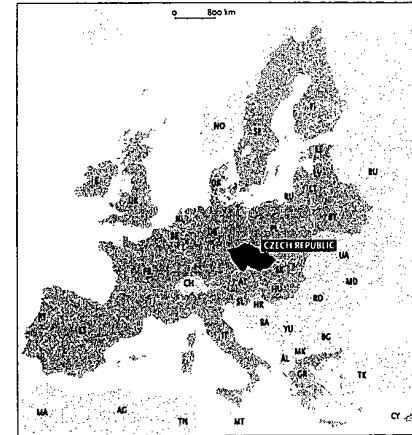
European Institute for Comparative Urban Research
Erasmus University Rotterdam
The Netherlands
www.euricur.nl

ASHGATE

Chapter 2

Czech Republic

Luděk Sýkora



Introduction

The Czech Republic is one of the new European Union member states, but the country has always been a part of Europe. The period of over 40 years of division between the Capitalist West and the Communist East could not change the main direction of long-term developments. Urbanization in the Czech Republic was influenced by 19th century industrialization. Prior to the Second World War, the country was highly industrialized and urbanized. During Communist times, industrialization and urbanization continued through the concentration of production capacities in industrial complexes in larger towns and cities. While the basic social, education, and health services were developed, other service branches were comparatively neglected. This has affected the economic base and labour markets in cities that have been adjusting to dramatic changes during the transition since the beginning of the 1990s.

Communism also left a visible mark on the face of the major cities: vast areas of large multifamily houses built by prefabricated technology. Their lifespan and technical condition now call for regeneration; if that is not attended to, physical and social decline will be the logical result.

Post-communist transformations have also brought about an increase in social differences, leading to a growing socio-spatial segregation, thus changing the socially homogeneous space of socialist cities. Urban growth is now concentrated in the most attractive locations of the city centres, some adjacent nodes, and zones in inner city and in various suburban locations. Development is, however, highly uneven in urban spaces with many areas stagnating and declining. While the problem areas (namely, housing estates and brownfield sites) have been identified in government policies, the overall urban policy aiming at a balanced economic, social and environmental development that would bring benefits to all urban citizens and entrepreneurs and provide chances for all neighbourhoods is still lacking. This Chapter provides information about the current situation in urban development and policies towards urban problems in the Czech Republic and its major cities.

The Economic and Social Position of Cities in the Czech Republic

In the Czech Republic, in 2001 10.3 million people lived in an area of 78,864 sq.km. Over 70 per cent of the population is urban and 63.6 per cent of the inhabitants live in towns and cities with a population over 5,000. The country consists of 6,258 municipalities and 14 regions, all with elected representative assemblies. The capital city of Prague and other major cities can be further subdivided into boroughs, which also have elected local government authorities.

There are four major cities in the Czech Republic with a population of more than 150,000 inhabitants: Prague (1.17 million inhabitants), Brno (376,000), Ostrava (317,000), and Plzeň (165,000). The country's urban population has declined since 1991 at a faster rate than in the country as a whole (Table 2.1). The cities lose population through natural demographics and migration. A large part of out-migration is towards suburban areas, especially around Prague and Brno.

However, the suburban growth has not as yet outpaced city decline. The total population of the two largest metropolitan areas of Prague and Brno declined between 1991 and 2001 by 31,000 and 9,000 inhabitants respectively.

Table 2.1 The development of population in selected major cities and towns (1970–2001)

	Number of inhabitants (Census)						
	Population				Change in per cent		
	1970	1980	1991	2001*	1980/ 1970	1991/ 1980	2001/ 1991
Czech Republic	9,807,696	10,291,927	10,302,215	10,230,060	4.9	0.1	-0.7
Prague	1,140,654	1,182,186	1,214,174	1,169,106	3.6	2.7	-3.7
Brno	344,218	371,463	388,296	376,172	7.9	4.5	-3.1
Ostrava	297,171	322,073	327,371	316,744	8.4	1.6	-3.2
Plzeň	152,560	170,701	173,008	165,259	11.9	1.4	-4.5

Notes: the population is calculated for the territorial delimitation in 2001, *including inhabitants with long term residency permit.

Source: Czech Statistical Office, Census data.

Table 2.2 The age structure of population, share in per cent (1991–2001)

Year	0-14		16-64		65+	
	1991	2001	1991	2001	1991	2001
Czech Republic	21.0	16.2	66.3	70.0	12.7	13.8
Prague	18.5	13.4	66.2	70.4	15.4	16.2
Brno	19.7	14.4	66.1	70.0	14.2	15.7
Ostrava	20.8	16.4	67.8	71.0	11.3	12.7
Plzeň	19.8	14.1	67.9	70.8	12.4	15.1

Source: Census 2001.

The demographic change is characterized by the process of ageing caused by very low fertility in the whole country, including the cities. Strong cohorts of population born just after the Second World War are now approaching the end of their economic activity and will soon become pensioners. These cohorts became concentrated in the cities through the post-war migration of rural to urban labour, so the ageing of the urban population will be affected particularly strongly. There are differences between the cities (Table 2.2). In particular, industrial centres such as Ostrava that were formerly influenced by high levels of immigration of a young

labour force now have a younger age structure. The capital city of Prague has the lowest share of children and the highest share of the elderly of all the cities.

The structure of households has rapidly changed since 1991. In 1991, the most common type of household was couples with children (34.5 per cent), followed by couples without children (27.6 per cent), and then by singles (26.9 per cent). In 2001, the sequence of these three types was reversed (Table 2.3). The major change concerned the share of couples with children, which declined by nine per cent. This trend is more pronounced in the large cities.

There are major discrepancies in Czech cities concerning the structure of the economic activity of their inhabitants and the available jobs. Manufacturing employment was high in all cities during Communism, but some cities had a very strong industrial base with over half of their employment in manufacturing, while some other cities had less manufacturing and a more apparent service sector. Since the start of economic reform in 1991, economic restructuring strongly affected local urban labour markets. The economic restructuring has been characterized by deindustrialization and tertiarization. While employment in manufacturing and construction declined, the number of employees in services increased. Despite the universal decline in manufacturing, there are still major differences between the cities, with manufacturing accounting for less than 15 per cent of jobs in Prague, while the third largest city Ostrava still has a share of 37 per cent. In Prague, and to a certain extent in Brno and some other towns, the decline in manufacturing employment has been balanced by the increase of jobs in the service sector.

Table 2.3 The structure of households in 2001 (share in per cent)

	Couples without children	Couples with children	Family of single adults	Single-parent with children	Singles	Multimember non-family households
Czech Republic	29.1	25.5	5.5	8.0	29.9	2.0
Prague	24.9	18.3	6.8	9.5	36.8	3.6
Brno	26.7	21.3	6.2	9.5	33.3	2.9
Ostrava	26.2	23.2	5.6	9.3	33.9	1.9
Plzeň	29.0	20.6	5.5	8.9	34.2	1.8

Note: Children are dependent children. A family of single adults can be mother with a child aged over 26.

Source: *Census 2001*.

Prague's position as the national command and control centre (Drbohlav and Šykora, 1997) has had an effect on the local labour market concerning the structure of jobs and salary levels. The growth of employment in advanced producer services affected Prague's labour market particularly strongly. There is no space in

the Czech Republic for another city that would benefit from the role of gateway between the World and the local economy.

Unemployment has gradually increased since the beginning of the transformation in 1991. In January 2004, the national unemployment rate passed the level of 10 per cent. There are marked regional differences in unemployment, with North Bohemia and North Moravia in the most difficult situation. The unemployment rate in Ostrava, the capital of North Moravia, is over 17 per cent, but some smaller cities even have higher unemployment rates (such as Karviná). On the other hand, unemployment in Prague is relatively low (3.7 per cent in 2002). Prague's labour market is quite different from that in the rest of country in structure as well as salary level. Brno, the second largest city, has lost many manufacturing jobs and the city government is attempting to attract production capacity to the newly established industrial zone. Plzeň has been quite successful with its early offer of land in the industrial zone Borská Pole to foreign investors. Consequently, the establishment of new production capacity has supplied new jobs capable of substituting for the decline of employment in traditional manufacturing production.

Salary levels in the major Czech cities are slightly above the national average. An exception is Prague, where the average salary is as much as 42 per cent above the national average. The income levels mirror the differences between Prague and the other cities concerning the involvement of international companies and the structure of employment by industrial branches.

In the Czech Republic as a whole, 56.5 per cent of dwellings are in apartment blocks, 42.6 per cent in single-family houses, and the remaining fragment in other types of building (usually flats in predominantly non-residential buildings). The situation in the cities is somewhat different, with a higher share of dwellings in apartment blocks: 86.6 per cent in Prague, for instance. In the country as a whole, 47 per cent of dwellings are owner-occupied (36 per cent in single family houses and 11 per cent in owner-occupied apartments in condominiums) with 29 per cent remaining in the rented sector (about six per cent in the private rented sector) and 17 per cent in the cooperative sector (14 per cent in old 'coops' remaining from the Communist era and three per cent in new tenant association housing established during the recent privatization). In seven per cent of the cases there are other forms of tenure (living in a dwelling in the parents' family house, and so forth). While owner-occupied housing grew from 41 per cent in 1991, rented housing declined from 39 per cent and the cooperatives from 20 per cent. A high share of the rental stock remains in the three largest cities of Prague, Brno, and Ostrava. The wholesale privatization familiar in many other East European countries did not take place, so that Czech cities differ markedly from those in other transition countries.

Housing construction in the Czech Republic declined rapidly after 1990 and only started to increase from the mid 1990s. Since 1997, dwelling completions are at the level of about 25,000 annually. There is a remarkable regional differentiation in housing construction, with booming suburban areas, namely around the capital city of Prague, where the wealthiest part of the Czech population is now building new homes. In the two districts surrounding Prague, the intensity of housing

construction (in terms of the number of completed flats per 1000 inhabitants) is nearly three times higher than the national average.

Since 1989, the main transformations in the spatial pattern of the former communist cities and their metropolitan areas included: (1) the reinvention, commercialization, and expansion of the city centres; (2) the dynamic revitalization of some areas within the overall stagnation in inner cities; (3) the radical transformation of the outer city districts and the urban hinterland through commercial and residential suburbanization (Sýkora, 1999c; Sýkora et al., 2000; Ptáček et al., 2003). The city centres and suburban areas have been the territories undergoing the most radical urban change. While most of the 1990s were characterized by the huge investment inflow into city centres associated with their commercialization, physical upgrading, and population decline, since the late 1990s suburbanization has been the most dynamic process changing metropolitan landscapes.

Urban Problems

The post-1989 urban change in the Czech Republic has been conditioned by the government-led reforms aimed at the establishment of a capitalist system based on pluralist democracy and the market economy, and at the integration into international political and economic systems. The establishment of market principles of resource allocation and growing exposure to the international economy constituted the basic preconditions for the development of spontaneous market-led transformation of the economic, social, and cultural environment. Urban change has been especially influenced by internationalization and globalization, public policies favouring unregulated market development, economic restructuring in terms of deindustrialization and the growth of producer services, and increasing social differentiation. In the cities, the government-directed reforms, especially privatization and price and rent deregulation, created conditions for the establishment of local property markets (Reiner and Strong, 1995; Strong et al., 1996).

The demands of newly emerging actors from foreign firms in the private sector fuelled the operation of land markets that started to reorganize urban land use. The radical change concerned the replacement of existing activities with new and economically more effective uses and, simultaneously, with physical upgrading. Social change has been somewhat slower in comparison with transformations in physical and functional urban structures. Unfortunately, social issues may develop into serious urban problems in the years to come. The cities have been affected by uneven urban development. Besides areas experiencing growth and a booming economy, there are large zones undergoing stagnation and even decline. The urban problems do not currently feature among the issues raised in the political and public debate on the national level. Some attention has been given to the decline in post-war housing estates and to brownfield sites and their regeneration. Most urban problems are, however, seen as local in nature and left to local solutions.

The physical problems in Czech cities are associated with both decline and growth. Physical decline and dilapidation concern the formation of the brownfield sites left behind by industry and the army, and small clusters of dilapidated inner-city housing. Some of the housing estates constructed with the use of prefabricated technology during the 1960s-1980s are now threatened by physical and social decline. The extent of the housing estates and the current out-migration of the more prosperous inhabitants may lead to large concentrations of physical and social problems in future decades.

Physical problems are also associated with urban and metropolitan growth. The major change in physical urban space is that associated with spatial growth in suburban areas. The compact character of the former Socialist city is being changed through rapid commercial and residential suburbanization that takes the form of unregulated sprawl. New construction is fragmented into numerous locations in metropolitan areas around central cities. The economic, social and environmental consequences of sprawl now threaten sustainable metropolitan development throughout the Czech Republic.

Prague is the only city where sufficient new jobs have been generated. These resulted from Prague's position as national control and command centre and the gateway linking the country with the World economy.

A rapid increase in individual car traffic is circumscribed by a yet-to-be-completed road infrastructure. The construction of ring roads and bypasses that would channel traffic out of the inner cities ranks high among the preferences of city governments. In the meantime, road congestion and pollution affect several intra-urban locations. Public transportation has lost passengers and the modal split has changed in favour of the private car (Pucher, 1999). However, urban governments have allocated large shares of city expenditures to the upgrading and extension of city public transportation and to the development of integrated metropolitan transit systems, linking intra-urban transportation with metropolitan railway and buses.

Many social problems in the cities are associated with unemployment. Those urban areas where labour markets have undergone economic decline are strongly affected. The population involved is usually concentrated on the housing estates. Tenants' rent arrears and homeowners' limited financial resources contribute to the low level of maintenance, disrepair, and physical dilapidation. Increasing segregation is another type of urban social problem. With growing income inequalities and established housing property markets, local housing markets are divided into segments that also have their spatial expression (Sýkora, 1999b). Prosperous households usually concentrate in the city centres and high status inner city neighbourhoods (apartment blocks, villa neighbourhoods, and garden towns) and are increasingly moving to new clusters of inner city condominiums and especially to newly built districts of suburban housing. The less prosperous households concentrate in inner city zones featuring the dilapidation usually associated with declining industries and brownfield formation and in some post Second World War housing estates, particularly those originally built and allocated as enterprise housing where a large share of blue collar workers concentrate. A specific urban social problem is the segregation of parts of the

Roma population in some cities, where they are intentionally allocated local government housing in poor condition. Some local government authorities purposely build shelters for municipal tenants who do not pay their rent and move them into this type of very simple housing that is usually segregated on the edge of urban areas.

Post-communist urban development is characterized by an uneven impact on urban space. Most politicians see this unevenness as a natural outcome of the market mechanism that is creating an economically efficient land-use pattern. At some time in the future, however, this spatially uneven development could threaten economic efficiency, social cohesion, and environmental sustainability. The question of social justice and social cohesion, issues of environmental impacts and sustainability, and more balanced spatial development have until now been subordinated to the preferences related to the promotion of economic growth.

National Urban Policies

Urban problems do not feature in public debates. This lack of attention is mirrored in the lack of any urban policy. There is no explicit national urban policy in the Czech Republic, and no integrated national government framework, or approach toward cities and their problems. In the Czech Republic, urban problems are tackled by city governments, which in some instances are supported by national government programmes. Urban problems are not monitored on the national level. The main national government policies that have an effect on urban development are housing policy, environmental policy, regional policy, and support for FDI. Furthermore, the urban development is conditioned by national priorities in the construction and modernization of the transport network. The general conditions for the operation of cities in the resolution of urban problems are provided by the general framework for the system of local government, local government finance, and physical planning (Balchin et al., 1999; Maier, 1998; Sýkora, 1999c). In the Czech situation it is therefore advisable to look first at the role and opportunities open to city governments and their actual activities in dealing with urban problems and only then to the external (national government and EU) policies that can be used for urban problem solution.

Urban problems are territorially associated with highly urbanized areas that consist of the built environment and human activities from work to housing and leisure. The urbanized areas of cities in the Czech Republic are covered by one local government jurisdiction. Cities are over-bounded: that is to say, their administrative territory is larger than the built-up area, involving small village-type settlements and agricultural land. A single local government authority can, therefore, deal with urban problems. The resolution of urban problems, including the use of national and supra-national (EU) support, is highly dependent on the rights, responsibilities, and actual activities of municipal (city) government authorities.

In the Czech Republic, municipalities gained considerable independence immediately after the political change at the beginning of the 1990s. The Czech municipality is an independent legal and economic body, which takes decisions and bears responsibilities on its own behalf. A municipality has its own means and financial resources and manages them independently according to the conditions laid down by law. Municipalities have the right to acquire, dispose of, and manage municipal property, adopt a municipal budget, establish legal entities, adopt a municipal development programme, approve a local physical plan, and issue municipal decrees that are valid on its own territory. The capital city of Prague and statutory towns can approve a local generally obligatory decree referred to as the *Statut*, which divides the municipal territory into districts or quarters, establishes a second tier of local government (boroughs), and specifies the decentralization of responsibilities from the municipality (the central city government) to its boroughs. For instance, Prague, Brno, Ostrava, and some other large towns own real estate, although they delegate the management of certain properties, such as housing, to their boroughs.

Municipalities are required to provide municipal development in accordance with the interests of their residents. To that end, they may allocate finance, use municipal real estate and other property to promote local development, and cooperate with other municipalities, state administration and the private sector. The municipalities are obliged to maintain local streets, care for primary school facilities and social and health services, maintain the water supply, sewage disposal, waste management, and so forth. These services can be provided by municipal enterprises financed through the municipal budget (budgetary organizations), or by private enterprises established and owned by the municipality or in cooperation with private sector firms. One of the characteristic features of service delivery by municipalities during the 1990s was the withdrawal of municipalities from direct service provision and the increasing share of service delivery by private firms.

The basic policy and planning documents set out in the Municipal Act comprise the municipal development programme that specifies the long-term priorities of socio-economic development, the medium-term physical plan, and the municipal budget that specifies financial and in particular investment allocation in the short term. Since the beginning of the 1990s, an increasing number of cities have been involved in the preparation of the municipal development programmes referred to as strategic plans. These represent the main comprehensive policy documents of urban governments with respect to their areas. Strategic planning is often used in medium-sized and large cities to identify the main priorities in economic, social, and environmental development through collective bargaining involving the elected representatives, private entrepreneurs, and the citizens.

Strategic planning is gaining in importance in decision-making conceived as a process-oriented strategy based on building communication and achieving consensus among the stakeholders and the identification of common objectives that are important for partnership and the integration of top-down and bottom-up approaches. In contrast with physical planning that is based on the specification of

limits for a development, strategic planning is a pro-active type of approach. It usually also specifies the ways in which to use or bid for national and now EU funds from various policies and investment sources. For instance, the Prague Strategic Plan served as the basis for the preparation of the Regional Operational Programme and, later, the Single Programming Documents for Objectives 2 and 3 with which to apply for EU Structural Funds (ERDF and ESF respectively) support in 2004–2006. Strategic planning helps to integrate and coordinate municipal policies and investment priorities in a variety of fields including physical planning and transport policy into one coherent framework, allocate responsibilities for particular fields, and find internal as well as external financial sources to implement approved development priorities. Strategic planning also has direct implications for the construction of annual municipal budgets, linking long-term visions with the actual annual allocation of finance and the realization of specific projects.

The Strategic Plan of the Capital City of Prague sets out the long-term programme of city development for 15-20 years. The Plan declares that it is the will of Prague not to leave the future fate of the metropolis to spontaneous development. The intention is to manage decisively the process of urban change and to coordinate the decision-making processes of city administrators with the numerous interests, activities, and resources of various actors in the city. There is a commitment to fulfil the strategic vision of Prague and define paths to prosperity for the city, to a healthy and cultural environment, and to the preservation and development of these values. Not only is the Prague Strategic Plan an overall vision of the city's future; it is also an agreement between politicians, specialists, corporate sector representatives, and the citizens of Prague with respect to what the city wishes to achieve in the next two decades and how to proceed in the resolution of problems in particular spheres.

The Prague strategy is based on the city's strengths, especially its unique character and spiritual, intellectual, and cultural traditions, quite exceptional natural and urban quality, the economic and human potential, advantageous position in the heart of Europe, the good reputation, and the attraction for foreign visitors.

The strategic concept for the City of Prague concentrates on five main themes containing a system of mutually linked strategic directions, aims, policies, and programmes.

A successful and well-respected city (The role of Prague and the city's economy) Prague aims to become a successful, competitive, and well-respected city with a strong, modern economy generating wealth for its citizens, offering prosperity to entrepreneurs, and generating financial resources to public projects.

A congenial and contented city (Quality of life) Prague wishes to be an attractive city accommodating contented citizens and visitors. Prague is determined to provide a good quality of city life in safe and well-balanced communities with equal opportunities for all.

An attractive and sustainable city (Quality of the environment) Prague will endeavour to achieve a high quality of both natural and urban environments while observing the principles of sustainable development. Prague seeks to reduce pollution in the city substantially and create a balance between human settlement and landscape in order to become a clean, healthy, and harmonious city.

A well-functioning city (Transport and technical infrastructure) Prague aims to modernize, develop, and operate its transport and technical infrastructure to support a well-functioning city, its economy, ambition and development. Prague's infrastructure should be modern, reliable, efficient, and environmentally friendly.

A dynamic and welcoming city (Management and administration) Prague wishes to be a city of dynamic and open administration, efficient in providing services and protecting public interests, cooperating with others in accordance with the principles of partnership, thereby facilitating an active role for others and supporting citizen participation in community management and development.

Physical plans are the major instrument for cities to control the territorial development in their municipality, including the location of new developments, the types of building to be constructed, the relationships between the different function, and the main infrastructure. Planning documents can have the form of a regional plan (covering the whole metropolitan area), a general land-use plan for a municipal area, or a local regulation plan for an inner urban zone. The principal authority responsible for the procurement of urban physical planning documentation is the municipal (city) government authority; the physical plans are approved by local Municipal Assemblies. The procurement of regional physical plans is at the regional level and these plans are approved by Regional Assemblies. Regional physical plans may cover and regulate spatial development across many municipalities and coordinate development in metropolitan areas and urban regions.

An exception is Prague's metropolitan region that extends across two regional governments: the capital city of Prague itself has the status of a region and the surrounding area is under the government authority of the Central Bohemian region. These two regional governments would have to cooperate to achieve an integrated metropolitan strategy, which is not the case at present. Approved

regional plans are binding for the land use plans of municipalities. The approved municipal plans are binding for the elaboration of development projects and the decision-making concerning planning permits.

The Organization of Urban Policy

Since the mid-1990s, the urban government authorities have endeavoured to cooperate with major actors from the business sphere. They are usually involved in the formulation of basic goals in urban strategies of economic development. Cooperation based on public-private partnership is still undeveloped. There are, however, examples of joint ownership and operation in the utilities sector, build-operate-transfer schemes in the area of urban infrastructure, and special arrangements in the field of energy conservation. Non-governmental not-for-profit organizations are involved in some issues of urban development. Various citizen groups often protest against major construction projects in transport infrastructure and commercial development. There are also examples of citizen involvement in upgrading public space and implementing safety measures, especially with regard to children.

Urban development is strongly influenced by the financial situation of local governments and is thus dependent on the system of local government finance. The application of various national government policies towards cities and urban problems requires co-financing from municipal budgets. Furthermore, there are urban problems for which national sources do not support a solution. Cities attempt to combat such problems through using their own financial sources. The system of local government finance therefore creates an important framework for the fulfilment of the policy goals of urban government authorities.

The Czech system of local government finance has changed several times since the beginning of the 1990s (Surazska and Blažek, 1996). These changes have made financial and investment planning on the municipal level difficult and have hindered efforts to tackle urban problems in any systemic manner. The main trend in municipal finance during the 1990s was the decrease of the dependence on central government grants and the increasing role of revenues from personal income tax from individual entrepreneurs and employees, property tax, and other own income, including local fees and revenues from the sale and lease of municipal property.

In January 2001 a new system was introduced to eliminate the sharp disparities in per capita tax revenues of the municipalities. The current system is based on the sharing of revenues from selected taxes on a per capita principle. The share of municipalities is 20.6 per cent of revenues from the value added tax, business tax, and personal income tax. Municipalities obtain directly 30 per cent of the taxes derived from personal income tax from entrepreneurs who have permanent residence in the municipality: 70 per cent of the revenue from this tax is transferred to the central budget, from which the share allocated for local governments (that is, 20.6 per cent) is redistributed back to municipalities. This revenue stimulates municipalities to support economic development.

With respect to the redistribution from the central budget, the municipalities are arranged in categories according to their population size. Large cities have a larger income per capita in comparison with smaller towns and municipalities, reflecting their role as centres for their surrounding areas. Municipalities have negligible revenues from their own taxes. These include property tax and some local fees. On average the revenue from property tax represents only about two per cent of total municipal revenues. Municipalities can, however, differentiate the property tax level in various parts of their territory to influence development in particular areas or zones.

Czech municipal and in particular city governments are important investors. On average, Czech municipalities allocated nearly 40 per cent of their budget into investment during 1993–2001 (Blažek et al., 2003). In comparison with other countries, this level of capital investments by local governments is quite high. Towards the end of the 1990s many municipalities, especially medium-sized and large cities, started to develop new industrial zones. They purchased land and provided it with infrastructure. The goal was to offer these areas to both Czech and foreign investors, providing jobs for local citizens and encouraging local economic development. Czech municipalities are entitled to borrow money and issue communal bonds and they have used this opportunity to cover part of their capital investments. The financing is usually provided by a combination of own resources (sales of municipal assets), grants from state support programmes, and bank loans. These are necessary, because the allocation of state grants usually requires co-financing from the municipalities, and their own resources are not sufficient to cover the major investment in time for its realization. Some municipalities have used public-private partnerships for the reconstruction or construction of municipal infrastructure and real estate, thereby avoiding bank loans.

Results of the Policies

The results of individual city policies are difficult to evaluate within a single framework, since they are highly dependent on national economic and social developments and the position of the city within the settlement and regional system of the country. To what extent is urban development a result of favourable national and local conditions, and to what extent is it an outcome of active city government policies? The situation in individual cities is different and their government authorities could only draw on very limited central government support to deal with local urban issues. Unfortunately, the shortage of financial resources has often driven city governments to pay attention to those areas where central government grants were available rather than looking at the most pressing local issues.

Since the actual results in the form of infrastructure construction or the regeneration of declined urban areas are difficult to compare without a detailed introduction to each case, attention is paid here to procedures and decision-making mechanisms. The major achievement has been that the newly-established local government authorities have learned the main principles of urban governance, policy, and planning in a democratic political system and market economy. The

first half of the 1990s was characterized by a minimalist involvement of governments in urban development (Rehnicer, 1997). The decisions of both the central government as well as local politicians were grounded in a neo-liberal approach, which saw the free, unregulated market as the mechanism of allocation of resources that would generate a wealthy, economically efficient and socially just society. Politicians perceived the state as the root source of harm to society as a whole and the economy in particular. Urban planning and policy were perceived as contradictory to the market. Short-term, *ad hoc* decisions were preferred to the creation of basic game rules embedded in a long-term plan, strategy, or vision of city development. Only towards the end of the 1990s did strategic city development plans attempt to formulate more complex views of urban development and city governance.

Despite unfavourable conditions, the urban planning system was kept in operation and thus helped to regulate a smoother development in cities (Sýkora, 1995). Basic policy and planning documents, such as strategies of urban development, physical plans, city housing and transport policies and so forth, were prepared, publicly discussed and approved by local governments during the 1990s. Professionals and politicians learned to pay attention to urban competitiveness, cohesion and sustainability, appreciating that these issues were high on the European urban agenda. The procedures used in the EU impacted significantly on the urban policies and programmes, including their implementation and evaluation. Urban governments now use benchmarking to monitor and assess the results of their own policies.

There are still weaknesses in contemporary urban policy and planning in Czech cities (Sýkora, 2002). Despite the efforts made, many towns and cities still do not use adequate marketing/promotion strategies or land and real estate policy. Sustainability principles remain matters of rhetoric rather than implementation. Cooperation between city governments and the private sector often miss a coherent framework and confrontation prevails in communication between the city officials and non-governmental non-profit organizations.

Other Relevant Policies

Urban development in the Czech Republic is affected by national government housing policy (Eskinasi, 1995; Lahoda, 1999; Sýkora, 1996; 2003), by both Czech and EU regional policies (Blažek, 2001; Blažek et al., 2003), by environmental policy, and by policy aiming to acquire the support of direct foreign investments. These policies are institutionally based in the Ministries for Regional Development, the Environment, and Industry and Trade.

According to the Housing Policy Document, the main housing problems include a lack of affordable housing, a spatially uneven distribution of the housing stock, and the poor maintenance and consequent dilapidation of housing (MMR, 2001). The Housing Policy Document asserts that the housing needs of inhabitants arise at the local level and so the role of local government authorities in housing should be strengthened. The general availability of housing could be improved by

local governments adopting better land policies. The opportunities to improve the affordability of owner-occupied housing are limited by the prevailing wide disparity between construction costs and household incomes. However, the central government could increase affordability through the development of legislation for not-for-profit rental housing.

Another priority is the care of the existing housing stock, its modernization, the renovation, reconstruction, and regeneration of whole housing areas in the major cities. The State provides financial support for housing consumption (support for savings for housing and mortgages) as well as for the construction of new housing. There are several housing policy programmes that are targeted on municipalities and have a strong impact on urban development, especially in the larger cities (for details see Sýkora, 2002). The state subsidizes the production of new municipal rental housing, housing for the elderly, and the provision of technical infrastructure for all kinds of housing construction. Furthermore, several programmes are aimed at the reconstruction and modernization of the housing stock, to resolve problems with the dilapidated housing and with the structural problems of houses built with prefabricated technology. These programmes can contribute to the regeneration of post-war housing estates.

The national regional policy involves several programmes with an impact on urban areas (MMR, 2003). These programmes aim to support the infrastructure provision for SMEs and tourism and thus combat unemployment. Support is given to municipalities in economically weak and structurally affected areas and in two NUTS 2 regions: Northwest and Moravia-Silesia (Ostravsko). The support is used for brownfield regeneration and the preparation of small industrial zones. In 2004, a programme was launched for the revitalization of building complexes used until recently by the army (barracks).

Since the end of the 1990s, the Czech Republic has adopted pre-accession programmes based on principles similar to those of EU cohesion policy. Following the accession, the Structural Funds programmes are being implemented via the National Development Plan of the Czech Republic for 2004–2006 and in particular via the Joined Regional Operational Programme for 2004–2006, which addresses the development priorities of seven cohesion regions other than Prague. The priorities affecting urban development are regional public transportation and regeneration, and the revitalization of the deteriorating urban areas. Setting these priorities has a strong effect on the actual policies applied in individual cities, since local government authorities can draw financial support from Objective 1 of the EU Policy of Economic and Social Cohesion. Prague, as a region significantly exceeding the eligibility criteria for Objective 1 (that is, 75 per cent of EU GDP per capita), is not eligible for this support. Prague has therefore prepared two single Programming documents (SPD). The first SPD prepared for Objective 2 (economic and social conversion) and supported by the European Regional Development Fund (ERDF) concentrates on the development of transport infrastructure and on brownfield revitalization. The second SPD, for Objective 3, concentrates on employment and education and receives support from the European Social Fund (ESF).

Urban development and the resolution of urban economic problems in the Czech Republic are strongly influenced by the support for development of the

industrial zones. This programme is carried out by the CzechInvest agency established by the Ministry of Industry and Trade for the purpose of facilitating support for the direct inflow of foreign investments into the Czech Republic. The programme forms part of the system of the investment incentives for large investors. Within the scope of the investment incentives, the government offers the large investors tax relief, support for the creation of new jobs and staff training and re-training, and support for the development of industrial zones. The system of investment incentives was originally only intended for manufacturing industry; however, from 2000, eligibility was expanded to include companies in the area of information technology and strategic services with the aim of increasing the competitiveness of the Czech Republic and enhancing the profile of the foreign investments. The crucial part of the system is support for the preparation of large industrial zones for strategic investors.

Brownfield regeneration, compact city, and anti-sprawl arguments all play an important part in the State Environmental Policy and the Sustainable Development Strategy for the Czech Republic. However, the implementation of the declared aims to protect suburban land against sprawling tendencies, to stimulate inner city regeneration, and to support the integration of public and private transportation rests on the policies and investment priorities outside the Ministry of Environment itself.

Problems and Perspectives of the Policies

The main problem of the central government policies towards urban issues in the Czech Republic is the lack of a common and coherent framework that would identify problem areas and attempt to formulate integrated, nation-wide, cross-sectoral policies and programmes targeting urban questions. There are various sectoral policies with an impact on the cities. However, their outcomes have not been discussed within any coherent framework. Their organization and financing is organized through ministerial and sectoral divisions and these sometimes contradict each other. For instance, most of the support to FDI flows into greenfield locations, while the State Environmental Policy declares that development should be directed towards inner city revitalization and the restriction of sprawl outside the compact cities. The coordination of various policies and initiatives could resolve existing problems more effectively and save some of the allocated public funds.

Local government authorities have a high autonomy concerning their own urban policies. In pursuing part of their own agenda in urban development, namely in the fields of housing (Rietdorf et al., 2001) and industrial zone development, they draw on support from central government grants and subsidies. After the turbulent transition years, some local government authorities are realizing that a long-term, holistic, and complex vision of urban development can serve as a backbone for the stability and prosperity of the city.

Problems and Perspectives of the Cities

The urban problem in the Czech Republic is not a problem of cities in comparison with non-urbanized areas. The economic growth or decline in cities is influenced by economic restructuring on the national level and is conditioned by their position within the international economy. Some cities have been strongly affected by the economic downturn. The economic decline is not a question of cities, but of whole regions with a high concentration of heavy industries. Therefore, the basis of many of their problems lies in the nature of the regional economy and has to be tackled by coordinated regional policies and FDI support programmes to strengthen their competitiveness for new investments.

The problems of the cities concern certain areas of urban life and certain zones within city territories. The most discussed area of urban development is transportation. The trend of a cultural move towards an automobile society is unavoidable and cities find it difficult to adjust their transportation systems to the newly-emerged demands. However, cities predominantly driven by automobile transportation do not comply with the principles of sustainability. The city, regional, and national governments can influence the character of urbanization in metropolitan areas and make it more favourable for the use of mass transit and actively provide its citizens with high-quality public transportation as a viable alternative to the automobile.

An important issue in urban development is the uneven character of post-1989 urban restructuring. Investments only flow to some parts of the built environment, while many areas are bypassed. The question for urban governments is how to stimulate investment activity in the less preferred locations to distribute the benefits from growth and development more evenly across the urban territory. The uneven development both reflects and conditions increasing socio-spatial disparities. The processes of the separation of the prosperous sections of the population and segregation of the impoverished contribute to a changing spatial distribution of the population according to social status and growing socio-spatial disparities. As a result, the social cohesion in our cities is weakened. Furthermore, cities with high social disparities and social conflicts are not the most desirable places in which to locate new investments, so that social problems can threaten economic viability further and add to the vicious circle of socio-economic decline.

There are two particular zones within Czech cities that are currently threatened by downgrading and these areas will need an active urban policy support to overcome their problems in the next few decades. These are the brownfield sites and the post Second World War housing estates. Major growth is concentrated in the suburban zone. The future of these areas is interlinked. If brownfield sites and housing estates are omitted, firms and wealthier people are more likely to leave for the suburbs, while inner cities will be characterized by dilapidation and decline. Suburbanization itself can become a major problem. The outcomes of rapidly developing suburbanization in terms of the spatial distribution of people and their activities in metropolitan areas form conditions that will influence the life of society for several generations. Non-contiguous, leapfrog suburban sprawl has more negative economic, social and environmental consequences than more

concentrated forms of suburbanization. The contemporary metropolitan development takes the form of sprawl. Patterns of urbanization in metropolitan areas ought therefore to become important targets of urban policies and metropolitan planning with the intention of keeping a more compact urban form.

Conclusions

The main aim of national, regional, and city government should be to promote such development that will result in the increasing quality of life of urban citizens. At present, there are three major challenges to governments seeking to achieve that goal. They are:

- the increasing global competition between regions, cities, and localities for inward, especially international investments;
- the growing attention paid to sustainable ecological, social and economic development;
- the necessity to open up urban policy and planning procedures for the involvement of representatives from the private sector and voluntary citizen organizations.

The third of these challenges is procedural in nature; each of the urban policies applied should pay attention to the integration of public, private, and citizens sectors into decision-making, implementation, and evaluation, thereby building new and more complex modes of urban governance.

The first of the challenges is very much about the activity of the government concerned itself. A city's competitiveness, however, is also dependent on specific objective local conditions and can be threatened, for instance, by having an obsolete infrastructure or vast derelict or declining areas. In such a case, the national and EU urban policies can support cities in diminishing the negative impacts of such obstacles. Even if cities are successful, new investments do not automatically bring wealth to all parts and all residents of the city and its metropolitan region. The location decisions of investors are highly selective in urban space, with a preference given to urban cores and suburban greenfield sites. Cities should attempt to achieve a more balanced, sustainable development.

The second challenge seems to be one where the support of the cities from national and EU urban policies would be the most valuable. Urban policies should provide support to declining areas within cities, stimulate sustainable development, and restrict unsustainable growth patterns. In the context of Czech cities, attention should be paid to the regeneration of post-war housing estates and some inner-city neighbourhoods, to brownfield regeneration, to the application of sustainable metropolitan transportation systems, and to putting limits on sprawling patterns of metropolitan growth. The application of EU programmes in the Czech Republic is capable of helping to consolidate government measures towards these issues and possibly even to establish urban policy as a key tool for the coordinated and complex solution of the most pressing urban problems.

References

- Balchin, P., Sýkora, L. and Bull, G. (1999), *Regional Policy and Planning in Europe*, London: Routledge.
- Blažek, J. (2001), 'Regional development and regional policy in the Czech Republic: an outline of the EU enlargement impacts', *Informationen zur Raumentwicklung*, 10.
- Blažek, J., Příkryl, J. and Nejd, T. (2003), 'Capital Investment Funding in the Czech Republic', in Davey, K. (ed.), *Investing in Regional Development. Policies and Practices in EU Candidate Countries*, Budapest: Local Government and Public Reform Initiative, Open Society Institute, pp. 16-43.
- Drbohlav, D. and Sýkora, L. (1997), 'Gateway cities in the process of regional integration in Central and Eastern Europe: the case of Prague', in OECD (1997), *Migration, Free Trade and Regional Integration in Central and Eastern Europe*, Wien: Verlag Österreich, pp. 215-237.
- Eskinasi, M. (1995), 'Changing housing policy and its consequences: the Prague case', *Housing Studies*, 10 (4), 533-548.
- Lahoda, et al. (1999), *General housing plan Brno*, Brno: Housing Department.
- Maier, K. (1998), 'Czech planning in transition: assets and deficiencies', *International Planning Studies*, 3 (3), 351-365.
- MMR (2001), *Koncepce bytové politiky (Aktualizovaná verze Koncepce bytové politiky z října 1999)* [Conception of housing policy (updated version)], Praha: Ministerstvo pro místní rozvoj.
- MMR (2003), *Rozvoj měst a obcí: programy a dotační tituly MMR v roce 2003* [The development of cities and municipalities: programmes and subsidies from the Ministry of Local and Regional Development], Praha: Ministerstvo pro místní rozvoj.
- Práček, P., Létal, A. and Sweeney, S. (2003), 'An evaluation of physical and functional changes to the internal spatial structure of the historical centre of Olomouc, Czech Republic, 1980-2000', *Moravian Geographical Reports*, 11 (2), 2-10.
- Pucher, J. (1999), 'The transformation of urban transport in the Czech Republic, 1988-1998', *Transport Policy*, 6, 225-236.
- Rehnicer, R. (1997), 'New challenges for urban planning in Central and Eastern Europe', in Kovács, Z. and Wiessner, R. (eds), *Prozesse und Perspektiven der Stadtentwicklung in Ostmitteleuropa, Münchener Geographische Hefie 76*, Passau: L.I.S. Verlag, pp. 63-71.
- Reiner, T.A. and Strong, A.L. (1995), 'Formation of land and housing markets in the Czech Republic', *Journal of the American Planning Association*, 61 (2), 200-209.
- Rietdorf, W., Liebmann, H. and Schmigotzki, B. (eds) (2001), *Further Development of Large Housing Estates in Central and Eastern Europe as Constituent Elements in a Balanced, Sustainable Settlement Structure and Urban Development*, Erkner: Institute for Regional Development and Structural Planning.
- Strategic Plan for Prague (2000), Prague: City Development Authority of Prague.
- Strong, A.L., Reiner, T.A. and Szyrmer, J. (1996), *Transformations in Land and Housing: Bulgaria, The Czech Republic and Poland*, New York: St. Martin's Press.
- Surazska, W. and Blažek, J. (1996), 'Municipal budgets in Poland and the Czech Republic in the third year of reform', *Environment and Planning C: Government and Policy*, 14 (1), 3-23.
- Sýkora, L. (1995), 'Prague', in Berry, J. and McGreal, S. (eds) *European Cities, Planning Systems and Property Markets*, London: E & FN Spon, pp. 321-344.
- Sýkora, L. (1996), 'The Czech Republic', in Balchin, P. (ed.), *Housing Policy in Europe*, London: Routledge, pp. 272-288.

- Sýkora, L. (1999a), 'Local and regional planning and policy in East Central European transitional countries', in Hampl et al. (eds), *Geography of Societal Transformation in the Czech Republic*, Prague: Charles University, Department of Social Geography and Regional Development, pp. 135-179.
- Sýkora, L. (1999b), 'Processes of socio-spatial differentiation in post-communist Prague', *Housing Studies*, 14 (5), 679-701.
- Sýkora, L. (1999c), 'Changes in the internal spatial structure of post-communist Prague', *GeoJournal*, 49 (1), 79-89.
- Sýkora, L. (2002), 'Global competition, sustainable development and civil society: three major challenges for contemporary urban governance and their reflection in local development practices in Prague', *Acta Universitatis Carolinae Geographica XXXVII* (2), 65-83.
- Sýkora, L. (2003), 'Between the State and the market: local government and housing in the Czech Republic', in Lux, M. (ed.), *Housing Policy: An End or a New Beginning?*, Budapest: Local Government and Public Reform Initiative, Open Society Institute, pp. 47-116.
- Sýkora, L., Kamenický, J. and Hauptmann, P. (2000), 'Changes in the spatial structure of Prague and Brno in the 1990s', *Acta Universitatis Carolinae Geographica XXXV* (1), 61-76.