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The major stages in the development of a regional centre. The case of Pécs (Hungary)

Abstract The aim of the study is to provide an overview of the main milestones in the development of a regional centre in Hungary. Pécs is a centre of a depressed region. The Transdanubian region is among the 20 most disadvantaged regions of the European Union which shows a significant decline compared to previous years. This justifies the need for professional research directed at changing this situation by performing some tangible efforts. Pécs is a 2,000-years old city, acquiring various historical and mutually reinforcing central functions, by virtue of which it has developed into a regional centre. Of the historical drivers of the development of Pécs, the study is able to identify three groups of factors 1) centrality within its region, the regional functions it has fulfilled throughout its history, 2) culture and multiculturalism, and 3) industrial development. This study will analyse the relation of the cultural centre position and the other function of Pécs. The study is the first descriptive result of a research project¹ that reviews the development and governance characteristics of a typical case of peripheral regions. Ongoing empirical analysis will allow the development of a development policy concept.

Keywords: development path; Hungary; Pécs; regional centre

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INTRODUCTION

The COVID-19 pandemic has caused an unexpected social and economic challenge to society and regions. This makes the study of inequalities particularly relevant in both urban-urban and urban-rural contexts. The analysis of inequalities in regional science

¹ Project no. 132294 „Governance challenge in peripheral areas.”

is mainly based on centre-periphery theories: World System Theory (Wallerstein, 1974), dependency theory (Myrdal, 1957), along common historical and cultural roots (Zarycki, 2000), location-dependent theory (Rokkan-Urwin, 1983), etc.

The resulting power relations can be influenced by the geopolitical situation, the current era, the local community, and the local resource endowment. A city's position of power is different when analysed internationally, within a country, a region or a county (Pálné, 2021).

The study presents the milestones of the development of Pécs, all the important moments that have contributed to the maintenance of its position as a centre within the county and the region, while at the same time leading to its peripheral position within Hungary. The study is structured in chronological order, with the first chapter covering the development of the city up to 1990. The main characteristics of the city are its multi-cultural nature, its capacity for constant change and its adaptation. The following chapter summarises the main economic activities and the largest enterprises (by employment) from the change of regime to the present. This chapter, illustrated with examples, shows the effects of centralisation in Hungary and the lack of economic capital in Pécs. The final chapter is an outlook through city and county development plans.

The study is descriptive in content, analysing the legislative background of the national development policy, including policy documents, guidelines, evaluations and reports related to Pécs and Baranya county. In addition, county and small town development plans that mention Pécs (integrated urban development plans, integrated spatial development strategies, Modern Cities Programme evaluations) have been used. The analysis of the different development strategies and plans of the city is also an important factor in the design of future strategies.

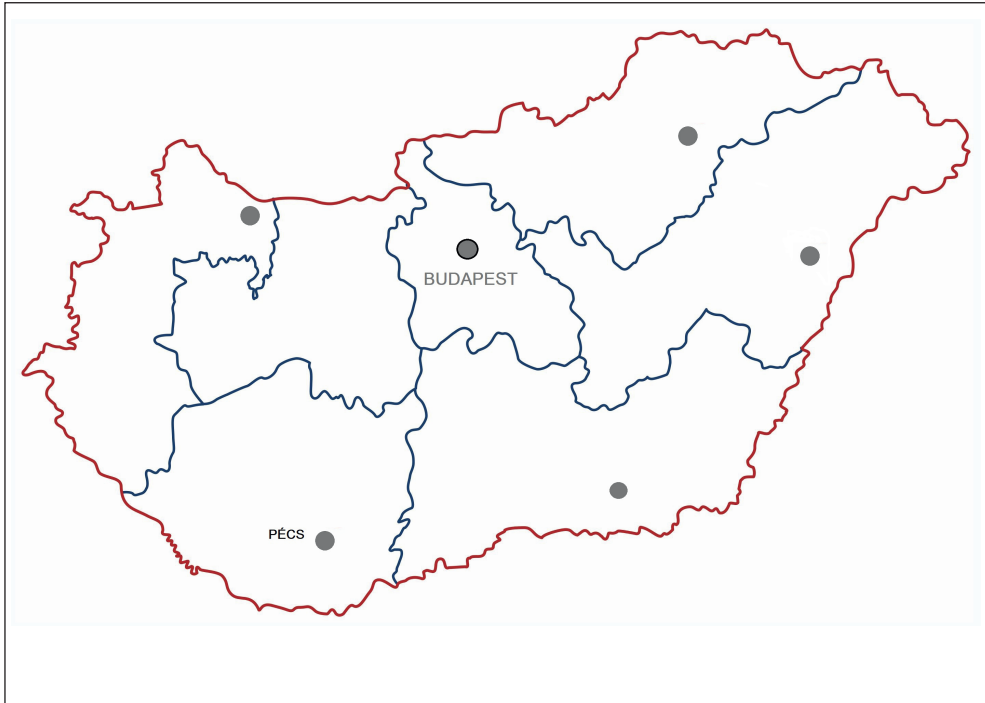
THE HISTORIC REGIONAL CENTRE: THE CASE OF PÉCS

Pécs is the most populous city of Baranya county and the South Transdanubien region, a fully-fledged regional centre (Fig. 1). The settlements of the South Transdanubien region showed a spectacular rate of urbanisation in the 18th and 19th century; Pécs is referred to as the region's most populous city in this period. Prior to receiving the title of free royal town in 1870, Pécs was owned by the Bishopry of Pécs and was an ecclesiastic country town. Religious unilateralism² was combined with ethnic diversity, a feature that still defines Pécs today. In the 1840s, Hungarian, Croatian and German nationalities constituted an equal proportion (H: 1/3, C: 1/3, G: 1/3) of the city's population. The mid-19th century was marked by spectacular population growth, primarily originating from the adjacent villages. In 1854, the Danube Steamboat Company built lines connecting the present-day districts with the town centre, as well as the Mohács-Pécs line to facilitate direct shipment. The city suffered no significant damage during World War I; its population increased due to the border changes imposed by Treaty of Trianon in 1920.

The post-war population boom was not reversed by the Great Depression and World War II. Pécs was dynamically developing, the growing labor demand of mining, construction and other industries was satisfied by the influx of rural population. The period between 1947 and 1955 saw the development of Greater Pécs and the integration

² Municipal regulations prohibited the settlement of Jews, which had an adverse effect on trade and small-scale industry (Móro, 1995).

Figure 1. Location of Pécs

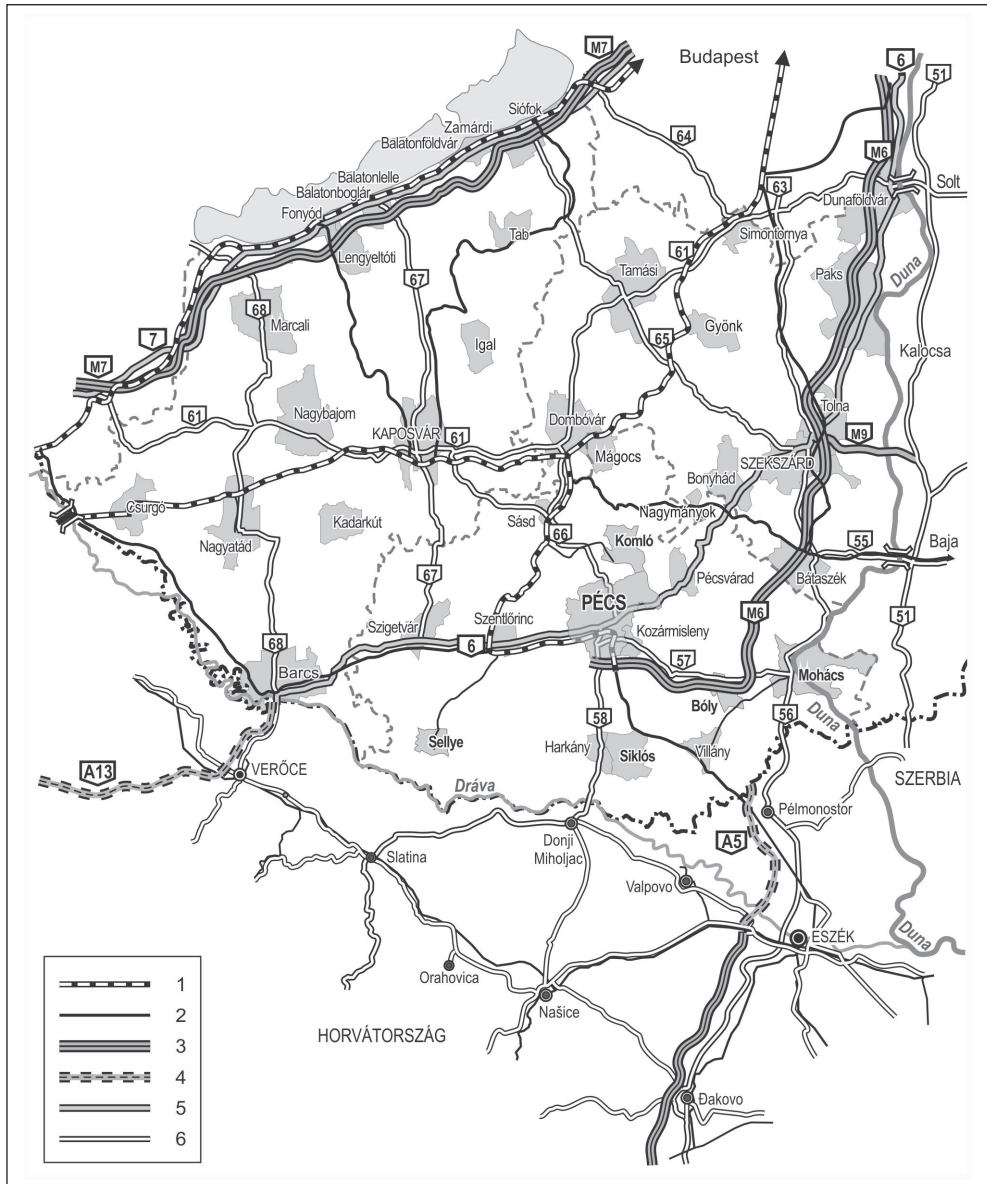


Source: author's own contribution

of the neighbouring villages (Mecsekszabolcs, Pécsújhegy, Mecsekalja, Vasas, Málom, Nagyárpád). A massive influx of working-age migrants fuelled the population growth between 1955–1960 (KSH, 1961). The population reached its peak in the 1980s, and the subsequent decline dating back to the regime change has had negative implications on local society and the economy.

Pécs was situated at the intersection of three principal national roads (Fig. 2): the Pécs-Nagykanizsa-Sopron-Vienna route (trade-military-post function); the route from Buda (integration into the economic mainstream); and the (foreign trade) route from the Balkans (Erdősi, 2018). The city's zone of economic influence extended beyond the county's borders already in this period. The technical infrastructure for modern life had been established by the turn of the 1900s. A unique specificity of urban development was the prominent role of agriculture, and in addition to viticulture and wine-growing, revenues from the sale of agricultural products accounted for a significant share of the city's budget. Having acquired the status of free royal town, Pécs developed a new trade model, with all its major factories established before the 1850s: the Zsolnay Manufactory, the Hamerli Glove Manufactory and the Angster Organ Manufactory, which confirmed its character of an industrial town (Kaposi, 2006; 2007a). In the post-war period, the city faced difficulties in adapting to the changing circumstances (Kaposi, 2018). By 1930, a moderate conjuncture had begun with hotels opened and renovated (Hotel Kikelet, Nádor Hotel). The city did not "move" in sync with the Great Depression, and large-scale construction projects were implemented (airport, bus station, modern residential and office buildings). Pécs was a regional centre of administration, development and border

Figure 2. The transport network in South-Transdanubia



Source: author’s own contribution (1: railway, 2: railway line for industrial use, 3: highway, 4: motorway, 5: secondary motorway, 6: third-order motorway)

protection; tertiary industrial training was launched; the life of miners was characterised as ‘hedonistic’ (Erdősi, 2018).

Pécs, due to its size, is unable to influence international, and in many cases national trends; which has prevented the “fossilisation” of structures and encouraged processes of internal adjustment and an aptitude to change in each distinct era. Regional/national/international processes have shaped the socio-spatial structure, the economic and

environmental conditions of the city. The case of Pécs provides a typical example of continuity and discontinuity in terms of state interventions (Hajdú, 2001). State Socialism was a singular yet differentiated period in Hungary. Urban development was highly prioritised, making the city of Pécs a main beneficiary of processes (the image of a mining town – monoindustrial developments leading to technological and institutional lock-in). The transformation highlighted the difficulties of Pécs, insufficiently prepared for its metropolitan role, in terms of structure, social perception and its economic base. The doubling of its population necessitated the construction of new neighbourhoods (on the Mecsek hill, Uranium City, and the Garden City – the sixth largest housing estate of the country).

Besides the spectacular growth of the mining sector, the 1970s and 1980s were marked by the domestic and international success of companies in the light industry (leather, porcelain, glove-making). Pécs-based firms were rapidly developing in the pre- and post-transition period marked by the decentralisation of management and a rise in external demand. The impacts of agricultural-related economic reform measures began to materialise, and the food industry (meat industry, poultry processing, dairy, bread factory, brewery) saw a rapid development during the 1970s in Pécs (Kaposi, 2007b). Growing uncertainties characterised the (to some extent) artificially maintained market cooperation (Soviet exports) in the 1980s, and access to new markets was becoming increasingly problematic. The collapse of the Soviet market placed a heavy burden on the city's economy, triggering massive unemployment.

THE PERIOD OF THE REGIME CHANGE

Pécs had to face the problems of restructuring post-regime change in tandem with the collapse of its mining industry. One of the greatest challenges for urban management was the establishment of the new local government system, as economic development was lacking strategic direction and vision during the first five years, and was exclusively driven by market mechanisms. Despite the positive assessment of spontaneous tertiarisation and the concomitant qualitative changes, the void created by the decline of mining and heavy industry could not be filled either by the prioritised food industry (milk, beer, wine, meat, tobacco), light industry (leather making), ceramics or foreign direct investments (Trócsányi, 2006; Egyed-Rácz, 2020). The period of the regime change also saw the arrival of foreign capital to Pécs, serving as a major driver of privatisation.

The emergence of foreign capital in the city's economy is not the exclusive consequence of the privatisation of public assets. In the early 1990s, the Mechanic Laboratory, a firm specialised in the production of military electronics and radio studio equipment was closed down in Pécs. The site was acquired by the Italian monitor manufacturer Hantarex. The factory with its nearly 1000 employees supplied world-class products to world-leading computer manufacturers. Following the bankruptcy of the Florence-based parent company, Nokia acquired the Pécs plant in 1994, which produced its own brand of monitors under the name of Nokia Monitor Magyarország Kft. and it carried out continuous R&D activities. The factory suffered the negative impacts of the restructuring of Nokia (for more details see Lux, 2021), as a result of which Nokia left Pécs and sold the plant in 2001. The buyer, Elcoteq, established its Pécs unit in 1998, which has developed into the largest company in the Pécs Industrial Park. The intensification of production implied growing demand for labour, significantly contributing to the extension of the commuting

area of Pécs. During the Great Recession of 2008, Elcoteq was the major employer in the county, with its (own and hired) employees exceeding 7,000, the majority performing unskilled jobs. By the end of the decade, the Pécs factory was no longer a simple production unit, a growing number of engineers were engaged in product and technology development. The plant also began manufacturing new products, while mass production was outsourced to China, Brazil and Mexico. After the bankruptcy of the parent company of Elcoteq, the Pécs plant was shut down at the end of 2011 (representing the largest exit of a multinational from Hungary, besides IBM from Székesfehérvár and Nokia from Komárom).

The limits to foreign capital inflows are clearly illustrated by the ownership structure of businesses in Pécs: 250 out of appr. 9,000 corporate entities registered in Pécs operate with foreign capital.

The construction of new industrial capacities and promoting the settlement of firms in Pécs would have offered a panacea to this unfavourable economic situation. Location choice theories highlighted the role of accessibility and availability of skilled labour as one of the main location factors for new industrial firm creation already in this period (Lengyel-Rechnitzer, 2004; Koltai, 2007). Economic restructuring, the demise of state-owned manufacturing companies resulted in the absence of vocational training institutions where future skilled workers could master the basics of their trade. This further eroded the chances of the survival of industrial traditions. Pécs has long since nurtured the dream of hosting a large MNE (employing tens of thousands of people), which no longer appears realistic. Pécs could not prevent the (primarily externally-driven) departure of the few MNEs that chose to settle in the city. Since the closure of Elcoteq, the University of Pécs has been the major employer in the city.

Pécs was not among the beneficiaries of the first wave of greenfield investments in the second half of the 1990s due to its unfavourable industrial location factors, the deficiencies of its linear infrastructure in particular. In addition, the settlement of the EMS sector in the city (and the country) was short-lived, due to the sector's high labour-cost sensitivity and market volatility, as well as the deteriorating global market environment. Pécs is located outside the Central European manufacturing core area, which is manifest in weak domestic operating capital investment, the absence of re-industrialisation efforts and the gradual loss of jobs (Lux, 2021). Pécs has serious handicaps in terms of accessibility, being the last of the regional centres to be connected to the motorway network. The belated (2010) opening of the long-awaited M6-M60 motorway coincided with the cessation of FDI inflows into the country and the emerging tendency of profit repatriation and heightened investment focus on existing production sites. Pécs has remained at the margin of these processes.

The development of industrial infrastructure, on the contrary, has witnessed significant progress. The three – underutilised – industrial parks of the city (Southern, Pécs, Pannova) can accommodate large-scale industrial investments, the main target is to promote the implantation of productive firms with a potential for job creation, which the municipality assists through the provision of tax incentives for a duration of 5 years. Greenfield investments outside industrial parks are exempt from paying tax for 2 years, and productive investments and various preferential industries (e.g. Shared Service Centres) can benefit from reduced building and land tax rates to encourage their settlement in Pécs (Mezei, 2017). Despite all these efforts and the availability of infrastructure, the city has attracted only a few serious investors. The majority of large investors are

foreign, mainly German and Austrian medium-sized firms, which is greatly resented by the local SME sector. The construction of the Pécs Industrial Park has been laden with difficulties from the outset, due primarily to the city's weak power to influence the intentions of investors. To date, the municipality has not designed instruments capable of attracting investment to targeted areas of industrial development, hence, the most pressing task is to ameliorate their offer and to rely on industrial parks and brownfield sites for future investments.

Besides foreign-owned enterprises, domestic and municipal firms are also vital components of the local economy and employment structure of Pécs. The major representatives are the largest private employer, Mecsek-Füszért Zrt. with a registered capital of HUF 1.6 billion and 1,500 employees and the largest domestically-owned engineering company, Matro Kft. with its 140 employees. Mecsekérc Zrt. (129 employees) specialised in mining and recultivation shows similar figures. The three large-scale municipal service providers (Biokom Ltd., PÉTÁV Ltd., Tettye Zrt.) employ appr. 1,000 people, and own a combined registered capital of over HUF 4.5 billion. The prominent role of public sector employment in Pécs is also worth highlighting: the major employer in the county is University of Pécs (UP) with 6,700 employees, followed by the Municipality of Pécs with 2,250 employees, and a number of deconcentrated bodies (National Tax and Customs Office, Hungarian Paying Agency, etc.) offer administrative, legal and economic jobs for people with secondary and higher education degrees.

The unfolding changes have entailed a radical restructuring of the business sector in Pécs. According to recent data, 25,322 firms were registered in the city in 2016, the dominant role of services is demonstrated by the fact that 82.87% of total businesses belong to this sector. The previously dominating industrial sector accounted for less than a tenth of the total number of businesses, while agriculture accounted for 7.58 percent of registered firms.

FUTURE DEVELOPMENT DIRECTIONS

Before discussing the future development options of the city, it is worth reviewing the objectives and directions fixed by the strategies in force and examining the coherence between the various documents.

The main buzzword of the Integrated Urban Development Strategy³ (IUDS, 2013) is economic, environmental and social sustainability. Economic sustainability is achieved through the repositioning of industrial activities, re-industrialisation, and the development of sectors already included in the Pécs Pole programme (health, environment, cultural industries), facilitated by conditions such as the efficient allocation of economic and social resources, renewal of municipal management (coping with the spiral of debt) and the development of tourism. The environmental sustainability objective of the strategy focuses on safeguarding natural assets and resources, restoring environmental damage, diversifying energy use by increasing energy efficiency and renewable energy utilisation, improving public transport and cycling infrastructure, developing the road network and

³ Integrated Urban Development Strategy is a complex document. In Hungary, such strategies are required to apply for certain national grants. The practical benefit is that the strategies set out clear and measurable objectives that combine environmental, economic and social elements with sustainability. In Agenda 2030 the EU refers to those strategies as Integrated Sustainable Urban Development.

parking facilities. Social sustainability would require efforts in the integration of disadvantaged social groups, improving vocational and adult education, encouraging young people to stay in the region, strengthening social cohesion and the participation of non-state, civil stakeholders. A certain local patriotism can be detected among local intellectuals (Pécs “tüke mentality”) and the engagement of local civil society is outstanding.

The Vision of the Development Concept (2014) also aims at sustainability, defining a sustainable city as one that is characterised with internally-driven and self-sustaining development, generates and maintains positive income flows through the efficient use of endogeneous resources and reducing its reliance on external subsidies, is capable of the management of external risks, flexible adaptation to change and essentially autonomous operation (Eco-Cortex-MSB, 2014a).

The objectives defined in the Integrated Urban Development Strategy (Eco-Cortex-MSB, 2014b) are well aligned to the development concept. A new element is ‘widening the scope of governance’, closely linked to the HUF 45 billion debt of Pécs (Pécs accumulated the highest debt among the cities of the province according to governmental data on debt assumption and municipal consolidation).

IUDS designates the areas of intervention within the city corresponding to each objective, partitioning the city’s territory into four zones subdivided into smaller units. The problem areas were identified in the IUDS and IUKS in the framework of key projects and the corresponding developments (e.g. attraction of large employers to Pécs). The document also enumerates the risks connected to the implementation of the strategy (negative demographic trends; the city leadership’s perception of change management; lack of synergies; financial risk, etc.). Overall, the urban strategic documents aim to achieve complex social, economic and environmental sustainability, targeting the necessary resources and designating the way towards their realisation.

Achieving economic sustainability supposes the attraction of large employers to Pécs, and the concomitant increase of employment and its multiplier effect on consumption. Despite a favourable change in local unemployment rates showing a steep rise in the aftermath of the economic crisis, this is less likely to be the consequence of the emergence of new large enterprises, as they have been conspicuously avoiding the city in recent years. Employment growth was related to the investments and labour demand of existing large employers (Hauni, BAT, UP), the construction of the motorway was unable to trigger the settlement of new firms, and recent analyses suggest that it has rather reinforced the backwash effect of the capital city. The arrival of Magnus Aircraft Zrt, which set up an electric aircraft factory in the vicinity of Pécs-Pogány airport has received large media coverage. This enterprise, relying on a small number of highly qualified workers, is renown for its outstanding innovativity. The South Korean-based automotive parts manufacturer, Hanon Systems Hungary Kft. is reported to invest a total of HUF 36.7 billion in new production capacities in Székesfehérvár, Pécs and Rétság, creating a total of 500–520 jobs, out of which 450 will be concentrated in Pécs (www.bama.hu).

While local stakeholders’ lobbying activity is fundamental to luring large multinational companies, Pécs has not even managed to enter into competition for the location of BMW’s Hungary-based plant despite the availability of the necessary infrastructure (a developed industrial park, land) for the prospective investment realised in Debrecen, where it was yet to be developed (www.okpecc.hu).

The Modern Cities Programme was also a missed opportunity in terms of rethinking the industrial fabric in Pécs, used largely for the development projects of the university and the capacity improvement of hospitals.

A key prerequisite for social sustainability is preserving the city's population. While suburbanisation and the movement of the population to surrounding settlements is a contemporary trend typical to large cities, in the case of Pécs the phenomenon is not so simple. In addition to population migration to the settlements of the conurbation (Kozármisleny, Hosszúhetény, Keszü, Pellérd, Orfű, etc.), the main tendency is the outward migration of highly qualified individuals towards the capital city or abroad. Another defining trend is the city's weak capacity to retain graduates in order to counter the pull effect of Budapest and the rural growth centres on the labour force. This lends to the assumption that young people will pursue even their higher education elsewhere. From the vantage point of UP, the steadily increasing number of foreign students is a favourable phenomenon and crucial pillar of the economic life of the city. In 2018, their number exceeded 4,000, with the vast majority enrolled in medical and related courses (pharmacy, health sciences). Only a small proportion of foreign students choose to stay in Pécs, the majority do not become integrated into local society, while the estimated spending of the university and its students accounts for ca. 15–20% of the budget of Pécs (Budget of Pécs, 2020). Emigration is primarily motivated by the search for competitive income-earning opportunities, which would require the economic revitalisation of the city. The interaction between the university and the city is a well established fact, and is a key ingredient to fulfilling and maintaining leadership role in the region. Pécs is a university town, from September to June, life is exhausting. Summer is problematic in many ways, although domestic tourism is already compensating for the lack of students. With its wide selection of training courses and international connections, UP is one of the most prestigious higher education institutions in the country. In the case of Pécs, the building of a knowledge cluster requires the development of a complex socio-economic environment where entrepreneurship and trust blend in a unique individual and institutional milieu. Trust and reciprocity are crucial to maintaining the intellectual base supplied by universities (Sitányi-Ludescher, 2009).

Pécs, owing to its multicultural past and the presence of the university, is a peripheral local society where project proliferation as a measure of Europeanisation has become a facilitator of integration (Nagy Kalamász, 2007). In terms of ideas, the city relies on the interaction of local economic development models, the local project class, the local elite and stakeholders (Füzér, 2016). The main directions that have crystallized in the investigation of the social capital of the city are: participatory urban development (Füzér, 2017), the fight against social exclusion (DDRFÜ, 2013), the context of the population's health (Fehér, 2007), the role of the university (Sitányi-Ludescher, 2009, Mezei, 2005). The city has witnessed three major urban development processes in the post-millennium era: the Pécs2010 European Capital of Culture (ECOC) programme, the Pécs2020 and 2030 urban development strategies, and the Pécs2020 urban regeneration of segregated areas. The urban development strategies are the products of a participatory planning process.

The city has benefited from several major investments and neighbourhood renewal projects related to its European Capital of Culture title: the Knowledge Centre, the Zsolnay Cultural Quarter, the Museum Street, the Kodály Centre and a number of smaller additions thanks to which Pécs has become a more vibrant regional centre. Although the objectives envisioned in the original programme have not been fully realised (operational

problems), the investments have played an uncontested role in shaping local society. The project itself is an urban development process, linked to beneficiaries' developments, subsuming a number of development strategies (Farágó, 2011). However, the Integrated Urban Development Plan and the Anti-Segregation Plan prepared in the framework of a participatory process leaves a lot to be desired; and the forum of experts and partnerships were not implemented properly either during the project's implementation (Füzér, 2017). A major anticipated result of the ECOC would have been boosting the local tourism sector, which, however, is not reflected in the number of overnight stays.

The city's efforts in environmental sustainability have received the most positive evaluation, the local district heating supply is based entirely on renewable energy, and as of 2013, the largest green combined heat and power (cogeneration) plant in Europe is located in Pécs. In addition, the municipally-owned BÍOKOM Kft., as Hungary's most diversified and renowned waste management company in terms of both strategy and services (transformed in recent years into a *stadtwerke*-type company), has realised a number of pioneering developments and activities. These are complemented by ongoing activities of mine reclamation. The operation appears to have lived up to expectations, with the energy efficiency and energy investments of local institutions, the newly established solar power plant, and the recultivation of former uranium mines (e.g. the development of 'Tüskésrét' park) all falling into this category.

Municipal debt settlement has been unable to resolve the problem of local government indebtedness. Pécs is still facing economic difficulties and its economic management is fundamentally unsustainable. After the debt assumption of 2014, the municipally owned companies have accumulated billions of euros in debt, as unveiled by the municipality's asset management plan for 2018–2022 of December 2017. The government provided aid once more equivalent to HUF 9.5 billion, in the form of repayable grants (government decision 1943/2017), with strong guarantees (Treasury oversight, all assets serve as collateral) and setting up a new strategic management body in parallel to/above the mayor's office. The major challenge for Pécs is to repay this loan in three years, requiring an average of HUF 3 billion in savings and HUF 3 billion of surplus revenues on an annual basis. A more consistent approach to urban management would be essential to avoid the need for successive waves of debt consolidation.

Whereas the objectives and directions defined in urban development documents are not ill-conceived, their revision is required in certain cases. Apart from a few exceptions, the city has been unable to attract and retain large employers for decades. The political lobbying power of Pécs has considerably waned since the epoch of winning the ECOC title (the former mayor was referred to by the press as the most powerful mayor in the countryside and several members of the political elite were from Pécs or had ties to the city; the political weight of the current mayor is much more modest). This is strikingly evident in the location choice of large companies relocating to Hungary in recent years. A scalar leap would thus be necessary, adapting local support schemes to the needs of small and medium-sized enterprises, and relying on the profile and support of existing clusters in the attraction of such entrepreneurs.

There is reason to suppose that if the economy of Pécs embarks on an upward trajectory, and the emerging circle of entrepreneurs can access adequately skilled workers (through the fine-tuning of the educational offer of vocational schools and the UP), then Pécs will overcome the unfavourable economic situation triggered by post-transition restructuring.

CONCLUSION

Pécs can be characterised as a relative winner of the development policy of the state socialist period, becoming a big city in domestic comparison by virtue of the forced development of coal mining and uranium mining, and has managed to undertake a process of path renewal. That said, this 'lucky period', which created a monofunctional economic structure, has posed a significant barrier to the post-socialist transformation of Pécs, due mainly to the failure of successive diversification efforts undertaken since the 1960s. This period of consolidation is still ongoing and the main question is whether Pécs, having learnt from past failures, will return to its "original" path. Will it be able to manage the inevitable shrinking of its population with an eye on planned and qualitative restructuring? This is an unavoidable question of 'sustainability' in the long term given the prevailing national and local demographic trends. A further question is how Pécs as a former European Capital of Culture will redefine its role within European-wide networks and processes.

The city has managed to preserve its historically acquired functions after the regime change both at the scale of the South Transdanubien region and relative to rival cities in Hungary. Culture, broadly speaking, has always served as a major driving force of the development of Pécs, as a source of a wealth of innovative ideas and novelties. In terms of cultural assets and their complexity, Pécs is the most richly endowed provincial regional centre. The role of industry has become a major structuring (shaping, developing, crisis generating, and lately vanishing) force only over the last century and a half.

Two major barriers appear to limit the success of urban revitalisation efforts. Firstly, the multi-layered external environment, including the market, global processes, space shaping forces, relations with the central government and development policy. Secondly, the internal set of conditions manifest in long-standing dependency relations, the responsibility of the local elite and the quality (weakness) of institutions.

Pécs, the largest city of the South Transdanubien region is a city in transition, characterised by the permanent evolution of its functions throughout history. It is currently the informal seat of the South Transdanubien region and its centre with effective regional functions. Re-industrialisation and path renewal are yet to be realised. The clear outlining of the positions of Pécs and the tasks to be undertaken by innovative and realistic development concepts cannot mask the conspicuous failure to mobilise endogenous forces of development, the lack of strong institutions and effective governance, constituting considerable risk factors in planning and implementation activities.

In overall, the city has managed to survive the collapse of mining and heavy industry thanks to spontaneous tertiarization and public employment (the former industrial town had become 'deindustrialised' by the turn of the millennium). However, a more prominent employment role for the public sector is questionable given the unsustainability of municipal financial management over the recent years. Adjusting the survival strategy relying on the university – the increasing proportion of foreign students in particular – to the (by Hungarian standards) 'fragmented' re-industrialisation efforts would be highly preferable. The privileged and fortunate position of Pécs is unlikely to be reproduced in the current economic context (the opportunity has been missed for various reasons), which raises the likelihood of a rather slow-paced and endogeneously driven development and transformation process, whose contours are already discernible.

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