

Laszló FARAGÓ*

URBAN REGENERATION IN A ‘CITY OF CULTURE’ THE CASE OF PÉCS, HUNGARY

Abstract: The development of Pécs is essentially due to its historically central location and to the fact that the regional institutions and the revenues generated by them have enriched the city. This functional wealth elevated the city to a position above the surrounding settlements. In its development, culture has always played a significant role. From the second half of the 19th century, it was industrial development which contributed most to its growth, a trend which was reversed at the end of the 20th century. The crisis arrived with the transition in the 1980s and has so far not been resolved. The city once more based its growth concept on human capital and on the cultural tradition when formulating new development strategy, and, as a result, it won the title of European Capital of Culture 2010. However, market processes and EU development funds necessarily generate trends which are rather more global, and in the post-socialist cities there are insufficient funds for endogenous development based on local factors to be realised.

Key words: city of culture, urban planning, structural change, revitalisation of city, development strategy, funding-oriented planning.

1. INTRODUCTION

In the case of small and medium-sized towns, questions can always be posed as to the extent to which they are subject to irresistible trends and the chances which they have to influence their own fate. The decline or rise of Hungarian towns often depended on central politics and on the evaluation of their resources in the external market, and Pécs has benefited from these processes for a long time. Its geo-political location made it suitable to play a regional role, and then the demand for the coal and uranium found in its surroundings created many jobs, with the forced industrialisation introduced by socialism accelerating population growth. However, as extraction became uneconomical, thousands of these jobs were lost, bringing about

* Laszló FARAGÓ, Institute for Regional Studies, Research Centre for Economic and Regional Studies, Hungarian Academy of Sciences, 7601 Pécs, P. O. Box 199, Hungary, e-mail: farago@rkk.hu

a decrease in population. In the case of Pécs the question should be asked whether the phenomena accompanying this structural transformation (job losses and labour migration) represent a crisis to be resolved or whether they are merely a natural consequence of change. Is it enough to develop the health, environmental and culture industries, guaranteeing 'quality of life' to the 'new industrialisation'? Are the, essentially service-type, developments sufficient to create a new development route? To what extent should the market be given a licence to revitalise our historical cities? Do local authorities have adequate tools to keep the processes in their own hands? Is it a good thing to use EU and state funds only for creating local conditions for the effective market? Do we think in terms of provincialism or, at best, the luxury of local elite culture if we wish to use our historical inner cities differently?

In European terms, Pécs can be considered as being of no more than modest size, although in Hungarian terms it is a large city. Following the 1920 Treaty of Trianon, it has remained one of the five largest (after Budapest), the largest in Southern Transdanubia Region and its unofficial centre. Its development or decline is an issue of national importance which concerns the whole region. The capital and the other larger towns or cities together could not support the development of five major provincial cities or regional centres, and so the various concepts and programmes relating to the latter failed one by one. If the opponents of an urban hierarchy manage to have a city voluntarily relinquish any of its central functions (under the influence of polycentrism or as a consequence of a misinterpretation of networking) there is a real danger that it will not be able to cope alone with the subsequent decline and to settle smoothly into the role of a medium-size town (even in European terms).

This study starts with a short historical review to give the reader an opportunity to judge the characteristics of the development of the town and the potential for possible strategies to be realised. However, we start neither our presentation of the structural crisis nor that of progress towards development with the 1990 regime change, for the simple reason that both had started earlier. The changes, economically and politically unsustainable, which appeared even in Hungary did lead to the change of regime, but, unfortunately, the first steps that led in the wrong direction contributed to the fact that the crisis has lasted until today.

The EU's current support system is incapable of handling cultural and regional disparities and differing aspirations, and it is impossible to solve the problems of 27 countries with the same strategies – even in regions in decline – and such interventions as are currently possible inevitably strengthen globalisation trends. According to the Lisbon Strategy, the EU's urban policy (as rephrased) in practice favours the bigger cities and strengthens still further the trends towards concentration. To close the study we present the specific strategies of Pécs. One of the latest key programmes was the European Capital of Culture (ECoC). This paper fits into the literature on ECoC tenders and projects (Sadiq *at. al.*, 2003; Boland, 2010).

2. THE HISTORICAL DRIVING FORCES OF DEVELOPMENT

In studying the driving forces of development in Pécs three sets of factors have been identified:

- central location/functions;
- culture, multiculturalism;
- industrial development.

2.1. Central Location/Functions

Historically, Pécs is a central place – central in terms of religion, culture, commerce and administration. These functions reinforcing each other developed the town as a regional decision-making/power centre, and it was, therefore, for several centuries the most important town of the region, the largest and most important from the economic point of view as well.

In the European Bronze Age it was a *node on the North-South trade route*. In the 1st century the Roman Empire conquered Pannonia, and in the 4th century Sopianae (the Celtic-Roman name of Pécs) became the *headquarters of the Province of Valeria*. From that point the town started to acquire and hold its spatial-organising, regional role. After the foundation of the Hungarian Christian state Pécs became the *seat of one of ten Hungarian dioceses*. After 1526 the town came under Turkish rule for 143 years, but, following their initial devastation of the town, the Turks developed it as their own *centre* – which is still evident today in various memorials of the Turkish Era. After the Liberation in 1686, the seat of a Roman Catholic diocese was re-established and Pécs was made a Free Royal Town by Maria Theresa in 1780. This involved the assumption of central public administration duties and meant that Pécs was subject neither to county nor episcopal rule. As a result of the reorganisation of public administration, the *town became the centre* of Baranya County and from this point onwards County public institutions were continuously developed. In 1786 Pécs, for a short period, became a *regional public administration centre* from where six counties were administered.

As a result of the Trianon Peace Treaty following the First World War, certain large regional centres of Hungary were incorporated into neighbouring countries (Zagreb, Kolozsvár/Cluj-Napoca, Pozsony/Bratislava etc.). The newly established national borders took account only of the interests of the new, successor states, and so much of Hungary's border regions lost traditional centres and the larger towns an essential part of their economic catchment area. From this point also, Budapest, earlier the capital of a country with a 20 million population, became the capital of a much smaller country in population terms, whilst cities in the second rank of the hierarchy crossed borders. Among those cities which remained within the national borders, Debrecen, Szeged, Pécs, Győr and Miskolc (which might

have been considered relatively large in Hungarian terms) assumed a regional role, and, also within the new borders, Pécs strengthened its South Transdanubian centre role and saw its population increase even between the two World Wars.

2.2. Culture, Multiculturalism

Pécs was one of the multicultural centres of a multicultural country. In the 11th century the first bishop established a school in the town, and in 1367 the first university of Central Europe was founded. Pécs became the second centre of the Hungarian Renaissance and an important cultural intermediary link with Western Europe. The first public library in the country was opened here in the 18th century. In provincial terms it was relatively early – in 1800 – when the first theatre was built and today no fewer than five repertory companies work from here. In 1848 the first local newspaper was founded. In 1923 it became once more a university town with its cultural life relatively lively at national level.

The rapid economic development of the first two decades of the socialist era extended the borders of the cultural sphere. New public museums were established in the city and its theatrical, literary, musical and artistic life was enriched. After Budapest, Pécs has the greatest number of museums, galleries and cultural programmes, and no other provincial town has as many nationally and internationally recognised artists in residence as Pécs. The cultural elite of the town were constantly able to maintain their artistic freedom to a remarkable extent and provincialism also failed to constrict the workshops operating here.

Pécs University, with more than 31,000 students, almost 2,000 lecturers and 200 educational programmes is today acknowledged as one of the largest universities in the country and the biggest employer in South Transdanubia, with a budget bigger than that of the City of Pécs. The students enliven the town and represent an important source of income for local businesses through their normal living expenditure and also for residents through, for example, rents.

The variegated ethnic pattern of the town has mellowed with the passage of time, but the town took shape as a multi-lingual and multi-religious community, and this multi-culturalism has remained significant to the present day. In 1816 the population of the town was divided fairly evenly among Hungarians, Croats and Germans and a significant proportion spoke all three languages. By 2001, 93.86% of the population claimed to be Hungarian (although an important segment has multinational roots). A further 3.16% claims to be German, 1.17% to be Roma (although the true figure is certainly higher) and 1.06% to be Croat. No fewer than 14 ‘other nationalities’ also live in the town. During recent years the number of foreign students has dynamically increased and Pécs today has citizens of 18 different nationalities. The city administration, in fact, incorporates several ethnic minority local councils and several ethnic civil organisations which enrich the multicultural nature of urban life – for example, the Croat minority has its own national theatre.

2.3. Industrial Development

Industry became the most important force for development of the past 150 years, and industrialisation also had its classical effect on the urbanisation process. From the middle of the 19th century, the mining of black coal accelerated the transformation of the economy and of society, and Pécs attracted both international entrepreneurial skills and high-quality labour, so forming new social strata. In 1848 the Brewery opened and, in 1853, the Zsolnay Ceramics Factory was established, later becoming world-famous. As a result of the growth of the railways, of modern state administration and of the development of an institutional network, Pécs strengthened its regional role, whilst, at the same time, a modern urban infrastructure (waterworks, tramways, public lighting etc.) was built.

Between the two World Wars the economy of the city was regenerated only slowly – as a result of the loss of its markets and raw material resources: the dominant characteristic was stagnation rather than growth. After the Second World War a new upswing occurred, due to the socialist government's industrialisation programme and due also to urban development closely related to this. In the continuing development of the city, it was coal-mining and the start of uranium-mining which were the principal factors. In the 1950s the city incorporated the surrounding villages, and, with the unification of public administration, the majority of the coal- and uranium-mining areas belonged to the city's administrative area. Due to the significant developments in mining, the number of jobs and of immigrants increased rapidly. The population growth essentially created the need to build new residential areas. This totally changed the morphology of the city and a far-reaching change was also visible in society.

The number of residents in Pécs reached 170,000 by 1980, and in the 1970s and 1980s, according to urban development plans, Pécs was to be expanded to a city of 300,000 inhabitants – something which has never been achieved. On the contrary, the city's population has continuously declined since 1985, and it has, in fact, lost 12.33% of its population over 20 years, a significant proportion of these later emigrants being highly qualified. They mainly move to the more developed regions of Central and West Transdanubia, whilst those who migrate to Pécs are generally less qualified.

3. STRUCTURAL CHANGES: DECLINE AND REGENERATION

The decline and flourishing of a region or a city do not consist of separate, sharply defined periods but a process of restructuring comprises both. This is true both of cities in Eastern Europe's ex-socialist countries as well as of their West European counterparts which are either struggling with the problems of structural

transformation or have already overcome them. The most important difference lies in the fact that, in the post-socialist cities it is not only a matter of the problems of a crisis in one exclusive segment, the transformation of 'brown field' areas or, perhaps, specific residential areas or social problems, but rather that *everything is being transformed at the same time and the whole process is so much faster*. The city management needs to operate in a continuously changing legal environment, often with former personnel in new roles. With the lack of adequate 'own resources' there is less chance of integrated endogenous development, and a greater possibility that outside factors will be decisive or that external patterns will be followed. After the Second World War a forced transformation was already in effect, dictated from outside and from the top throughout the states under Soviet influence. In this period, uniform institutions were established which took no account of national characteristics. History showed such transformations to be an essentially negative experience, since neither an economy nor a society was created which was sustainable.

The slow but sure collapse of the socialist system, the sales of key segments of state property, the repeal of earlier laws and the closure of companies inevitably led to job-losses and a change in the pattern of income (the 'softening period'). During deconstruction, different social groups sink into crisis, particular city districts lose their earlier function and the associated quantifying indicators worsen. However, at the same time, this does create opportunities for institutional quality transformation, and we may see, in parallel, a start to the reconstruction of the 'rust belt', to the retraining of the unemployed and to the setting-up of new companies. At first, these may bring essentially positive changes only to certain people, businesses and to specific parts of a town, but, albeit slowly, the new positive trends are reinforced and integrating forces move the system in the direction of equilibrium, with the quantitative indicators now showing these changes (the 'hardening period').

3.1. Decline

In the 1980s, in line with the country as a whole, a strong transformation movement came to life in Pécs, and the 'ghost of capitalism' was visible in more and more places. Initially, within the socialist companies there was an attempt to reinforce the peoples' 'stake-holding' and increase productivity. Following this, an increasing number of small businesses started to operate, and so the private sphere was broadened, whilst, as the old markets of Eastern Europe became insolvent, a number of socialist companies were unable to integrate into the world market. As the extraction of black coal became uneconomical, deep-mining totally ceased to operate in 1987. In 1980 there were still 13,133 employed in mining, but only 4,260 in 1990. By 2005 only 405 people still worked in the mining industry, and

even those were involved in re-cultivation. Most of the giant socialist companies were broken up into smaller units (for example the Pécs Glove Factory), and these were then either privatised or liquidated. The remaining major companies were downsized and, without exception, all underwent a change of ownership. The growth in population and in the number of jobs available, visible for several decades, came to a halt, and the city embarked on a downward trend. The collapse of socialist industry was shown in the numbers of employees. Many of the older work-force had been able to retire under favourable conditions, so squeezing the support system, whilst the remainder were absorbed by the widening circle of financial, commercial and public services. The number of small businesses increased, but a substantial number of these were 'forced entrepreneurs' ('necessity enterprises'). In Pécs it was possible to keep the unemployment rate below 10%, although these objective statistical indicators do not stand up to international comparison.

The victory of the market economy is a matter for celebration, but the route taken was a reason for anxiety. During the pre-privatisation period and prior to the change of regime (essentially at the very beginning of the 1990s) the management of the (socialist) state companies together with *the former political elite managed to acquire property*. As a result of the change of the regime, some of this public property which had been earlier handled by them as though it were their own, was made legally so – their private property. They used their influence even to sell state property to foreigners. This was a problem and remains so today in that privatisation did not take place in line with clear consensus-based strategy. The real aim was not to maximise state or local authority revenue or to optimise efficient operation, but, in personal or party political interests, to acquire property rapidly. Quite frequently, the reason for foreign privatisation was not to guarantee the continuing operation of factories and to preserve employment, but to gain access to markets or to the profit achieved from selling the property. Production at many factories, therefore, simply stopped and entire production chains collapsed.

After the change of regime, much – the marketable part – of the social rented housing-stock, was sold at low prices to the occupants. This often created condominiums with mixed ownership, and the potential for renovating this deteriorating stock was further reduced by the fact that the residents had no money left to renovate the house. Those with money spent it only on renovating their own flat, with the result that the general condition and external appearance of the house, together with its thermal insulation did not improve. In Hungary, even in international comparison terms, the proportion of privately-owned housing is quite high, one reason being that, in the socialist era this was, almost exclusively, the only legal investment opportunity. For decades, a significant proportion of families invested their modest personal disposable income into their flat or house and used their free time to modernise it.

3.2. Regeneration

During the last decade and a half, private investors have had the greatest influence on the economic and physical development of Pécs, and the local authority lost its leading managerial role. Central government has also lost its development influence, and, currently, at least, EU support is also of marginal importance.

3.2.1. Market Forces

‘He who pays the piper calls the tune’. The developments in Pécs were determined by the capital investors who arrived here and the town was swept along by the process.

Pécs is traditionally a commercial centre. Private investors first appeared in the trade sector – identical effects influencing Pécs as all other towns of similar size in the EU’s new member-states. The only differences can be seen in the names or logos of the companies. Along the roads as they reached the outskirts of the town there appeared new trading estates – almost exclusively as green-field investments. Huge sites were occupied by cheap, freestanding, light-construction buildings and their car parks, and in Pécs, as in so many other towns, the same picture catches the eye of the visitor. These commercial chains (METRO, TESCO, PRAKTIKER, BAUMAX etc.) locate the same buildings in each city and ‘local adaptation’ emerges only in terms of the floor space demanded by the customers. The old commercial units existing in Pécs could not cope with the competition from these newcomers and so, without exception, closed or changed ownership. The new arrivals have changed customer habits from public transport to leisure-time activity. In Pécs, in the evenings, those who have the money eat Moroccan paprika or Italian fruit whilst watching the same commercial TV channels in West European-branded clothes made in China, as do other European citizens.

Retail chains consisting of smaller shops appeared everywhere in the city. These basically have two forms. There are some which, for the most part, took over old chains, and in these the only change was to the stock; there was no change in the outward appearance of the city. Examples of this category are SPAR, MATCH etc. There are, however, others (for example, PENNY MARKET, LIDL, ALDI) based on standard, prefabricated modules, architecturally of low quality; and these harm the townscape. The operators are not even willing, for example, to use roof tiles which harmonise with surrounding buildings.

A major new shopping centre (the ARKAD) was built adjacent to the very centre of the city. This comprises 130 shop-units spread over 35,000 m² at a cost of €100 million. This, in local terms, huge enterprise gave new impetus to the profile of the small, inner-city shops, to the collapse in value of Pécs-owned properties and to the change of use of inner-city space. Pécs does not have sufficient demand for ‘luxury’ shops to appear in the inner-city shopping streets offering higher

quality in more up-market surroundings; for the time being at least, the trend is in the opposite direction. In the historical shopping streets (now pedestrianised) the number of shops offering cheap goods from the Far East for the lower-income strata of society has grown due to the decline in the value of shops and in rents! The new shopping centre is in foreign ownership and the larger retail units are rented by larger foreign chains, with a mere handful of local traders still fighting for turnover to cover the rent. In this new 'cathedral of consumption', Pécs residents spend the bulk of their income mainly on foreign products. The owners and employees of shops forced to close can, if still young enough, find a job in these new establishments for the statutory minimum wage.

Despite the city's master plan and local regulations, the retail chains choose their location and design according to their internal philosophy. They choose on the basis of their own particular aims for the site, and then they lobby and bargain for the changes necessary for permission to be granted. The town, struggling with financial problems, was willing to modify its own master plans and give permission for individual schemes simply for the sake of the income from selling the sites.

There were fewer industrial investors, and they brought smaller visible changes to the life of the city. However, if we look merely at figures, then this transformation was a more successful story than that of the retail trade. The brewery, the dairy products factory, the bread factory, the meat products factory and the machinery companies were all privatised. In the machinery sector the number of jobs has not declined until this year. The threat which the transformation of the industrial sphere means for the city is that neither owners nor even managers have integrated into local society or into the local economy. Their tradition of mobility is quite strong and so their local future is uncertain.

The 150-year old Zsolnay ceramics factory means more for the city than a simple production company. It is a symbol, a cultural icon of the town, a historical monument. It has always been a good example of the fact that culture (that is, art accompanied by the latest scientific discoveries) can generate products which are marketable world-wide. The decline of the ceramics industry in the world market and the appearance of cheap, Far Eastern products put pressure on all similar European factories, and the Zsolnay crisis was intensified by uncertainty surrounding both ownership and management. The number of employees declined to no more than 15% of the level of 20 years ago.

3.2.2. National and European Union Projects

During the socialist era the state participated directly in the development of settlements, and it was not a rarity for state companies to undertake public duties. In the 1980s such activity began to disappear, and after the change of the regime, in addition to the basic, standard support grants, settlements had only project

applications through which they might be able to obtain extra funding. Only major state investments were exempt from this. In Pécs the reclamation of the old mines and mining areas (now closed and with no legal successor) belonged to this category. Within the framework of this reclamation programme a new industrial area was established on the old coalmining area which was located within the administrative boundaries of Pécs. The airport was largely built from regional funds and is currently operating at a loss. The motorway between Budapest and Pécs has been built as a Private-Public Partnership, but it was the most expensive way of finance.

During the last few years, EU and Hungarian state funds have come to complement each other, although there are opportunities only for financing common projects. The first National Development Plan (Community Support Framework 2004–2006) and the National Strategic Reference Framework as accepted for the 2007–2013 Programming Period and the Operative Programmes require 15–50% in ‘own resources’ (i.e., co-finance), which use the greater part of Hungary’s state development resources.

During the EU Pre-Accession Programmes, the city gained little in the way of funds. One important public utility development project was completed within the Instrument for Structural Policies for Pre-Accession (ISPA) Programme. In this, the city’s sewage system was extended and the problem of the protection of the water table was solved. The total cost of the investment was €26 million, 50% of which was provided by the EU, 40% by the Hungarian state and 10% by the city of Pécs. From the Regional Operative Programmes (2004–2006) the city was given funds for reconstruction work on the early Christian monument complex, which is a UNESCO World Heritage site. Besides these, however, only a few smaller projects were assisted. *To summarise, we can say that, to date, the opportunities for funding applications to the EU have given no significant impetus to city development.*

4. PÉCS DEVELOPMENT STRATEGY

In the face of these negative processes, Pécs continues to look for a solution to the economic and social crisis and tries to adapt itself to current economic, political and regional structural conditions. In the centre of its development strategy are the knowledge-based economy and culture-based development.

In recent years the town has sold off the whole of the marketable part of its property portfolio and, in addition to this final disposal, it has sunk deep into debt. For the most part it can only carry out its own development plans if it can obtain national or EU funds – by an application process. *Planning, therefore, is totally and constantly funding-oriented.*

After the change of the regime, specifically in 1995, the local authority agreed its first complex urban development concept, as the result of comprehensive

planning. This recognised those European urban development driving forces with which Pécs could reinforce its position in the European, national and regional division of labour. As the city cannot influence external effects (for example, the crisis, the chronic lack of development resources, Pécs' natural resources being depreciated in the international market) the city set out its aims for developing a knowledge-based economy and formulated its vision of a service-providing city. The general objectives were:

- a 'healthy', 'liveable' city, offering appropriate services and social public atmosphere together with an organised, demanding settlement environment, with which residents can identify themselves whilst attracting investors and tourists;
- a medium-sized city, according to European standards relating to size, population and territory, which retains and looks after its historic atmosphere, intellectuality and established architectural style;
- a city attractive for its intellectual, cultural and historical values and specific life-style opportunities rather more than as an industrial town;
- its economy should be characterised more by technical development, than by less demanding mass-production;
- a regional centre, a service-providing city (an intellectual, technological and R&D centre, a tourist destination, an administrative centre, a regional hub of national and international connections and a religious centre);
- an integrated part of the European City network, an active participant in the Central European City division of labour.

In accordance with these aims, the main priorities and the programmes targeting them were defined. (These were to be harmonised later with EU requirements). Action was to be taken to modernise the city's administration, and the range of tools was also covered by the document, which – even today – can be regarded as up-to-date and conforming to EU norms.

On two occasions the concept was revised, up-dated and transformed into a strategic plan. Besides the basic objectives and concepts, greater emphasis was given to the development of the knowledge-centred economy and human infrastructure. On the basis of the plan, sectoral operative programmes and action plans were assembled. Two programmes would have an important effect: a centrally initiated Development Pole Programme and the 'European Capital of Culture – Pécs 2010' programme.

4.1. Pole Strategy in Competitiveness

Hungary is a mono-centric country, and, apart from Budapest, there are few provincial cities – among them Pécs – capable of retaining or regaining their international competitiveness with central support, and so the National Development Policy announced the 'pole programme'. This is also an element of the NSRF,

and the aim is, on the one hand, to balance the ‘capital-centred’ character of the country, and, on the other hand, to enable these few regional centres to become the driving forces of development in the regions. For this purpose, the five larger cities of Hungary had to prepare individual competitiveness pole-strategies. In Europe in general these growth-pole strategies are mainly industrial development programmes, but the capacities of Pécs simply do not allow the city to be competitive in this sector. Pécs strategy, therefore, chose an *alternative direction for development*, under the title of the *quality of life pole*. This mainly concentrates on the development of services necessary to the quality of life and healthy living and is devoted to developing the health, environmental and culture industries. The health industry programme includes medical treatment, the production of healthy food, sports facilities and also medicinal and wellness tourism. The environmental cluster involves the creation of the eco-city, which involves activity in energy, waste-management, landscape protection, research etc. The most important development programme of the culture industry is the European Capital of Culture – Pécs 2010 programme.

The Pécs strategy is a system of sub-programmes reinforcing each other, but the difficulty facing completion is that its various programmes were planned to be carried out from the National Strategic Reference Framework (2007–2013). Further problems emanate from the fact that the areas included have, at most, one third of the jobs and this strategy is only appropriate, for example, for manufacturing industry which employs more than one fifth of the active labour-force in connection with the cooperation opportunities.

4.2. European Capital of Culture (ECOC) – the Pécs 2010 Programme

Due to its cultural traditions and artistic life, to its functions as a festival and education centre, the city, together with Essen and Istanbul, was designated a European Capital of Culture for 2010. The city was looking for a new identity and an economic role, and these were found by those who formulated the application to the EU in those driving forces alive before the city’s industrial development phase. For the economists it has always been clear that the health, environmental and cultural industries would be a good direction for development, although not sufficient for the economy of Pécs to flourish. Nevertheless, many people simply expected that the ECOC programme would automatically produce a significant impact on the economy.

The key projects of the Pécs programme were to be five in number:

– a Music and Conference Centre: the establishment of a modern, even by international standards, concert hall, which can also be used for other high quality events;

– the Zsolnay Cultural Quarter: the restoration of the site of the Zsolnay factory (a brown-field zone) with its historic symbolic values, the relocation of

production, renovation of the park and memorial buildings and their dedication to cultural functions;

- a Grand Exhibition Centre: the establishment of an exhibition area as an extension of the rich and varied range of museums and galleries, able to accommodate major exhibitions;

- a Regional Library and Information Centre: providing modern multifunctional information services to residents of the city and region. A joint project with the university;

- the Revitalisation of Public Areas.

Naturally, a number of programmes were planned to fill these investments and preparations for the projects were accompanied by wide-ranging civil and professional debate. Even today there is still much dispute surrounding the choice of premises and locations for the key projects. The revitalisation and consequent increase in value of the slum areas lying close to the inner city are important. Until 2010 most of the physical cultural infrastructure (libraries, museums, galleries etc.) was located in the historic inner city area, but, due to the ECoC programme a number of these were moved to new locations in the ECoC projects, so allowing the risk to emerge of a further devaluation of the historic centre. Another issue which needs to be addressed is that, should the demand for these functions not be maintained at an adequate level after the ECoC year, then who will maintain these new institutions – and how? Can their market-based maintenance be underwritten? We now know that, after the ECoC year, cultural institutions will not be self-supporting, but will be a financial burden on the city.

The project was significantly delayed due to the fact that ECoC programmes were implemented with funding from EU Structural Funds, which were only scheduled for the actual programming period. The calls for tender relating to action plans based on operative programmes were announced too late for the optimal timing of their launch, and the obligation to comply with strict bureaucratic procedures did not make the speeding up of programmes possible, with the result that investment projects could only be started in the second half of 2009. Consequently, most were completed only by mid-2010 and in 2011 instead of earlier. The 'supervision' by central government of programmes (rather than decentralisation to the local level) proved to be rather obstructive and slowed down the whole implementation procedure instead of facilitating it. Some of the privately funded investment projects (e.g. hotels) were cancelled due to the global financial crisis which emerged in the autumn of 2008. Despite these difficulties, the city remained faithful to its cultural mission and did not make any cuts in the cultural programmes as planned. Further it assumed a heavy burden in purchasing from the USA a private collection of pottery manufactured in the Zsolnay China Factory of Pécs at the turn of the last century, which is to be displayed in a new museum.

5. CONCLUSION

5.1. Funding-oriented Planning Instead of Strategic Planning

Albrechts (2004, p. 747) defines strategic spatial planning as: ‘a public sector-led socio-spatial process through which a vision, actions and means for implementation are produced that shape and frame what a place is and may become’. In the case of the new member states the process of EU-led planning was a very special occurrence. The EU bureaucracy itself does not prepare strategic plans; it implements its structural, cohesion and regional policies (ESDP for example) by supporting Structural Funds and the Cohesion Fund. EU member states can be divided into two groups – by deciding whether they are or are not beneficiaries and to what extent they need this funding. The new EU member-states (the post-socialist countries which joined the EU in 2004 and 2007) attach high importance to EU funding for the continuation of their socio-economic transition, and so they are forced to adapt to the EU’s uniform standards. *In these countries we cannot speak about strategic planning or management in the traditional sense* (Mintzberg, 1990) but they are undertaking *strictly EU-objective and EU funds-driven planning*. These member states have as much chance of being creative during planning (NSRF, OPs) as a child when putting together the pieces of a puzzle. Different components should be fitted together during several trials for shaping a ready-made strategic vision. One must either fit the framework or development funding will not be received! The acceptance of rules means formal consensus. This kind of funding system is hindering the priorities of communities and decision-makers as, without these factors, countries, regions and settlements would have different strategic key issues. Habermas (1986) sets communicative action based on mutual understanding against imperative, success-oriented (or, in his words, strategic) action motivated by the interests of the powerful where the tool of persuasion is not argumentation but influence. He terms this a fragile consensus even if the strategist offers benefits that the other party finds acceptable.

EU funds are based on a mixture of strategist and incrementalist planning. Although using the term *strategic management* would be more appropriate than plan-making, the management of its implementation, monitoring, evaluation and feedback are parts of a whole (uniform) programming system (Farago, 2005). In making the National Strategic Reference Framework the ‘four-track approach’, the four types of rationality (Albrechts, 2004, p. 753) work in different territorial levels. It is specific from the standpoint that objectives and priorities (vision, mission) are specified at EU level for every country, while concrete strategic plans and operative programmes are prepared at ‘decentralised’ national and regional (NUTS 2 and NUTS 3) levels. The new member-states can exert very little influence on the objectives and on the operation rules of the current programming period (2007–2013) and so their specific features and concrete needs

are hardly represented in them. The affected countries and regions have scarcely participated in value rationality (Weber) and their contribution was not substantive (Manheim). The interest groups of the EU-15 set up the objectives and the post-socialist new member states could pursue functional, allocative planning (Mannheim, Friedmann) on the basis of instrumental rationality (Weber).

In the case of strategic (spatial) planning, the widest social involvement or partnership should be ensured when objectives and priorities are set. Later, there should be an increasing role for experts as planning goes ahead. During the preparation of EU planning documents (NSRF, OPs) partnership and social inclusion become *formal*, since citizens are not involved in preparing the programming period, in debates on cohesion, in reports and guidelines and in adherence to the rules. Communication becomes one-sided as there is no way to introduce such objectives and priorities which are not included in the programming period's directives and regulations. Nevertheless, the actors on behalf of the Commission do not even allow any deviations from non-compulsory directives (guidelines, 'Vademecums' and aides-mémoire). They should comply with them not only in content but in terminology also. Therefore the chances for communicative rationality through debate in people's 'life word' are very limited and it cannot be integrated into EU's planning system. The issues raised by EU citizens, local and regional communities are mostly opposed by pragmatic arguments only (e.g. the lack of funding sources, the incompatibility with rules approved) but people are not involved in the real process of value-selection. No steps have been taken towards collaborative planning (Healey, 1997).

The preparation of the next programming period has started, but it is not yet too late to involve in greater extend the actual beneficiaries of funds in the preparation of directives and utilisation provisions for the programming period starting in 2014!

5.2. Spatial Structure, Polycentrism

Structural changes are necessary not only in the economy but in the regional structure also. Hungary is a mono-centric country (see ESPON, 2005) and the difference between the functional wealth of Budapest and other European capitals is much smaller than that between Hungarian and West European regional centres (NUTS 2). In Hungary there is a 90-year old debt to be paid to develop the larger provincial towns able to act as effective regional centres! These 'counter-poles' could assume the burden from Budapest and the Central Region.

Part of the Pécs regional institutions (central functions) are threatened by that populist policy which considers that a settlement hierarchy and vertical functional division is essentially bad and, not taking into account the economic and sustainability arguments, wants to spread regional functions, basing its argument on democratic network cooperation. The fact that there is no explicit vertical and

horizontal functional spread among the towns and that each individual settlement is given a little from the central budget, shows that this is not enough for the existing structure to survive. In the medium term, and as a first step, Hungarian development policy should embrace *concentrated decentralisation* (politically unpopular) in which regional centres – amongst them Pécs – should be developed. Especially if the regional centres are not able to fulfil central functions, then NUTS 2 regions, as a regional level, must also come into question. In the post-socialist development period, a maximum of no more than a couple of towns will be able to do this independently and the trans-national/national functional urban areas can disappear from the map of Hungary, with only one metropolitan European Growth Area remaining – Budapest (MEGA3).

5.3. Dilemmas

One of the limitations to the regeneration of post-socialist towns and cities was the fact that their place in the economic division of labour is, even now, determined by essentially *external factors*. In Pécs the loss of traditional industrial jobs, the emigration of the young, highly skilled labour-force and the deterioration of the built environment all produced a pessimistic atmosphere. Indecision was increased by the fact that, due to the geopolitical situation (specifically, the closeness of the Balkan War in the early 1990s) and to the weak infrastructure, less operational capital came to South Transdanubia, the county and to Pécs than to the Central and North Western Regions of the country following the change of regime. With the exception of one company, the town was unable to attract serious industrial investment and the foreign-owned companies already settled here have a high degree of mobility. Retail trade investment improved both product supply and employment but damaged the historical architectural profile of the town by restructuring the city with no adequate concept. Old Hungarian companies were liquidated and most local, small retailers closed.

Once, the owners and managers of Pécs factories (for example, Zsolnay) were the leading citizens of Pécs, pillars of local society, who did much for the development of the city. In the socialist era both county and local party-leaders, together with the local council and company managers, competed for central investment, so that their 'own territory' could be developed the better. Today the owners of the bigger companies operating in Pécs are *impersonal*. Managers also move to the city only temporarily and they are interested in the development of the town only insofar as it provides appropriate operating conditions and contributes to external economies of scale and economic savings. Due to the lack of local identity they are not real stakeholders; they are not partners in planning.

One positive feature of this crisis is the demise of obsolete or uneconomic units and of unnecessary jobs, which compelled the town to formulate its new

vision – and then to do something to accomplish it. In addition to transforming its industrial activity, the town can also see a way to flourish by means of a new form of creative economy.

To develop the culture industry, not only the physical appearance of a suitable infrastructure and historic monuments are needed, but the creativity of its human capital is equally important! A new leadership culture style and a new type of management are necessary to create and sell culture as a product. Creative, tacit knowledge should be given the opportunity to operate on an everyday basis – despite international connotations, and reproduced in the local milieu. There is a need for cultural gurus for different types of knowledge of the various civil organisations and for new organisational management forms. This need can neither be fulfilled by politicians who are contra-selected and who are no more than intermediaries (who pass on matters of macro-policy locally), nor by company managers (who represent traditional economic thinking). Infrastructural and human conditions cannot be at a lower level than, say, the development of Information and Communication Technology, but this requires a different type of creativity.

The situation is similar in the case of the health industry. The city leadership is only one of the many stake-holders who can assist the university, research and the associated market players in the development of the new sector, but currently policy and administration are rather hampering this process. The health-care system reforms underway over the whole of Europe and the current restrictions rather deepen the crisis in the sector, and a solution is not in prospect.

REFERENCES

- ALBRECHTS, L. (2004), 'Strategic (Spatial) Planning Re-examined', *Environment and Planning B: Planning and Design*, 31, pp. 743–758.
- ALBRECHTS, L., HEALY, P. and KUNZMANN, K. R. (2003), 'Strategic Spatial Planning and Regional Governance in Europe', *Journal of American Planning Association*, 69 (2), pp. 113–129.
- BOLAND, P. (2010), "'Capital of Culture – You Must Be Having a Laugh!'" Challenging the Official Rhetoric of Liverpool as the 2008 European Cultural Capital', *Social and Cultural Geography*, 11 (7), pp. 627–645.
- ESPON (2005), *1.1.1: Potentials for Polycentric Development in Europe. Final Report* (NORDREGIO).
- EUROPEAN COMMISSION (2004), *European Cities and Capitals of Culture*, Brussels: Palmer-Rae Associates, http://ec.europa.eu/culture/pdf/doc654_en.pdf.
- FARAGÓ, L. (2004), 'The General Theory of Public (Spatial) Planning. The Social Technique for Creating the Future', *Discussion Papers*, 43, Pécs: Centre for Regional Studies of Hungarian Academy of Sciences.
- FARAGÓ, L. (2005), 'The Driving Forces of Regionalism in Hungary', [in:] BARTA, Gy., FEKETE, É. G., SZÖRÉNYINÉ, I. K. and TIMÁR, J. (eds.), *Hungarian Spaces and Places: Patterns of Transition*, Pécs: Centre for Regional Studies, pp. 73–91.

- HABERMAS, J. (1986), 'Magyarázatok a kommunikatív cselekvés fogalmához' (Explanations to the concept of communicative action), *Magyar Filozófiai Szemle*, 30 (1–2), pp. 175–200.
- HABERMAS, J. (1995), *The Theory of Communicative Action*, Cambridge: Polity Press.
- HEALEY, P. (1997), *Collaborative Planning*, London: Macmillan.
- MINTZBERG, H. (1990), 'Strategy Formation. Schools of Thought', [in:] FREDRIKSON, J. W. (ed.), *Perspectives on Strategic Management*, New York: Harper Business, pp. 105–235.
- PÉCS (2005), *The Pole of Quality of Life*, Pécs: Local Government.
- SADIQ, K., WALKER, H., HUTTON, S. and ARTIS, H. (eds.), (2003), *European Capital of Culture 2008. Socio-Economic Impact Assessment of Liverpool's Bid*, Manchester: ERM Economics.
- THE BORDERLESS CITY (2005), *European Capital of Culture – Pécs 2010*, Pécs: Europe Centre Pbc., www.pecs2010.hu .