

## Chapter 8

# Urban Development, Policy and Planning in the Czech Republic and Prague

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### **Introduction**

The post-1989 urban change in the Czech Republic has been conditioned by government-led reforms aimed at the establishment of a capitalist system based in a pluralist democracy and a market economy and the integration into international political and economic systems. The establishment of market principles of resource allocation and the growing exposure to an international economy created conditions for the development of spontaneous market-led transformations of economic, social and cultural environment. Urban change has been especially influenced by internationalisation and globalisation, economic restructuring in terms of deindustrialisation and the growth of producer services, and increasing social differentiation (Sýkora 1999). Last but not least the urban development has been impacted by the approach of national and local governments that favoured unrestricted market development.

The political and economic transformation significantly influenced settlement systems and in particular the spatial restructuring within urban areas. The most dramatic changes occurred in the Capital City of Prague and its metropolitan region, where most of the new investments are concentrated. The general metropolitan growth however has been accompanied by internal differentiation within Prague contrasting booming areas with declining areas. Other cities did not have such a favourable position as capital city to attract new investments. However, a number of them succeeded in developing industrial zones and gaining new production capacities offering jobs for local population. Still there are cities whose development is primarily associated with deindustrialisation and decline.

The city governments, with the support of national programmes, attempted to influence the development of cities and their position within the national system. The internal urban transformations have often been left to the operation of free market bound within the framework of traditional physical planning instruments. However, after a decade of transition, many urban governments learned new techniques of urban management and governance and started to apply more sophisticated tools, such as strategic planning. The application of EU programming documents in the

Czech Republic further helped to consolidate urban government measures towards more coordinated and complex solution of urban problems.

This chapter begins with an overview of the development of cities and changes in their urban spatial structure in the Czech Republic after 1989. Special attention is given to the identification of the most pressing urban problems. The later sections are devoted to urban policies and planning at the city level and to the discussion of national government policies and programmes that influence urban change. The final part provides an example of urban planning and policy in the capital city of Prague.

### **Postcommunist Urban Development: Growth and Decline of Cities and Change in Urban Spatial Structure**

In 2001 10.3 million in the Czech Republic inhabited an area of 78,864 km<sup>2</sup>. 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 of over five thousands. The demographic change since 1989 has been characterised by the decline in the total population and an ageing population caused by very low fertility and by shifts in the structure of households with a growing share of single member households and a declining share of couples with children. These changes have been especially pronounced in major cities.

Urban change is associated with the geographic redistribution of population. While major cities loose population through migration, small municipalities gain it. A large part of out-migration is towards suburban areas, especially around Prague and Brno (Čermák 2004). There is a remarkable regional differentiation in housing construction with booming suburban areas, namely around the capital city of Prague, where the wealthiest Czech population is now building new homes. In the districts surrounding Prague, the intensity of housing construction (no. of completed flats per 1000 inhabitants) is nearly three times higher than the national average. However, the transformation in settlement pattern has been rather conditioned by economic change in comparison to demographic change.

There has been a remarkable difference in the dynamics of urban development and urban restructuring between major Czech cities and their regions. The urban growth and decline has been influenced by economic restructuring on the national level and strongly conditioned by the position within the international economy. The variability was especially influenced by the position of individual cities in the hierarchical divisions of labour within the Czech economy being integrated into the international economic system. The potential of cities was given by their inherited economic base, geographic position and attractiveness for new investments. The urban economic restructuring has been characterised by deindustrialisation and tertiarisation and strongly affected by local urban labour markets. 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 cities with Prague having less than 15 per cent of jobs in manufacturing while the 3rd largest city Ostrava has 37 per cent. In Prague, and

to a certain extent in Brno and some other towns, the decline in manufacturing was balanced by the increase in the service sector. There are, however, also towns and cities that have been severely hit by the economic decline with very limited options for alternative growth.

The capital city of Prague has strengthened its position as a prime national centre and has assumed the role of a gateway, linking the national with international economy (Drbohlav and Sýkora 1997, Dostál and Hampel 2002). The inflow of foreign direct investment and the growth in advanced services confirmed Prague as the country command and control centre. The city is also a major national logistic hub with a huge pool of relatively wealthy consumers. The growth in advanced producer services greatly influenced the structure of jobs, as well as salary levels, and the booming property development, which makes the capital city quite different from the rest of country. The capital city of Prague is the only city where a sufficient number of new jobs were generated to replace the losses from deindustrialisation. There are even structural shortages of labour and low paid jobs, and in a number of instances these jobs are taken by labour migrants from Eastern Europe.

In the Czech Republic, there is no other city that would assume the role of gateway between the international and the local economy. This affects especially the second largest city Brno, where employment in traditional manufacturing quickly declined. Brno aspired to play a more important role than merely being a manufacturing centre. The city, for instance, initiated the establishment of a Czech Technology Park and intended to develop a huge development project of so-called South Centre. Masaryk University in Brno accepts the highest number of new students from all Czech universities. However, in reality the major growth in Brno has been in retail, i.e. the sector that offers only lower level salaries. The city government finally started to attract production capacities to the newly established industrial zone and the city also succeeded to develop as an important logistic hub.

New labour opportunities in other cities were associated mainly with the growth of individual entrepreneurship, growth in retail sector and state administration. This however, has not been sufficient to cover the decline in industrial jobs. Therefore, all cities, except Prague attempted to attract new foreign investments to supply jobs in manufacturing. In some other cities, there has been strong reindustrialisation. For instance Plzeň has been quite successful with its early offer of land in industrial zone Borská Pole to foreign investors. Consequently the establishment of new production capacities supplied new jobs that were substituting for decline of employment in traditional manufacturing production. Similarly Kladno, a traditional mining and metallurgy centre and the largest town in Central Bohemia, was strongly affected by the decline of its metallurgy base. However, it succeeded in attracting new employers to newly established greenfield industrial zone and also benefited from its proximity to the capital city of Prague and its booming labour market. As these cities could not compete for service jobs they attempted to attract foreign direct investments (FDI) into manufacturing by offering cheap land equipped with necessary technical and transport infrastructure for construction of enterprises, and a cheap and skilled

labour force. Despite increasing overall unemployment, the rates in these cities and towns are below national average.

Some cities have not succeeded in the competition for new investments and now exhibit decline and unemployment. Their situation is usually a combination of severe decline of industries inherited from Communism and a low current desirability for new investors due to the bad quality of the physical and social environment, and geographic distance from the western frontier (in the case of Ostrava this is further strengthened by the non-existing highway connection to North Moravia). Cities and towns in old industrial regions in North Bohemia and North Moravia formerly associated with mining, metallurgy and chemical production are those that have been most severely hit by de-industrialisation and have not succeeded to attract new major investments. Their current situation is shaped by economic problems that produce high unemployment. In some cities, such as Havířov, the unemployment is reaching levels over 20 per cent. The economic decline in these cities is not only the question of cities itself but whole regions with a high concentration of heavy industries. Therefore, the base of many of their problems is in the nature of regional economy and has to be tackled by coordinated regional policies and FDI support programs to strengthen their competitiveness for new investments.

The support for economic growth in these areas remains an important task for national economic and regional policy.

Each city and each local labour market has been impacted by a combination of several forces including inherited economic structure, contemporary attractiveness for foreign investors and activity of local governments in attracting them. While all cities have been affected by deindustrialisation, only some benefited from the new developments. In general, Prague quickly adapted as the centre of advanced services, some other cities benefited from reindustrialisation and growth in consumer services. However, there are also cities that were exposed to the severe consequences of deindustrialisation that have not been balanced by growth in other sectors of the local economy. The differentiated external conditions have been decisive for urban development in particular cities.

Major urban changes occurred within the internal space of cities. On the supply side the urban restructuring has been conditioned by the government directed reforms, especially privatisation and price and rent deregulation, which have created conditions for the establishment of urban property markets (Reiner and Strong 1995, Strong et al. 1996). The demand side has been largely differentiated between cities. In Prague, the newly emerged actors in private sector, mainly foreign firms, fuelled the operation of land markets and started to reorganise land use and reshape the historically developed urban structure. This has also happened in other towns and cities, but these developments have been smaller in the extent of changes and have taken other forms. For instance, new office buildings of international standard have been developed nearly exclusively in Prague, while shopping centres have mushroomed over the whole country.

Czech cities are characterised by small urban cores of medieval origin, large inner cities originating with the industrial revolution of the second half of the 19th

century, further developing through the first half of the 20th century, and vast areas of new industrial and residential estates from Communist times. The urban growth after 1989 concentrated in the most attractive locations of the city centre, some adjacent nodes and zones in inner city, and in numerous suburban locations. The main transformations in the spatial pattern of former communist cities and their metropolitan areas included (1) the reinvention, commercialisation and expansion of city centres, (2) the dynamic revitalisation of some areas within the overall stagnation in inner cities, and (3) the radical transformation of outer cities and urban hinterland through commercial and residential suburbanisation (Sýkora 1999a, Sýkora et al. 2000). The city centres and suburban areas have been territories with the most radical urban change. Most of the 1990s were characterised by huge investment inflow to city centres causing their commercialisation and decline in residential function, albeit substantial physical upgrading (see for instance Ptáček et al. 2003 for the study of Olomouc). Since the late 1990s, decentralisation occurred with investments flowing to both out-of-centre and suburban locations. Central and inner city urban restructuring involved the replacement of existing activities with new and economically more efficient uses and took the form of commercialisation, gentrification, construction of new condominiums, brownfield regeneration, the establishment of new secondary commercial centres and out-of-centre office clusters. Sýkora (2005a) provides an account of gentrification, Temelová (2004) offers a study of transformation of a former industrial site into new commercial node in Prague-Smíchov, Temelová and Hrychová (2004) discuss how the inner city revitalisation is mirrored in the socially differentiated use of public space. Since the late 1990s, suburbanisation has become the most dynamic process changing the landscapes of metropolitan regions. It brings about a complete reformulation of metropolitan morphology, land use patterns and socio-spatial structure (Sýkora and Ouředníček 2005).

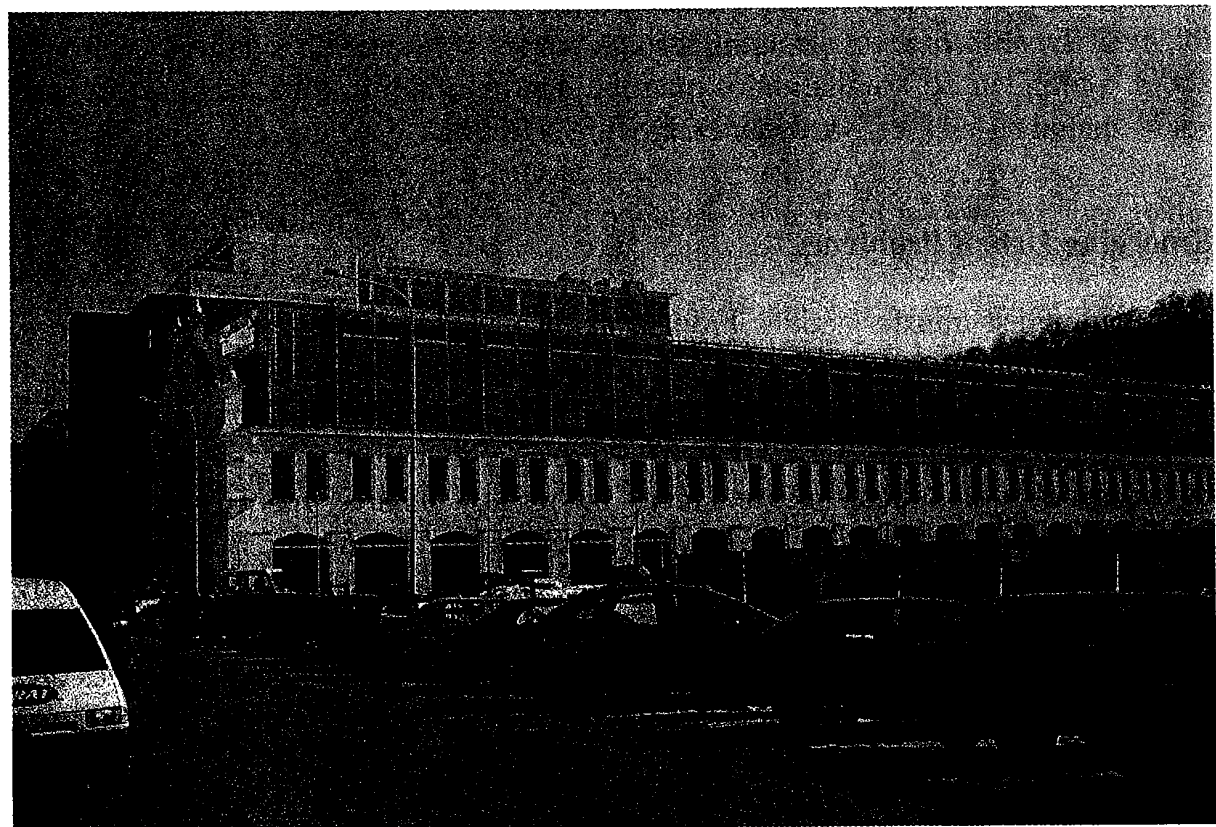
### **Emerging Urban Problems**

Post-communist transformations brought uneven spatial development within cities, redifferentiation of land use patterns and an increase in socio-spatial segregation (Sýkora 1999b) thus changing the formerly rather homogeneous space of socialist cities. The uneven character of post-1989 urban restructuring was caused not only by decline of some urban zones and areas, but also by the investment flowing only to some parts of the built environment, while many areas were omitted. Both decline and growth are causing a number of urban problems. While urban problems are usually associated with economic, social and physical decline, the implications of the uneven character of growth are often omitted. Growth can have negative consequences and contribute to decline in the same geographic area. For instance commercialisation of the city core has negative implications in the sense of population decline, growth of individual car traffic and damage to historical heritage. On the other hand side, growth in one location also has implication for decline in other geographic areas. For instance, booming suburbanisation contributes to the decline in inner city and housing estates.



**Figure 8.1a** Gentrified neighbourhood Praha Vinohrady

*Source:* L. Sýkora



**Figure 8.1b** Regenerated offices in Prague-Karlín brownfield area

*Source:* I. Sýkorová



**Figure 8.1c** New condominiums in Praha Černý Most  
*Source: L. Sýkora*



**Figure 8.1d** Master planned suburban area in Hostivice near Prague  
*Source: L. Sýkora*

Since the beginning of the 1990s, the central parts of cities have been experiencing the strong pressure of new investments. While these investments contributed to physical upgrading and brought more economically efficient land use, they also contributed to the densification in central city morphology. The higher density and intensity of use contributed mainly to increased use of the central parts of cities including rapid growth in car traffic and consequent congestion (especially critical has been the situation in Prague). The disappearance of green spaces in inner yards is another effect of this process. Furthermore, as Czech cities have medieval cores there were numerous conflicts between investors and the protection of historic buildings and urban landscapes. Commercialisation, i.e. the increase in the share of commercially used floorspace led to the rapid decline of residential land use in inner cities and the out-migration of residents. Consequently, there are now blocks of central city properties without any residential function – a problem known from western cities.

There are two particular zones within Czech cities that are currently threatened by downgrading. These are old industrial districts and post Second World War housing estates. Inner urban industrial areas are affected by economic restructuring and are becoming obsolete. Old buildings, contaminated land, and complex ownership patterns complicate the regeneration of these areas. Furthermore, in many cities and locations there is virtually no interest in their redevelopment. Brownfields left by deindustrialisation, and in some cities such as Olomouc by demilitarisation, are becoming one of the major problems areas for many Czech towns and cities. Up to now there have been rather scarce examples of the reuse of former industrial areas, namely associated with the redevelopment driven by commercial functions in locations near city centres, such as Smíchov in Prague (Temelová 2004), or specific functions, such as the construction of new multipurpose sport and cultural hall Sazka Arena in Prague Vysočany associated with the World Hockey Championship 2004.

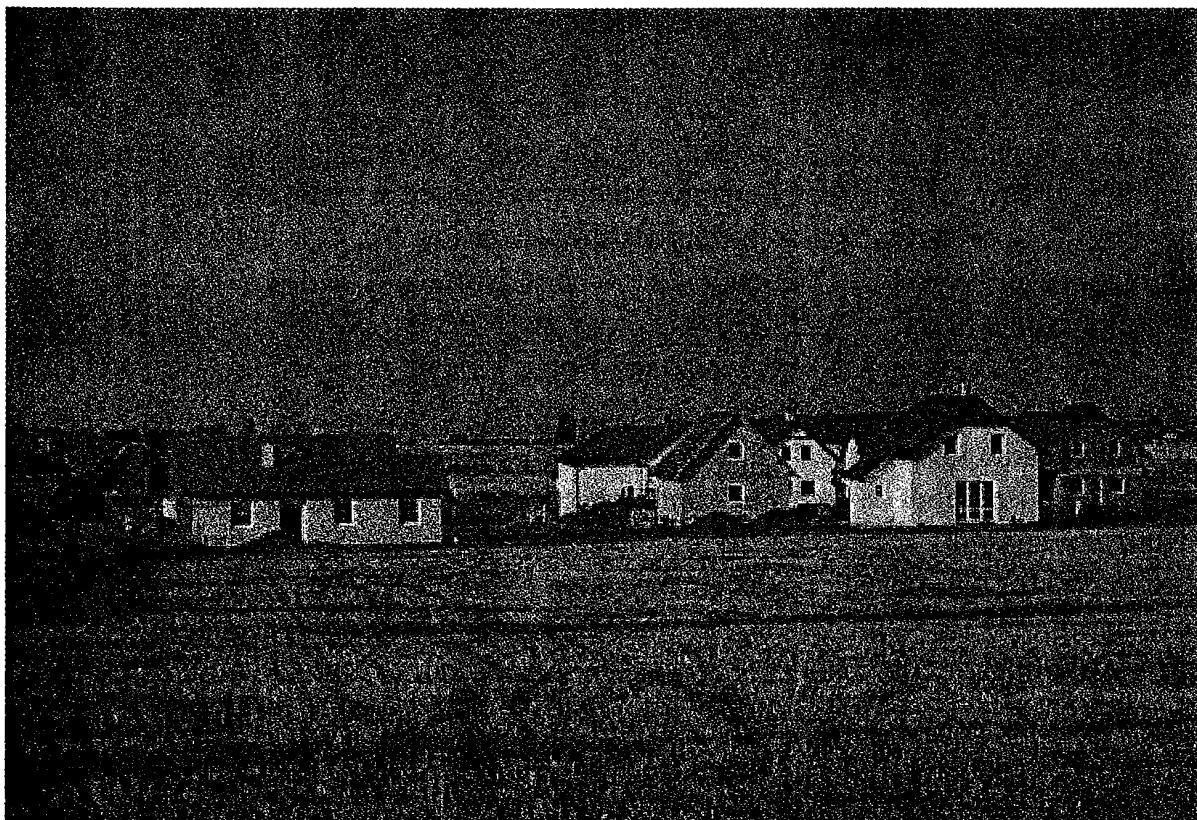
Another problem area are housing estates of large multifamily houses constructed with the use of prefabricated technology during the 1960s–1980s for tens of thousands of inhabitants. Their life span and technical conditions call for regeneration; otherwise this will lead to physical and social decline. Due to the extent of housing estates and current out-migration of more wealthy people from them, their areas may present one of the largest concentrations of physical and social problems in coming decades. This may concern in particular those cities whose labour markets are strongly affected by economic decline. The population affected by unemployment usually concentrates in housing estates. Rent arrears and limited financial resources of the owners contribute to low level of maintenance, disrepair and physical dilapidation. Even in booming cities, there is an ongoing remarkable differentiation between housing estates. The residential areas that are well located on public transportation and near green areas are perceived as good living addresses and attract new investments into apartment houses, offices and retail facilities. However there are also residential districts with a higher concentration of manual workers



and with worse accessibility by public transport, and they show significant signs of decline.

The major growth in post-communist metropolitan areas is concentrated in the suburban zone. The future of brownfields, housing estates and suburbs is interlinked together. If brownfields and housing estates are omitted and get on the spiral of ongoing decline, firms and wealthier people are more likely to leave for suburbs, while inner cities will be characterised by dilapidation and decline.

Suburbanisation itself can become a major problem. The compact character of the former socialist city is being changed through rapid commercial and residential suburbanisation that takes the form of unregulated sprawl. New construction of suburban residential districts is fragmented into numerous locations in metropolitan areas around central cities. Non-contiguous, leap-frog suburban sprawl has more negative economic, social and environmental consequences than more concentrated forms of suburbanisation. The societal costs of sprawl are well-known from North America and Western Europe and now threaten sustainable metropolitan development in the Czech Republic. This concerns not only residences but also new commercial facilities. For instance, suburbanisation of retail facilities has completely reshaped the pattern of commuting for shopping. While in 1990s, most retail was concentrated in central city shopping areas and in secondary centres within cities, at present a large share of shopping is realised in suburban hypermarkets and shopping malls, where people travel by car from the inner city. A very specific example is the city of Brno, where most new shopping facilities were built south of town while most of new suburban residential districts are in naturally valuable areas north of town. Consequently, people commute to shop through the inner city contributing to traffic congestion. Another major impact of suburbanisation is in the field of spatial mismatch in the distribution of jobs in metropolitan areas. Suburban jobs are namely in retail, warehousing and distribution with low paid employees taken by people from the inner city and surrounding region. On the other hand suburban areas are now becoming home of wealthy population that commute to their office jobs in central and inner cities. Therefore, there is developing spatial mismatch between the location of jobs and residences, contributing to increased travel in metropolitan areas and consequent effects on the quality of environment and life. The outcomes of rapidly developing suburbanisation in terms of spatial distribution of people and their activities in metropolitan areas form conditions that will influence the life of society for several generations. Therefore, patterns of urbanisation in metropolitan areas shall become important targets of urban and metropolitan planning and policies that intend to keep a more compact urban form.



**Figure 8.2a** Sprawling houses in suburban areas of Praha in Central Bohemian region

*Source:* L. Sýkora



**Figure 8.2b** New out-of-town shopping complex Olympia in Plzeň (Pilsen)

*Source:* L. Sýkora



**Figure 8.2c Průhonice – Čestlice retail and wholesale zone**  
*Source: Geodis Brno*



**Figure 8.2d Rudná logistic park**  
*Source: Geodis Brno*

The post-communist cities are also being impacted by increasing segregation. With growing income inequalities and established housing property markets, local housing markets are divided into segments that are expressed spatially (Sýkora 1999). Wealthy households usually concentrate in city centres, high status inner city neighbourhoods (both apartment housing and villa neighbourhoods and garden towns) and increasingly move to new clusters of inner city condominiums and especially to newly built districts of suburban housing. Less wealthy households concentrate in inner city zones of dilapidation usually associated with declining industries and brownfield formation, and in some post Second World War housing estates especially those originally built and allocated as enterprise housing where larger 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 to local government housing in poor condition. Some local government purposefully built shelters for municipal tenants that do not pay rent and move them into this type of very simple housing that is usually segregated on the edge of urban areas. The processes of the separation of the wealthy, and the segregation of poor populations contribute to a changing spatial distribution of population according to social status, growing socio-spatial disparities, and can contribute to the weakening of social cohesion in our cities. The segregation processes are relatively slow; however, once started it will be difficult to later solve its undesirable consequences. Cities with high social disparities and social conflicts are not desirable places to locate new investments and thus social problems can threaten their economic viability and further add to the vicious circle of socio-economic decline.

The post-communist urban development is characterised by an uneven impact on urban space. Most politicians see this as a natural outcome of market mechanisms that are creating economically efficient land use pattern. However, the spatially uneven development can in the future 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 been up to now rather subordinated to the preferences given to economic growth. Urban governments could attempt to stimulate investment activity in less preferred locations to distribute the benefits from the growth and development more evenly across the urban territory. In a number of cases, cities need support from the national government to solve some of the most severe problems. The urban problems, however, currently are not among the issues of political and public debate on the national level. Some attention has been given to the decline in post-war housing estates and to the regeneration of brownfields. Most urban problems are, however, seen as local in their nature and left to local solutions.

### **Urban Development Policies and Planning**

In the Czech Republic, the responsibility for urban development rests primarily with city governments. Urban problems are tackled by local governments, which are in

some instances supported from national government programs. There is no explicit national urban policy or approach toward cities and their problems. The general conditions for the operation of city governments in the field of urban problem solutions are provided by a general framework for local government system, local government finance and physical planning (Balchin et. al. 1999, Blažek 2002, Maier 1998, Sýkora 1999).

**Table 8.1 Structure of municipalities according to population size in 2001**

Population size of municipality	No. of municipalities	Population 1.3.2001	Share of country population (%)
-499	3702	868511	8.5
500 – 999	1280	893592	8.7
1000 – 1999	652	903757	8.8
2000 – 4999	363	1118510	10.9
5000 – 9999	130	898301	8.8
10000 – 19999	68	965102	9.4
20000 – 29999	27	678538	6.6
30000 – 49999	14	541501	5.3
50000 – 69999	9	514819	5.0
70000 – 89999	3	237841	2.3
90000 – 109999	6	582307	5.7
110 000+	4	2027281	19.8
Czech Republic	6258	10230060	100.0

*Source:* Czech Statistical Office, Census 2001

The solution of urban problems including the use of national and supra-national (EU) support is highly dependent on the rights, responsibilities and actual activity of municipal (city) governments. The possibilities of local governments to influence urban and metropolitan development depends not only on the their rights assured by law, but also on their actual strength in terms of financial sources and human capital. Territorial administration reflects the historically formed settlement pattern. The settlement structure of the county is very fragmented with cities surrounded by a large number of small settlements with administratively independent municipal governments. Consequently, the Czech territorial administration is characterised by huge fragmentation. The country consists of 6,258 municipalities (obec) and 14

regions (kraj) both with elected representations. The capital city of Prague and 16 so-called statutory towns can be further subdivided into boroughs. 60 per cent of Czech municipalities have less than 500 inhabitants and further 20 per cent population between 500 and 1,000 (Table 8.1). 90 per cent of municipalities have population below 2000. There are four major cities with population over 150,000 inhabitants: Prague (1169 thousands inhabitants), Brno (376), Ostrava (317) and Plzeň (165). A cluster of six cities with population between 90–105 thousand inhabitants follows: Olomouc (103), Liberec (99), České Budějovice (97), Hradec Králové (97), Ústí nad Labem (95) and Pardubice (91). All these cities are regional capitals. Two remaining regional capitals (Karlovy Vary and Jihlava) are smaller with population slightly over 50 thousands inhabitants.

The inner urban problems in individual cities can be overviewed and tackled (at the local level) by a single municipal government as the urbanised area of cities in the Czech Republic is covered by one local government jurisdiction. Cities are over-bounded, i.e. their administrative territory is larger than the built-up area, and beside the core city also involves a bundle of small village type settlements and agricultural land. A different situation concerns metropolitan development in the functional urban region, i.e. in the area that is tightly linked through the commuting for work, services, education, culture, etc. The area extends far behind the administrative boundary of the core city. Metropolitan areas do not exist as independent administrative units in the Czech Republic. They consist of core cities and a large number of usually small municipalities ranging from villages of few hundred inhabitants to small towns with population around ten thousands. Local governments of core cities can govern the spatial and land use development in the city itself and the small part of suburban zone at their territory. However, they can not influence development behind their administrative boundary. The development there is in the hands of a large number of local governments of usually very small municipalities. For instance, in the hinterland of Prague, there are 171 municipalities and in the hinterland of Brno, 137 municipalities. The fragmented metropolitan decision-making is becoming particularly important with rapidly developing suburbanisation that is in some instances taking the form of sprawl. The coordination of metropolitan development rests on regions, whose priorities have not up to now included issues such as sprawl. Furthermore, the country's largest Prague metropolitan area is under the government of two Prague and Central Bohemian regions, who do not cooperate in the field of common metropolitan development. The metropolitan development is thus now based on the competition between the core city and a large number of suburban municipal governments.

The Czech municipality is an independent legal and economic entity, which takes decisions and bears responsibilities on its own behalf. It has its own means and financial sources, which manages independently according to conditions given by Municipal Act. Municipalities have a right to acquire, dispose and manage municipal property, adopt municipal budget, establish legal entities, adopt a municipal development program, approve local physical plan and issue municipal decrees valid on its own territory. The capital city of Prague and statutory towns

can approve a local decree called *Statut*, which divides the municipal territory to districts or quarters, establishes 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 is divided into 57 boroughs.

Municipalities shall ensure municipal development in accordance with interests of their inhabitants. To achieve that they can allocate finances to achieve their goals, and they can use municipal real estate and other property to promote local development and cooperate with other municipalities, state administration and private sector. They are obliged to maintain local streets and roads, care for elementary school facilities and social and health services, maintain water supply, savage disposal and waste management, etc. These services can be provided by municipal enterprises financed through municipal budget (budgetary organizations), by private enterprises established and owned by 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 an increasing share of service delivery by private firms.

The basic policy and planning documents are the municipal development program that specifies long-term priorities of socio-economic development, and the medium-term physical plan and the municipal budget that specifies financial and in particular investment allocation in the short-time perspective. Since the beginning of the 1990s, an increasing number of cities have prepared or are currently preparing municipal development programmes that are usually called strategic plans. Strategic plans are the main policy documents of urban governments. The strategic planning is often used in medium-sized and large cities to identify main priorities in economic, social and environmental development through collective bargaining among elected representatives, private entrepreneurs and citizens. It is gaining an increasing importance in the decision-making as a process-oriented strategy based on communication and consensus among stakeholders and the identification of common objectives important for partnership and integration of top-down and bottom-up approaches. There are, however, various forms of strategic planning that differs according to the roles of experts and other participants, methods of problem definition and whether they adopt process or product oriented approach. Maier (2000) recognises two distinct modes among the actual strategic plans: first, the rational, expert-based and product-oriented plans and, second, the visionary, participatory and process oriented planning (Maier 2000). Strategic planning is seen and used as a pro-active type of approach in local governance and stems thus in a contrast with physical planning that is based on the specification of limits for the development (Maier 1998). Strategic planning usually also specifies the ways of using or bidding for national and now EU funds from various policies and investment pockets. For instance, the Strategic Plan of Prague served as a base for the preparation of Regional Operational Programme and later Single Programming Documents for Objectives 2 and 3 to apply for EU Structural Funds (ERDF respectively ESF) support in 2004–2006. Strategic planning helps to integrate and co-ordinate municipal policies and investment priorities in many fields such as physical planning, transport policy, etc.

into one coherent framework, allocate responsibilities for particular fields, and find internal as well as external financial sources to implement approved development priorities. It also has direct implications for the construction of annual municipal budgets linking long-term visions with actual annual allocation of finance and realisation of actual projects.

Physical plans are the major instrument for cities to control the territorial development of their municipality, including the location of new developments, types of constructed building, relations between different function, main infrastructure, etc. Planning documents can have the form of a regional plan (covering the whole metropolitan area), a general land-use plan for a municipal area and local regulation plan for an inner urban zone. The principal authority responsible for procurement of urban physical planning documentation is at the municipal (city government) level and the physical plans are approved by Municipal Assemblies. The procurement of regional physical plans is at the regional level and plans are approved by Regional Assemblies. Regional physical plans can 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 has itself a status of region and the surrounding area is under the government of Central Bohemian region. These two regional governments would have to co-operate to achieve an integrated metropolitan strategy, which is not the case at the present. The 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 permit.

Urban development is strongly influenced by the financial situation of local governments and thus dependent on the system of local government finances. The application of various national government policies towards cities and urban problems requires co-financing from municipal budgets. Furthermore, there are urban problems, whose solutions are not supported from national sources, and cities attempt to combat them using own financial sources. Therefore, the system of local government finance creates an important framework for the fulfilment of policy goals of urban governments. The Czech system of local government finance has changed several times since the beginning of the 1990s (Blažek 2002, Surazska and Blažek 1996). The current system is based on the sharing of revenues from selected taxes on a per capita principle. The share of municipalities from collected taxes is 20.59 per cent of revenues from the value added tax, business tax and personal income tax. The redistribution from central budget to municipalities is arranged according to the population size of municipalities. Large cities have larger income per capita in comparison with smaller towns and municipalities reflecting their role of centres for surrounding areas. In addition, municipalities directly obtain 30 per cent of taxes derived from personal income tax from entrepreneurs who have permanent residency in a municipality (70 per cent of revenues from this tax are transferred to the central budget from where the share allocated for local governments, i.e. 20.59 per cent is redistributed back to municipalities). This revenue stimulates municipalities to



support economic development. Municipalities have negligible revenues from property tax and some local fees. The property tax represents on average 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). This is quite a high level of capital investments by local governments in comparison with other countries. During the first years of transition local governments built neglected or even non-existent technical infrastructure. This effort was often financed from sales of municipal real estate and promoted by central government subsidies. Towards the end of the 1990s many municipalities and especially medium and large cities started developing new industrial zones, purchasing land and providing it with infrastructure. Their goal was to offer these areas to both Czech and foreign investors and thus provide jobs to local citizens and encourage 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 their own resources (sales of municipal assets), grants from the state support programs, and bank loans that are necessary as the allocation of state grants requires co-financing from municipality and own sources are not sufficient to cover the major investment in time of its realisation. Some municipalities used public private partnerships for the reconstruction or construction of municipal infrastructure and real estate thus avoiding direct bank loans.

### **National Policies and Programmes with Impact on Urban Development**

There is no explicit national urban policy and planning in the Czech Republic and no integrated national government framework or approach toward cities and their problems (Sýkora 2005b). While some problem areas, such as housing estates and brownfields, have been detected in government policies, the overall national urban policy and planning aiming at balanced economic, social and environmental development that would bring benefits to all urban citizens and entrepreneurs and provide chances for all types of cities and individual neighbourhoods is missing. The main national government policies that have effects on urban development are housing policy (Eskinasi 1995, Lahoda 1999, Lux 2003, 2004, Sýkora 1996 2003), regional policy (Blažek 2001, Blažek et. al. 2003), EU policy of economic and social cohesion (Blažek and Vozáb 2004), environmental policy and support for foreign direct investments (Uhlíř 2004).

According to the Conception of Housing Policy, the main housing problems include low levels of housing affordability, spatially uneven distribution of housing stock, and undermaintenance and dilapidation of housing (MMR 2001). The conception declares that the housing needs of inhabitants appear on the local level

and therefore the role of local governments in housing should be strengthened. The general availability of housing can be improved by better land policies of local governments. There are limited possibilities to improve the affordability of owner-occupied housing, due to the large disparity between construction costs and households incomes. The central government attempts to increase affordability through the development of new legislation for non-profit rental housing. Another priority is the care for existing housing stock, its modernisation, repair, reconstruction and regeneration of whole housing areas in major cities. The state provides financial support for housing consumption (support to housing saving and to mortgages) as well as for the construction of new housing. There are several housing policy programs that are targeted to municipalities and have a strong impact on urban development especially in larger cities (for details see Sýkora 2003, Lux 2004). The state subsidises production of new municipal rental housing, housing for elderly, and provision of technical infrastructure for all kinds of housing construction. Furthermore, a number of programmes are aimed at reconstruction and modernisation of housing stock to solve problems with dilapidated housing stock and with structural problems of houses built with prefabricated technology. These programmes can help with 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 provision of infrastructure 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 new programme was launched for the revitalization of building complexes used until recently by the army (barracks).

The actual development policies applied in individual cities are influenced by the possibility to draw financial support from Objective 1 of the EU Policy of Economic and Social Cohesion. Since the end of the 1990s, the Czech Republic has adopted pre-accession programmes based on principles similar to those of EU cohesion policy (Blažek and Vozáb 2004). 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 Capital City is not eligible for support from Objective 1, however, it can draw funds according to Objective 2 and 3 – see section of planning in Prague). The priorities affecting urban development are regional public transportation and the regeneration and revitalization of the deteriorating urban areas.

Urban development and the resolution of economic problems of declining cities in the Czech Republic are strongly influenced by the support for development of 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 investment incentives for large investors. Within the scope of investment incentives, the government offers 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 (centres for software development, customer support centres, service centres, centres of applied company research, and so forth) 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. The programme of the development of industrial zones has been in operation since 1998. In 2001, the programme was expanded from greenfield industrial zones to the regeneration of derelict industrial land. The programme provides public financial support to municipalities, regions, and developers in the form of financial subsidies and free-of-charge or low-price transfers of state property for the preparation of industrial zones with an area of more than 10 ha. To date, the programme has stimulated decentralised urban development with only negligible support for brownfield regeneration.

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.

### **Urban Development and Planning in Prague**

Prague is a capital city and with a population 1.2 million also the largest urban centre which dominates the settlement and regional system in the Czech Republic. The city accounts for 12 per cent of the population of the Czech Republic, 15 per cent of jobs and over 20 percent of GDP. Prague is both a municipality and region and the municipal assembly of Prague serves as both a city and regional government. Prague is also one of 8 NUTS II regions in the Czech Republic. Furthermore, the city of Prague is a core of a metropolitan region, which however, has no formal administrative delimitation. Therefore, the planning of Prague's development includes several territorial levels of planning: municipal (the territory of Prague itself), metropolitan (Prague and its metropolitan region), regional/national (Prague as a part of the national regional system) and regional/European (Prague as a part of European regional system).

At the municipal level, two citywide planning documents – the Master Plan and the Strategic Plan – have been under preparation from the beginning of 1990s. The Strategic Plan specifies long-term priorities of socio-economic development and the Master Plan is physical plan that specifies the spatial arrangement and

land use in the medium-term perspective. The draft of the Strategic Plan, which specified strategic aims and programs (but did not provide the description of mechanisms of their implementation), was approved by the City Assembly in autumn 1998. In 1999, the Assembly of the Capital City of Prague approved two important documents governing urban development: a program of implementation of (selected) strategic priorities of city development in 2000–2006 (in June 1999) and a new Master Plan (September 1999). The Strategic Plan of Prague was finally approved in May 2000.

The Strategic Plan of the Capital City of Prague formulates the long-term programme of city development for 15–20 years. It declares the will of Prague not to leave the future fate of the metropolis just to spontaneous development. It is intended to purposefully manage the process of urban change and to co-ordinate the decision-making processes of city administration with the numerous interests, activities and resources of various actors in the city. It 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 those values, which make Prague one of the most beautiful cities in the world. The Prague Strategic Plan is not only an overall vision of the city's future, but it is an agreement between politicians, specialists, corporate sector representatives and citizens of Prague about what the city wishes to achieve in the next two decades and how to proceed in the solving of problems in particular spheres. The Prague strategy is based upon the city's strengths, especially its unique character and spiritual, intellectual and cultural traditions, quite exceptional natural and urban quality, its economic and human potential, advantageous position in the heart of Europe, its good reputation, and its attraction for foreign visitors.

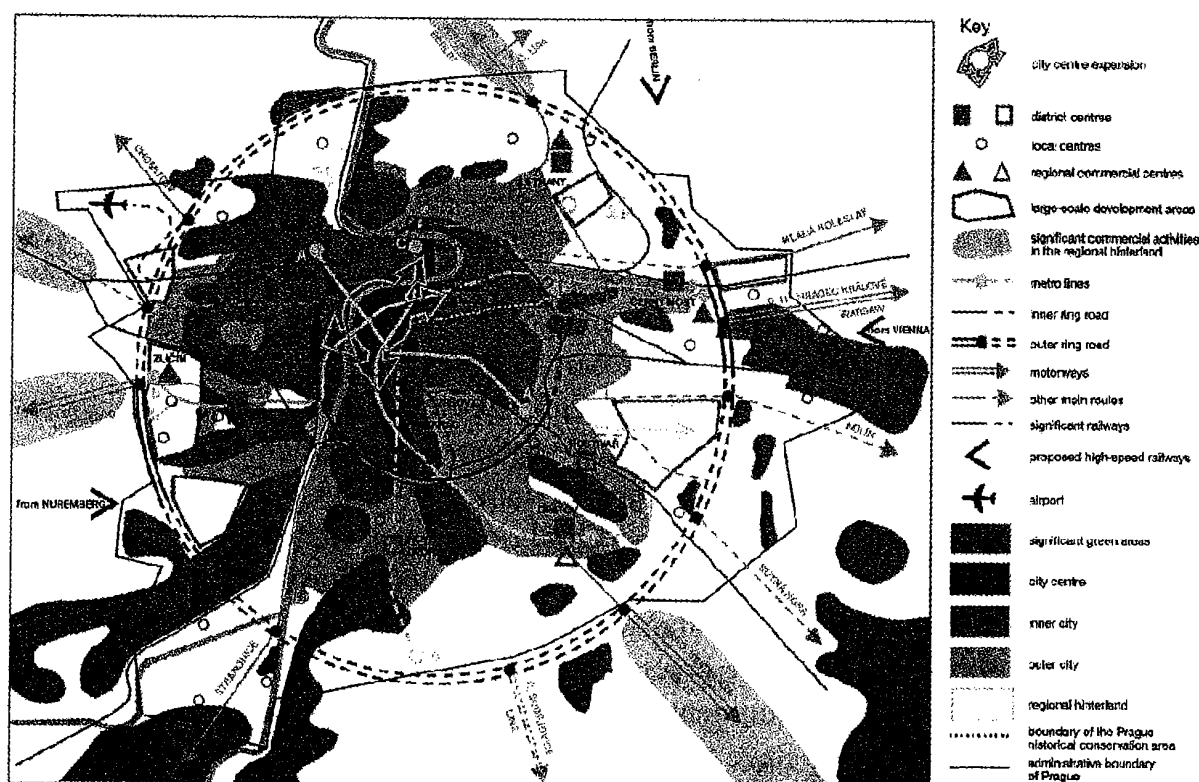
The strategic concept for the City of Prague focuses on five main themes, containing a system of mutually inter-linked strategic directions, aims, policies and programmes.

- **Successful and respected city (The role of Prague and the city's economy):** Prague aims to become a successful, competitive and respected city with a strong and modern economy generating wealth for its citizens, offering prosperity to entrepreneurs, and generating financial resources to public projects.
- **Kind and contented city (Quality of life):** Prague wishes to be an attractive city of satisfied citizens and visitors. It is determined to provide a good quality of city life in safe and well-balanced communities with equal opportunities.
- **Attractive and sustainable city (Quality of the environment):** Prague endeavours to achieve a high quality of both natural and urban environment, while observing the principles of sustainable development. It wants to substantially reduce pollution in the city and create a balance between human settlement and landscape, in order to become a clean, healthy and harmonious city.

- **Functioning city (Transport and technical infrastructure):** Prague aims to modernise, develop and operate its transport and technical infrastructure to support a well functioning city, its economy, ambition and development. Prague's infrastructure should always be modern, reliable, efficient and environmentally friendly.
- **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, co-operating with others along the principles of partnership, thus enabling an active role by others and supporting citizen participation in community management and development.

The strategic priorities of the capital city of Prague are:

- to create a favourable entrepreneurial environment;
- to support science and education;
- to protect and develop the city's cultural and urban values;
- to achieve an efficient economy for all resources (nature, land and property, water, energy and finance) with respect to sustainable development;
- to develop a polycentric structure of the city;
- to build the Partnership for Prague between the public sphere, private sector and citizens.



**Figure 8.3** Prague: from monocentric to polycentric city structure

Source: Strategic Plan for Prague 2000

The Master Plan of the Capital City of Prague specifies allocation of functions in the city and regulates the development process. The main principles of Prague's spatial development expressed in the Master Plan are:

- Compact city structure (extension of the boundary of compact city so it allows controlled city growth);
- Deconcentration of functions from the city centre through the extension of the city centre and the creation of secondary centres;
- Location of regional shopping centres in outer city;
- Residential areas for medium-rise apartment housing located within the compact city and low-rise single-family housing in outer city locations adjacent to the compact city and existing settlements in outer zone;
- New areas for short-term recreation in outer city;
- Concentration of development to areas with a good accessibility by public transport and in outer city by railway;
- Extension of underground system;
- Construction of inner city ring road and outer city express road.

The regional physical plan for Prague's Metropolitan Region was under preparation in the 1990s as a physical plan of large territorial unit and remained in the draft version (Sýkora 2002, Maier 2002). The plan was intended to guide the long-term development in Prague metropolitan region with respect to the cultural and environmental values of its landscape. It specified the development of main corridors of transport and technical infrastructure so it is not in conflict with residential areas and zones of protected natural environment. The plan also attempted to direct development to (1) selected growth zones along main transport corridors and areas with good transport infrastructure and to (2) zone adjacent to the compact built-up environment of Prague and to larger settlements in the suburban zone which have sufficient social infrastructure (education, health, cultural facilities). The plan aimed to co-ordinate development between the city of Prague and adjacent (mostly small) municipalities. The elaboration of the plan for Prague's Metropolitan Region was under the supervision of the Ministry of Regional Development. With the establishment of regional governments, the question of metropolitan planning now rests on the mutual agreement of two regional governments of Prague and Central Bohemia. The strategic planning document – Development Programme for Central Bohemian Region – is focused only on issues of its own area, without Prague taken into account, and omits spatial development. For instance the issue of suburbanisation in Prague metropolitan area is mentioned only in a minor chapter on tourism and cultural heritage as a potential threat, however, it remains unnoticed in other parts on economy, environment, etc. The two regional governments of Prague and Central Bohemia would have to cooperate to achieve an integrated metropolitan strategy, which is not the case at present.

Since late 1990s, the City of Prague has been involved in the preparation of policy and planning documents that will allow it to bid for EU funds. During 1998–99, the

city prepared the Regional Development Strategy (nearly identical with the Strategic Plan) as a part of the national regional development planning and policy and the Regional Operational Program (ROP) as its input into the National Development Plan of the Czech Republic. The ROP contained a description and analysis of the city, SWOT analysis, specification of strategic objectives, description of priorities and programmes, a financial plan, and the outline of implementation institutions and procedures. The main goal of ROP was “to increase the quality of life, to extend and reconstruct technical infrastructure and transport systems and to develop city potential so Prague will become a dynamic metropolis of a future member state of the European Union”. Four priorities were selected to fulfil the goal:

- functioning and sustainable urban transport;
- reconstruction and development of technical infrastructure;
- the development of human resources and non-material conditions of competitiveness;
- integration of Prague to European structures.

The Prague’s ROP could not be included into the Joined Regional Operational Programme that is part of the National Development Plan of the Czech Republic. Prague as a region significantly exceeds the eligibility criteria for support according to Objective 1 (that is, 75 per cent of EU GDP per capita). 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). Both documents were prepared for a shortened programming period of 2004–2006. The main reasoning underlying the application within Objective 2 is that, although Prague is a growing and wealthy region, it suffers from intra-urban disparities. There are large areas affected by industrial decline and support from public sources is needed for their conversion. The territory for which the support is asked via the programming document for Objective 2 covers 40.7 percent of the Prague territory with 31 percent of the population. The main priorities specified in the programming document for Objective 2 are the Revitalization and Development of the Urban Environment (transport systems, technical infrastructure, regeneration of brownfield sites, the generation of labour opportunities, and a better quality of life on the housing estates) and Urban Competitiveness and Prosperity (partnership of public, private, non-profit, and research and development institutions, support to SMEs, development of strategic services to support an information society). This programming document was prepared by the City of Prague in association with the Ministry for Regional Development. The other single programming document for Objective 3 was prepared by the Ministry of Social Affairs in association with the City of Prague. The main goals are employment generation, social integration and adaptability, education, and equal opportunities for both genders.

## Conclusions

The first half of the 1990s was characterised by a minimal 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 a 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 of principal harms to society and the economy in particular. The crucial role of the government was to reduce government involvement in as many matters as possible. The urban planning and policy was perceived as contradictory to the market. Short-term, ad hoc decisions were preferred to the creation of basic rules of the game embedded in a long-term plan, strategy or vision of city development. Only towards the end of the 1990s, strategic plans of the city development attempted to formulate more complex views of urban development and city governance. The urban government learned the main principles of urban governance, policy and planning in democratic political system and market economy. The urban planning system was kept in operation and thus helped to regulate 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 other, 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, learning that these issues are high on the European urban agenda. The procedures used in the EU significantly impacted urban planning, policies and programmes including their implementation and evaluation, and 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, 2005b). The first issue concerns the non-existence of a common and coherent national 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 impacts on cities. However, their outcomes are not discussed in any coherent framework. Their organisation and financing is organised along ministerial and sectoral divisions and they sometimes contradict each other. For instance, most of the support to FDI flows into greenfield locations, while the State Environmental Policy declares that the development should be directed towards inner city revitalisation and restrict sprawl outside the compact cities. The co-ordination of various policies and initiatives could more effectively solve existing problems and save some of the allocated public funds.

City governments have high autonomy concerning their own urban planning and policies. After the turbulent transition years, some local governments are realising that a long-term, holistic and complex vision of urban development can be a backbone for city stability and prosperity. In pursuing some of their own agenda in urban development they use support from central government grants and subsidies, namely in the fields of housing and industrial zone development. However, many cities and towns still do not use an adequate marketing/promotion strategy and a land and



real estate policy. The sustainability principles are more in the area of rhetoric than implementation. The top-down approach in urban policy and planning still prevails. The cooperation between city governments and private sector often miss a coherent framework. The public awareness has increased and thus urban governments pay more attention to the voices of NGOs and to public participation. However, in many cases confrontation rather than cooperation prevails in communication between the city officials and non-governmental non-profit organisations.

### Acknowledgement

The support provided by the Grant Agency of the Czech Republic, project no. 205/03/0337 'New Phase of Regional Development in the Czech Republic' and the Ministry of Education, Youth and Sports of the Czech Republic, project no. MSM0021620831 'Geographic Systems and Risk Processes in the Context of Global Change and European Integration' is greatly acknowledged.

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Spatial Planning and Urban  
Development in the New EU  
Member States  
From Adjustment to Reinvention

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ASHGATE

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Published by

Ashgate Publishing Limited

Gower House

Croft Road

Aldershot

Hampshire GU11 3HR

England

Ashgate Publishing Company

Suite 420

101 Cherry Street

Burlington, VT 05401-4405

USA

Ashgate website: <http://www.ashgate.com>

#### **British Library Cataloguing in Publication Data**

Spatial planning and urban development in the new EU member

states : from adjustment to reinvention. - (Urban and regional planning and development series)

1. City planning - Europe, Eastern
2. City planning - Europe, Central
3. Sustainable development - Europe, Eastern
4. Sustainable development - Europe, Central
5. City planning - Europe, Eastern - Case studies
6. City planning - Europe, Central - Case studies
7. Sustainable development - Europe, Eastern - Case studies
8. Sustainable development - Europe, Central - Case studies

I. Altrock, Uwe

307.1'216'0947

#### **Library of Congress Cataloging-in-Publication Data**

Spatial planning and urban development in the new EU member states :

from adjustment to reinvention / edited by Uwe Altrock ... [et al.].

p. cm. -- (Urban and regional planning and development series)

Includes index.

ISBN 0-7546-4684-X

1. Regional planning--Europe, Central.
  2. Regional planning--Europe, Eastern.
  3. City planning--Europe, Central.
  4. City planning--Europe, Eastern.
  5. Urban policy--Europe, Central.
  6. Urban policy--Europe, Eastern.
  7. Urbanization--Europe, Central.
  8. Urbanization--Europe, Eastern.
  9. European Union.
- I. Altrock, Uwe. II. Urban and regional planning and development.

HT395.E36S63 2006

307.1'20943--dc22

2005028882

ISBN 0 7546 4684 X

Printed and bound in Great Britain by Antony Rowe Ltd, Chippenham, Wiltshire.

# Contents

<i>List of Figures</i>	<i>vii</i>	
<i>List of Tables</i>	<i>ix</i>	
<i>List of Contributors</i>	<i>xi</i>	
<i>Acknowledgements</i>	<i>xiii</i>	
1	Spatial Planning and Urban Development in the New EU Member States – Between Adjustment and Reinvention	1
	<i>Uwe Altröck, Simon Güntner, Sandra Huning and Deike Peters</i>	
<b>PART I EAST-WEST PERSPECTIVES ON SPATIAL PLANNING AND URBAN DEVELOPMENT IN THE ENLARGED EU</b>		
2	Spatial Development and Territorial Cohesion in Europe	19
	<i>Klaus R. Kunzmann</i>	
3	EU Enlargement and the Challenges for Spatial Planning Systems in the New Member States	31
	<i>Simin Davoudi</i>	
4	The European Union and the European Cities: Three Phases of the European Urban Policy	39
	<i>Susanne Frank</i>	
<b>PART II SPATIAL PLANNING AND SUSTAINABLE DEVELOPMENT IN THE NEW EU MEMBER STATES</b>		
5	Sustainable Spatial Development in Slovenia: Between Global Trends and Local Urban Problems	59
	<i>Kaliopa Dimitrovska Andrews</i>	
6	Regional Planning in Lithuania – Experiences and Challenges	77
	<i>Zigmas J. Daunora and Pranciškus Juškevičius</i>	
7	Trends and Problems of Contemporary Urbanization Processes in Poland	95
	<i>Piotr Lorens</i>	

vi	<i>Spatial Planning and Urban Development in the New EU Member States</i>	
8	Urban Development, Policy and Planning in the Czech Republic and Prague <i>Luděk Sýkora</i>	113
9	The Third World in the First World: Development and Renewal Strategies for Rural Roma Ghettos in Slovakia <i>Jakob Hurrle</i>	141
10	Urban Development in Hungary After 1990 <i>Zoltán Dövényi and Zoltán Kovács</i>	163
11	Cyprus, EU Accession and the Development of Tourism <i>Richard Sharpley</i>	181
<b>PART III SPECIAL ISSUES IN URBAN PLANNING IN THE NEW EU MEMBER STATES</b>		
12	The Increase of Urban Inequalities in Tallinn – Does EU Accession Change Anything? <i>Sampo Ruoppila</i>	201
13	Development and Planning in Latvia, the Riga Region and the City of Riga <i>Inara Marana</i>	225
14	Valletta: Re-inventing the ‘City of the Order’ for the 21st Century <i>Conrad Thake</i>	243
15	Problems of Urban Planning in Warsaw <i>Mareile Walter</i>	259
16	Central Europe’s Brownfields: Catalysing a Planning Response in the Czech Republic <i>Yaakov Garb and Jiřina Jackson</i>	271
	<i>Index</i>	287