

SHRINKING CITIES AND GOVERNANCE OF ECONOMIC REGENERATION: THE CASE OF OSTRAVA

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Introduction

The object of our case study is the old-industrial city of Ostrava, in the Czech Republic, Central Europe, which was hit after 1989 by deindustrialization and other related phenomena. Urban shrinkage is defined as the pathway of urban development characterised by declining numbers of inhabitants. Declining population numbers are a local consequence of macro-processes in the economy, in the social and political systems or even of natural disasters [27]. According to Turok and Mykhnenko [49] about 40 per cent of the large cities in Europe with more than 200,000 inhabitants have lost population for different reasons in the short-, medium- or long term period during the last few decades, many of them in the post-communist Central European countries (see below). Urban shrinkage has become a new normality for a growing number of European cities and urban regions. Theoretically, shrinkage can be explained as a result of different but strongly interconnected processes such as spatially uneven economic development and peripheralisation, second demographic transition and suburbanisation [6], [26]. In practice, cities have to struggle with a decline in labour force, job offers, ageing of population, a decline in investment and underused infrastructure or housing vacancies, as it has been in the case of East German Cities [29], [21] or America's shrinking cities [41], [42]. Our aim is to analyse the trajectory and causes of shrinkage in Ostrava during the period 1990–2010 and to describe the consequences of the process of urban shrinkage for policy-making and governance structures and processes of economic regeneration. The main outcome of this paper

is the analysis of governance systems for the adequate policy responses induced explicitly or implicitly by shrinkage. The city of Ostrava has been hit by the shrinkage process since 1990 after the beginning of societal transformation, and of adjustment processes to the (West) European framework conditions. In the period 1990–2010 a lot of policy measures have been taken to tackle the challenges of shrinkage (depopulation, selective out-migration and 'brain drain', ageing, loss of attractiveness, social polarisation and segregation) such as economic regeneration support, which we will focus on.

Shrinkage is a difficult analytical concept to 'sell' politically in countries, indeed in a continent such as Europe, where 'growth' is seen as one of the key measures of political success. There are some options of how to perceive shrinkage. Firstly, shrinkage of a city – if it is slight – can be ignored by politicians. Secondly, shrinkage – if it is very significant – can/must be accepted as a normality (and not the desirable growth) and the policy can be explicitly adjusted to this phenomenon by means of new measures and instruments such as has been the case in East German cities e.g. demolition of vacant blocks of flats in order to gain the balance on the housing market [5], [2]. Thirdly, shrinkage as a phenomenon can be put on the political agenda implicitly through different political discourses on, e.g. economic decline and the necessity to combat unemployment, undesirable drop in birth rates and a surplus of kindergartens and schools, ageing and the necessary pension and health care reforms, unwanted commercial and residential vacancies, emerging unattractive vacant lots and brownfields, social segregation and exclusion etc. [34] We assume

that similar old industrial cities in the Czech Republic such as Ustí nad Labem will have to face the challenge of demographic, economic, social and physical shrinkage as well.

1. Conceptual and Analytical Framework for Urban Governance

Governance has become one of the keywords of Anglophone social science during the 1990s especially in political theory, political science and human geography. Governance is a rapidly expanding field of both theoretical and empirical enquiry [18], [33], [23]. Much work on governance in human geography has focused on the issue of spatial restructuring, including studies of local and urban governance [2]. In our research project 'Shrink Smart', we compare urban politics in different types of shrinking cities using the concept of governance and related concept such as the main concept of modes of urban governance by DiGaetano and Strom [7] and "institutional thickness" [1], which will be described and assessed partly through political cycles analysis [2]. However, in our research project we work with the definition of urban governance that is provided by the UN-HABITAT: *„Urban governance is the sum of the many ways individuals and institutions, public and private actors, plan and manage the common affairs of the city. It is a continuing process through which conflicting or diverse interests may be accommodated and cooperative action can be taken. It includes formal institutions as well as informal arrangements and the social capital of citizens”* (UN-HABITAT, www.unhabitat.org). A key issue of the common research project is studying the policy and governance of shrinking cities. After explaining and defining the theoretical concepts of urban shrinkage and urban governance we have concentrated our efforts on operationalisation and practical questions of empirical research. The basic problem here is how to study policies and governance systems and processes. There is inspiring study on urban governance and policies available from DiGaetano and Strom [7].

Bernt et al [2] states that it is impossible to cover in detail all aspects of urban governance and thus we have to focus on some helpful concepts about central dimensions of governance. Those 3 central dimensions, crucial to governance analysis are actors, structural conditions and normative frameworks [17].

Actors have their interests and their patterns of interaction with other actors. Here, it is most important to explain who is responsible for what (e.g. economic development) and who is taking the initiative in defining a policy or a support programme; in other words, the question is not 'who governs?' but rather 'who has the capacity to act and why?' [11, pp. 156]. Thus, the answer on the simple question of which actors are responsible and who does what and why gives a first explanation of a particular policy. Structural conditions are legal frameworks, support programs at different spatial levels such as EU, national state or region, favourable or unfavourable market conditions etc. Structural conditions determine partly the policy of actors and their behaviour. In reality, both private and public actors are everything but free to do what they want. Every policy/strategy is limited by a lack of capacities such as funding, know-how, legal powers or professional personnel. Analysing who has which capacities to launch a particular action is thus a second dimension that helps to understand and explain a policy and governance. Normative frameworks are shared norms, goals, values, beliefs, ideas, persuasions, discourses such as e.g. believes in the only positive impact of neoliberal economic policy, free markets and inflow of foreign direct investment etc. Normative frameworks influence political action by actors (or non-action as well) and in the end lead to political initiatives or on the contrary to passivity. Any policy or action is not only determined by interests and capacities, but also by the way the problem is perceived by the actors with their particular values and norms. The above mentioned dimensions of governance interact. Governance is created by different combinations of actors, in different structural conditions under the influence of different normative frameworks, which are all a place- and time specific.

The context of post-communist countries cannot be perceived homogeneously. This fact is evidenced by for instance the absence of private sector or the specific organization of industrial production under communism [13], or different economic transformation strategies [3]. The length of this paper does not allow for an in-depth discussion of these problems at national level, therefore we shall outline the basic (common) features (even if it brings a certain degree of generalization). We believe

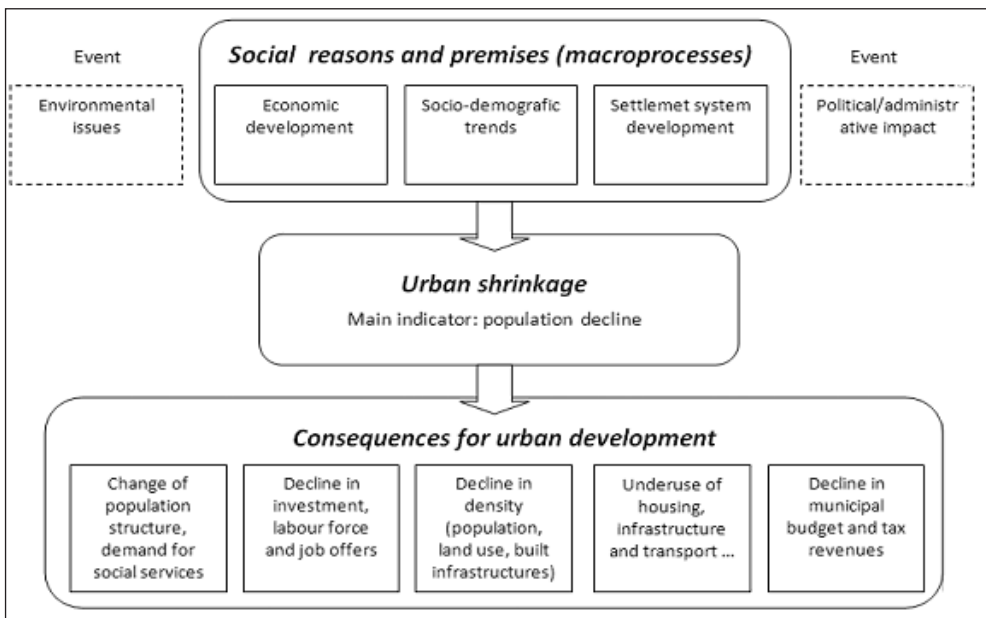
these features characterize best the urban governance of post-communist towns. The first common feature is the low power of the public sector which is caused by its immaturity on the one hand and the implications of the preferred *laissez faire* approach to urban development on the other hand [44]. This implies lower control over market processes (compared to public intervention in west-european towns and cities) [47], which leads to an increase in the significance, power and status of the private sector [27]. Because of high internationalization of central-European economies, the private sector often consists of foreign investors [22]. The Governance regimes oscillate between clientelism and corporativism which is then visible in neo-liberal pro-growth forms of urban

governance. The agendas and policies are then instrumental, short-term [40], formulated mainly by the needs and opportunities of the private sector [46]. On the whole it is possible to evaluate the level of the planning process as low [25] or even claim the failure of urban planning.

2. Conceptual and Analytical Framework of Urban Shrinkage and Related Issues

According to Rink et al. [37] population decline is primarily consequence, but can be considered a reason or the starting point for many problems shrinking cities are faced with. Urban shrinkage causes problems that are different from the problems of those faced by growing cities (see Fig. 1).

Fig. 1: The Conceptual Model of Urban Shrinkage



Source: Rink et al. [36]

This conceptual model by Grossmann et al [36] does not represent the final point of discussion on analysis of urban shrinkage. Instead, it serves as a basis for further discussion on urban shrinkage and its causes and trajectories of shrinking cities. Urban shrinkage always appears in a specific context – each city has its own ‘local story’ which is due

to the specific settings of the historical, political, economic, social etc. conditions. On the other hand there are broader or global contexts that also influence the development trajectory of the city independently (more or less) from the local context. Such contexts for the development of Central European cities are e.g. globalisation (and global competition in traditional

manufacturing), European integration and enlargements (e.g. application of the EU law), transformation of political and economic system and restructuring, or even economic crises. Especially, there is a different temporal and spatial context of urban shrinkage in Central and East European post-communist, post-transformation countries and in Western member states of the EU (such as the Western part of Germany, the UK and Italy).

The main spatiotemporal differentiations within the post-communist context can be identified by the following aspects. Firstly, it is necessary to mention the differences of urban development within centrally planned economies under communism. Musil [30] sees the differences between socialist and capitalist urbanization in three factors: a) replacement of market investment allocations by central planning, b) excessive political centralization and suppression of local and regional autonomy, c) excessive amount of redistribution even at the regional level. Apart from this, the modernization of national economies was based on an ideological support of industry on the one hand and neglecting the “non-productive” service sector on the other hand [5]. This led to dual imbalance of ‘over-industrialization’ and ‘over-urbanization’ [48, pp. 25]. That led to an overgrowth of industrial agglomerations up to 1989, while towns and cities in western economies (especially industrial ones) had been shrinking since the 1970s.

The systemic changes that were started after the Iron Curtain fell in 1989 were taking place at all hierarchical levels [27] and the transformation processes can be considered as a return to the “natural” development trajectories. However, similarly to other processes like suburbanization, the shrinking process is catching up to its forms and implications in developed economies, which was demonstrated by Turok and Mykhnenko [49]. They state that between 2000 and 2005, 78 % of western towns and cities were growing but 82 % of eastern-European towns and cities were shrinking (within the examined sample) with the medium-term decline being typical for most towns and cities [49]. The trajectories of shrinking cities are, however, various as are their causes. The transformation process caused the economic differences in all CEECs to increase and the “imaginary” winners were

capitals and cities situated close to the western markets, often despite their strong industrial basis (Plzeň, Wrocław, Győr, Sopron, etc.). On the other hand, industrial cities have found themselves being “burdens” characterized by economic stagnation and industrialization which led to an increase in unemployment and social problems accelerating the shrinking process [10], [31]. In other words, these cities face urban problems closer to those of Western Europe during the 1980s industrialization, but without their wealth and institutions [48, pp. 25]. Even within the first category of successful cities can we observe shrinking symptoms (primarily caused by uncontrolled suburbanization and absence of city urban policies). However, there are still the premises for their potential regrowth, whereas the unsuccessful “old” industrial cities head more towards long-term decline. All in all, the process of shrinking has quickly become standard especially in the second transformation decade within the CEECs. For a number of industrial or peripheral cities it has become almost a fatality.

3. Research Approaches and Methodology

In the case study of the city of Ostrava, the research design draws on the conceptual and analytical framework of urban shrinkage and urban governance and their operations. The general research questions are as follows:

- What were the major or secondary causes of urban shrinkage of Ostrava or its parts? What is the trajectory of urban shrinkage of the city and its city districts and parts like?
- Does urban shrinkage or any related phenomena lead to creation of new particular arrangements or modes of governance in Ostrava? What impact do the arrangement / modes of urban governance have with respect to the abilities for coping with urban shrinkage?
- What were / have been the strategies of the urban governance structures of the shrinking city of Ostrava like? Were the strategies dealing with shrinkage ‘successful’?

A mixed-method research design including both quantitative and qualitative approaches was applied. For the elaboration of the case studies were used following research methods and techniques: desk research – literature review for elaboration of conceptual and

analytical framework, quantitative data analysis and interpretation for identifying the causes and trajectory of shrinkage, documentary analysis i.e. analysis of planning and analytical documents for exploration of policy initiatives by different groups, and qualitative research techniques such as interviews (with 16 stakeholders between January 2010 and April 2011), focus groups (stakeholder meetings with presence of the mayor and deputy mayors, taken place on September 9, 2010) and participatory observation for evaluation and critical discussion on the empirical findings.

4. Causes and Trajectory of Shrinkage of the City of Ostrava

Here in this summary we present the case study of a trajectory of middle-term slight shrinkage of the city of Ostrava – and its historical context and causes – in a very simplified way. This middle-term shrinkage of population and economy between 1990 and 2010 did not have any strong and significant negative impact on the physical structures of the city (building stock and infrastructures) as a whole. On the contrary, Ostrava's urban structures as a whole slightly improved and many urban and economic development projects are in the pipeline. However, the development of the city of Ostrava is strongly dependent on the external structural conditions of the EU and Czech Republic such as support programmes and funding. The case study is written as a story based on empirical data and evidence, having cyclical character, and presenting data and arguments – even identical or analogical – in different contexts. The story of development trajectory of Ostrava as a whole is the story of more than 160 years of economic and population growth, and 20 years of economic and population decline and shrinkage. Ostrava can be shortly characterised as a post-communist, old industrial city with all of the related problems [37]. On the other hand, Ostrava can be considered a successful city on its way from industrial city to post-industrial city, which managed to attract investors, create jobs and carry out basic changes of economic and urban structures.

The peak of population growth was in the year 1990 with 331,219 inhabitants. As of July 1, 2011, Ostrava has 308,277 inhabitants including 10,154 foreigners (according to Czech Statistical Office), or 306,006 inhabitants

(according to municipal statistics and Ministry of Interior). However, there were 'only' 298,123 inhabitants of Ostrava, who are citizens of the Czech Republic. The trend from 1990–2011 has shown slight general population decline in the city of Ostrava, which is similar to other large Czech cities or even similar European old industrial cities, with short period of positive deviations from general trend i.e. short-time, 2006 and 2007 with insignificant positive natural balance thanks to higher birth rates than death rates. Due to negative migration balance since 1990 (due to selective out-migration of younger population cohort and lower in-migration), low birth rates, and prevailing deaths since 1994, ageing of population and suburbanisation since the end of 1990s, Ostrava will continue to be a shrinking city in the future. Ostrava has lost more than 1000 inhabitants every year on average. Concerning the ageing of population, in 2007 in Ostrava the share of the age group 0–14 was 14.2 % while the share 65+ reached 14.6 %, which means that there have been more elderly people than youngsters in Ostrava since 2007. For comparison in 2000, there were 16.3 % in age group 0–14, and only 12.9 % in the 65+ age group. The elderly rate (ratio 65+/0-14) in Ostrava was 55.5 % in 1991, and in 2007 102.4 % and 114 % (2011) which means that Ostrava is an ageing city. Concerning average age, in 2000 it was 38.5, and in 2010 41.0 (Czech Republic 38.8 and 40.8). Similarly, the life expectancy grew in Ostrava during the 1990–2010 period as well, which meant the absolute ageing. The trend of ageing in Ostrava and Czech Republic is very clear. The process of a city ageing has had increasing tendency and with high probability it will have the same tendency in the future as well. The age index (ratio between people of 65+ and 0–14) reached already at the beginning of 2010 the level of 112.8 (Czech Republic 107.8, CSO) and according to demographic projection [43] the age index will be 158.4 (Czech Republic 145.6) in 2025 and 240.4 (Czech Republic 222.5) in 2045. Especially progressive divergence with the national age index within years 2010 and 2045 implicates the fact that the ageing process can have far more dramatic consequences for a city than for a nation.

The population decline, as the most significant indicator of shrinkage, was

approximately 7 % – from 331,219 inhabitants in 1990 to 308,277 in 2010), which is evidently a slight demographic shrinkage. Shrinkage of some parts of Ostrava, or of Ostrava as a whole, is not a single process but rather a case-specific combination of three macro-processes (economic change/decline, demographic developments, changing settlement structure) that impact on cities in a very time- and place-specific manner, and leads to population losses. Shrinkage can only be understood when set into its context; thus, it makes a difference whether population losses appear in the situation of tight or weak housing markets, in compact or fragmented cities, or in situation which is characterised by accentuated national welfare politics or neoliberal globalisation. All these factors have an impact on the form or urban shrinkage, so that the outcome of similar macro trends is often fairly different from place to place [36].

The causes of the urban shrinkage of Ostrava are as follows: 1) Economic changes, especially deindustrialisation after the launch of the necessary societal and economic transformation and job related out-migration, of young, well educated people to other Czech regions or abroad. For example, in 2010, Ostrava lost 2,294 inhabitants; the in-migration amounted to 3,475 inhabitants, and the out-migration 5,769. The same processes of out-migration we track at the level of Moravian-Silesian Region, which lost 3,959 inhabitants in 2010. 2) Suburbanisation – the movement of people from the inner city, or neglected and unattractive housing estates or city neighbourhoods (a classic example of escapism), to the 'villages' on the fringes of Ostrava or even beyond the administrative borders of Ostrava city – e.g. city district Krásné Pole, which is not a part of compact town, gained 210 inhabitants between 2005–2010. The same situation appears in all the city districts on the fringes of the city of Ostrava, which are not part of a compact urban structure [15]. Moreover, the county of Ostrava-City gained population. 3) Rapid drop in birth rates in the whole Czech Republic as a natural adaptation to the Second demographic transition i.e. to the low birth rates and prolonged life expectancy in developed countries [39] A drop in birth rates has been seen in Ostrava since 1994. In 2010, there were 3,410 deaths and 3,307 births in Ostrava,

which means negative natural increase of -103 inhabitants (compare with 1990: 4,516 births and 3,098 deaths). Low birth rates (1.44 child per woman in 2007) are causing relative ageing of population, and growing life expectancy (73.7 men, 79.9 women in 2007) causes absolute ageing of population in almost all well developed countries in the world. Thus, Ostrava with elderly rate 102.4 % since 2007 is an elderly city.

The immigration from abroad has grown since 2000s. In 2010 live in Ostrava 10,085 foreigners in comparison with 7,339 in 2005. However, the immigration cannot compensate for mid-term population losses caused by out-migration and deaths surpluses. The immigration is economically motivated and depends on economic performance and job opportunities available in Ostrava.

Moreover, in 2010, Moravia's Silesian Region lost 3,959 inhabitants, which is a number of inhabitants of a small city, and had 1,243,320 inhabitants (compare with 1,280,131 in 1990). Main reason for demographic shrinkage at the regional level is the out-migration into other regions, which in 2010 amounted to 8,417 persons, while the in-migration was only 4,458 persons. Secondary reason of shrinkage of the region is the negative natural balance, i.e. 194 more deaths than births. Only radically changed external and internal framework conditions for the city of Ostrava and Moravian – Silesian Region development could be the reason for change of negative population trends, which is not likely.

According to the Solansky conservative demographic projection [43], Ostrava will witness a continuous population loss, ageing and decrease in total number of (on average smaller) households in the future and will have 280,000 inhabitants in 2050, which shows the necessity of being aware of the existing shrinkage trajectory and importance of political initiatives dealing with the main causes of urban shrinkage in Ostrava.

Šotkovský [45] states that based on the actual development of inhabitant numbers, it is safe to presume that the number of inhabitants in 2050 will be somewhere between the middle (262,000) and the low (223,000) prognosis which has been released by the CSO. Whatever the decline may be, it is clear that the decreasing number of inhabitants imposes

direct implications on the fiscal income of the city (for more information see the basic quantifications at the end of the paper).

Of course, the process of population shrinkage is spatially differentiated. In the inner city's older housing stock and large housing estates inhabited in 1950s–1980s, such as Poruba or Zábřeh, is ageing more pronounced, while in peripheral rural parts of Ostrava with more attractive natural environment such as Krásné Pole, Lhotka, or even some suburbanised localities in Slezská Ostrava, the population is young (suburbanites) and natural population increase can be observed. Paradoxically, we can even assume that in socially excluded localities with Roma population in very unattractive environment, there is dynamic natural increase of population in line with typical reproductive behaviour of this social – ethnic group [20].

5. Governance of Economic Regeneration of the City of Ostrava

Even if in the period 1990–2010, the shrinkage became a reality and topic of marginal political discourse, it is not recognised by political leaders as a specific problem of Ostrava, but rather of the whole Czech Republic and Europe. There has not been any important policy initiative dealing with the shrinkage as a new normality to be prepared for. We can speak about 'almost no direct action' in the field of dealing with demographic shrinkage i.e. loss of population, out-migration, ageing, social exclusion etc. The reasons for almost non-action are the 'slightness' of shrinkage in 1990–2010 and no significant visible signs of negative serious developments caused by population losses such as vacant buildings and houses in the (inner) city. The low birth rates and closures of kindergartens and primary schools, population ageing, out-migration related to suburbanisation and so on in 1990–2010 are perceived by experts and politicians as general societal problems in Europe, not as something specific to Ostrava.

The dominant policy initiatives of the Ostrava city region's governance system 1990–2010 were motivated economically due to the problem of high unemployment rates. The major goal of governance system has been to strengthen the local economic base in the

course of deindustrialisation and restructuring, induce economic growth and help create new jobs. There were beliefs that job creation would be sufficient to re-introduce population growth or to retain population in Ostrava city region. Moreover, there is a belief in general economic recovery of the old industrial city region of Ostrava and economic growth as panacea for all problems of the city of Ostrava. The concept of shrinkage (defined as pure population decline) has not been the reason for activity by governance system of the Ostrava city region. Moreover, there were problems which were perceived as more important such as the creation of conditions for economic development with accordance to European Community *acquis communautaire* such as construction of new environmental infrastructures and improvement of accessibility through transport infrastructure improvements. The cause of policy initiatives and activities is to support the economic regeneration by all means.

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

Economic restructuring and regeneration of the Ostrava city region has been on the top of agenda setting by local actors since 1990s (see Fig. 3). Local authority (the city council, commission and municipality) at the beginning of 1990 was very inexperienced, unprofessional and the whole governance system immature and fragmented. The transformation of the political and economic systems was implemented in a very centralised way 'top-down' by few reformists with Vaclav Klaus as a leader, who repeatedly and convincingly put through the idea of neoliberal free market economy without attributes based on private initiatives. At the central government level has been decided on the rapid closures of the

inefficient coal mines, coke plants, iron works and related plants in Ostrava.

In the course of and after the main stage of the political and economic transformation in the Czech Republic since 1990, the institutional milieu and governance structures in the country and Ostrava changed. New actors emerged and new institutions had been created for the formulation and implementation of new economic development strategies and policies [16]. The new economic development strategy of most of Central European Countries was based on attraction of foreign direct investment / investors [52]. This new actors and institutions were CzechInvest agency for attraction of investment and business support (established 1992) at the state level, Regional Development Agency at quasi 'regional' level (1993) and Department of Economic Development at level of local authority of Ostrava (1998).

According to Pavlinek [32], after the collapse of state socialism in Central and Eastern Europe, Western liberal economists and multilateral institutions suggested that a successful 'transition' from the centrally planned economy to a market economy system could only be achieved with large inflows of foreign direct investment (FDI). FDI was supposed to play a 'critical role' in the economic development of CEE and generate industrial restructuring that would spread throughout the entire economy and ultimately lead to national prosperity [8]. FDI was often attributed such a critical role because it is often viewed as an 'engine of development', a vehicle of economic modernization and a driving force of productivity development in CEE [51]. To attract large FDI inflows, the CEE countries (CEECs) only needed to develop appropriate institutional and policy frameworks to position themselves within flows of global capital [8].

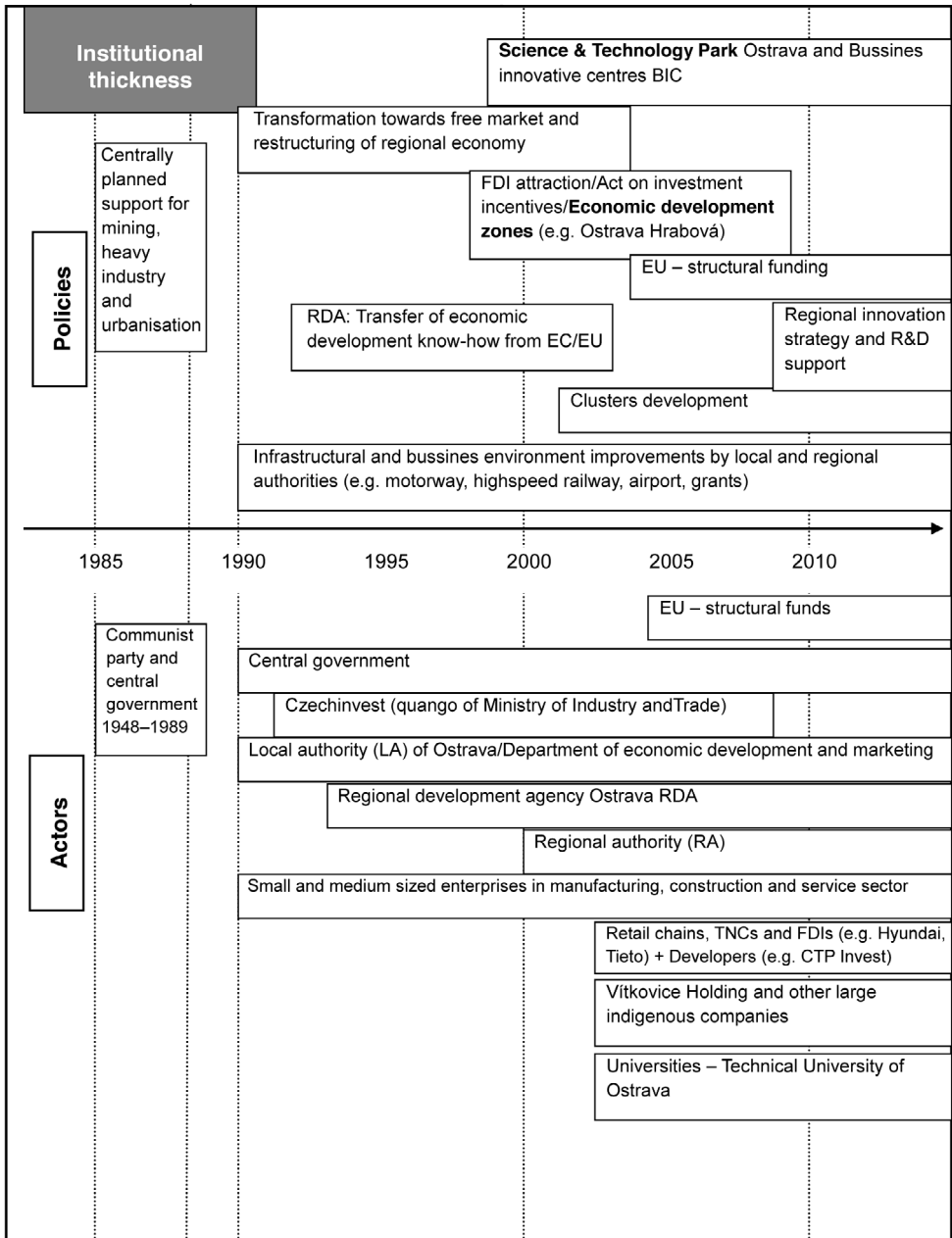
Thus, in the above-mentioned structural conditions and normative frameworks, an exogenous 'low road' development strategy of attracting FDI by promoting low-cost inputs was the most important economic development activity of the city of Ostrava in close cooperation with other regional actors such as Regional Development Agency. Most of politicians and experts believed that FDI would help to open the Ostrava region up and provide new innovative impulses to the regional economy and create jobs, which mirrored in the

political discourse and normative frameworks at the local level as well. Throughout the 2nd half of 1990s and up until 2008, local government actors and RDA gradually formulated and implemented a fundamentally 'low road strategy', based on promotion of low cost inputs for attracting FDI as a means contributing to increase the strengths and diversification of the weakened local (and regional) economy. Additionally, certain policy measures were taken to strengthen local and regional economy, such as the establishment of new universities and faculties, the establishment of business innovation centres, of Science and Technology Park and the improvements of accessibility of the city region of Ostrava or city centre renewal.

However, the old industrial city region of Ostrava in the North-Eastern part of the Czech Republic became successful in attraction of investors later than other important economic cores such as Praha, Plzeň or Brno. Ostrava became attractive for investors in 2004, but the cities such as Plzeň or Brno attracted investors much earlier since 1998 [51]. There are many reasons for the 'later success': reluctance of major political actors such as mayor because of cognitive and political lock-ins (see [12]), better locations in the Western part of the Czech Republic from the point of view of Western investors until their relative saturation, a missing motorway in Ostrava city region, the bad image of this old industrial region, higher wage requirements by formerly well-paid workers, lack of co-operation because of institutional thinness and fragmentation, low level of preparedness of industrial zones until 2003. Important role also played later implemented regionally different system of investment incentives which gave preference investment to the region with high level of unemployment.

Major policy initiatives in the field of economic development by the governance system of Ostrava city region were since the beginning of 2000s the Science & Technology Park Ostrava, Business and Industrial Zone Ostrava – Hrabová, Industrial Zone Nošovice and Mošnov Development Area – strategic business and industrial development zone. All this policy initiatives at local level, in cooperation with regional and national levels, brought significant changes in employment and diversification of the economy.

Fig. 2: Actors and Policies in the Economic Development Governance of Ostrava



Source: authors

Consequently, in the whole Ostrava city 'travel to work' region, between 2000–2010, about 20 industrial zones with a total area of more than 1000 hectares were prepared. Hundreds of firms established new locations in these zones, especially in Ostrava-Hrabová and Nošovice. This accelerated the re-industrialisation of the local and regional economy through the influx of FDI into the automotive industry, electronics, ICT and business and personal services. These include one of the most important investments in Czechia: the Hyundai Motor Company's investment in Nošovice (near Ostrava) which resulted in approximately 3,000 new jobs (2011) in the plant and an additional roughly 10,000 jobs in supplier companies located mostly in the vicinity of the assembly plant. At the industrial zone Ostrava – Hrabová, thanks to partnership of the local government with development company CTP Invest, approximately 8,000 jobs have been created. The sectoral structure of the companies is very heterogeneous and diverse – advanced services – banking (GE Money), automotive (Sungwoo Hitech, CTS), logistics (DHL), media print (Ringier Print) or ICT manufacturing and services (Pegatron – Asus Czech Service). Despite the crisis, in 2009–2011 the developer company CTP Invest has extended its Axis Office Park for new tenants-investors.

In the Science & Technology Park Ostrava (in Ostrava-Pustkovec, at the campus of the Technical university) had been created until December 2007 803 jobs in 30 companies, mostly in the new economy sectors such as ICT and R&D. In 2008–2010 the number of jobs dropped because of crisis and 2010 there are 650 jobs in 28 firms, plus jobs in services such as restaurant, facility management, sports centre and security.

Additionally, at the same time in 2004–2008, in the course of economic revival through industrial investment, came to dynamic development at the real estate market in line with economic growth and gradual increase of employment. The demand for land for residential, office, hospitality and logistics development has gone up. We have already mentioned that retail developers and foreign retail chains were since 1997 the first foreign direct investors at all. The politicians and municipal authority officials applied towards developers the same

approach as to foreign direct investors i.e. the almost 'unlimited' support of any initiative by private sector, especially developers and investors. The developers, who were able to establish networks with leading politicians, got all the necessary support by public sector according to their needs and business interests. In 2004–2008 several projects of commercial residential, office and logistics development had been carried out (generally for evaluating development projects [38]). The Irish developer company Red Group constructed 'The Orchard' at the Hornopolní Street, which is a mixture development consisting of offices and hotel. In one of the new buildings is located the HSBC bank service department with 800 jobs in service sector.

If we consider that the attraction of investors has been the main approach of economic development, job creation and diversification, then we can see that there is a correlation between the entry of investors into the particular industrial zone and the decrease in unemployment and increase in regional GDP and wages. However, we have to mention the favourable structural conditions for economic development on the global and European market in the period 2004–2008. As an empirical evidence of success of the economic regeneration strategy based on external resources such as FDIs and developers' resources the drop of unemployment rate in the Ostrava city from 18.4 % in 2004 to 8.4 % in 2008. We have to critically state that the jobs are not in most innovative branches and thus vulnerable in the crisis. In 2009–2010 the unemployment has grown to 12.0 % in 2010 again, which was the case for the whole Czech Republic [24].

Conclusions

The city of Ostrava has lost approx. 7 % of its inhabitants in the last two decades. This demonstrates a relatively slow process of shrinking especially when compared to cities with strong industrial history in developed economies [49] and even cities in the post-communist context [9], [10]. For this reason also the Ostrava municipal authorities deal actively with the main reasons of shrinkage such as job-related out-migration. However, some causes – e.g. deaths surplus because of

low birth rates, suburbanisation, and urban sprawl are not manageable by local authorities and have to be dealt with at the regional and especially national level. There is a lot of non-action in policy-making by Ostrava city authorities and politicians partly because of other priorities and interests, partly due to a lack of knowledge and resources and cognitive lock-in as well.

Speaking about evolution of the mode of governance of economic regeneration we can see following stages, while keeping in mind that the emergence of all of the specific stages of governance regimes was caused primarily (but not exclusively) by an external shock, i.e. a significant change in the structural circumstances. In the first stage between 1990 and 1997, which can be called emerging stage. There was hierarchical managerial mode of governance drawing on external conditions and normative frameworks set up by central government under the reform leader Vaclav Klaus and right-wing Civic Democratic Party. The main goal was to transform the political and economic system towards democracy and free market economy (absolute *laissez faire* approach). However, the failure of the Czech Privatization Way and its inherent component, the so-called “bank socialism” [28], implied the first economic depression after the revolution. This led to an increase in unemployment across the country and in Ostrava as well. The combination of the economic depression and political changes led to formulation and implementation of new policies. In 1998, when the Social Democratic Party won the elections and established government, the main goals became the entry into EU and attraction of FDIs with the support of investment incentives. This could be considered a good strategy in the unfavourable market conditions of old industrial city, characterised by low local demand for economic factors, loss of attractiveness due to deindustrialization and job losses, air pollution, bad image etc. These structural conditions and normative framework mirrors in the governance arrangements. The public sector and public policy is inferior to interest and needs of private investors and developers. One of the reasons for that is the limited personal and financial capacity of public sector and missing know-how

to be able to sort out the problem of economic development. According to results of our qualitative research, in these external conditions the mixed pro-growth, corporatist-clientelistic-managerial mode of governance evolved in the period 2000–2008 at the local level of the City of Ostrava. There have been animosities between regional government and city government as well due to different political affiliation of leaders (see Fig. 3). The third stage of the governance regime was caused partially by the economic depression in 2008 which to some degree led to the emergence of new additional policies. The political elites in the regions of the Czech Republic became aware of the risky dependence on FDIs. Thus, the normative framework (values, beliefs, discourses) changed towards more endogenous development approaches based on the mobilization of local and regional resources for high added value and innovative activities (‘high road development strategy’). The new phenomenon became the growth of importance of universities as important actors of regional governance and their R&D development activities based on innovation, which is at top of the agenda setting since 2008. Since that time until today we can see the process of creation of even more close partnerships and concentration of dispersed resources e.g. between local universities or between local government and universities etc. Some pluralist elements emerged in the formation of new economic development governance system. It is hard to say in 2012, if the new corporatist-pluralist mode of governance will be able to steer the endogenous development strategy towards creation of more competitive knowledge-based economy in the City of Ostrava (see Fig. 3).

If the pro-growth economic approach as the dominant approach of the governance system of economic is unambiguously successful is hard to say. On the one hand, there has been an increase in job opportunities and drop in unemployment rate during the re-industrialization and economic development process in 2004–2008, as this case study described an evaluated as a success even in comparison with development of similar West European old industrial city regions, where has been even higher unemployment for last 20 years.

Fig. 3: Mode of Economic Governance in Ostrava

Period	2nd phase 1998–2008	3rd phase since 2009
Governing issue	Unemployment after deindustrialization and job creation	Innovation, competitiveness, diversification and attractivity of the city
Governing relations / coalitions / forms of cooperations	Exclusionary negotiations between local authority and investors;	More and more brokering and mediating in the framework of emerging „networked“ innovation system
Governing logic	Exclusive: authoritative decision and partly reciprocity between politicians and investors / developers Top-down policy: government subsidies for investors	Inclusive: consensus building (networking, cooperation, clustering – Tripple Helix like); Bottom-up: Initiatives of local and regional authority in cooperation with TU
Key decision makers	Politicians/civil servants and their clients: Czechinvest, Foreign Direct Investment – Transnational Corporations TNCs; developers (e.g. CTP Invest) Local authority of the city Ostrava, and its Department of economic development; Regional development agency	Politicians and organised interests: Technical University of Ostrava TU; Vítkovice Holding (Mr. Světlík); Local authority of the city Ostrava, and its Department of economic development; Regional authority (Department of regional development); Firms: SMEs
Objectives	Material: Job creation – elimination of unemployment in any way	Purposeful: Innovative, competitive firms and more attractive city for skilled people
Context	Transformation, restructuring, EU entry, catching up; Czech Republic as low cost country	Crises, global competition, EU policies/funds and law; Czech Republic as EU country with rising costs of inputs; necessity of endogenous development strategy;
Summary	Corporatist mode of governance (with certain signs/characteristics of clientelism)	Corporatist (and more pluralist)

Source: Rink, D. et al according to DiGaetano and Strom [7], modified by authors

On the other hand, it is necessary to take into account the fact that because of the shrinking process, we can today observe a deepening of the social segregation and exclusion or physical decline of certain localities. These phenomena are accelerated by the shrinking process rather than caused by it [9].

Another implication of the shrinking process is the negative impact on the city budget. In the case of cities such as Ostrava in terms of size, the current legal regulations on fiscal purpose of tax money stipulate that a decrease in population of 10,000 inhabitants would cause (if all other variables including the gross collected national tax funds remained constant)

a decrease of 230 million CZK in the city budget (in 2010, the total income from the national tax funds was 5.7 billion CZK and the total city income was 6.4 billion CZK). In light of the aforementioned prognoses of inhabitant numbers in 2050, the city budget would be lowered by approximately 550 million CZK in the case of the optimistic prognosis (280,000 inhabitants); by 900 million CZK in the case of the middle prognosis (262,000 inhabitants) and by 1.6 billion CZK in the case of the lowest prognosis (223,000 inhabitants). On the other hand it is important to point out that the given calculations are only an illustrative demonstration since it is in fact impossible for all the current

variables to remain constant for so long. It is also virtually pointless to try to precisely determine their values in terms of future development. A problem of its own is then the upcoming amendment to the Tax Funds Fiscal Distribution Act, which will change the situation significantly even in terms of distribution of funds among the largest cities of the Czech Republic among which the Ostrava city belongs.

All in all, it is clear that apart from the economic growth support strategy, Ostrava will also need a holistic strategy managing shrinkage and decline, aimed at resolving the problem of shrinkage in some of its districts or a strategy of “intelligent development of a shrinking city” (for more see [50]). The first prerequisite for initialization of the “intelligent development of a shrinking city” strategy is undoubtedly the abandonment of the current approach that ignores the shrinking process. Another prerequisite is, as shown by other shrinking cities [35] and contrary to the current practice of short-term and opportunity-driven strategies, the active and above all systematic and continual support of regeneration and integration of all cognizant actors. This should be done not only by large scale development projects but also by small scale development [14]. Although the shrinking process has had low intensity so far, development in the last decades indicates that if the current course remains unchanged, Ostrava stands at a crossroads and is inclined to follow cities undergoing long-term decline. However, ways of halting this trend undoubtedly exist. It is only necessary to start preventing potential problems by adequate urban planning policy as soon as possible, to resolve them rather than passively face their negative implications. The new urban planning policy has to aim at creation of attractive compact inner city with all the necessary urban qualities needed for the launch of reurbanisation. The precondition of new holistic planning approach combining the growth policy with a policy of managing decline is the radical change of governance regime towards stronger role of public sector and improvement of political and professional institutions.

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**SHRINKING CITIES AND GOVERNANCE OF ECONOMIC REGENERATION:
THE CASE OF OSTRAVA****Petr Rumpel, Ondřej Slach, Jaroslav Koutský**

The aim of the paper is to describe and analyse the process of urban shrinkage and especially the governance structures, actors and policies tackling the causes of urban shrinkage of the city of Ostrava. In the theoretical chapters, both urban (city) shrinkage and urban governance are conceptualized and an operationalization of these concepts is outlined. Urban shrinkage is understood as population losses and related phenomena such as housing vacancies, underused social infrastructures or different kind of brownfields etc. The research design for empirical study draws on mixed methodology – quantitative (analysis of statistical data) and qualitative research approaches and techniques such as interviews, stakeholder workshops and participatory observations. Research questions are defined and considered to be the starting point for elaboration of empirical case studies. First, brief description of causes of urban shrinkage of the city of Ostrava in the period 1990–2011 is presented. The main part of this paper focuses on the economic governance structures, actors and policies tackling the main cause of shrinkage, which are deindustrialization and job related out-migration, suburbanization and changes of demographic behaviour such as drop in birth rates. Ostrava is a slightly shrinking city (approximately 7 % population loss from 331.000 1990 to 306.000 in 2010), which managed thanks to appropriate economic governance in period 2004–2008 to slow down the population losses caused by job related out-migration. However, population losses will continue due to low birth rates and deaths surpluses or suburbanization.

Key Words: Ostrava, governance, economic regeneration, shrinkage.

JEL Classification: R11.