

Kiril Stanilov
Editor

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The Post-Socialist City

*Urban Form and Space
Transformations in Central
and Eastern Europe after
Socialism*



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The Post-Socialist City

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The Post-Socialist City

Urban Form and Space Transformations
in Central and Eastern Europe
after Socialism

Edited by

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 Springer

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*To my daughter, Maria, born in 1989
in Bulgaria.*

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INTRODUCTION

1 Taking stock of post-socialist urban development: A recapitulation

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Fifteen years after the sudden collapse of the socialist system, half of the Central and Eastern European (CEE) countries that bravely toppled their communist regimes announced the successful completion of their transition to market-oriented democratic societies. This historical moment was officially sealed by the signatures of the heads of these states on the Accession Treaty of 2003, which granted these countries full membership to the European Union. Two more countries of the former Eastern Block joined the Union in 2007, and another two are on the candidates list. This recapitulation underscores two obvious but important points. First, the majority of the former socialist countries have made significant advances in implementing profound political and economic reforms. Second, these efforts have proceeded at differential rates in the CEE region, producing mixed results.

Both of these conclusions render the last fifteen years in the social evolution of Central and Eastern Europe as a perfect laboratory for exploring the fundamental relationships between market, politics, and history (Thornley, 1993). Social scientists have dutifully grasped this unique opportunity, producing an avalanche of publications exploring the various stages and angles of the transition period. After all, wars of such magnitude rarely happen in history, this one affecting the lives of close to a third of the world's population (China included). Naturally, the focus of the overwhelming majority of these studies has been on issues related to politics and economics. These two areas became the main foci of reform, their success or failure impacting all facets of society through which the waves of social changes reverberated.

In the large body of literature produced over the last one and a half decades on the issues surrounding the transformation of the CEE region, studies investigating changes in urban form and structure have been quite rare. There are two major reasons for this. First, as already stated, the main focus of public attention during the transition period has been on matters related to the economic and political spheres considered central for the advancement of social reforms. Therefore, issues related to political struggles, economic development, markets, social inequalities, and class polarization have dominated the public discourse and scientific research alike. Urban form evolution, in this context, has been considered one of the many consequences of social restructuring, with minor influence on the success of reforms.

The second reason why the spatial aspects of the transition period have received relatively little attention is that changing the form and the structure of cities simply takes considerable amount of time. The built environment of a city is much more enduring than its social structures. As Sýkora noted with regard to post-socialist reforms, “[t]he political change took only a few weeks and the core institutional transformations of economic system were accomplished within a few years, however, the change of settlement structures will take many years or decades” (Sýkora, 1999: 79). While some may argue, based on the experience from the transition period in Eastern Europe, that changing institutional structures presents the greatest challenge, even the most rigid institutions rarely outlast the physical setting which they inhabit. Urban history abounds with examples of churches turned in succession to mosques, museums, and then churches again. Castles have been used as government quarters, colleges, and even production facilities. Changing the physical fabric of cities and towns proved a difficult task even for the heavy-handed communist regimes. It took almost two decades before the post-World War II cities of Central and Eastern Europe began to change their image in line with the vision pushed forward by their totalitarian governments.

1.1

The significance of the post-socialist urban form transformations

More than fifteen years have passed since the revolution of 1989, a period that has allowed the forces reshaping post-socialist societies to unfold and leave their mark on the ground. Some trends in the spatial evolution of Central and Eastern European cities that emerged during the 1990s have solidified over time, others eclipsed as temporary incidents of the turbulent early years of the transition period. It appears that the time has come to take stock of these changes and sort them out, and there are a number of good reasons why this should be done.

The first one is the sheer scale of the post-socialist urban form transformations. They have impacted the lives of over 300 million people in Central and Eastern Europe, including Russia. Close to two thirds of the population in this region lives in cities and towns. The spatial organization of activities within these settlements has become a subject of intense reorganization, which has directly impacted the quality of life of their urban residents. Access to housing, jobs, and services has been restructured, affecting not only the life of local inhabitants, but also the rest of the population that depends on the resources provided by cities.

The second reason why the analysis of urban form and space transformations during the post-socialist period is of great social significance is the multifaceted nature of spatial restructuring. The changes in the ways in which the reformed societies are appropriating space have an enormous impact on the use of resources. The new spatial patterns determine the manner in which urban areas use environmental assets such as land, water, and air. The spatial allocation of urban activities

could be efficient or wasteful, setting the level of public expenses on the provision of infrastructure and services. The way in which urban space is used can also determine the level of social integration (or segregation) in a given region or nation. All of these environmental, economic, and social consequences underscore the great importance of the physical patterns of urban development and the ways in which urban form impacts society.

Related to that conclusion is a third justification for investigating urban form transformations during the transition period. It is based on the assumption that the patterns of spatial organization, which are being established during this fairly limited but critical timeframe, are likely to set the course of the future development of CEE cities for a long time. While the built environment is constantly evolving, the dynamics of urban change vary in speed and character. Some periods are characterized by a continuation of existing trends and traditions, accumulating slow evolutionary changes. Others are much more turbulent, condensing significant transformations within short stretches of time. The latter are known as periods of paradigm shifts and revolutionary changes, and there are many reasons to believe that the years since 1989 mark such a period in the history of Central and Eastern Europe.

Urban form has been often described in social theory as a passive element of our social existence, a mirror reflecting past and present socio-economic conditions, or a "text" serving as a basis for their interpretation (Dingsdale, 1999: 65). Without leaning too far into the opposite end defined by spatial determinism (of which both modernist and socialist city planners have been rightfully accused), it could be said that the post-socialist transition period provided good evidence that urban space utilization is an active element of structuring social relations. The particular way in which urban space is organized has a strong impact not only on issues related to resource allocation and quality of life, but it is a key element for the economic wellbeing of cities as well. In the beginning of the new millennium, the quality of the built environment is becoming one of the main factors in the global competition for capturing investors' attention. The recent success of Prague and Budapest in attracting international capital is contributed as much to their well developed business infrastructure and labor force characteristics, as it is to their popularity as great places to live in.

Given the importance of urban form transformations in post-socialist Europe, and the relative paucity of literature on the subject, it is the ambition of this book to describe the patterns of spatial development evolving in cities of Central and Eastern Europe since the crash of the communist regimes. The detailed accounts of the physical transformations that have been taking place since that time, are linked with the underlying processes of socio-economic reforms and their determinant forces. This inductive approach to urban analysis, based on empirical investigations of observed spatial phenomena, dominates the work of the authors featured in this volume. In this sense, the book does not advance specific theories of urban transformation in periods of transition, but serves as a test for some theoretical ideas and a basis for the future development of such constructs.

The focus of the book is centered on the most dynamically evolving urban areas in post-socialist Central and Eastern Europe. Naturally, the capital cities of the

countries that have made the greatest progress on the path of reforms have been selected as major case studies. It is in those cities that the new patterns of spatial development have appeared first, setting the trends to be followed by other settlements, trickling down to the lower levels of the urban hierarchy or across national borders. The book includes also a couple of examples from regions where progress towards democratic reforms has been much slower. The two chapters on cities in Siberia and Belgrade serve less as a contrast than as a reminder that the main issues of spatial restructuring, which post-socialist cities have experienced since the early 1990s, are remarkably similar regardless of variations in the national context. The biggest differences among the post-socialist countries in terms of their urban development trends have been related to the rate with which the urban patterns are transformed, rather than the principal direction of these transformations.

1.2

The rate and direction of spatial restructuring

Neither the common direction of spatial adjustments nor the differential rate of these urban changes reviewed in this volume present a surprise finding. The main parameters of urban transformation have been set by the neo-liberal framework of post-socialist reforms, implemented under the strong influence of the major international institutions. As residents throughout Central and Eastern Europe observed with a typical mixture of self-irony and pessimism, after five decades of “building socialism,” the CEE countries embarked on yet another grandiose project, this time involving the “construction” of a capitalist society. It is unrealistic to expect that all former socialist countries would have marched forward towards democracy at the same pace. They did not keep the same pace even during the forceful imposition of the socialist system after World War II. The more gentle approach of the West today, involving the use of carrots instead of sticks, has produced significantly less resistance, but also a greater variation of results due to the policy of rewarding the overachievers, while ignoring those who fail. Thus, during the 1990–1994 period, the amount of FDIs directed to Czechoslovakia (later the Czech and the Slovak republics), Poland, and Hungary exceeded 20 billion EUR, while the rest of the CEE countries received collectively a mere 3.5 billion EUR (UNCTAD).

Contributing the variations in the rate of social and urban restructuring entirely to the external forces of international institutions and global capital, however, would be highly inaccurate. National, regional, and local policies, as well as the phenomenon of path dependency (the ability of the past to impact the future) have exerted great influence on the post-socialist patterns of urban development, leading to differential rates of processes such as housing privatization, property restitution, commercialization of city centers, decentralization of housing and retail, growth of automobile ownership, etc. The general direction of change, however, has been quite clear. It is described by the swing of the pendulum from the far left to the far right. As John Friedman pointed out, urban development can not be characterized as a “smooth process towards an imaginary equilibrium state,” but it

rather “lurches forward from imbalance to imbalance” (Friedman, 2006: 14). Thus, the post-socialist reforms in the CEE region can be depicted as an attempt to make a desperate leap from totalitarian existence to capitalism in a matter of only a few years. Therefore, it is not surprising that the post-socialist city takes on many of the characteristics of the North American patterns of urban development, rather than settling in on the more balanced model of Western European urbanization.

The rate of the post-socialist urban changes is striking, leading to radical transformations in the character of the Central and Eastern European cities. From high-density, monocentric settlements, dominated by high-rise public housing and communal modes of transportation, the CEE cities are being transformed into sprawling, multi-nodal metropolitan areas reaching extreme levels of privatization of housing, services, transportation, and public space. Privatization has become “the leitmotiv of post-socialist urban change” (Bodnar, 2001). Similar processes have, of course, taken place in Western Europe as well. There, however, these adjustments in the urban patterns have been taking place much more gradually, spanning the entire course of the second half of the twentieth century. Western European societies have had a chance to test these trends and respond accordingly by formulating public policies mitigating their most negative impacts. This, certainly, has not been the case in Eastern Europe where the *laissez-faire* model of social development was quickly embraced as an antidote to the totalitarian past.

The speed with which the built environment of the largest Central and Eastern European cities is being remolded, coupled with the zest to promote, without the slightest reservation, the new patterns of urban space appropriation, has presented enormous challenges to the cause of sustainable development in the region. Such massive realignments of functional systems are by definition bound to cause great stress, yet there are instances when drastic changes are needed to assure survival. The socialist cities were structured with little regard to the logic of market forces and the spatial transformation of the post-socialist urban areas in accord with the principles of market efficiency has required significant adjustments in the spatial arrangement of urban activities (Kessides, 2000). A question that remains open, however, is whether the ongoing spatial transformations are advancing the CEE cities towards a more sustainable future. Unfortunately, there are many signs that the majority of urban changes taking place since the early 1990s are moving the post-socialist cities in the opposite direction (Tosics, 2004). The clear political priorities on economic development, restoration of property rights, and improvements in the material standards of living has pushed concerns about sustainable development further down the list (European Academy of the Urban Environment, 2003). The new development patterns are embraced by the public at large simply as signs of becoming “like the rest of the world,” marking a clear break from the past when the urban environment was used as an ideological instrument for suppressing individual freedoms and imposing the will of the totalitarian state.

The dramatic changes in the patterns of urban development, established during the last fifteen years, are rapidly gaining momentum. Yet, they cannot delete and replace the urban form elements accumulated over the past. Gradually, urban properties

are being redeveloped, buildings are replaced with larger and shinier ones, streets are widened, and the urban envelop extended. But the two patterns – the socialist and the post-socialist – coexist as layers of new development are superimposed over the old urban fabric. Just as the socialist government preferred to direct its attention to the urban periphery, where the majority of the large housing estates and giant industrial zones sprung up, most of the energy of the post-socialist growth has been channeled to the suburban outskirts, where new shopping centers, office parks, and clusters of single family residences have popped up, leaping over the belt of socialist housing estates. Unlike the socialist times, however, the new market mechanisms have also oriented the attention of investors to under-utilized inner city sites, creating post-modern juxtapositions of luxury shops and condominiums placed side by side with crumbling residential or industrial structures.

The reference to post-modernism is not accidental. Socialism is a true construct of modernism, having adopted all of its principal tenets.¹ Some observers of the current transition from socialism to capitalism have argued that the rationalist fallacy, committed earlier by Marxist ideologists believing that societies can be changed through conscious design, is bound to be repeated again (Stark, 1992). The experience from the last fifteen years has refuted this claim, as the transition of the CEE countries to market democracies is proceeding very unevenly, characterized by experimentation with various measures of reform, rather than a carefully orchestrated march forward under the dictate of a hegemonic theory. The collapse of the socialist system might not have marked “the end of history,” as Fukuyama eloquently argued (1992), but it appeared to be the most spectacular announcement of the end of the modernist project – a Pruitt-Igo on a global scale. What followed after 1989 in the former Eastern Block was a typically post-modern situation characterized by a lack of moral certainty and clear authority, and the rise of multiple voices previously oppressed by the meta-narrative of communist ideology. On the urban scene, this post-socialist/post-modern condition has been reflected in a chaotic pattern of development, generated by the retreat of central authorities, the appearance of a multitude of new players, and the frivolous application of patterns of development “borrowed” from the West. The once monolithic structure of the socialist city has been shattered in multiple fragments, pulled in different directions by various economic, social, and political interests, yet somehow it is holding together, brimming with energy suddenly released after half a century of comatose existence.

1.3

The impacts of urban spatial restructuring after 1989

Fifteen years after the beginning of the transition period, it is clear that the numerous changes that have taken place in the way urban space is produced and restructured in the post-socialist CEE cities have had both positive and negative results on the built environment and the quality of life of its residents. The summary, provided below, is an attempt to list the main urban development trends,

Table 1.1 Post-socialist urban transformations in CEE cities

Positive characteristics	Negative characteristics
URBAN MANAGEMENT	
<ul style="list-style-type: none"> ○ reestablishment of private property rights ○ reestablishment of real estate markets ○ decentralization of power ○ rise in entrepreneurship ○ greater role of public participation and NGOs 	<ul style="list-style-type: none"> ○ retreat from planning ○ lack of institutional coordination ○ insufficient financing ○ reduction in public service provision ○ poor implementation of laws and regulations
URBAN PATTERNS	
<ul style="list-style-type: none"> ○ break-up of the mono-centric model ○ diversification of mono-functional areas ○ revitalization of some urban districts ○ redevelopment of brownfield sites ○ improvements in building standards 	<ul style="list-style-type: none"> ○ chaotic development patterns ○ suburban sprawl ○ depopulation of city centers ○ decline of socialist housing estates ○ derelict industrial areas ○ surge in illegal construction
URBAN IMPACTS	
<ul style="list-style-type: none"> ○ increase in individual standards and choices ○ increase in home ownership rates ○ diversification of market choices ○ increase in shopping opportunities ○ increase in personal mobility 	<ul style="list-style-type: none"> ○ decline in communal living standards ○ loss of open space ○ decline in public service provision ○ privatization of public realm ○ increased congestion, air, and noise pollution ○ the costs of sprawl ○ social stratification

Source: K. Stanilov

which have taken place during the transition period. It is intended to get a sense of the overall balance of impacts, structured in three main areas (Table 1.1).

The first area lists the general processes concerning changes in urban space management. The main developments here have been related to tipping the balance of initiatives from the public to the private sector as a result of the reestablishment of private property rights and real estate markets, and the concomitant reduction of the role of the government in managing urban affairs. This process has been paralleled by a policy of decentralization of power. Pressed by the need to cut subsidies, the central authorities have grudgingly relegated considerable share of their former responsibilities to local governments. The positive impacts of this redistribution of power from the public to the private sector and from the central to the local governments has been the rise of the general spirit of entrepreneurship among the urban population, and its more active involvement in matters related to urban development. This process has been reflected not only in the mushrooming number of small and medium size private construction firms and real estate agencies, but in the greater level of participation of citizen organizations and NGOs in the process of urban planning and development.

The downside of this trend towards democratization of the urban development process has been the general retreat of public authorities from urban planning. The concept of comprehensive planning, which seemed to have had exhausted its social credit during the communist rule, could not (particularly in the early stages of the transition period) muster enough support among a public suspicious of any initiatives appearing to reinstate centralized government control. The weakened position of planning in the post-socialist climate dominated by neo-liberal sentiments has been further eroded by the chronic lack of funds needed to support urban planning activities. In addition, the lack of horizontal and vertical coordination among the various government and planning agencies (undergoing a painful process of structural reorganization themselves) has rendered urban planning as an impotent vestige of a bygone era. Under these conditions, the effectiveness of urban development regulations has been seriously undermined and the provision of public services drastically curtailed.

The overall impact of these processes, transforming the system of urban space management, has been reflected in the chaotic patterns of post-socialist urban development. From Siberia to East Germany, the efforts of myriad private investors and developers began to reshape the urban landscapes in an incremental and haphazard fashion, grasping opportunities wherever they could be spotted, often without waiting for the government's blessing. Gradually, the rigid structure of the former socialist cities has been softened by these relatively small-scale but innumerable incursions. Their combined effect has triggered a process of profound structural transformations: from monocentric to polycentric metropolitan spatial structures, from compact cities to sprawling urban areas, from city centers dense with institutional and residential activities to intensely commercial Central Business Districts. The reawakened entrepreneurial energies of the urban population have infused with new retail and service establishments the once dormant mono-functional residential areas. Skyrocketing land values have directed the attention of high-profit, risk-seeking investors to some of the numerous brownfield sites, derelict monuments of the era of socialist industrialization.

This invigoration of the urban fabric with garish new structures and a mosaic of various activities has not affected all areas equally. Much of the real estate investors' attention has been concentrated in the city centers, the prestigious neighborhoods, and, most of all, in the suburban periphery where rampant commercial and residential construction has obliterated the landscape, blurring the once well-defined urban edge. Many of the remaining urban areas that have been less appealing for developers have been left to age not very gracefully, most notably the large expanses of socialist housing estates forming a discontinuous ring around the inner city. The other legacy of the communist period – the industrial zones covering up to a third of the territory of the socialist towns – have been lying vacant or underutilized, forming large patches of dead tissue in the urban fabric.

Thus, the overall impacts of the new patterns and processes of urban development introduced during the transition period have been quite mixed, with a tendency of the negative trends to outweigh the positive changes. The main direction of

urban spatial restructuring could be defined as a transfer of assets, resources, and opportunities from the public to the private realm. This has resulted in an increase of individual choices and standards of habitation paralleled by an overall decline in communal living standards. Thus, while the market has diversified individual choices in terms of the available types of dwellings, work environments, shopping and leisure opportunities, many neighborhoods have witnessed the closure of community facilities and the disappearance of playgrounds and open spaces. Many of the new suburban developments lack basic public services. Homeownership rates have increased dramatically at the expense of a drastic reduction in the provision of public housing. In the area of transportation, while personal mobility has increased with the explosion of automobile ownership, the level of public transportation services has decreased considerably. This has resulted in significantly higher levels of congestion and sharp increases in air and noise pollution. The situation has been worsened further by the suburbanization of housing, offices, and retail with all negative environmental, fiscal, and social consequences, well-known from the experience of the Western cities with such patterns of urban growth. Last but not least, while most of the energy of the housing construction industry has been focused on serving the needs of the newly emerging upper and middle class population by concentrating investments in certain prestigious neighborhoods and the suburbs (often behind closed gates), the spatial redistribution of the population has resulted in increasing levels of social stratification of the once fairly homogeneous (at least, by Western standards) social fabric of Central and Eastern European cities.

1.4

Urban development trends beyond the transition period

Will these trends continue and what will be their long-term impact, if they maintain their course, on the spatial structure and the urban form of the post-socialist city? The answers to these questions lie in the realm of speculations, but there are, basically, four possible known scenarios that could be played out in the next couple of decades. In the first one, the CEE cities continue to transform in the direction of becoming more like their Western European neighbors, characterized by controlled rates of suburbanization, relatively vibrant central and inner city areas, good level of public service provision, and a detectable but not excessive pattern of social stratification. The second scenario is the North American model of urbanization characterized by a high level of privatization of urban resources, a high degree of deconcentration of activities, and a rigid delimitation of urban areas by income and ethnicity. The third scenario is the model of “over-urbanization” or “dependent urbanization” characteristic of Third World countries where the rate of urban population growth exceeds the ability of the economy and the government to provide jobs and services. Most of the population in these cities lives in poverty-stricken neighborhoods, which compose the majority of the urban fabric dotted with a small number of enclaves for the rich and a few middle class areas. The fourth model is provided by cities in East Asia, where a combination of rapid economic

growth and commercialization, coupled with strong cultural traditions, has resulted in a unique brand of city form characterized by high density, mixed-use, more socially integrated environments.

So far, the post-socialist cities of Central and Eastern Europe exhibit select features of all of the models listed above. They have the urban vitality of the Western European inner city neighborhoods; the degree of privatization of urban resources typical of North American cities (not to mention the fascination with the lifestyle culture of malls, suburban houses, and private automobiles); an eroded level of public service provision characteristic of Third World countries; and the booming economy of the East Asian cities from the 1970s and 1980s.² It should be noted that the four models outlined above are broad generalizations of the main characteristics of dynamically evolving environments, and the turn of the millennium has been marked by a pronounced tendency for global conversion of urban form. Thus, while suburban shopping centers and gated communities continue to stretch out the periphery of Asian and European cities, metropolitan areas in North America are redesigning their inner city and suburban centers according to the European model, infusing them with public attractions and residential activities.

In our times, marked by the processes of globalization, it is logical to assume that the greater role of the market in structuring the post-socialist cities will bring them closer to the capitalist cities of the world in terms of their position in the global system (Szelenyi, 1996), as well as in their urban form. Enyedi (1984) has, indeed, argued that the process of modern urbanization is a universal phenomenon distinguished by its various phases, and that variations in the urban development patterns among different societies are based mainly on their particular location along a common path of urbanization. Thus, while the Second (socialist) and Third World countries are representative of the first phase of urbanization, characterized by strong rural to urban migration, rapid urban growth, and industrialization, the second phase is typical of the post-World War II developments in Western Europe and North America, marked by processes of suburbanization and the growth of the tertiary sector. In the third phase, which, according to Enyedi, has been entered by the United States and some of the most developed countries of the First World, population growth is concentrated in non-metropolitan areas and the economy is driven by the development of the high-tech sector.

Based on Enyedi's model, the post-socialist countries in Europe are just coming out of the first phase of modern urbanization and entering the second. This conceptualization, however, does not explain how the CEE cities will deal with two of their unique urban problems inherited from the socialist past: 1) over half of the population in these cities lives in large housing estates of poor and rapidly degrading quality; and 2) up to a third of their territories are taken up by derelict industrial sites. Given Enyedi's prognosis that suburbanization will dominate the development patterns of this urbanization phase, the enormous expanses of urban land covered by the socialist housing estates and sprawling industrial districts are doomed to become the urban slums of the post-socialist city, a forecast

echoed by several other prominent scholars of the CEE region (Tosics, 2004; Szelenyi, 1996).

In the last fifteen years, however, the cities of Central and Eastern Europe have shown a remarkable ability to recover from periods of deepest crisis. Looking back in time, these cities have passed in a continuous succession through the most severe destruction of World War II, followed by four decades of totalitarian rule, ending with a post-socialist socio-economic crisis deeper than the Great Depression. Yet, only within a few years, they emerged resurrected, full of energy and desire to succeed. Naturally, the repudiation of the principles of communist rule after 1989 pushed the political climate in these countries to the opposite extreme marked by radical neo-liberalism, but there are signs that a more balanced approach to social organization will prevail.

The massive re-channeling of resources towards individual consumption has created new pressure points in the urban system, which the market has failed to alleviate. The decline of some urban areas, the growing social polarization, the disappearance of open space, the increase in traffic congestion and air pollution are problems which could not be resolved without active government involvement and there is growing public awareness of the need to strengthen government's role in managing the process of urban development. The new legal frameworks, which were drafted in a hurry during the 1990s, and which were heavily skewed in favor of private property rights, are being revised to allow more power for national and local governments to act in defense of public interest. In this, governments are aided by the enormous resources that they inherited from the old system. Although the process of intense privatization transferred ownership of most state enterprises and public housing into private hands, many national and local governments have retained significant portions of the most valuable asset in real estate – land. Some municipal governments (most notably Moscow) have actively used this resource to influence the patterns of urban development. Other governments, which have squandered these chances (either due to inexperience, political expediency, or ulterior motives), are developing strategies on how to best use what is left of their public assets.

The lack of clear vision about how cities should grow, which dominated the early years of the transition period and was used by many private developers to maximize their short term profits, is currently bemoaned not just by the residents, who were left with the short end of the stick, and municipal authorities, who find it difficult to service the chaotically developed urban areas, but by the private investors themselves, who have found out that good urban planning can improve the marketability of their products and, ultimately, increase their profits.

Another reason why the role of CEE central and local governments in regulating urban development is likely to increase is related to the significant role that foreign capital has played in economic development during the transition period. The share of foreign investment in CEE economies is continuously increasing as these countries are successfully completing the process of political stabilization and economic restructuring reflected in their high rates of sustained economic growth (Figure 1.1). As the former socialist countries are being integrated in the global

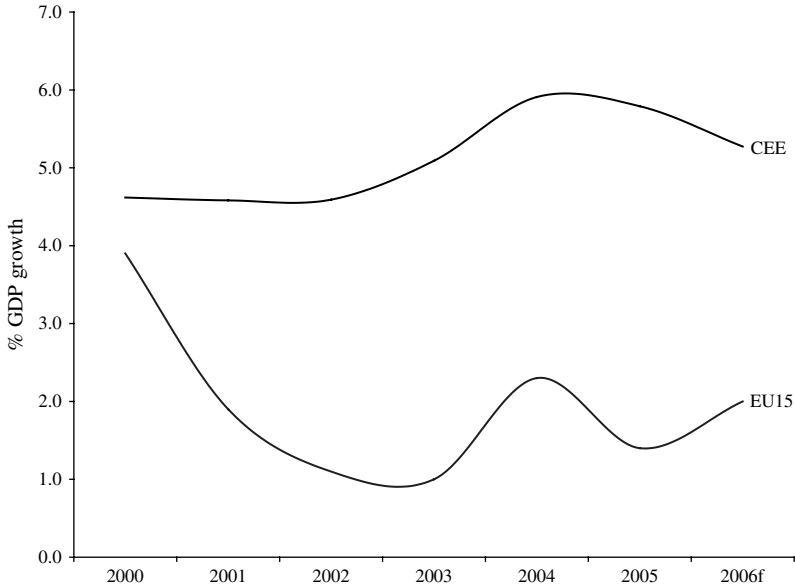


Fig. 1.1 GDP growth rates, 2000–2006

Source: Eurostat and CIA World Factbooks, 2000–2005

Note: Data on CEE countries include all newly accepted members of the EU plus Croatia

economic system, CEE governments become increasingly aware that their efforts are critical in securing the future success of their states, regions, and cities as competitors in the global marketplace. In this competition, the quality of life in urban areas is recognized by international investors as a main factor, particularly with the tendency of the other factors (such as communication systems, labor costs, institutional and legal environments, etc.) to equalize across the European continent and even globally. This fact is not very likely to escape the attention of the CEE governments looking for ways to attract foreign investments.

One specific characteristic of the global economic system, which the post-socialist cities will first have to confront, is that global capital is footloose. As quickly as it injects local economies with investments, it can retract them if better opportunities arise, leaving little behind in terms of assets that can serve the abandoned community. Therefore, as Friedman has pointed out, it is critical for cities to remember that instead of “prostrat[ing] themselves before the power of global corporations, promising to deliver what is wanted of them, from virgin sites to low wages,” they should invest in the development of their own resources, relying primarily on local funding and the support of international aid (Friedman, 2006: 4). This, again, will require a much more proactive role of local governments and institutions in developing and implementing strategies for the best use of their local resources, including urban land and infrastructure.

The efforts of CEE cities to evolve in this direction should receive the strong support of the European Union. The EU pre- and post-accession policies and program requirements have served as critical instruments during the second phase of the transition period, assuring that the CEE governments aspiring to join the union are committed to the process and maintain the charted course of political, economic, and institutional reforms. There is a growing recognition within the European Union of the need to focus more resources to issues related to regional and urban development in the countries of Eastern and Central Europe given the magnitude of the challenges in these areas. The experience gained by the Western European countries in managing urban growth can serve as a great source of knowledge for planning authorities in the CEE region as many of the problems confronting the post-socialist cities are similar to the issues that their Western colleagues have been struggling to resolve since the end of World War II.

While the challenges of managing urban development in Central and Eastern Europe are great, and much of the trends set during the transition period appear to point in a direction opposite to the principles of sustainable development, there are reasons to be optimistic about the future of the post-socialist city. These reasons include: the proven ability of the countries in the region to come out of the greatest crises; the growing political, financial, legal, and institutional power of local governments to control urban development; the increasing role of citizen participation in the planning process; the rising awareness of developers of the benefits of planned growth; the increasing importance of the quality of the urban environment in economic development; the integration of urban and regional development into the framework of EU policies and planning; and the spread of knowledge on the theory and practice of sustainable urban growth.

1.5 Book organization and structure

The goal of this publication is to provide an overview of the main trends in the spatial development of the Central and Eastern European cities during their transition period to market-based democracies. The analysis of the urban form transformations serves as a basis for understanding the forces that have triggered the restructuring of urban space, looking for empirical evidence of the impact of these changes on the quality of the built environment. In order to disentangle the complex web of spatial transformations and relationships, the book is organized in several sections, each one focusing on a different segment of post-socialist urban development. We open up the exposition with a discussion of the broader patterns of post-socialist urbanization, relating regional growth trends to the progress of political and economic reforms, setting the context for the processes of urban spatial restructuring. The next sections of the book zoom down to the scale of the metropolitan area, tracing the transformations of the urban fabric that have occurred as a result of the new patterns of urban space appropriation. The first of these sections investigates the evolution of the real estate market and the patterns of non-residential development.

We then turn to the critical subject of housing, completing this part of the book with a section on the evolution of the concept of public space and its utilization. The book ends with a couple of sections discussing the role of public policies and planning in shaping the direction of urban development during the post-socialist era.

The core of the book is composed of case studies of the largest cities in the most dynamically transforming CEE countries. This selection includes the ten new EU members plus one candidate country (Croatia). In addition, three other countries are included, presenting special cases in the evolution of the region. These are: Russia, as the most influential state of the preceding period and one trying to determine its own course in the post-socialist era; the former country of East Germany, which completed first the period of transition aided by its reunification with West Germany; and Serbia, the country coming out of the deepest political and economic crisis in the region at the turn of the millennium. The case studies included in the individual sections of the book are preceded by introductory chapters providing an overview of urban development in the CEE region related to the particular area of concern covered in the sections, outlining the major issues and trends reflected in urban practice and theory. Each of the chapters in the book is authored by urban scholars with extensive professional and personal experience of the CEE region. Some of the contributors are well-known to Western audiences, having authored numerous publications in international journals on urban development in Eastern Europe. Others are relatively fresh voices, representing a new generation of scholars exploring the post-socialist evolution of urban affairs in the CEE region.

We hope that this volume will enhance our understanding of the linkages between society and space, casting light on a key moment in urban history – one that will determine the urban experiences of millions of people for the next several generations. We hope that our studies will add to the knowledge that is needed for resolving the difficult challenges facing cities throughout the globe in the beginning of the twenty-first century.

Notes

¹ These include the beliefs that: (1) there is only one universal truth (the wheels of history spinning towards the inevitable victory of communism); (2) it could be scientifically uncovered (by applying the methods of Marxist dialectical materialism); (3) its principles should be employed for the progress of humanity (towards communism); (4) under the leadership of an enlightened elite (the Communist Party and its intelligentsia).

² The recent economic boom has lead cities like Moscow, Warsaw, Belgrade, and Sofia to the idea of creating their own high rise business and financial “city” districts, characteristic much more of East Asian and North American metropolitan areas than of European towns.

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PART 1

REGIONAL DEVELOPMENT TRENDS

2 Political reform, economic development, and regional growth in post-socialist Europe

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The collapse of the political system in the Eastern Block countries during the second half of 1989 ushered in a new period, commonly referred to as *post-socialism*. Similarly to the terms *post-industrialism* and *post-modernism*, already quite popular at the time, this expression signified a condition that was defined primarily by the disintegration of the characteristics of the preceding system, rather than by a coherent vision of what should follow. Like the ambitions of most uprisings in history, the goal of the 1989 revolution was to undo the old system by tearing down the tenets of a crumbling political structure. It was less clear what the post-communist countries should be transitioning to, after dismantling the monopoly of the Communist Party over government affairs. The general intention was to establish a Western-style democracy, but how this was to be done was a question that each country had to figure out on its own. At that time, and to this day, no theory existed on the transition from a totalitarian socialist to a democratic market-based society, and comparisons with reforms in Southern Europe, Latin America, and Southeast Asia have been found to be inadequate (Dahrendorf, 2004: 79).

While the main principles of the transition – reestablishment of private property rights, free market economy, and pluralist political life – were quite clear, their implementation was proven in history to be a difficult task. Finding a balance between economic and social goals within a rather short time in the absence of well-established democratic institutions was an enormous challenge, raising legitimate concerns that some countries may slip into commercialism, characteristic of the bazaar economies of Third World countries (Andrusz, 1996). At the same time, the population of Eastern Europe, which had just overthrown totalitarian rule, was very resentful of the idea of having to follow yet another hegemonic model. In this sense, the 1989 revolution was a very post-modern affair in its zest to deny all meta-narratives. The very notion of imposing another universal model of economic, political, and social organization was vehemently opposed. Eastern Europe seemed destined to transform itself into a version of Carl Popper's open society, marching to the unknown through trial and error, joining the quilt of European cultures, all moving in the same direction, yet each following its own path (Dahrendorf, 2004: 120).

Pretty soon it became clear that throwing away the heavy weight of the past was not going to be that easy. Most Eastern European countries seemed mired in a web of historical dependencies, which threatened to delay significantly, and in some cases to subvert entirely, the processes of transformation. Naturally, help was sought from the West by soliciting assistance from the ranks of national governments, international organizations, and corporate institutions. What the developed countries of the West could offer at that time was influenced by their own experiences of coming out of the 1980s. The neo-liberal economic doctrines, developed and employed during the era of Reagan and Thatcher, were thus transplanted in the post-socialist context (Harloe, 1996). The largest international financial institutions – the IMF, the WTO, and the World Bank – quickly stepped in, pressuring the CEE countries to comply with their prescriptions for strict monetary controls, budget cuts, and market deregulation. There were a few critics, opposing such policies as a forced, top-down intervention in the affairs of democratically elected governments. Their arguments that such policies primarily promote the interests of large multinational corporations were quickly silenced by governments desperate to assure their electorate that actions are being taken to guarantee progress on the path to reforms. The only questions that were left on the table for discussion were just how much government involvement is needed, and how quickly the prescribed measures should be carried out.

In the ensuing debate over the advantages and disadvantages of the radical/revolutionary vs. the moderate/evolutionary change model, revolving around the intellectual heritage of the works of Hayek and Keynes, the radical approach seemed to gain the upper hand. Many of the CEE countries, dedicated to the cause of reform, embraced a strategy that became known as “shock therapy.” Its most vociferous proponent during the early 1990s, Jeffrey Sachs, recommended the immediate release of all price controls and government subsidies. He insisted that all state assets should be privatized, pointing to the success of Spain as an example of a country where such strategy produced spectacular results within a short period of time. Poland was one of the first post-socialist countries to embrace enthusiastically Sachs’s ideas, which formed the backbone of the Balcerowicz Plan. Other countries, while agreeing with the principles of the suggested measures, were more cautious with the pace of their implementation. Yet, the metaphor comparing the structures inherited from the socialist system with a cancerous growth than needed to be cut off was quite daunting, and most countries decided to take the treatment. For some of them, it provided a lot of “shock” with little “therapy.” In a few years, the insights of Keynes proved to have a prophetic power, predicting with a stunning accuracy that a “rapid transition will involve so much pure destruction of wealth that the new state of affairs will be, at first, far worse than the old, and the grand experiment will be discredited” (Keynes, 1933: 245).

To many contemporary observers and social analysts, the first years of the transition period delivered a surprise in terms of the depths and the duration of the economic decline (Hamilton, 1999). The expectations of an almost immediate economic boom, brought on the wings of reawakened private initiative, proved illusory. The bleak experience of the initial post-socialist years was summed up in theory by the term

“transformation crisis,” referring to what appeared to be an inevitable jolt reverberating through the socio-economic frame of the former socialist countries stepping on the path to reforms (Schmieding, 1993). It was reflected in a 30 to 50 percent drop in GDP, a rise in unemployment rates from virtually zero to a quarter of the population, an even more spectacular explosion of inflation rates reaching double and triple digits, a removal of government-provided safety nets, and a precipitous decline of living standards. The crisis was commensurate to, and in many aspects deeper and wider than, the Great Depression. In East Germany, for instance, between 1989 and 1995, the number of jobs in different industrial branches shrunk between 70 and 90 percent (Nuissl and Rink, 2003).

The economic turmoil of the early 1990s impacted significantly the growth of CEE cities. The traditional pull of urban centers weakened, ceasing to attract population from rural areas and small towns. In fact, a reverse pattern was observed as the outflow of population into rural areas became a widely practiced survival strategy (see Chapter 4, this volume). With the exception of Hungary, Bulgaria, and Croatia, the steady growth of urban population characterizing urbanization patterns in the CEE countries during the 1980s was discontinued abruptly in 1990. Throughout the decade of the 1990s, the share of urban population remained stagnant in most countries of the region and declined in the Baltic and the Czech republics (Figure 2.1).

This trend was reflected also in the population dynamics of many CEE capital cities. The decade of the 1980s was marked by positive growth – quite fast in the first half, and significantly slower towards the end of the decade. Of the thirteen CEE capitals

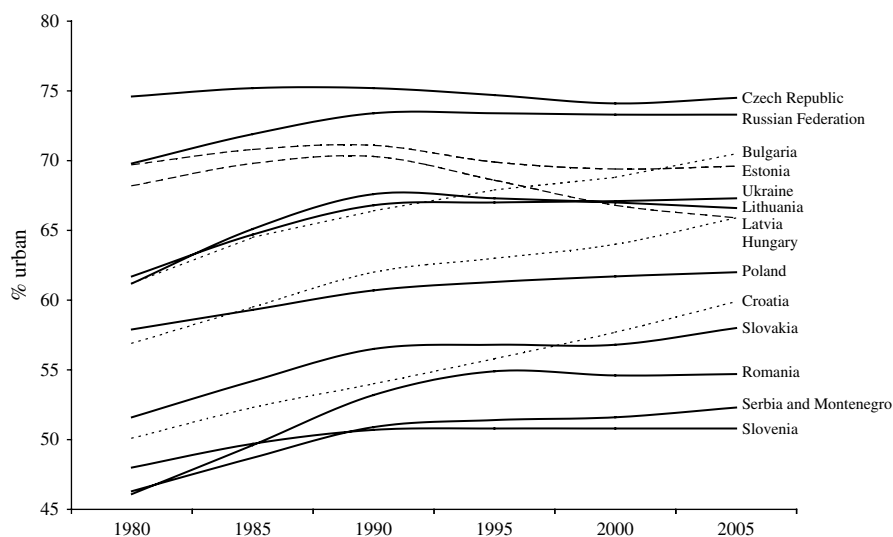


Fig. 2.1 Percent urban population, 1980–2005

Source: United Nations, World Population Prospects

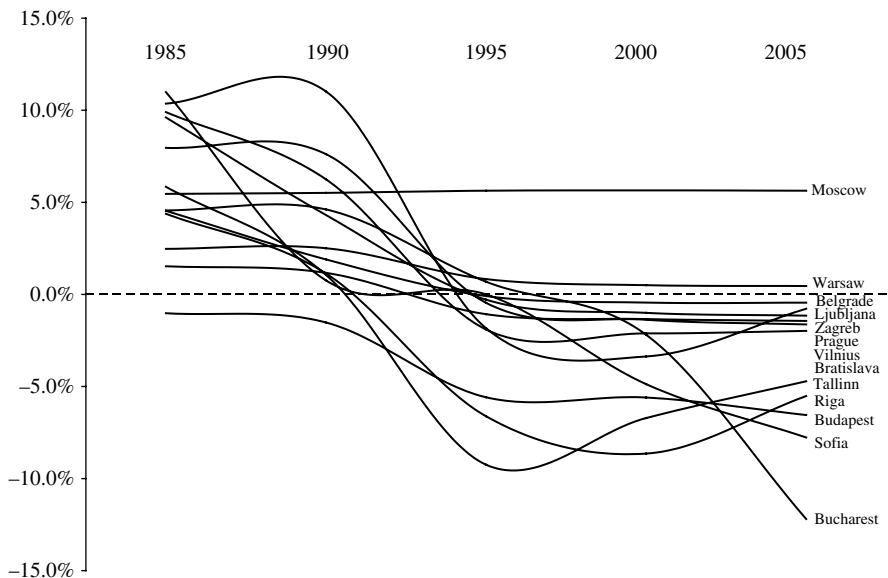


Fig. 2.2 Population growth in CEE capital cities, 1985–2005

Source: United Nations, World Population Prospects

presented in this book, Budapest was the only one which lost population during that decade. Between 1990 and 1995, however, Moscow was the only city in the pack that continued to add population at a steady pace. All other capitals experienced significant population decline with the exception of Warsaw, which barely managed to stay in positive territory. From 1995 to 2005, population growth rates generally stabilized but with most cities still loosing population, albeit at lower rates (Figure 2.2).

The economic recovery of the region, which began in the mid-1990s, did not impact significantly the trend of negative urban growth established in the beginning of the decade, except for preventing further precipitous decline. Rising mortality rates, decreasing fertility levels, and sizeable migration flows out of the CEE region led to continued population reduction in most CEE cities (UN Habitat, 2004). What the dynamics of population growth do not reveal is that at the turn of the millennium some countries were making significant strides ahead on the way to economic, political, and social reforms, while others were falling desperately behind.

2.1 Cross-national variations

By the mid-1990s, the basic parameters of political and economic reforms to be undertaken by the former socialist countries were well articulated and generally agreed upon. It was up to the CEE governments to decide on the manner by

which they will be implemented and this became a major factor determining the cross-national variations in the development of the region during the next ten years (Hamilton, 1999). Three major groups were formed based on their level of government commitment to reforms. The first one was composed of the countries which embraced enthusiastically and began to carry out without further delay the neo-liberal reform policies outlined by the international financial institutions. Their efforts were later recognized, when, in 2004, they were all granted full membership to the European Union. The second tier of countries was composed of those states that accepted the outlined framework for reform in principle, but either delayed significantly its implementation or applied selectively some policies while disregarding others. This relatively smaller group was comprised of Romania, Bulgaria, Croatia, and Russia. The remaining Eastern European countries showed little progress in adjusting their institutional structures along the lines of free market democracies due either to delayed political reforms, as in the case of Ukraine, Belarus, and Moldova, or to the impact of the ethnic wars raging through the western Balkans during the 1990s. The division of the CEE countries in these three groups and the level of their success on the path to reforms are clearly demonstrated in their economic output per capita at the end of 2005 (Figure 2.3).

The variations in economic performance among the first and the second group of CEE countries (the reformers), examined over the 1989 – 2005 period, show several interesting trends (Figure 2.4). The first one is that all of the CEE countries included in these two groups have followed the same general pattern of up and

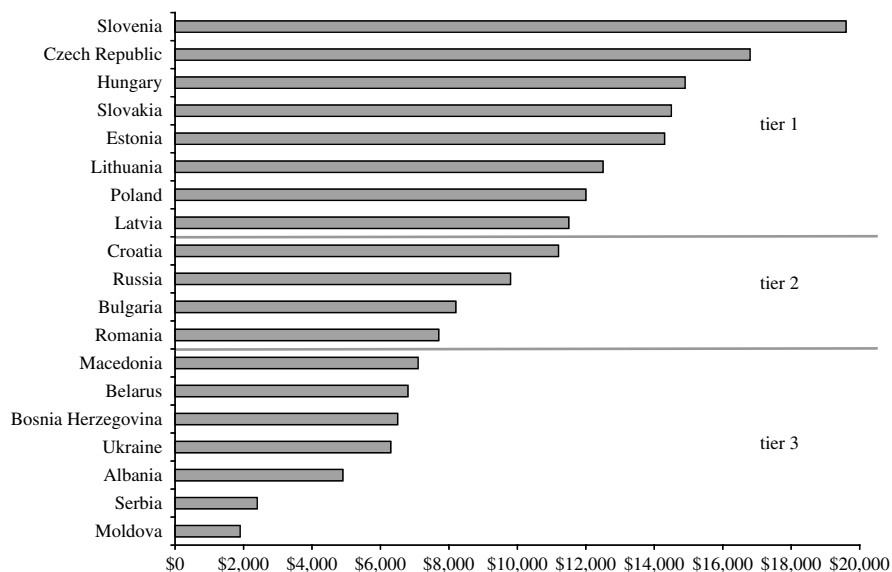


Fig. 2.3 GDP per capita in 2005 (USD)

Source: CIA, World Factbook 2005

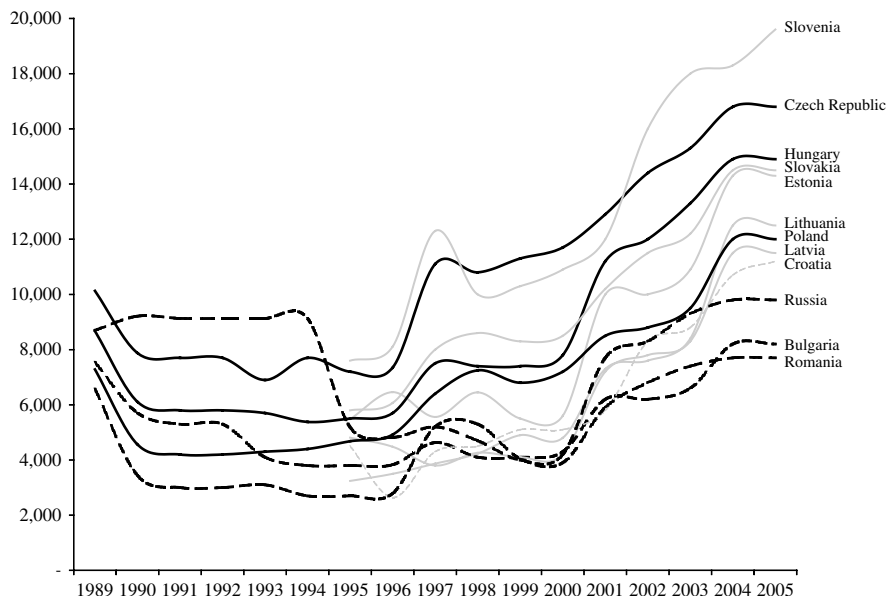


Fig. 2.4 GDP per capita, 1989–2005

Source: CIA, World Factbooks 1989–2005

down economic swings. These fluctuations were characterized by: a sharp decline in GDP from 1989 to 1990; a flat or slightly decreasing output during the first half of the 1990s; a surge in 1996 – 1997; and another one starting in 2000. The two major differences among the twelve countries include: 1) their starting positions in 1989 (or 1995, depending on the data availability); and 2) their speed of economic recovery since 1996. As was already noted, the countries of the first tier moved quicker and higher up in their economic performance, while the second tier showed more modest progress. This pattern is related to the second general trend, which reflects a widening gap between the lowest and the highest performers. While in 1989 the GDP per capita values varied from approximately 6,500 to 10,000 USD, by 2005, the range was spreading from 8,000 to 20,000 USD. This pattern occurred as the countries of the first tier almost doubled their output within the sixteen year period, whereas the second tier countries managed to reach levels only slightly above the ones recorded in 1989. The third major trend in examining the economic output of the twelve CEE countries is that the lines depicting the dynamics of their economic growth rarely cross each other’s paths. With the notable exception of Russia, one could say that, overall, the countries retained their respective positions throughout the transition period. States that were the top economic performers during the last days of socialism continued to lead, and those at the bottom struggled to catch up.

The issue of uneven economic development in regions recovering after economic collapse is a well-known phenomenon, extensively analyzed by economic geographers (Dingsdale, 1999). In the case of post-socialist Europe, three main factors determined the cross-national variations in economic development and the overall success of reforms. The first one, as already stated above, is the level of commitment to political, economic, and institutional reforms reflected in government actions and their public support. The experience of the transition period has shown that, contrary to the initial impetus to reduce the role of the government to a minimum, those countries which moved ahead during the second half of the 1990s were the ones where governmental institutions became directly involved in development planning and coordination. Today, strategies of cooperation between the public and the private sectors are becoming increasingly popular among the leaders of post-socialist economic restructuring (see Chapter 3, this volume). Notable is the increasing role of not just state institutions, but of local governments as well. Advances in the process of decentralization have begun to curtail the dependence of the municipal administration on state authorities as local governments have started to engage directly with global business (Turnock, 1998). Thus, in countries with proactive state, regional, and local governments, such as the Czech Republic, Hungary, Slovakia, and Estonia, public policies and programs acted as catalysts of reform, allowing their economies to gain and maintain momentum throughout the period of transition.

The second key factor in determining cross-national variations in economic development and the overall success of reforms is a phenomenon described in urban literature as path dependency – a term denoting the ability of patterns of development in the past to influence the paths of development in the future. As social theory has established, regardless how radical a social transformation is, the new system always preserves some features of the past. In the context of Central and Eastern European transition to market economy and democratic government, the experience from the 1990s has proven that informal institutions, individual attitudes, and public perceptions have been particularly resilient in resisting change (Hamilton, 1999). During the socialist period, the CEE countries exhibited significant variations not just in economic productivity and output, but in their willingness to experiment with market-oriented reforms. In Hungary and Yugoslavia, this process began in the 1970s and continued throughout the 1980s. The development of the socialist economies was, in turn, conditioned by the preceding period of their historical evolution. The position of the Czech Republic as a leading economic power in the region, which it sustained through the socialist and post-socialist years, dates back to the pre-war period, when the country was a major economic force in Europe (Reiner and Strong, 1995). Thus, the traditions of the countries in Central and Eastern Europe in terms of their economic policies and development impacted significantly their success during the transition period, softening the shock of the reforms for those states that were better positioned at the end of the 1980s, while presenting considerable challenges to those that had been falling behind (Figure 2.4).

The general geographic pattern of decrease in the positive outcome of reforms from west to east is also a reflection of historical and geopolitical circumstances. Countries closer to the border with the European Union have been experiencing the benefits of the nearest-neighbor effects not just in the post-socialist years, but throughout history. The links forged through trade and cultural exchanges over the centuries have been reinvigorated after 1989. This process has been demonstrated in the differential level of support, which the CEE countries have received since the beginning of the transition period.

The level of foreign investment in the post-socialist countries in Central and Eastern Europe has been the third main factor determining cross-national variations in the economies of the region. The presence of foreign capital is not a new phenomenon for Central and Eastern European countries. In the interwar period, about half of the economy in this part of Europe was fueled by foreign-owned investments, reaching 60 percent of the capital in Poland, 50 percent in Hungary, and 50 to 70 percent in the Balkans (Swain and Swain, 1993). Hungary has been the clear leader among the post-socialist CEE countries in terms of Foreign Direct Investments (FDIs) per capita, especially during the early 1990s, when the amount of FDIs per capita in Hungary exceeded three times the FDIs directed to the second-ranked Czech Republic (Figure 2.5). Eastern Germany, of course, has been a special case. During the 1990s, it received subsidies in the amount of over 500

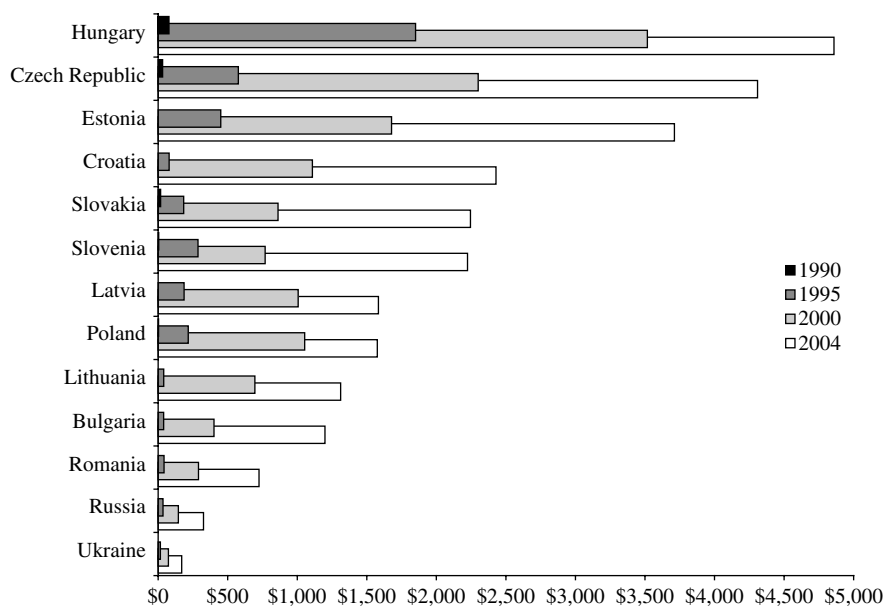


Fig. 2.5 FDI per capita in the CEE region, 1990–2004

Source: UNCTAD

billion USD from West Germany alone (Wiessner, 1999), a sum exceeding three times the total amount of FDIs received by all other CEE states by that time.

A relatively new trend in foreign investments targeting the CEE region has started at the end of the 1990s and has exploded since. With the stabilization of the political, economic, and institutional situation in the former socialist countries, an increasingly large share of FDIs is directed to the real estate sector of their economies. Thus, by 2005, over 10 billion EUR were invested in institutional property alone (see Chapter 5, this volume). In this sector, FDIs were even more concentrated as Poland, Hungary, and the Czech Republic received over 90 percent of the total funds (EAUE, 2003). The highly educated and relatively inexpensive labor force has been one of the key magnets attracting foreign investments to this region. According to data provided by Eurostat, while the average percent of population with at least upper secondary education for the twenty-five countries of the European Union has been estimated at about 77 percent in 2004, in Slovakia and the Czech Republic this share was 91, and in Poland and Slovenia around 90 percent.

This indicator underscores the interrelations between historical traditions (here, in the sector of education) and the level of foreign investments. It should be noted that all three factors discussed here – commitment to reform, historical dependency, and foreign investment – are closely interrelated. Foreign investment, for instance, has been channeled in large part to the reform-minded countries of the region, which, in turn, have been those states with stronger traditions in carrying out pro-market reforms.

The exposure of the countries in Central and Eastern Europe to the forces of the global market has exacerbated the cross-national variations in the region, propelling the leaders in post-socialist reforms forward while providing only a modest push to the ones showing slower advances on the path to reforms. An important aspect of the impact of globalization on the post-socialist states has been the propensity of global capital to concentrate investments not just in certain states, but to focus command and control functions in a small number of metropolitan areas, thus, increasing disparities among regions within national boundaries.

2.2 Regional disparities

To analyze the spatial patterns of post-socialist regional development one needs to begin with an understanding of the main principles of socialist urbanization, which determined the postwar patterns of regional growth in Central and Eastern Europe in a way markedly different from the logic of regional spatial organization in the Western countries. Enyedi has described spatial development under socialism as “reverse urbanization,” in the sense that it was a process designed to concentrate growth in the largest regional centers at the expense of the development of all other settlements (Enyedi, 1996). Marxism, as an ideology of the urban masses, was distrustful of the non-urban population, which during

socialism retained more rights over land and property than city dwellers. Many villages in the suburban periphery of the large socialist cities were annexed in the 1960s and 1970s to the urban territory in order to increase the share of the urban population and to assure land reserves for future urban growth. This type of forced urbanization contrasted sharply with the one observed in Western Europe, which proceeded “from below” as the growth of the largest centers was feeding from the development of the smaller settlements in the urban hierarchy. While urbanization in Western Europe reflected a long process of organic growth, under socialist rule the growth of the urban settlements in Eastern Europe depended on decisions made by the state authorities on investments in a system of planned industrial centers. The role of cities was not determined by their importance as market places, but by their economic designation assigned in the Communist Party headquarters. Thus, no market based economic relations between cities were formed, which made the whole settlement network very vulnerable to system change. Once the government pulled out the mechanisms supporting the urban network, the economic ties between the cities quickly began to disintegrate, in a manner similar to the dissolution of the economic linkages among countries of the Eastern Block after the dismantling of COMECON in 1991.

The adjustment of the settlement network from a command-driven system to one attuned to the forces of the market has resulted in significant spatial shifts of population and economic output (World Bank, 2000). Locations with advantages for reorganizing production, including concentration of capital, qualified labor force, and access to global communications, had much better chances for growth than older industrial centers (see Chapters 3 and 4, this volume). The first urban settlements to come out of the economic shock were those at the top of the urban hierarchy – the capitals of the CEE countries, followed by some of the largest urban centers. These metropolitan areas became the focal points where the processes of post-socialist economic restructuring were initiated, tried out, and expanded, spreading over to the other regions (Sailer-Fliege, 1999; Kovács and Wiessner, 1995).

The contrasts between the largest metropolitan centers and the other elements of the CEE settlement systems, which emerged during the socialist period as a result of the communist doctrine, were thus reinforced by the reign of the market forces in the period of transition (Downes, 1996). As the economies of the capital cities picked up speed, they began to attract population from the other regions, luring the newcomers with chances for jobs and higher wages. During the second half of the 1990s, unemployment rates in most CEE capitals fell down to the single digits, while the national averages hovered around 15 percent and above (Eurostat). Thus, while the number of jobs in the Czech Republic decreased by 11 percent between 1991 and 2001, Prague registered an employment growth, increasing its share of the total number of jobs in the country by 15 percent (Sýkora and Ouredníček, 2007). The concentration of economic activity in the capital cities has been reflected also in the rising incomes of their residents, increasing the gap between

the capitals and the other regions. The average official income of Moscow's households, for instance, has been estimated to be four times as much as the national average (Golubchikov, 2004), a situation characteristic for the other CEE countries as well.

The restructuring of the economy has been much less favorable to the smaller cities, towns, and villages in Central and Eastern Europe. Particularly hard hit were the former socialist towns planned as centers of specific industrial branches. There, environmental degradation, the withdrawal of state funding, and the lack of interest by private investors has set in a prolonged period of economic stagnation, declining incomes, and eroding quality of life (Bachtler and Downes, 1993). These settlements are also poorly situated in the global economic system, which has reduced further their chances of economic recovery. Their struggles to find a market niche in the global competition for investments have come to depend largely on local government initiatives and, more recently, on financial support provided through EU structural funds.

Another spatial characteristic in the patterns of post-socialist regional development, besides the economic dominance of the capital cities and large metropolitan regions, has been the reverberation of the east-west gradient on the territory of the individual countries. The same locational factors, which are at force in comparisons between individual states, have exerted their influence within state boundaries as well. During the 1990s, regions located closer to the borders with members of the European Union demonstrated better rates of economic recovery compared to territories in the same country located further away. This pattern was observed from Slovakia and the Czech Republic all the way east to Russia. For reasons already mentioned above, the EU-border regions became the hot growth areas of concentrated foreign investment and intense economic development.

Overall, it could be said that the same factors which influenced cross-national variations in economic development impacted regional growth variations within the individual countries as well, demonstrating the same powerful linkages between government policies, historical development, and patterns of foreign investment. These forces have combined to exacerbate the differences in economic achievements both on national and sub-national levels. It should be noted that similar processes of spatial differentiation have been taking place also within urban areas, where some communities have begun to enjoy significant improvements in the quality of their built environment, while others are experiencing economic, social, and environmental decline. The relative spatial homogeneity of means and opportunities, imposed by the old socialist system, has been shattered by the logic of the market forces.

In a matter of a little over a decade, the restructuring of the former socialist countries along the principles espoused by market-oriented democracies has resulted in significant changes in the patterns of territorial development. Today, many post-socialist countries in Europe exhibit regional disparities greater than those in the Western European states (see Chapter 3, this volume), giving rise to anxieties

related to how far these processes of spatial differentiation will continue in the foreseeable future. The answer to this question depends to a large extent on the government responses to the challenges presented by the processes of transition. As the forces of globalization are tearing down national boundaries, regions, more so than nations, become the major competitors on the global marketplace. This is particularly true with the enlargement of the European Union to the east, a process which facilitates the operation of international capital, forging new patterns of cross-national regionalization with little concern for national boundaries. The intensification of economic linkages in certain transnational geographic regions pulls some urban areas up in the vortex of global economic activity, while leaving others behind.

According to the logic of the market, however, the concentration of economic interests in certain areas increases competition leading to diminishing returns on investments. Thus, after awhile, investors turn their attention to other locations where market opportunities are underutilized. At that stage, the role of the government is critical in attracting the attention of investors to the new opportunities, and in creating the conditions that will ease the entry of capital to these overlooked areas. Reducing the risk for investors, uncovering neglected local opportunities, and marketing them internationally are key tasks for public officials in the economically depressed regions of Central and Eastern Europe, and there are some signs that more local and regional governments are stepping up to this challenge. Their efforts are aided by EU funds and programs aimed at overcoming regional disparities. At the national level, a main issue in CEE regional development policy has become the need to make strategic decisions on the best way to invest limited public resources. The choice is between supporting the growth of the already established centers, hoping that they will serve as locomotives pulling the rest of the regions behind, or placing priority on overcoming spatial disparities by investing in those regions that have fallen behind.

The ultimate answer to this conundrum will be provided by the knowledge gathered in the future from the variety of experiences accumulated by the CEE countries during the period of transition. The following two chapters summarize some of these experiences, presenting the patterns and processes of regional growth in Slovakia and Russia, two of the states showing the highest rates of economic growth in the world since the beginning of the new millennium. While Chapter 3 by Ivanicka and Ivanicka concentrates on one of the hottest spots in the economy of Europe today, a transnational region centered geographically on the city of Bratislava, Chapter 4 by Molodikova and Makhrova explores the reversal of urbanization trends in Russia, the country which is primarily responsible for the invention and dissemination of the principles of socialist urbanization and which is currently facing the greatest challenges in managing regional growth. These two studies shed light on many of the issues outlined in this introduction, illuminating them from two different angles, and demonstrating striking similarities between the two countries both in the positive and negative impacts of the process of post-socialist regional restructuring.

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3 Regional growth dynamics in Central and Eastern Europe in the socio-economic and geographic context of a post-socialist reality

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3.1 Regional dynamics in the Visegrad¹ countries

3.1.1 Regional spatial differentiation in the post-socialist period

The transition to a market economy, which has been taking place in the CEE countries during the last fifteen years, has facilitated profound socio-economic changes in the former socialist states supported by the accession process to the European Union. Step by step, these countries are pursuing their integration into the global marketplace by restructuring their economies, legal environments, and institutional frameworks. After the years of initial stagnation, their growth potential emerges thanks to the advantageous geographic position of many localities and the valorization of existing natural, cultural, and geographic resources. These changes are accompanied, however, by a number of unresolved problems.

One of the major issues of the transition period is related to the considerable spatial differences that can be observed in the development of various regions in Central and Eastern Europe. The western border areas of the Visegrad countries, by and large, have benefited from their proximity to EU-15 neighbor states (Bachtler and Downes, 1993). This proximity has encouraged many investment, trade, tourism, educational, and technological initiatives in these regions. The eastern and rural regions of the Visegrad countries, on the other hand, remain economically disadvantaged with high levels of unemployment, partly owing to the decline of trade with Russia, Ukraine, and other Eastern European states. Other main contributing factors for the decline of these regions, besides their geographical location, are connected to the low levels of investments and the high rates of out-migration among the better educated portion of the population.

The data reflect the advantageous position of capital regions, as well as an east-west differentiation, mainly visible in Poland and the Czech Republic (Table 3.1). The situation in Hungary and Slovakia points to a rather poor

Table 3.1 Most and least productive regions in the Visegrad countries and Austria, 2002

Region (NUTS 2003)	GDP per capita PPS	GDP per capita PPS EU25=100
CZECH REPUBLIC	14,318	67.6
Střední Morava	11,098	52.4
Praha	32,357	152.8
POLAND	9,664	45.6
Mazowieckie	14,718	69.5
Podkarpackie	6,891	32.6
SLOVAKIA	10,857	51.3
Bratislavský kraj	25,351	119.7
Východné Slovensko	8,200	38.7
HUNGARY	12,402	58.6
Közep Magyarország	20,329	96.0
Eszak Magyarország	7,902	37.3
AUSTRIA	25,568	120.8
Wien	36,603	172.9
Burgenland	17,244	81.5

Source: Eurostat

economic performance outside the capital regions. Meanwhile, the situation outside Bratislava has changed somewhat due to strong investments into the automotive industry, gradually changing the economic prosperity in the regions of Trnava and Zilina.

The regions that were over-industrialized during the socialist times have suffered the strongest decline due to many closures of unproductive state enterprises that were not able to restructure themselves during the first years of the transition period. These regions now show signs of deep economic depression exhibited in high unemployment rates, low levels of entrepreneurial activity, declining share of qualified workforce, numerous bankruptcies, and a general degradation of the natural environment. The future of these territories, according to the EU's Lisbon Strategy, is connected with their successful establishment of new growth enterprises in the framework of the knowledge based economy.

3.1.2 Real estate markets

In economies of the developed countries, the function of the real estate market in allocating and reallocating resources is a very important contributor to economic prosperity (Keith et al., 2000). It ensures a range of opportunities and choices in terms of location, types of premises, and tenure across economic sectors. Since the real estate market is closely linked to the functioning of the economy, its disproportionate development is a big risk factor for the development of the financial

sector and the economy as a whole. Removal of barriers to capital and information flows, advances in IT development, and liberalization of the financial markets over the last decades have created a global real estate market, in which investors frequently seek to target countries in different phases of the economic cycle.

The real estate markets of the CEE countries are gradually evolving. Although they existed before World War II, due to the severe restriction of private property rights under socialism, they became marginal and mostly considered part of the shadow economy. Recent changes in this part of Europe have stimulated substantial levels of foreign direct investment inflow. A large share of this investment has been used to purchase state enterprises and other assets with significant impact on the real estate markets. Furthermore, the influx of international companies has stimulated the demand for real estate (Adair et al., 1999). The strongest impacts of this demand could be observed in the changing urban patterns of the most dynamically evolving cities in Central and Eastern Europe.

An important aspect of the current globalization processes is the concentration of command and control function in a small number of metropolitan areas. Such areas attract transnational corporations, international organizations, important events, and, naturally, real estate developers and investors (Sýkora, 2002). Some cities in Central Europe have begun to effectively perform these gateway functions. Prague, Warsaw, and Budapest have become major entry points for foreign companies seeking to expand their operations. The growing attraction of investment flows to these cities is strongly influenced by the comparative advantages of their markets. Lowering national barriers, developing the global networks, and fostering interregional alliances presented great challenges for these cities, which they have successfully met.

Western European investors have responded very quickly to the fact that new areas with highly qualified labor force opened up for business just within a few hours drive from their headquarters. Requiring a fraction of the wage costs in the West, Central and Eastern European countries have become highly attractive destinations for business expansion.² The mid 1990s saw the construction of the first Class-A office buildings in the post-socialist capitals of Central Europe. Relatively quickly, Prague, Warsaw, and Budapest established themselves as the new regional centers of big multinational companies. Global division of work channeled production and services into these locations and a number of call-centers, car production plants, back-offices of large corporations, and bank institutions sprung up in and around their main metropolitan regions. The outsourcing of business activities to East Central Europe spread rapidly through the corporate world of the West. In Vienna, for instance, Austrian owners and managers who were hesitant to outsource their activities into the nearby cities of Brno, Bratislava, Győr, Zagreb, or Prague were quickly replaced by more radically-minded executives.

The logic of portfolio investment theory, calling for a distribution of assets and geographic risks, has directed the interest of international investors to

allocating increasing amounts of financial funds in CEE properties. Although such transactions are not yet as widespread as in Western Europe, with the gradual reduction of the investment risks as these markets mature, this type of transactions will certainly become more common in the near future, leading to the gradual modernization of the real estate not only in the highest rank CEE cities, but in secondary CEE towns as well.

Multinational investors still meet a number of problems in Central and Eastern European countries. These include a low transparency of the real estate markets, the lack of data on real estate property, frequent changes of the legislative environment, problems with the land register, etc. The available data usually reflects the yields and return on investments in key urban areas. Outside of them, basic real estate market information is often missing. This is another reason why foreign real estate investments are concentrated in those countries and regions where information is more readily available and the markets are more transparent.

The speed with which Central and Eastern European countries have been developing their real estate markets vary significantly. Watkins and Merrill (2003) have outlined four phases of this development, marking the path of reforms trotted by CEE countries as follows:

Non-activity. After decades of state ownership of real estate assets and rigid control over the allocation of resources, investors await the emergence of the real estate markets. This phase is characterized by very high risks for investors due to a lack of information on the market potential, data unreliability, a rapid turnover in administrative personnel, low management skills of local authorities, and lack of clarity on property titles. The rents in relation to the construction costs are quite high.

Cautious beginnings. Multinational corporations explore openings in the markets. The gradual removal of legislative barriers convinces some investors that the return on their investment is worth the substantial risks to be undertaken.

Strong growth. Many newly constructed buildings become attractive for investors, bringing them sizeable profits. A rising supply of quality spaces enables firms to become more selective. As a result, rents in buildings with obsolete design or in unsuitable locations decrease. The perception of risk and the capitalization rate are reduced.

Looking for equilibrium. Construction activity decreases and only the buildings built in advantageous locations with high design standards can obtain new rental contracts or construction funding in advance. The capitalization rate is stabilized, the market matures.

The analysis of the real estate markets in Central and Eastern Europe indicates that levels of market maturity and perception of risks are still unevenly distributed in the region (Table 3.2). Foreign investors in CEE properties have been very sensitive to this situation, which has been reflected in the differential rate of investment flows to the countries of the region.

Table 3.2 Ranking of emerging real estate markets in CEE

% of max score	Country	2004 ranking	2003 ranking
72%	Czech Republic	1	2
71%	Hungary	2	1
70%	Poland	3	3
62%	Slovakia	4	5
60%	Estonia	5	4
55%	Lithuania	6	7
54%	Russia	7	8
53%	Latvia	8	9
52%	Slovenia	9	6
47%	Bulgaria	10	10
46%	Croatia	11	13
46%	Romania	12	12

Source: Cushman & Wakefield Healey & Baker, 2004

3.1.3

The growing automobile pole in CEE countries

A prominent feature of the post-socialist economic development of the CEE countries is the strong development of the automobile pole. The Volkswagen group, which has invested more than 5 billion EUR in the region and has purchased both Škoda (Czech Republic) and BAV (Slovakia), is without a doubt the largest investor, also present in Hungary and Poland. FIAT, mainly established in Poland, remains in second place with investments reaching 2 billion EUR. Other major automobile companies have also fortified their presence in the region. These include Renault and Toyota (Czech Republic and Poland), Daewoo (Poland and Romania), Opel (Poland), Suzuki (Hungary and Poland), and Hyundai (Slovakia). Adding to the strength of this growing automobile pole are the many suppliers also located in these countries. More than half of the leading one hundred world equipment suppliers are located in a crescent starting in the Czech Republic and passing through Wrocław, Katowice, and Krakow in Poland, Martin-Žilina in Slovakia, and ending in western Hungary. The flow of incoming FDIs in the automobile sector in Romania has also been accelerating for the last three years.

Slovakia has become the star performer in this group. In a decade and a half, this country has been transformed from a state with no automobile assembly capacity into a key international player in this sector. The country is set to become the top OECD manufacturer of cars per capita in the world, with production facilities by Kia-Hyundai, PSA Peugeot Citroën, and Volkswagen. This enormous success in attracting automotive giants has been attributed to five factors (UNCTAD, 2004):

- The three main production sites located in western Slovakia are in the middle of an emerging cross-border cluster of 13 car plants, 10 power train factories, and

hundreds of suppliers in a 500-km circle that encompasses the Czech Republic, Hungary, Poland, Slovakia, and Slovenia.

- Within that cluster, Slovakia benefits from its proximity to Western Europe and its good transportation links facilitating the cross-border supply of components.
- The country offers a combination of high labor skills and competitive labor costs. The latter are particularly competitive due to the latecomer status of the country in attracting FDIs. This has kept wages lower than in the CEE countries that have attracted a lot of FDIs in the 1990s (the Czech Republic, Hungary, and Poland).
- Thanks mostly to Volkswagen's efforts, including the construction of two industrial parks for suppliers, the supplier capacity of Slovakia is improving, making production more cost efficient. In 1997, the production value by Slovak automotive suppliers amounted to around 450 million USD. By 2003, it had increased more than fivefold, to about 2.5 billion USD.
- In the cases of PSA and Hyundai, the government of Slovakia provided assistance within the limits of the EU rules on state aid. These subsidies included free land for the plants, construction financing, subsidies to train the labor force, and tax breaks. Direct payments to Hyundai were estimated to be around 170 million USD, while estimated public expenses related to the project amounted to 50 million USD. PSA was expected to receive 114 million USD in government assistance.

In addition to its contribution to export competitiveness, FDIs in Slovakia's automobile industry are a major source of new investments and jobs. The investments in the car industry boost the need for the development of new industrial and logistic premises, and infrastructure improvements. This growth is expected to contribute to a significant rise in future consumer demand for housing, retail, and services.

3.1.4 Internal incentives for economic development

Although the political expectations have been concentrated primarily on growth incentives from foreign investors, the domestic potential for economic development has been an important factor of regional dynamics in Central and Eastern Europe. The availability of domestic financial sources has enabled economic diversification while domestic consumption has stimulated more complex production in the region.

A noteworthy result in activation of domestic development resources has been attained in the Czech Republic. The Czech government has allocated 1,520 million CZK for the implementation of a Strategy for Regional Development. These financial sources are targeted for assistance to regions where important structural changes are taking place (e.g. the coal-mining regions of Northern Czechia and Northern Moravia). Important investments in environmental improvement have also been initiated. The Czech Republic has reduced harmful air pollutants

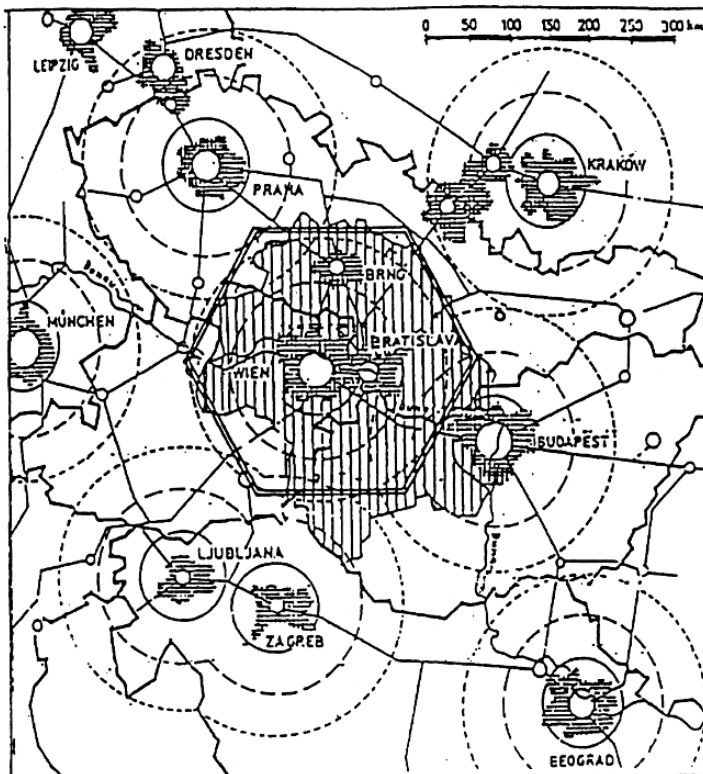
by 80 percent in the so-called Black Transborder Triangle formed by Northern Czechia, Saxony, and Southwestern Poland. The reduction of coal-fired power plants has led to an increase of investments in nuclear power production. At present, the Czech Republic plans to put into operation several new nuclear power blocks in Temelín.³ The Czech government has also recognized that the radical transformation towards a market economy needs to be balanced with support for the welfare state. This policy is based on the realization that a socially and ecologically oriented market economy has certain advantages in the highly competitive global economic environment.

Recent studies have shown that a crucial indicator for the competitiveness of a region is the price-performance relation – an index based on a number of indicators including labor costs, qualification level, production density, transport potential, market accessibility, research and innovation potential, density of required services, and quality of life. A study conducted by the International Analysis Institute, which has assessed these factors in 471 European regions, has concluded that the Bratislava region scored the highest mark in the survey, followed by western Czechia (the Czech Republic), Gyor-Sopron (Hungary), Poznan (Poland), Cluj (Romania), Estonia, Norte (Portugal), Jämtland (Sweden), Ireland, and Burgenland (Austria). Out of the ten most attractive places for investment, eight are found in East Central Europe (Empirica-Delasasse, 1994).

Bratislava and its immediate surrounding area appear to have an excellent research base and innovation potential, very good accessibility and infrastructure, flexible services, coupled by outstanding conditions for networking. These advantages are enhanced by an excellent regional location in the so-called Golden Triangle, formed by the regions that came first, third, and tenth in the Empirica-Delasasse study (Bratislava, Gyor-Sopron, and Burgenland). Foreign investors find this area attractive also due to the fact that the business climate is similar to the one that entrepreneurs are accustomed to in Western Europe, but without the high prices. The Prague and Brno agglomerations, which are closely connected with Bratislava, are showing similar positive characteristics. Thus, the Golden Triangle is virtually expanding into a Golden Quadrangle.

3.2 Regional transformation in the Slovak Republic

The geo-political and socio-economic position of Slovakia is determined to a great extent by its location in the center of the European continent, nearly halfway between Atlantic Europe and Russia, and between the Baltic and the Adriatic seas. The dominant part of the Slovak territory is mountainous and this has directed urbanization to the basins and valleys framed by the mountain ranges. The southern and southeastern parts of Slovakia are relatively flatter and this is where the metropolitan centers of Bratislava and Kosice have sprung up. Bratislava, the capital of the Slovak Republic, is located in an area where the Carpathian Mountains descend into the Danube River



Legend:






-  State border
-  Metropolises and their hinterland
-  Other important towns
-  Central European contact zone
-  Important communication links

Fig. 3.1 Regional context of Bratislava

Source: Ivanička and Ivanička

Basin. The area has developed into a significant economic, cultural, and transport center of the Central European region (Figure 3.1).

The country's urbanization pattern is also influenced by the European urban axis formed along the Danube River (Stuttgart, Munich, Salzburg, Vienna, Bratislava, Budapest, Belgrade) and the proximity to the urban agglomerations of Vienna, Budapest, and Katowitz (Upper Silesia). Several international routes passing though Slovakia have been formally recognized by the European Union as important trans-national corridors⁴ (Figure 3.2).

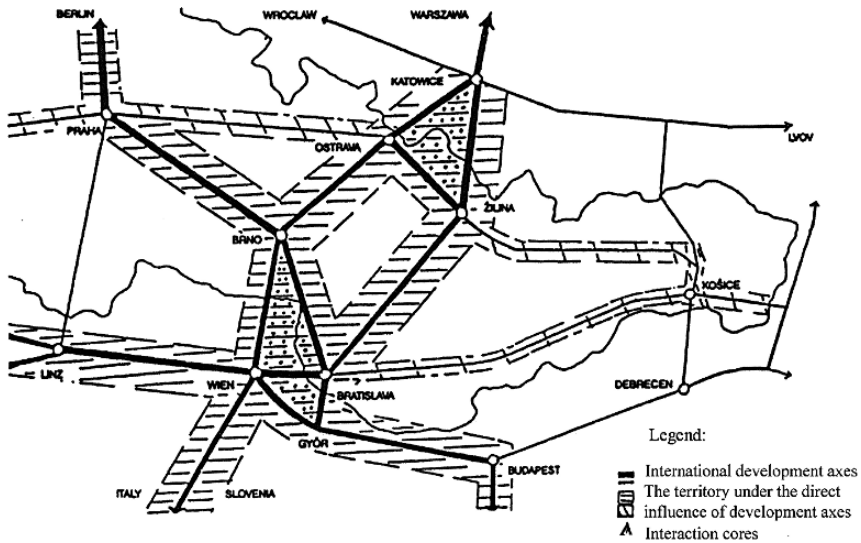


Fig. 3.2 Central European transport corridors and related interaction cores

Source: Ivanička and Ivanička

The Danube, which played an important role in European history by connecting the eastern and western parts of the continent, continues to be an important factor in the contemporary process of European unification. The European Transport Conference in Helsinki designated the Danube as one of the main European transport corridors (Schwetz, 2005). A unique nucleus is formed in the Central European zone of this corridor concentrating 25 public universities and art academies, and a great number of private research and educational institutions. A group of 14 cities in this region, including Bratislava, is creating joint programs for the utilization of this great potential in the areas of science, tourism, labor markets, communication, environment, and culture.

3.2.1 Structural and functional changes after 1989

Bratislava is transforming itself from a “city at the Danube” into a “city on the Danube.” In a comparatively short time, a revitalization of the historic city has begun, several new bridges over the Danube were built, new bus connections were established to Prague, Vienna, and Budapest, and a new road to the international airport was constructed. The passenger terminal was extended, while the cargo terminal was transferred from its central location to the southern perimeter. This made possible the development of a new business and civic center on its former site on the Danube River. Between Castle Hill and the Danube, a new zone for

urban, national, and international functions is emerging next to highly attractive residential quarters. The right bank of the Danube (Petržálka), which used to host primarily residential and industrial functions, is becoming more varied in terms of its architectural character due to the construction of an attractive commercial and exhibition center along the road connecting Vienna, Bratislava, and Budapest.

The contacts between Vienna and Bratislava have significantly intensified. The 55 km distance between the two cities is probably the shortest one between any two capitals in the world. This geopolitical, economic, and cultural agglomeration has a combined population of 4.5 million residents and over one million jobs. While the residents of Vienna enjoy a higher standard of living, the economic growth rate of Bratislava is much higher. Between 1996 and 2000, the GDP growth of Vienna was measured at 2.8 percent while Bratislava registered a GDP growth of 9.1 percent. Interestingly, according to the official statistics, the border is still acting as a barrier. Today, only 4,700 people commute from Bratislava to Vienna (primarily employees in healthcare services, agriculture, and construction industry), and 1,000 to 2,000 people commute from Vienna to Bratislava (staff of foreign business companies, mostly Austrian).

Bratislava is leading the country in the race for economic restructuring. While in Slovakia the establishment of new project and managerial agencies for new types of economic activities has been delayed, modernization and transformation in the capital region has been advancing at a fairly rapid pace. Thus, for a little over a decade, the share of employment in Bratislava in the finance, commerce, and research sectors almost doubled – from 15.9 percent in 1985 to 28.5 percent in 1998 (Statistical Office of the Slovak Republic, 2006).

A major issue in the development of the Bratislava region has been housing. The transition to a market economy and the privatization of housing triggered a deep housing construction slump. Annual production dropped from 14,000 flats in the 1980s to approximately 2,000 flats in the early 1990s. As a result, housing prices soared, reaching values nearly 10 times higher compared to the end of the 1980s. This has had a crushing impact on young couples and families. The number of people getting married, as well as the number of newly born children, has decreased significantly. In the last few years, a return to the construction rates of the 1980s has been recorded, but this has been the case in Western Slovakia only.

3.2.2

Impact of regional policies and planning

In order to offset the loss of industrial jobs, which hit the country during the crisis of the transition period, the Slovakian government has placed a high priority on the creation of new job opportunities. Following this imperative, there has been a great interest in the development of technopoles, hi-tech parks, and industrial-service centers. Under the auspices of the Ministry of Environment, a study was conducted in which over 500 localities were investigated as possible sites for such projects (Ilkovič, 2004). Of these, 90 localities were selected and recommended

for development. With the help of the state, as early as 2001, construction started in Lozorno, Vráble, Devínska Nová Ves, Gabčíkovo in Western Slovakia, and in Prešov, Rožňava in Eastern Slovakia.

One of the largest industrial-technological parks in Slovakia to be constructed under this strategy will be Zahorie, located within the Golden Quadrangle, west of Bratislava (Chudík, 2002). The project is oriented towards servicing the needs for high-quality production space of information and bio technologies, micro-electronics, robotics, software development, and informatics. The park is situated on the site of former military training grounds in Zahorie, which is intersected by the Prague-Brno-Bratislava motorway. The facility, worth 80 billion SKK, is planned to employ as many as 18,000 highly qualified workers. A beautiful strip of pine forests near the site is slated for the construction of upscale houses and apartments.

The example of Zahorie is seen as a prototype of the new economic development initiatives that are sweeping the country. Other attractive hi-tech parks are planned in various parts of Slovakia as the country is becoming more and more attractive for foreign investments. The 14.5 billion USD invested in Slovakia by the end of 2005 is an impressive amount. However, it is several times smaller than investments in the Czech Republic, Hungary, and Poland, each one of which received approximately 60 billion USD in FDIs during the same period (UNCTAD, 2004).

Rapid improvements in infrastructure, proximity to the Ukrainian and Russian markets, the quality of human capital, and the fact that the market has not been saturated by foreign capital, are the main factors in favor of Slovakia over other CEE countries. Of significant importance also is a noticeable change in the attitude of the public sector and the state towards urban planning geared at much more active involvement in the attraction of foreign investments. While the first phase of the transition period was characterized by the reluctance of governmental institutions to be directly involved in development planning and coordination, at present, such strategies of cooperation between the public and the private sectors are viewed as useful prerequisites for successful growth.

The experience from the past and the present has proven that underestimating the strategic potential of regional development and the importance of creating a vision for the future of the country's regions have had a destructive impact on the competitiveness of Slovakia. After the First Czechoslovak Republic came into existence in the end of World War I, the practice of balancing economic development between the regions of Slovakia and Czechia, solely based on market forces and competition, had a distinct negative outcome. In Slovakia, hundreds of factories were closed and unemployment reached record levels. This had, undeniably, a harmful affect on the stability of the state as well. The same experience resurfaced in the first years of the post-socialist transformation between 1989 and 1992. Conversely, coordination between the efforts of various development forces (including those of the market), aided by cooperation between the public and the private sectors, have had positive results for Slovakia, both in the past and today.⁵

3.2.3 Internal migration patterns

The eastern regions of Poland, Slovakia, and Hungary (the territory that is situated east from Vistula, the High Tatras, and Tisza) were known during the interwar period as economically underdeveloped areas (often referred to as part of a zone called “Europe B”). During the industrialization period following World War II, these marginal regions changed their geopolitical status and received significant state investments. After 1989, when their economic ties with the Eastern European countries (particularly with the former Soviet Union republics) weakened, their competitiveness sharply declined. Many of the businesses went bankrupt, real incomes plummeted, unemployment grew, and migration increased.

The economic and social decline which has taken place in the eastern parts of Slovakia is confirmed by the analysis of data on income disparities gathered by the Statistical Office of the Slovak Republic. While in 2003 the average monthly income in Slovakia was 15,600 SKK and 23,000 SKK in Bratislava, the income levels in the eastern cities were considerably lower – 9,500 in Bardejov; 10,582 in Stropkov; 10,814 in Snina; and 10,814 in Sobrance. These income disparities have been growing from year to year during the transition period. Thus, while in 1997 the difference between the average income in Western and Eastern Slovakia was 7,178 SKK; in the year 2000 it reached 9,516 SKK, and in 2003 it was assessed at 13,378 SKK. While in 1997 only two Slovak districts had a median income of less than 75 percent of the national average, in 2003 there were already 17 districts below that mark, most of which were located in Eastern Slovakia. The unemployment rate parallels the pattern of income distribution. While in Bratislava unemployment was fairly low at 3.6 percent in 2003 (5.2 percent in the Bratislava region), in the east of the country it reached much higher levels. In the region of Košice unemployment in 2003 topped 24 percent and in the regions of Prešov and Banská Bystrica it reached 23 percent.

The disparities in the regional growth patterns have been reflected also in the migration flows within the Slovak Republic. Although migration patterns within the country are not directly recorded, they can be deduced from a comparison of the number of newly registered and unregistered residents within a region for a given year.⁶ A positive balance between the two groups was recorded in 2001 only in the western regions of Bratislava, Trnava, and Nitra. A negative balance was typical for the eastern regions (Prešov and Kosice) and, in lesser extent, for Banská Bystrica and Trenčín (Figure 3.3).

Migration trends in the 1990s differed from the patterns of migration observed before 1989. During the socialist period, migration flows were directed to the regional and county centers, where housing production was concentrated. In the beginning of the 1990s, towns with population between 10,000 and 100,000 residents began to show population decline. Even the inner cities of Bratislava and Košice suffered from out-migration, losing parts of their population. At the same time, the fast growth of small towns and villages in the hinterland could be observed. While suburbanization processes can partially account for this movement,

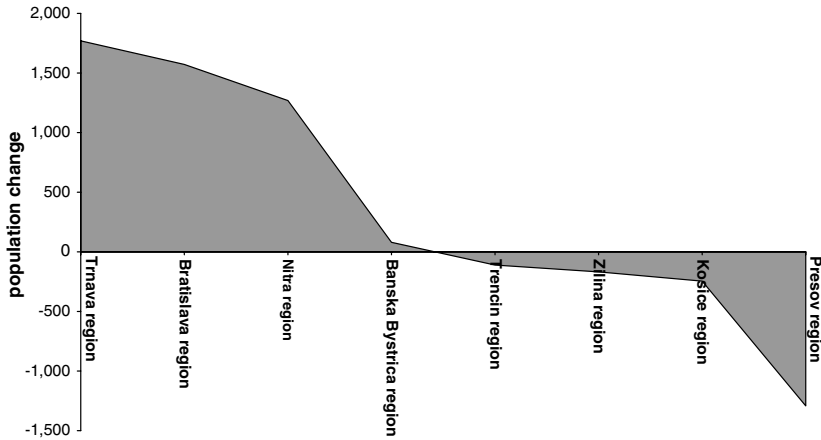


Fig. 3.3 Migration in the Slovak Republic by regions, 2001

Source: Statistical Office of the Slovak Republic, 2001

the essence of this phenomenon is linked to the decline of economic opportunities, new housing construction, and the rapid growth of housing prices in the larger cities. By 2005, the situation has changed, marked by a radical growth of housing construction in those towns. In 2004, housing production in the Bratislava region grew by 40 percent, in the Trnava region by 23 percent, and in the Žilina region by 21 percent, while the eastern region of Košice registered a relatively modest increase of 7 percent. It is interesting to note that, thanks to government programs, the other eastern region – Prešov – recorded a 31 percent growth in residential construction. Overall, the higher rates of housing construction in the western regions will most likely fuel a massive migration of population from Eastern to Western Slovakia. Until this recent boom in residential construction, the inadequate supply of housing indirectly supported emigration, especially to the Czech Republic.

3.2.4

Central Slovakia and the cohesion of the Slovak Republic

From the perspective of sustainable development, it is especially important to support the economic and social stability of those urban regions which have played a major role in a country's history. Besides Bratislava and historical Nitra in the west, such urban places in Slovakia are Martin and Banská Bystrica, located in the central part of the country. Banská Bystrica was a center of the most progressive traditions within the Slovak national independence movement, leading the opposition against ideological, political, economic, and military international influences in two key historical periods – the National Revival during the nineteenth century and the period of the Slovak national uprising against fascism during World War II. Therefore, preserving the region's territorial cohesiveness is extremely

important, grounded in the very notion of maintaining a strong and vital geographic center of the nation with great social and political significance.⁷

The increased reliance on regional cooperation within the European Union further stresses the need for strengthening the region of Central Slovakia. At the heart of this region lies a cluster of two cities - Banská Bystrica and Zvolen (Figure 3.4). The economy of this urban agglomeration has been marked by a noticeable trend of declining job opportunities in traditional industrial activities. The generation of jobs in the new technologies has been slow to emerge. The essential role of this sector in the regional economy has yet to be realized through much needed improvements in education and prequalification of the labor force. Fast transfer of new technologies, innovations, and availability of adequate know-how are the key factors which will improve the competitiveness of the regional economy, its sustainability, and the development of an export base, increasing the proportion of added value and the welfare of the local population.

After 1989, this economic and geopolitical reality was not sufficiently understood, which resulted in a sharp decline in production, a rise of unemployment, and

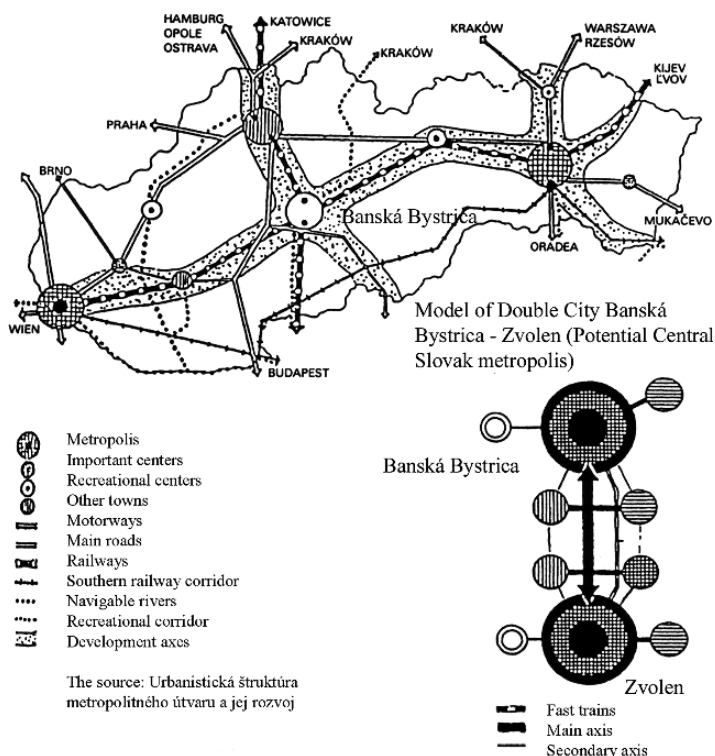


Fig. 3.4 Development of supraregional infrastructure in Central Slovakia

Source: Adapted from Černák et al., 1996

a general population loss, even in the regional center itself. While the population of Banská Bystrica rose during the 1980s by 20,000 people to reach almost 90,000 residents, in the first years of the 1990s it fell down to 85,000. A similar albeit less pronounced trend was observed in Zvolen.⁸

This situation could be reversed if the current strategy supporting the growth of information-oriented industries, infrastructure development, and the development of trans-regional functions proves to be successful. The strategy has already assisted the expansion of the universities in Banská Bystrica and Zvolen, creating new departments of diplomacy, banking, foreign trade, ecology, and social work. The development of the telecommunication systems and the establishment of a free business zone and a techno park are gaining local support. Development policies are also aimed at the growth of housing construction, organic farming, and enhancing the attractiveness of a number of historical sites. Critical support for the growth of the Banská Bystrica-Zvolen metropolis will be provided with the finalization of the southern expressway connecting Bratislava with Košice via the Banská Bystrica-Zvolen region.

What type of urban concentrations will be formed in the following decades and how will the Banská Bystrica-Zvolen agglomeration evolve spatially as a result of the new strategy remains to be seen. It has become obvious that the two cities should evolve in a synergetic manner and not follow rigidly the tendency of concentrating all activities in their central areas. A dispersal of some currently centralized activities could be directed to places where it is possible to build good connections within the regional transportation network. In the past few years, bustling building activities have been a characteristic feature of life in the vicinity of the two cities. A number of greenfield sites have become new residential satellites, housing people who have found work in Banská Bystrica or Zvolen. Housing construction has peaked in the proximity to existing village centers. The integration of the infrastructure facilities of both cities in an expanded network, including surrounding villages and newly developed communities, signifies the beginnings of a first phase in the development of a metropolis of a new type, serving as a vital hub of Central Slovakia.

3.2.5

Seeking direction in the broad perspective of the European Union

In the beginning of the twenty-first century, we are witnessing growing disparities around the globe and the formation of areas and regions characterized by deepening economic and social depression. Such patterns of urbanization present serious challenges to the sustainable development of the planet. The negative effects of globalization exacerbating some existing regional disparities should be considered a priority subject for a sensible assessment of the current state of affairs. The EU's October Summit in 2005 discussed a British proposal calling for an increase in subsidies for science and research as a tool for job creation, and the establishment of a new EU fund aimed at mitigating the unwanted effects of globalization (HM Treasury, 2004). Slovakia is well positioned to benefit from such initiatives. The

competition for funding, however, will be severe and the impact of EU's support will be questionable, at best, since even the most affluent countries have not been quite able to sort out the problems concerning uneven regional development.

The former German Democratic Republic is one example of a region that has been seriously affected by a significant drop in population. Between 2001 and 2005, the territory of the former GDR lost 4.2 million people, mostly due to emigration to the wealthier western part of the country. If this trend continues, it is predicted that between 2020 and 2050 the area will lose demographic sustainability. Four successive federal programs appear to have failed in reversing this trend (Urban Modernization and Development, 1991; Preservation of Historic Cities in the New Länder, 1991; Social City, 1999; Urban Restructuring in East Germany, 2004). A revision of these programs by the Federal Office for Building and Regional Planning (2005) has prompted the German government to chart a new strategy emphasizing the following measures:

- Change in the approach to urban planning in East Germany based on a system of regional units.
- Increased cooperation between towns.
- Land use planning responsive to the needs of families with little children.
- Creation of a complex infrastructure for a healthy development of children and people at productive age.
- Urban mobility management through a sound and stable structure of city parts and city centers.
- Higher maintenance of service facilities in housing estates and suburbs.
- Increased coordination between private investor activities and urban planning.
- Stimulation of innovation and economic growth in historical towns while striving for harmony between historical heritage and the needs of residents.

The experience provided by this and other similar initiatives, and the implementation of their proposed measures are certain to lend valuable knowledge applicable in the regeneration of regions in Eastern Slovakia, Eastern Poland, Northern Moravia, and other declining areas in Central and Eastern Europe. It is clear that the problems surrounding balanced regional development will become one of the hardest challenges of the twenty-first century. In this sense, the knowledge gained from the evolution of Central and Eastern Europe, a region with increasing spatial disparities and active development and implementation of national and EU programs and policies, can become a key laboratory for testing the success of development concepts in other regions of the world.

Notes

¹ These are the East Central European countries which signed an agreement to coordinate their policies in the process of applying for membership in the EU. The countries in the original Visegrad agreement were Poland, Hungary, and Czechoslovakia (now the Czech and Slovak Republics).

² It has been calculated that if equalization of incomes between the East and the West is to occur by the year 2010, the income growth index in East Central European countries would have to be 10 to 20

percent yearly, which is quite unlikely. The comparative labor cost advantages of these countries will have, therefore, a long-term impact.

³ The location of the nuclear blocks near the Austrian border has become a subject of bitter disputes with Austria.

⁴ These corridors are: VII – Danube; VI – Gdansk-Poznan-Lodz-Žilina; V – Bratislava-Zilina-Kosice-Uzhorod (Ukraine); IV – Berlin/Norimberg-Prague-Bratislava-Budapest-Belgrade-Istanbul.

⁵ A good example of regional growth incentives in the time of the first Czechoslovak Republic (1918-1938) was the region of Považie in Western Slovakia. Investments were made at that time in the construction of a number of hydropower stations along the Váh River. The proximity to the Ostrava iron and steel region, the good geographic location within the Czechoslovak market, and the availability of skilled labor force supported the concentration of machine manufacturing facilities, including ammunition factories, in this region. After World War II, import of iron ore from Krivoj Rog (Ukraine) and utilization of the empty railway cars on their return from Ostrava for transport of coal to Kosice played a decisive role for the location of the East Slovakian Iron and Steel Works in Kosice. This factory was instrumental in the development of the East Slovakian industrial system.

⁶ Newly registered and unregistered residents are considered those who officially changed their permanent place of residence.

⁷ The importance of Central Slovakia as a cultural hub of the nation is epitomized by the legacy of Ludovít Stur, the nineteenth century leader of the Slovak national revival and the author of the Slovak language standard based on Central Slovakian speech, which led to the formation of the Slovak literary language.

⁸ Between 1981 and 1990, the number of residents in Zvolen rose from 37,500 to over 44,000. Yet between 1990 and 1993, the population remained stagnant, dropping slightly below 44,000 residents.

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4 Urbanization patterns in Russia in the post-Soviet era

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4.1 Urbanization in Soviet Russia

During the Soviet era, the promotion of social equality was the main ideological foundation for the development of all urban planning strategies, planned investments, and state regulations. Town planning was considered an integral part of national economic planning, and controlling urban growth was an essential part of the planning repertoire aimed at merging efficiency with balanced development. An optimal city size was set at 50,000 to 60,000 inhabitants. For the capital cities, this number was estimated at 3.5 to 5 million residents and strict limitations on the growth of Moscow, Leningrad, and other big cities were enforced. Nevertheless, even in the first decades following the Bolshevik revolution, it became clear that growth in the largest urban centers was hard to contain. This led to the adoption of “propiska” (compulsory registration) in 1932, which partly helped to control the growth of big cities and manage access to urban commodities and comforts (Vishnevskii, 1998). The process of rapid urbanization was stimulated by the policies of accelerated industrialization and modernization. In fact, in the Soviet Union, as well as in the other socialist societies that were established in Eastern Europe after World War II, urbanization was considered a side issue of industrialization. Consequently, urban infrastructure development and housing provision reached a state of chronic crisis, unable to meet the demands placed by unprecedented migration of rural population into the cities (Vishnevskii, 1998). Industrial expansion took priority over people’s needs, leading to urban planning schemes that advanced the concepts of communal living as a solution to housing shortages (Davidoff, 1965).

Rejection of market, land, and private property rights, and the introduction of planned distribution of goods after the 1917 revolution did not allow the development of proper land and housing markets (Musil, 1993). Equality in collective consumption was pursued through the planned development of high density residential settlements (*microrayons*) at the periphery of cities, each housing 8,000 to 12,000 people. The planned norms of community service provision in these residential districts were achieved, if at all, only decades after the housing units had been occupied (Pacione, 2005: 184).

The concept of a “group settlement system” (a normative version of Christaller’s Central Place theory) was devised in the beginning of the 1960s. It called for a planned growth of administratively selected centers with the goal of eliminating existing social differences between territorial units. Governmental officials decided which settlements were to achieve the status of first, second, or third level centers, which in turn were linked with the distribution of investment in services and industrial development (Musil, 1993).

During the Soviet period, the accelerated growth of industrialization required an exploration of the territories in the North and East characterized by a sparse settlement network. After the end of World War II, under strict governmental directives, a process of “spreading” the population across the land was instigated in order to exploit the riches of Siberia and the Far East (Nefedova and Treivish, 2005).

4.2 Urban population dynamics in the post-Soviet era

The last fifteen years have been characterized by significant changes in the population dynamics of Russia, which could be described as centrifugal compression of the population in certain areas (Lappo, 2001: 148–149). A main zone of population concentration, containing 30 percent of all Russian towns, has emerged within a 500 km radius around Moscow. In the central and southwestern territories of the country, characterized by stronger links with the countries to the west of Russia, speedier market-based reforms have resulted in more diversified regional economies (IEF, 2004). It is those regions that set the tone of economic reforms, attracting migrants from around the country and abroad.

According to the 2002 census data, the 1.3 percent decrease of Russia’s population recorded since 1989 was mainly due to a decline in the number of people living in cities and towns (Drebentzov, 2004) (Table 4.1). This process was determined by several factors, including a slow to negative natural growth in many

Table 4.1 Changes in the urban population of Russia by federal districts,¹ 1989–2003

	% change in total population	% change in urban population	% change in share of urban population
RUSSIAN FEDERATION	–1.3	–1.8	–0.4
Central Federal District	0.2	2.1	1.5
Northwestern Federal District	–8.2	–8.5	–0.3
Southern Federal District	11.6	2.0	–5.4
Volga Federal District	–2.0	–2.2	–0.2
Urals Federal District	–1.2	–13.7	–11.7
Siberian Federal District	–4.8	–6.4	–1.2
Far Eastern Federal District	–15.9	–15.9	0.0

Source: Drebentzov, 2004

urban areas, out-migration from depressed towns and regions, and by administrative restructuring according to which many small towns were demoted to the rank of rural settlements. This adjustment of settlement status, initiated in 1991, was connected with the adoption of certain communal and land privileges for rural areas, which were intended to improve living conditions in villages during the crisis of the transition period.

In Soviet times, the transformation of rural settlements into towns was practiced widely, especially with regard to county centers. The status change, at that time, gave settlements the possibility to receive additional funding from the state budget and most regional governors reacted quickly by applying for this adjustment. Today, however, a town designation makes it more difficult to privatize the land on which existing housing is built, which puts urban residents at a disadvantage compared to rural dwellers. Furthermore, the price of electricity, gas, and other commodities is set higher in towns compared to villages. All these circumstances, conditioned by the administrative reforms, have led to a “loss” of over 350 towns and the ruralization of more than 3 million former urban residents. This trend is still continuing and will most likely result in a further reduction of the urban portion of the population (Figure 4.1).

The reverse process (switching from rural to urban status) created only about 80 new towns in the period 1989–2002 marked by the two censuses. In addition, the official statistical recognition of the “secret” socialist cities, which were never previously explicitly included in the census, slightly improved the statistics regarding urban losses. This, however, influenced only the number of towns and not the size of the urban population as the residents of the secret towns were already accounted for in the total urban population of Russia (Popov, 2005).

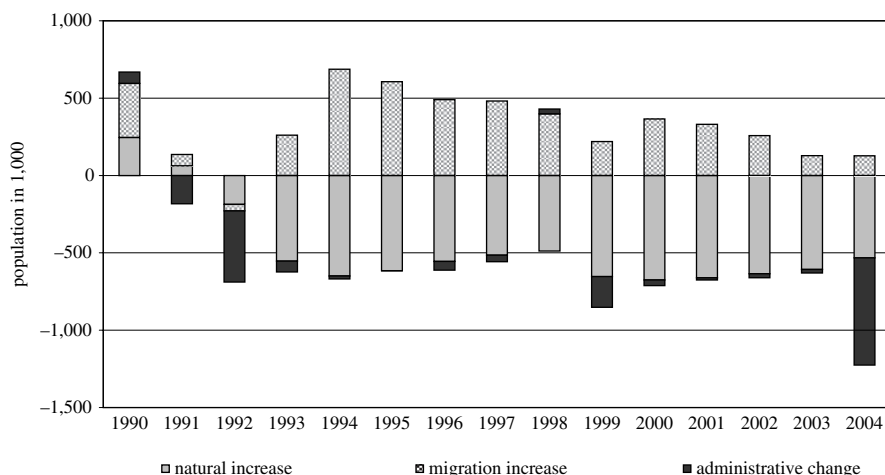


Fig. 4.1 Components of urban settlement changes in Russia, 1991–2004

Source: Goskomstat, 2005b

4.2.1 Regional migration patterns

Based on their studies of population dynamics, researchers from the Institute of Economic Forecasting at the Russian Academy of Sciences have estimated that a natural population increase in the Russian Federation and its regions is very unlikely to occur in the first half of this century. Therefore the importance of migration processes is looming large in the foreseeable future of regional development (IEF, 2004).

A loss of urban population due to migration occurred only in 1992 in the aftermath of USSR's dissolution and the deep economic crisis that ensued. After that period, the migration patterns have resumed their flow from rural to urban areas. All recent years, in fact, witnessed consecutive increases in the rate of migration to urban areas. These migration patterns, however, could not cover the decline in Russia's urban population due to natural losses and those which have occurred as a result of administrative restructuring (Figure 4.1).

Population density in Russia was never very substantial. This fact taken together with the growing concentration of population in certain towns and the general decrease of Russian population indicates that some territories are becoming extremely depopulated. The flow from rural to urban areas has also decreased as the control of migration flows "by decree" is no longer practiced. Thus, the majority of researchers have come to the conclusion that the patterns of territorial movement of the Russian population have radically changed (Vishnevskii, 2005). The end of the 1980s established the beginning of a drift of the Russian population towards the west, thus, inverting the historical tradition of population movement towards the north and the east of the country. The return of population from the territories with severe climates is, to a great extent, a reaction to the forcefully imposed conquest of the North and Far East during the Soviet era (see Chapter 14, this volume). The other big factor has been the advance of the market economy in Russia, which has brought an intensive reallocation of population to the zones with the most active labor markets.

The main growth regions in Russia in terms of population migration² are: the Central Federal District, including Moscow; the Northwestern Federal District, including St. Petersburg and the Leningrad Oblast; the Volga Federal District (Povolzhje); and the Southern Federal District (the southern part of the North Caucasus). The traditional draw of Moscow and St. Petersburg has been preserved – they were, and still are, the main destinations for migrants, as are their surroundings (IEF, 2004).

In the first half of the 1990s, Moscow lost some of its population. During the economic crisis of the years following the disintegration of the USSR, the outflow of population into rural areas became a survival strategy.³ After 1995, the population dynamics of the region were reversed and the trend towards population increase restored. The neighboring districts provided Moscow with 40 percent of this increase. Almost half of the new residents came from the Moscow Oblast. The Russian capital has been also a main gravitational force for migrants from

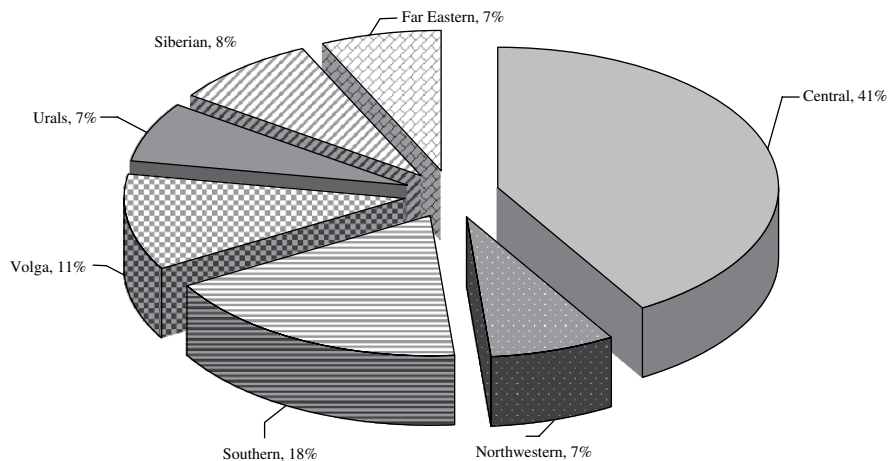


Fig. 4.2 Population migration to Moscow by federal district origin, 1996–2004

Source: Goskomstat, 1997–2005a; Goskomstat, 1997–2005b; IEF, 2004

all federal districts, with most migrants coming from the Southern District (the North Caucasus) (Figure 4.2). International migration comprises only 7.5 percent of the overall migration increase in Moscow. The largest share of these migrants is from Ukraine (about 30%), South Caucasus (21.1%), Central Asia (19.2%), Kazakhstan (10.7%), and Moldova (9.9%). In reality, the actual migration numbers are probably substantially higher.

St. Petersburg also witnessed a decrease of population during the 1991–1995 period. At the same time, the Leningrad Oblast (St. Petersburg Region) experienced migration inflows. In mid 1990s, St. Petersburg also restored its population increase with main migration inflows from the Leningrad Oblast, the Siberian, and the Northern districts (Figure 4.3). The share of international migration comprised around 14 percent of the total migration. The larger share of immigrants came from Kazakhstan (23.5%), followed by Ukraine (18.2%), Middle Asia (13.9%), Transcaucasia (Georgia, Azerbaijan, and Armenia) (13.7%), and Moldova (8.7%).

In the Southern Federal District of Russia (North Caucasus), there has been a substantial increase of population in the sub-Caucasian Plain territories of Krasnodarskij Kraj, Stavropolskij Kraj, and Rostovskaja Oblast. In the beginning of the 1990s, these were the most attractive rural regions for migrants. Around 40 percent of the migrants to these areas were from their surrounding autonomous okrugs, especially from Chechnya, and the republics of the Northern Caucasus. At the same time, the towns in the sub-Caucasian Plain attracted sizeable population flows from many regions of Siberia, the Far East, and the European North.

In the Siberian Federal District, migration flows have been more complex. The redistribution of population from the border regions with Kazakhstan has been directed towards cities in the Volga and the Urals districts. Only certain cities in

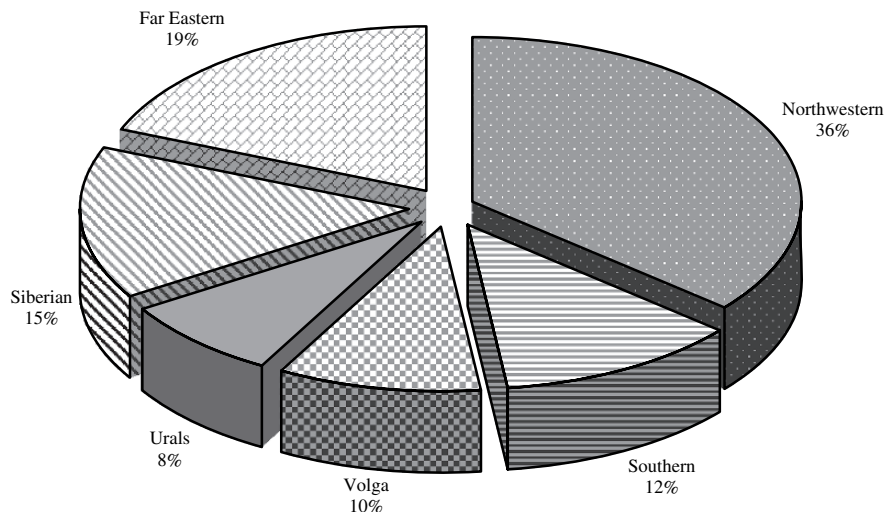


Fig. 4.3 Population migration to St. Petersburg by federal district origin, 1996–2004

Source: Goskomstat, 1997–2005a; Goskomstat, 1997–2005b; IEF, 2004

the Siberian Region have been attracting migrants and these are mainly the centers of oil and gas production, as well as several urban centers in the Novosibirsk Oblast.

The federal district of the Far East is the most urbanized region of Russia with 98 percent of its population living in cities and towns. Here, the north of the region is shedding population in the direction of its southern urban settlements. The population from the southern towns in the Far East, on the other side, has been migrating to cities in the sub-Caucasian Plain as noted above (IEF, 2004).

4.2.2 Changes in settlement hierarchy

In Soviet times, Russia was a country of big cities. The majority of the giant industrial enterprises developed during that era was located either in the largest urban centers or in new towns specifically designed to serve as hubs of industrial growth. The Communist Party strategy of concentrating all national resources for the expansion of the industrial sector led to the rapid growth of these cities. There have been many changes in the last 15 years, but Russia is still a country of big settlements. In the end of the 1980s, the share of population living in big cities (over 100,000 residents) was 37 percent and by 2002 it reached 40 percent. During the period between the two latest censuses, from 1989 till 2002, the total number of cities increased (Lappo, 2001: 151) and the number of big cities rose from 166 to 168 (Table 4.2). Within this group, however, noticeable changes took place (IEF, 2004).

Table 4.2 Russian urban population by settlement size, 1989 and 2002

Settlement type by population size	1989			2002		
	total number	Population (in million)	% of total population	total number	Population (in million)	% of total population
less than 50 000	712	15.9	16.9	768	16.6	17.3
50,000 to 100,000	167	11.2	11.8	163	11.1	11.6
100,000 to 250,000	90	13.1	13.8	93	13.8	14.4
250,000 to 500,000	42	15.1	16.0	42	14.6	15.2
500,000 to 1,000,000	22	14.0	14.9	20	12.4	12.9
over 1,000,000	12	25.2	26.6	13	27.4	28.6
total cities	1,045	94.5	100.0	1,098	95.9	100.0
urban type settlements*	2,193	13.5		1,842	10.5	
all urban settlements	3,238	108.0		2,940	106.4	

Source: Goskomstat, 2004

* There is no fixed threshold size for the urban type settlements. In general, they are smaller than towns. Their status is determined primarily on the basis of their functional characteristics, which place them closer to towns than to villages in the settlement hierarchy.

The number of cities in Russia with population over 1 million increased from 12 to 13 with the addition of Volgograd and, thus, the total population in this group grew by 2 percent. However, only five of these largest cities experienced population growth – Moscow, Kazan, Rostov-on-Don, Novosibirsk, and Volgograd. The population size of the other eight cities in this group has decreased. This population decline was especially rapid in Nizhnij Novgorod, Samara, and Perm (Table 4.3). The group of cities with population between 500,000 and 1,000,000 people decreased as Volgograd moved to the higher category and the population of three cities (Tula, Tomsk, and Kemerovo) dropped below the 500,000 mark. The cluster of cities with 100,000 to 500,000 residents was also rearranged as seven towns left and ten new cities joined its ranks. The newcomers here were Seversk (the biggest “secret” town) and several cities with substantial natural and migration increases. The overall population increase in this group was more than 10 percent (Polian et al., 2005).

Altogether, from a total of 155 cities with population between 100,000 and 1 million, 64 increased their population and 18 demonstrated rapid population increase of over 10 percent. Another 22 big cities registered a population increase of between 5 and 10 percent. More than half of the fast-growers are regional centers and many of them are centers of national autonomies (Table 4.4). In the group of the largest Russian cities experiencing population decreases, the biggest losses occurred in Groznij, which lost close to half of its population. Magadan and Leninsk-Kuzneckij declined by a third, while Murmansk, Peropavlovsk-Kamchatskij, Vorkuta, and Norilsk shrunk by one quarter of their former size.

Certain territorial patterns could be discerned in the group of cities between 100,000 and 1,000,000 residents that have experienced population growth. These

Table 4.3 Population in Russian cities with over 1,000,000 residents, 2002

	Population(in 1,000)	% change from 1989
Moscow	10,357.8	117
St. Petersburg	4,669.4	94
Novosibirsk	1,425.6	99
Niznii Novgorod	1,311.2	91
Ekaterinburg	1,293.0	95
Samara	1,158.1	92
Omsk	1,133.9	99
Kazan	1,105.3	102
Cheliabinsk	1,078.3	94
Rostov –na-Dony	1,070.2	106
Yfa	1,042.4	97
Volgograd	1,012.8	102
Perm	1,000.1	92

Source: IEF, 2004

are, first of all, towns in the North Caucasus that are growing as a result of natural increases and migration inflows. Another cluster is formed by the centers of oil and gas exploration with big net migration increases (Surgut, Tjumenj, Neftekamsk). A third group is comprised by “gateway” towns in border regions such as Belgorod and Novorossijsk. The next group is formed by cities in the non-Russian Povolzhje (in the Volga Federal District) that are growing both due to high natural population increases and because of a stream of migrants to their rural areas with extensive labor opportunities (e.g., around Kazan and Cheboksari). Another cluster is composed of towns in the Moscow region with a high net migration increase. Finally, there is the group of new economic growth centers with labor-intensive industries (Toljatti, Volzhski, Starij Oskol, Lipetsk). The majority of cities of this size, however, experienced population decreases during the 1990s. More

Table 4.4 Population growth in Russian cities with 100,000 to 1,000,000 residents, 2002

	Total number of cities	Centers of federal territorial units	Cities in national autonomies
Population growth	65	37	25
over 10%	18	11	12
5–10%	22	6	7
0–5%	24	21	6
Population decrease	90	34	7
0–5%	37	21	4
5–10%	31	4	2
over 10%	22	9	1

Source: Goskomstat, 2004

than one third of those cities are regional and national capitals. In general, census data analysis shows that, where other conditions are equal, the growth of the big cities occurred in areas that had a substantial rural population, relatively low share of urban population, and higher natural increases. Most such territories are national autonomies in the Volga and the Southern Federal districts (Polian et al., 2005).

The population in the mid-sized cities (50,000 to 100,000 residents) was fairly stable during the 1990s. The smaller towns (less than 50,000 residents) showed a slight overall population increase. Certain reshuffling took place here as well, as this group was joined by some mid-sized cities that lost population. At the same time, many small towns were demoted to the group of rural settlements for reasons mentioned above.

The analysis of population growth in Russian cities and towns during the 1990s indicates a very complex pattern in which often neighboring cities exhibit different population dynamics. It seems that there is no city size that could guarantee population stability, not even for settlements located in some of the strongest growth regions, including Moscow Oblast.

4.2.3 City growth and economic restructuring

According to Lappo (2005), recent urbanization trends in Russia have not raised high hopes that the introduction of land markets and the abolition of centralized administrative methods of management will free cities from undesirable industries. Nevertheless, it has happened in many cases. The transition to a market economy has caused a partial deindustrialization of some hyper-industrialized urban centers. Conversely, employment in the tertiary sector has been growing everywhere. Since 1997, the service sector has been gaining ground, reaching an employment share of 54 percent among the urban population in Russia and 77 percent in Moscow (Nefedova, 2001: 411). In the big cities, this process is taking place both because of the closure of many industrial enterprises and due to industrial relocation out of the urban areas where land has become very expensive (Nefedova and Treivish, 2001a; 2001b). We concur, however, with the assertion that the prolonged economic decline in many cities, especially in small towns, greatly undermined their social structure, which had been quite weak even before the beginning of the transition period (Lappo, 2005).

The most important factor determining the successful transition of an urban area to a market-based community is the restructuring of its existing economy. A diverse economy based on poly-functional centers, especially in regional capitals, has become an important precondition for providing greater stability and opportunities for future economic development (Nefedova 2001: 208). The strengthening of regional independence, the decentralization of financial and governing power, and the development of a new market environment has led to better conditions for growth and, as a consequence, has improved the outlooks for small-firm entrepreneurship and the development of the tertiary sector. Capitalizing on this

potential, many regional centers developed more successfully, or at least managed to decline at a slower rate, than their surrounding territories. As a result of this, a growing income gap emerged between regional capitals and their surroundings, a trend that is found to be independent of the size of the regional center.

4.2.4

Mono-functional cities and their role in the transformation of the urban network

In general, the situation in the mono-functional cities has been characterized by a steady economic decline marked by an absence of opportunities for change, a domination of one or two industrial sectors, and a conspicuously inadequate number of small businesses. In comparison with the Soviet period, the number of economically depressed cities matching this profile grew substantially. The textile, heavy industrial, military, and research towns joined the group of traditionally declining mining towns. The economic and social restructuring of the 1990s severely affected their municipal budgets, their social and engineering infrastructure collapsed, unemployment levels skyrocketed, while incomes took a nosedive. During the times of the deepest crisis, the population of these towns primarily survived on a subsistence economy provided by suburban “dacha” plots, thus securing the food supply for their households. This situation fueled to a significant extent the processes of “ruralization” of these towns (Lubovnii et al., 2004; Nefedova, 2001).

The magnitude of the problem of declining mono-functional settlements is exacerbated by their sheer numbers. Almost half of the cities and towns in Russia and two thirds of its urban type settlements fall in this category. In 13 federal territorial units of the country (out of 87), the proportion of this type of towns is over 60 percent (Table 4.5). In Sverdlovskaja Oblast, for example, 1.5 million people, or close to half of its urban population, live in such settlements. Similar is the situation in Hakassia, Komi, Tjumenj, Vologodskaja, and Arhangelskaja regions.

Table 4.5 Russian regions with highest share of mono-functional cities

	Mono-functional cities	All cities
Chukotka AO	3	3
Khakasia Republic	4	5
Karelia Republic	10	13
Ivanov region	12	16
Sverdlovsk region	33	47
Kemerovsky region	14	20
Nizhegorodsk region	17	25

Source: Hroniker, 2000

4.2.4.1

Cities in the North

In the post-Soviet period, new tendencies have manifested themselves in the development of the northern territories and towns. The majority of these territories and cities started to lose their population rapidly. For example, Chukotka and Korjaks-kij autonomous regions lost a half, Magadanskaja Oblast a third, and Evenkijskij, Tajmirskij and Nenetskij autonomous regions a quarter of their urban population. Jakutia, Murmanskaja, and Kamchatskaja oblasts also suffered substantial population losses. The mass outflow of people from these regions, which are of critical importance for the economy of Russia, has created significant problems for the employment and housing of the younger people who have moved in to replace the lost population. The Obskaja region in the north stands as an exception, distinguished by a high level of recent urban development in its zone of oil and gas fields.

Urengoj is a good example of the problems faced by cities in the North. The city has a population of around 90,000 residents, who provide services to a region of 90,000 square kilometers. The region has been heavily exploited, and the sensitive tundra of the area has been critically damaged. The city has a large number of transient population – “illegal” residents are estimated at around 20,000 and another 30,000 residents are qualified as “shifters.” More than half of them come for one or two month periods from Belgorod, Krasnodar, Samara, Podmoskovje, Ural, and even from some NIS countries. Urengoj is one of the most prosperous cities in the North – a town with young population (29 percent children and 8 percent retired residents), low unemployment, high salaries, and well developed infrastructure. Its most important problems are in the areas of housing and social services, which are mainly financed by GAZPROM at the present. In the near future, however, these services will become part of the municipal budget and, so far, it is not clear how the city will manage to support its systems. A large number of the housing stock will have to be demolished in the near future as buildings become dilapidated very quickly and the infrastructure wears out rapidly under the extreme conditions of the North (Vainberg, 2005).

4.2.4.2

Secret towns and akademgoroda

The transition period has been a difficult one also for the secret military industrial towns (ZATO) and the academic towns (akademgoroda). Built during the Soviet era, they were once the most flourishing centers of the Soviet state. These two types of towns were often linked by their functions as the majority of the academic towns were also connected with the military industrial complex. The demilitarization of the economy cut off state financial support and induced a deep crisis in these mono-functional settlements. Although the academic towns represent unique concentrations of technological and intellectual resources and a potential to become centers of modernization in Russia, in the transition period there was little demand for their resources. The main factors that have influenced

the adaptation of the population in these settlements to the market economy have been their particular functional specialization and their location in relation to the regional administrative centers or other big metropolitan areas (Makhrova and Zubarevich, 2004).

According to the federal act *The Status of Academic Towns in the Russian Federation*, about 70 urban settlements fall within this category. At the beginning of 2004, however, only seven of them had retained the official status of *academgorod*.⁴ Those of them located in the Moscow Oblast (Podmoskovje) have, indeed, taken advantage during the transition period of their position near the capital. The question of their distance from Moscow has become a key issue in their development due to the fact that the capital serves as a huge center of employment opportunities for their population (Table 4.6). For the academic towns nearest Moscow, however, a real threat exists that they will be transformed into Moscow's dormitory satellites. There are a lot of migrants to the capital, with lower levels of education, who settle down in these towns in search for jobs in Moscow. As a result, there has been a continuous transformation of the human capital and a displacement of the traditional economic activities of these academic towns, the most notable being the case of Troitsk.

Adaptation to the market economy is proceeding more successfully in the academic towns that have a specialization in a sector of the economy valued in the current market. These are the centers of nuclear stations, space research, cycling of radioactive wastes, etc. For these towns, the opportunity to preserve and develop their scientific capital is much more plausible, especially for those of them situated away from the edge of Moscow, such as Dubna. These towns are quickly transforming their scientific functions into a "technopolitan" structure based on a combination of their scientific, research, and industrial capacities, and the growth of related small and medium-size firms.

Table 4.6 Socio-economic characteristics of *academgoroda* in Moscow region, 2000

	Migration increase (promille)	Unemployment rate (%)	Average salary (rubles)	Residential space (sq.m/person)	Retail turnover per capita (rubles)	Average private bank deposits (rubles)
Moscow	7.8	3.8	3,229	21.7	79,039	2,411
Moscow region	5.6	7.4	2,269	20.8	14,894	1,310
Academic towns	5.9	6.2	2,056	20.8	10,391	1,600
inner ring	6.2	3.5	2,223	21.4	11,756	2,309
middle ring	6.2	6.9	1,978	19.9	9,916	1,354
outer ring	4.4	8.3	1,775	19.5	3,582	1,150

Source: Goskomstat, 2002

4.2.5

Russian cities in the process of globalization

Discussions about the possibility of the Russian economy to concentrate its activities in select cities that should become part of the global city network are now very popular (Sassen, 2001). Will the whole area of Russia be transformed into a “Moscow archipelago” or are there other cities in the country capable of being more intensely integrated in the globalization processes? The scenarios on the future development of the country in this respect vary from appeals for self-isolation (Parshev, 2000; Panarin, 1998) to views of Russia as a leader in the globalization race (Vendina, 2005).

In the Soviet era, the former USSR was organized in a centralized power hierarchy. The capitals of the fifteen republics played an important role in this structure together with their second tier cities such as Kharkov, Samarkand, Odessa, and Lvov. With the dissolution of the Soviet Union, these cities fell off the boundaries of Russia and other former inner cities have become frontier points. These cities had to redraw their hinterland, redirect their connections, and transform their functions. Some cities have declined in importance while others enjoyed significant gains. All capitals of the ethnic republics and the autonomous regions received a substantial impulse for development by gaining additional independence and strengthening their administrative role. The ethnic regions became more homogeneous while the Russian regions became more ethnically mixed (Molodikova and Nozdrina, 1998). The capitals of the autonomies, with the exception of Kazan, however, are still in the early stages of development as multi-functional regional centers to be accepted as meaningful nodes in the globalization network.

While Moscow has officially joined the ranks of world cities (Kolossoff et al., 2001; Taylor, 2000; Vardomskij, 1999), Russia, given its size and ambitions in the global market place, needs to promote more cities on the global economic scene. What cities might be considered suitable for this role that could serve as macro-regional centers for Russia? Contemporary theories indicate that these centers should be fluent in the post-industrial gambit of economic activities, with highly developed tertiary sectors, IT technologies, and qualified human capital. A ranking of Russia’s big cities based on various economic indicators identified several places that hold such potential (Vendina, 2005). Besides Moscow, the list included St. Petersburg, Yaroslavl, cities in the Samara Oblast, and various urban settlements connected to the oil and gas industry.

4.2.6

Centers of the post-industrial economy

In spite of its patchy pattern of development, the tertiary sector in Russia is gradually displacing the industrial sector as the dominant mode of the economy. In all regions, the share of those involved in the service sector comprises now more

than 50 percent of the labor force. This share is the highest in the capitals, in the resort centers, and in the port cities. Some cities in the border regions, such as Belgorod and Rostov-na-Don, have successfully used their locational advantages to expand their service industries in neighboring countries. The same is true for Sochi, for the agglomeration around Mineralnije Vodi, and for the international port cities of Murmansk, Kaliningrad, and Novorossijsk.

By contrast, the IT sector is represented only in a few regional centers. The transition to the information society, so far, has made noticeable steps only in Moscow and St. Petersburg where the share of business-related finance and legal services is rapidly rising (TEIS, 2000). In the other cities, the rise of the service sector is due primarily to developments in the transport and communication systems (as in the cases of Nizhnij Novgorod and Ekaterinburg); the development of the tourist and recreation industries (as in Novgorod and the resort centers of Stavropolskij Kraj); or by the infrastructure support of port cities (as in Murmank and Novorossijsk).

In the Urals Federal District, Ekaterinburg performs as the only interregional center of administrative and financial management. The presence of several universities in the city also stimulates the development of new innovative sectors. In Siberia, there is still no city emerging as a leader of the post-industrial era. In the triad Omsk-Tomsk-Novosibirsk, Tomsk has the best chances of reaching this status. In the Far East, Vladivostok is in a similar situation. In the Southern Federal Region there are three cities – Stavropol, Krasnodar and Rostov-na-Don – which play supplementary functions in respect to each other, while none of them appears able to attain the distinction of an interregional capital (Vendina, 2005).

4.2.7

Center-territory relationships

The increasing gap between the regional centers and their territories in terms of wealth accumulation is raising questions about social polarization, growth imbalances, and fiscal distortions. National capitals are even more distinct in this respect from their regions because they are concentrating centralized funds. An argument in favor of concentrating resources in the centers states that since two thirds of the regional budgets are composed from revenues generated in the regional capitals, these cities should be considered “donors” for their territories (Polian et al., 2005; Vlasova, 2000). It is the surrounding territories, the argument states, which are draining funds from their centers. On the other hand, in the regions of resource exploration, where investments are concentrated not in the regional capitals but in their surrounding territories, the regional centers are the ones that are financially dependent and rely on the strength of their hinterland to balance their needs. It is clear that the transformation of the relationships between regional centers and their territories from a vertical (“center to periphery”) model into a horizontal partnership is going to be a highly contested, long-term process.

It should be noted that many regional capitals have faced new competitors within their regions, primarily by second-tier towns within their territory. Such rivalries have formed between Samara and Toljatti, Vologda and Cherepovets, Cheljabinsk and Magnitogorsk, Kaluga and Obninsk, Kazan and Almetjevsk, Hanti-Mansijsk and Surgut, Kemerovo and Novokuznetsk, Belgorod and Stari Oskol, Novorossijsk and Krasnodar, and Mineraljnije Vodi and Stavropol. In the majority of these cases, the competition is influencing favorably the development of these territories. Where poly-centralization has appeared, the territories are beginning to develop more effectively, but the current system favoring the regional capitals does also act as a barrier for competition (Nefedova and Treivish, 2005).

4.3 Conclusion

The overall population decline caused mainly by a natural decrease and an ageing population has led to a general decline of the urban population in Russia since 1991. Migration was the primary determinant of regional population dynamics during the 1990s, but it was not able to compensate the natural population decrease and the transformation of many small urban settlements into rural ones. A pattern of urban polarization clearly appeared as a result of migration from the eastern and northern areas of Russia to the center, the south, and the Volga region in the European part of the country.

More than half of the big cities have lost population, the main exceptions being Moscow, St. Petersburg, and the capitals of the national autonomous units. Their population has risen for the last 10 years, in some cases quite significantly. It seems that there is no city size which could guarantee population stability, not even if the city is situated in the Moscow region. Nevertheless, cities with poly-functional economic structures, those located in the population growth areas noted above, cities with main administrative functions, and the international ports have experienced positive population growth.

The special types of socialist towns, including academic or research towns and secret military cities, did not perform well in the transition to a market economy marred by the difficulties inherited from Soviet times when they were conceived and built as mono-functional, highly specialized settlements. The shortage of state funds for scientific development has pushed many of their residents to other sectors of the economy, while many of these cities were transformed into “dormitory towns” serving their regional capitals.

Many other Russian cities with mono-functional economies followed the fate of the secret and academic towns. Their urban infrastructure was designed to minimize spending and its maintenance was usually connected with the infrastructure systems of the state enterprises dominating their local economies. After the bankruptcy and closure of many of the state-run factories, the residents of these company towns became hostages of their enterprises' failure.

The transition to the post-industrial and post-socialist city in Russia is only in its beginning phase. The “terteriarization” of the economy is under way, but its momentum is still insufficient to propel a new stage of urban development, especially in Siberia and the Far East. There is a great need for the formation of macro-regional centers. One positive development, observed recently, is that in many regions the second-tier cities have become a competitor to the regional administrative capitals, stimulating the overall development of their regions.

One can look to the future of Russian cities with cautious optimism, hoping that the patterns of regional growth are adjusting to the new socio-economic reality and that the worst period of the transition is left behind.

Notes

¹ The Russian Federation has a very complex territorial organization. It consists of 87 federal territorial units plus Moscow and Saint-Petersburg, which are the only cities that have a special status as “cities of federal significance.” The federal territorial units include three types of ethnic enclaves with relative independence in regional governance: 21 republics (“respublika”), 10 autonomous regions (“avtonomny okrug”), and the Jewish Autonomous Oblast (“Evreyskaya avtonomnaya oblast”). There are two other types of subnational jurisdictions, which are not based on ethnic characteristics. They include 49 provinces (“oblast”) and 6 territories (“kray”). The last process of territorial transformation was initiated in 2000, when all 89 units were grouped in 7 Federal Districts (“okrug”) – Central, Northwestern, Southern, Volga, Urals, Siberian, and Far Eastern.

² These are growth areas only in terms of population migration, but not in terms of net population growth. For instance, although the region of St. Petersburg was one of the strongest magnets for migrants, their number could not offset the net loss of population in the Northwestern Federal District.

³ A similar situation in Moscow was experienced after the Bolshevik revolution when the disintegration of the national economy pushed 40 percent of Muscovites to the countryside (Bater, 2004).

⁴ These were: Obninsk (Kaluzhskaja Oblast), Korolev, Dubna, Reutov, Frjazino (Moscow Oblast), Muchurinsk (Tambovskaja Oblast), and Koltsevo (Sverdlovskaja Oblast).

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PART 2

NON-RESIDENTIAL DEVELOPMENT

5 The restructuring of non-residential uses in the post-socialist metropolis

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5.1

The rise of the commercial property markets after 1989

The demise of the socialist economic system and its subsequent restructuring has led to profound changes in the spatial patterns of non-residential urban activities in cities of Central and Eastern Europe. The most important and visible trend of urban development during the transition period has been the decentralization of economic activities, a process which has played a major part in the transformation of the post-socialist city. The end of state monopoly over the production and distribution of goods and services in the Eastern European countries has shattered the ailing body of the socialist economic system into numerous pieces, which have been scattered throughout the urban landscape. The ossifying presence of the state in all economic affairs has been replaced with neo-liberal policies unleashing the entrepreneurial spirit of the populace, which has become much more engaged in the appropriation of urban space. The privatization of assets and the introduction of land rent have been the two determinant factors governing the process of urban spatial readjustments within the reality of a new market-oriented social environment.

After the collapse of the communist regime, the post-socialist economies of Central and Eastern Europe were faced with another major challenge, besides the need to make the transition to market based systems. The former socialist states had to catch up with the process of global economic restructuring, which had been artificially delayed by the unrelenting preoccupation of socialist authorities with industrial growth. Thus, the first half of the 1990s became a painful period in which most radical economic changes had to be initiated and carried forward. A deep economic crisis set in, but the processes of economic restructuring slowly began to move forward. While agricultural and industrial production greatly declined, the service sector managed to expand and increase its share in the national economies (Szelenyi, 1996). By the end of the decade, the progress in transforming the CEE economies was clearly underway, reflected in significant changes of the national labor force structures (Figure 5.1). Most countries saw a dramatic decrease in the share of agricultural employment, paralleled by a similar but softer drop in the share of industrial jobs. Thus, while in Russia and Hungary employment in the

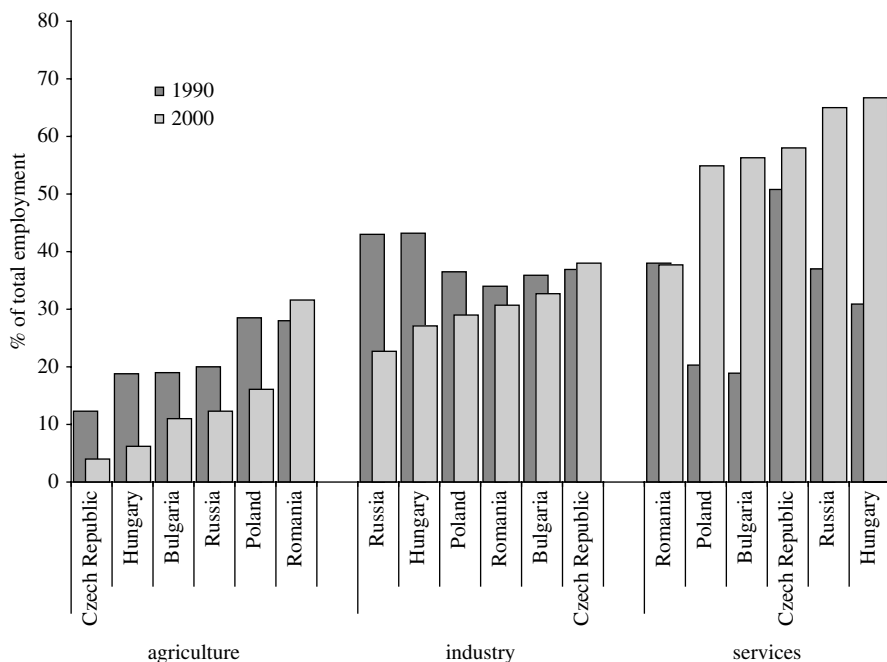


Fig. 5.1 Labor force structure in select CEE countries, 1990 and 2000

Source: CIA World Factbook

industrial sector declined from 45 to less than 30 percent, the Czech Republic actually registered a slight increase in the share of industrial jobs between the years of 1990 and 2000. Most impressive changes, however, took place in the service sector, where the number of jobs jumped, on the average, from about one third to two thirds of the total employment. In Bulgaria and Poland, employment in the service industries exploded from 20 to 60 percent. This was unquestionably the sector which, by the mid-1990s, began to pull the economies of many CEE countries out of the slump. The timing of the economic recovery coincided with the upswing of the European economy during the second half of the decade.

The signs that by the second half of the 1990s most Central and Eastern European countries had put the worst period of the transition behind were quickly picked up by international investors on the lookout for emerging new markets. By the end of the millennium, global flows had risen to unprecedented levels (Adair et al., 1999), with trans-national companies responsible for a third of the global economic output and 80 percent of the world's investments (Turnock, 1997). Slowly but steadily, increasing portions of this capital were directed to the CEE economies, which by the end of the 1990s became driven, in large part, by foreign direct investments.

The beginning of the new millennium witnessed another important trend in the development of the CEE economies with significant impacts on the transformation of the post-socialist cities. Around that time, a considerable portion of foreign investments in Central and Eastern Europe began to focus on the commercial property markets. Several factors contributed to this process. First, the recovery of the CEE economies created a growing demand for commercial and industrial space. The quality of the existing stock could not meet the requirements of the new businesses, and the real estate markets responded by offering new products in more attractive locations. About the same time, investments in real estate property began to outperform equities and bonds on the world's financial markets. More investors directed their attention to emerging markets, such as those in Central European metropolitan areas, where political stabilization, high rates of steady economic growth, and newly established pro-market institutional frameworks held promises for high rates of return on investments in real estate property. The collapse of the "dotcom" economy provided a major push in that direction. Another catalyst of the internationalization of real estate sector within Europe was the introduction of the Euro in 1999, which created a pan-European investment market. Thus, while in 2000 less than 30 percent of the transactions in this area of real estate were cross-border operations, in 2004 their share exceeded 40 percent (DTZ, 2005a). The CEE property markets showed record rates on this indicator. While the other major European markets have been traditionally dominated by local companies, most of the transactions on the real estate markets of the CEE capital cities (excluding Moscow) have been driven by cross border investments (CBRE, 2005a).

The overwhelming portion of foreign investments into the CEE property market has gone to the commercial sector. In spite of its fairly small size,¹ this segment of the market has attracted many large foreign investors seeking to increase their range of investment opportunities and tap significantly higher yields compared to the markets of Western Europe (DTZ, 2005a). Not surprisingly, another important characteristic of the CEE real estate market has become the increasing presence of institutional investors. The breakthrough year for this type of investments was 1999, when close to 300 million EUR were invested in Budapest alone (DTZ, 2001). The next year, the focus of investors shifted to the other two major metropolitan areas of Central Europe – Prague and Warsaw. Since then, the confidence of institutional investors in the CEE markets has grown significantly, leading to the establishment of many dedicated funds. Thus, by 2005, the amount of investments in institutional property in the region topped 10 billion EUR, with over 80 percent of these funds invested since the beginning of 2003 (CBRE, 2005b). Particularly active on the scene have been Austrian, German, and U.S. investors, providing the majority of the foreign capital on the CEE real estate markets (CBRE, 2005b).

The regional dynamics of foreign investments in the property markets of Central and Eastern Europe show a continuing pattern of capital concentration in the top three performers of the region – Hungary, Poland, and the Czech Republic. In 2005, these countries accounted for over 90 percent of the total investment

accumulated since 1998 in the CEE real estate markets (CBRE, 2005a). As these three markets began to mature and attract more investors, their yields started to decline towards convergence with the Western European levels. This has prompted investors to turn their attention further east to the emerging markets of Slovakia, the Baltic countries, Russia, and more recently Romania and Bulgaria. Less risk-averse investors, not threatened by the lower levels of transparency characterizing these new markets, have been rewarded with higher yields (Table 5.1). It should be noted that while the EU accession of eight CEE countries in 2004 raised the general level of investors' confidence in the region, it has not radically boosted the market. Real estate prices have continued to increase, but more gradually than predicted (Knight Frank, 2005).

Until 2001, the overwhelming majority of the investment transactions on the CEE property markets were for offices in the main capital cities. Since then, the share of capital invested in the retail sector (primarily for large shopping centers) has increased dramatically, exceeding the level of activities in the office sector. The increased interest in the construction of shopping centers in the post-socialist countries has paralleled the general boost in retail investment activity across Europe (CBRE, 2005c), but it has been mainly a result of the rise in the purchasing power of the population in the large CEE metropolitan areas. During the last couple of years, the CEE property markets have registered also an increased activity in the industrial, hotel, and residential sectors (CBRE, 2005a). All of these activities in the various sectors of the property market have dramatically increased the level of investments in the real estate industry since 2001 (Figure 5.2).

The tidal wave of investments in the CEE commercial property markets has conditioned the formation of two major trends in the spatial distribution of non-residential activities within cities of Central and Eastern Europe. In a little over a decade, these trends dramatically transformed the urban spatial structure of the post-socialist metropolis.

The first one is expressed in the formation of new western-style central business districts dominated almost entirely by commercial uses (Sailer-Fliege, 1999). The centers of CEE cities served as focal points of administrative and commercial functions during the socialist era as well. This was, however, a reflection of the historical traditions of urban evolution and a manifestation of the importance of centralized control in the socialist system, more than a pattern shaped by forces of the market as such forces were effectively subdued by the communist regime. The spatial arrangement of urban functions, which in the Western cities is dictated primarily by the ability of uses to outbid each other for specific locations, was controlled in socialist times by an administrative system of space management free of market concerns. Offices and shops were clustered in the city center because it was convenient for the government to manage them this way. The commercial functions within the socialist city were also highly reduced in size, down to the bare minimum allowing the system to function. These activities were packed in a few large office and retail structures concentrated in the central area. The release of market forces during the transition period imploded this system of spatial

Table 5.1 Commercial real estate markets in CEE capitals by sector, 2005

	Prague	Budapest	Warsaw	Bratislava	Moscow	Bucharest	Sofia
OFFICE							
stock (thousand sq m)	1, 750.00	1, 526.00	2, 326.00	937.00	4, 500.00	702.00	430.00
vacancy rate	13.60	14.25	10.25	11.00	6.00	3.70	17.50
prime rent (EUR/sqm/month)	18.50	20.00	20.00	17.00	41.50	18.00	17.00
prime yield	7.25	7.25	7.25	7.50	12.50	10.00	10.25
SHOPPING CENTERS							
stock (thousand sq m)	486.00	1, 110.00	910.00	220.00	1, 620.00	230.00	55.00
prime rent (EUR/sqm/month)	55.00	70.00	45.00	40.00	248.00	80.00	40.00
prime yield	7.75	7.50	7.50	7.50	13.20	11.00	12.00
INDUSTRIAL							
stock (thousand sq m)	536.00	721.00	1, 170.00	500.00	280.00	400.00	90.00
vacancy rate	5.00	8.35	9.00	4.00	1.00	4.50	4.00
prime rent (EUR/sqm/month)	5.00	5.50	4.00	4.00	11.00	6.00	4.00
prime yield	8.75	9.00	8.50	8.75	20.00	11.00	12.00

Source: CBRE, 2005b

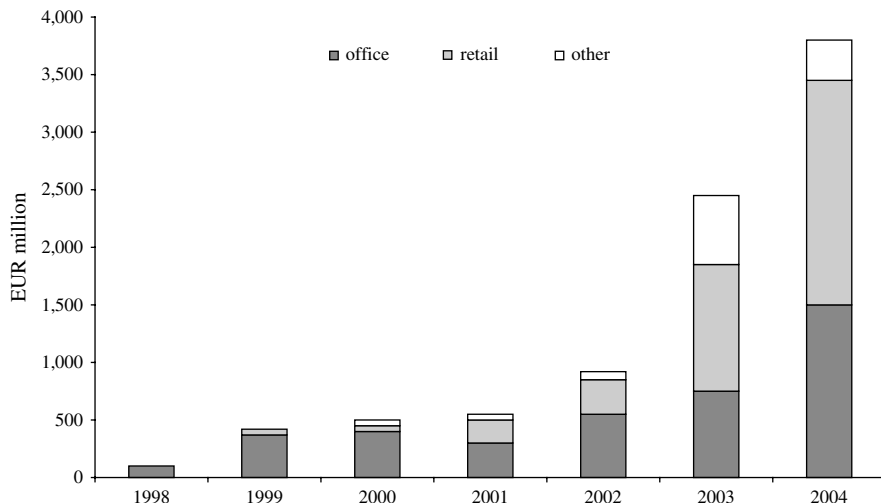


Fig. 5.2 Investment volume in the CEE region by property sector, 1998–2004

Source: CBRE, 2005b

Note: The data show only the amount of transactions invested for acquisition of existing properties, which can be used only as a proxy for the total investments in commercial development.

organization. The accessibility and prestige of the city center quickly raised land and property prices in the area to levels that pushed many residents and lower level services out of the urban core (Wiessner, 1999). The centers of the post-socialist cities became populated by upscale offices, banks, insurance companies, tourist-oriented specialty shops, art galleries, chic clubs and restaurants (Reiner and Strong, 1995). Due to the mass conversion of dwellings to commercial uses during the 1990s, the center of Moscow lost over 200,000 residents, a process silently tolerated by the local authorities, which reaped a windfall of revenues from the new commercial establishments (Bater, 2001). Similar experiences have been recorded throughout Central and Eastern Europe, where urban land rent gradients quickly solidified a trend towards the commercialization of the urban cores.

The second major trend in the distribution of non-residential activities after 1989 has been the decentralization of commercial functions (Sýkora, 1999). The post-socialist period has been marked by the dispersal of all urban activities, but the decentralization of office, retail, and industrial uses has had a stronger impact on the spatial structure of the CEE metropolitan areas than the concurrent processes of residential deconcentration (Sýkora and Ouredníček, 2007; Nuissl and Rink, 2003; Lisowski and Wilk, 2002). In this, the suburbanization of the post-socialist cities differs from the patterns of suburbanization in the West, and particularly the United States, where residential deconcentration led the dispersal of the rest of the urban functions away from the inner city. While some levels of residential suburbanization in Central and Eastern Europe were present during

the last decades of socialist rule, the process proceeded at a fairly slow rate, with negligible impacts on the daily patterns of urban life. In this sense, the decentralization of residential uses during the transition period was not such an unexpected event. The suburbanization of office and particularly retail functions, however, presented a dramatic shift in the patterns of urban development. Within a decade, the retail patterns of the post-socialist city were radically reorganized, an accomplishment that has been easier to achieve in view of the feeble retail structure of the socialist city relative to its massive and inert residential fabric.

A major role in the process of commercial decentralization has been played by the locational preferences of foreign investors. Their capital, which presents the majority of investments in the commercial property market, has been directed primarily to large-scale projects in the urban periphery, thus altering the socialist tradition of concentrating non-residential urban functions in the city center (Keivani et al., 2001). Local governments, which have been eagerly embracing any kind of foreign investments, have committed significant municipal resources for servicing these new developments. In many cases, the new office and retail establishments have formed suburban nodes around which residential communities have sprung up.

Industrial activities have also joined the process of urban decentralization. The signs of this trend are visible in the numerous derelict industrial areas puncturing the fabric of the post-socialist city. Following the logic of investors in the retail and commercial sectors, developers of industrial projects have shown a preference for greenfield sites beyond the urban edge. Unlike the suburbanization of retail and office functions however, the deconcentration of industrial uses has had a healing effect (or at least holds a promise for such) on the urban structure of the post-socialist city. The exorbitant amount of urban industrial land inherited from socialist times has presented an opportunity for absorbing new development, re-knitting the fragmented fabric of the post-socialist city. The process has already started in several CEE metropolitan areas (see Chapter 8, this volume).

Overall, the deconcentration of non-residential activities in the major cities of Central and Eastern Europe has proceeded with remarkable speed. This process has pushed industrial uses the farthest distance away from the city centers, followed closely by retail developments. Patterns of new office development have shown the strongest tendency to gravitate closer to the urban core, yet increasing shares of these functions have been directed to the urban periphery as well (Figures 5.3, 5.4, 5.5, and 5.6).

The impacts of the new patterns of office, retail, and industrial development defining the evolution of urban form during the transition period have been mixed. On the positive side, the boom of construction activities in the office, retail, and industrial development sectors has stimulated the recovery of the economy, attracting significant amounts of much needed foreign investment. The standard of the products offered on the commercial property market has noticeably improved in an attempt to respond to the requirements of international investors and businesses. The geographic spread of non-residential uses throughout the metropolitan fabric has increased residents



Fig. 5.3 Location of recent commercial investments in Prague

Source: Annual reports by DTZ, JL LaSalle, Colliers International, and CBRE

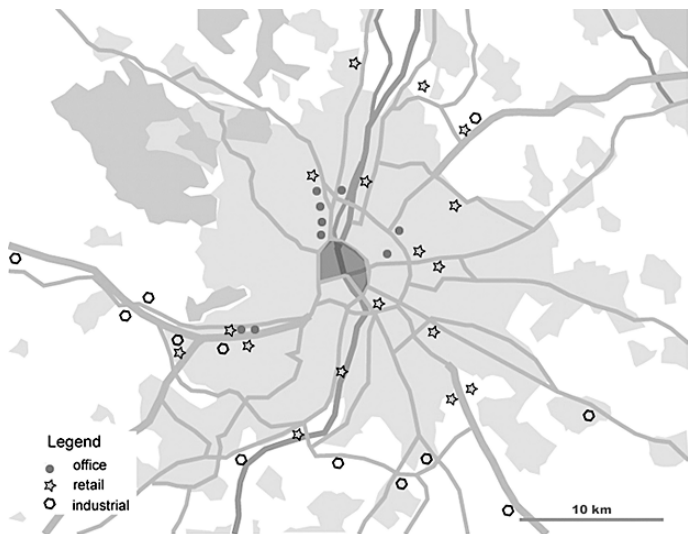


Fig. 5.4 Location of recent commercial investments in Budapest

Source: Annual reports by DTZ, JL LaSalle, Colliers International, and CBRE

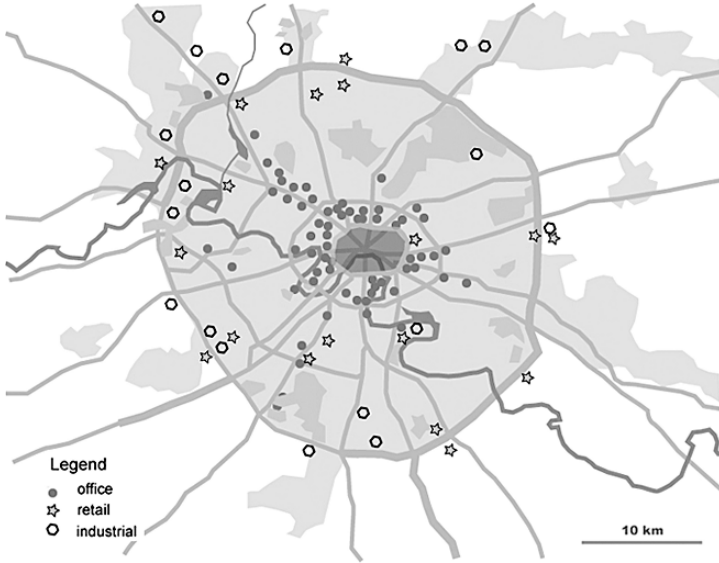


Fig. 5.5 Location of recent commercial investments in Moscow

Source: Annual reports by DTZ, JL LaSalle, Colliers International, and CBRE

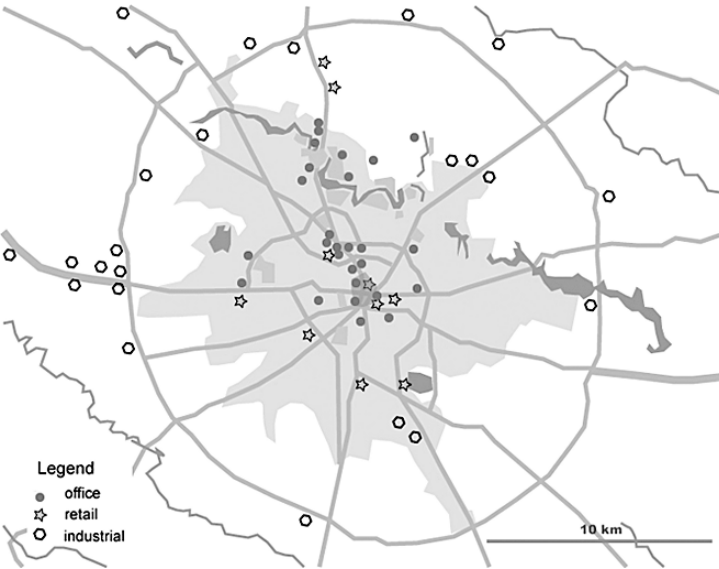


Fig. 5.6 Location of recent commercial investments in Bucharest

Source: Annual reports by DTZ, JL LaSalle, Colliers International, and CBRE

access to employment opportunities and services in many urban districts, previously characterized as monofunctional bedroom communities.

The new patterns of office, retail, and industrial development, however, have had a negative impact on the post-socialist city as well. The decentralization of these activities has generated an array of urban problems, well-known in the Western planning literature under the heading of “sprawl.” These issues include: the increase in automobile traffic due to the location of new developments in areas poorly serviced by public transit; the subsequent rise in the levels of air and noise pollution; the diminishing access to jobs for the segment of the population without cars; the disappearance of open space at the urban periphery; and the increase in public costs for providing infrastructure and services to the outlying areas where the new business establishments are located. Another negative trend in the post-socialist metropolitan areas has been established by the displacement of residents and residential services from the city centers as a result of the formation of Western-style central business districts. This process threatens to empty out the central cores of CEE cities from an essential urban function, thus leading them to a dangerous path of urban decline.

Both of these trends – the deconcentration of economic activities and the formation of central business districts – have been explained as a natural consequence of the workings of the land and property markets. While this is basically true, the practice of Western democracies has shown that markets do need to be regulated in order to avoid their most negative consequences. The delicate channeling of market’s exuberant energies in a positive direction requires social wisdom accumulated over many decades through the methods of trial and error. The application of this knowledge in post-socialist Europe, however, has been suspended in the name of quick economic gains. This strategy has been successful in terms of attracting foreign capital. The “Wild East” has become a magnet for global investors applying the same commercial schemes proven profitable over and over again in the global marketplace, but showing little sensitivity to local context or public concerns (Robinson, 1996). With their decisions governed by the logic of chasing the highest profit, wherever such opportunities appear on the globe, foreign investors have shown little interest in developing close links with local communities, thus undermining the prospects for their long-term sustainable development. In addition, many urban areas that do not have the resources to attract investments (either due to their location, social composition, or historical patterns of development) have inevitably declined (see Chapters 3 and 4, this volume). Moving out of such areas has become the only option for residents who want to improve their lives, thus eroding the social fabric of these communities and accelerating their descent on the downward spiral of urban decline.

The changing patterns of non-residential activities have had significant impacts on the quality of the urban environment in the post-socialist city. Within the general trend of decentralization of economic activities, however, there are significant distinctions between the three main sectors of non-residential development, which are summarized below.

5.2 The new patterns of office development

The rapid development of the service sector in the CEE countries after 1989 has generated a huge demand for office space. The expansion of international companies in the region has stimulated improvements in both the quantity and quality of office space construction. While the initial demand was absorbed primarily through the reconstruction of old buildings and new infill development in city centers, the growing need for office space has directed much of the recent office construction to the urban periphery where the availability of large tracts of relatively cheap land has allowed production to keep pace with rising demands. After the boom of office construction in the major metropolitan centers of Central Europe during the second half of the 1990s, the amount of office completions since the turn of the millennium has stabilized in Budapest, Prague, and Warsaw at around 150,000 sq m per year, and expanded in the newly emerging markets of Moscow, Bucharest, and Kiev (Figure 5.7). The market forecasts predict a steady and prosperous future for the office sector in Central and Eastern Europe based on the good economic indicators of the region and the fairly low supply of office space relative to Western standards (Figure 5.8). Moscow, the largest city of Europe with one of the fastest growing economies, has only about 500 sq m of office space per 1,000 residents, or about ten times less than its main competitors in Western Europe. These circumstances explain the exceptionally high volumes of recent office construction in the Russian capital, surpassed in Europe only by London and Paris (JL LaSalle, 2005).

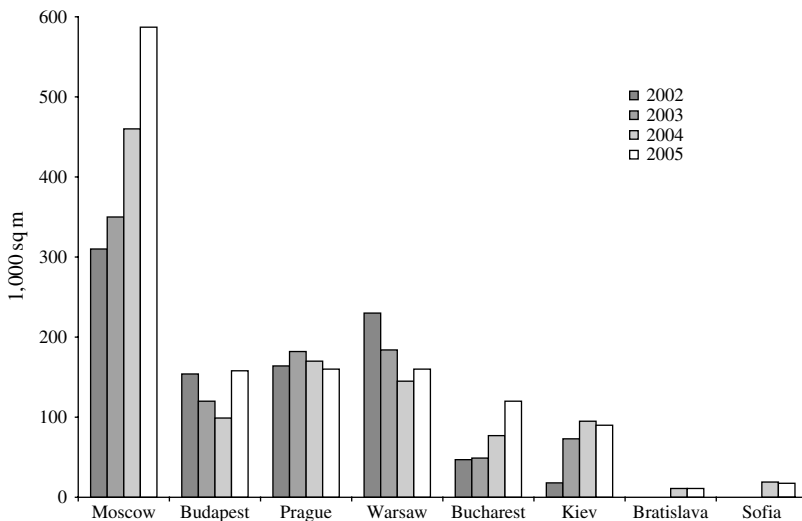


Fig. 5.7 Office completions in CEE capitals, 2002–2005

Source: JL LaSalle, 2005

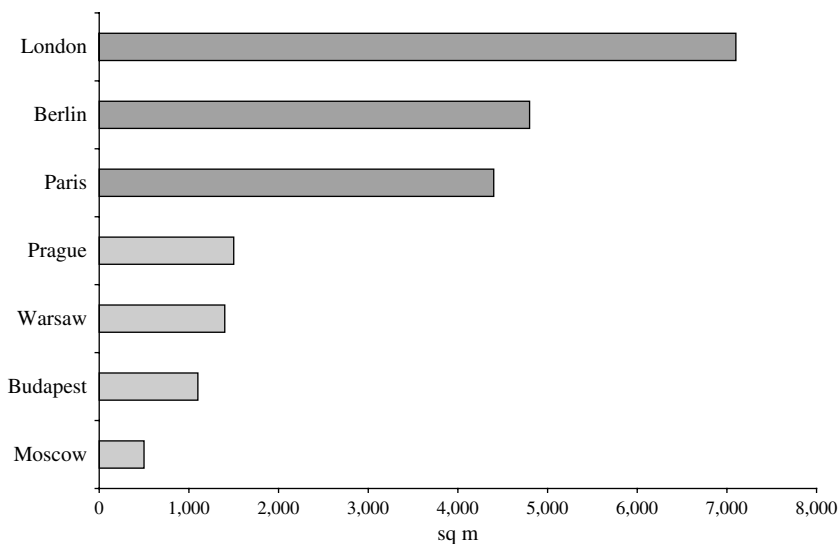


Fig. 5.8 Office stock per 1,000 inhabitants, 2005

Source: JL LaSalle, 2005

Within the 15 years of the transition period, office development in the CEE region underwent a process of evolution marked by several phases. The first one was triggered by the proliferation of branches of the financial sector in city centers. Banks and insurance companies opened up offices on all major street corners and main boulevards in the downtown areas. This process was followed by a wave of higher level business services seeking prime locations with prestigious addresses in the urban core. Concurrently, lower level professional and consumer services, such as medical offices, travel agencies, and beauty parlors, began to set up offices in remodeled apartments on the main commercial arteries and the residential streets branching off from them. This concentration of office uses in city centers was a consequence of their high accessibility and prestige, both characteristics inherited from the preceding historical periods. In the early years of the transition period, foreign companies and investors were apprehensive about venturing into suburban territories, as there was no certainty about how quickly suburbanization will catch up in post-socialist Europe (Sailer-Fliege, 1999).

The high demand for office space in the city center resulted in a sharp increase of property values in the urban core. Owners of residential units in these areas capitalized on this opportunity, either by selling their property to commercial developers and users, or by increasing rents to levels which could be afforded only by prosperous businesses. The process of dwelling unit conversions in the city center was considered part of exercising the newly acquired (or restored through restitution) private property rights, and there was practically no control over the extent of these conversions. The lack of legal status of many of the new office

accommodations did little to curb this trend and deter the process of massive residential displacement (Kovács, 1994).

The situation in the historical cores of the large metropolitan areas in Central Europe began to change since the mid-1990s. The concentration of office and other commercial functions in the heart of these cities, coupled with rising levels of automobile ownership and notable cuts in the level of public transit provision, has generated significantly higher levels of traffic congestion, reducing dramatically accessibility to the urban cores. The upswing of the post-socialist economies during the second half of the 1990s raised further the demand for office space at a time when the availability of properties in the city center suitable for office accommodation was reaching its limits. This led to another wave of escalation of property prices in the downtown areas, prompting many businesses to reconsider the advantages of city center locations. New office buildings began to spring up along main boulevards farther out from the center, while the first large-scale office developments started to appear even further out in the urban periphery. Towards the end of the 1990s, secondary business nodes began to emerge within the metropolitan fabric in locations where easy access by public transit and especially by cars was readily available (Sýkora, 1999). Particularly prone to decentralization were foreign companies looking for all the trimmings of modern office space, including plenty of parking. Local companies seemed more content to operate in existing older premises within the inner city (Sýkora, 1998).

This trend for decentralization of office functions has continued with an even greater force since the turn of the millennium (Knight Frank, 2004). The process has been fueled by the outsourcing of the back office functions of big multinational companies to the region. Thus, by 2005, three quarters of the newly added office space in Warsaw was constructed in non-central locations (CBRE, 2005d). The situation in Moscow has been similar, with decentralized take-up of office space accounting for 70 percent of the total office absorption in 2005 (it presented only one half in 2003) (JL LaSalle, 2005). Another factor in the location of new office developments has become the growing affluence and prestige of certain suburban residential communities, which have attracted upscale office and retail development. Such has been the case with the area to the north of Baneasa in Bucharest where the office market is set to expand towards the newly formed high-income residential areas (DTZ, 2005d).

Prompted by the success of many new office developments in the suburbs, a number of businesses have begun to leave their central city locations. Thus, during the last several years, office vacancy rates in the city centers have been higher than those in suburban areas. This situation characterized the Prague office market in 2003 and 2004 (CBRE, 2004). In Sofia, the largest suburban development of this kind hosting the offices of over 150 companies on 22 hectares of land, Business Park Sofia, currently operates at 100 percent occupancy rate. Landlords of properties in the center of Warsaw have managed to attract lately some tenants back to the city. By reducing rents and providing other incentives, they achieved a decrease in vacancies from 14 percent in 2005 down to 11.5 percent in 2006.

This has not hurt the suburban market, however, where vacancy rates during the same period declined from 7.6 to 7.1 percent (Knight Frank, 2006).

There are signs that the attention of some investors in the office market is turning to unexplored territories. The march of office development has continued beyond the urban periphery of major metropolitan areas, reaching many secondary cities such as Krakow, where companies like Lufthansa, IBM, and Capgemini have recently offshored their back office functions. The fabric of existing urban areas is also placed under scrutiny with investors exploring the opportunities of underutilized sites, including old industrial inner city districts, for office or mixed use developments. In some cities, such as Budapest and Kiev, development of former industrial sites into office centers has become a viable alternative in the absence of sites in the downtown areas (see Chapter 8, this volume). It is notable that the redevelopment of brownfield sites has been largely driven by market forces rather than initiatives of local governments to regenerate these urban areas. The market can also take credit for another positive trend – the new micro-scale mixed use developments taking the form of mid and high-rise residential buildings strung along main arterials, with retail and office functions on the lower ground floor levels. This has been a very effective marketing strategy for residential developers due to the demand for office space unmet by specialized office buildings in the city center and the suburbs. As many CEE metropolitan areas have embarked on transportation projects aimed at improving the capacity of congested thoroughfares, new office towers have also sprung up along the reconstructed routes.

The anticipated continuing rise in demand for office space, linked to the growth of the CEE economies and the increase in spatial standards for the work environment, has stimulated speculative office developments in certain urban locations at rather high density rates, often exceeding the ones specified in the city master plans (Colliers International, 2006). Investors have taken advantage from the loose manner in which development regulations in CEE cities have been implemented during the transition period, with city authorities often inclined to tolerate such infractions in the name of economic development (or other possible ulterior motives). In this context, the enthusiasm of office developers has triggered visions of business nodes composed of office skyscrapers forming “city”-type business centers in the hearts of Moscow, Prague, Sofia, Warsaw, and Belgrade. Some of these visions are closer to realization, as is the case of Moscow, where the hot property market is more likely to support such ambitions. In the case of Sofia, the promotion of such development is not more than an investors’ dream, at best.² The possible realization of such plans would alter dramatically the physical structure of the post-socialist city. In the case of Moscow (a city exhibiting many typical characteristics of a booming East Asian metropolis in terms of its economy, property market, and urban management style), such urban element might be suitable for its development context. In the historical urban fabric of many other Central and Eastern European capitals, however, such high-rise clusters would be quite an alien artifact, a symbol of the dominance of global corporate power and developers’ greed over local community character and traditions (see Chapter 7, this

volume). One could only hope that local citizens will manage to counteract the pressures exercised by commercial developers to push such projects forward, and that communities will fight hard to reassert their cultural and urban identity. There are some signs that the balance of power might be tipping in this direction, as the dramatic trajectory of the retail sector in the CEE region has already indicated.

5.3 The retail explosion

The demise of the socialist economic system unleashed pent-up demand for consumer products and services (Kessides, 2000). The dismantling of state monopoly over the economy stimulated small-scale private economic activity as it was financially and logistically much easier to start a small business during the initial phase of the transition period. Many CEE residents became budding entrepreneurs by necessity as millions of them were laid off in the process of shutting down large state-run enterprises. With few other employment opportunities available, many former state employees decided to start a business on their own. Thus, the number of economic agents in Warsaw, for instance, grew from 41,000 in 1991 to 244,000 in 1999 (Lisowski and Wilk, 2002). Similar processes were observed in the other CEE states. The overwhelming majority of the new businesses were in the retail and service sectors as it was easier to set up a retail or service establishment than to venture into manufacturing.

One of the early forms of entrepreneurial activity during the first years of the 1990s was propagated by the “suitcase merchants.” These were individuals motivated primarily by economic despair, who were capitalizing on the price differentials between neighboring countries on any variety of products, making routinely trips across the border, carrying as many goods as they can, and selling them in remodeled private basements and garages, small rented shops, or simply on the street (Andrusz, 1996). Street trading was an activity widespread during socialist times, but in the first years of the transition period it gained enormous popularity. City centers began to resemble medieval marketplaces as great portions of the increasingly impoverished population resorted to trade as an economic survival strategy (Sailer-Fliege, 1999).

The number of small-scale retail outlets continued to increase throughout the first half of the decade, spilling over from the city central areas into residential neighborhoods. The urban fabric of the CEE cities quickly became dotted with numerous small groceries, repair shops, convenience stores, cafes, hair salons, and any other imaginable type of small-scale retail and service operations. Especially inventive in appropriating space for their business purposes were entrepreneurs in the residential districts, where very limited space for such activities was provided during the socialist era. Particularly striking was the adaptation of most awkward spaces and structures for retail and service uses in the large housing estates, where just about every electrical power transfer station, sunken basement, or backdoor entrance to the staircases of the prefabricated high-rises was utilized to the last

square meter. Such business establishments filled both the void of unsatisfied demand for services in those areas, and provided viable, if not spectacular, economic opportunities for the resident population.

In certain locations of the residential districts, where accessibility was high and space available, some larger retail nodes began to appear based on an initial cluster of kiosks, or the presence of a retail center from the socialist times. Gradually, these temporary facilities began to maximize the utility of their settings (Axenov et al., 1997). The provisional structures were transformed into permanent ones in a process similar to the one described in M.R.G. Conzen's studies of medieval towns in England as the process of market colonization (Conzen, 1960). A variation of this phenomenon were the open air markets, which were also tolerated during the communist regime, but their number expanded dramatically throughout the CEE region after the collapse of the socialist system (Sik and Wallace, 1999). Another example of the "everyday urbanism" (Mehrotra, 2005), which shaped spontaneously the patterns of the post-socialist city during the 1990s, was the formation of commercial strips along the main arterials leading out from the urban cores of large cities. Even the smaller towns in Central and Eastern Europe were equipped with miniature versions of such loose assortments of auto-oriented retail including gas stations, car dealerships, auto repair shops, furniture outlets, small roadside hotels, and fast food joints.

By the end of the 1990s, this period of initial retail expansion, characterized by the proliferation of myriad small retail establishments throughout the urban fabric, was overshadowed by the appearance of large scale retail investors on the scene. This shift in the evolution of the retail sector was a result of several factors. First, the recovery of the CEE economies during the second half of the 1990s had raised notably the purchasing power of the population in the large metropolitan centers. The expectations of the customers began to exceed the range of consumer choices offered by the small retail establishments. The rising middle and upper strata of the population longed for opportunities to demonstrate their newly acquired wealth, aspiring to reach Western standards of consumption and to appropriate a new cosmopolitan lifestyle including the chance to grab a bite at McDonalds, fill the car at a Shell gas station, shop for D&G jeans at the mall, and catch the latest Hollywood flick at the Cineplex. The mom-and-pop shops of the early 1990s just did not cut it any longer.

The big real estate investors quickly sensed this sentiment and diverted their attention from the office sector, where the yields were already declining, to the opportunity to tap the buying power of the Eastern Europeans who were anxious to join the festivities of global consumer fetishism. The timing coincided with a general boost in retail investment activity across Europe (CBRE, 2005c), but the emerging markets of the CEE region possessed particularly strong appeal. Investments in the retail sector of the region quickly reached 50 percent of the total transactions³ (CBRE, 2005b). Recent market forecasts predict that this high investment interest in the retail sector is likely to be sustained, given the fact that it is less vulnerable to fluctuations (compared to office or industrial development)

as the demand is generated locally and is bound to grow with further expected increases in the purchasing power of the population in the region. This positive outlook is reflected in the fact that some of the most impressive investments in the real estate market of Central and Eastern Europe have been related to the development of large shopping centers.

Today, the retail sector is dominated by shopping center transactions. Smaller main street properties are coveted by investors as well, but they are difficult to spot on the market and the ones that are traded are often not publicly announced. The interest in such properties is great, particularly by companies that want to establish their presence on the main street for the purposes of brand promotion. They find it, however, much easier to lease space in the growing number of shopping centers and malls springing up throughout the CEE capitals and secondary urban centers, than in the crowded and overpriced stores on the main commercial streets.

The large shopping centers made their first appearance in the region in the early part of the second half of the 1990s. It took a few years for developers and investors to test the ground and make sure that this was a winning scheme. The “Shop and Awe” strategy worked as magic (Bohl, 2003). Mesmerized by the bounty of goods on display, the residents of the former socialist cities began flocking in droves to the hypermarkets and malls, exercising the essential right and obligation of capitalist citizens – spending. The Western retail chains were more than happy to respond to this infatuation, providing ever larger quantities of consumer goods by spreading their networks across the region. By the end of the 1990s, the share of this type of businesses reached a third of the total retail sales in some cities in Poland, a fascinating accomplishment considering that in the UK (the home of shopping centers) this share hovers around 12 percent (PMR, 2005). The success of big-box retail in Central and Eastern Europe continued after the turn of the millennium, with construction of hypermarkets and malls going on with even greater speed. In Poland, which has been the undisputed leader of post-socialist retail development in the region, 30 to 40 hypermarkets have been opening annually since 1999 (PMR, 2005).

There were two main reasons, besides the high demand for products and services, which determined the unprecedented success of shopping centers in Central and Eastern Europe. The first one was the purely psychological effect of bombarding the deprived senses of the former socialist citizenry with an endless array of products, presented in a radically different setting that heightened the dramatic effect of the experience. The novelty of the big-box format stood in sharp contrast with the dinky retail joints of the early 1990s or the vacant and dilapidating monolithic leftovers from the socialist era of retail. The other factor explaining the strong position of shopping centers in Central and Eastern Europe is related to the permissive planning systems of the region, which have tolerated, and in fact stimulated, the development of large retail schemes (ICSC, 2002). In Western Europe, the development of shopping centers has been curtailed by the saturation of the market and the restrictions imposed by city authorities on the realization of such projects. The opposite situation characterizes the development

climate in Eastern Europe. While some cities in Poland, Hungary, and a few other CEE countries with more developed markets have begun to require commercial and environmental impact studies, their role in controlling development has been undermined by the acts of local government officials eager to bring in hypermarkets, malls, and any other type of large-scale retail developments that can increase municipal revenues and promise to generate new jobs. Since the second half of the 1990s, when CEE state governments placed increasing fiscal responsibilities on local authorities, securing the tax base has become a main concern of municipal authorities. Their efforts to attract new large-scale retail development have been supported by a local growth coalition of property owners, construction companies, and even the press, which has celebrated each new hypermarket opening as another milestone on the way to social and economic modernization.

The rosy prospects of operation in Eastern Europe have prompted most of the international retailers to set up their networks in the region. The big retail companies, whose sales in Western Europe remain stagnant, continue to expand their presence in the former Eastern Block, designating the new markets as strategic growth regions. The METRO Group, for instance, registered a 20 percent growth in sales during the second quarter of 2006 in their Eastern European markets (matching their growth rate in 2005), while sales in Germany increased by only 2 percent (METRO Group, 2006). Such numbers have dictated the rapid growth of investments in the CEE market. In 2004, there were 6.5 million sq m of modern shopping centers in Central and Eastern Europe, with another 3 million to be delivered by 2007 (JL LaSalle, 2004a). Warsaw and Prague have already surpassed cities like Paris, London, Berlin, and Madrid in their stock per 1,000 residents (Figure 5.9). In the rush to build hypermarkets, the international chains were joined by some of the fastest growing CEE retailers, which have reshaped their initial retail concepts to seek larger premises.

During the last ten years, most major CEE metropolitan areas have acquired several large shopping centers in their central districts, but the overwhelming majority of the large-scale retail development has taken place in the urban periphery (Figure 5.10). Discount stores, hypermarkets, home improvement centers, and factory outlets have dotted the suburban landscape, lining up the main arterial roads leading out of the large CEE cities. As already noted, in some cases these shopping clusters have sprung up in sparsely populated areas, serving as future nodes for residential growth. Whether these locations will have the potential to turn into edge cities is too soon to tell, but their combined impact on the structure of the post-socialist city has been the dominant agent of change in the urban landscape during the last five to ten years. This short time period has been sufficient, however, to foresee the features of the third phase in the evolution of retail in Central and Eastern Europe.

The general trend in the evolution of retail development patterns in the CEE countries is marked by the regional dispersal of large-scale retail: from the core markets of Poland, Hungary, and the Czech Republic further east and south to the less developed markets of Russia, the Baltic states, Slovakia, and Romania; and from the capitals to the secondary cities. Similar to the patterns of office

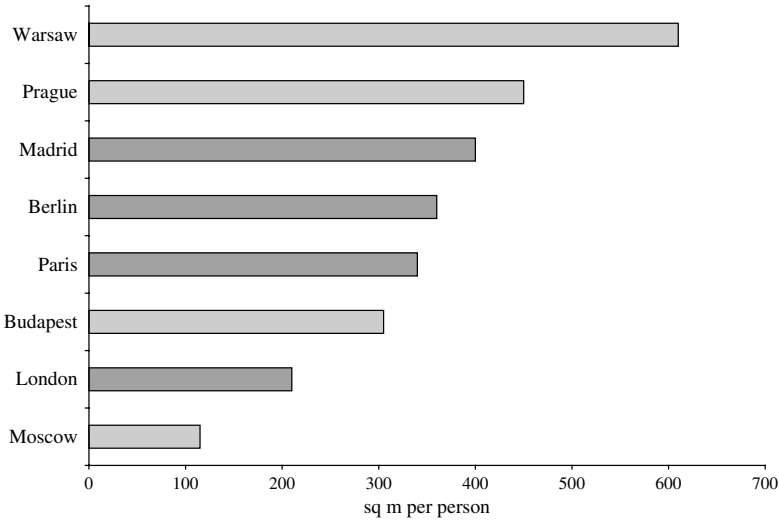


Fig. 5.9 Shopping center stock per 1,000 residents, 2005

Source: JL LaSalle, 2005



Fig. 5.10 Location of recent large-scale retail projects in Warsaw

Source: Annual reports by DTZ, JL LaSalle, and CBRE

development, this dispersal signifies the maturing of the market during the second phase of retail evolution. As the initial success of the core markets attracts more investors to the region, this increases the supply and decreases the yields, forcing the less risk-conscious investors to move to new markets in pursuit of higher returns. In the current period of intense global competition, market conditions in the retail sector change rather fast. Thus, Russia, which reached the top of the A.T. Kearney Global Retail Development Index in 2004 and 2005, stepped down a notch as the second most attractive country for retail investment in the world (CBRE, 2006). The success of Moscow was due to the enormous concentration of resources in the Russian capital, which accounted for 20 percent of the country's GDP, half of Russia's banking activities, and one third of the national wholesale trade (UN-HABITAT). Even this enormous market, however, has begun to reach saturation levels. With over 40 malls in operation within Moscow in 2005, and another 1 million square meters of such retail space to be added by 2008, investors have begun to seek their chances in the interior of the country (JL LaSalle, 2005). Similar has been the situation in Poland. In Warsaw, the supply of retail space began to slow down in 2005 as investors started to target towns with population between 100,000 and 500,000 residents (CBRE, 2005d). The early boom of shopping center construction in Budapest, which started in 1996, ended around 2002, and, since then, just one new mall has been opened in the Hungarian capital (DTZ, 2005b).

Another sign that the retail market in Central and Eastern Europe is maturing has been the growing number of first generation shopping centers in need of renovation. New types of retail formats have been introduced including retail parks, home centers, retail warehouses, etc. This repackaging of retail concepts is positive attestation that the "Wild East" phase of big-box retail development in Central and Eastern Europe might be coming to an end. This is indicated also by the growing public awareness of the negative impacts of large-scale suburban retail on smaller retailers and local suppliers, as well as on city center vitality and urban environmental quality. Interestingly, as retailers start to feel the pressure of intense competition, they have begun to look favorably at the idea of curbing their sprawling patterns of expansion (Garb, undated).

Faced by a growing competition in the metropolitan periphery, hypermarket operators in the more advanced markets of Central Europe are turning their attention to another overlooked territory – the inner city districts. The large chain retailers are scaling down their formats in order to enter the domain previously occupied by local private operators. This new strategy has been formulated in response to marketing studies in Poland, which have demonstrated that 85 percent of consumers prefer to shop in stores that can be reached by foot within 10 minutes (PMR, 2005). The international retail companies and the large investors in the sector are acutely aware that many countries in the West (Great Britain, France, Germany, Netherlands, Denmark, Sweden) have adopted extensive legislation regulating the size and location of new hypermarkets and shopping malls (Baar, 2002), and there are all indications that the Central and Eastern Europe countries will soon follow suit.

It should be noted that in this drive to tame the aggressive expansion of big-box retailers in the CEE region, so far citizens and government officials have been in most cases on the opposite sides of the fence. The practice of local officials to back up large-scale development projects has continued, often in violation of adopted plans and regulations. A recent report by the Polish Supreme Board of Inspection found widespread corruption among local government agents, which have issued many illegal zoning changes and building permits to allow the construction of new hypermarkets (ITDP, 2002). Four of the 18 shopping centers that opened in Warsaw during the 1990s were constructed on sites that were not designated for such type of development (EAUE, 2003). In addition, in most CEE countries the planning process is structured in a way that limits public participation to adjacent property owners and registered organization, thus subduing possible public opposition to new development projects (Baar, 2002).

While it is clear that economic development imperatives and consumer preferences for greater shopping opportunities have supported these new forms of retail development, the challenge for planners and public officials is how to incorporate them successfully into the existing urban fabric, avoiding the adverse effects on the environment (Schwedler, undated). A great opportunity for maintaining the vitality of inner city areas and for improving accessibility to shopping and services for all citizens, while reducing traffic congestion, has been offered by an unlikely ally of large-scale retail developers and investors – the derelict industrial sites present in many parts of the post-socialist city.

5.4 Industrial development in the post-socialist age

The two most notable distinctions of the socialist city in terms of its urban form were the large housing estates of prefabricated slabs and the disproportionately high percentage of urban land dedicated to industrial uses. These physical characteristics reflected the logic of socialist urbanization according to which cities were developed to aid the process of industrial production and not the other way around. Hence, large sections of the city were zoned for production activities, taking up anywhere from a quarter to a third of the urban territory, a share that is about two to three times larger than the average for Western European cities (Kessides, 2000). Another important distinction of the socialist city was that the industrial areas were relatively evenly distributed, forming wedges that pierced the urban fabric all the way to its core. Thus, more than a third of the industrial land in Warsaw was located in its central districts (Lisowski and Wilk, 2002), a situation quite typical for the other CEE metropolitan areas as well. Industrial activities within the socialist city were distributed in such way to assure direct accessibility from the areas of concentrated housing. Thus, industrial sites covered large pieces of land, which in a market oriented system of land assignment would have been considered prime real estate. In the absence of land rent, planners, government officials, and enterprise managers designated generous portions of urban land to meet

current and future needs of the industrial sector. The inefficient, low-productivity, resource-hungry technologies employed by socialist industrial enterprises gobbled up enormous urban territories, but instead of being perceived as wasteful, such policies of land appropriation were encouraged as in the communist ideology industrialization was equated with progress. City mayors proudly displayed the expanses of their industrial estates to dismayed western audiences as yet another proof that socialism was marching further along the path of progress.

This legacy of socialist industrialization turned into a huge burden for the post-socialist cities. The restructuring of the economy from socialist central planning to free-market principles set in a period of severe crisis in which most state-run industrial enterprises, which dominated previously the socialist economy, were either drastically reduced in size or shut down entirely. The process of privatization did not produce a miracle recovery since in many cases the ultimate goal of those who purchased industrial property was simply asset stripping (Jackson and Grab, 2002). In other cases, the new managements acquired only select parts of the industrial enterprises, leaving the rest to crumble (Sailer-Fliege, 1999). In addition, the process of restitution suspended for considerable amounts of time the productive use of many industrial properties.

The reuse of the derelict industrial lands scattered throughout the fabric of the post-socialist cities has been quite problematic for a number of reasons. First, restitution and partial privatization have often left complex ownership patterns which have made it very difficult to reassemble large pieces of land for redevelopment. In addition, what was left of the socialist enterprises in terms of infrastructure and equipment has been found to be, by and large, unusable. The modern technologies of production could not be retrofitted in the physical shells of the old factories without considerable costs, and few investors have been willing to incur these additional expenses. Added to this are the costs needed for environmental clean-up, which in the case of Eastern European properties could run rather high due to the higher levels of pollution caused by the outdated production technologies. Finally, the center-periphery price differentials, particularly during the first half of the transition period, when the urban land market was being established, have been too weak to encourage brownfield redevelopment (Bertaud and Renaud, 1994).

As a result of all these factors, a study of industrial restructuring in CEE cities, carried out in the mid 1990s, found that approximately 30 percent of the land in Budapest and Warsaw was derelict, while in Bratislava this proportion reached 40 percent (EAUE, 2003). Such massive abandonment of industrial properties would not have happened if the socio-economic reforms carried out in Central and Eastern Europe during the early part of the 1990s had not lifted all restrictions on the development of land at the urban periphery. Industrial development in the former socialist cities did not cease during the transition period, it just relocated in its overwhelming majority outside of the boundaries of the compactly urbanized areas.

The process of rapid industrial decentralization after the collapse of the socialist economy has been a result of the combination of three main factors: 1) the push

factors presented by the difficulties of redeveloping inner city sites discussed above; 2) the pull factors represented by the availability of large supplies of land at low prices in the suburbs; and 3) the changing patterns of accessibility. The rise of automobile ownership and the proliferation of auto-oriented development have increased significantly the levels of congestion in the CEE metropolitan areas. As most of the freight traffic in the CEE region switched from rail to road transportation during the last two decades, the factor of road congestion began to play a greater role in industrial location. Not surprisingly, the combination of these three main forces (the push and pull factors plus accessibility) directed new industrial development to the urban periphery and forced the relocation of existing production facilities from inner city locations to suburban sites. In the case of Leipzig, for instance, 45 percent of the firms that chose to locate their production facilities in the suburbs were companies that left their inner city locations (Nuissl and Rink, 2003).

The revival of the industrial sector of the post-socialist economies, which began in the second half of the 1990s, has been stimulated to the greatest extent by foreign investments. The outsourcing of industrial activities by the developed economies has been a critical component of the re-industrialization of the CEE region, most notably in the sector of automobile manufacturing (see Chapter 3, this volume). The rapid growth of large-scale retailing, on the other side, has been a significant factor in the recent growth of the warehouse and logistics markets. Towards the end of the 1990s, many local governments, sensitized to the need to act aggressively in the global competition for capital, began to develop new industrial zones at their urban peripheries, providing the land, infrastructure, and various other incentives to prospective investors (Sýkora and Ouredníček, 2007). In some cases, their efforts have been supported by national organizations, such as CzechInvest, created with the sole purpose of attracting foreign direct investments. As a rule of thumb, all of these activities have been concentrated in the urban periphery, thus, fueling further the process of industrial decentralization.

Similar to the office and retail sectors, the process of decentralization has directed industrial development in the CEE region to secondary and tertiary cities and towns (CBRE, 2005a). Investors are increasingly enticed away from the capital cities, where the price of land and the levels of congestion have been rapidly increasing. Thus, Prague, Warsaw, and Budapest have attracted very little new industrial development lately, while cities like Brno, Plzen, and Ostrava in the Czech Republic; Katowice, Wrocław, and Łódź in Poland; and Debrecen, Szeged, and Győr in Hungary have developed as major industrial hubs. Even in the booming industrial region of Bratislava, the development of new logistics and industrial parks has been pushed to the surrounding towns and along the expressways D1 and D2 (Colliers International, 2006). The likelihood of regions to receive EU funding has become another important factor in the locational decisions of foreign investors in the industrial sector (DTZ, 2005e), fueling further the process of industrial decentralization away from the capital cities.

The industrial sector of the real estate market has become one of the most promising growth areas in terms of foreign investment. Although it presented only 3 percent of the total investment volume in the CEE region from 1998 to 2005, its share is rapidly increasing due to the higher rates of return in this sector of the market (CBRE, 2005b). The logistics and distribution markets are developing particularly fast, with an increasing share of the new projects in this segment built on a speculative basis – a sign of the growing developers' confidence in the market. Unlike the recent trends observed in the retail and office sectors, however, it is not very likely that industrial developers will show an interest in redeveloping derelict industrial sites in the inner city.

Brownfield sites in the post-socialist cities have great potential as land reserves for future urban development. The fact that they have not been redeveloped yet is not necessarily a bad thing. With the "Wild East" phase of urban development approaching its end, one can hope that the post-socialist cities would be better prepared to use these precious land resources more wisely. The process has already begun in some CEE cities. A pattern that has emerged shows that the reutilization of the most central industrial sites is initiated first, extending outward towards the periphery. Another pattern that is notable in the redevelopment of brownfield sites is that the isolated properties are attracting more attention than the extensive industrial districts (Dingsdale, 1999). This is not surprising as the redevelopment of large industrial zones requires significant funding. Reclaiming such zones on a piecemeal basis does not make much sense since, regardless of how well a particular area of a larger industrial site is redeveloped, the surrounding environment will still remain dilapidated and threatening to prospective investors (Jackson and Grab, 2002). There have been some isolated cases of large-scale redevelopment schemes and, most likely, there will be more as the price of urban land increases, but so far such redevelopment projects have been rather rare. Initiatives of that magnitude require active government involvement, as in the case of the Golden Island in Moscow (see Chapter 6, this volume). The development of public-private partnerships, however, is still advancing rather cautiously in Eastern Europe as the public remains rather suspicious of possible corruption schemes based on the experience of the earlier years of the transition period. It is clear, however, that the post-socialist cities need to mobilize all available resources in order to address the challenges of urban redevelopment and to take advantage of the opportunities presented by the underutilized industrial sites.

As Jane Jacobs pointed out half a century ago, the spatial arrangement of economic functions within the urban fabric has an enormous impact on the well-being of the city and its neighborhoods (Jacobs, 1961). Therefore, understanding the patterns and trends of office, retail, and industrial development and their effect on the quality of the urban environment is of utmost importance in periods of dynamic structural changes and growth. The following chapters in this section of the book present experiences from three of the most rapidly developing metropolitan areas in Central and Eastern Europe. The case studies from Moscow, Prague, and

Budapest explore the various segments of the non-residential property market and the changing patterns of economic activities in the post-socialist city, tracing their impacts on the quality of the urban environment in post-socialist Europe.

Notes

¹ The new EU member states comprise only about 10 percent of the commercial property market in the Union.

² More likely, it is simply a poorly concealed marketing scheme to hike up property prices in the designated area.

³ In the Western European markets, retail investments typically account for about a quarter of the investment volume.

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6 Land market, commercial real estate, and the remolding of Moscow's urban fabric

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6.1 Introduction

During the 70-year history of urban growth under the Soviet regime, Russian cities developed with minimal differences in their overall spatial structure. The main industrial zones, transport corridors, and residential areas in most urban settlements were created in the pre-revolutionary times and modernization of urban space during the Soviet period primarily occurred through expansions of the urban periphery. Urban development emphasized new growth areas rather than inner city redevelopment. As a result, the historical inner city areas were left almost intact, while at the edges of cities numerous high density housing complexes sprung up.

The 1990s ushered in the era of transition to a market economy, which triggered a period of active and deep urban restructuring. In this process, many former urban elements and activities were swept away and substituted by new ones. In some urban areas, the emergence of new economic sectors and the development of the real estate market have led to intense competition for space, initiating a reorganization of the constituent land use patterns.

These processes are especially active in Moscow, the leading Russian city in the rate and extent of post-socialist modernization. During the first half of the 1990s, the capital city succeeded in establishing control of the main financial and commodity flows in the country, developing modern financial, informational, administrative, and business infrastructure networks. Moscow made significant strides towards its integration into the world economy and, by the end of the 1990s, it joined the ranks of the global economic network as a second tier world city (Bater, 2004). The city quickly developed its new commercial institutions in the areas of finance, services, and telecommunications, creating an environment suitable for the operation of foreign companies. By the year 2001, two thirds of all Russian employees in these sectors were located in Moscow (Treyvish, 2003). At the same time, during the years of reforms, the Russian capital increased its share of the national economy in several key areas including gross domestic

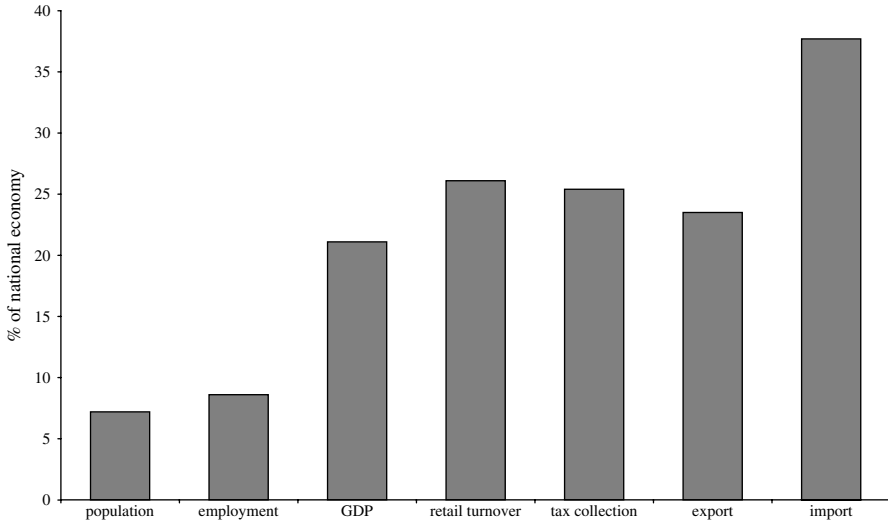


Fig. 6.1 Moscow in the Russian economy, 2003

Source: Goskomstat, 2004

product, sales revenues, exports, imports, and tax inflow (Figure 6.1). The high level of investment and entrepreneurial activity in the capital stimulated the quick development of Moscow's real estate market.

6.2 Specific features of Moscow's land market

At the beginning of 2005, the area within the administrative boundaries of Moscow measured a little over 100,000 ha. The city expanded its territory several times in the past (Figure 6.2), but, by the end of the 1980s, it reached the limits of its possible territorial growth set by the boundaries of the surrounding Moscow Region.¹ Thus, unlike the other Russian cities and in spite of its tremendous economic growth, Moscow has no possibility to expand its administrative territory. Yet new activities continue to develop rapidly within the city, requiring new space for their accommodation. This situation has led to a high demand for land, which, coupled with the restricted supply, has been reflected in the extremely high land prices. The problem is addressed partially by directing certain amount of new residential, office, and retail development to the suburbs beyond the city boundaries. This has increased the price of land in the Moscow Oblast, especially for properties located close to the border with the capital.

Another peculiarity of Moscow's land market is that, unlike most of the other Eastern European countries, private ownership of land in Russia is an issue that

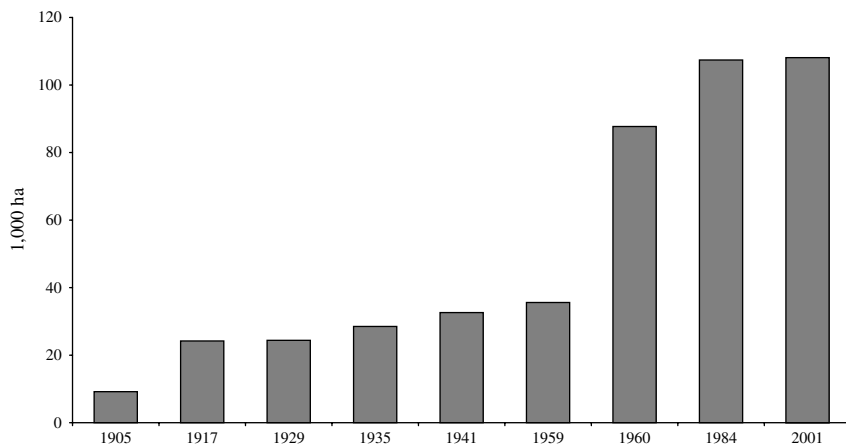


Fig. 6.2 Growth of Moscow's administrative area

Source: City of Moscow, 2004

has not been successfully resolved, mired by a lack transparency due to deficient and contradictory legislation. In the middle of the 1990s, in the course of the privatization of enterprises, titles to real estate and to land were registered separately. During this period, the new owners preferred to secure the use of land through long-term or unlimited leases rather than to purchase the land because of its high buyout price. Since that time, the legislation has changed and now the owners of the enterprises and organizations are obliged to buy out the land they occupy. However, land prices remain high, especially in Moscow and St. Petersburg, and the process develops slowly since it can lead to enterprise bankruptcies. As a result, the deadline for land purchases has been extended until 2008 and the prices reduced, constituting now 20 percent of the cadastre land value in the cities with the population over 3 million inhabitants and 5 percent of the cadastre land value in all other settlements.

Another problem area in the development of the land market is related to the legal definition of property rights over public land. The Law on Definitions of Public Ownership of Land articulates the distinctions between land owned by the federal government, the federation subjects, and municipalities, but, in practice, this law is not implemented due to its conflicting definitions and procedures. The Land Law, on the other hand, passes control over state-owned land within municipal boundaries to the local authorities. As a result, urban land markets throughout Russia are shaped by the policies of the local governments based on their specific interpretations of the existing laws.

In the case of Moscow, the urban land market operates through a system of land leasing based on the administration of short, medium, and long-term leases set by the municipal government. In the beginning of 2006, the rates ranged from a minimum of 1 to a maximum of 10 million USD per hectare depending on use

of the land, with average rental rates on a 50-year lease hovering between 1.5 and 3 million USD per hectare. The activity on the long-term rent market is about 200 deals a month (Rway, 2006). The majority of the properties offered on the primary land market are designated for retail, office, and residential development. Properties sought for investment in wholesale markets, warehouses, shops, single family houses, offices, and gas stations prevail in the demand.

The most sought after properties in Moscow are located inside the Garden Ring (*Sadovoje Koltso*), a boulevard enclosing the center of the capital. This prestigious area, containing the historical town, hosts also the headquarters of the largest Russian and foreign companies, as well as many banks, business centers, trade and entertainment complexes, and elite residences. The number of available parcels for development here is extremely limited (only 2 percent of the market) and prices exceed 10 times the rents offered in the other districts. Demand on land plots outside the Garden Ring is considerably lower but stable, and the average deal prices show a strong growth trend.

The land market in Moscow, as well as in the rest of Russia, is marked by a very low transparency by international standards. The common problems hindering the development of the private ownership of land in all cities of the country appear extremely dramatic in Moscow. This is mainly due to a combination of several factors including: the extremely high land prices, the large number of parcels where ownership is still contested between the federal government and the city, and the specific position of the Moscow government favoring land leasing over transfer of land ownership in private hands.

The process of reassignment of federal lands according to the Land Law has not been completed yet. It is estimated that up to 27 percent of Moscow's territory can be transferred to federal ownership. In expectation of this mass acquisition, the cadastre land value is growing. These processes are expected to impede the realization of some city programs, particularly those including the redevelopment of some old industrial zones to other functions.

6.3

Moscow's office real estate market and the development of new business centers

At the beginning of the 1990s, when retail from the state shops spread out onto the streets, the trade and consumer service sectors were the main catalysts of business activities in Russian cities. The leadership of these sectors in Moscow, however, was quickly challenged by the dynamic development of the IT and business services. The office boom that followed instigated the most notable transformations in the urban spatial structure of the capital. The development of the office real estate market started in the 1990s with the formation of the Central Business District. Initially, the new offices appeared in reconstructed historical buildings, hotel rooms, research institutes, and state enterprises, and only rarely in newly constructed office buildings. In that period, the leaseholders preferred the west and

northwest districts inside the Garden Ring as the most prestigious location. The continuous growth on the market economy led to a greater demand for office space, which could not be met by the limited number of available properties within the Garden Ring district. During the course of the 1990s, the CBD continued to expand into new areas further away from the Kremlin. Today, the CBD includes practically all areas inside the Garden Ring. Several business subzones have already formed around the center and there are large concentrations of business offices in Zamoskvorechje, Taganskaja, Novoslobodskaja, Belorusskaja, Frunzenskaja, Schabolovskaja, Basmannaja, and Sokol districts (Figure 6.3).

A specially designed zone, four kilometers west of the Kremlin, is set aside for the most ambitious municipal project called "Moscow CITY." According to the plan, a mixture of buildings spread over an area of 800 hectares on the Krasnopresnenskaja Embankment will combine business, recreation, and residential uses. The Bagration Tower, the Embankment Tower, and the main transportation links have already been built. The first stage of the project (more than three million square meters of floor space) is expected to be completed by the year 2008. Within several years, this district is anticipated to become the hottest spot for commercial and office development in Russia.

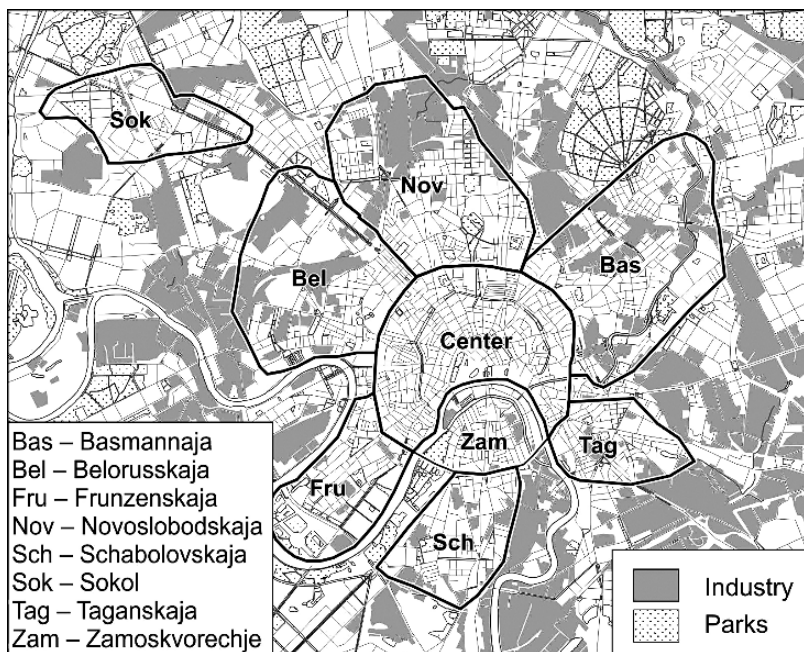


Fig. 6.3 Main office districts in Moscow

Source: Adapted from Sternik, 2005

The huge demand for office space in Moscow has fueled the process of decentralization of business activities. The areas around the newly completed Third Transportation Ring (TTR) have become the most attractive zone for future office development. In 2005, this zone provided about 38 percent of the office supply and attracted 43 percent of the demand for office space in the regional market (Rway, 2005). Construction of office centers has been very active in the outskirts of the city as well, especially in the west and southwest districts of Moscow. In 2005, demand for offices located in the suburban periphery increased to 21 percent while supply in those areas reached 13 percent (Table 6.1). The areas along the Moscow's outer ring road (MKAD) are expected to become hot destinations for future office development. Several business parks have already been built there. The areas around this beltway still offer a lot of land available for development and a high concentration of shopping and recreation centers. Car dealers and pharmaceutical producers are likely tenants of future office space in these locations. Companies such as Volvo, BMW, Porsche, J&J, and TCL have already relocated to the peripheral office centers of Country Park, Greenwood, and Krylatskoye Hills.

Another new phenomenon in Moscow is the emergence of new business zones around the headquarters of the biggest state companies such as the Russian United Energy System and GAZPROM. Firms related to these giants are gravitating around the location of their headquarters. Such business clusters have increased the prestige of areas in the southwestern parts of the city, attracting not only office firms but middle class residents as well.

The spatial pattern of office development is determined also by the specific requirements by firms for the quality of the office premises. Class A offices are predominantly situated in the newly constructed business centers built inside the Garden Ring. Class B office space is mostly found either in newly constructed office centers or in renovated buildings located along the main highways within the Third Transport Ring (Table 6.2). Cheaper Class C office space is found mainly between the Garden Ring and the Third Transportation Ring and in the peripheral parts of the city, frequently located in the buildings of former industrial enterprises and research institutes. The demand for Class C offices is very high among the small business firms. In contrast with the other big Russian cities, where the

Table 6.1 Supply and demand of office space in Moscow, 2003–2005

	2003		2004		2005	
	Demand	Supply	Demand	Supply	Demand	Supply
% of total demand and supply						
Within GR	28	41	20	40	23	40
Between GR and TTR	57	47	60	49	56	47
Between TTR and MKAD	15	12	20	11	21	13

Source: Rway, 2005.

Table 6.2 Office volume and rents in Moscow

	Total volume 1,000 m ²		Rental rates \$/m ² /year			Sales prices \$/m ²		
	2004	2005	Moscow total	Within GR	Outside GR	Moscow total	Within GR	Outside GR
Class A	778	938	650–700	700–900	550–800	3,100–4,600	4,000–9,000	3,000–5,000
Class B	3,377	3,750	470–490	550–700	350–600	2,400–3,300	3,000–6,000	1,500–4,500

Source: Rway, 2006.

process of redevelopment of former research institutes and industrial enterprises is carried out within the inner city areas, in Moscow this process was completed in the first half of the 1990s and is currently expanding to the peripheral districts of the capital.

Many of the new commercial buildings in the suburbs of Moscow are back offices for the day-to-day operations of large companies. The premises for such office functions are separated from the headquarters and moved to peripheral locations where land is available at lower costs. The business center of GAZPROM in the Leninskij district of the Moscow Oblast is an example of such project, a continuation of the GAZPROM's south-west axis of development leaving its mark on Moscow's spatial structure.

Besides the functional characteristics, the size of an office center is another major factor for the location of these projects in Moscow. At present, construction of smaller centers for two or three tenants is typical for the CBD. Office complexes of 20,000 to 30,000 sq m for 20 to 30 tenants with appropriately developed infrastructure are frequently found in the band formed between the Garden Ring and the TTK. Extensive business parks for accommodation of back offices of big corporations are mostly expected to develop outside the TTK.

A different type of a business zone is emerging in the Krasnogorskiy District of the Moscow Oblast.² Its development is connected with the plans of the regional government to build its own administrative headquarters. Unlike other regions in Russia, Moscow Oblast does not have its own regional capital. The city of Moscow, as an independent territorial unit of the Russian Federation, does not serve this function. The construction of the Moscow Oblast headquarters and the Moscow Oblast Court in the Krasnogorskiy District is already nearing completion. The area, located along the Moscow River flood plain, has attracted other major projects including the largest exhibition center in Europe (Crocus City) and the Crocus City Mall. A high-rise, mixed-use center, totaling one million square meters of office, shopping, and entertainment functions is also expected to break ground nearby. The expansion of business activities into the Himkinskiy and Mitischenskiy districts of the Moscow Oblast has been a direct outgrowth of the tendency of business development to fill up the most prestigious western sectors of Moscow.

The economic boom in the Russian capital has accelerated the development of its real estate market, considerably surpassing the markets of other major cities in Russia. This is especially visible in the sector of office development. It has been estimated that compared to St. Petersburg, the second largest city in Russia, Moscow is moving 3 to 5 years ahead of its closest rival and has managed to build a market ten times larger in size (10 million sq m vs. less than 1 million sq m in St. Petersburg) (Rway, 2005). Moscow is considerably surpassing the other CEE capitals as well in volume of office construction, rental and profitability rates (Table 5.1). Based on these indicators, Moscow's office market has outperformed even the largest European business centers of London and Paris, confirming the city's reputation as one of the most dynamically evolving and most expensive cities in the world.

6.4

Moscow's retail market and changes in the location of retail activities

The explosion of office construction in Moscow has reshaped the urban landscape, transforming many of its urban areas. The development of the retail sector of the real estate market has closely followed suit. Since the beginning of the year 2000, retail has been the most dynamically developing sector of the commercial real estate market in Russia. This growth is connected with the increase in real incomes on one hand, and the high demand for commercial real estate on the other. While total retail space per 1,000 residents in Warsaw reaches 340 sq m, in Moscow this ratio is almost three times lower (130 sq m per 1,000 inhabitants) (Rway, 2005).

During the 1990s, new forms of retail activities developed and large chain operators made their first appearance in Russian cities. The majority of the old state-run shops were redeveloped according to the new requirements for modern retail space, but they were insufficient to meet the new demand. The most popular type of shops in the early years of the transition period was the supermarket for middle income residents.

At the beginning of the 2000s, retail volumes in the largest Russian cities registered annual increases between 10 to 20 percent. This impressive growth gave confidence to national and international investors to introduce a new retail format - the proverbial large shopping center. In 2005 alone, retail space in Moscow increased by 25 percent, reaching almost 4 million square meters by the end of the year. One third of this stock was in modern shopping centers, whose numbers grew by 33 during that year alone. Moscow now features all kinds of retail formats including malls, department stores, big-box hypermarket chains, deep discounters, and luxury boutiques for the rich and famous. In a very short time, major international companies acquired leading positions in the market, managing to overcome logistical problems and the obstacles created by the local administrative bureaucracies. The appearance of the global firms on Moscow's scene led to a greater segmentation of the market and instigated the first price wars.

The early signs of saturation of the retail markets of Moscow and St. Petersburg prompted retailers to begin expansion into other metropolitan regions.

Some of the most significant morphological changes in the urban structure of Moscow were a result of these new forms of retail development connected with the formation of several commercial main streets in the inner city, various cluster sizes of shopping centers in the middle parts of the urban fabric, and large retail complexes and malls in the suburban periphery. A total of ten main streets developed overall, attracting the most expensive shops in town (Figure 6.4). Most of these main streets began to emerge already in Soviet times (Tverskaja, New Arbat, Sadovoje Koltso). New zones with the most fashionable boutiques of the capital emerged along Bulvarnoje Koltso and Tretjakovskij Projezd. Sadovoje Koltso attained the distinction of being the longest and most diverse main street in Moscow, measuring 15 kilometers in length.

The rising status of the city center as the hub of Moscow's elite has stimulated the appearance of upscale food boutiques, which quickly replaced the cheap old shops and supermarkets. Luxury grocery stores have begun to appear also in the western parts of the city, accentuating the image of the central and western districts

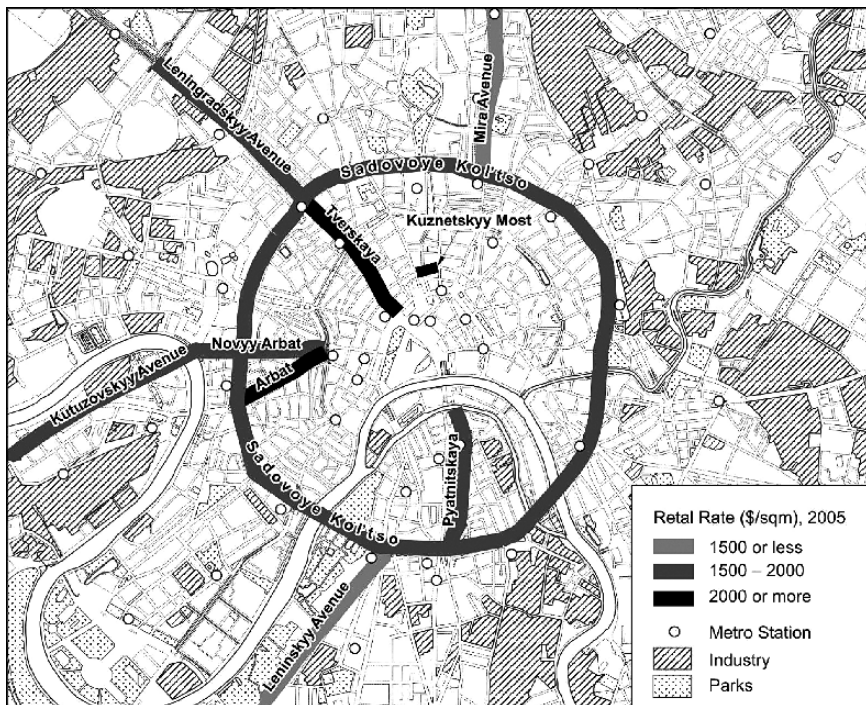


Fig. 6.4 Main retail streets in Moscow

Source: Adapted from Emelyanova, 2005

as the most prestigious quarters of the Russian capital. The areas along the Third Transport Ring are also actively transforming their character. Industrial premises situated close to this beltway are being redeveloped as trade and entertainment centers. New large shopping complexes are springing up near the metro stations next to office clusters and entertainment centers, leading to the appearance of new zones of commercial activities such as New Cheremushki, Krilatskoje, and Prof-sojuznaja. Gradually, the interest of retailers is turning to the dormant residential districts of Moscow and other urban settlements of the Moscow Oblast.

One of the most visible signs of the retail boom is the appearance of a number of malls along the border area between Moscow and the Moscow Oblast. During the last three years, the Moscow Periphery Ring Road has been transformed into a trade route where all the big European brands are presented (IKEA, Ramstore, Metro, etc). There are already around 20 malls lined up along this beltway, the biggest of them situated in the west, southwest, and northwest parts of the Moscow Oblast. Another ten new malls are in the pipelines and will be built in the near future (Figure 6.5).

An important catalyst of change for the Moscow Periphery Ring Road into a main regional trade area has been the special program “Gubernskoe Koltso” (Regional Ring) developed by the government of the Moscow Oblast. Its aim is to increase budget revenues and job growth by luring shopping center investors to the region. This policy has made it much easier and cheaper to develop large retail projects in the Moscow Oblast. As a result, only three of the Moscow Ring Road malls are situated within Moscow’s city boundaries, the remaining 17 falling within the jurisdiction of the Moscow Oblast. The rivalry between the city and the regional authorities is heating up. Recently, Moscow’s city government declared that firms that have built retail complexes in the Moscow Oblast permanently have forfeited their chance to do business in Moscow.

Within the boundaries of the city, the Central administrative district³ is the leading area in Moscow’s trade activities. With just under 7 percent of Moscow’s population, this district concentrates over a third of the total retail turnover and almost a quarter of the new shopping center space (Table 6.3). The rents here are also the highest, reflecting the status of the Central District as the most desirable place in the city for shopping. The upscale Western and Southwestern districts also have a large share of shopping center space with high rents and considerably larger population than the Central District, but they have a fairly modest share of city’s retail turnover. Compared to them, the Southeastern and Northern districts have less shopping center space but higher turnover rates (about a quarter of city’s retail activity), indicating that traditional stores still play a significant role there. The Eastern District has the least amount of retail space in shopping centers and one of the lowest retail turnover rates compared to the rest of Moscow, in spite of the fact that it is the second largest district in terms of population. The pattern of shopping center development indicates a clear tendency in their location linked to the social stratification of Moscow’s population. Most of the new centers (at least in the beginning of the development of this market segment) have gravitated to the more prestigious, higher income areas.

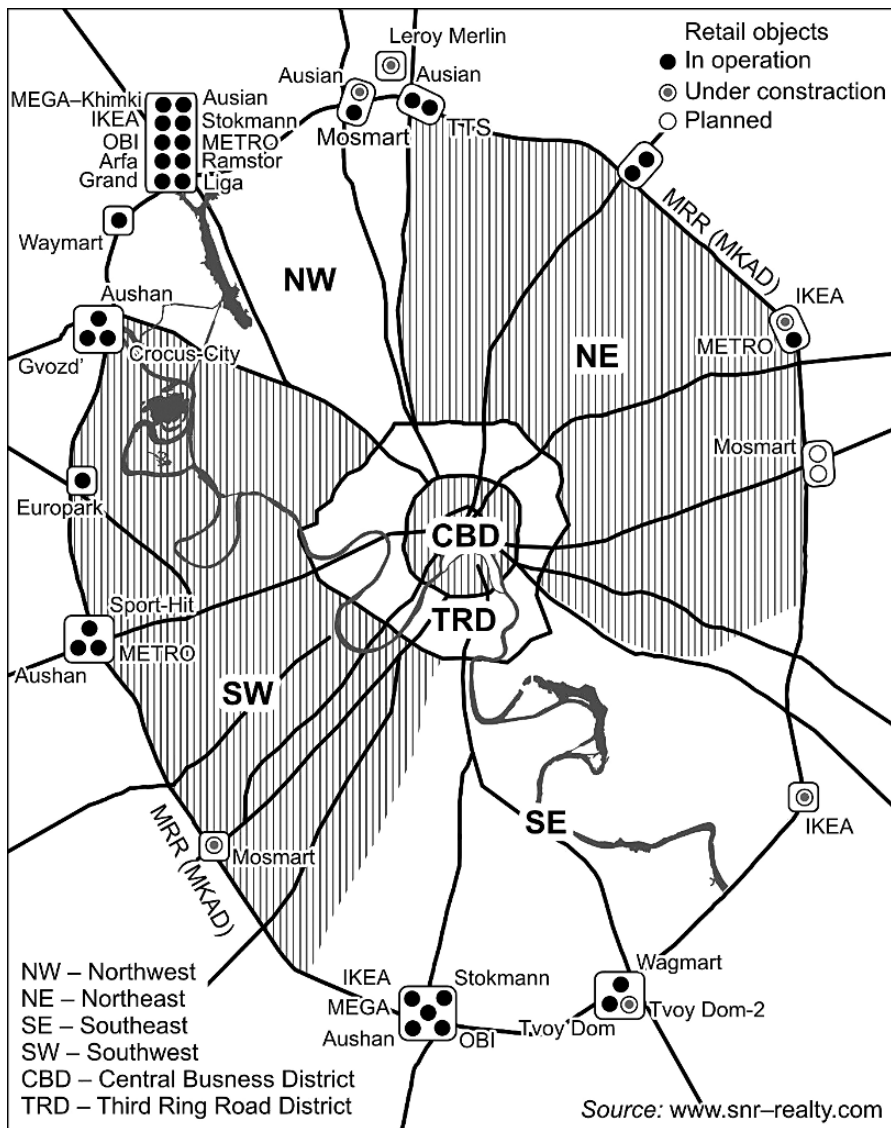


Fig. 6.5 Moscow retail submarkets and big box retailers around MKAD

Source: Adapted from Stiles and Riabokobylko, 2004

Table 6.3 Retail trade in Moscow's administrative districts in 2005

Administrative districts	Turnover RUR/capita	Turnover share	shopping center area 1,000 m ² (%)	Population %	Average rent Eur/m ² /year (rank)
Central	440.0	35.3	277.7 (23,1)	6.7	1,623 (1)*
Western	47.5	5.8	188.7 (15,7)	10.2	1,164 (3)
South Western	59.4	8.2	164.7 (13,7)	11.5	1,311 (2)
Southern	15.2	6.6	141.8 (11,8)	15.3	872 (8)
South Eastern	105.7	13.8	97.4 (8,1)	10.9	849 (9)
Eastern	37.1	60.0	34.9 (2,9)	13.3	915 (7)
North Eastern	47.7	6.8	79.3 (6,6)	11.9	985 (4)
Northern	99.3	12.7	141.8 (11,8)	10.6	958 (5)
North Western	45.2	4.1	75.7 (6,3)	7.6	937 (6)
Moscow, total	83.2	100.0	1,202 (100)	100.0	1,160

Source: Rway, 2006, Mosgorstat, 2004.

6.5 Industrial market development

The economic crisis in the first half of the 1990s caused a sharp decline in industrial production and many sites, previously occupied by large state enterprises, were left vacant or underutilized. Due to Moscow's growth in the twentieth century, many industrial zones formed in the previous century became parts of the city center territory. Today, these old industrial zones occupy about 10 percent of Moscow's territory, hosting over 350 enterprises. Many more industrial zones were built later, during the Soviet period. The aggressive expansion of city's boundaries in the 1960s (Figure 6.2) and the construction of large housing estates in the periphery during the 1970s and 1980s left most of these industrial zones locked in the inner parts of Moscow. Today, the logic of the new market economy exerts strong pressure for the redevelopment of these sites to other uses, especially in the more central parts of the city (the sales value of land inside the Garden Ring in 2005 was estimated at over 8,000 USD per sq m). These development pressures already started to push out industrial uses to the periphery where they could be accommodated on new greenfield sites with lower land rents and plenty of relatively easily accessible space.

Acutely aware of this situation, Moscow's government plans to convert by the year 2020 over a quarter of the 21,000 ha of industrial land located within the city boundaries (Kouzmin, 2000). The withdrawal of industrial enterprises will proceed from the center, where Moscow authorities are planning to remove more than 80 enterprises, freeing up about 300 hectares for new development. Projects for the relocation of industrial enterprises to other parts of the city are on the way. It is estimated that the relocation of one medium-size enterprise will cost 40 to 70 million USD (150 USD per sq m). These costs appear reasonable and

the market is responding enthusiastically, exceeding authorities' expectations. In 2005, the plan set a goal of converting 145 ha of industrial land, yet this target was exceeded almost twice, with over 270 ha of industrial properties being turned over for redevelopment by the end of the year.

Included in the municipal plan is one of the largest industrial zones in the center of Moscow - Bolotnij Ostrov (Swamp Island). The site is occupied by the garment factory Red October and other smaller enterprises. In 2003, a new development proposal for the island was adopted, named appropriately Golden Island. The plan envisions the construction of 1.2 million square meters of residential, office, hotel and retail space. Many of the buildings, which are also historical heritage landmarks, will be redeveloped into new luxury condominiums, destined to become the most expensive residential properties in Moscow with sale prices of 15,000 to 20,000 USD per sq m. The central part of this project will be intersected by a pedestrian street, part of another municipal program (The Golden Ring of Moscow) seeking to create new tourist and recreation zones in the historical center of the Russian capital.

There are many industrial enterprises in Moscow that are not using their sites for production due to bankruptcy, but which make considerable profits by leasing their land. Some of these sites have been bought up and redeveloped by new investors while others still function, more or less successfully, as industrial enterprises. Decisions on the future use of these sites usually involve complex negotiations between the city authorities and the owners of the enterprises occupying the land.

The situation in Moscow is typical for many of the largest cities in Russia, except for the exorbitant level of Moscow's market activities. The redevelopment of industrial sites, ubiquitously present in Soviet cities, is taking place at various rates throughout the country. The biggest cities, where the markets are heating up and development pressures are mounting, have followed Moscow's example by adopting special programs for the conversion of their industrial lands. This seems to be the determining process in the industrial market as new industrial construction and investments in industrial real estate proceed very slowly in Moscow and the other cities in the country. There are some signs, however, that the hugely underdeveloped market in this sector is going to be the next big thing on the horizon (Table 5.1).

6.6 Conclusions

During the post-Soviet period, the urban patterns of Moscow have undergone a process of deep transformation reflecting the restructuring of the urban economy. Under conditions of limited land resources, the emergence of the real estate market has led to a reorganization of the land use patterns by pushing out the less profitable economic activities. At the same time, the action of the market mechanisms has been inhibited greatly by an underdeveloped institutional environment and the policy of the local authorities favoring the practice of land leasing as opposed

to releasing the land on the market for purchase. This has allowed Moscow's government to exercise a great level of control over its land resources.

New developments in the office, retail, and residential segments of the real estate market have been the major factors in the reorganization of urban space. As a result of the commercial real estate competition on the land market, the most significant changes have taken place in the central and western districts of the city, as well as in the nearest western suburbs. This has led to strengthening of the image of these areas as the most prestigious quarters for the location of company headquarters, major trade and entertainment centers, and elite residences.

While the outlines of the new pattern of Moscow's spatial structure are still somewhat vague, the underlying principles are quite clear, mirroring those in the developed cities of the world. The most notable changes in the image of the city and its land use patterns have occurred in the Central Business District, which has become highly commercialized. Along with the extension of the CBD boundaries, new business zones have appeared in the areas adjacent to the center and to the Third Transportation Ring. New main streets and corridors have formed, and several trade complexes and office centers have been constructed in the middle parts of the urban fabric, as well as in the suburban periphery.

These urban form transformations have heightened the spatial differences inherited in structure of the city, increasing the distinctions in the characteristics of the separate urban areas and, consequently, articulating more pronounced differentiation in the real estate prices between the center and the periphery, and between the western and the eastern parts of Moscow.

Notes

¹ In the Russian system of administrative division, Moscow and the Moscow Region (Moscow Oblast) represent two separate territorial units of equal status. The Moscow city government has made multiple statements that it is not planning to expand its boundaries into the territory of the Moscow Oblast. This boundary, however, has not been clearly defined so far, and several of its sections are contested.

² The Moscow Oblast consists of 36 urban districts (*gorodskoy okrug*) and 36 municipalities (*munitsipalnyy rayon*).

³ Moscow consists of 10 administrative districts (*administrativnyy okrug*) and 123 municipal regions (*munitsipalnyy rayon*).

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7 Office development and post-communist city formation: The case of Prague

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7.1 Introduction

This chapter discusses office development in Prague as a major force reshaping the urban morphology of the Czech capital since the end of the Communist period. The focus is placed on newly built and high quality refurbished office space, with a particular attention given to stages in the development of office location patterns. The discussion places office development within the larger context of urban spatial restructuring in post-communist cities in an attempt to advance our broader understanding about urban form and the factors impacting its stability and transformation.

In Prague, as well as in other major Central and Eastern European cities such as Budapest, Moscow, or Warsaw, the economic and social restructuring that followed the arduous institutional transformations during the 1990s, has triggered a dynamic reorganization of the urban landscape. In these capital cities, serving not only as government hubs but also as key centers of economic activities and gateways to the global economy, commercial property development has played a major role in the process of spatial reorganization.

Although commercial property development accounts for a significant share of construction activities in large cities (Tasan-Kok 2004, p. 29), it is often neglected in discussions of urban restructuring (Haila, 1996). Particularly striking is the lack of literature on the subject related to major global centers (Sassen, 1991), intensely globalizing cities (Marcuse and van Kempen, 2000), and cities within the various ranks of the global urban hierarchy (Taylor, 2000). These cities, which perform key command and control functions within the international economy, have concentrated large labor pools employed in the sectors of advanced services, demanding substantial quantities of high quality modern office space. Due to the large volume of capital flowing in and circulating within these economic sectors, the demand for high class office space is quickly mirrored by the construction of new commercial real estate and, consequently, in the reorganization of urban space impacted by such development.

The situation in the post-communist cities deserves special attention as commercial property development there has become one of the most powerful agents of

urban form transformation (Sýkora, 1998). The growth in the number of firms seeking office space started at the very beginning of the 1990s. Office construction, which reflected this new demand, became the first segment of the property market that showed dynamic positive growth, thus gradually beginning to reshape the major metropolitan centers in Central and Eastern Europe. The establishment of the business services sectors set in place the necessary infrastructure for the operation of the local market economy and its integration into the international markets.¹ The demand for high quality office space has been sustained also by the relocation to the region of corporate headquarters from the telecommunication, trade, and production sectors.² Recently, the increased presence of IT and high-tech firms in the region has generated further demand for high quality office space. The internal growth of companies that entered local markets earlier and recent arrivals by representatives of new economic sectors have resulted in increasing complexity of the office demand, significantly reshaping its nature. This has been reflected in differing rounds of investments and supply of office space.

7.2

Office development in Prague since 1993³

This section provides an interpretation of the office market development in Prague since the beginning of the transition period. The main organizational principle employs the identification of several distinct phases in the evolution of the market after 1989. These phases reflect the changing nature of demand, possibilities on the supply side, and an increasing diversity of the local property markets. The discussion is primarily focused on how the location pattern of new office development in Prague has changed in the last 15 years and on the conditions that have exerted the strongest impact on the distribution of office space in the city.

7.2.1

Scarcities in emerging markets, 1990–1992

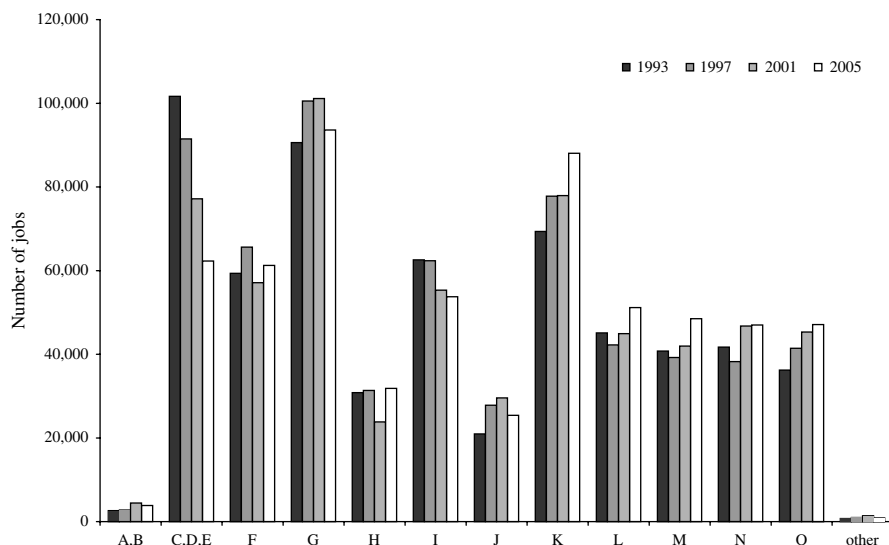
In the beginning of the 1990s, Prague's economy was characterized by a rapidly growing number of private firms including foreign and international companies expanding into the emerging CEE markets (Table 7.1). Positive expectations, both domestically and abroad, followed quick political changes and the start of radical economic reform. The emerging markets in the region drew international investors not only as places for expanding trade, but also as a chance to extend production to new geographic areas and gain access to assets under favorable conditions through the massive privatization of resources. Part of the infrastructure needed to service those investors' interests in Prague quickly emerged from indigenous sources. However, many segments of the business services were supplied by foreign establishments that settled in Prague to serve the expansion of other foreign firms in the region. This growth in professional services (Figure 7.1) generated a great demand for office space.

Table 7.1 Share of business companies in foreign and international ownership registered in Prague, 1990–1996

Year	Total	Foreign ownership	Share	International ownership	Share
1990	993	59	5.9%	155	15.6%
1991	7,396	1,162	15.7%	1,492	20.2%
1992	14,169	2,239	15.8%	2,486	17.5%
1993	22,021	3,418	15.5%	3,719	16.9%
1994	28,525	4,280	15.0%	4,641	16.3%
1995	34,618	5,207	15.1%	5,555	16.1%
1996	38,957	6,091	15.6%	6,150	15.8%

Source: Sýkora 2001, Data from Business Register of the Czech Republic.

Note: Business companies include limited liability companies, joint-stock companies, commercial partnerships, and limited partnerships. Individual entrepreneurs, co-operatives, and state-owned enterprises are not included. Firms in international ownership are those jointly owned by foreign and domestic owners. Daughter firms established by foreign and international companies in the Czech Republic are registered as domestic; therefore the actual number and share of firms in ownership by foreign subjects is underestimated and this disparity is growing in time.

**Fig. 7.1** Employment by economic sectors in Prague (NACE), 1993–2005

Source: Labor Market in the Czech Republic 1993–2005, Czech Statistical Office, 2006

Notes: A, B – agriculture, forestry, hunting, fishing; C, D, E – manufacturing, mining, electricity, gas and water supply; F – construction; G – trade, repair of motor vehicles, personal and household goods; H – hotels and restaurants; I – transport, storage, communication; J – financial intermediation; K – real estate, renting and business activities; L – public administration, defense, social security; M – education; N – health and social work; O – other community, social and personal services; other – other and not identified

In the early part of the 1990s, the capacity of existing premises to satisfy the growing demand for commercial real estate was fairly limited. The existing available commercial space was quickly redistributed among new tenants. Needless to say, these premises did not meet the office space standards common in Western countries. Landlords, developers, and investors reacted to the initial demand for commercial space by refurbishing old offices and converting some residential buildings to office uses. The first business centers made their appearance in Prague in 1991 and 1992. These were refurbished properties that provided common reception areas for a group of small offices. Many firms, comprised mainly of individuals as the first representatives of corporations that wanted to set foot in the local market, used them for the purposes of acquiring a “downtown address” in the capital city (Sýkora and Šimoníčková, 1996).

7.2.2

Pioneers and flagship projects, 1993–1996

The limited amount of commercial space on the market and its relatively low quality by Western standards stimulated the development of the first large new office projects. The International Business Center (IBC), constructed at the edge of Prague’s historical core, came on the market in the second half of 1993 offering 24,000 sq m of office space. Another large office building, the Prague City Center, completed in 1995, provided 17,500 sq m of offices in the heart of the capital. A number of other commercial projects were finished by 1996, increasing the supply of office space, most of which was concentrated in the city center. These buildings became flagship projects, pioneering the wave of new commercial property development in Prague.

The most influential project among these new commercial developments was the Myslbek building, which included 17,600 sq m of offices, 6,400 sq m of retail, and 1,200 sq m of space dedicated to other uses. The project (Figure 7.2) was developed as a highly publicized public private partnership intended to increase international awareness of Prague’s property market and attract the interest of prospective investors (interview with city councilor Filip Dvořák, April 27, 2001). A joint venture was formed between French Caisse Des Depots, which assured the project financing, and the City of Prague, which received 20 percent of the Myslbek shares in exchange for providing the land. After fulfilling its obligations, the City sold its share to the investor in 1999. Similar scheme was planned at that time for the Golden Angel project in Smíchov, but, instead of pursuing a public private partnership, the city government decided to sell its property to the Dutch investor ING Real Estate.

While the 1993–1996 period was marked by the first new large office projects, a substantially higher portion of office space was still supplied in refurbished buildings (Sýkora, 1998; 2001). Overall, the supply concentrated in the historical core, with only a few buildings constructed in out-of-center locations. Interestingly, projects financed by foreign companies at that time were located exclusively in the city center and its vicinity, while domestic developers ventured into some inner and outer city areas. This feature clearly showed the different perception of Prague’s



Fig. 7.2 Myslbek (Prague 1, New Town)

Source: Photo by I. Sýkorová

urban landscape by foreign and domestic actors in the initial years of transition. While foreign customers desired to be located in prestige central locations and developers associated out-of-centre areas with higher risk, domestic actors, which were more familiar with the urban ecology of Prague, could squeeze in segments where they were not directly outbid by stronger foreign capital.

Development opportunities in Prague's historical center were rather limited by the lack of available land for new construction and the strict regulations on urban form imposed by the City in view of preserving the rich historical character of the area. New buildings were required to correspond in volume and height to the existing building typology. Therefore, most of the new and refurbished office buildings were rather small, offering less than 5,000 sq m of office space. This supply also corresponded to the prevailing characteristics of the demand during the period, focused mostly on smaller office spaces of up to 500 sq m. In general, choice was restricted by limited supply in terms of both quality and location, which propelled rents of Class A office space to levels exceeding those in the Western markets (Figure 7.3).⁴

7.2.3

Increasing diversity, 1997–1999

The office market in Prague experienced substantial adjustments during the 1997–1999 period. While in the early 1990s most of the demand was derived

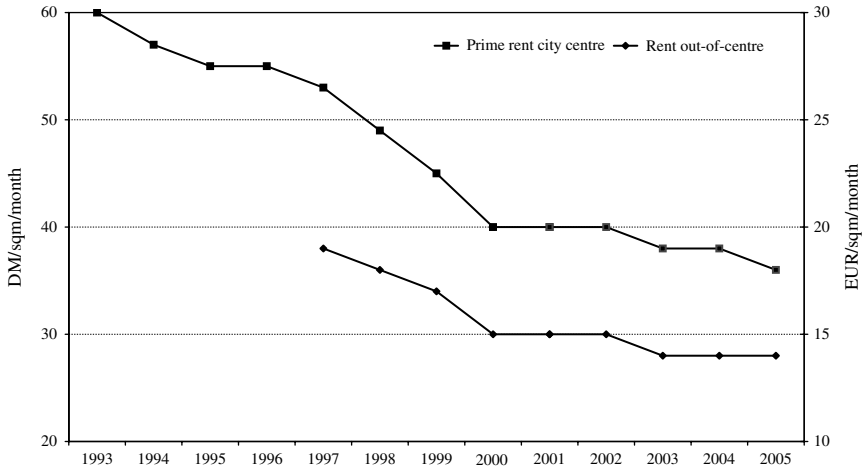


Fig. 7.3 Office rents in Prague, 1993–2005

Source: L. Sýkora

from the growing number of new companies, from the mid-1990s it was also fuelled by the expansion of existing firms. Although the average transactions did not exceed 1,000 sq m, there were a number of cases in which established and expanding companies demanded office space in the 1,000 to 10,000 sq m range. Furthermore, these customers required high quality accommodation and formulated specific locational preferences. After the initial years of the transition period, when customers' choices were narrowly limited by the existing supply, the growing differentiation of clients and their specific demands started to play an important role in Prague's commercial development market. Newer, larger, and more flexible office spaces were preferred, but the scarcity of potential sites for this type of office development in the city center, coupled with the high rents and worsening traffic congestion in the downtown area, made non-central locations much more appealing. Thus, new office projects began to appear in inner and outer city neighborhoods.

Towards the end of the 1990s, most possibilities for reconstruction in Prague's historical core became exhausted (Figure 7.4). In addition, the city government began to control more tightly the conversion of residential buildings to commercial use in an attempt to curb the depopulation of the city center. Facing increasing competition from new office developments in non-central locations, refurbished downtown properties lost their competitive edge on the market, their vacancies increased, and rents quickly declined. The stock of high-quality refurbished historical buildings in the urban core, however, retains its status as a market niche for the city's most prestigious clients.

The spatial pattern of new office development during this period showed a clear trend towards decentralization. In 1997, no major project was completed in the city



Fig. 7.4 Dancing House by V. Melunic and F. Gehry (Prague 1, New Town)

Source: Photo by I. Sýkorová

center while several office buildings, each offering 6,000 to 8,000 sq m of office space, opened their doors for business outside the boundaries of the two central districts – Prague 1 and Prague 2. This pattern continued in 1998 and 1999. The Czech developer Passerinvest completed the first two buildings (12,700 and 16,500 sq m of office space) of the business park BB Centrum on a site located a few kilometers southeast from the city center, adjacent to the North-South D1 highway and the underground stop Budějovická. The BB Centrum became a symbol of successful out-of-center office development⁵ and a prototype for decentralization and clustering of office uses in the city periphery.

Similarly, another out-of-center office cluster started to emerge in an arch around Nové Butovice, a housing estate located in the western part of Prague marked by the beginning of the D5 highway connecting Prague with Plzeň and Germany. The first few buildings in this area were completed in 1998 and 1999, each offering about 6,000 sq m of office space. Another four large out-of-center buildings were completed during 1998 and 1999 – Vinohradská Vinice (22,000 sq m) located in the eastern part of Prague, Hadovka Office Park (25,000 sq m) built in the western part of the inner city along the route to Ruzyně International Airport, and Rodop Airport Center (9,000 sq m) constructed right at the airport.

The fourth project, Palace Karlín (16,500 sq m), located in Karlín, an old inner city neighborhood adjacent to the historical core, started another major trend – the regeneration of old industrial districts through commercial redevelopment. The crucial characteristics that attracted investors' attention to this area were: the location suitable for the expansion of city center activities (supported in city planning documents); possibilities to gain property ownership in privatization of industrial premises; and the substantial amount of (re)developable land. The completion of the Palace Karlín project, along with the already existing Unilever and Mediatel buildings, created a strong nucleus around which other commercial redevelopment projects began to cluster in the following years.

The major project completed in the city center during this period was Millennium Plaza. It included 12,000 sq m of offices, additional retail space, and a Marriott hotel. Several other new office buildings were squeezed in the historical fabric of the city core in 1999, advancing the process of increased diversification of Prague's office market.

The year 1999 was characterized by a record supply of office space (Figure 7.11). Despite setting a record in take-up as well, the end of the year registered a 16 percent vacancy in the office market (Figure 7.5). This number reflected a trend observed during the second half of the 1990s of steady increases in vacancy rates. While a large part of the vacancies in 1997 and 1998 could be accounted for by just finished projects (largely pre-let but still seeking to add a few remaining tenants), the 16 percent vacancy in 1999 indicated that supply had exceeded demand, leading to a substantial decrease in rents (Figure 7.3). The decline in rents was also a result of the limited viability of lower-quality refurbishments,

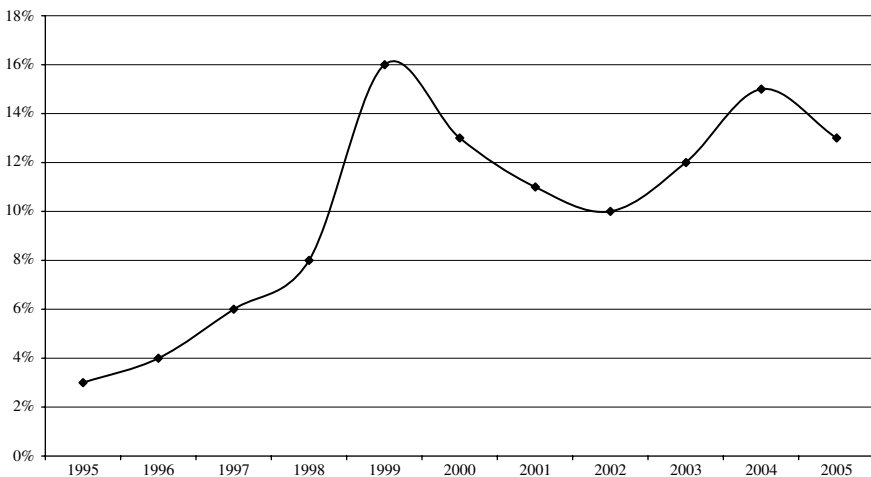


Fig. 7.5 Office vacancy rates in Prague, 1995–2005

Source: L. Sýkora

dating from the beginning of the 1990s, and the increasing competition from new out-of-center developments, which offered office space for 30-36 DM/sq m/month (Sýkorová and Sýkora, 2000).

Towards the end of the 1990s, both demand and supply on the office market was dominated by international actors. Development finance was provided mainly by foreign (mostly German and Austrian) banks through their local subsidiaries (Keivani et al., 2001). Commercial real estate professional services were supplied nearly exclusively by international firms for their mostly international customers. Prague's office market thus created a strongly internationalized niche within the Czech property markets. At the end of the 1990s, the investment commercial property markets started to emerge (McGreal et al., 2002) as the office sector witnessed the first investment transactions. Quickly, a number of institutional investors were drawn to the scene by the prospects of widening their investment opportunities in a market showing high yields and limited risks.

7.2.4

Stabilization and maturity, 2000–2002

The period between 2000 and 2002 was characterized by a stabilization of Prague's property market. The number of completions sharply declined in comparison with 1999 (Figure 7.11). Demand for office space was sustained on a relatively high level and vacancy rates decreased to 10 percent. Rents stabilized and even slightly increased for prime new office space in the city center. The approval of several major planning documents in the beginning of that period formed the main framework for the development process. The city's Master Plan was adopted in 1999, followed by the approval of Prague's Strategic Plan in 2000 (Sýkora, 2002; 2006) as the country was preparing frantically for its accession to the European Union. The events from September 11 in 2001 and the devastating floods that struck Prague during the summer of 2002 contributed to a general stagnation in the commercial property market. Some scheduled completions were postponed until 2003 and 2004. Furthermore, a boom in retail development (inner city shopping malls and suburban big box developments) and warehousing (logistic parks in suburban locations along major highways) diversified the commercial property market and redirected the attention from office development to other commercial property segments.

By the turn of the millennium, the Prague property market reached a level of maturity with sufficient quantity of diversified products, which attracted the attention of a large number of institutional investors. The supply driven market of the early 1990s and the demand driven market of the late 1990s were succeeded by the investment market of the early 2000s. The high initial yields exceeding 10 percent, typical of the immature markets with high perceived investment risks, declined during this period to 8.5 percent (Figure 7.7). Markets moved from "the initial phase of post-socialist reconstruction to higher level functions and activities associated with property investment" (McGreal et al., 2002: 221). The boom in investment transactions not only signaled the transition to mature office markets,

it provided developers and investors with returns on their business ventures that they could utilize in another investment round.

New office buildings were erected in already established office locations, strengthening the emerging spatial patterns. Prague's city center proliferated as a location of financial and consultant services, the inner city areas attracted a wide range of telecommunication, media, advertisement, and trade companies, while the outer city areas hosted the offices of IT and hi-tech companies, and the back offices of banks and insurance companies (ARTN, 2004). The offices of firms in the warehousing and distribution sectors were located in suburban areas in association with logistic parks.

A major development, which can not be omitted in examining Prague's urban change during the first years of this century, was the massive regeneration of former industrial sites in the inner city neighborhood of Smíchov. The area, identified in city planning documents for territorial expansion of the city center, offered large amounts of (re)developable land via privatization in a location well served by both underground transit and the inner city ring road. The Golden Angel building (13,000 sq m of office space), designed by Jean Nouvel above the Anděl (Angel) underground stop, became a symbol of Smíchov's revitalization (Figure 7.6; Temelová, 2007; 2005a; 2005b). While most public attention has been



Fig. 7.6 Andel City (Prague 5, Smíchov)

Source: Photo by J. Temelová

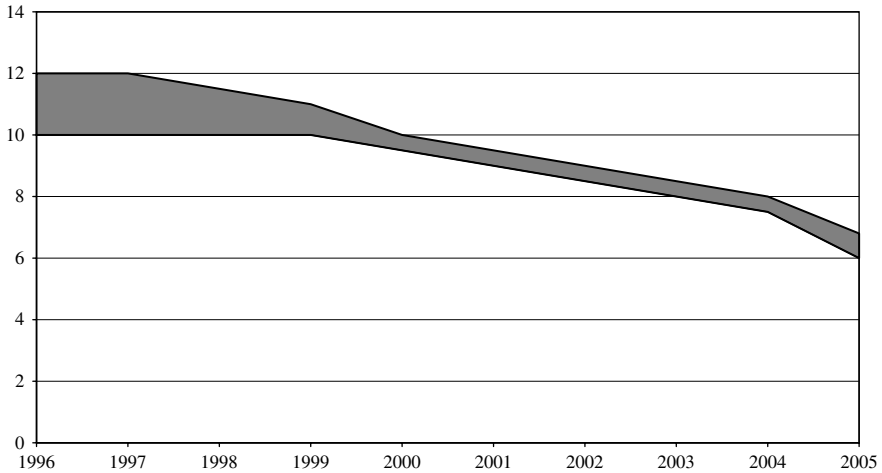


Fig. 7.7 Prague: office yields, 1993–2005

Source: L. Sýkora

attracted to the New Smíchov shopping and entertainment center, office development played a major role in the regeneration of the site. The first phase of Anděl City (a complex hosting 30,000 sq m of office space, a hotel, multiplex cinema, and housing) was completed in 2001. By 2006, the area contained over 85,000 sq m of offices, which combined with the new retail, entertainment, and hotel facilities have created a vibrant new city center.

7.2.5

New trends: suburban office parks and large-scale inner city (re)development, 2003-2006

Since 2003, the office market in Prague entered a period of sustained intensive development including the completion of several major projects with significant impacts on the process of spatial restructuring of the Czech capital. The two most notable trends, which emerged earlier but were fortified during this period, were defined by the proliferation of edge-of-city⁶ office parks, on one hand, and the realization of large-scale redevelopment projects in inner city areas, on the other.

Towards the end of 2006, when the major office cluster outside of the city core (the BB Center) was nearing completion, two large-scale office parks emerged further out towards the edge of the compact city. In the area of Nové Butovice, present on the map of Prague's office market since the mid-1990s, several new developments including the Avenir Business Park, the Nové Butovice Office Park, the mixed-use Galerie Nové Butovice, and some isolated office buildings added over 60,000 sq m to the area's total stock of about 100,000 sq m of modern office space. The most intense provision of office space, however, occurred in the

southeastern part of Prague, along highway D1 extending from the edge of South Town (Prague's largest housing estate) towards the city of Brno. With nine of its buildings already completed, this development, called The Park, provides 135,000 sq m of campus-style office space with flexible floor plans designed for the needs of its hi-tech tenants including the brand names of IBM, DELL, SONY, SUN Microsystems, Accenture, and DHL (Figure 7.8). The Park has become a symbol of the nation's twenty-first century business scene, attracting a growing number of R&D and customer support centers of multinational companies such as Panasonic, Honeywell, Motorola, and Mercedes-Benz.

The overwhelming majority of office developments during the 1990s were individual office buildings, later including some mixed-use development projects featuring retail, entertainment, and hotel functions. Typically, these projects were incorporated in the fabric of existing neighborhoods. Unlike them, the BB Centrum, The Park, and the projects in the Nové Butovice area are large-scale development schemes, which add new elements to the existing urban fabric without reformulating its character.

At the beginning of the new millennium, the urban structure of Prague has begun to get remolded also by large-scale redevelopment projects of inner city



Fig. 7.8 The Park (Prague 4, Chodov)

Source: Photo by L. Sýkora

areas. Aided by the recent opening of a new segment on the inner city ring road, the massive regeneration of the Anděl area in Smíchov is continuing with the addition of new offices, hotels, and residential buildings. Another location that has attracted a lot of attention is Pankrác, an inner city area marked by a cluster of high-rises constructed during Communist times. Pankrác's combination of proximity to the city center, high accessibility (conveniently located by a highway and several underground routes), and availability of developable land has made it a hot spot for development initiatives envisioning the future of the area as a twin business center to Prague's urban core. The offices in a proposed skyscraper complex designed by Richard Meier would offer superb views of the historical district. Towering over it from a commanding position, reminiscent of the presence of Prague's Castle (the seat of the Czech presidency) on the other bank of the Vltava River, the new business center is bound to articulate a metaphorical urban image juxtaposing history and future, international capital and local politics.

Not surprisingly, Pankrác's (re)development project has become a subject of significant public opposition. The site, approved in Prague's Master Plan from 1999 as a destination for city center expansion, was designated by city authorities as a prominent business growth node. The area has developed as a gravitational center for numerous existing and proposed clustered and isolated office buildings. Besides adding more office towers, the project, commonly referred to as "The City," calls for a significant amount of retail hosted in a large shopping gallery. This development concept has received the strong support of both the borough and the municipal governments. Major public investments have been dedicated to improve access capacity from the site to the D1 highway. The massive redevelopment plans, threatening to increase traffic congestion in an already overheated area, have provoked a strong reaction from the neighborhood. The local residents have consistently stated their disagreement with the project's content and design, demanding a reduction in its scale aimed to mitigate its negative impacts on the urban environment. The plan is currently awaiting a resolution by UNESCO which should assess the project's impact on the character of Prague's urban core designated by the organization as a world heritage site.

The waterfronts of the Vltava River located northeast of the city centre have also become a subject of significant large-scale redevelopment projects in the last few years. The River City Prague project in Karlín has already supplied two large office buildings (the Danube and the Nil House), with more office, retail, and hotel space underway. The site for this development is a brownfield area locked between the Vltava River and the neighborhood of Karlín. The project intends to connect the existing community with the riverfront, thus, spurring further neighborhood revitalization and gentrification. Just across the Vltava River, the port regeneration in Holešovice is another major redevelopment project initiated with the completion of the Light House office towers in 2004. The redevelopment plan contains a substantial share of office and retail space, yet the major emphasis here is on housing. Construction of a new luxurious housing estate on the riverbank, the Prague Marina, started in 2006. Similar projects are also planned for the port area

in Smíchov, but, as the implementation of this development requires changes in the city master plan, construction activities are not expected to commence soon.

Last, but certainly not least, a significant recent trend that has affected Prague's office market and the city's spatial transformation has been initiated by the relocation of back offices from Prague to cities and towns in the surrounding region. Erste Bank, formerly Česká spořitelna (Czech Saving Bank) has already moved its back offices to the mid-sized towns of Kladno, Kutná Hora, Příbram, and Beroun, all located in the region of Prague. There are signs that other companies are ready to follow suit. Furthermore, all three mobile phone operators established their call centers in the medium and small size towns of Hradec Králové, Chrudim, and Kolín. This regional decentralization can be seen as the first sign of office sprawl leading to the formation of what is referred to by Lang as the edgeless city (Lang, 2003).

Despite these major developments in the office market, office rents in Prague have not changed significantly during this period. Prime office rents in the city center remained in the range of 17 to 19 EUR per square meter per month, while new out-of-town premises, such as The Park, offered rental levels below 15 EUR. The increased supply of high quality office premises achieved a level of maturity for the local property markets, which combined with the relatively high yields supported the growing interest by institutional investors. Between 2004 and 2006, the volume of annual investment transactions more than tripled in comparison with the preceding period. This was reflected in a decline of acceptable yields to the level of 6 to 6.5 percent in 2006 (Figure 7.7).

Periods in the development of the office market in Prague 1990–2006

I. Market of scarcity, 1990–1992

- government reforms aimed at privatization, liberalization of prices, and rent deregulation
- rapidly increasing demand for office space from foreign firms expanding to CEE and some domestic firms, especially in the financial sector
- redistribution of scarce existing office space and first low-quality refurbishments
- very high rent levels reflecting disparity between high demand and limited supply

II. Supply-driven market, 1993–1996

- redistribution of ownership rights through privatization and following re-sales between private actors
- continuing high demand exceeding supply
- first newly constructed high-standard office buildings
- prevailing refurbishment over newly constructed buildings
- concentration of development in city center locations

- lease of new office space, mostly by foreign firms
- prime office rents around 55 DM /sq m/month
- extremely low vacancy rates
- non-existent investment market

III. Demand-driven market, 1997–1999

- supply meeting demand in the first half of the period and oversupply in the second half of the period with vacancy rate rapidly increasing to about 16 percent at the end of 1999
- growing role of newly constructed properties, diminishing role of refurbishments
- decreasing rents, especially for central city properties and refurbished office buildings, prime rents reaching 45 DM /sq m/month at the end of the period
- decentralization of new office construction to out-of-center locations with the development of new out-of-center office districts (such as in Nové Butovice)
- increasing demand for lease of larger office premises, more common are leases over 1,000 sq m, leases of whole buildings by a single company
- first investment transactions

IV. Investors' market, 2000–2002

- local development and land use regulatory environment stabilized with approval of strategic and master plans
- higher level of market maturity reflected in rapid growth in investment transactions and declining yields
- declining supply due to less favorable international markets, local oversupply in previous period, and flooding; vacancy declined and rents stabilized around 20 EUR /sq m/month
- supply in already established areas, large area regeneration of inner city brownfield area in Smíchov

V. New opportunities market, 2003–2006

- new trends shaping Prague's office market with radical impact on urban form: construction of edge-of-city office parks in the periphery and large-scale redevelopment projects in inner city areas
- increasing vacancy, decreasing rents and yields
- maturing market attracts high volume of investment transactions
- vacancy and rent declines affect especially low-quality central and inner city refurbishments from the first half of the 1990s, some of them change back to residential use
- increasing public awareness of the impact of large-scale projects on quality of life in residential neighborhoods

7.3

From centrality to decentralization: trends in the territorial distribution of office space

7.3.1

Methodology

The analysis of the spatial distribution of new office development in Prague provided below is based on a dataset compiled between 1993 and 2006.⁷ The dataset contains records on all newly build and fully refurbished buildings that are utilized predominantly for office uses or include substantial parts of office space. During the 1990s, office conversions usually took place in smaller buildings, often offering less than 2,000 sq m of low quality office space. For the purposes of this study, refurbished office buildings that do not meet international quality standards were excluded. As a result, the size of the office stock in Prague calculated in this analysis is significantly smaller than the total amount of available office space. Out of the 377,000 sq m of office space refurbished between 1992 and 2000, for instance, only 158,000 sq m met the established criteria. This approach provided results that differ from those presented in earlier publications by the author and in reports by real estate agencies on Prague's property market, both in terms of the volume of refurbished office space and its share of the total supply.

The analysis is based on data for 209 buildings completed between 1993 and 2006. The total area of office space collected for the individual buildings was aggregated on an annual basis using the smallest spatial units for which census data are available.⁸ These basic units were also aggregated in four major urban zones reflecting the broad patterns in the territorial distribution of office space (Figure 7.9). The *traditional city center* (Zone 1) is defined as the area comprised by the Old and New Town neighborhoods on the right bank of the Vltava River. Until 1989, most commercial functions in Prague were located here (Musil, 2005). With the establishment of the market economy and the boom in the advanced services sector, the commercial functions of the city center started to expand into the adjacent areas. This trend was endorsed by the Strategic Plan of Prague, which called for the city center expansion and the creation of several secondary business nodes within the inner city. The *expanded city center* (Zone 2) includes those inner city territories where office development represents the territorial extension of the traditional center. This zone includes the rest of the historic core on the left bank of the Vltava River and parts of the neighborhoods of Karlín, Smíchov, and Vinohrady. The rest of the *inner city* (Zone 3) presents a mosaic of heterogeneous areas comprised of densely build pre-World War II communities featuring both residential neighborhoods and old industrial zones. The abundance of brownfield sites in this zone presents a major potential for commercial property development, offering vast areas of underutilized land. The Strategic Plan of Prague identified several locations for the formation of secondary city centers within this zone, but, although some of them already attracted new office development, the majority

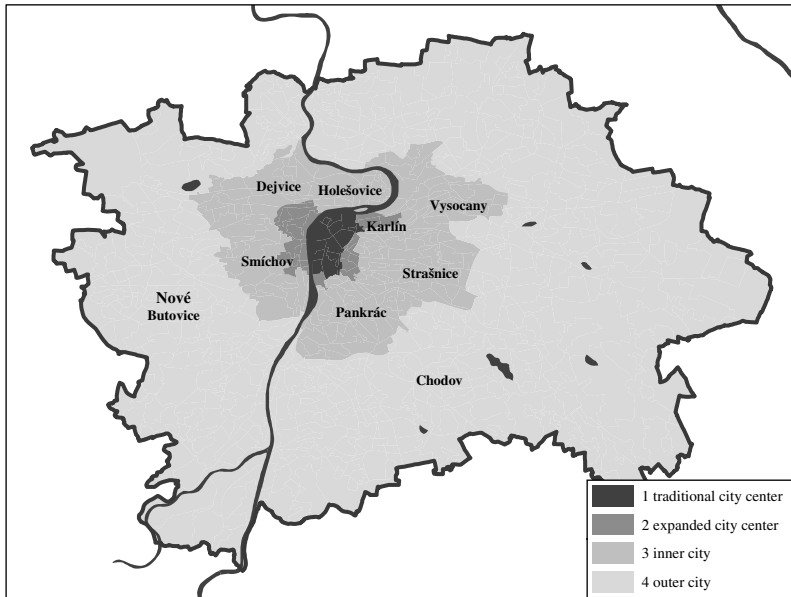


Fig. 7.9 Prague's urban zones

Source: L. Sýkora

of development projects have been realized in other locations. Finally, the fourth zone represents the *outer city* areas. This zone consists of large socialist housing estates (built during the 1960s, 1970s, and 1980s), post World War II industrial zones, and a wide assortment of undeveloped territories offering ample investment opportunities.

7.3.2

Volume, structure, and patterns of office location

By the end of 2006, there were 1.7 million square meters of newly constructed and high quality refurbished office space in Prague (Figure 7.10). New office space accounted for 1.35 million and refurbishments for 350,000 sq m of that total. If we take into account lower quality refurbishments from the 1990s, which amount to approximately 200,000 sq m, the total volume of office space developed and marketed in the period from 1993 to 2006 reaches nearly 2 million square meters.⁹ This figure, however, does not represent the total volume of office space in Prague as it does not take into account: 1) offices that existed prior to 1990 but have not been redeveloped; 2) offices that have been reconstructed by their owners but not placed on the market; 3) office buildings developed by companies to meet their own needs; and 4) a large number of smaller and lower class offices.

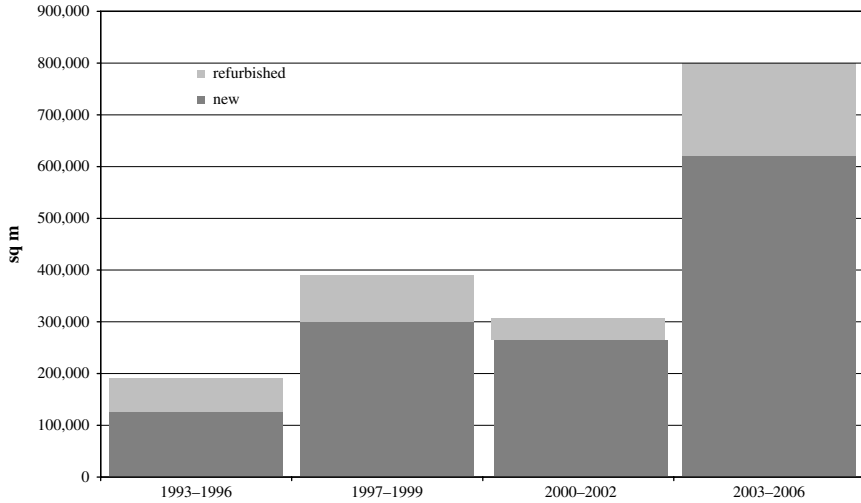


Fig. 7.10 Volume of Class A and B new and refurbished office space in Prague, 1993–2006

Source: L. Sýkora

The impact of office refurbishments on urban form is not as pronounced as the impact of new developments. Many refurbishments are conversions of buildings from other, often residential, uses. Thus, these adaptations change the pattern of the existing urban land uses. Many refurbishments also include horizontal as well as vertical extensions of existing buildings, transforming the urban environment through incremental appropriations of space. However, 170,000 sq m of the refurbished office space in Prague (nearly half of the total volume) comes from reconstructions of major office buildings that existed prior to 1990. The majority of them have been refurbished after 1997, with the largest volume of these conversions taking place between 2003 and 2006. Their renovation represents neither a change in urban morphology nor a transformation of the land use patterns. While such refurbishments do not add to the existing total stock of office space, they represent the process of revalorization of the built environment leading to an increase in the amount of high quality modern offices. The database, which includes such types of office developments, serves to monitor the extent of activity on the commercial property markets, as well as to identify the locations where capital flows into the built environment, indicating where we can expect future growth of companies utilizing high quality office space.

The spatial distribution of newly developed and refurbished offices changed remarkably between the mid-1990s and the mid-2000s (Figures 7.11 and 7.12). During the mid-1990s, nearly half of the new office space additions were located in the city center. The process of decentralization, which started in 1997 and gained significant momentum after 2003, brought the share of office completions in the outer city to nearly 30 percent of the total office space placed on the

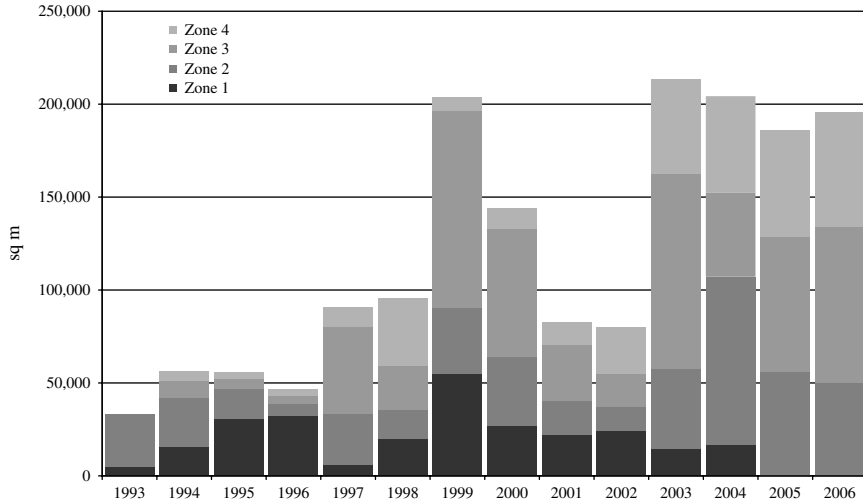


Fig. 7.11 Annual supply of Class A and B new and refurbished office space in Prague's urban zones, 1993–2006

Source: L. Sýkora

Note: Zone 1 – traditional commercial core, Zone 2 – expanded city centre, Zone 3 – inner city, Zone 4 – outer city.

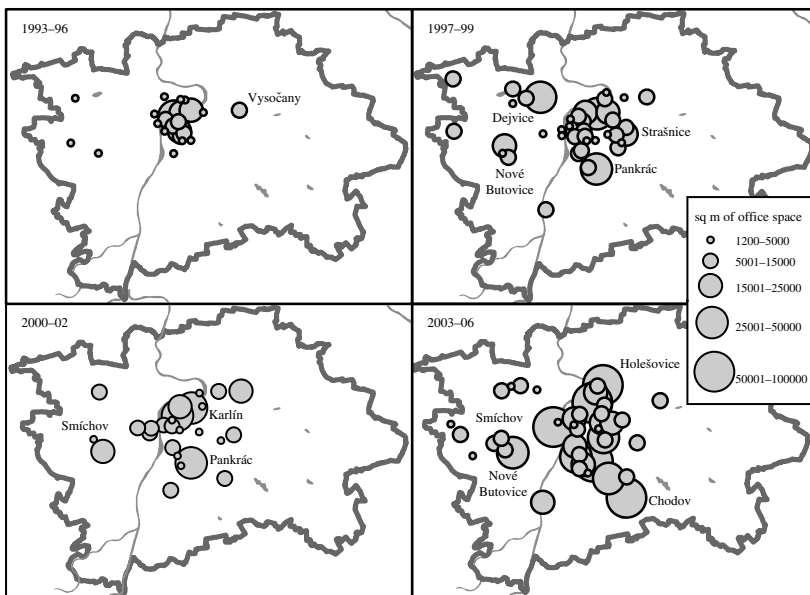


Fig. 7.12 The territorial distribution of new and refurbished office space in Prague, 1993–2006

Source: L. Sýkora

market during the 2003-2006 period. By 2006, the city center seemed to have exhausted most viable opportunities for further office growth. In sum, the four zones identified above – the business core, the expanded core, the inner city, and the outer city – accounted for 270, 495, 582, and 333 thousand square meters of office space developed during the 1993-2006 period. Taking into account the area of the expanded city center, the 765,000 sq m of office space contained in the central city area still show its key role in the distribution of office space within Prague's territory. However, several newly developed business concentrations in the inner and the outer city indicate a strong trend of office space decentralization to secondary city centers and edge-of-city locations. This trend is likely to continue, yet, it is unlikely that any non-central office agglomeration could challenge the primacy of the expanded city core (zones 1 and 2).¹⁰ Therefore, it should be noted that the ongoing spatial decentralization of office development is taking place within the general framework of a strong intra-urban hierarchy.

The observed decentralization trend suggests that the urban spatial structure of Prague is being transformed from a monocentric to a polycentric model in which several office clusters have formed the core of emerging secondary city centers. This polycentricity, however, is characterized by a strong city center, which still anchors the majority of the existing office development.

7.4 Office development and urban change

7.4.1 Office development and settlement hierarchy

The geographic pattern of office space development reflects both the demand, determined by the current locational preferences of office space users, and the supply side, constrained by the historically developed urban structure and the role of the city in a wider division of tasks in a given territory (Sassen, 2002). One should also take into consideration the role of national and local governments in place promotion, which can exert a key influence on investors' locational choices.

In the context of Central and Eastern Europe, the question of inter-city location of office investments could be divided into two parts: the international level, reflecting locational patterns within the major CEE cities; and the national level, characterizing locational patterns within individual countries. Most of the demand for modern office space in the former communist countries in Central and Eastern Europe came from international firms operating in the sectors of advanced producer services, information technology, and telecommunications. These firms located their offices in the capital cities as these places became the major entry points for foreign companies expanding their operations into Central and Eastern Europe. The providers of advanced services needed to follow the Western investors so that they can assist their operations in the markets emerging beyond the former Iron Curtain. Eager to establish their presence, these companies set up their offices in

major capital cities of Eastern Europe, creating a wide network characterized by nodes of similar rank and the absence of a major supranational center in the CEE region. In their analysis of European cities in the global urban scene, Taylor and Derudder (2004) identified this zone as a distinctive territorial Eastern European arena,¹¹ which they called a “region of economic opportunity.” During the 1990s, the cities within this arena created direct links to the major global centers, most notably London (Derudder et al., 2003).

The large capital cities of Central and Eastern European countries thus acquired the status of world cities as global service centers (Taylor, 2000; Derudder et al., 2003; GaWC research group). However, while the demand for office development in these CEE capitals shares similar roots, their office markets could differ significantly, mainly due to differences in the advancement of market reforms (Hirt and Kovachev, 2006; Vesselinov and Logan, 2005), the size of the country and its markets (Pichler-Milanović, 2005), specificities in institutional regulations (McGreal et al., 2002; Keivani et al., 2001), and the character of the urban environment.¹²

At the time when capital cities of the former Eastern Block attracted key command and control functions, other CEE cities struggled to receive at least some investments into their declining manufacturing base. Sharp regional disparities developed between the capital cities that concentrated advanced services and management functions and the other cities and regions whose success, if any, has been mostly related to investments in manufacturing and corresponding reindustrialization (Sýkora, 2006; Kiss, 2004). In the Czech Republic, new office development outside of Prague has been negligible. In Brno, the second largest Czech city with about one third of Prague’s population, the volume on newly constructed office space amounts to only 85,000 sq m. Similar patterns of capital city dominance are exhibited in other Central and Eastern European countries (Hamilton and Carter, 2005), including Slovenia (Pak, 2004), Budapest (Tosics, 2005; Kovács, 1994), and Warsaw (Tasan-Kok, 2005; Weclawowicz, 2005). Non-capital cities have failed to register any significant office development that might challenge the leading position of their capitals (Kotus, 2006; Parysek and Mierzejewska, 2006; Steinführer, 2006).

The locational patterns of advanced services and new office development reflect the geography of economic globalization in Central and Eastern Europe with simultaneous concentration of command and control functions to a limited number of major cities, paralleled by the geographic dispersal of other economic activities. This pattern also suggests a need for adjustment of the original thesis advanced by Sassen (1991) regarding the role of major national capitals as important locations in the geography of the global economy. The experience from the post-communist transition in Central and Eastern Europe suggests that national contexts play crucial role in the organization of the global economy and namely in its level of penetration and expansion within the new post-communist territories. Hence, capital cities not only retained, but significantly strengthened their relative positions within the settlement and regional systems of the CEE countries.

7.4.2 Urban morphology and land use

The urban form and land use patterns in the post-communist cities of Central and Eastern Europe have been affected by a wide range of processes of urban change such as residential differentiation, suburbanization, retail expansion, gentrification, brownfield regeneration, etc. (Sailer-Fliege, 1999; Chapter 1, this volume). In this radical transformation of the physical structure of the city, office development played one of the most prominent roles. It started ahead of the other processes of urban spatial restructuring mentioned above, accounting for a large share of investments in the built environment, leading to radical transformations in land use patterns across urban space, from city centers to the outskirts, and, last but not least, reshaping the symbolic urban landscape emphasizing the presence of private and foreign capital.

During the 1990s, the demand for office space highlighted the confrontation between the new capitalist urban economy and the physical structure of the built environment inherited from communist times. By the turn of the century, the boom in the retail and warehousing sectors of the real estate market began to catch up with office development, while the growth in real incomes and the establishment of a mortgage financing system supported the recovery of the residential market. Today, office development is no longer the single major component of the post-communist city rebuilding process. However, since the new office buildings are occupied by the most active participants in the urban economy, with their physical structures dominating some of cities' most prominent locations, office development still exerts a great influence over the transformation of the urban fabric.

Office development has been instrumental component in the commercialization and expansion of the city center, the formation of a polynucleated metropolitan structure through the growth of secondary nodes, and the dispersal of urban functions to the suburban periphery.

During the 1990s, the concentration of company headquarters and producer services in central city locations (Tasan-Kok, 2005; Digsdale, 1999; Sýkora, 1999) contributed to the reconstitution, physical rehabilitation, and economic revitalization of the urban cores. Some existing buildings were enlarged, increasing the density of the built environment and the intensity of land uses. Empty lots were utilized for new construction, which brought further densification in the urban fabric. While in historic city cores of cities like Prague the new buildings had to reflect the general character of urban form, the center of Warsaw became a subject of massive redevelopment. The new office developments in the post-socialist downtowns brought physical regeneration, economic revitalization, and more efficient land utilization, but they also generated growth in passenger car traffic and conflicts with proponents of cultural heritage preservation (Hirt and Kovachev, 2006; Kutus, 2006; Pak 2004; Sýkora, 1999) (Figure 7.13).

Office development helped to revitalize former industrial sites in inner city locations by turning some of these abandoned or underutilized areas into vital commercial



Fig. 7.13 Palace Euro (Prague 1, New Town)

Source: Photo by I. Sýkorová

centers. Such redevelopment projects, centered on office use, have been formed in Budapest along Váci Street, in Warsaw by the westward expansion of the city centre, and in Prague with the reconstruction of Smíchov, Karlín, and Holešovice¹³ (Figure 7.14). In the porous morphology of the former socialist cities, other underdeveloped areas were also acquired by investors for construction of offices and other commercial projects. Such developments concentrated in locations recognized by planning documents as new metropolitan nodes, although the preferences of investors and city planners did not always overlap in space (Maier, 2002) and actual development often revised the original visions of city authorities.

Greenfield development in suburban locations has been a defining characteristic of post-communist metropolitan development. In this process of urban deconcentration, non-residential developments, including office use, have had a stronger spatial impact on metropolitan restructuring than residential suburbanization (Sýkora and Ouředníček, 2007; Nuissl and Rink, 2003, 2005; Lisowski and Wilk, 2002; Chapter 5, this volume). With the exception of some office construction in industrial and warehousing districts, however, office decentralization has not yet entered the exurban realm. Large-scale office parks, such as The Park in Prague or Business Park Sofia, were developed at the edges of the compact city, utilizing the availability of relatively cheap land while hooking into the existing



Fig. 7.14 Corso Karlín (Prague 8, Karlín)

Source: Photo by I. Sýkorová

city infrastructure and services. The question of whether further deconcentration of office uses into the exurban zone is likely to follow is still a subject for speculations (Lang, 2003). Recent growth of specialized services in metropolitan areas due to foreign investments has generated a new type of demand for office spaces that do not necessarily need to be centrally located. The ample quantities of cheap land in the suburbs, the eagerness of local authorities to attract investments, improvements in transport infrastructure, and the growing pool of highly qualified suburban residents will most likely stimulate the formation of suburban office parks in the not so distant future. Whether suburban growth will be concentrated in certain nodes or dispersed amorphously will depend mostly on the priorities of national and regional governments formulated in their spatial development strategies.

7.5 Conclusions

Office development since 1989 has significantly reshaped the character of post-communist Prague and other CEE capitals by inducing major adjustments in their urban structure necessitated by the demands of the newly introduced market

economy. Property privatization, the change in ownership patterns, and the availability of development sites (both within and outside of city boundaries) have played a decisive role on the supply side, while demand has been most strongly influenced by the sequence in the establishment and expansion of foreign companies on the Eastern European markets.

Office development in Prague has spurred the revitalization and regeneration of a number of urban areas, most notably the city center and several large derelict industrial sites. Indeed, major office projects served as catalysts of private-led redevelopment of entire city neighborhoods (Temelová, 2007). The dispersal of office and other non-residential uses throughout the urban territory has improved access to employment opportunities in many areas previously characterized as bedroom communities (Chapter 5, this volume). On the other hand, the revitalization led by private initiative and investments has been spatially selective, favoring some urban locations at the expense of others.

The growth induced by private capital has also had certain negative effects on the areas experiencing intense redevelopment due to over-commercialization and over-investment as demonstrated by the latest developments in Poznan city centre (Kotus, 2006). The architectural character of some of the recently completed or proposed projects has also become a point of public contention as the glossy modernism favored by international investors is often perceived as arrogant, aggressive, and disrespectful of the historically formed urban environments (Szirmai and Baráth, 2005). The demolition of the historic Špačkův dům, which provided room for the Prague City Center, is a telling example of the power of international capital to flex local development decisions in its favor. Other examples, however, such as the reduction of the proposed heights of the palace Euro at the Wenceslas Square and of the skyscrapers at Pankrác, have demonstrated that there is a growing recognition of the need for consensus among all stakeholders in the development process – the private capital pursuing profit maximization, the municipal authorities serving the public interests, and citizen groups defending the livability of their neighborhoods.

Office development has been a powerful agent of change in the process of transforming the urban fabric of Prague, and the structure of the post-socialist city in general. The experience accumulated since 1990 points to the need of well-defined urban policy and planning recognizing the structural impacts of office development as an opportunity to direct investments towards a more balanced and sustainable urban environment.

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Notes

¹ In some post-socialist cities certain sectors of advanced services have become, in fact, overrepresented in comparison with Western cities of similar size. Those are businesses associated with the process of privatization and firms that provide support to foreign companies in their expansion into local markets (Taylor, 2000)

² Most notable has been the impact of telecommunication and pharmaceutical firms expanding aggressively into local markets.

³ This section is based on my own knowledge accumulated through my studies of the city and its urban property markets since the early 1990s. The wider referential frame rests on my experience gathered through empirical research, discussions with various actors from the real estate sector, monitoring of property market reports of major real estate consultancy firms, and review of professional journals examining property development in the Czech Republic and Eastern Europe. Data on office rents, yields, and vacancies have been assembled over the years from a variety of sources reflecting the situation on Prague's office market in a given period.

⁴ During these years, rents were denominated in German Marks and prime office rents were at the level of DM 55/sqm/month.

⁵ By the end of 2006, BB Centrum provided 135,000 sq m of high quality office premises in 11 buildings. This pioneering work was recognized by the Association for Property Market Development, which in 2002 selected Radim Passer of Passerinvest as the first holder of the annual price for Outstanding Merits in Czech Property Market Development.

⁶ The term *edge-of-city* is employed to distinguish between developments in the outer parts or right outside of the compact city from leap-frog developments further out in the suburbs.

⁷ The compilation of the dataset has been a collaborative effort by the author and Ivana Šimoníčková - Sýkorová. The data has been used in previous publications that monitored the development of the commercial property market in the 1990s (Sýkora and Šimoníčková, 1994, 1996; Sýkora, 1998; Sýkora 1999; Sýkorová and Sýkora, 2000; Sýkora, 2001).

⁸ The 2001 Census divided Prague in 903 such spatial units (ZSJ základní sídelní jednotka – basic settlement unit).

⁹ This figure corresponds to the data presented by the Prague Research Forum (a consortium formed by major commercial property agencies, including CB Richard Ellis, Colliers, Cushman & Wakefield Healey & Baker, DTZ, Jones Lang LaSalle, to share information about property markets in Prague) and the Trend Reports of the Association for Property Markets Development (ARTN, 2002; 2004; 2006).

¹⁰ Currently, the largest cluster has less than 200,000 sq m of office space compared to the 765,000 sq m in the city core.

¹¹ It includes the cities of Budapest, Kiev, Moscow, Prague, Vienna, and Warsaw (Taylor and Derudder, 2004).

¹² Compare, for instance, historic preservation in Prague city center with development opportunities in central Warsaw.

¹³ This symbiosis between deindustrialization and tertiarization has been somewhat specific to capital cities (Kiss, 2004; Sýkora, 2006, Chapter 8, this volume). Postindustrial brownfields in cities that have not been as fortunate in attracting new investments still present more problems than development opportunities.

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8 The evolution of industrial areas in Budapest after 1989

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8.1 Introduction

The growth and transformation of cities and their place in the urban hierarchy are closely connected with the development of their economy and, especially, with advances in their industrial activities. The industrial revolution brought sweeping changes in the development of European cities. Since the end of the eighteenth century, the processes of industrialization and urbanization fueled the transformation of the European urban landscapes. Most settlements increased their size, villages grew into towns, and cities became metropolitan areas bearing the physical marks of the industrialized society. The end of the twentieth century marked another turning point in the development of European cities, which could be traced back to the crisis of the Fordist methods of production, the rise of the “knowledge economy,” and the acceleration of the processes of globalization and internationalization of production and trade (Rodriguez and Martinez, 2003). Due to these processes, enormous socio-economic changes have taken place, which have been reflected in the characteristics of the built environment.

This latest restructuring of the European cities is taking place differentially in time and space. It began much earlier in Western Europe than in the eastern half of the continent, where an opportunity for radical socio-economic transformations presented itself only after 1989. Thus, in Central and Eastern Europe the industrial transformation has been closely connected with a change of the political system. These two processes have been condensed in time, resulting in a much more profound and dynamic restructuring of the CEE cities compared to their Western neighbors. Another notable distinction is that in the Western European countries the industrial restructuring was concentrated in certain branches of the economy, while in the CEE countries the entire economic system had to be overhauled. The impacts of this profound socio-economic transformation can be clearly observed in the industrial areas of many post-socialist cities (Kiss, 2002). The decline of their industrial zones, once salient pieces in the fabric of the socialist city, has become one of the most recognizable signs of the transition period.

The main determinants of the industrial decline in the CEE countries can be summarized as follows:

- In spite of a considerable delay, the global transition to the post-industrial era finally reached Central and Eastern Europe. The tide of industrial restructuring began to be felt in the region in the 1980s, but its impact was artificially delayed by state policies placing priority on extensive industrialization.
- The dismantling of the socialist system and its economic policies initiated a correction of the disproportionately large role that the industrial sector played in Eastern European economies.
- The economic crisis that hit CEE countries in the early 1990s played also a significant role in downsizing their industrial output. The subsequent recovery never reached some industrial branches of the economy.
- Unleashing the forces of the real estate market spurred the redevelopment of industrial land to other, more profitable uses in attractive urban locations.

The main aim of this paper is to examine the spatial patterns of post-socialist transformation in Budapest with particular regard to the changes taking place in its industrial areas. The study is primarily based on research carried out in the end of the 1990s and in the spring of 2006. Greater attention is paid to the analysis of three districts in Budapest (the 9th, 10th, and 13th), which exemplify most clearly recent trends in the area of brownfield redevelopment. In addition, interviews taken in 2006 with chief city and district architects are used to clarify the plans and ideas of local authorities concerning the future of these industrial areas.¹ The chapter consists of three major parts. The first section discusses briefly the history of industrialization in Budapest, the second one provides a summary of the post-1989 changes taking place in the industrial sectors of the city, and the third one describes the spatial consequences of the contemporary industrial transformation.

The changes taking place in the industrial areas of Budapest exert a strong impact on the spatial development of the city. Thus, they present both great challenges and great possibilities for the future of Budapest. The issue at stake is to what extent the Hungarian capital can take advantage of this in a key period of its urban evolution.

8.2 Historical background

For centuries, the economy of Budapest was characterized by small handcraft industries. Even in the beginning of the nineteenth century, the significance of industrial manufacturing was modest compared to the position of trade in city's economic life. Most of the small industrial plants were engaged in the production of textile, food, and leather, though the harbingers of modern factory operations had already appeared in the machinery and milling industries (Bácskai et al., 2000). The second half of the nineteenth century ushered in the era of capitalism. After 1873,

when the three ancient towns of Buda, Óbuda, and Pest were united in one city under the name Budapest, the city began to develop at a rapid pace. Industrialization and urbanization became the two inseparable processes determining the shape of the new city. From that time onwards, most modern factories within the country began to concentrate in Budapest, and the economic development of the city became synonymous with that of Hungary.

The accelerated growth of industrial development in Budapest in the end of the nineteenth century was due to a variety of factors including its favorable geographic location on the Danube River, the rise in demand for industrial products, and the concentration in the city of large amounts of capital and skilled labor force. New production plants were established first in the food industry (milling, brewing, distilling, and canning), followed by machine and chemical manufacturing. In 1890, 365 factories with a minimum of 20 employees operated in the city. Twenty years later, their number reached 1,300 (Kardoss, 1999). The newly established factories were rather modern and some sectors of the industry positioned Budapest as a leader in the region and beyond. By the end of the nineteenth century, for instance, the milling industry in Budapest was the second largest in the world. Foreign investments, mainly Austrian, German, and French, played a great role in this economic success. As a consequence of this rapid industrialization, by 1910 the number of industrial employees increased to over 200,000 (Kardoss, 1999). Thus, by the beginning of the twentieth century, Budapest established itself as one of the largest and most dynamically developing industrial centers of East Central Europe.

By that time, the most important industrial areas of the city began to take shape. Their location was determined by several factors such as topography, the course of the Danube River, the development of the railroads and other transportation networks, the price of land, the extension of public utilities, and urban planning regulations² (Bernát and Viskzei, 1972). The first industrial areas appeared along the Danube River, in the northern part of the city. Later, mainly due to extensions of the railway network, more industrial areas developed on the left bank (the Pest side) of the river and in the eastern 10th and southern 11th, 20th, and 21st districts of the city (Bencze, 1972). The spatial pattern formed by the three industrial clusters determined the location of the main industrial zones in Budapest for a long time (Figure 8.1.)

After World War I, Budapest became a capital of a much smaller country as Hungary lost 67 percent of its area and roughly 33 percent of its population. The subsequent decline in demand affected negatively industrial production. Thus, during the inter-war period, industrial development focused on modernization of existing plants while relatively few new factories were established. As a result, neither the location nor the structure of industrial activities changed significantly during that time.

The post-World War II era presented an immense opportunity for the establishment of a new spatial structure of industrial activities as the country's socio-economic system was drastically reshaped following the tenets of socialist

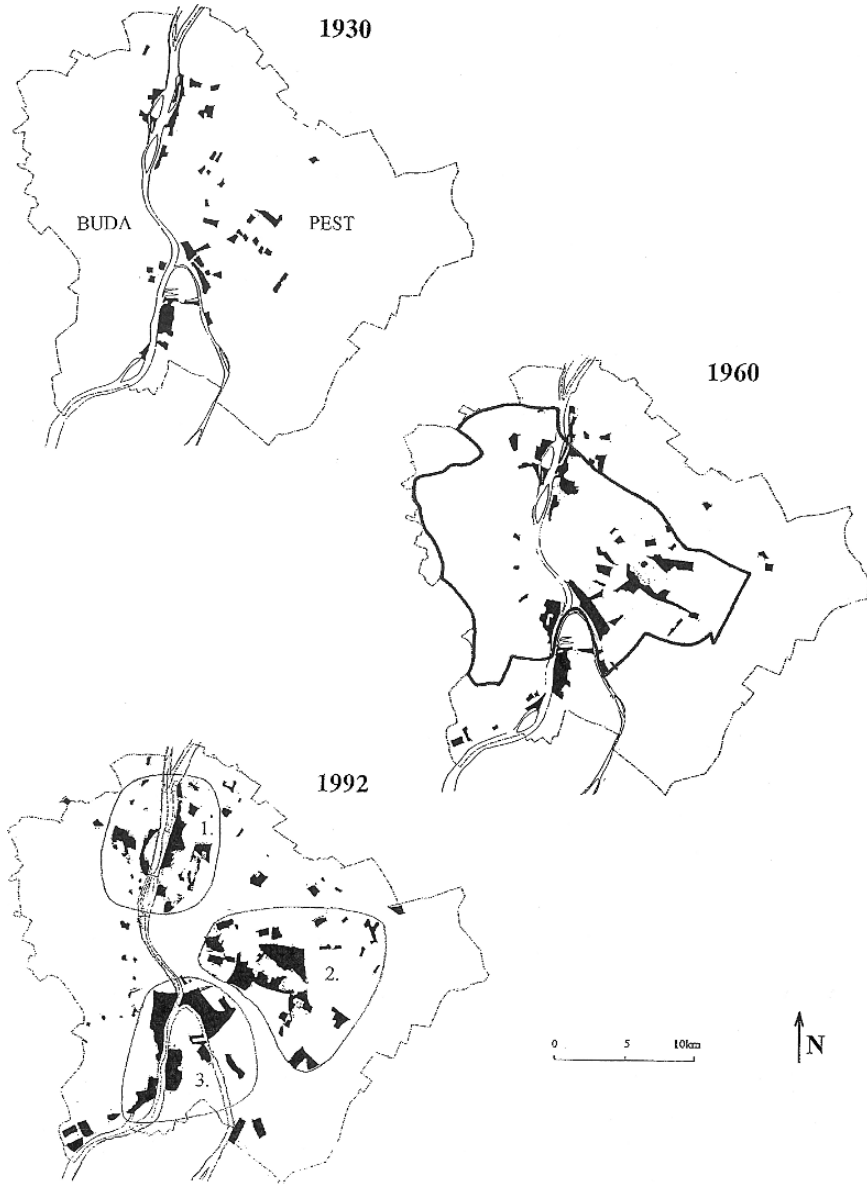


Fig. 8.1 Industrial areas of Budapest, 1930–1992

Source: Based on Budapest városépítésének története, 1919–1969, Szakági tanulmányok, 1992

ideology. However, the former spatial pattern of industrial zones within the city did not change much, as most of the factories were rebuilt on their existing sites. Yet the overall pattern of industrial activity changed significantly as a result of the expansion of the administrative boundaries of the capital. In 1950, 23 settlements (7 towns and 16 villages) were annexed by the city of Budapest and thus Greater Budapest was established.³ As a result of this territorial expansion, industrial areas situated earlier at the periphery of the old city “shifted” their location to the middle of the expanded capital. Later, this new spatial pattern became a source of tension and problems that had to be faced by other socialist capital cities as well (Korec, 1997; Potrykowska, 1995).

During the socialist period, and particularly between 1950 and 1970, the policy of extensive industrialization dominated the development of the country. Many new companies were established, mostly in the heavy industrial sector. The growing concentration of industrial facilities in Budapest, the intense development of the existing industrial areas, and the increasing environmental pollution led in the second half of the 1960s to the imposition of certain restrictions on industrial development in the capital and in its surroundings. This effort did not have much impact besides the relocation of a few factories outside of the city boundaries. Budapest was already the citadel of socialist industry hosting, at the end of the 1960s, 40 percent of the national industrial workforce and producing 48 percent of all industrial output (Preisich, 1969). The share of industrial land, close to 4,800 hectares, exceeded 9 percent of the total area of Greater Budapest.

During the 1970s the emphasis of industrial development policies shifted to modernization. This change intended to intensify production processes, substituting quantity with quality and efficiency. The number of industrial plants in Budapest slightly decreased. More significant decreases were felt in industrial employment, where the share of Budapest in this sector of the national workforce dropped from 27.5 to 20.8 percent. The extent of industrial areas also decreased slowly, and in 1985 they were covering approximately 4,600 hectares, or 8.6 percent of Budapest’s territory. This area was still two times larger than the size of Warsaw’s industrial zones measuring 2,300 hectares at that time (Misztal, 1997).

At the end of the 1980s, the patterns of industrial activities in Budapest were still dominated by the three traditional industrial zones developed earlier in the century. These included:

- The Northern district, shaped by the industrial areas in the northern parts of Buda and Pest, along the River Danube.
- The Eastern district, located in the 10th and the 14th districts of Budapest.
- The Southern district, including the industrial areas along the River Danube in the south of Buda and Pest. This was the youngest industrial district, developed mostly in the second half of the twentieth century (Enyedi and Szirmai, 1992).

These three districts created a crescent around the city center, forming part of a transition zone where other large-area facilities such as sports stadiums, arenas, and large stores can be found. This zone, known also as the second employment zone,

comprised the third ring in the radial-concentric structure of Budapest, following the two rings formed by the city center and the inner residential zone.

8.3 Changes in the industrial sector after 1989

By the end of the 1980s, the crisis of the socialist economy in Hungary had become obvious as the modest efforts to introduce some market principles in the 1970s and 1980s quickly exhausted their range. Radical economic reforms took place only after the political system was overthrown in 1989. Of the post-socialist countries entering a period of transition in the early 1990s, Hungary was a leader in the implementation of economic reforms, and by the beginning of the twenty-first century the process was assessed to be generally completed (Kiss, 2003). Although the significance of the industrial sector in the economy of Budapest has considerably decreased, the capital is still the nation's most important industrial center (Tables 8.1 and 8.2).

The introduction of the Act on Economic Association was the first and one of the most important initiatives of the post-socialist Hungarian government. It made possible for industrial firms to choose the organizational form most suitable for their business. For a number of reasons, Ltds have become the most popular company type (they could be established by a single person, responsibility is limited, and only about 15,000 USD are required for registration). Nowadays, 95 percent of the

Table 8.1 The share of Budapest in the national economy, 1990–2004

	Share of Budapest in %	
	1990	2004
Population	19.5	16.8
Employment	21.6	27.9
Employment in service sector	31.0	34.5
Employment in industrial sector	21.7	15.0
Industrial plants	30.5	20.7**
Investments in all sectors	30.8	24.3
Industrial investments	19.0	13.0
Enterprises with foreign interest	54.0	53.3
Enterprises with foreign interest in industry	33.4	28.6
Gross Domestic Product	52.8*	35.1
Unemployed	7.1	5.7
Retail units	13.9	23.8
Dwelling units	20.5	20.2

*1992.

**1997.

Source: Hungarian Central Statistical Office, 1990, 1992, 2004.

Table 8.2 Social and economic changes in Budapest, 1990–2004

	1990	2004
Population	2,016,774	1,697,343
Total employment in industrial sectors	277,851	117,017
Share of industrial employment	42.8%	15.2%
Total employment in service sector	360,953	649,953
Share of employment in service sector	56.0%	84.4%
Number of enterprises	30,334	95,940
Share of Ltds.	86.8*	94.2
Share of enterprises with less than 50 employees	91.2*	99.0
Number of industrial enterprises	5,260*	10,429
Share of industrial enterprises	17.7*	10.9
Share of industrial investments	24.3	21.7
Number of enterprises with foreign interest in industry	1,463	1,004
Share of enterprises with foreign interest in industry	13.2	7.4
Number of all enterprises with foreign interest	8,907*	13,583
Number of retail units	4,694	31,962
Number of dwelling units	789,177	844,469

*1992.

**1996.

Source: Hungarian Central Statistical Office, 1990, 1992, 1996, 2004.

industrial firms of Budapest are Ltds. Most of them are completely new enterprises, but some are also derivative of former large state companies, which had become independent units during the 1990s. Among the companies limited by share, the rate of firms established by reorganization of former large state companies or cooperatives is considerable.

The appearance of new organizational forms has had a favorable impact on the increase of industrial firms. During the socialist era, only a few hundred companies operated in Budapest, dominated by large state enterprises with a few thousand employees. After 1989, a relevant shift took place in favor of small and medium-sized firms, and the number of industrial enterprises mushroomed, exceeding 17,000 in 2004. The share of firms with less than 20 employees increased dramatically, reaching 89 percent by 2004. These companies can be found mostly within the existing industrial areas. Thus, a more proportionate and balanced size-structure emerged in the transition period.

Although the number of industrial firms in Budapest increased more than three-fold between 1990 and 2004, the number of industrial employees during that period decreased by more than a half – from 278,000 to 117,000.⁴ Such decreases of industrial employment, considered a classic indicator of deindustrialization (Cheshire, 1991), proceeded at a faster rate in the capital compared to the rest of the country. While in 1985 a quarter of the national industrial workforce was employed in Budapest, by 2004 this share dropped to only 13 percent. The decrease was especially intensive during the big crisis in the beginning of the 1990s, when

many industrial firms were closed down. In Budapest, deindustrialization affected particularly strongly the traditional industrial sectors of textile, mining, metallurgy, and certain branches of machine manufacturing.

The reorganization of the ownership structure was one of the most important consequences of the transformations in the political system. As a result of intense privatization carried out during the initial years of the transition period, the majority of industrial firms are nowadays in private ownership. Generally, Hungarians proprietors prevail among the owners of smaller enterprises while foreign companies tend to dominate the other end of the industrial sector as Hungarian investors were not so well provided with capital during the period of intense privatization (Kiss, 2003). These foreign investors have played an important role promoting the modernization of the Hungarian industrial sector and its integration into the world economy.

The establishment of joint-venture enterprises has been possible in Hungary since 1972, but the number of these companies skyrocketed after 1989. Within the country, Budapest has always been the most important target for foreign investments due to its relatively well-developed infrastructure, skilled labor force, and the good quality of its built environment. In 2004, 53 percent of over 25,000 enterprises with foreign interest could be found here, of which a little over 1,000 were in the industrial sector. Foreigners have mostly chosen those firms which were proven profitable and operated well during the socialist period.

A large part of the foreign investments in the Hungarian industry has been concentrated in Budapest. In 2004, this share reached close to 40 percent.⁵ In 1995, American, German, Austrian, and Dutch investors were the most prominent players in Budapest, and this order has not changed significantly during the last ten years. About 60 to 90 percent of the capital has been invested in manufacturing – mainly in machine production, as well as in the food, chemical, and pharmaceutical industries. Lately, the emphasis is shifting to the development of the knowledge-intensive industrial branches, and this trend has also contributed to the transformation of the traditional industrial landscape.

8.4

Changes in industrial areas after 1989

The period of fordist mass production, stretching over most of the twentieth century, exerted decisive influence on the formation of industrial zones and the spatial structure of Budapest and other Central and Eastern European cities (Weclawowicz, 1992). In the CEE region, Budapest is among the metropolitan centers that inherited the largest amount of industrial lands. The decrease in industrial activities after 1989 has left many of them in a state of decay, creating a number of dead zones in the urban fabric. These areas, however, could be considered “the golden reserves” for the future growth of the city.

Various terms have been used to describe the industrial areas in Budapest. The individual industrial sites are known as brownfields while the area surrounding the

city center, where most of them are located, is referred to as “transition zone,” “brown zone,” or sometimes also as “rust zone.” The latter designation carries a more specific meaning applied primarily to underutilized or derelict industrial areas (Beluszky and Györi, 2004).

During the last 16 years, both the extent and the utilization of the industrial areas in Budapest have significantly changed. Until the end of the 1990s, with few exceptions, these changes had taken place relatively slowly, but around the turn of the millennium the processes of transformation accelerated as the spontaneous initiatives by private investors were followed by a much more conscious urban policy regarding brownfield sites. The proactive attitude of the municipal government is seizing the opportunity for redevelopment of the massive industrial zones, aiming to achieve a more rational and efficient urban structure.

The pace of renewal and the degree of change varies in different parts of the city based on factors such as the size and location of the industrial area, the size and type of its constituent firms, their branch structure, and other pertinent characteristics of the redevelopment process. Some areas remain largely unchanged, while others are restructured or renewed. These changes are a natural consequence of the evolution of industrial areas (Chapman and Walker, 1988), and the transformations taking place in Budapest are far from unique for cities in developed countries (Moulaert et al., 2003; Cohen, 1998; Doling et al., 1994; Takeuchi, 1985). Nevertheless, each city has its own special features characterizing the process of industrial restructuring depending on city’s historical background, economic base, and the quality of its socio-cultural environment (Ernst et al., 1996).

The amount of industrial land in Budapest reached its largest extent in the 1960s and since then it has continuously declined. The sharpest decrease occurred in the second half of the 1990s when, according to the survey carried out in 1998, industrial areas shrunk by about 40 percent (Figure 8.2).

The decrease was especially pronounced in the northern industrial zone, mainly in the 13th district, where the process of redevelopment of industrial sites to other uses was initiated in the middle of the 1990s (Kiss, 2002.) Several factors contributed to the quick transformation of this area – its high accessibility (this zone is fairly close to the city center, with a metro line running under its main road); its low level of pollution (relative to some of the other districts); and the flexible attitude of the districts’ authorities willing to accommodate investors’ initiatives. These factors continue to work in favor of this area, which is one of the fastest developing zones in the capital. The expansion of the inner city in this direction has been another major contributing factor. The crowded CBD, struggling from a chronic lack of developable space, has penetrated into the former industrial district by expanding along the main transportation corridors.

This pattern underlines the importance of accessibility in setting up the pace of industrial redevelopment. Where transport connections are weaker and the distance from the city center longer, as in the eastern and southern industrial zones, industrial areas tend to remain more stagnant. However, after the turn of millennium,

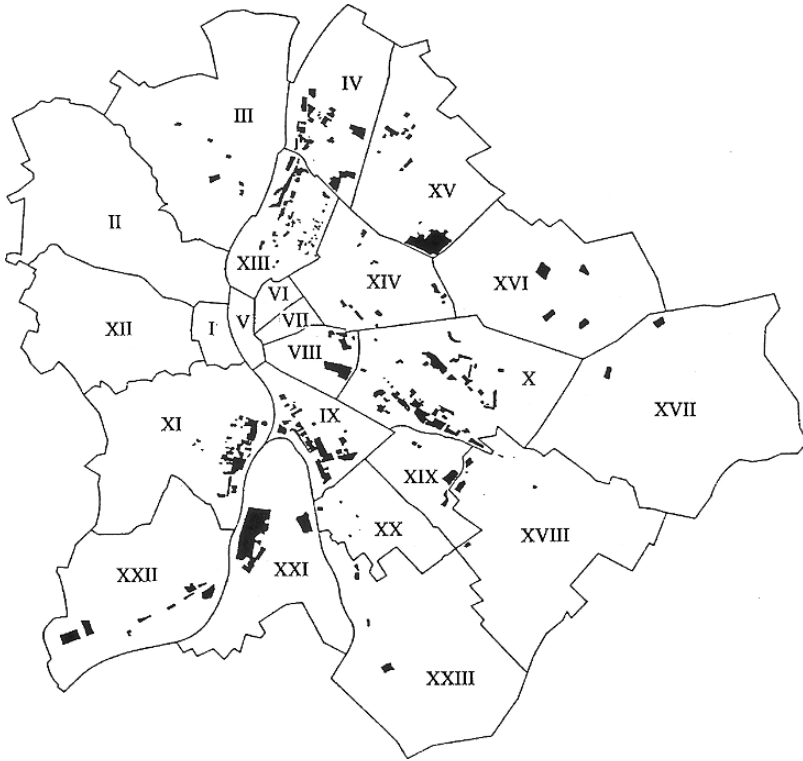


Fig. 8.2 Industrial areas of Budapest, 1998

Source: Kiss, 2002

the increase in the demand for sites available for development in Budapest in general, and the saturation of the redevelopment potential of the northern industrial zone in particular, have led to an increase in the pace of redevelopment in the other industrial areas. This process is accelerated by the adoption of local urban development policies stimulating the renewal of these areas through the provision of tax breaks and other development incentives.

It should be noted that with regard to the impact of foreign investment on the patterns of industrial development, the spatial distribution of industrial firms with foreign interest rather closely follows the historically established industrial belt of Budapest. This could be explained with the fact that foreign companies have invested primarily in already existing firms situated in the industrial belt. Thus, it could be said that foreign investments have not modified considerably the spatial patterns of industrial activities in Budapest. This is also related to the fact that greenfield industrial development is not typical in the capital due to the lack of undeveloped properties and the high land prices of properties in the urban periphery. Under these circumstances, brownfield sites have become

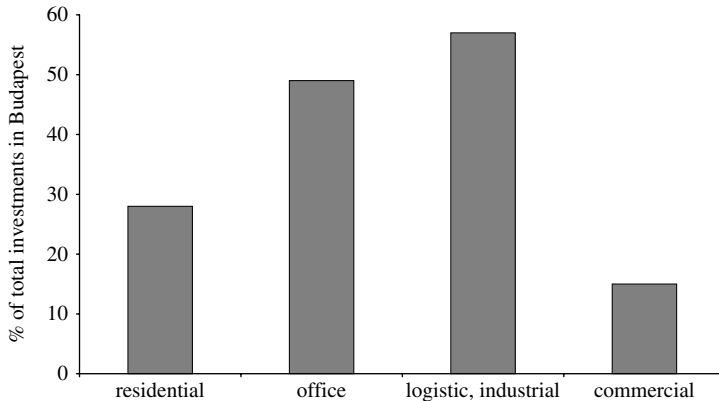


Fig. 8.3 Share of investments in the rust-zone of Budapest, 2002

Source: Ongerth, 2003

the most logical areas of interest for industrial investors. Thus, a relatively high share of new logistic, industrial, and office parks, typically developed in suburban locations throughout the world, can be found in the former rustbelt of Budapest⁶ (Figure 8.3).

In this respect, it is hard to predict what the spatial impacts would be of the ambitious municipal strategy to establish Budapest as a European regional center in research and development. Such new types of industrial enterprises are more closely associated with the location of universities and research institutes than with old industrial areas. So far, no discernable pattern in the location of such firms in Budapest has emerged. For example, the regional centers of Nokia and Sony-Ericsson were situated in a new industrial park on a greenfield site, while the headquarters of GE-Tungsram were erected in an old industrial area.

Overall, the redevelopment of industrial areas in Budapest has been rather dynamic compared to other cities in the CEE region. Several types of redevelopment schemes have emerged since the beginning of the 1990s. Their general characteristics can be summarized in the following classification.

8.4.1

Industrial redevelopment

8.4.1.1

Fragmented industrial redevelopment

Such redevelopment pattern is characteristic for those industrial areas where, seemingly, little change has taken place, at least judged by the exterior of the buildings. These areas are found scattered in the capital, but they occur more often in the

eastern and southern industrial districts. The former Csepel Művek or Élgép site is one of the classic examples of this type (Figure 8.4). Such industrial areas were once occupied by one big state company, which after 1989 let or sold parts of its areas or buildings to smaller enterprises. This survival strategy was beneficial for both old and new owners alike, especially in the beginning of the transition period. The old industrial buildings operated as “incubators” for a new breed of owners, spurring the start-up of small and medium sized enterprises. The old industrial establishments provided cheap premises with relatively good transport links and adequate infrastructure. Under this set-up, the owners of the former state company and the new smaller enterprises share the costs of public utilities. This “symbiotic existence” has created several problems. The main one is that the privatization of these industrial firms took place spontaneously (particularly in the 1990s) when there were no urban planning conceptions about the development of these industrial zones. Thus, a chaotic system emerged in which decisions about the utilization of these areas were made in an ad hoc fashion by those who inherited ownership of the state enterprises. As a result, it has become very difficult to carry out plans for large-scale improvements on these sites due to their disjointed ownership pattern coupled with a mosaic of various (industrial and non-industrial) activities taking place within their boundaries.



Fig. 8.4 The Élgép machine factory. Inscriptions at the entrance indicate that numerous enterprises with different activities operate in the old industrial establishment

Source: Photo by E. Kiss

The problems of these industrial areas are compounded by the fact that changes in the ownership of their constituent firms are quite frequent, as are changes in their activities. Many of them (about 10 to 20 percent) do not operate at all, due to a variety of reasons. In addition, small owners or tenants, by default, do not have enough cash for capital improvements. As a consequence of all these issues, these industrial areas cannot break out on their own from their state of borderline existence, which in turn impacts unfavorably the development of their surroundings.

8.4.1.2

Large-scale industrial renewal

Large-scale industrial redevelopment can be observed mainly in those areas where companies that operated relatively well during the socialist period are located. To this group, one can also add the sites of former socialist firms that were not heavy environmental polluters. Due to privatization, many of them have fallen partly or completely into foreign hands. In these industrial areas, modernization and renewal of the old industrial enterprises has taken place much faster than in those owned by Hungarian proprietors. The renewal of these areas is mostly carried out “within the factory gates,” therefore such projects are not very notable as transformations in the urban landscape. At the same time, the modernization of these areas and the renewal of their buildings have favorably affected the development of their surrounding communities. Generally, these renewed enterprises continue the same industrial activity as before their reconstruction, but with a more modern, efficient, and less polluting technology. In some cases, production on the premises has been replaced with management, marketing, research and development activities while the actual production or its main components have been relocated to the interior of the country. In each industrial district, there are several examples of this industrial redevelopment type (Stollwerck, Zwack, Herz, etc.). Some of them are single-site enterprises wedged into residential districts while others form continuous clusters in the old industrial zones (Figure 8.5).

8.4.2

Redevelopment to non-industrial uses

This type is comprised of the former industrial areas where functional changes have taken place. These are the sites where old industrial firms were closed down and industrial activity discontinued. Since 1989, numerous industrial areas have become inactive due to the sharp reduction of industrial activities described above. The reutilization of such abandoned sites depends on many factors including their size, location, accessibility, ownership structure, condition of their building stock and infrastructure, level of pollution, existing development regulations, the quality of their surroundings, etc. This type of redevelopment has become very popular lately as the supply of land for new development projects is getting scarcer with each year.



Fig. 8.5 The Herz meat factory. One of the largest food processing factories in Hungary is situated in the southern industrial district of the city. Within the old factory gates, significant redevelopment took place in the 1990s

Source: Photo by E. Kiss

Thus, the old, under-utilized industrial areas have become some of the most important pieces in the urban fabric of Budapest, with enormous potential for the management of future urban development and planning activities. In spite of this, local authorities and urban planners have exercised little control over brownfield redevelopment and most of the transformations of this type have been shaped by private initiative. The fragmentation of Budapest's territory into rather autonomous administrative districts has also made the coordination of various development proposals for the larger brownfield areas a difficult task. A big disadvantage (partially due to this same reason) was the fact that in the beginning of the 1990s Budapest did not have a city-wide long-term development plan. Thus, urban development was taking place spontaneously as a result of many individual investment decisions with little (if any) overall coordination. The quick privatization of industry, which turned these areas in private ownership at the very beginning of the transition period, further limited the influence of urban planners. "The sanctity of private ownership" doctrine became quickly a philosophy defended more passionately in Central and Eastern Europe than in the countries of the West. In the spirit of the neo-liberal thinking, which quickly took over the post-socialist states (of which Hungary was recognized as the undisputed leader in privatization),

the decisive factors in urban development became the forces of the market, almost to the exclusion of any other concerns.

The redevelopment of brownfields to other uses started on those sites which had a favorable location, good transport links, and little pollution, even if the prices of those properties were relatively high. Not surprisingly, it turned out of those properties that investors preferred to pay more for a clean, non-polluted industrial property as the costs of a clean-up (which typically have to be paid by the owners) run usually much higher than the price of the land itself, not to mention the extra time required to decontaminate the area. As of today, there are no local development policies encouraging brownfield development of the less attractive industrial areas. When brownfield development is left to market forces, it is clear that foreign investors do not want to waste their money on “difficult” sites. Hungarians, on the other hand (including local authorities, firms, and private investors), simply do not have the money for such endeavors, which often require significant funding.⁷

The reutilization of former industrial sites for non-industrial uses is carried out in two different ways, which can be described as adaptive reuse and urban renewal.

8.4.2.1

Adaptive reuse

The first method preserves the actual structures and through renovation and reconstruction infuses new uses into the old industrial buildings – hence, the term *adaptive reuse*, which signifies this type of building recycling (Cohen, 1998). Such brownfield redevelopment schemes usually take place on sites with well preserved structures, often with distinct historical character used as a major marketing point after redevelopment (Figure 8.6). The problems with this redevelopment approach are related to the costs of upgrading the structures, which, particularly on contaminated sites, could be more expensive than building the entire project from scratch.

8.4.2.2

Urban renewal

The second method of industrial site reutilization takes the more radical approach of cleaning up the site entirely and starting redevelopment on a clean slate. Occasional buildings in good condition or some infrastructure elements could be preserved, but most often these sites are in such dilapidated state that it is much easier to wipe them clean in a manner reminiscent of some notorious post-World War II urban renewal projects. In such cases, it is the site that is of great value and not its dispensable structures. Developers show a propensity to resort to this approach more often than to adaptive reuse as a simpler and cheaper way of construction and often valuable tissues of the historical urban fabric become victims of such rationale. The results are more drastic transformations of the urban landscape, which under certain



Fig. 8.6 The Dorottya udvar office building. This former industrial building, situated in the southern industrial district, has been “adaptively reused” as office space, maintaining the historical character of the old industrial structure

Source: Photo by E. Kiss

conditions may be desirable (Figure 8.7). Usually, the reutilization of smaller industrial sites takes place faster than the redevelopment of larger industrial areas.

The most popular uses to which industrial sites are converted in Budapest are commercial, service, residential, office, warehousing, and logistic functions. Conversions to these types of urban activities show different patterns in time and space. During the 1990s, mainly commercial, service, and office functions dominated the redevelopment of industrial areas (Kiss, 2002). Similar trends were observed in Warsaw as well (Misztal, 1997). These processes were connected with the fast development of these sectors of the real estate market due to the lack of adequate stock of modern shopping and office space. The housing market began to develop more vigorously only at the end of the 1990s with the stabilization of the economy, the increase in household incomes, and the subsequent rise in the demand for quality dwellings. After the turn of the millennium, warehousing and logistics functions have begun to come to the fore of industrial area conversions. This wave of urban redevelopment was driven by the rising demands of the expanding retail and industrial sectors for modern storage facilities.

Lately, the commercial and office markets have shown signs of saturation, and investments in these sectors have declined. Commercial developments have been



Fig. 8.7 The MOM Park. These modern office buildings, called MOM Irodaházak, are located not far from the city center, on the Buda side in the 12th district. They are part of the MOM Park, which has office, residential, and commercial components. This park is a good example for a complex utilization of an old industrial area

Source: Photo by E. Kiss

carried out primarily on brownfield sites with good transport links. The size of each project is quite different, but these redevelopment schemes are, generally, under 10,000 sq m. Usually, those projects requiring larger areas are established further away from the city center in the form of very simple buildings, as far as their architectural appearance is concerned, while the shopping and entertainment centers are situated in the inner city areas, constructed as very modern, high-tech buildings. One of the earliest commercial and service centers, Csavargyári épület, was established as a renovation of an old screw factory in the northern part of the city (Figure 8.8). The first completely new, Western style shopping and entertainment mall, called Duna Plaza, was also established in this vicinity (Figure 8.9). Since then, the number of commercial centers on old industrial sites has increased considerably. Foreign investments have played an important role in the development of this commercial expansion as more than half of all commercial enterprises with foreign interest in the country are registered in Budapest.

After the initial boom in office construction, the demand for office space subsided by the end of the 1990s. Thus, in 2003, only a few such investments



Fig. 8.8 Csavargyári épület shopping center. It was established in the old industrial building of a screw factory. Nowadays, several shops and different services operate in it

Source: Photo by E. Kiss

were registered (Ongert, 2003). Although the demand for quality office space is still relatively high, the supply has, by and large, caught up with the demand (Figure 8.10). In the spring of 2006, the vacancy rate for Class A office space was 11.7 percent, the lowest value after the turn of the millennium. Among the office conversions on industrial sites, both types (renovated and new office buildings) can be found. The renovated buildings are generally located in the inner city. New construction prevails in outlying areas with good accessibility and well-built infrastructure. The rental rates in those peripheral developments are lower, which attracts many start-up businesses. In the beginning of the 1990s, quite frequently old industrial buildings were converted to office uses without any significant reconstruction. Later, as the office market matured, this kind of “immediate utilization” was pushed to background (Figure 8.10).

Recently, a “home-building fever” is spreading to the former industrial areas, especially on those sites which are not polluted and have good transportation links. A 1998 survey concluded that conversions to residential uses were not a frequent industrial reutilization type (Kiss, 2002). In the northern industrial district some attempts for such conversions were made but those investments had little commercial success. The dwelling units could not be sold in advance, although they



Fig. 8.9 Duna Plaza. The first shopping and entertainment center in Budapest opened its gates in 1996 on the site of a former shipyard. The project has had a very favorable effect on the development of its surroundings

Source: Photo by E. Kiss

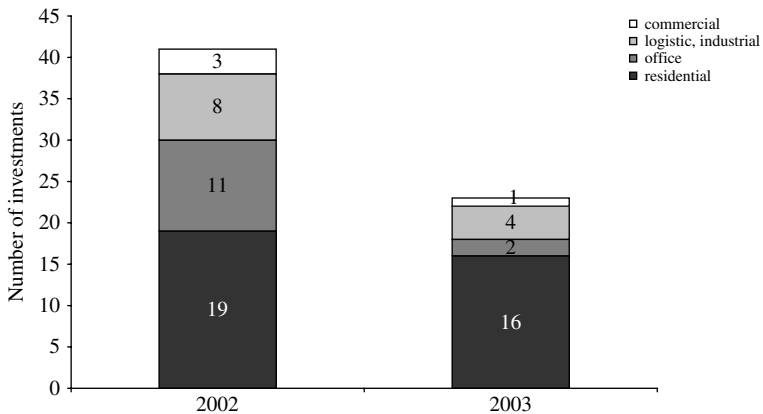


Fig. 8.10 Investments by functional type in the rust zone of Budapest, 2002–2003

Source: Adapted from Ongerth, 2003

were planned and constructed as very modern, high-standard, spacious residences. The main reason for the difficulties in selling the units was the low prestige of the 13th district gained during the socialist period as an industrial quarter with simple working-class residences. Changing this perception took several years. At the same time, in the 12th district there were no such problems as it was perceived as a high-prestige area of wealthy residents. Here, the prices of flats built on former industrial areas were much higher (about 2,000 USD per sq m vs. only 1,000 USD per sq m in the 13th district) (Figure 8.11).

Today, the 13th district is the former industrial area with the highest number of newly built flats per year. In 1995, only 54 new dwelling units were completed here. By 2004, the number of residential units added annually reached 2,130. In the last few years, considerable housing construction took place in the eastern and southern industrial districts of Budapest as well. Between 1995 and 2004, the number of dwelling units built annually increased from 88 to 987 in the 9th district, and from 25 to 451 in the 10th district (Hungarian Central Statistical Office, 1996, 2005). These new flats are often grouped in residential parks. Hungarian, German, English, and Austrian investors are responsible for the largest share of



Fig. 8.11 The MOM residential park. This prestigious development was built on the site of a former optical factory in 2002

Source: Photo by E. Kiss

this construction. Lately, a number of Spanish, Irish, and Israeli investors have joined their ranks.

Most of this residential construction is done in an urban renewal fashion by clearing up the old industrial sites from any vestiges of the past. Lately, however, there are a few examples of adaptive reuse of old industrial buildings converted into attractive residences with unique architectural flavor. In many cases, these units are taken up by artist (painters, sculptors, musicians). As these loft-apartments become more fashionable, they have began to attract a more diverse range of buyers, a process familiar from cities in the US and Western Europe (Cohen, 1998). The few examples of this type of housing in Budapest are situated in the eastern and the southern industrial districts (Sütő et al., 2004). Usually, these projects are scattered into residential districts or appear close to residential areas in existing industrial zones.

In the last few years, more and more former industrial areas are reutilized for warehousing and logistic functions. In 2006, a total of 800,000 sq m were offered for rent at about 5 USD per square meter per month (Mester, 2006). The competition is very strong in this segment of the market and Slovakian and southern Polish towns have emerged as serious rivals of Budapest. In the spring of 2006, eight projects of this type were under constructions along the main transport roads in the 3rd, 8th, 9th, and 23rd districts. This segment of the real estate market is dominated by speculative development and, although it is very typical in the Western European cities, in Hungary such development schemes made their first appearance only in the last few years (Szirmai et al., 2003).

Conversions of industrial areas to other uses, such as parking and recreation, have not been typical and to date only a very small proportion of old derelict industrial areas has been reutilized for such purposes. This share is not very likely to increase considerably in the near future given the relatively low rate of return on projects of this type.

8.5 Conclusions

The redevelopment of brownfield sites in Budapest has been quite dynamic, absorbing the fluctuations of the market demand for certain types of uses. In some cases, various functions replaced each other in a quick succession before the “final” function was set in place. Such consecutive conversions, for example, occurred on industrial sites which were first redeveloped as commercial or warehousing centers, later to be replaced by more profitable residential projects. The expectation today is that future changes in the use of redeveloped brownfield sites can occur anytime. A pattern is difficult to construe as each of the industrial areas seems to follow its own development path.

The past 16 years could be considered one of the most dynamic periods in Budapest’s history. In the beginning of the twenty-first century, industrial production plays a much smaller role in the capital’s economic life. Radical reforms

had taken place relatively fast in the city's economy and particularly in its industrial sector, but the physical changes in the industrial areas of Budapest progressed at a relatively slower pace as transformations of the urban structure take more time to develop. In the last few years, however, the transformation of the industrial areas of Budapest has been accelerating, becoming more diverse and less spontaneous than in the 1990s. The redevelopment of the industrial areas has progressed from the districts located closer to the center, with highest accessibility, and better quality of their built environment to the more remote areas with greater development potential. The former industrial areas have been reutilized for different purposes, but retail, office, industrial, and logistics are the most common uses that have replaced the old production facilities.

Due to these changes, the once declining industrial areas have become more compact, revitalized, and heterogeneous places. This transformation has had a positive effect on Budapest's urban landscape, healing and reinvigorating the decaying tissue of some urban parts. This new spatial development has led to significant improvements in the quality of the built environment, advancing the chances of the Hungarian capital to become one of the most vibrant and attractive cities in Central Europe, firmly integrated into the European urban network.

Notes

¹ This research is part of a four-year project (T46014) supported by OTKA (National Scientific Research Fund).

² Budapest adopted two master plans during the nineteenth century – the first one in 1805 and a second one in 1872.

³ The attached settlements were located mostly in the areas of present-day districts 4, 14, 16, 17, 18, 19, 20, 21, 22, and 23.

⁴ Only a few decades earlier, in 1966, this number was 611,000.

⁵ It should be noted that in many cases the real utilization of the capital invested takes place in plants outside of Budapest. The reason for this discrepancy is that the Central Statistical Office collects data on foreign investments by the location of the company's headquarters.

⁶ It should be noted that a significant amount of development of suburban office and industrial parks is also taking place in Budapest. The observation above is referring to those logistics, industrial, or office investments targeting the city and not its suburbs.

⁷ Hungary has adopted the same environmental standards as the other EU-members and brownfield clean-up is as costly as in any other EU state. An entirely different matter, outside of the scope of this paper, is how stringently these environmental regulations are enforced in the country.

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PART 3

RESIDENTIAL DEVELOPMENT

9 Housing trends in Central and Eastern European cities during and after the period of transition

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The introductory chapter to this section of the book provides an overview of the housing trends in cities of Central and Eastern Europe during the crisis of the transition period in the early and mid-1990s and the subsequent boom of the housing construction industry. An overview of the market fluctuations since the late 1980s is followed by a discussion of the neo-liberal housing policies embraced by most post-socialist governments. The chapter concludes with a description of the spatial impacts on residential development patterns conditioned by market forces, public policies, and the pre-existing spatial structure of the socialist city.

9.1 The housing market

The crash of the socialist system sent shockwaves throughout the economies of the Central and Eastern European countries. The quick withdrawal of government involvement in the housing sector, both through drastic reduction in state subsidies and by cutting down direct supply, resulted in escalation of the housing crisis built-up over the decades of communist rule. Housing production, which had been slowing down in the end of the 1980s, took a nosedive in the early 1990s in all Central and Eastern European countries (Pichler-Milanović, 2001), hitting rock bottom around 1993. In Czechoslovakia, for instance, where over 50,000 dwelling units were started each year during the 1980s, in 1991 housing output declined to 10,000 units, dropping further down to about 7,500 in 1993 (Lux, 2001). In Bulgaria, the slump of the housing industry was even deeper, with production falling from approximately 65,000 dwelling units in 1988, to about 10,000 in 1991, and a little over 6,000 in 1992 (Tsenkova, 1996). In the Bratislava region, housing production dropped from 14,000 flats a year in the 1980s to approximately 2,000 flats in the early 1990s (Chapter 3, this volume). In relatively prosperous by Eastern European standards Slovenia, new construction activity throughout the 1990s was limited to construction of single family houses at the city periphery and some high quality multi-family buildings in attractive inner-city locations (Pichler-Milanović, 2005).

Towards the mid 1990s, the residential market in the CEE region gradually began to recover, first in the countries such as the Czech Republic and Hungary, which were at the forefront of economic and political reforms, and then spreading with a delay of a several years to the other former Eastern Block members that fortified their commitment to reforms. In the Czech Republic, a steady growth in housing construction since 1993 placed 11,000 dwelling units on the market in 1994, an output that was tripled by 1998 (Lux, 2001). Given the severe economic depression in the early 1990s, however, the recovery of housing production in the CEE countries was progressing relatively slow. By the year 2000, none of them had reached their levels of production in 1990 (Figure 9.1). Slovenia and Croatia showed the best performance, recovering respectively 80 and 70 percent of their 1990 output. Countries in the region of Central Europe surpassed the 50 percent mark while members of the former Soviet Union, with the highest levels of production in 1990, showed the slowest recovery rate. On the average, new housing construction in the CEE countries (those included in the chart below) declined from 4.4 dwelling units per 1,000 residents in 1990, to 1.8 units in 2000. In comparison, during the same period, housing production in Western European countries showed a slight decrease from 6.5 to 5.8 units, while in the United States the rate of new housing construction increased from 5.2 to 5.5 units (UNECE).

The recovery of the housing market in Central and Eastern Europe during the second half of the 1990s was determined by several factors. Since most CEE cities

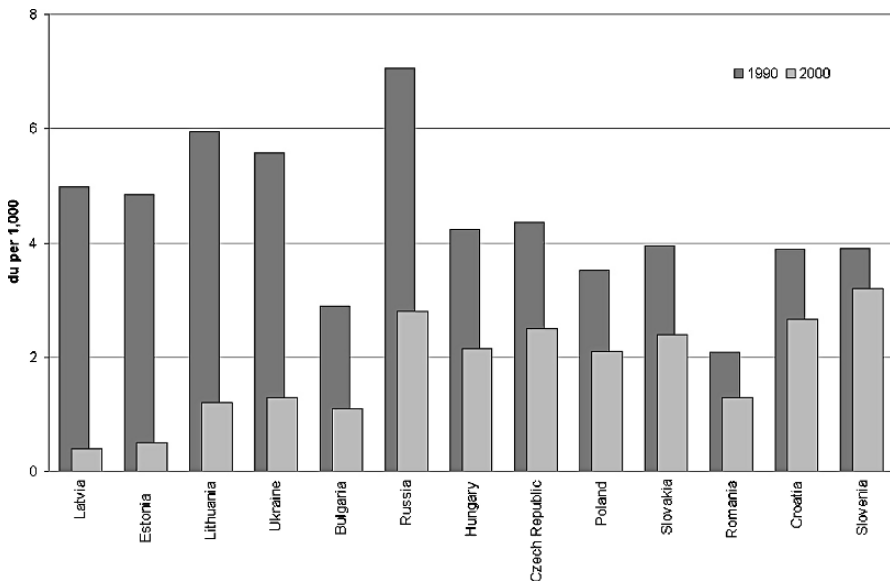


Fig. 9.1 Housing output in CEE countries, 1990 and 2000

Source: UNECE

actually lost population during the period of transition (see Figure 2.2), population growth was not a contributing factor. Demographic characteristics played a role only to the extent that the reduction of the urban population was compensated by a reduction in the size of the average household, thus keeping demand relatively unchanged. This demand however was already quite high as a result of the housing shortages inherited from socialist times. The average waiting period to buy or rent housing in urban areas under the old regime was 10 to 15 years (Tsenkova, 1996). Under these conditions, a high percentage of households in socialist cities shared an apartment with parents or relatives. The disassociation of large households into smaller units became possible only after the housing market opened up following the general economic recovery starting around the mid-1990s.

The strengthening of financial institutions and the rising economic prosperity of the middle and upper income population towards the end of the 1990s made possible the institution of mortgage financing in the region. Some of the early beneficiaries of this new phenomenon were the citizens of the Czech Republic, where mortgages were first introduced in 1996. By 2001, the total amount of mortgage loans in the country reached 25 billion CZK, a record level, which was tripled by 2004 (Knight Frank, 2004b). By the beginning of the new millennium, mortgage lending practices were spreading throughout the former socialist countries like a brushfire (see Chapter 11, this volume). Residential mortgages became widely available to Muscovites during 2003, contributing to the completion, during that year alone, of a record 4.5 million square meters of new residential space in the Russian capital (Knight Frank, 2004c). Residential mortgages have become available, however, only to the fairly affluent segments of the population. In the late 1990s in Prague, for instance, households were considered eligible only if they could demonstrate wages three times higher than the average income (Sýkora, 1999).

The orientation of the CEE residential market towards the upper echelon of the urban population has been determined, besides the mortgage lending practices, by the demand for residential property from international buyers. Around the turn of the millennium, many English, German, and other Western European residents started to buy housing in Eastern Europe either for investment or retirement purposes as overseas second home ownership became a main trend on the global real estate property markets.¹ Compared to the housing prices in Western Europe, the new markets opening up in Central and Eastern Europe were considerably cheaper. The low housing costs combined with low living expenses, slower pace of life, and warmer climates drew many buyers, first to the markets of the Czech Republic, Hungary, and Poland, and then to Bulgaria and Croatia (Knight Frank, 2004a). After the expansion of the European Union in May 2004, more and more foreign investors started to acquire and develop residential properties in the new CEE member states.

As a result of these developments, a strong trend observed in the post-socialist housing market is the increase of the average dwelling unit size. Historically, the amount of residential space per person in the CEE countries has been quite low

Table 9.1 Average size of dwelling units completed, 1990–2003

	1990	1995	2000	2003
Bulgaria	54	63	65	69
Czech Republic	56	60	68	69
Hungary	50	61	60	58
Lithuania	38	62	71	82
Romania	40	47	73	76
Slovakia	47	63	83	72
Ukraine	36	45	51	53

Source: UNECE

compared to Western European standards. While for the countries in the west this number averages 36 sq m per person, in the eastern parts of the continent the amount of residential space barely reaches 20 sq m per resident. This number is even lower in the large CEE cities (15 sq m in Sofia, 17 sq m in Bucharest, and 18 sq m in Prague) (Urban Audit). The new housing market in the former socialist countries, however, is much more in line with the Western standards of habitation, with the size of the new dwelling units increasing each year (Table 9.1). In countries with smaller unit sizes, such as Lithuania and Romania, the area of the average new dwelling unit has doubled since 1990, reaching what has become a current standard for new residential construction in CEE countries of about 70 sq m.

The recovery of the housing construction industry and the establishment of an operating housing market have become key barometers of the success of the new post-socialist economies. The slow and shaky start of the process of restructuring the housing sector has been determined to a great extent by the difficulties of implementing the deep social, economic, and political reforms undertaken by countries of the former Eastern Block. In this respect, housing policies and the role of the new governments in addressing the basic human need for shelter have had a critical impact on the development of the housing market.

9.2 Post-socialist housing policies

Like most of the reforms initiated after the collapse of the socialist system, the housing reforms carried out during the 1990s by the CEE countries have been strongly influenced by the desire to find a radically different approach to housing, negating the principles of the old socialist system. Quite naturally, this swing to the far right found inspiration in the neoliberal ideology and privatization rhetoric that dominated public discourse in the West during the 1980s. This path was cemented by the influence of the international financial institutions, such as the World Bank and the International Monetary Fund, overseeing the process of transition (Pichler-Milanović, 2001). Summed up, it meant a radical withdrawal of the state from all

matters of housing production and distribution. This dramatic u-turn in the course of government policy fit the vision of the times and reflected the reality of the situation – after decades of racing to “build the ‘real’ socialism,” state coffers were left empty.

Under these circumstances, privatization, deregulation, and cuts in state funding became the three main principles of housing reform. The budget reductions affected first and most visibly the production of housing as state enterprises were responsible for the majority of the housing output during the socialist years. Most of this production was in the form of mid and high-rise buildings assembled from mass-produced, pre-fabricated elements on greenfield sites at the urban periphery. Such housing complexes comprised between one half and two thirds of the total housing production in CEE countries between 1960 and 1990 (EAUE, 2000). Curtailing this supply to the minimum level of completing the projects already started was a main factor for the sharp reduction in housing provision in the early 1990s. The withdrawal of the state from housing production cleared the field for the expansion of the private sector in this branch of the economy.

Driven by the privatization imperative, along with the privatization of housing production the post-socialist governments initiated a process of privatization of the existing housing stock as another way of reducing budget subsidies to the housing sector. This process was used “as a shock absorber,” turning many households into homeowners at below market prices and, thus, lowering the negative social impacts of the transition period (Struyk, 1996). With all of this in mind, the implementation of housing reform became one of the first acts of many post-socialist governments.

The CEE countries, however, were faced with different sets of challenges as their home ownership structures varied considerably in the late 1980s. In some of the socialist countries the share of privately owned housing was quite substantial. Thus, in Bulgaria 84 percent of the housing stock was in private hands (Chapter 11, this volume), in Hungary and Slovenia this share was close to 70 percent, while in Czechoslovakia and Poland only about 40 percent of the dwelling units in 1989 were privately owned (Struyk, 1996). This situation primarily reflected the differences in the structure of the socialist housing construction industries – in countries with high shares of homeownership, such as Bulgaria and Hungary, private construction was a major part of the housing supply system during the 1970s and 1980s.

The policy of turning state-owned housing into private hands after 1989 was implemented through two main mechanisms: sale to sitting tenants, and restitution to the owners whose properties were expropriated after World War II. The level of utilization of each of these mechanisms depended on the specific priorities set by the socio-economic policies of each country. In Czechoslovakia, the emphasis during the first years of the transition period was placed on economic restructuring. This policy was continued by the Slovak and the Czech republics after their break up in 1993, leaving the privatization of housing in the background of economic reforms. In addition, while some countries gave more weight to the process of restitution, others preferred to concentrate on the sale of public housing. In the

Balkan Region, as well as in Lithuania and Hungary, the process of housing privatization was, by and large, completed by the mid-1990s through the utilization of a socialist-style, top-down reform leading to the sale of most public housing units (Pichler-Milanović, 2001). In the former East Germany, the Czech Republic, Poland, and Slovakia the process of housing privatization was carried out at a slower pace, using the sale of public assets on a selective basis, while pushing forward the restitution of properties. This was particularly the case in the Czech Republic and Eastern Germany, where large restitution programs significantly delayed the privatization of the remaining housing stock (Struyk, 1996; Chapter 10, this volume).

As a result of these different approaches, the significant differences in the home ownership patterns continued among CEE countries during the 1990s. East German and Czech cities, for instance, maintained a relatively high share of housing in public ownership while concentrating sizeable portions of the remaining housing stock in the hands of an emerging class of property owners. As a result, there was a rapid growth of the private rental sector in these cities, followed by a subsequent rearrangement of certain social groups within the urban fabric. In the rest of Eastern Europe, and specifically in some of the Baltic and Balkan countries, homeownership rates reached record levels (above 90 percent) not only for members of the former Eastern Block, but for Europe in general.

Overall, within the span of a less than a decade, the ratio of private vs. public housing, and owner occupied versus rented units in cities of Central and Eastern Europe was reversed. Thus, in terms of reaching the objective of reducing budget expenditures on housing through a transfer of housing production, distribution, and ownership to the private sector, housing reform in the post-socialist countries of Europe was a huge success. By 2001, the share of owner occupied units in Eastern European cities exceeded 60 percent. In Western Europe, where the average owner occupancy for that year was around 40 percent, only cities in Spain and Italy showed percentages similar to Eastern European urban areas (Urban Audit).

Similar shifts took place in the area of public housing. While the share of this type of dwellings in Western European cities falls mostly within the 15 to 25 percent bracket (with a high of 56 percent in Amsterdam), in most Eastern European cities the share of public housing has precipitously declined reaching single digits. Warsaw tops the list of CEE cities with the highest share of only 14 percent, while in cities such as Sofia, Tallinn, and Bratislava the share of publicly owned housing has fallen below 1 percent. This situation, coupled with the deregulation of the systems of housing provision and the reduction of housing subsidies, has led many observers to the conclusion that the CEE region is experiencing a severe “policy collapse” with significant effects on residential polarization (Pichler-Milanović, 2001).

In order to mitigate the negative impacts of housing reform, some governments have recently decided to step up their involvement in the housing market. In Serbia, for instance, the state government established a National Corporation for Housing

Loans Insurance, which covers up to 75 percent of losses incurred by financial institutions. This resulted in a sharp reduction of interest rates in a manner similar to the institution of the Federal Housing Administration in the United States during the post-depression years (Jackson, 1987). The Serbian government also reduced significantly the VAT rate on new apartments from 18 to 8 percent. All of these measures stimulated the production of housing, increasing the output by 85 percent between 2004 and 2005 (Colliers International, 2005). The local governments of Moscow and Budapest have initiated large scale redevelopment projects of inner-city residential areas aimed at subduing the trends of residential displacement caused by commercialization and gentrification. Whether these efforts will be able to offset the negative trends in the patterns and processes of spatial restructuring remains to be seen.

9.3

The evolution of residential patterns during the transition period

The overall spatial redistribution of population within the post-socialist city has been characterized by three main processes. The first one is related to the general decrease of residential uses within the urban core. Under the conditions of the newly established real estate market, the ability of commercial uses to outbid all other activities from the central zone has pushed residential functions to more peripheral locations. This phenomenon is related to the second main process of population redistribution in post-socialist cities – the increased rate of residential suburbanization. The rising value of real estate in the city center is only one of the factors driving the boom of residential construction at the urban periphery. Other determinant forces include the restitution of land, the relaxation of land development controls, and the establishment of an open land market. After decades of limited residential choices, the desire to emulate the lifestyle enjoyed by residents of the West is another powerful force contributing to suburbanization. Both of these processes of displacement and suburbanization are components of the larger process of residential socio-spatial stratification, which has characterized the transformation of the urban spatial structure of CEE cities during the transition period.

The general trend towards spatial decentralization in the post-socialist years has resulted in a flattening of the residential density gradients in cities throughout Central and Eastern Europe (Kessides, 2000). The well-known “camel back” shape of the line depicting the decrease of density in the socialist city with distance from the city center has begun to even out by the decline of population in the central zones and the increase of densities in the urban periphery. The hump of the “camel back,” formed towards the middle of the line by the concentration of population in large housing estates, is also subsiding in some CEE cities as a result of households relocating to other residential areas, either further out in the suburbs or in more prestigious urban neighborhoods. The differential dynamics of residential growth in these three areas (the inner city, the large housing estates, and the suburbs)

warrant a closer investigation of the development patterns in these main elements of the spatial structure of the post-socialist city.

9.3.1

The inner city

The displacement of residents from the central zones through the conversion of dwellings to commercial purposes (primarily for retail and offices) is a universal phenomenon spreading throughout Central and Eastern European cities after 1989 (Pichler-Milanović, 2001). The process has been well documented in studies of Prague (Sýkora, 1999), Budapest (Dingsdale, 1999), Moscow (Gritsai, 1997) and Sofia (Chapter 11, this volume). The commercialization of the urban cores of post-socialist cities has resulted in the formation of central business districts typical for the urban areas of market-oriented societies.

The newly articulated CBDs of the cities in Central and Eastern Europe have begun to exhibit the main urban problems characterizing city centers in the developed countries of the West during the 1970s and 1980s, including escalating traffic congestion, residential depopulation, and gentrification. But while urban planning authorities in Western Europe have begun to develop and experiment with various initiatives for addressing these problems since the 1980s, their Eastern European counterparts have been doing just about everything possible since the early 1990s to let these problems pile up. Only in the last few years, local governments and public officials in CEE cities have begun to arrive at the realization that residential displacement in city centers has started to take a serious toll on the vitality and the quality of the environment in the downtown areas. Efforts to prevent further depopulation of city centers have been initiated by some cities, such as Prague, Budapest, and Moscow, where the pressures exerted by new commercial development have been the strongest. Unfortunately, the clearly reactive approach to regulating urban development in CEE countries has limited significantly the impact of such efforts. Once unleashed, the forces of the market are difficult to restrain, especially in the neoliberal political context characterizing the post-socialist countries in Europe. Restrictions on further residential conversions in city centers imposed in some CEE cities have done little to return the thousands of residents who have already left these areas.

Some of the initiatives employed by the local governments in preventing further declines of residential population in central city districts have had, in fact, distinctly negative consequences. Most of the government efforts to encourage new residential development in the vicinity of the CBDs have been successful only in fueling the processes of residential gentrification. In Prague, for instance, the support of the local government for the redevelopment of vacant and dilapidated nonresidential premises to residential uses in downtown locations has resulted in the construction of upscale apartments beyond the reach of ordinary citizens (Sýkora, 1999). The redevelopment of brownfield sites in Moscow and Budapest (Chapters 6 and 8, this volume) has, likewise, created exclusive condominiums affordable only to the

most affluent strata of the population. Squeezed between new office and commercial developments on one side, and upscale housing projects on the other, many lower and middle income residents find it increasingly difficult to resist displacement. The disappearance of much needed lower level retail and services from the central areas due to commercial gentrification makes their decision to relocate a foregone conclusion. In the process of restructuring the residential market and the subsequent redevelopment of urban districts, the reshuffling of residents directs most of the displaced lower income households from the inner city quarters to the housing estates at the city outskirts (Wiessner, 1999). This exacerbates further the existing problems of these notorious areas exemplifying the legacy of the socialist past.

9.3.2 Socialist housing estates

The conceptual origin of the socialist large housing estates lies in the creative interpretation by Soviet planners of the principles of modern city planning outlined in the Athens Charter of CIAM and explored in the works of Le Corbusier, Ernst May, and other influential protagonists of the modernist movement. In the socialist variant, this model was infused also with ideas borrowed from the Neighborhood Unit concept, advanced by Clarence Perry in the 1930s. In their socialist incarnation, the neighborhood units were called *mikrorayons*, each one of them centered on an elementary school and containing between 5,000 and 15,000 residents. The *mikrorayons* were organized in a system of a nested hierarchy, building up to huge estates, often exceeding 100,000 residents. In theory, each component part of the housing estate was to be provided with services calculated on the basis of its size and place in the established hierarchy (French and Hamilton, 1979). In order to assure equality of living standards, specific norms were developed to determine the type and size of the required services, including schools, playgrounds, libraries, hospitals, etc. In reality, however, only a few of the planned facilities and services were provided (see Chapter 15, this volume), and the housing estates functioned as enormous dormitories at the urban periphery, with virtually no supply of jobs and a limited level of services.

The idea of building large housing estates never gained much traction in Western Europe. It was applied selectively in some Western cities after the end of World War II, but, by the 1960s, the negative aspects of this type of residential development became clear and public support for high-rise construction sharply declined (EAUE, 2000). Today, only 3 to 7 percent of the housing stock in Western European cities is comprised of large housing estates with over 2,500 dwellings (EAUE, 2003). Most of the large cities in the former socialist countries in Central and Eastern Europe, on the other hand, have between 40 and 50 percent of their residential stock in such dwellings, housing over half of their population (see Chapter 11, this volume). This type of residential development was literally viewed as “housing for the masses” during the socialist period. It was imposed on communities by

the central planning authorities according to quotas based on population size, with little concern for the needs or traditions of the local communities. Local governments were involved only in the selection of the sites needed to accommodate the planned number of units (Tosics, 2004).

Several factors are pointed out in attempts to explain the proliferation of the large residential estates as a main form of housing during the socialist period. The central authorities justified their decision to resort exclusively to this type of construction as an effective method to expedite and increase housing production needed to cope with the rapid urbanization following the end of World War II. The population of Warsaw, for instance, grew ten times in size during the span of the socialist era – from 160,000 residents in the early 1950s to 1.6 million in 1990 (EAUE, 2000). The system of pre-fabricated housing presented a crude union of the two processes marking the socialist era – industrialization and urbanization. In view of the social imperative to produce as much housing as fast as possible, the government preferred to construct new buildings on greenfield sites rather than to rehabilitate old neighborhoods. This choice was also determined by the fact that the majority of the buildings in the old urban districts were in private ownership (Häussermann, 1996). It was much easier for the state to construct new housing on large chunks of undeveloped land, where the industrial method of production could be employed at full swing (Szelenyi, 1996), rather than to tinker with piecemeal upgrades of individual dwelling units that were not even property of the state. In that sense, the socialist housing estates represented an embodiment of the socialist political and decision-making system, which placed a great emphasis on centralization (Enyedi, 1996).

The negative consequences of this housing policy are quite visible today. They include a deteriorating urban fabric in the historical inner city areas, due to decades of government neglect, and an equally worsening quality of the built environment in the housing estates as a result of compromises made in the quality of the construction and the provision of services for the sake of increase in total output. Overcoming these problems presents some of the greatest challenges that the post-socialist city has to address. The attempts to accomplish this task are hindered by significant obstacles, summarized in a study by the European Academy for the Urban Environment in two major areas (EAUE, 2003). The first one is related to the lack of coordinated policies for the future development of the socialist housing estates. The various parties involved in the debate – state departments of urban development, municipal governments, district authorities, restituted land owners, investors interested in the development potential of the area, and local residents – do not seem to share a common vision on the sets of actions that need to be taken and the division of responsibilities that follow. The situation is further compounded by the unclear legal status of many properties during the process of land re-privatization. The second area of concern is the lack of funding needed for the upgrade of the rapidly ageing buildings and infrastructure. Leaking flat roofs, corrugating wall joints, exterior walls with poor insulation are some of the most visible signs that the buildings are not aging gracefully. Setting the “boundaries of

responsibility” between the owners and the municipality for the maintenance and upgrade of the structures is another main issue as the pattern of ownership often presents a chaotic mixture of units in private and public hands.

The difficulty of resolving all of these complex issues has suppressed the expectations of many of the residents of these communities. A sizable portion of them have decided to resolve this situation by moving out to better-off neighborhoods not mired by such seemingly insurmountable problems. This outflow of primarily affluent households, coupled with the influx of lower income residents displaced from the inner city areas, has triggered a process of socio-spatial segregation leading some authors to predict an ominous future for the housing estates. This process is particularly visible in Hungary, where the liberalization of the housing market began earlier than in other Central and Eastern European countries (Tosics, 2004), and in Eastern Germany where the long expected stigmatization of the socialist housing estates has led to the exodus of middle-class households from these communities (Nuisssl and Rink, 2003).

Whether the social homogenization of the large housing estates will become a norm for CEE countries remains a subject of debate. In Poland, Romania, and Bulgaria, for instance, while housing values in such communities have not appreciated as much as in other city areas, they have been quite actively traded on the market. In Sofia, new infill development and construction of good quality housing at the edges of the socialist estates is quite popular as investors take advantage of the existing infrastructure in those areas. Given the share of housing in large residential estates, it is difficult to imagine that the post-socialist cities can afford to neglect such enormous accumulation of real estate assets. The large pool of housing concentrated there, the high demand for dwellings, and the relative affordability of the housing units in these communities are good indicators that the housing estates will continue to play an important role for large sections of the population in Central and Eastern European cities in the foreseeable future (Sailer-Fliege, 1999).

In realization of this situation, several former socialist countries have already initiated programs for the renovation and revitalization of these sizeable pieces of the post-socialist urban fabric. Germany has been at the forefront of this effort due to an early recognition of this problem illuminated by the stark contrast in urban form between the East and the West of the country after their reunification. Other factors that played a role in the early involvement of the German government in this issue were the wealth of funding earmarked for completing the process of reunification and reconstruction of the New Laender, and the high share of publicly owned units in the housing estates of East German cities (Wiessner, 1999). Thus, in East Berlin, where two thirds of the city population resided in pre-fabricated apartments, a ten-year comprehensive plan for the regeneration of this housing stock began in 1992. By 2002, 60 percent of the dwelling units in large housing estates had been completely renovated and 25 percent partially renovated. The high renovation expenses (approximately 20,000 EUR per dwelling), which were still a fraction of what the costs of tearing down and rebuilding those areas would have

been, were shared by tenants, housing authorities, and various levels of municipal and state governments (Tosics, 2004).

The results of this massive renovation program, however, have been mixed. By 2002, roughly 1.3 million flats in East Germany were vacant, most of them located in large housing estates, including some renovated buildings where rents were much higher (EAUE, 2003). Not all East German cities received as much attention and funding as Berlin. In Magdeburg and Leipzig, for instance, vacancy rates reached 30 percent, with most of the unoccupied units located in the large housing estates (Hannemann, 2004; Wiessner, 1999). The German government has recently instituted a new program, *Stadtumbau-Ost*, designed to carry out the demolition of over 300,000 vacant dwelling units, largely on housing estates. The main criticisms of the earlier renovation programs have pointed at two flaws of the government approach: the highly centralized, top-down initiative, not backed by analysis of the needs of the local job and housing markets; and the lack of a parallel government policy for controlling residential decentralization. In fact, the German government became a main force behind suburbanization, providing generous subsidies for the construction of single family houses beyond the urban edge (EAUE, 2003). The experience of other CEE countries in the post-socialist era has confirmed what has already become a truism in Western Europe and North America – urban decay and suburbanization are two processes that are intricately related.

9.3.3

Residential development at the urban periphery

Suburbanization has become one of the most visible features of the process of spatial restructuring rearranging the urban patterns of the post-socialist city. While the spread of housing beyond the urban edge was observed in small numbers during the socialist period, today, large expanses of land covered with detached houses have become a typical sight for metropolitan areas throughout Central and Eastern Europe. In Estonia, for example, construction of single family housing increased five times between 1990 and 2002, while the production of other residential types has not even doubled (EAUE, 2003). In Prague, from 1990 to 2003, apartment construction increased six fold while the number of new single family houses placed on the market grew ten times (Index Imoti, 2004). Most of this new construction activity has been directed to the suburban periphery. During the 1990s in Leipzig, for instance, the city government issued development approvals for projects accommodating over 100,000 residents beyond the urban edge (Wiessner, 1999). The fastest growing residential areas of Sofia have been suburban settlements located at its southern periphery (Chapter 11, this volume), and in the outskirts of Prague the intensity of housing construction has been three times higher than the average for the country (Sýkora, 2006).

Besides their general urban form characteristics based on the primacy of the detached single family house in the urban periphery, the post-socialist suburbs bear

many similarities with their Western counterparts. These common characteristics could be summed up in the following points:

- *Primacy of individual/private over collective/public interests.* After decades of living in cramped, standardized units, for many Eastern European residents the purchase of a house in the suburbs has a symbolic meaning of breaking away from the socialist past and its environment, which suppressed the basic human need to personalize the space one inhabits. Establishing greater level of command over your own destiny, including the place of residence, has become part of the post-socialist zeitgeist. Thus, the right of the individual to freely buy, use, and sell land and property has taken precedence over lofty environmental or social concerns.
- *Triumph of market forces over regulation.* Suburban development thrives only in the context of deregulated land markets. The liberalization of the markets was one of the top priorities of the CEE countries during the first years of the transition period. The conversion of agricultural land to urban uses has become a standard procedure facilitated by special legal provisions. A common practice in CEE cities has become the updating of adopted plans to reflect new developments that have sprung up in violation of existing regulations (see Chapter 17, this volume).
- *Social implications.* Achieving a greater level of individual freedom comes at a price. In spite of its universal appeal, owning a suburban home requires significant household resources. As in the West, residential suburbanization in Eastern Europe started as an upper class phenomenon, gradually spreading to wider social groups to include larger segments of the middle class.
- *Automobile dependence.* Automobile ownership is a main component of living the suburban idyll. Many of the former peripheral villages surrounding CEE metropolitan areas that have served as seeds of post-socialist suburbanization are connected with public transit, but the level and quality of this service is significantly below the aspirations of the residents that have settled in the suburbs. The explosive growth of automobile ownership in CEE countries has reflected the increased demand for mobility fueled, in large part, by suburbanization (see Chapter 16, this volume).
- *Reliance on public subsidies.* Suburbanization in the former socialist countries has been supported by public policies and financing in a way similar to the countries in the West (Jackson, 1987). The expansion of the expressway systems, a main contributor to suburbanization, has been backed up by huge public investments funded by state and EU budgets. CEE governments desperate to attract foreign investors are, literally, paving the road for international developers interested in building large scale residential communities in the suburbs. Such projects receive Class A investor status, which guarantees government support in all phases of project implementation. Some CEE countries, such as Romania and Germany, have provided various incentives to buyers of residential properties in the suburbs, including tax breaks and subsidized loan programs.

Along with the features that the post-socialist suburbs share with similar developments in Western Europe and North America in terms of origin and form, there are specific characteristics that give the Central and Eastern European suburbs a unique flavor. These major points of distinction include:

- *Condensed evolution.* The direct application of models imported from the West has reduced considerably the timeline of suburban evolution in the post-socialist metropolis. After half a century of experimentation with post-war suburbanization, development schemes that proved commercially successful in the West are being instantaneously transplanted in the periphery of Central and Eastern European cities. The English names that most of these suburban developments take on (Garden City, Green Village, Eco Park, etc.) are a testimony of their funding origin, a reference to their Anglo-Saxon source of inspiration, and a promise to the targeted audience to be transported directly into an alternative reality. While it took the Western suburbs about two centuries to progress from a place of individual summer homes to massive agglomerations of residences and businesses, in Eastern Europe this transition has occurred only within a decade.²
- *Sequence of suburbanization.* While suburbanization in the West proceeded in successive waves, beginning as decentralization of population followed by suburbanization of retail and offices, in post-socialist Central and Eastern Europe the waves of residential, retail, and office decentralization hit the shores of the metropolitan periphery simultaneously. The decentralization of retail has been a particularly strong trend. The eagerness of international retail chains and commercial property investment funds to enter the new markets opening up in the region has been a determining factor in the early appearance of big boxes and malls at city edges, frequently preceding residential developments in those areas.
- *Decentralization rate.* The speed with which suburbanization in Central and Eastern Europe is proceeding, relative to the West, is subject to diverging opinions. Comparative studies that could settle this dispute are largely missing. Some have argued that residential suburbanization in the former socialist countries is taking place at a slower rate compared to the United States or Western Europe (Sýkora and Ouředníček, 2007). This pattern is explained with the fact that while suburbanization of Western cities occurred in the context of metropolitan growth, in Central and Eastern Europe, residential deconcentration is proceeding in a period of slow or negative population growth. Another factor limiting residential suburbanization of the post-socialist city has been the lack of municipal resources for infrastructure extensions into outlying areas.
- *Suburbanization patterns.* The limited level of public financing for infrastructure extensions, combined with the high price of land, the lower level of personal incomes, and the slower rate of residential decentralization has resulted in denser and less sprawling patterns of residential development in the CEE suburbs compared to their Western counterparts. Thus, most suburban communities developed during the post-socialist era in the former socialist countries would qualify as smart growth projects in the United States, based on the criteria of density alone.

- *Territorial administration.* Unlike the history of suburbanization in the West, and particularly in the United States, the process of residential decentralization in Central and Eastern Europe has not been fortified by a process of concurrent administrative separation and fragmentation. Many of the new suburban communities, popping up beyond the concrete walls of communist housing estates, still lie within the administrative boundaries of the metropolitan jurisdiction. This is due to the fact that many of the small towns and villages surrounding the largest Eastern European cities were annexed to the central city territories during the 1960s and 1970s in order to create land reserves for future urban growth of cities such as Moscow, Prague, and Sofia. When suburban development spills over these boundaries, however, control over regional development patterns slips out of the hands of central authorities, as demonstrated in the cases of Moscow and Ljubljana. The decentralization of government power is another process that is expected to further fuel suburbanization.
- *Social differentiation.* The values of residential properties in the suburbs of CEE metropolitan areas are fairly high relative to the price of the average dwelling in the city. Although the ranks of suburban residents are being joined by an increasing number of middle class citizens, living in a single family house remains still a luxury that only a few Central and Eastern European urban residents could afford. Thus, the new post-socialist suburbs are still quite homogeneous in terms of their social makeup, more so than in the Western cities. The only instances of a social mix appear in the suburbs built around existing villages, where the old settlers are of rather modest means. As more of the new development is taking place on greenfield sites away from the villages, the distance between these two social groups is increasing. Fortunately, the legal procedures of seceding and forming new independent administrative units in the suburbs have not been invented yet, but it is probably only a matter of time before this process is triggered off, leading to the further partitioning of the metropolitan fabric along the lines of affluence.

Residential development in the post-socialist city has led to some curious contradictions. While the market is becoming more differentiated and diverse, offering various types of products, the options for prospective buyers appear to be shrinking. Thus, a study of residential preferences in Leipzig indicated that many of the residents who moved recently to the suburbs would have preferred to stay in the city if they could have realized their demands there (Nuisl and Rink, 2003). The skyrocketing prices of dwellings in the city center, pushed up by commercial and residential gentrification, combined with the dilapidating conditions in the older neighborhoods and housing estates have directed large segments of middle class residents to the suburbs (Sailer-Fliege, 1998). Those lower income residents who could not afford such relocation, have been moving to the areas where housing prices remain relatively low, such as the more remote housing estates and the villages in the exurban periphery not reached yet by suburbanization. The upper class segment of the population has opted for locations in luxurious downtown

apartments, upscale condominium developments in the most prestigious inner city neighborhoods, and gated residences beyond the urban edge (Sýkora, 2006).

The patterns of post-socialist residential development have significantly increased the socio-spatial disparities in the CEE metropolitan areas. The social stratification which existed during the socialist period described by Szelenyi (1983) has not only been deepened, but its spatial patterns have been rearranged. Some authors have even argued that a complete reversal of the socio-spatial organization of the CEE cities is taking place – from a decline of socio-spatial status with distance from the center to a reciprocal relationship in the post-socialist age. Such generalization would be a simplification of a rather complex spatial process taking place during the period of transition.

The following three chapters in this section of the book are intended to shed sharper light on the patterns and processes of post-socialist residential development using the cities of Berlin, Sofia, and Moscow as main case studies. The chapters illuminate the specific contexts within which the processes of residential restructuring in the post-socialist period have taken place, highlighting many of the general principles outlined in this introduction.

Notes

¹ Between 1993 and 2003, the number of households in Great Britain who purchased a second home abroad almost doubled, fueled by a growing perception of residential property as a viable investment alternative in the light of mounting disenchantment with stock markets and pensions' performance.

² This condensed pace of suburbanization is even more spectacular in the area of retail, where the evolution from strip developments, to malls, to life-style centers was accomplished only within a few years.

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10 Social and spatial consequences of the restitution of real estate¹

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10.1 Introduction

Restoring the dominance of private ownership is at the core of the transformation processes in former communist societies into market economies (Andrusz et al., 1996). One method of privatization is through restitution, i.e. the reassignment of wrongfully lost proprietary rights to former owners. Among the countries carrying out such transitions, Poland and Germany represent two extreme cases. While in East Germany the restitution process is nearly completed, there is yet no legal regulation of this issue in Poland, although the topic has been a subject of political debates for over a decade. In the following, we will analyze the varying effects of these very different ways of dealing with the historical heritage of enforced ownership changes within different political systems.

The research question arises from two conflicting objectives connected to the restitution of private property – the *moral* and the *functional* rationale (Boenker and Offe, 1994).

- The *moral* rationale of restitution aims at “making up” for historical injustices by restoring expropriated assets to former proprietors. However, this simple impulse entails some fundamental problems since realizing this postulate of justice requires responding to some questions, which may, in fact, be answered quite differently: Which wrong ought to be compensated for? What does today’s society feel responsible for? During which period of time does the wrong have to have occurred to entitle restitution? How far may it date back? By what means is the injustice to be compensated for? Shall it be subject to compensation in kind or to monetary compensation? Who may be entitled to lodge a claim for restitution? Should there be exclusion from restitution, i.e. are there cases of injustice which do not qualify for restitution? These questions demonstrate that justice is a social and political construct within a complex social environment and it seems nearly impossible to resolve it devoid of conflict and vagueness.

Compensation proceeds under new social conditions, and historical wrong as well as justice have to be (re)defined and negotiated according to current conditions.

- The *functional* rationale of restitution corresponds with those statements which generally substantiate the privatization of national assets. In the context of real estate and housing, the rationale demands to leave investment and distribution to the control of the market economy, i.e. to strict decentralization. In Germany, restitution was meant to stimulate private capital in favor of urban development and housing supply, and to reestablish the pre-socialist ownership structure in cities (see Dieser, 1997; Häussermann, 1996b). Its realization, again, requires responses to some fundamental questions: Which is the best procedure to establish an efficient ownership structure? Which ownership structure ought to be reestablished? Is it feasible – under altered circumstances and after more than four decades – to strictly reestablish a former structure? Will there be conflict due to the moral aspects of transformation?

These questions demonstrate that the second objective of restitution (reorganization from state to market) could not be considered a matter of “neutral” privatization either. Rather, restitution represents a *socially selective belt of transmittance* between the “old” and the “new” ownership structures, which may cause unintended negative consequences. The objectives *justice* and *privatization* may come into conflict. Thus, restitution regulations face the very difficult task of aligning moral and functional goals as harmoniously as possible.

The moral objective *justice* is legally based on the welfare principle and on the principle of equality – unreasonable social hardships of the past ought to be balanced and new ones prevented, and the groups entitled to restitution ought to undergo a just treatment (Brunner, 1998; Mohlek, 1997: 328 et seqq.). But the functional objective might conflict with the demand for justice as, for example, the residents of re-privatized buildings experience new social hardship. Similar conflicts may arise if claimants are treated unequally because the regulated market does not provide for privatization of all real estate or because there are reasons for potential exclusion from restitution.

Thus, a main concern of our study is to clarify to what extent restitution regulations allow for reconciling moral and functional objectives. As we will demonstrate, restitution leads towards new injustice and inequality in both countries despite different problems and solution strategies. In East Germany, the functional objective has been realized to a large extent and important moral goals have been achieved through the restitution of those persecuted in the Third Reich. The revision of socialist expropriation, however, produced new social hardship and injustice. In Poland, restitution had caused completely different effects. On the one hand, high ranking claimants benefited from the “strategy of inactivity” whereas unjust treatment of former Jewish proprietors hardly got addressed at all. In Poland, there were relatively few privatization effects due to restitution, but these have partially accelerated urban renewal. In Russia, our third example, social inequalities from the

socialist period have been transferred to the post-communist period (for Hungary see Szelenyi, 1983).

In most post-communist states in Europe, restitution has been applied to land and buildings, businesses, or money (Blacksell and Born, 1999: 22 et seqq). The vast majority of claims had been lodged for real estate.² In the following, we will address restitution of realty and houses in the urban context in particular. Even though there were also claims in rural areas,³ demand for restitution in urban and suburban areas had been high, largely a result of massive expropriations in former times. The significance of the restitution process rests in the potential to change the established patterns of ownership and thus alter the social and spatial fabric in post-socialist cities. In the article we will proceed as follows. First, East German and Polish restitution regulations will be outlined – their fundamental differences result from the differing ways of transformation pursued by the two states. Further, drawing on two case studies, social and spatial consequences of restitution will be described and new forms of inequality and injustice resulting from restitution will be presented. Finally, we will discuss the conflicts resulting from the twofold objectives of restitution.

10.2

Restitution regulation in Eastern Europe

While nearly all East Central European states have initiated the processes of restitution, the procedures, rapidity and the extent of the property concerned vary considerably (Blacksell and Born, 2002; 1999). When taking a look at legal regulation in Eastern European countries, it becomes clear that restitution has mostly been following the principle of “restitution before compensation” (Blacksell and Born, 2002).⁴ One exception is Hungary where all applicants but the Catholic Church have been accorded monetary compensation (Blacksell and Born, 1999: 14). Also in Bulgaria, where restitution was generally restricted to agricultural land, vouchers were the norm before actual restitution (*ibid.*: 21). Most countries followed the restitution rationale of returning exactly the property that had been lost. Unlike many other countries, in Lithuania restitution was interpreted as a more general right according to which one would receive land somewhat equivalent to what had been lost (Valetta, 2000: 7). In general, individuals who had not been citizens of the respective country by a certain date have been excluded from restitution. Especially in the Czech Republic and Lithuania, eligibility is very restricted. Only current citizens and permanent residents are entitled to lodge restitution claims. In combination with the legal restriction of restitution to post-war or post 1948 property defenses, this results in the exclusion of Jewish persons from amends in most of the Eastern European countries. Notable exceptions, besides Germany, are the Czech Republic, Slovakia, and Hungary. These countries included Jewish property in restitution policies if it had been seized from the late 1930s onwards (Blacksell and Born, 1999: 21). In Russia, the strategy of privatization was the transfer of state-owned housing to sitting tenants (Kosareva and Struyk, 1993).

Among the other Eastern European countries, the most comprehensive consequences of restitution in regard to ownership structure and urban development have been observed in the Baltic States and the Czech Republic where restitution represents the dominant form of privatization in the cities. Especially in Estonia, there has been extensive restitution of property as anyone who currently is or was an Estonian citizen in June 1940 is entitled to lodge a claim (Blacksell and Born, 1999: 18). Thus, until March 2005 roughly 73 percent of the private estate in the region of Tallinn had been privatized and returned to former owners (Ruoppila, 2005).⁵

A closer look at the Eastern European countries reveals that there are two states that differ much in regard to form and process of restitution – East Germany and Poland. In East Germany, restitution had been legally determined as early as 1990 by the Property Act. The restitution process underwent only a few later changes and it is presently settled for 98 percent of the claims (BARoV, 2005). In Poland, on the other side, the political parties have not been able to agree upon comprehensive legal regulations to this day. Currently, restitution in Poland is subject to decisions by the administrative court. The two different approaches to handling restitution are rooted in these countries' transformation path dependencies.

In our paper we also refer to the case of Russia where tenants of state housing could apply for obtaining ownership of their residence at no cost. Surprisingly, however, the process of privatization started very slowly. We explore the reasons for this delay and the consequences of such privatization policy on issues related to social justice.

10.2.1

East German regulations: “Restitution before compensation”

The Act for the Settlement of Open Property Issues, which arranges the restitution process in Germany, had already been adopted by the Volkskammer (People's Parliament) of the GDR before Unification. The Property Act is an explicit “act of amends” (Bertrams, 1994). It is meant to correct “injustice resulting from separation and persecution” by rescinding all discriminating regulations to which private property was subjected in the GDR and under National Socialism (Mielke, 1994). The act contains the principle of *compensation in kind*, i.e. the principle of restitution before compensation. Subject to restitution, according to the act, are property assets that, in times of the GDR, had been either turned into public property or expropriated by dishonest machinations. The Property Act also applies to “injustice due to persecution” for the period between 1933 and 1945, concerning persons who had lost their property due to persecution through the Nazi-regime for racist, political, and ideological reasons (Fieberg and Reichenbach, 1995). Contrary to the FRG, the GDR had not restituted property that had been usurped by National Socialists (Schwartz, 1974). Expropriated Jewish owners did not have a chance to have their property restored or compensated for.⁶

However, the Property Act stipulated that property shall not be restituted if the nature of the cause does no longer allow for it, or if the property is being used for

public purposes. The legislator allowed another crucial exclusion from restitution related to cases of “purchase in good faith,” i.e. when the current proprietor purchased the estate by refraining from dishonest machinations or misuse of power. In these cases, the right of continuance outweighs the return of property assets (Holzinger, 1995). The 1992 amendment of the Property Act further stipulated that a property shall not be restituted if a potential investor promises to create either new jobs or housing on the estate. Unless the claimant is able to present a comparable concept, the claim for restitution is overruled and the claimant compensated according to the current market value (Koehler-Apel and Bodenstab, 1995).

The restitution procedure required to lodge the claims for restitution by the end of 1992. The deadline, however, was suspended for Jewish claimants as it turned out that many cases required extensive historical investigation to trace former proprietors. Many heirs have been scattered to the four winds and entire families had been killed by the National Socialists. The Jewish Claims Conference against Germany (JCC) files applications on behalf of these cases.

10.2.2

Polish regulations: Inactivity

Despite numerous attempts, to this day, there is no comprehensive regulation concerning restitution in Poland (Mohlek, 1997; Wyrzykowski, 1996). There are merely a number of partial rulings. As early as May 1989, for instance, the first regulation on restitution was agreed upon arranging the return of estate to the Catholic Church. In 1990, another decree followed, which granted the return of estate to unions and charity organizations. Since 1991, expropriations were rescinded if the former owner had fought for the state’s independency at the end of World War II and had, in return, been punished by the occupying forces, e.g. by expropriation (Skapska and Kadylo, 2000). Besides these cases, Polish restitution is subject to the administrative law, which annuls expropriations resulting from vice of form. This is a matter of restitution according to constant jurisprudence, similar to the British “case-law.” This “silver bullet of Polish re-privatization” (Brunner, 1998) acts on the assumption that part of the nationalization measures through the local authorities had been so severely illegal that they are considered non-accomplished. A claimant appearing before Polish administrative court has to provide evidence for the “nullity” of the expropriation in order to subsequently enforce restitution of the estate or house by civil law.

Although no comprehensive policy has been agreed upon to this day, previous debates indicate that the agrarian reform of the 1950s seems to remain untouched, i.e. the large number of peasants may keep their property. Further, it seems definite that restitution will solely be accorded to Polish citizens. This implies the exclusion of refugees and expelled residents with German citizenship. A particular problem is presented by the cases of the “Volksdeutsche” (Polish people who acquired German citizenship either voluntarily or under pressure of the Nazi-regime) and Ukrainians who were displaced from the eastern to the western part of Poland.

10.2.3 Different paths of transformation

The ways restitution is socially and politically dealt with in East Germany and Poland could hardly be any more diverging. Whereas in one country there has been a strict policy from the very beginning, in the other, regulation remains fragmentary to this day.

The quick and comprehensive regulation of restitution in East Germany – achieved against the criticism of all East German political parties at the time (Dahn, 1995) – is characteristic for the entire transformation process in this country, being a “holistic” reform project largely controlled from the outside (Wiesenthal, 1995; Offe, 1994). Due to the “collapse of the regime” and the abrupt ending of the GDR, only few players of the old regime participated in the elaboration of the restitution policy since the dominant East German figures suffered from a lack of legitimacy. After the final breakdown of the GDR and its subsequent accession to the FRG, it was mostly West German players who incorporated their interests in legislation. Only few mighty public figures of the former GDR regime contested the complete transfer of institutions (Wollmann, 1997), including those of legal ownership. In addition, in East and West Germany, there was social consensus in favor of the rapid and efficient privatization of the housing stock in view of the decay that plagued large parts of the building fabric. This, the Volkskammer agreed upon the main points of the restitution policy even before Unification.

The lack of a comprehensive restitution policy in Poland is also paradigmatic for the country’s specific transformation to a market economy. At round tables, government and opposition were involved in intense negotiations about the political change. The political elites of the 1980s had not been abruptly replaced, and several capable players formed and exerted significant influence on the transformation process. Thus, restitution had to be negotiated with the former communist authorities, and it seemed that the least common denominator was the restoration of the ownership rights of a “social nucleus” composed by the Catholic Church, the unions, and other major organizations. To this day, the lack of consensus by the different political and social players still prevents the development of a comprehensive approach to restitution. Another reason for continued disagreement on this issue is the shift of Polish territory to the west, which took place after World War II. Consequently, many claims for restitution relate to regions that no longer belong to the state of Poland. However, due to the relatively limited extent of nationalizations, restitution in Poland is not as important a socio-political issue as it is in other post-communist countries. While, for instance, in Czechoslovakia and the GDR socialization and nationalization of real estate was an essential part of communist economic and social policies, there were only relatively few cases of expropriation and nationalization of real estate in Poland, except for cities like Warsaw, which had suffered a great deal of destruction during the war. Further, since the 1970s, Poland joined some other socialist countries in a process of liberalization and privatization

of housing, which continued through the 1980s, turning significant portions of the housing stock in private hands (Muziol-Weclawowicz, 1995; Wielgoths, 1995; Hegedues and Tosics, 1992).

10.3

The public conflict about restitution

In Poland, as well as in Germany, the processes of restitution have stirred social and political conflicts. In East Germany, public debates were focused on the specific regulations determined by the Property Act and on their consequences. In Poland, the dispute lasts to this day and addresses the fundamental issue of whether property ought to be extensively restituted and what principles should be used to regulate its implementation.

10.3.1

The “second expropriation” of East Germans

In East Germany, the public debates on restitution have been focused on two issues. On one hand, the aspects of morality and justice surrounding the process are being fundamentally questioned. On the other hand, restitution has been criticized as dysfunctional in regard to urban development and housing supply. Thus, the legitimacy of restitution regulations has been challenged with regard to its two main objectives – the functional and the moral.

Soon after the implementation of the Property Act, the *displacement of East German residents* from their properties and houses by former owners became a public issue. This “battle for houses and property in the New Laender” (Dahn, 1995), also named “fraternal strife” (*taz*) between East and West Germans, dominated the public perception of restitution in East Germany during the initial transformation years. In view of the sometimes hot tempered conflicts between (East German) users and (West German) owners, restitution did not prove, as formulated in the Property Act, a socially acknowledged solution furthering the joint legal system. These consequences of restitution, also called “second expropriation” of East Germans (Liedtke, 1993), appeared primarily in residential areas with single-family dwellings and duplexes. We will elaborate on this further below.

In contrast to these moral debates, the discussion on the consequences of restitution in *inner-city tenement areas* focused on the dysfunctional aspects of restitution regulations. Whereas the formulated aim was to initiate fast and efficient modernization of apartments and urban renewal through decentralization of decision making by leaving it in the hands of private owners, the results turned out to be quite contrary. Instead of a boom, there was a blockade of investment. The discrepancy between the objective of ameliorating the living conditions and the reality of its delay for years due to unresolved ownership led to many public conflicts (see Dieser, 1997; Reimann, 1997).

10.3.2

Poland: Shall there be restitution at all?

In Poland, the debate on restitution is still dominated by fundamental considerations on whether private property shall be restituted at all. In this, ethic, legal, and financial, but also politically opportunistic arguments play a role.

Restitution proponents postulate moral justice and stress that all expropriations that had been realized by violating applicable law shall be rescinded. As mentioned before, this is dealt with in individual proceedings before administrative courts. More pragmatic arguments have referred to a potential denial of accession to the European Union in case there is no restitution regulation, and that it is preferable to determine ones own policies than having them imposed by others. And finally, the functional argument is made that only the extensive reassignment of property rights to former owners would provide for a fast and efficient revitalization of the economy.

Opponents of restitution regulations argue that the contemporary Polish state is not responsible for the historical acts of other states. This strategy of “drawing the line” pleads that the State of Poland should neither be responsible for the deeds of the National Socialists nor for those perpetrated by the Communists. This attitude is criticized, because the abandonment of a policy risks to consolidate the continuity of injustice and to make it part of the new society. Another argument against restitution policy refers to the grand expenses the state would have to bear, either resulting from the loss of real estate or, in case of compensation, from financial expenditures. In Germany, all of these concerns were raised during the debate on the Property Act as well.

In view of already existing regulations, the clear preferential treatment of the Catholic Church and the unions led to conflicts in Poland. While these institutions considerably furthered the reform process, their privileged treatment hurt the consciousness of equality and thereby undermined the general and lasting appreciation of re-privatization (Skapska et al., 1999).

10.4

Social consequences in East Germany⁷

In the following section, the extent as well as the social and spatial consequences of restitution shall be portrayed by focusing on two areas in the Berlin region. Although these areas differ substantially in their structure, each one is a “focal point” in public debates on real estate restitution and both are highly attractive residential locations. We will analyze restitution in the Wilhelminian inner-city neighborhood Prenzlauer Berg comprised solely by tenement housing. We will also examine the residential area of Kleinmachnow, which is located at the southwestern city-limit of Berlin in the State of Brandenburg. This suburban neighborhood is dominated by single-family dwellings and duplexes.

In the year 2000, 95 percent of the claims for restitution were settled in the district of Prenzlauer Berg and 75 percent in Kleinmachnow. The number of applications had been high in both areas. This is primarily due to their historical evolution before and after 1945. In East Germany, the development of ownership patterns and, subsequently, the accumulation of restitution claims in inner-cities and suburban areas represent a continuous pattern characterizing the restitution of residential housing altogether.

10.4.1

Extent and structure of restituted property

In the district Prenzlauer Berg, the claims lodged for restitution concerned nearly 90 percent of all properties. This immense concentration of restitution claims is due to the history of the area as a typical residential inner-city neighborhood. The rise of Prenzlauer Berg as a residential area was a result of the rapid industrialization and population growth of Berlin in the mid-nineteenth century when the city outgrew its old city limits. Based on the land use plan by James Hobrecht for the area promoting highly intensive development (the so called “Mietskasernenstadt”), in Prenzlauer Berg many five story tenement houses with narrow backyards were constructed, mainly within the few decades between 1870 and 1914 (Häussermann et al., 2002: 37ff). The high share of restitution claims in Prenzlauer Berg is due to the large number of Jewish individuals owning property in the area before 1933 and the relatively large number of properties which the GDR city administration used or intended to use for the needs of East Berlin’s infrastructure. While World War II left the physical structure of the neighborhood almost untouched, it began to deteriorate during GDR times. Viewed as a left-over area of the capitalist city, the apartment blocks were left to decay, yet many of the deteriorated buildings were occupied by intellectuals and students. The voluntary abandonment of property and the transfer of the right of disposal to the local housing administration played a significant role in nationalizing the apartment stock in such areas of the city. Currently, approximately 60 percent of the old building stock in the district of Prenzlauer Berg has been restituted (Table 10.1). This case is rather typical for the older areas in East German cities and illustrates the fact that restitution has been the *dominant form of privatization* in inner-city housing.

The development of Kleinmachnow did not start until the beginning of the twentieth century when housing construction in this area was fueled by the enormous expansion of Berlin. Because of the bad living conditions in the city, development companies had great economic success with the creation of suburban communities for wealthy upper middle-class residents in the southwestern parts of the city. At the turn of the twentieth century, a couple of companies bought land in Kleinmachnow. After World War I, development in the area progressed and many new housing estates were built. Thus, most of the housing stock in Kleinmachnow was constructed during the Weimar Republic and the era of National Socialism. In such historical towns, attractively located by the many lakes near Berlin, the

Table 10.1 Restitution in Prenzlauer Berg and Kleinmachnow (percentage of all property in the areas)

	Prenzlauer Berg	Kleinmachnow
Restitution claims	90%	60%
Restituted property	60%	25–30%
“purchase in good faith”	2%	25–30%

Source: WIP 2000; Reimann, 2000; ARoVPM, 2000; GeWog, 2000; LaKm, 2000; MbKm, 2000; LDSB, 1996; own calculations

application density of restitution claims is fairly high. The upper middle class residents of these suburban communities belonged to the large group of refugees and emigrants who had to leave their property behind when fleeing the GDR. Since 1989, approximately two thirds of the entire housing stock in suburban Kleinmachnow had been covered by restitution claims. By 2000, circa 25 percent of the properties were restituted, and this share will probably reach 30 percent by the end of the restitution process. The relatively low rate of actually restored property results from agreements on “good faith” purchases by citizens of the GDR, as stipulated in the Property Act (see Glock and Keller, 2001).

10.4.2

Economization of the urban structure in Prenzlauer Berg

Restitution had significant consequences for urban redevelopment in Prenzlauer Berg initially. It caused the delay of investment, but subsequently it initiated the urban renewal process, furthering the development of a new proprietor structure. We will elaborate on these issues separately.

10.4.2.1

Delay of investment

One immediate consequence of restitution in Prenzlauer Berg was an initial freeze on investments in the area due to unsettled property issues. Since in the GDR tenements were under the administration of the Kommunale Wohnungsverwaltung (KWV – public housing administration), they at first remained under the management of the local housing organizations the KWV had been transferred into. Whenever restitution claims were lodged, these housing organizations were restricted solely to investments in hazard prevention while being held from increasing any tenement’s value. Because of legal uncertainty, even minor repairs were left undone unless there was a formal agreement between the housing organization and the

claimant. This meant that the residents were living under extremely bad conditions while facing an uncertain future. This period, which gave restitution a bad name, lasted approximately until 1993.

The growing number of houses whose ownership had been settled led to an increase in investment throughout the district. In general, this was a result of the sale of restituted property (either by the original proprietors or by their heirs) to corporate entities or joint ownerships. The new owners invested in their newly acquired property, motivated by the grand tax savings provided by the law on subsidized areas. From 1993 onwards, there was a wave of sales. Thus, while restitution policy led to a delay of investment in the beginning, it eventually led to acceleration of investments in the later period. However, this acceleration only became effective in areas that were attractive for investments in the first place. The sale of property to affluent new owners spurred massive redevelopment in such neighborhoods as Prenzlauer Berg and Mitte, but it was accompanied by socially problematic consequences for some residents. However, area-wide gentrification with displacement of all low income residents did not happen in Prenzlauer Berg. Evidence suggests that processes of upgrading in Prenzlauer Berg are spatially dispersed (Häussermann et al., 2002: 219). Disinvestment still marks those locations that are not attractive for investment, but this should not be interpreted as a result of restitution policies themselves.

10.4.2.2

Urban renewal and the establishment of a new ownership structure

In Prenzlauer Berg, the comprehensive transfer of the tenement stock to private proprietors was at the origin of urban renewal. Almost 40 percent of these properties have been modernized, which is considered a success. By and large, the developed properties were modernized for residential uses. Indeed, restitution had enabled the transfer of property, but the incentives for investment were given by potential tax reductions and not inherent in the private ownership structure itself. While restitution mobilized private capital and therefore met those expectations, the new ownership structure points to certain problems. Between 1991 and 1998, in the area around Kollwitzplatz in Prenzlauer Berg 168 of 291 restituted estates were at least sold twice (Häussermann et al., 1999: 84). In other words, while restitution indeed returned ownership to former owners, these did not resume their historic role as proprietors. Particularly, the resurrection of small-scale ownership contributing to the ideal of the “European city” was not realized. Many of the old owners sold their property immediately after it had been restituted. To some extent, this is explained by the large part of former Jewish owners in the area. In cases in which potential heirs were no longer alive or were unknown, the claims are lodged by the Jewish Claims Conference against Germany (JCC), whose constitution requests to sell those properties and transfer the proceeds to a fund for the victims of the Shoah.

10.4.3

“Reversed revolution” in Kleinmachnow

A fierce east-west conflict and the displacement of some East German residents marked the process of restitution in Kleinmachnow. The influx of upper West German middle class residents to this and other similar areas accelerated the socio-spatial differentiation of housing in East Germany.

10.4.3.1

East-west conflict and displacement

Encouraged by the restitution policy, many of the former proprietors directly confronted current residents with restitution claims. This resulted in very unpleasant and, in parts, dramatic scenes at garden fences and doorways. When stating their claims for appropriation, in some cases illegally, the mostly West German proprietors aroused strong emotions and fears in the residents (Tageszeitung 4.1.1996 and 14.02.1996).

However, the scenarios of mass displacement and negative social consequences, extensively covered by the media during the early 1990s, have not become true in regard to their scale and impact. This is due to the “good faith” purchase regulation, which allowed approximately as many residents to stay in their homes in Kleinmachnow as others to move (Table 10.2). The negative social effects for those who had to or wanted to leave their homes had been cushioned considerably through the provision of 500 “alternative apartments,” which had been built with public aid in two settlements – August-Bebel-Siedlung and Stolper Weg – reflecting the considerable political power the “losers” in the restitution had mobilized.

10.4.3.2

Socio-spatial differentiation of housing in East Germany

The entitlement to restitution differed considerably among the East German residents because of specific restitution rules and differing contracts and proprietary rights of Kleinmachnow’s inhabitants. While some residents had to move, others became proprietors and made significant capital gains. This was the result of the

Table 10.2 Restitution in Kleinmachnow (percentage of the estate built on)

Registered and built on estate	60%	(1,912 of 3,239 houses)
Restitution	25%	(810 houses)
Restitution by the end of the legal action	30%	(970 houses)
Moves due to restitution	approx. 15%	(500 houses; 2000 persons)
“purchase in good faith”	approx. 15%	(500 houses; 2000 persons)

Sources: Tenants’ association documents and statements of experts (GeWog, 2000; LaKm, 2000, MbKm, 2000; ARoVPM, 2000); LDSB, 1996; own calculations

transfer of GDR laws into a new legal order. In the GDR, there were two different types of ownership over expropriated estates, which the Property Act addresses differently. A right in rem over immovable property (“blue certificates”) was issued if the estate had officially been expropriated. But if the estate or building was merely under national administration, the user interested in ownership was only granted a right in rem to the usufruct. In the GDR, these two practices of assigning property to its user were quite equal. However, at present, this assignment practice results in significant differentiation because the property under the right in rem over immovable property is excluded from restitution. In the case of the right in rem to the usufruct, the current user has to either (re-)purchase the estate for half the current market price or move (Brouer, 1995).

Empirical evidence suggests that, in the GDR, it was primarily the middle class residents who showed special interest in purchasing their homes. The GDR elite, in contrast, did not pursue the option to purchase their residences, especially if the procedure turned out difficult. On this remarkable account, it was precisely the East German middle class citizens who turned out as winners of the restitution process, whereas parts of the cultural and political elite had to leave their homes losing their entitlement to usage.

At present, the social differentiation into winners and losers is reflected in the relocation of many of the displaced residents to one of the residential alternative areas in Kleinmachnow. Thus, the social fragmentation resulting from restitution has taken a distinct spatial form and thereby remains perceptible for the residents of Kleinmachnow. Those who stayed in their homes refer to the new alternative areas as “the ghettos of the displaced” and subliminally envy the ones who moved for their neighborhood relations and solidarity. Residents of the alternative areas, in turn, imagine “former Kleinmachnow” as an alienated community dominated by West Germans.

10.4.3.3

Re-appropriation of Kleinmachnow by West German upper middle classes

The intensity of the conflict and the irreconcilability of the claims in the case of Kleinmachnow seem to be the result of a “revolution in reverse.” Members of once privileged classes of the Weimar Republic and National Socialism who had politically opposed the new regime and escaped to the West leaving their homes behind were subsequently replaced by climbers of the new social order. After Unification, the upper classes of Kleinmachnow consisting of artists, professionals, civil servants, and political functionaries were confronted with a policy that bereaved them of their privileged status and returned privileges to former owners. Now, members of the West German upper classes have moved into these homes resold by their former owners (Institut für Stadtforschung und Strukturpolitik, 1998). In the wake of the GDR era, the reestablishment of the ownership structure through the restitution of property has caused another alteration of the social structure.

10.4.4 Has restitution been equitable?

Restitution, being the dominant form of privatization, is perceived as socially inequitable in Prenzlauer Berg. There, the moral aspects of justice – i.e. the return of assets to their former proprietors – play hardly any role at all. The interviewees (see footnote 7) criticized restitution as a form of privatization discriminating against the majority of East German residents since they were never given a fair chance to purchase the apartments they have lived in for decades. Due to a lack of purchasing power of the East German citizens, restitution of apartment houses meant a *transfer of property to the West*. From the residents' point of view, privatization would have produced much better economic and social results if it had embraced the tenants' concerns to a greater extent. This view is based on the assessment that the incipient loss of civil identity, as well as the commoditization of urban development, could have been counteracted if owners and users had been the same, reflecting the ideal of the "European city" (see Häussermann, 2005). This opportunity has been lost during the actual course of restitution.

The basic principles of restitution are indeed considered legitimate by most residents of Kleinmachnow, but the specific regulations are perceived as unjust (Glock and Keller, 2002). Unlike Prenzlauer Berg, in Kleinmachnow restitution is primarily measured in regard to its moral claim while the functional aspect is considered of little importance. The interviewees rarely question the legitimacy of restitution ("the idea to restitute is right"), which reflects a strong pro-ownership orientation among Kleinmachnow's residents. Whether a resident was allowed to stay and purchase the property or had to move became a sort of a "lottery," which impacted negatively the credibility of restitution among the concerned East Germans. In addition, many question the morality and motives of the claimants. Did the majority not move to reap financial benefits, and did they not leave their property voluntarily behind? Claims for moral reasons are only considered legitimate if the claimants continuously attended to their duties during the GDR era. This indicates conflicting opinions about ownership. Most East Germans connect legitimate ownership to corresponding responsible behavior while the claimants solely refer to formal legal entitlement and refuse any blame for financial motivation.

How may the diverging perceptions of the restitution in the two districts of Berlin be explained? One substantial factor is the composition of the parties opposing one another in a restitution case. While inner-city restitution is about private claims asserted against local housing administrations, restitution in the suburbs is a matter of private claims against private users. In decaying tenement housing, the restitution policy is predominantly assessed by economic facts whereas the conflict in Kleinmachnow reveals that the single-family properties are linked with much greater emotional attachment. The following paradox is observed: the restitution of tenement property to the victims of Nazi terror has

been processed relatively free of sentiments while the claims dating back to the period of German separation induce extraordinary surge of emotions.

10.4.5

Findings from the East German case studies

Despite initial difficulties, restitution in Prenzlauer Berg triggered an efficient and rapid re-privatization of the nationalized housing stock. In contrast to the idea of re-establishing a fragmented ownership structure, the restitution policy enabled the formation of a consolidated ownership pattern. Thus, the functional aims of restitution have partially been realized. The restitution policy led to a gigantic property transfer to West Germany. East Germans remained tenants. Material amends have been made to former Jewish proprietors, but the Jewish culture has not been re-established as scarcely any Jewish owner accepted managing restituted property.

In the community of Kleinmachnow, restitution caused fierce conflict between former West German owners and GDR tenants. A considerable number of residents had to leave their homes, whereby the construction of alternative settlements clearly helped to cushion social consequences. The division of East German residents into winners and losers remains vivid in the spatial distancing of the two parts of Kleinmachnow – the old one and the new settlements. However, conflicts and distinctions in the community appear primarily between the West German upper middle class newcomers and the former, but no longer privileged East Germans.

10.5

Social effects of restitution in Poland

Little is empirically known about the social effects of restitution in Poland. By March 1992, 65,000 claims for re-privatization had been lodged, but, to this day, no principal decisions have been made on the extent, form, procedure, and the range of beneficiaries. The problem of restitution in the country varies from city to city and from region to region. During the era of socialism, there had been a considerable amount of expropriations, mainly in cities such as Warsaw or Wroclaw which had largely been destroyed during World War II and rebuilt under socialism. In these cities, restitution is a relatively minor issue due to the historical circumstances. In Lodz and Krakow, on the other hand, restitution has been firmly on the agenda since both cities have well-preserved historical districts and both served as centres of Jewish life.

In Krakow, a total of 20 percent of the buildings in the historical center and in the former Jewish neighborhood Kazimierz had been transferred after the war into municipal property while the rest remained private. The few restitution cases settled (a total of 50) have spurred significant investments in development, which local authorities had neglected due to a lack of financial resources (Skapska et al., 2001).

Altogether, the effects on investment activity in cities with an ownership structure comparable to that of Krakow could be estimated as moderate.

The flexible and highly individualized regulations in the area of restitution in Poland have promoted the advance of clientelism as oftentimes the procedures that quickly lead to successful restitutions may not be traced back. Under these circumstances, the creation of new injustices is at stake. Once established, the dominance of powerful individuals or certain interest groups may hardly be reversed. The legal proceeding on restitution may only be initiated by filing action with the administrative court, which often entails extensive and expensive proceedings. This situation works to the disadvantage of claimants who possess little social resources and few contacts with the higher-ups.

The longer the issue of restitution remains uncertain and unresolved in Poland, the less probable is its socially acceptable solution, and this will undoubtedly result in a windfall of profits for certain individuals and organizations (Boenker and Offe, 1994). The toughening of stances by all sides involved in the debate renders the decisions on a final regulation less and less feasible. In 2001, the Polish parliament adopted an act that limited the beneficiaries of restitution to Polish citizens only. Shortly thereafter, it was blocked by President Kwasniewski for it, supposedly, involved intolerable expenses on the part of the Polish state. The issue of restitution was not resolved by Poland's accession to the European Union either, as it had been hoped for.

10.6

Excursus: Housing privatization in Russia – the case of St. Petersburg

Among Europe's former socialist states, Russia had the largest share of state-owned housing, which by the end of the socialist era amounted to approximately 67 percent.⁸ A large part of the remaining 30 percent of dwellings in Russia consisted either of cooperative properties (Andrusz, 1992) or private houses in the country where the state had never constructed a noteworthy number of dwellings. Thus, the state's share of the housing stock was primarily concentrated in the Russian cities where it reached 85 to 90 percent. This huge allocation of housing in Russia's national sector is linked to the policy of accelerated industrialization adopted in the early 1920s, a strategy which required mass construction of housing provided by the state near the industrial centers. This residential construction became increasingly industrialized since the 1950s. The new apartments were popular because of their better standards and nominal rents.

The course of privatization in St. Petersburg does not principally differ from that in other big Russian cities (Szelenyi, 1996; Struyk, 1996). Since the end of 1992, a law allowed the quick privatization of housing in favor of sitting residents. Each person, officially registered as a resident of an apartment, was now entitled to file an application for transferring the respective dwelling unit into private property free of any financial obligation. While in the beginning only a few thousand

apartments were privatized per quarter, their number rose to 53,600 in the fourth quarter of 1993. By the end of 1995 however, the privatization rate again dropped down to the 1992 level. By that time, nearly half of all apartments in St. Petersburg (41 percent) had been privatized. During this initial phase, when spatial mobility was low (Struyk and Romanik, 1995), it was primarily those individuals and families who did not share an apartment and were content with its condition who snapped at the chance. However, the majority of the population remained cautious observers. We could not find available data on the spatial patterns of privatization, but, according to experts, applications for privatization during this phase had mostly been filed for old apartments in the center while there was little ambition to own an apartment in the housing estates at the urban periphery. Thus, the pattern of privatization in St. Petersburg resembled the cases of East Germany and Poland, where privatization via restitution was concentrated in the inner city areas with the old housing stock. In East Germany, privatization claims extended also to the suburbs, but generally for the housing built before the socialist period.

Three main causes for the slow speed of housing privatization in St. Petersburg could be pointed out: the higher maintenance costs for owners compared to those of tenants; the uncertainty of legal provisions concerning residency; and the complicated problem of separating ownership in the communal apartments of the Soviet era. In Soviet times, tenants of state-owned housing were attributed a right of use resembling closely ownership rights. Rents and related charges were low and evictions could not be enforced even in cases of non-payment. The right of abode was hereditary since the right of use applied for relatives and offspring as well if they were registered in the apartment. In reality, the situation of tenants in municipal apartments has not changed much since the communist era. Rents and additional charges are still relatively low. The city bears the expenses for low-level renovation and repairs, even though these require long waiting time. In case of privatization, however, the owner would have to bear these costs. A large part of the population does not comprehend the legal foundations of housing privatization and perceives it as contradictory. Ambiguous and contradictory information, fluctuating authority of the political bodies, and lack of legal certainty create an atmosphere of latent distrust with regard to legal amendments.

Kommunalkas present a special case in the Russian history of housing. These small residential communities, existing since the 1920s, are comprised of several households sharing an apartment. Many large, old inner-city apartments located in the best residential areas were converted to *kommunalkas* as a way of responding to the housing crisis during Soviet times. Today, it is precisely this housing stock which could be turned into highly profitable luxury apartments. Sitting tenants represented a key obstacle for such conversions as the conflict of interests heated up in the 1990s, leading to increased pressure on the residents to relocate. In some cases this pressure escalated to criminal acts and even murder. Elderly people, who had intended to increase their pension by selling their housing rights at the price of life annuity, were left with a strikingly short remaining lifetime. Between 1993 and 1996, the media reported on a multitude of criminal acts connected to housing

purchases, including gruesome stories circulated in the neighborhoods. Thus, a frightened population perceived housing privatization increasingly as a source of incalculable risks.

During Soviet times, the quality of the apartments was not reflected in the rental charges and neither were the apartments allocated in respect of income criteria. The allocation of larger, more comfortable apartments was related to positions of privilege, consolidating the meritocracy by which the Soviet society was structured. Today, this system literally pays off as the better, centrally located apartments offered on the market reach astronomical prices. The Soviet qualitative inequality of housing supply is thus being transformed into post-Soviet material inequality.

Our analysis shows that residents whose apartments are in good condition and located in prestigious inner-city areas are most favorably oriented towards the market.⁹ It is in the historic center of St. Petersburg, accounting for approximately 20 percent of the city's residential space, where one finds the best infrastructure, transport, public, and cultural facilities. This is also where the most sought-after old apartments from the Stalinist era are, constructed in a technically solid manner with generous floor plans. Apartments from the Khrushchev and the early Brezhnev era are, in contrast, in low demand. Located in mass housing estates, they appear rather plain and simple as they were meant to be theoretically in use for only about 25 years (Häussermann and Oswald, 2001). Today, they represent 51 percent of the entire residential space in the city. Some of the buildings are in extremely poor condition, and many apartments show a severe lack of maintenance. Privatization does not appear an attractive option here as the new owners will have to bear the costs of major repairs and still reside in a community lacking a lot of the facilities and services offered in the central parts of the city.

The concentration of housing privatization within the central areas of St. Petersburg has started a process of residential gentrification driven by the demands for better living conditions of the "new Russians," but also increasingly by the members of the newly developing middle class and a growing number of foreign investors.

10.7

Restitution between efficiency and justice

The comparison of restitution processes in Poland and Germany demonstrates the challenge and difficulty inherent in the idea of compensating for former injustices and implementing an equitable practice. The two objectives of restitution – "coming to terms with the past" and privatization – are in themselves highly conflicting and controversial for their definition is a matter of allocating moral blame and initiating the redistribution of real assets. Further, the two objectives come into conflict if restitution results in social hardship on the part of the residents and if the claimants, contrary to intentions, become subject of unequal treatment.

Although less debated in public, the issue of justice is a lot more fundamental in Poland than in Germany. Why, for instance, has the Catholic Church been restored

its property while Jewish individuals and institutions have to take court action with no promise of success? In Poland, re-privatization is primarily settled in administrative courts, which demands a lot of activity on the part of the claimant and therefore privileges those who are able to mobilize a large quantity of economic, social, and political resources. In East Germany, a comparably selective character of restitution policy was prevented as the Offices for the Settlement of Open Property Issues were obligated to investigate any claim once it was lodged. Anyone who felt entitled to claim property, even if it was the "most remote and smallest orchard," lodged their claim with the authorities without having to spend much of their time, money, or energy.

However, in East Germany the claimants came off quite uneven in the practice of restitution. Whereas one claimant was lucky to be returned one of the inner-city "prime estates" with high market value, the claimant of the adjacent property had to content with a very low compensation if the GDR happened to use the property for a different purpose. There is a grim inequality in the treatment of former owners. Political refugees came off worse than individuals who left for career-related reasons for the West due to the fact that the property of political refugees was subject to expropriation while most of the property that had been left behind for job-related reasons had become simply subject to national administration. Those who lodged claims for public estate, among them the group of political refugees, did not only have to face longer restitution proceedings than claimants for administered estate, but, in addition, their cases bore more reasons for exclusion from restitution. In such cases, the claimants had to content with compensation far below the current market price.

In Poland, the reform process led to a restitution policy which, on one hand, turned key reform forces, such as unions and the Catholic Church, into winners. On the other hand, it consolidated the social and privilege structure of real socialism as the path via administrative courts proved socially selective. Further, the Polish state continues to deny any responsibility for the crimes committed against Jewish families, considering the occupational force of Nazi-Germany as the only responsible player in these crimes. In East Germany, the restitution regulation compelled by the West gave priority to injustices committed by the state of the GDR against refugees and emigrants over the overdue material compensation of those persecuted during the Third Reich.

Would compensation, as demanded by many East German critics, have presented a more equitable solution? One of the main considerations against compensation in East Germany was the expenses the state would have to pay, and certainly this is also a main criterion against compensation in Poland. At first glance, it seems that compensation could have prevented unequal treatment of former owners in East Germany. It would have also reduced social hardship in the restitution of single-family dwellings and duplexes. However, compensation would have caused other problems that primarily concern the relationship between nationally administered and public property. This would also have initiated social conflict, unless the state compensated former owners of public property at current

market value. Further, it would have been unclear how to manage and finance the modernization of a huge stock of municipal buildings that had not been maintained for half a century.

During the communist period in Poland, nationalization of real estate had not been carried out as much as in the GDR, and, consequently, privatization of housing after 1989 had been less actively pursued. Thus, there is indeed a lesser spread of the conflict in Poland, but the process did not produce more equitable results in terms of history. In the GDR, the “realization of socialism” was more radical, and so are the impacts of the “reverse revolution.” The East Germans feel as if assets were given to “foreigners,” which is a sentiment that is missing in Poland.

In Russia, housing privatization seems to follow a less contested path of transferring property to the residents. Thus, however, the communist system of privilege is extended and transferred into a structure that rewards the beneficiaries of the Soviet regime. The release of market forces initiated transformations in the urban spatial structure leading to displacement of the socially weak from the highly valued inner city areas.

While the communist transformation of the real estate ownership structure attempted to establish “historic justice” through expropriation of most private property, it also set in place a system of social privileges. After the demise of communism in Eastern Europe, the architects of the subsequent transformation to the free market did not refer to superior justice as a rationale for the transfer of property. Yet, they also adopted a language stressing the importance of correcting social injustices. The attainment of this moral objective, however, was quite controversial and less successful than the implementation of the purely economic goal of transferring ownership from the state to the private sector for a push of the market economy. If and to what extent the resulting social tensions may strain the development of former socialist societies in Eastern Europe remains to be seen.

Notes

¹ The paper is based on the results of the research project “Restitution of property and the transformation process in Germany and Poland after 1989,” jointly directed by M. Blacksell (geography, Plymouth), H. Häussermann (urban and regional sociology, Berlin), and G. Skapska (sociology of law, Krakow) and funded by Volkswagen-Stiftung.

² Roughly 95 percent of all claims on restitution of private property in East Germany were filed on land and buildings.

³ On restitution in rural areas see Blacksell and Born (2002).

⁴ On restitution regulations in Eastern European countries see also: <http://www.state.gov/p/eur/rls/or/2003/31415.htm>.

⁵ On the beginnings of restitution in the Baltic States see the websites of the offices of statistics: Lithuania: <http://www.std.lt/web/main.php?parent=746>; Latvia: <http://www.csb.lv/avidus.cfm>; Estonia: <http://www.stat.ee>. We thank Jolita Rolf for the details on the Baltic States.

⁶ For more general aspects of the transformation of housing see Häussermann (1996a and 1996b).

⁷ The descriptions of the consequences in the two areas of study are based on primary and secondary quantitative data and documents, as well as on qualitative investigations. Fourteen individual interviews and two focus-groups discussed the development in the two areas. Further, we interviewed

21 residents and 9 claimants in Kleinmachnow by use of semi-standardized interviews. In Prenzlauer Berg, five persons engaged in the restitution process were interviewed. The method, analysis, and findings of the empirical study are elaborated on in working-papers, which may be downloaded from the website of the Department of Urban and Regional Sociology at Humboldt-University: http://www2.hu-berlin.de/stadtsoz/forschung/fp_02.php

⁸ This share was 23 percent in Hungary, 35 percent in Poland, and 38 percent in the CSSR (see Häussermann and Oswald, 2001).

⁹ Similar observations were made in Budapest (see Kovács and Wiessner, 1995).

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11 The perils of post-socialist transformation: Residential development in Sofia

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11.1 Introduction

In this chapter, we discuss the significant changes in residential development patterns that have occurred in Bulgarian cities and, more specifically, in the capital Sofia since the collapse of the socialist system in 1989. We follow the processes of residential restructuring in four “rings” of Sofia. These are: 1) the *city center* with a residential building stock built primarily in the late nineteenth and early twentieth centuries; 2) the *compact city* characterized by traditional urban neighborhoods settled in the early to mid twentieth century; 3) the *socialist housing estates* created between the early 1960s and the late 1980s as the most visible imprint of socialism on the fabric of the city; and 4) the currently evolving *suburban periphery* (Figure 11.1). In using this typology, we broadly follow the classic concentric model of socialist urban spatial structure proposed by Hamilton (1979) – a model which has been updated in the post-socialist context by authors such as Dingsdale (1999) regarding Budapest, and Sýkora (1999a, 1999b) regarding Prague. We also follow the local interpretation of the spatial structure of Sofia as a city with four development rings outlined in Sofia’s latest general plan (Stolichna Obshtina, 2003).

It is important to note that the concentric model – at least in the case of Sofia – provides only a crude representation of the actual patterns of spatial development. As a map of the residential patterns illustrates, the four “rings” of the city are neither quite concentric, nor contiguously defined (Figure 11.2). Instead, they are rather closely intertwined, with historic and new neighborhoods forming an intricate patchwork intermixed with industrial zones and open spaces.¹ Nonetheless, the four zones represent built environments with distinct physical characteristics: 1) human-scale, mixed-use urban form in the city center; 2) medium-height residential buildings along a traditional street structure in the inner city neighborhoods; 3) rather Spartan (but well provided with public amenities) modernist high-rises on “super-blocks” in the socialist districts; and 4) lower-density residential areas comprised predominantly of single-family homes in the suburban periphery. In each of these four zones, the built environment changed significantly after socialism, but in different ways.



Fig. 11.1 City rings of Sofia: Clearly visible from the foreground to the background are the *compact city*, the *housing estates*, and the *suburban periphery*

Source: Photo by K. Stanilov

Sofia is a city with ancient origins dating back to the Neolithic Age. During its long history spanning several civilizations, the city served as an important regional center under Thracian, Greek, Roman, Slavic, Byzantine, Ottoman, and Bulgarian rulers. During the five hundred years of Ottoman occupation, from the end of the fourteenth to the end of the nineteenth century, Sofia's significance as an urban center declined. In 1878, when Bulgaria gained its independence, the city had only 20,000 residents and an area of less than 3 sq km (Tashev, 1972; Ishirkov, 1928). In 1879 Sofia was designated as the capital of Bulgaria and since then it grew explosively, becoming the dominant administrative, cultural, commercial, and industrial center of the nation. By 1934, the city reached a population of 400,000 residents inhabiting an area of 42 sq km (Lampe, 1984; Labov, 1979).

Until World War II, Sofia developed in line with the typical model of European capitalist cities. The center, which surrounded the city's ancient ruins, acted as a primary commercial and administrative node. It was comprised of a mix of many orderly, some charming, and a few impressive civic, commercial, and residential buildings erected according to the European architectural fashions of the late nineteenth and early twentieth centuries. Representative Neo-classicist, Neo-baroque,



Fig. 11.2 Spatial structure of Sofia

Source: Adapted from City of Sofia land use map and Google Earth

Art Nouveau, and Early Modernist buildings flanked the main boulevards and squares (Koeva, 2000). Beyond the city center spread the early twentieth-century neighborhoods inhabited by the upper and middle classes. Farther out were the chaotically built, modest homes of the working class, intertwined with farms and fields. In the vicinity of the city, forming a loose band around the capital, poor villages were interspersed, many of which were annexed by an aggressively expanding metropolitan Sofia during the 1930s (Staddon and Mollov, 2000).

Communist rule, established in Bulgaria immediately after the end of World War II, brought about a new era of urban development. Land and large real estate properties were nationalized in 1947 and 1948. With the closing down of most private businesses, the importance of the city center as a commercial node sharply declined and it acquired primarily administrative and ceremonial functions. During the early years of communism, the focus was on reconstruction and infill in the traditional, inner urban neighborhoods. However, after the import of industrialized

construction methods from the Soviet Union in the early 1960s, the City of Sofia annexed large amounts of farmland around its edges. Between 1963 and 1989, a ring of massive housing estates surrounding the city was erected, which today house close to 700,000 residents. By 1989, Sofia had expanded to 190 sq km and its population reached its current size of 1,200,000 inhabitants. At the end of the socialist period, the city was still surrounded by rural villages, although some of those were given the status of “villa-zones.” A few of these villages, such as Boyana, Knyajevo, and Dragalevtsi, attracted the upper echelon of the state bureaucracy and became coveted sites for upscale villa construction. However, state investment in the infrastructure of these peripheral areas remained limited and they never reached the status of true suburbs during socialist times.

The collapse of communism in 1989 brought profound socio-economic changes in Bulgaria, which led to a substantial restructuring of the residential market and the patterns of habitation in Sofia.

11.2 Characteristics of the residential market in post-socialist Sofia

As was the case in all CEE countries carrying out major political reforms during the early 1990s, the transition from a centrally planned to a market-oriented economy in Bulgaria was marked by a drastic reduction of the role of the state in all branches of economic activity. In very few sectors of the economy, however, was this retreat as abrupt as in the housing construction industry. In this area, Bulgaria defined the extreme end of the transition initiating a quick and massive privatization of housing, both in terms of production and ownership. As a result, by 2001, 96 percent of all dwelling units in urban areas were in private hands. This record share among all CEE countries, could be explained, to a certain extent, by the high level of private ownership of housing in socialist Bulgaria (76 percent in 1985) (National Statistical Institute). In spite of this substantial share of privately owned housing, the Bulgarian government initiated an intensive process of further privatization in the early 1990s, which was carried out with record speed. Thus, between 1990 and 1995, nine out of ten state-owned dwelling units in Bulgaria were sold to private citizens, a pace matched only by Estonia at that time (Struyk, 1996).

The privatization of the housing market marked a dramatic turn of government policies in the area of public service provision in Bulgaria. Before 1990, the state had a strong grip on the housing supply. In a situation typical for all socialist countries in Europe, the Bulgarian government was the main supplier of housing and a strict regulator of the housing production and distribution. One of the main tenets of socialism was the provision by the state of decent housing at affordable prices for all citizens. This goal, however, was difficult to accomplish due to a number of deficiencies of the socialist economic system. Thus, the chronic housing shortages became one of the most severe social problems of Eastern European cities. Unable to meet the housing demand, the Bulgarian state allowed in the

1970s the controlled expansion of the “market sector,” granting individuals and cooperatives the opportunity to build housing for their own consumption. This sector of the housing supply quickly gained momentum and, by the end of the 1980s, it accounted for close to 50 percent of the new construction (Central Statistical Institute, 1989). All along, the state made clear that it was not willing to relinquish its dominant role in the housing market. The central government discriminated heavily against the private sector with all means available at its disposal, including limiting access to developable land, restricting construction financing, and setting up higher prices for construction materials for the private sector (Tsenkova, 1996).

All of these hurdles, which the state government placed on the path of the budding housing market with creativity typical for the advanced socialist bureaucracies, were quickly pulled out during the early 1990s, clearing the field for the expansion of private initiative in the provision of housing. A sweeping housing reform was implemented through a number of measures including: the privatization of the state construction industry, the privatization of state-owned housing through sale to sitting tenants or restitution, the deregulation in the systems of housing provision, and a drastic reduction of housing subsidies.² Two main factors determined this radical shift in housing policy. First, under the new wave of pro-market initiatives, maintaining the role of the state in the housing market was no longer considered politically acceptable. Moreover, the restructuring of the economy and the ensuing shrinkage of state budgets made the continuation of heavy government involvement in the housing market a financially unattainable goal.

This abrupt realignment of housing policy, coupled with the severe economic crisis of the early years of the transition period, resulted in a sharp decrease in housing production. During the 1990s, residential construction fell under the critical minimum of 2 dwellings per 1,000 residents.³ The total number of new units produced annually shrunk almost tenfold, from 65,000 completed in 1988 to a little over 6,000 units in 1992 (Dimitrov, 1992). This drastic reduction in housing supply in the early 1990s, coupled with the drop in real wages, escalating inflation, and the sweeping withdrawal of state housing subsidies created a severe housing affordability crisis. The average expenditures on rented housing shot above 50 percent of the average household income.⁴ The housing price-to-income ratio for the country, measured at 2.8 in 1989, reached 6.1 in 2002, and it was significantly higher for Sofia (Ministry of Regional Development and Public Works).

The recovery of the residential market in Bulgaria began after the turn of the millennium with the most attractive residential properties. This reflected the patterns of capital accumulation during the transition period, which concentrated enormous resources in the hands of a few entrepreneurs with access to power and information. This initial push, regardless of its questionable origin, notably invigorated the market. Construction permits for residential buildings grew steadily and, by 2005, housing construction in Sofia alone reached a capacity characterizing the total national output at the end of the 1990s (Colliers International, 2005).

Several factors contributed for this revitalization, least important of which were the dynamics of population growth. Like most cities in Central and Eastern Europe during the 1990s, the majority of Bulgarian towns experienced a population decline. In Sofia, population remained relatively stagnant at about 1.2 million, with a minor reduction in the number of officially registered residents. However, according to unofficial accounts, the population of the capital has increased substantially during the decade and a half since the beginning of the transition period. While some of these estimates appear grossly exaggerated (some placing Sofia's population at 2 million), city officials concede that a considerable number of residents remain undocumented. With an unemployment level in the lower single digits, the Bulgarian capital became a powerful magnet for the jobless residents in the rest of the nation where, during the 1990s, unemployment hovered around 20 percent (www.urbanaudit.org). In addition to the economic pull factor exerted by Sofia, moving to the capital became much easier after the government dismantled in the early 1990s the old socialist residence system tying people to their place of permanent residence.

The most important factor for the recovery of the residential market after the 1990s was the recovery of the economy itself. After a prolonged period of stagnation, linked to political instability and delayed economic reforms, the Bulgarian economy began to grow towards the end of the 1990s at a healthy annual rate of about 5 percent. This growth was fortified by the prospects for joining the European Union. By 2003, most people operated on the assumption that if they do not buy a dwelling now they will not be able to afford such purchase in the future. The general expectation was that after becoming a member of the EU, prices in Bulgaria, and particularly in the capital, will skyrocket to levels typical of the developed countries in Western Europe. This prognosis, despite being overly optimistic (or pessimistic, depending on the point of view), became a self-fulfilling prophecy fueling a buying frenzy on the market. The high expectations were pumped up additionally by signs of increased interest by foreign investors (both individuals and businesses) in the Bulgarian real estate market.

All this commotion gave a great impetus to the construction industry, which by the beginning of the new millennium managed to regroup along the lines of free market entrepreneurship. Private developers gladly accepted the new demand, placing residential dwellings on the market at a rate not seen since the heydays of socialist mass production. The banks quickly followed suit, aided by governmental policies of opening up mortgage financing, a move officially sanctioned by the overseeing international institutions, which were content with the steady growth of the Bulgarian economy at the end of the 1990s. The ensuing competition among banks lowered interest rates from 50 percent in the turbulent early and mid 1990s, to 16 percent in 2000. By 2006, the banks were advertising mortgage loans below 7 percent, thus sustaining an impressive growth in mortgage financing of over 100 percent annually since 2003 (Bulgarian National Bank).

Under these circumstances, the only factor preventing the housing market from implosion has been the limited purchasing power of the average Bulgarian

consumer. While the actual demand (based on need) for housing is still very high due to housing shortages accumulated over the decades of socialist rule, the effective demand (ability to pay) is still quite low. Yet, with 474 dwelling units per 1,000 residents in 2003, Bulgaria has the most saturated housing market of all CEE countries⁵ (UNECU). Housing production remains strong with over 1.5 million square meters of residential space under construction at the end of 2005 just in Sofia alone. The production of housing is expected to slow down somewhat but remain stable in view of the rising real incomes of the Bulgarian population and the growing size of an emerging middle class. The decreasing gap between the high-end and middle class housing prices is seen as a confirmation of this trend and supply is expected to increase most significantly in the middle-class segment (Colliers International, 2005).

The establishment of the principles of the market economy and the rapid development of a vibrant real estate market during the last few years has changed the very meaning of housing in Bulgaria. From an essential right, granted and secured by the socialist state, housing has become a commodity to be freely traded on the market. Selling or renting restituted land, property, or one's own residence has become a main source of revenue for many Bulgarian citizens who had to learn the rules of the market economy on the fly.

While the economic and social implications of the ongoing restructuring of the housing market in Bulgaria are profound and fascinating, the focus of this chapter is on the spatial implications of these processes as they are reflected in the changing patterns of residential development in Sofia. Several main trends are observed in this area. First and most importantly, as a result of the marketization of land supply, privatization of production, and general deregulation of urban development, the residential market has been differentiated through the establishment of sub-markets with significant variations in prices based on location, quality of construction, unit size, community amenities, and other housing characteristics (Tsenkova, 1996) (Table 11.1). This process has led to the articulation of more clearly defined socio-spatial variations among residential areas based on the quality

Table 11.1 Variations of housing prices in Sofia by district in July 2006

district	prefab	new construction EUR per sq m
Center		500–1455
Lozenets*	600–950	450–1700
Iztok*	570–1240	560–2400
Lulin**	290–760	380–770
Mladost**	430–830	430–680

* prestigious inner city neighborhoods

** large socialist housing estates

Source: Index Imoti, 2006

of the housing stock, the built environment, and, consequently, the status of the resident population – a trend that has been observed in many other post-socialist Central and Eastern European cities (Szelenyi, 1996). This fragmentation of the market is mirrored by a second trend of diversifying the field of housing production as a result of the dismantling of monopolistic state enterprises formerly dominating the process. The trajectory of this development has been from initial proliferation of small scale private contractors, operating with great difficulties (due to limited access to financing, shortage of materials, qualified labor, etc.), to big institutional investors targeting the middle and upper-middle market. Linked to this is the next trend related to the evolution of residential development patterns – the transition from small-scale individual projects scattered throughout the urban fabric to large-scale projects (mostly gated communities) located at the urban periphery (Colliers International, 2005). Last, but not least, the current patterns of residential development have fueled the process of residential suburbanization, which has become the most visible symbol of post-socialist urban transformation (Sýkora and Ouředníček 2007; Nuissl and Rink, 2003). A reflection of all of these processes could be found in the four distinct rings of the spatial structure of Sofia, which we discuss in more details below.

11.3 Residential development patterns

11.3.1 The city center

One of the most notable distinctions of the socialist cities in Central and Eastern Europe, compared to cities in the West, was the functional composition of their centers characterized by relatively light commercial activities and higher concentration of housing (European Academy of the Urban Environment, 2003; Szelenyi, 1996). Sofia was no exception to this rule. As a capital of socialist Bulgaria, it displayed a significant concentration of governmental and administrative buildings in its urban core, yet residential buildings comprised the predominant building stock in this area. These were mostly four to six story structures, built primarily during the end of the nineteenth and the first decades of the twentieth century. While the majority of them were strictly residential, those located on major boulevards or main street corners featured commercial premises on their ground floors. The city center exhibited also quite a few examples of highly decorated historical residences of government officials, foreign ambassadors, and rich merchants and industrialists. As a rule, however, most of the residential buildings were quite modest in their architectural appearance. The majority of them also remained in private ownership, except for the more illustrious properties nationalized by the socialist state after World War II.

Since most of the energy of the socialist government was concentrated on construction of massive residential estates at the city outskirts, the historical core

of Sofia, as well as most other Bulgarian towns, remained largely intact, except for a few sites targeted for showcasing the advantages of socialism through pompous government projects. This relative neglect of the city center by the authorities had both positive and negative effects. On one hand, it preserved many historical buildings from demolition, but, on the other, it left the rest of the urban fabric in the hands of resident owners who had no adequate means to maintain their aging properties, let alone upgrade the infrastructure of the area.

The demise of the socialist system brought new opportunities and challenges for the development of Sofia's urban core. Its spatial evolution has been characterized since the early 1990s by three main trends: densification, commercialization, and gentrification. These processes have been tightly intertwined as they reflect the more general process of establishing the foundations of an operating urban land market. The rising real estate value of properties located in the central district of Sofia is a reflection of the "new" market logic of ordering space in the post-socialist city.

The process of densification has been a result of intense new infill development and the replacement of older structures with larger buildings. Adding more floor space to the central district of Sofia, however, has not translated in higher residential densities. On the contrary, since most of the new construction has accommodated primarily commercial and office functions, this commercialization through densification has resulted in displacement of lower and middle income residents. The more affluent residents, being less vulnerable to the pressures of the market, have been more successful in resisting displacement. Since commercial uses in areas of highest accessibility bring greater revenues than luxury housing, residential gentrification in the central areas of Sofia has been slower compared to the process of commercialization, a situation confirmed in studies of other post-socialist cities (Pichler-Milanović, 2001; Sýkora, 1999b; Chapter 6, this volume).

In the case of Sofia's central core, the expansion of retail and office functions since the early 1990s has been assessed to clear up to 40 percent of the built residential space, pushing over 50,000 residents out of the downtown area (Stolichna Obshtina, 2003; Nikiforov, 2001). This process has been carried out through three types of development schemes. The first one is through redevelopment of existing buildings. The process most often involves ground floor conversions, primarily to retail functions but also to restaurants, coffee houses, art galleries, banks, beauty salons, or travel agencies. Upper floor conversions are less common and are concentrated in buildings flanking the main boulevards. The most frequent non-residential uses inserted on these floors include office and service functions – medical and law offices, architecture and engineering studios, travel and real estate agencies, and some offices with unidentifiable nature of business (quite common in the turbulent years of the transition period) (Figure 11.3).

The second type of redevelopment scheme involves the reutilization of entire residential parcels by tearing down smaller and older buildings for the construction of new, larger projects. These properties are most often redeveloped for the construction of upscale retail and office centers. The appearance of new



Fig. 11.3 Partial commercial redevelopment of a residential building in the center of Sofia including an upscale boutique on the ground floor and an audio studio on the second floor

Source: Photo by E. Belichka-Stanilova

higher-density, mixed-use projects with retail and office premises on the ground floors and luxury housing on the upper floors are becoming a more frequent sight, particularly on the streets branching off the main boulevards.

The third type of development scheme characteristic of the central area is infill development carried out on undeveloped or underutilized sites (e.g. tearing down a shoe repair shack and a couple of parking spots to build an office center). Such sites have been high in demand and quite low in supply, and most of them had been fully utilized by the end of the 1990s. The desire to take full advantage of such properties has resulted in some peculiar sights, including high-rise mixed-use buildings with a street frontage of less than a dozen meters abutting an old two-story house. The appetite of developers and restituted land owners for squeezing profits out of the even tiniest properties has not spared some small patches of greenery and playgrounds in communal use. This practice has become a major

point of contention between developers and local residents, instigating numerous legal battles from which developers have emerged victorious in most cases.

The impacts of new, post-socialist developments on the quality of the built environment in the city center of Sofia have been mixed, with a tendency of the negative impacts to outweigh the positive ones. On the positive side, the new retail and office developments have infused the urban core with additional activities and thus contributed to the reinvigoration of the urban fabric in the downtown area. Fashionable boutiques, specialty shops, professional offices, coffee houses, clubs, and restaurants have given the city center a cosmopolitan flavor – an image, which it previously did not possess. At the same time, this commercialization of the downtown area has eroded the residential function of the city center, thus threatening its vitality, particularly after business hours. The process appears to be widespread throughout cities in the former socialist countries (European Academy of the Urban Environment, 2003; Gritsai, 1997). At the end of the 1990s, for instance, about three quarters of all built space in the historical core of Prague was estimated to host non-residential uses (Sýkora, 1999b). City governments consistently failed to respond adequately to this trend. In Sofia, as well as in Prague, Moscow, and Belgrade, city officials have sold or leased most empty plots to private developers instead of considering their use for public purposes.

The replacement of relatively low-intensity residential uses with higher-intensity retail and office functions has brought in another negative externality – an increase in traffic (particularly automobile traffic), which the relatively limited capacity of the fine-grained street network in the historical core could not easily accommodate. The problem is further exacerbated by the chronic lack of parking spaces in the densely built center⁶ and a struggling under-funded public transit system that could not absorb the hike in traffic demand. Under these circumstances, traffic congestion in the center of Sofia has reached severe levels, including several instances when the entire vehicular circulation in the downtown area was gridlocked for hours.

Commercial gentrification is another concomitant process that has taken place within the context of central city commercialization. The new luxury shops and services targeting the affluent residents, visiting tourists, and downtown office employees pushed out many of the lower rank stores and services focused on meeting the needs of the local residents. The hardest hit by the forces of commercial gentrification have been lower income and elderly residents depending on the amenities traditionally provided in the city center. Studies in other Central and Eastern European cities have indicated that most of these residents have migrated from the inner city quarters to the housing estates at the city outskirts (Wiessner, 1999). The situation in Sofia has worsened over the years as the city government continued to ignore the magnitude of the problem.

Another consequence of the intense commercialization of the city centers in former socialist countries has been the damage caused by new construction to the rich historical heritage of these urban districts. The sharp decline in state and municipal subsidies for public purposes, including historic preservation, has left many of the old architectural landmarks of Sofia and the other Bulgarian towns in a

state of decay. In cases when private investors have stepped in, the results of their efforts have been questionable, at best, raising public concerns about maintaining the integrity of the national historical heritage – from individual buildings to entire historic districts and towns.⁷ Although Sofia does not have a well preserved historical district characteristic of some other Bulgarian and Eastern European towns, the essential physical features of the old urban core of the Bulgarian capital – the building scale, materials, the pattern of uses and open spaces – are replaced piece by piece with every new upscale commercial or mixed-use project. The urban fabric in the city center abounds with examples of interventions that have created urban contrasts ranging from the post-modern to the absurd. At a most basic level, a great number of redevelopment projects have compromised the structural integrity of older buildings through questionable ground-floor conversions of residential units to open floor plans catering to the spatial needs of the inserted retail stores.⁸

The redevelopment of Sofia's urban core during the period of transition is leading to the formation of a central business district of the Western variety – an area saturated with commercial uses and fairly light on residential functions. Market forces and government inactivity have made sure that this process continues unabated. The Bulgarian capital, as well as most other major CEE cities, seems doomed to repeat the mistakes of the West by divesting its central areas from most residential functions. Although the city planning offices have taken note of the magnitude of the process, it is unclear how the new general plan of Sofia, awaiting adoption since 2003, will be able to address this problem. The euphoria of embracing new commercial development, which is hailed as modernizing the image of the city and enticing foreign capital, has impacted the authors of the general plan as well. The proposed plan sets no height limitations for an area in the historical core designated as a new "City" district of office high-rises. A special architectural design competition was held in the fall of 2005, exploring a vision of planting the first skyscrapers in this zone, a prospect that wetted the appetite of many investors demonstrating a profound lack of interest in issues related to contextual fit, historic preservation, or market reality. This public event, widely publicized in the media, demonstrated that while some Central European cities have become more sensitized to the problems of inner city residential displacement and its impacts on the quality of the urban environment (see Chapters 7 and 21, this volume), poorly veiled ambitions for profiteering still dominate the public discourse in the region. The special interests of developers and investors, so far, have successfully managed to subdue the voices of citizens raised in defense of preserving the urban character of Sofia's center.

11.3.2

The compact city

Sofia's urban neighborhoods developed in this zone during the late nineteenth and early twentieth centuries (Staddon and Mollov, 2000), particularly in the inter-war period when the city experienced intensive demographic growth. This fast growth

was the result of the relative political stability in Bulgaria during that period and the quick development of Sofia as the nation's dominant industrial and administrative center.⁹ The city became the primary location of the growing Bulgarian middle and upper-middle classes, but it also attracted masses of poor residents from the rural provinces seeking jobs in the capital, as well as the bulk of ethnic Bulgarian refugees expelled from territories lost in the Balkan wars during the 1912–1913 period.

The new residential districts that developed to accumulate this population growth quickly surrounded the historic center. They also set a clear pattern of socio-spatial segregation. On the southern and eastern side of Sofia were the upscale neighborhoods built in line with the European fashions and trends, including the principles of the Garden City movement quite popular at the time (e.g. the communities of Lozenetz, Yavorov, and Iztok). The western and northern sides (e.g. the current district of Nadezhda) became the home of modest, ad-hoc dwellings erected by the poor workers and war refugees (Staddon and Mollov, 2000). The reasons for this spatial stratification were rather clear. The southern and eastern neighborhoods developed along the axes of the most prestigious city boulevards, toward the much-coveted outskirts of the nearby mountain Vitosha, and along the public parks that extended from the city toward the mountain. The northwestern part, in contrast, was the site of the railway station, the stockyards, and Sofia's various industries, which made this area undesirable for those with resources and power.

The communist commitment to egalitarian principles mitigated but did not entirely remove the patterns of socio-spatial segregation. A few neighborhoods that were desirable before World War II retained their appeal after 1945. In fact, they expanded to absorb the upper echelons of the communist bureaucracy, as well as various representative public buildings and foreign embassies. In contrast, other, less prestigious areas, especially in the northern and western parts of Sofia, were left to dilapidate, particularly after the early 1960s when the state shifted its investment focus to the large housing estates at the urban periphery.

After the end of communism, this uneven socio-spatial pattern not only persisted but sharpened. Neighborhoods on the northeastern parts of Sofia generally continued to deteriorate, while a select group of historically prestigious neighborhoods, such as Lozenetz, Ivan Vazov, Javorov, and Iztok, underwent intense infill development.

The fate of Lozenetz – one of the fastest growing districts in Sofia – is indicative of these trends. Around a quarter of its current building stock was built before World War II, at which time it consisted of both upscale single-family homes and farms (hence the name Lozenetz, meaning a vineyard). The neighborhood developed quickly during socialism. Farms were taken by medium-height, human-scale residential buildings, mostly cooperative residences, located amid stretches of nicely landscaped gardens and greenery. Public spaces and playgrounds were plentiful, making the neighborhood one of the most coveted areas in the city. Since the early 1990s, Lozenetz experienced a 22 percent growth in new residential

units, compared to a citywide growth rate of only 12 percent (National Statistical Institute, 2003; 1993). In 2006, real estate values in Lozenetz started at over 800 EUR per sq m – the second-highest values in the city after the downtown area. Thus, the new homeowners in the community have come almost exclusively from the *nouveau riche* classes.

An unfortunate side effect, following from this densification of development in Lozenetz, has been the massive loss of public green spaces – from neighborhood gardens to children’s playgrounds. The problem has occurred throughout the city, but in fast-growing areas, like Lozenetz and Iztok, where growth pressures are most intense, the process has been most acute. Residential demand certainly plays a key role, but various other, much larger facilities were also recently erected in lieu of the existing public spaces. Some of the most striking examples include the new Hilton Hotel, the CCS shopping mall, and the high-security complex of the American Embassy erected over several hectares of once-undeveloped municipal land. The loss of green space has been so significant that Lozenets seems to be losing the very essence of what made it a desirable community to live in. In fact, while real estate prices in the neighborhood remain high, they have actually stagnated or slightly dropped since 2004.

The roots of this process of green-space disappearance can be traced to the unfortunate interpretation of land restitution laws. The legal texts provided that land should be returned to the pre-World-War-II owners as long “the activity for which the land was expropriated [in 1948] had not been initiated” (Kovachev, 2005). The word “activity” was commonly taken to mean the physical presence of buildings. Neither landscaping improvements, nor the presence of benches, fountains, gazebos, or children’s playground equipment was counted as such an activity. As long as there were no buildings on the ground, the land was eligible for restitution. Small public green spaces have been particularly vulnerable since developing the land between existing buildings does not require a change in zoning category.¹⁰ Because of the socialist generosity with space, city blocks were often built below permitted standards for building coverage. Since the laws allowed the restitution of almost any chunk of land, as long as there were no buildings upon it, neighborhood open spaces became legally eligible for private development. The situation got only worse when zoning laws (Naredba #7) were changed in the mid-1990s as to reduce the requirements for setbacks between buildings. This change permitted even greater development densities and contributed to the further loss of green space (Hirt, 2006).

Aside from the negative impacts, however, it is important to recognize that densification of the inner city neighborhoods has also brought some benefits. By attracting many of the *nouveau riche*, prestigious urban areas like Lozentz have, in fact, directed development to the compact city rather than toward the sprawling periphery. In addition, the densification of population has also triggered an increased demand for commercial services. Unlike their socialist predecessors, new buildings are typically erected with their first floor reserved for non-residential uses. This has produced a more fine-grained mix between retail, office, and residences, thus

making urban neighborhoods perhaps less green and quiet, yet more alive and vibrant. The newly found vibrancy is further enhanced by the vivid mix of architectural styles that post-communism brought to the city. Socialist buildings in the inner city neighborhoods, albeit not as depressingly monotonous as those in the pre-fabricated housing estates at the urban periphery, were mainly in straight lines and subdued hues, lacking in color and richness of architectural detail. This has all changed, and today neighborhoods like Lozenetz, Javorov, Ivan Vazov, and Iztok beam with bright colors, brave (often kitsch) architectural volumes and all the shiny advertising signs, logos, and billboards that can be reasonably tolerated (Figure 11.4).

There is yet another, highly visible change that has occurred in the built environment of the urban neighborhoods – the emergence of clusters of upscale residences hidden behind tall gates. Often located amid open-entrance apartment buildings from the mid-twentieth century, these new compounds are surrounded by an iron fence on all sides, permanently supervised by guards. Security cameras are placed at the entrances, and the underground garages are arranged in a way allowing the wealthy residents to enter their flats without ever setting foot on the public street.

As with the city center, new planning documents give little guidance on how to preserve the assets of existing urban neighborhoods. Officially, these communities



Fig. 11.4 Casino in a residential building in Sofia

Source: Photo by S. Hirt

are designated for preservation and reconstruction, but the focus of planning authorities is on rebuilding the socialist housing estates and developing the infrastructure for the new suburban periphery of the city. If this trend continues, even the most prestigious older neighborhoods of Sofia are threatened to gradually lose much of their appeal.

11.3.3

The outer city: the socialist housing estates

The most popular symbol of the socialist urban past is the austere residential district composed of seemingly endless repetitions of identical pre-fabricated high-rise buildings. This mental association is not just a result of the shocking visual power of the image; it represents the living quarters of 170 million people between the River Elbe and Vladivostok (European Academy of the Urban Environment, 2000). Half of the population of the large Eastern and Central European cities still resides in such mass-produced dwellings. In some cases, such as Bucharest, the share of residents living in large housing estates reaches 80 percent (European Academy of the Urban Environment, 2003). For the city of Sofia, this number hovers around 60 percent.

The first residential complex in Bulgaria constructed exclusively of buildings assembled with pre-fabricated panels was called "Tolstoy." It was erected in Sofia between 1959 and 1962, and included 9 buildings with 216 dwelling units (BAN, 1975). Currently, in Sofia, there are close to 200,000 dwelling units of this type. The majority of them were built during the 1970s and 1980s at what constituted the edge of the city at the time of their construction. In this, Sofia is a typical example of the other Bulgarian cities, which exhibit similar proportions of pre-fabricated housing (the share being evenhandedly allocated by the planning authorities of the socialist state). The spatial patterns in the location of the housing estates in these cities are also similar to the ones observed in the capital – clustered at the periphery, they are simply smaller in scale and extent. The only other major distinction between the housing estates in the capital and those in the other Bulgarian cities is the fact that, due to the metropolitan scale of Sofia, the capital has absorbed in its growth path many surrounding villages. This process of conurbation has created a characteristic mosaic spatial pattern of the capital, which is not observed in any other Bulgarian cities.¹¹

The future of the aging socialist housing estates is recognized as one of the key challenges in the development of the post-socialist city (Tosics, 2004; Sailer-Fliege, 1999; Szelenyi, 1996). This type of urban environment is mired by problems that have been well documented in urban literature. Some of them are related to the typical deficiencies of the modernist model of town planning based on the concepts advanced by the Athens Charter of CIAM.¹² Such projects have been criticized for their mono-functionality, ill-defined public spaces, and dehumanization of the individual through oppressive standardization (Hall, 2002). Sharing all of these characteristics, the housing estates in Central and Eastern European cities exhibit

some typically socialist flaws (French and Hamilton, 1979). As the project of socialism itself, the socialist housing estates looked good on paper but dreadful in reality. Many corners were cut in the process of their production, leading to a low quality of construction and inadequate infrastructure and service provision. This was mainly due to the lack of sufficient funding needed to complete the housing projects planned as communities with a wide range of public amenities. The poor implementation of the plans, however, was also a result of government priorities as most resources were allocated to continuing the pace of industrialization. The communist ideology glorified sacrifices made in the name of progress, including accepting quite modest standards of living and personal comfort. Constructing high-quality residential environments, although stated formally as a goal, was not essential for the continuation of the socialist system (at least in the minds of Party strategists). What mattered most was meeting the numbers set as targets in the five-year plans. Thus, quantity prevailed over quality, and the state-run housing production process was streamlined to turn over pre-fabricated dwelling units at ever increasing speeds.

It should be noted, that regardless of all the deficiencies of these manufactured urban environments, they provided amenities that their residents enjoyed and grew accustomed to. The socialist housing estates in Sofia were provided with central heating and hot water, good public transit, and extensive open spaces. Another characteristic of these urban districts, which sets them apart from the West European examples of this type, was the heterogeneity of their population. Households of various social backgrounds were intermixed, with little variation in their income status – a characteristic feature of the socialist city where socio-spatial variations in the demographic composition of the urban districts were present but quite narrow compared to cities in the West (Szelenyi, 1983).

All of these positive characteristics of the socialist housing estates began to erode with the end of the system that was responsible for their creation. The rigid urban form of the modernist housing projects began to soften as a result of various individual adaptations of private and communal spaces. Such adaptations began to occur quite early, almost as soon as the residents moved in during the 1970s and 1980s, but under socialist rule these changes were quite modest in scale. The two most prevalent appropriations of space were the enclosure of balconies and their transformation into kitchens or living room extensions, and the erection of individual garage cells in peripheral areas designated as open space. Since the early 1990s, the scope of the spatial adaptations broadened significantly as a result of two main factors: the loosening of governmental control, on one hand, and the increased role of individual property rights, on the other. The strictly residential quarters were infused with new functions as basement cells and back entrances of the apartment buildings were converted into small business establishments for retail and services. Within a few years, every building in the housing estates became a true business incubator, hosting at least a couple of improvised business establishments.¹³

The utilization of underused spaces has been extended beyond the confines of the individual buildings. Many of the small, single story electric power transfer stations dotting the open spaces between the residential buildings have been converted to cafes, convenience stores, and car repair shops. New makeshift structures of similar scale hosting similar commercial uses have also been inserted between the residential high-rises.

This process of small scale adaptation and utilization of space has been accepted without significant objections by the local residents. The new commercial cells that sprung up throughout the housing estates, as unassuming as they were, clearly responded to a need for retail and services of a hugely underserved population. The process of spatial transformations that instigated significant social friction was related to a different type of development that began to take place in the late 1990s.

As noted earlier in this chapter, due to the specific interpretation by the Bulgarian laws of what constitutes a property subject to restitution, most of the urban land that was not built upon during the socialist years was returned to the former land owners. Located at the urban periphery, the majority of the socialist housing estates were built on farm land nationalized after World War II. As these properties, or rather what was left of them after construction of the residential complexes, began to get handed over to their original owners, a new type of construction began to take place. New residential buildings of much better quality of design and construction started to appear, initially at the periphery of the housing estates, but later also in the interior of the residential complexes (Figure 11.5). Thus, the spatial patterns of restituted property began to determine the patterns of new development within the housing estates. In a seemingly chaotic fashion, this new construction began to fill in the generous expanses of open space between the pre-fabricated high-rises. In some cases, given the configuration of the restituted property and the ability of the investors to exercise pressure over local authorities to approve projects in violation of the existing regulations, new structures have appeared virtually overnight in unnerving proximity to the windows of unwary residents.

Naturally, this pattern of development has provoked a strong reaction by the local residents. City officials, when pressed for explanations of their permissive practices, voice sympathy with the feelings of the residents but refer to the letter of the law favoring strongly the interests of land owners. While the overwhelming majority (95 percent in 2005) of the residents of the pre-fabricated dwellings own their residences, their ownership rights do not extend outside of the building to include the land on which it is located. The acquisition of such rights is seen as best mechanism of preventing further aggressive infill development. A new law is proposed to assign such property rights under the condition that all residents of the building agree to form a homeowners association responsible for the maintenance and upgrade of the building. Getting all residents of a building in the housing estates to agree to such terms is a difficult task as some of them fear that they will not be able to meet rising maintenance costs.

Another approach to protecting large housing estates from encroaching new infill development has been tested recently in Sofia. Residents of the residential



Fig. 11.5 Infill development in the housing estate Mladost 3, Sofia

Source: Photo by K. Stanilov

complex Yavorov have pleaded before the city authorities to give their community a status of architectural heritage site as one of the earliest examples of a post-World War II planned community. While the beautifully landscaped grounds, narrow gravel alleyways, and low-rise multi-family buildings of Yavorov are not quite typical of the massive housing estates constructed a few decades later, this case raises a valid point about the significance of preserving the historical legacy of modernist city planning. The communities created during the socialist period, although with many built-in problems, are valued by their residents, especially since few of them see a real chance to buy new housing in a residential market where prices have doubled every other year.

So far, the task of preserving and improving the quality of the built environment in the large-scale housing estates is only stated as a goal by the state and municipal governments. Very little has been done, however, to enable such process of revitalization beyond the ongoing redevelopment of these districts driven by the forces of the market. In the absence of coordinated governmental strategy and policies for maintaining and upgrading the quality of the built environment in those districts, residents have begun to rehabilitate their dwellings on their own. The casing of balconies, so popular during the socialist period, is now replaced by a wave of renovations leaving a visible mark on the facades of the pre-fabricated buildings.



Fig. 11.6 Building renovations in the housing estate Mladost 3, Sofia

Source: Photo by K. Stanilov

These incremental upgrades include replacement of windows and adding an extra layer of insulation on the exterior walls (Figure 11.6). The variety of materials and colors used in this process adds a touch of frivolous individuality to the ascetic look of the pre-fabricated high-rises, serving as a visual symbol of both the efforts of the individual residents to improve their environment and the failure of the government to address coherently their needs.

While the anticipated adoption of the law settling the issues of property rights in multi-family residences is expected to remove the legal obstacles for the renovation of the housing estates, the financing of such programs is still unclear. Various ideas are discussed including the use of tax breaks as an incentive for renovations financed by the residents, selling of air rights above the individual buildings by the homeowners associations, setting aside a special municipal fund financed from property tax revenues, soliciting EU funding, securing low interest loans from international financial institutions, etc. The magnitude of the problem has already captured the attention of the state government. In 2004, a National Housing Strategy set the rehabilitation of pre-fabricated dwelling as a national priority in Bulgaria. The strategy was followed the next year by the adoption of a National Program for Renovation of Residential Buildings according to which 20 percent of the funding needed for rehabilitation is to be provided by the state. The track record of the national and local governments on following up on their promises, however, has been a shaky one, particularly in a political environment characterized by a rapid turnover of government cabinets.

Beyond the edge of the housing estates, the suburban periphery of Sofia composed of a concoction of old villages, socialist villas, and new upscale residences, has been faced with a different set of urban challenges.

11.3.4 The suburban periphery

Like most other socialist cities (see Sýkora, 1999a; 1999b), Sofia had a sharply defined urban edge marked by the outer boundaries of the socialist housing estates (Hirt and Kovachev, 2006). Most of the estates were separated from the surrounding rural settlements by an agricultural belt. Other estates penetrated the urban fabric as wedges, located between the older urban and rural areas. The outer edge of the concrete housing estates, however, delineated in most parts a distinct urban contour of the Bulgarian capital (Figure 11.7).

Beyond the socialist housing estates lied older rural settlements. Most of these villages, like Dragalevtzi, Simeonovo, and Knyajevo, were located along the southern edge of Sofia, forming the so-called “Vitosha collar” draped on the northern foothills of the Vitosha Mountain. These former villages were annexed by a rapidly expanding metropolitan Sofia in the 1930s. Some of them, especially Knyajevo, included elegant summer dwellings built by the bourgeoisie before



Fig. 11.7 Definition of the western urban edge of Sofia

Source: Photo by K. Stanilov

World War II, and even a royal residence (hence the name Knyajevo, meaning Prince's Place; see Hirt and Kovachev, 2006; Genov et al, 2000).

During socialism, the former villages were designated as "villa zones" – areas suitable for the construction of summer residences similar to the Russian "dachas". Some of these zones became popular locations for upscale villas of the bureaucratic elite, including a large government complex erected by the communist authorities in Boyana. However, since public investment in the infrastructure and amenities of the villa-zones was limited, they retained their rural character and did not become true residential suburbs of the city. They developed, however, a peculiar social mix made of local residents of modest means and members of the upper echelon of the communist bureaucracy who frequented their summer homes on the weekends.

Since 1989, the former villa-zones have been gradually transformed into bona fide suburbs – areas of full-time residence, dependent on the city for jobs and services. There has been a substantial amount of new residential construction, mostly in the form of individual single-family dwellings or small groups of single and two-family residences.¹⁴ In addition, many of the original summer villas have been converted into permanent residences. The process has reflected a growing public preference for detached single-family houses with private yards. In a recent survey of Sofia's residents, over 50 percent designated the single-family home as their preferred residential alternative (although only around 15 percent of respondents actually resided in such a home), with the percentage sharply rising among the high-education strata. The most appealing area of Sofia – indicated by 45 percent of the respondents – was its southern periphery (Genova, 2000). Predictably, housing prices in these desirable areas now well exceed those in most other areas of town. For example, in Boyana, the cost of residential space per square meter may reach up to 700 EUR, one of the highest housing prices in Sofia outside of the city center and the most prestigious urban neighborhoods.

According data from the last two censuses, the most intensive population growth between 1992 and 2002 has occurred in the southern periphery of Sofia. While the population of metro-Sofia has not increased between 1992 and 2002, five of its twenty-four administrative regions have undergone double-digit percentage growth (Nacionalen Statisticheski Institut, 2003; 1993). Four of those five districts – Pancharevo, Vitosha, Ovcha Kupel and Bankya – frame the southern periphery of Sofia. The fifth one, Poduyane, is more centrally located, but population increase there has been a result of recent expansion of the district's administrative borders (Stolichna Obshtina, 2003). The only peripheral district that has lost population is Kremikovtsi, a community experiencing severe ecological problems due to its location in the vicinity of Bulgaria's largest industrial plant.

Similar growth dynamics are evident from examining data on dwelling units from the last two censuses (Nacionalen Statisticheski Institut, 2003; 1993). The greatest increases in this category have occurred in the outlying communities of Vitosha, Ovcha Kupel, Bankya, Pancharevo, and Vrabnitsa. The number of dwelling units in the Vitosha district has increased by over 50 percent from 1992

to 2002, and it accounts for 15 percent of the total increase in dwelling units in metropolitan Sofia during the same time period (see Hirt and Kovachev, 2006; Hirt, 2006).

The status of the villa-zones was recently changed to regular neighborhoods, with the purpose of setting the stage of larger municipal infrastructure investment. The change, which will also allow permitting slightly higher-densities, legally stamps a process already well on its way. It is important to note that Sofia's suburbs have been and continue to be part of the municipality (whether as villa-zones or neighborhoods). Since Bulgarian laws do not provide for a process under which settlements could incorporate as autonomous jurisdictions, there is no reason to expect that suburbanization will escalate to the extreme levels of inequities between central city and suburbs observed most notably in the United States. Furthermore, current Bulgarian zoning does not allow development of exclusively single-family zones with excessive large-lot standards. The suburban settlements around Sofia are currently designated as residential districts with height limitations allowing the development of small-scale residential, as well as retail, office, and public buildings (Naredba #7). Not surprisingly, some of the former villa-zones have attracted a number of small hotels, restaurants, and other services that have made them quite vibrant and clearly distinguishable from the proverbial post-war mono-functional suburbs of North America.

Another distinction of the suburbs of Sofia is their relatively high-density as the average single-family lot is fairly small, most being less than 1,000 square meters. This is due to the fact that the land ownership pattern of these suburbs is based on the traditional lot size of the former modest villages surrounding the capital. The size of the properties designated during socialist times for villas and garden plots was also based on this standard. Notable, however, is a trend, observed in the last few years, related to the construction of larger scale developments that take place on more sizeable pieces of farm land surrounding the original villages.

The new suburban construction in the periphery of Sofia is consuming increasingly more green space and farmland, but the municipal authorities have taken a rather controversial stand on this issue. Some recent policy documents openly endorse the process of residential suburbanization. One plan for the "Vitosha Collar" advocated the development of more low-density residential areas in the Vitosha outskirts branded as "eco-zones" (Stanoeva and Dikov, 1999). The new general plan of Sofia goes as far as setting the "appropriation of attractive territories in remote areas [currently] without infrastructure" as one of its key goals, endorsing residential growth not only around Vitosha but also in the foothills of other nearby mountains to the north. The plan claims that: "Dispersed living amid nature, an expression of new forms of spatial organization inherent to the information society and enabled by advanced communication technology, should be encouraged" (Stolichna Onshina, 2003).

Rhetoric references are inserted in the plan regarding the need for saving the Vitosha Mountain but, in practice, all land up to a designated border with the Natural Park Vitosha, which covers the higher mountain elevations, is now

in private hands and is destined to be developed in the near future. There are no specific preservation mechanisms set in the plan such as moratoriums on building permits or direct municipal purchase of land for greenbelts directed at controlling further suburban expansion. There is also no specific policy of using municipal infrastructure investments as an instrument for encouraging development in designated areas rather than allowing it to continue in its current amorphous fashion. Nevertheless, the lack of municipal funding for infrastructure provision to these areas has inadvertently served as a growth control mechanism. New road construction linking the city to its peripheral settlements has been limited primarily to repaving of some old cobblestone streets. A public sewer system for the southern suburbs has been recently approved for construction, but funding has not been secured. Larger new residential developments located closer to existing infrastructure simply hook up to the networks, often without official permission. This practice has resulted in frequent breakdowns of the overloaded, aging, and poorly maintained infrastructure. Individual single-family houses typically rely on septic systems, as the law requires, but the small lot sizes do not suit the functional demands of such systems. In addition, development regulations have been sporadically enforced and many homeowners have simply directed their sewer pipes to the nearby creeks, thus causing a serious ecological degradation.

The shortage of public funds has also meant that the new suburbs not only lack adequate infrastructure, but have not received basic public facilities such as sidewalks or playgrounds. Not only are no new public spaces created, but existing ones are being lost. New developments commonly occur on restituted lands that were designated as public green space in all master plans of Sofia since 1938. The privatization of these spaces has coincided with an even more disturbing and aggressive practice of not only limiting public access to those areas, previously in communal use, but denying even public view of the grounds on which the new upscale private developments are constructed. Many devices have been put in place to that end, including fortress-like walls and gates equipped with security cameras, ferocious dogs, and equally menacing armed guards.¹⁵ While it was not uncommon for private homes to be fenced during socialism, these fences were usually low and transparent, often constructed of see-through materials or landscaping elements. The post-socialist fences, however, are solid, two-meter-high structures, leaving no doubt about the attitude of their proprietors towards outsiders (Figure 11.8).

Currently, there is nothing that stands in the way of continuing the post-socialist trend of extensive and chaotic development of Sofia's periphery, except for the lack of infrastructure, which does not seem to be a major deterrent for brave developers and property owners. The haphazard suburban growth patterns will likely continue but in a somewhat modified shape. The preponderance of new individual houses or small residential groups will be overshadowed by the appearance of large-scale gated communities backed by seasoned international investors. One of the most heavily advertised projects of this type, Residential Park Sofia, will be located between the socialist housing estate Mladost and the former villa-zones in the southeastern corner of the metropolis. As advertised, it will be a true "city within



Fig. 11.8 A gated residence in the suburbs of Sofia

Source: Photo by S. Hirt

the city,” including no less than 1,000 upscale residential units of various sizes and types, geared towards the upper middle class segment of the population. The cluster of single-family homes and apartment buildings snuggled behind gates will abut another gated development by the same investor – a 200,000 sq m suburban office complex, the largest of its type in the nation. In its last phase, this mega-project will be adorned by a similar size shopping center on the other side of the freeway. The suburban idyll will be thus complete.

11.4 Conclusions

The post-socialist transformations of the urban fabric of Sofia have been marked by significant changes in the residential development patterns. These have affected the urban environments in all four “rings” identified in the urban structure of the Bulgarian capital. The new development has proceeded from small-scale renovation projects to larger-scale residential developments, and from the city center outwards to the urban periphery. Thus, an increasing portion of new housing construction is taking the form of medium and large size compound developments in the suburban fringe.

An important characteristic of the housing situation in Sofia, as well as in Bulgaria, is the very high home ownership rate – one of the highest in Europe. This has been a direct result of the “hands off” policy of the post-socialist governments, dumping quickly responsibility for this sector of urban development into the hands of the residents and the market. This has created significant problems including an excessive densification of established residential areas, a systematic failure of

infrastructure to absorb new development, a notable disappearance of open space, and a continuing deterioration of housing conditions in many neighborhoods. All of these negative consequences have led the majority of Sofia's residents to the conclusion that the quality of their urban environment has been seriously undermined by recent development and the lenient attitudes of local authorities succumbing to pressures exerted by private developers and investors.

Post-socialist residential construction has certainly brought some benefits to Sofia. New buildings are typically of much higher quality than those constructed under socialism. They provide their inhabitants with more generous living spaces and a level of luxury and comfort that were unknown in socialist times. The new construction has also brought diversity and color to the urban fabric of Sofia, which was once dominated by drab socialist super-blocks and gray residential towers. In addition, since commercial activities in Sofia have recently sharply increased, residents now enjoy a much greater access to services. And despite the persistent trends toward suburbanization, Sofia's downtown remains more vibrant than the centers of many Western cities comparable in size. Suburbanization itself proceeds at densities which, from a North American viewpoint, would qualify as "smart growth" developments rather than "urban sprawl."

Yet, while the new construction has reenergized the sleepy districts of the former socialist city, it has also become a source of significant conflicts. The increased social stratification, following the demise of the old egalitarian system, has been fortified along spatial lines by the diversification of the housing market and the creation of submarkets catering to the needs of consumers based on their ability to pay. This, certainly, has not soothed social tensions brewing among the ranks of the residents who found themselves at the losing end of the development process as they witness the channeling of huge resources into the hands of a few.

In this context, the government is seen as an accomplice of special private interests, rather than a defender of the public good. The palliative measures proposed by the authorities in the form of strategies and programs all seem to disintegrate before they reach the phase of implementation. The issue of housing affordability is rarely even raised as a goal while the municipal government has stripped itself of most of its assets in dubious deals. The new general plan of Sofia appears oblivious to most of these challenges, advocating dispersion of the population as a main strategy for addressing overdevelopment in certain urban areas. The impact of such sprawl-inducing policies on the further deterioration of inner city areas and the large housing estates has not even entered the public debate of the proposed plan. The public discourse is centered on the disappearance of open space within existing neighborhoods, but the loss of large expanses of land devoured by suburban shopping centers and gated communities at the outskirts of the city remains unchecked. A recent announcement for plans by the Lithuanian investor VP Group to redevelop a huge inner city industrial site, home of the former industrial giant Balkankar, have been received as an eccentric idea in a market dominated by the belief that suburbanization is the best cure for a city burdened by a heavy socialist past.

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Notes

¹ Similar patterns are also observed in the other major cities in Central and Eastern Europe (see figures 14.2, 14.3, and 14.4, this volume)

² Less than 1 percent of the current state budget is allocated for housing, almost all of it designated for covering old government debts (Ministry of Regional Development and Public Works).

³ The rate of housing production fell from 7 units per 1,000 residents in 1988, to 1.7 units in 1992 (UNECE).

⁴ For a comparison, during socialism, expenditures on rented housing ranged between 4 and 5 percent (Tsenkova, 1996).

⁵ This accomplishment has been aided to a great extent by the booming market of vacation homes in the Bulgarian sea and mountain resorts, which comprises a substantial share of the new housing construction.

⁶ A controversial proposal to utilize the space below school playgrounds in the central district for multilevel underground parking gained popularity among business groups and an outcry from local residents.

⁷ Most notable, in this respect, have been the historical towns of Nessebar, Sozopol, and Bansko, which have become targets of an aggressively expanding tourist industry.

⁸ As a result of such ill-executed conversion in the fall of 2006, a building in the center of Sofia collapsed, killing to passers by and injuring others.

⁹ By the early 1930s, Sofia established itself as the unrivaled industrial center of Bulgaria and employed no less than 50 percent of the nation's industrial force (Lampe, 1984).

¹⁰ This situation is a legacy of the socialist plans, which placed entire city blocks under the vague zoning category "complex residential development" without designating open spaces in a separate category (Hirt and Kovachev, 2006).

¹¹ While some of the largest second-tier cities in Bulgaria, such as Plovdiv and Varna, have extended their urban fabrics to nearby villages, such instances have not become a structure-defining feature of their urban form, in contrast to the case of Sofia. What is also a very unique spatial characteristic of Sofia is the sharp distinction between the two types of urban environments – the villages and the housing estates. The districts of the former villages are still well defined by their typical fine-grained street networks, small lot sizes, and detached single family homes. The housing estates, in a marked contrast, are composed of super-blocks, communal open spaces, and high-rises. Mixing the two types of environments is very uncommon as they are both examples of urban fabrics quite resilient to change. Thus, in the spatial structure of Sofia, these two types of urban tissues coexist in a patch-like pattern, with areas of industrial and open spaces interspersed in between (Figure 11.2).

¹² The Congrès International d'Architecture Moderne (CIAM) adopted its programmatic principles for planning the "Functional City" in the Athens Charter of 1933.

¹³ Building number 328 in the residential complex Mladost in Sofia, where one of the authors spent the summer of 2005, is a typical example of this post-socialist phenomenon. It included, at that time, a TV repair shop, a hair salon, a convenience store, and a gym. Each one of them was located in a remodeled basement unit of no more than 15 square meters. Although widespread in Sofia and other Bulgarian towns, this process is hardly a Bulgarian invention. It has been observed in many other post-socialist cities (see Chapter 15, this volume).

¹⁴ The average number of units per residential building from the 1990s in the Vitosha region was 1.9 (NSI, 2005).

¹⁵ There is no official statistics on the number of gated homes or communities in Sofia. However, a windshield survey indicated that in suburbs like Boyana and Dragalevtzi around 75 percent of all new homes are enclosed by imposing walls.

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12 Upscale housing in post-Soviet Moscow and its environs

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12.1 Introduction

At the dawn of the twenty-first century, Moscow offers an impressive variety of residential neighborhoods – from a conglomerate of monotonous apartment complexes inherited from the Soviet era to upscale downtown condominiums and spectacular compounds at the edge of the city and beyond. The topic of this paper is directly inspired by three circumstances of Moscow’s housing market: 1) the inadequacy of the housing stock of Soviet origin for meeting the needs of the rising upper and middle class households; 2) the rising demand for upscale living as a result of the new wealth generated by the market economy; and 3) the appropriation of the city space by the “New Russians” not only as consumers but also as investors. The hot market for upscale housing in the Russian capital captured our attention while we examined how the city has shifted from a production to a consumption mode. The land-use patterns have reflected this transformation accordingly, with more space allocated to residential uses and less to manufacturing.¹

The majority of the existing literature on post-Soviet changes in Moscow’s urban geography has been concentrated primarily on the issues surrounding the reconstruction of the city center, which has led to a new functional specialization inside the urban core (Kolossoff et al., 2002). Scholarly discussions of revenue growth due to the commercialization of the downtown districts (Vardomsky and Mironova, 1999) confirm the validity of the classic bid-rent concept (Cadwallader, 1996: 53). Moscow’s government prods such studies as justification of its big construction programs, including the development of a new “Business City” three miles away from the Red Square. The arrival of global business services to Moscow (Gritsai, 2004) has heightened the sense of urgency for securing financial backing for such mega projects. In addition to the economic analysis of city center developments, a number of recent studies have explored issues related to the processes of gentrification, which have arisen as a result of Moscow’s intense downtown restructuring² (Khazanov, 2005). Numerous publications examine the context of post-Soviet urban planning, noting the difficulties with “realistic development opportunities” for private ventures (Alden et al., 1998: 369) related to complicated land law provisions separating ownership

of land from ownership of buildings and users rights. The Master Plan, approved by the city government in June 1999, spurred an avalanche of publications on Moscow's city planning initiatives. While some of these articles concentrate on monitoring the implementation of the plan, others highlight the negative developments in the spatial structure of Moscow, raising concerns about the emerging ethnic ghettos (Vendina, 2002; 2004) and pockets of urban poverty (Krashennikov, 2003).

In the context of the existing literature on Moscow's urban development, our study examines a relatively under-documented process of urban restructuring in the post-socialist period related to the diffusion of upscale housing³ in the Russian capital. The first part of our text explains the outburst of new luxurious housing developments in Moscow by outlining the underlying economic factors. The second part of the text describes the spatial patterns of Moscow's upscale housing, while the concluding part discusses the scarcities and uncertainties in the supply of this type of dwellings in the Russian capital.

Moscow's elite dwellings are expensive and prices are skyrocketing. In August 2005, the Guild of Realtors reported prices at the entry level of the elite housing category starting at around \$2,500 per square meter, reaching twice that amount for larger units (Beatrix, 2005). Within only a year, housing values in this sector more than tripled, reaching, by August 2006, the astronomical \$17,000 per square meter⁴ (Harrison, 2006).

12.2 Underlying factors

Moscow tops the other capitals in Central and Eastern Europe in terms of population size and the magnitude of wealth creation. The city has more residents than the capitals of the eight recently accepted members to the EU combined, and, unlike them, Moscow has an upward trend in population growth (Table 12.1). The

Table 12.1 Moscow population compared to other CEE capitals

Capitals	Population in 1,000s in 2006	Population Change, 2001–2006
Moscow	10,473	Up
1. Budapest	1,700	Down
2. Warsaw	1,634	Down
3. Prague	1,168	Down
4. Riga	738	Down
5. Vilnius	542	Down
6. Bratislava	422	Down
7. Tallinn	392	Down
8. Ljubljana	254	Down
Total 1–8	6,850	Down

Source: The World Gazetteer, 2006

population of Moscow, nearly 10.5 million in 2006, is comparable only to the largest European conurbations of metropolitan Paris (11.6 million) and London (12.5 million) (World Gazetteer, 2006).

In the post-Soviet time, Moscow has become a focal point of unprecedented wealth. According to the 2005 Forbes roster, 20 billionaires reside in Moscow compared to 14 in London and 12 in Paris (Forbes, 2005). The Russian capital has 30,000 households with a net wealth of over \$1,000,000 and over 1.5 million households in the city could be qualified as middle class by Western standards (Medvedkov and Medvedkov, 2005). This unprecedented for Eastern Europe concentration of wealth can be attributed to two main factors – the current circumstances of Russia's economy and the commanding position of Moscow in Russian history.

12.2.1

Current economic circumstances

Moscow's size offers definite competitive advantages, which the city has used successfully in its transition to a market-based economy (Medvedkov and Medvedkov, 2005). At the beginning of the twenty-first century, Russia's economy has successfully recovered from its initial disarray following the collapse of the socialist regime. In 2006, Russia entered its eighth consecutive year of economic growth. Improvements have come steadily, prompted by the import substitution realignment in manufacturing after the financial crises of 1998. From 1999 to 2005, Russia's real growth in GDP rose from \$196 billion to \$725 billion. A large part of this growth has come from the lucrative oil industry, accounting for over 40 percent of the increase in industrial production. Moscow thrives on Russia's surplus in foreign trade (\$100 billion in 2005), with its customs offices handling over a third of Russia's imports and a quarter of Russia's exports (Goskomstat 2005a; 2005b). The majority of jobs in the Russian capital are in the sectors of science, education, culture, administration, health care, and services (Figure 12.1). This characteristic of Moscow's economy is confirmed by an economic base analysis,⁵ which reveals the high degree of the capital's specialization in the sectors of: (1) construction; (2) commerce and catering; (3) science, education, and culture; and (4) finances, insurance, and real estate (included in the "others" category) (Figure 12.2).

Major socio-economic indicators for Moscow are positive, with output growth demonstrated even in the sectors experiencing employment downsizing such as manufacturing (Table 12.2). Significant growth has occurred in the military-industrial complex where arms exports have doubled during the 1999–2004 period, reaching 5 billion USD in 2004 (Golts, 2005). Moscow has benefited substantially from this growth as its region concentrates almost half of Russia's production in this sector and over two thirds of the R&D workforce (Ananina and Schukin, 2005). The tremendous concentration of profitable economic activities and wealth in Moscow since the mid-1990s has pushed the Russian capital to the top of the world's most expensive cities

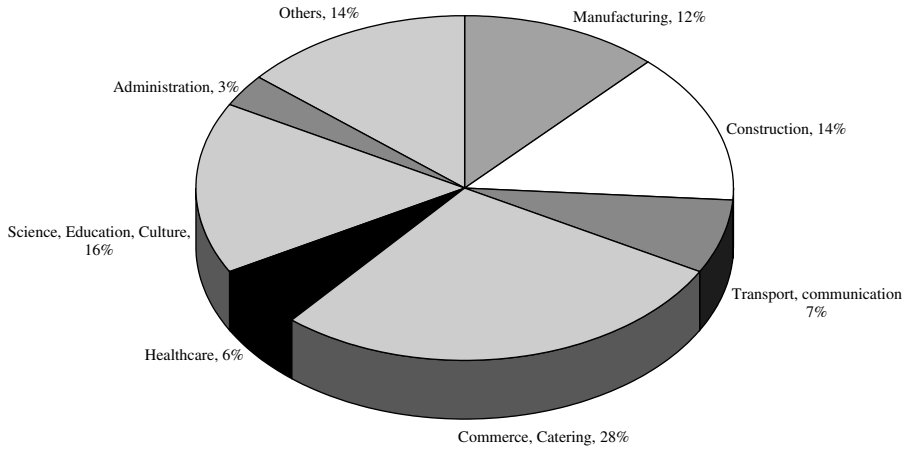


Fig. 12.1 Employment structure in Moscow, 2003

Source: Goskomstat, 2005b

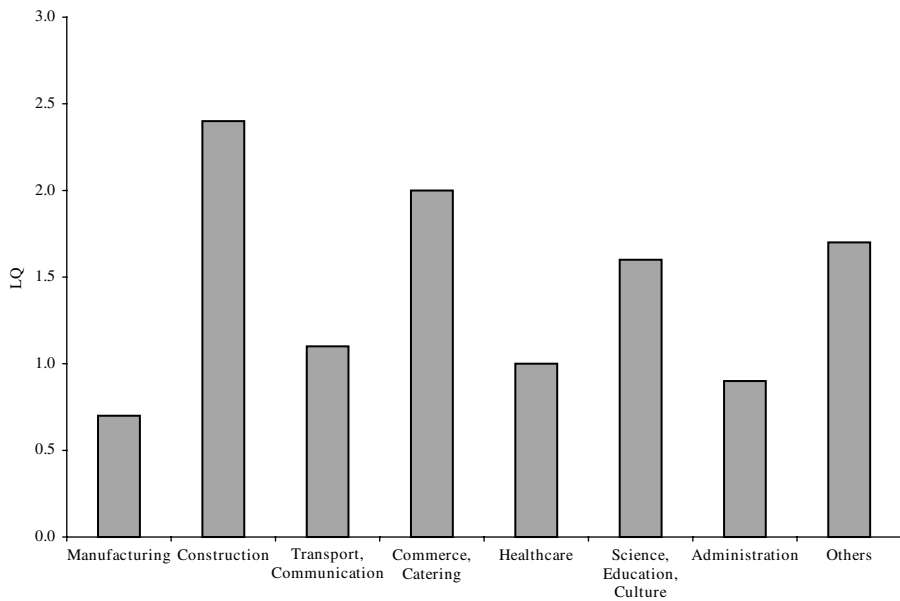


Fig. 12.2 Moscow specialization according to LQ

Source: Goskomstat, 2005b

Table 12.2 Moscow Socio-Economic Indicators

Indicators	2002	2003	Comments
Population (million)	10.38	10.39	Slow growth
GDP (\$, billion)	53.1	63.7	Growth (8%) is above average for Russia (7.1%)
Industrial Output (\$, billion)	12.7	14.8	Growth (16.5%) sets the record in Russia.
Unemployment (%)	1.4	1.3	Unemployment is stably low
Average monthly salary (\$)	203.7	281.6	The highest in Russia. Most incomes are undeclared
FDI (\$, billion)	8.44	13.88	Over 50% if the total FDI flows to Russia

Source: Goskomstat, 2005b

in 2006, based on an analysis of more than 200 items including housing, public and private transport, food, clothing, and entertainment (Mercer's, 2006).

12.2.2

Moscow's "exceptionalism"

In comparison to the rest of Russia, the share of the FDI flows to Moscow illustrates what in our earlier study we labeled as "exceptionalism" (Medvedkov and Medvedkov, 2005). According to the General Manager of Moscow International Business Association, "...every year Moscow attracts 40 to 60 percent of all foreign direct investment in Russia. Today, its share is about 20 billion USD out of a total of almost 40 billion USD investments received by the country during the last 10 years" (Borisov, 2003).

Two components boost Moscow exceptionalism. The first one is related to its location in the densely populated heartland of Russia, which gives Moscow undisputable benefits unknown elsewhere in the country. The Moscow Capital Region (in the boundaries of Moscow Oblast) is the most populated part of Russia with 20 million residents. The capital absorbs the lion share of valuable resources from its vast peripheries: oil, natural gas, gold, diamonds, timber, etc. The special position of the city is fortified by the commanding functions of numerous federal institutions located in the Russian capital; many of them with strong ties to the Soviet legacy and openly hostile to the private sector. Competing for power are the forces created by the free market and globalization exhibiting similar tendencies for concentration in the capital. Recognizing the power of these interests, the government of Moscow cultivates a culture of active cooperation with transnational corporations, a policy which has been assessed as quite successful (Beaverstock et al., 1999). Validating evidence on Moscow's entry in the exclusive club of transactional high fliers is numerous and well documented (Vardomsky and Mironoiva, 1999; Selioukova, 2005).

The formation of an affluent strata crowns Moscow's exceptionalism (Medvedkov and Medvedkov, 2005). The polarization of Moscow's population

by incomes and life-styles has numerous socio-political and cultural implications (Alyakrinskaya, 2005; Berzin, 2005; Vendina, 2004; Vaknin, 2002; Maleva, 2000), most important of which, for the purposes of this study, is the expanding demand for upscale housing. In 2004, the stratum of the rich in Moscow included 7 to 8 percent of its population, or roughly 0.8 million residents⁶ (Berzin, 2005; Expert, 2004).

12.2.3

Upscale dwellings in relation to the housing stock

The overwhelming majority of Muscovites live in multistory apartment buildings, most of which are a legacy of the Soviet regime (Khadduri and Pusanov, 1993: 641). The infamous communal flats, which were prevalent until the 1960s, are today an exception. In 2002, such apartments comprised only 2.2 percent of the occupied housing stock in Moscow and 1.8 percent in the Moscow Province. Today, most dwellings in Moscow are privatized as the privatization made faster progress here than elsewhere in Russia. It was gratis for all registered occupants of the dwellings that in the Soviet years belonged to the state or were listed as municipal property (Colton, 1995). The housing stock of Moscow is much better than elsewhere in the country, yet, it does not stand comparison with Western European standards. According to the latest Master Plan of Moscow, only 5 percent of the dwelling stock in 1999 met average European standards. The plan estimates that by 2020 this share will increase to no more than 16 percent (Baevskiy, 1999). The upscale segment of Moscow's housing market, however, exceeds significantly the "average European standard." In addition to being spacious, such apartments are expected to have a parking garage, up-to-date gym, a heated swimming pool, tennis courts, playgrounds for kids, broadband access to the Internet, and, of course, round-the-clock security.

Since 1993, the output of new housing in Moscow has maintained a steady growth trend (Figure 12.3). In 2005, housing production reached 4.5 million square meters of floor space. It is estimated that a record 6 million square meters of housing will be added in 2006. This rapid pace of production has been made possible by the active involvement of the city government, which subsidizes up to 75 percent of all housing construction in Moscow. Such subsidies are made possible by the huge revenues streaming into the municipal coffers⁷ and the effective use by local politicians of populist housing policies as a tool for securing electoral votes. Reportedly, up to 1 million square meters of residential space is distributed annually by the municipal government as subsidized housing (Russia's Guild of Realtors, 2005), a number comparable to the floor space of newly constructed upscale dwellings in the capital.

Since the turn of the millennium, a new trend has begun to emerge in Moscow in terms of the location of new housing construction. While the majority of the housing starts during the 1990s were located within the boundaries of the city, since 2002 housing output has begun to slow down in Moscow and accelerate

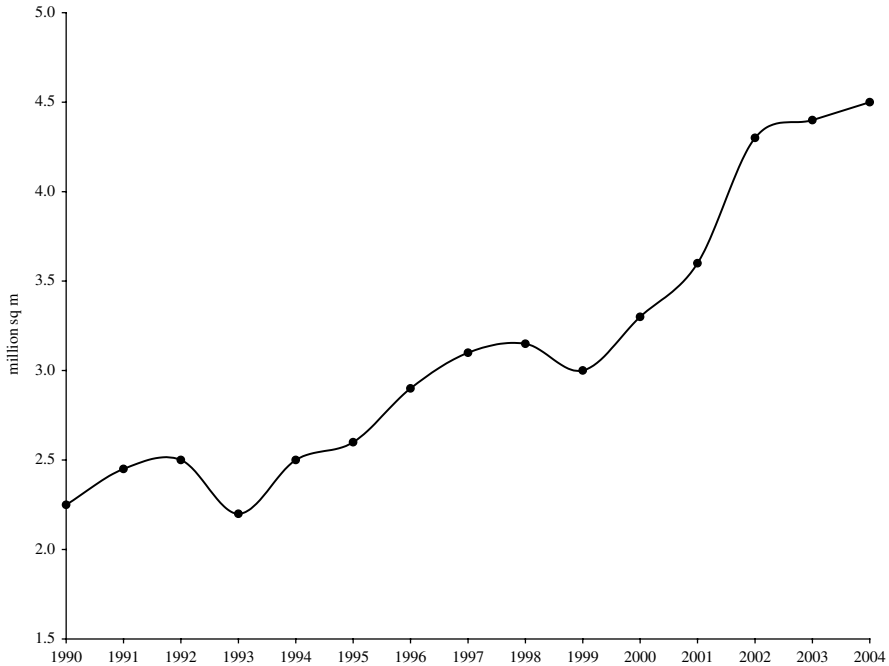


Fig. 12.3 Housing construction in Moscow

Source: Goskomstat, 2005b

outside of its municipal boundaries. Presently, Moscow Oblast is supplying more new housing than the city of Moscow. Aside from the issue of land availability, this trend reflects a growing sentiment among the rich Muscovites about the inadequacy of apartment housing in the city. Gradually, luxurious mansions and villas are becoming a regular scene along Moscow's beltway and beyond.

The detached single family house was a notable symbol of status and luxury during the Soviet years, but a rarity in the urban landscape. In 2002, single family houses made barely a quarter of a percent of Moscow's dwelling stock. They were more common sight in Moscow Oblast where they reached 11 percent of the total number of housing units (Goskomstat, 2004).

In 2004, the Channel One TV treated Russian viewers with twenty-two episodes of "Moscow Saga," a TV series based on a popular novel by Vasily Aksyonov (Aksyonov, 1999). The events of the story unfold in different places, but always return to a distinctly elitist family house built during the early 1900s in the Serebrynniy Bor forest near Moscow. The inhabitants are Soviet society hi-flyers: a physician of Stalin, a field marshal, a Communist apparatchik, etc. The endorsement of the series by the federal and municipal governments was repeated in the beginning of every episode, with the image of the family house in the background, thus becoming a subliminal official glorification of upscale suburban living. Today,

similar houses in Serebrynyy Bor are clustered in a new gated community, with monthly rents ranging from 6 to 10 thousand USD (Expat-Ru, 2005).

The extremely high prices of upscale housing in Moscow are influenced to a large degree by the rental demand of expatriates employed by transnational corporations. In such cases, monthly rents are budgeted as business expenses and they easily reach 10,000 USD and more. With global economic functions on a fast track of expansion in Moscow, the ranks of expatriate renters grow by the thousands each year. As a result, investments in the upscale segment of the housing market are very lucrative. Rental profits in this sector are seven times above the interest charged on hard currency loans. In order to attract renters who pay 10,000 USD or more, one has to offer a dwelling with a market value of over a million dollars. In the current housing market, this is a sure entry to doubling investments in 17 months! As the real-estate marketing gurus in Moscow readily explain, “a profitability index of seven times the interest rate is equivalent to more than 50 percent profit per annum, calculated from a 10 to 15 percent annual rise in rent and yearly 40 to 50 percent rise in real estate prices” (Bogomaz, 2005).

In February 2004, a survey of real estate profits in Moscow conducted by the Urban Land Institute and the Price Waterhouse Coopers concluded that “Moscow has the highest real estate returns and development prospects of any city in Europe” (Moscow Times, 2004). A year later, in February 2005, an expert of the Internarry Real Estate Services gave a corroborating assessment, noting that the elite sector of real estate market is “steadily and smoothly growing” (Shatalov, 2005). A recent housing market review from August 2006 finds that prices on upscale dwellings have risen even faster than the average cost of oil (Harrison, 2006).

12.3

Location and diffusion of upscale housing

12.3.1

Constrains

The task of embedding upscale housing in the built-up areas of Moscow is quite complicated. To begin with, the overwhelming majority of Moscow’s housing stock consists of prefabricated concrete high-rise buildings, which do not represent the best setting for the new luxury housing projects. A modicum of seclusion is required but is hard to obtain. In many cases, the land suitable for upscale housing development is already allocated by the municipal government for subsidized housing or other land-users and changing the official land use designation is not easy to arrange.

The Central Administrative District is a prime location for upscale housing due to the concentration of financial, administrative, retail, and entertainment functions in this area. In June 2005, an expert from the Novy Gorod Realty observed:

Foreigners tend to lease housing mostly in the center of the city, closer to their work places, since most Class A office complexes are clustered in the center. The favorite districts are Arbat, Smolenskaya, and Kropotkinskaya. The few listings that appear in these districts are snapped up instantly, regardless of cost. Foreign tenants are also very fond of the apartments located on the banks of the Moscow River, and in the Patriarch's Ponds area" (quoted in Kravtsova, 2005).

Cutting through the bureaucratic red tape in the Central Administrative District, however, is most difficult to accomplish. Lessons learned from the Ostozhenka (a historic residential district near Kremlin, which as a result of intensive gentrification became known as the Beverly Hills of Moscow) discourage investors who seek speedy returns on their investments from entering this area given the long delays in construction due not only to bureaucratic administrative practices but to opposition from grassroots organizations as well. Indignant comments about Ostozhenka, referred to as a "a new residential segregation based on capital" (Gdaniec, 1997) and "gentrification [that] is driving out the old guard" (Salmon, 2006), reflect the social tensions created by the extreme contrast between the lavish new properties and their plain looking surroundings. Regardless of their unassuming appearance, many of the ordinary buildings in the downtown area are considered important historical landmarks. In recognition of their value, in 2005, the government of Moscow tightened up the rules protecting the historical urban fabric in the city center (Frolenkova, 2005), thus, curtailing further the possibilities for realization of new upscale housing projects in the heart of the metropolis.

The development of upscale housing at the urban periphery, on the other hand, is faced by a different set of challenges due to the specific spatial structure of Moscow. The population of the Russian capital is scattered over a large territory as a result of the Soviet practice of building mass-produced apartment complexes far away from the city center. A significant portion of the monotonous high-rise housing estates, where the majority of the populations resides, are located at distances of up to 30 km from the Kremlin. This pattern of residential diffusion explains Moscow's leading position among the mega-cities of the world in terms of passenger-kilometers per capita (Figure 12.4).

In spite of the very high percentage of trips carried by the public transit system of Moscow, the periphery of the capital is not served as well by the various modes of public transportation as is the urban core. This is especially true in the case of the Moscow's subway system, whose stations are clustered in the center but widely spaced in the periphery. Distances between the different lines of the subway are increasing with distance from the center and the gaps between stations go up to 12 km in the southeastern and 11 km in the northwestern parts of the metropolis. These circumstances explain, to a certain extent, the increasing popularity of the private automobile, yet the road infrastructure of Moscow lags behind the demand. Compared with other cities of the developed world, the Russian capital has one of the lowest ratios of road length per resident (Figure 12.5). The 1999 Master Plan estimated the shortage of roads at about 250 km (Krestmein, 1999). By 2005,

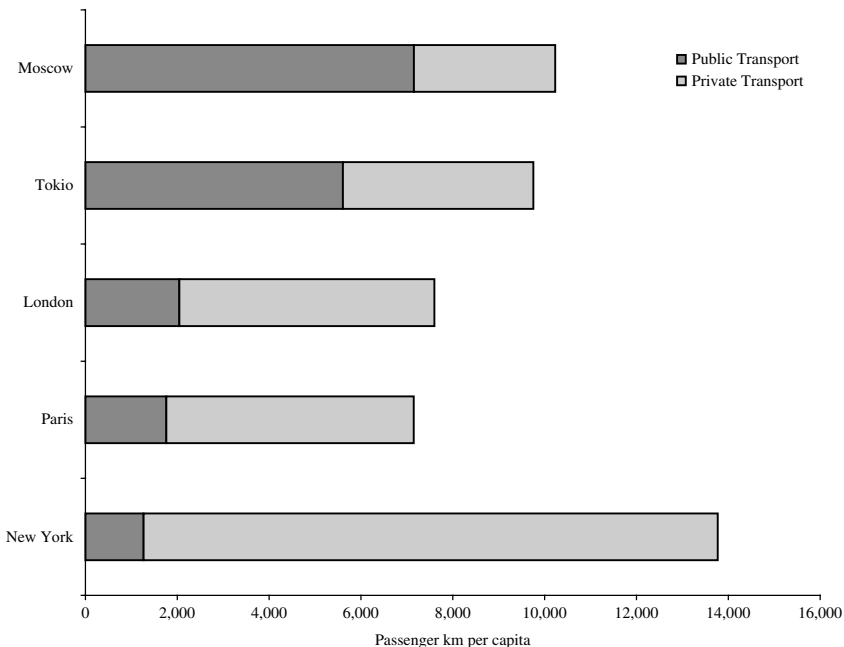


Fig. 12.4 Passenger traffic in Moscow compared to other world cities

Source: World Cities Research, 2005

the inner city found a partial solution by constructing the “Third Ring,” a beltway with eight lanes which runs in the corridor of a ring railroad constructed in the beginning of the nineteenth century.

Regardless of the inadequate infrastructure in the urban periphery, a large number of developers have concentrated their attention to the suburbs. By 2003, observers in Moscow were complaining about the lack of available plots within the city limits for large-scale projects. In 2004, all large upscale projects were developed outside of the central core: the Grand-Park featuring 400,000 square meters of housing, the 264-meter-high Triumf Palas, advertised as the tallest apartment block in Europe, and the Vorobyovy Gory residential development (City of Moscow, 2004).

12.3.2
Moscow elite housing: Patterns of location within the city

The distribution of newly constructed luxury apartments by city district (Table 12.3) underscores the scarcity of sites for upscale housing within Moscow. Kitay-Gorod, the innermost district (darkest on Figure 12.6) around the Kremlin, has no new elite compounds and construction of such projects is highly unlikely due to the

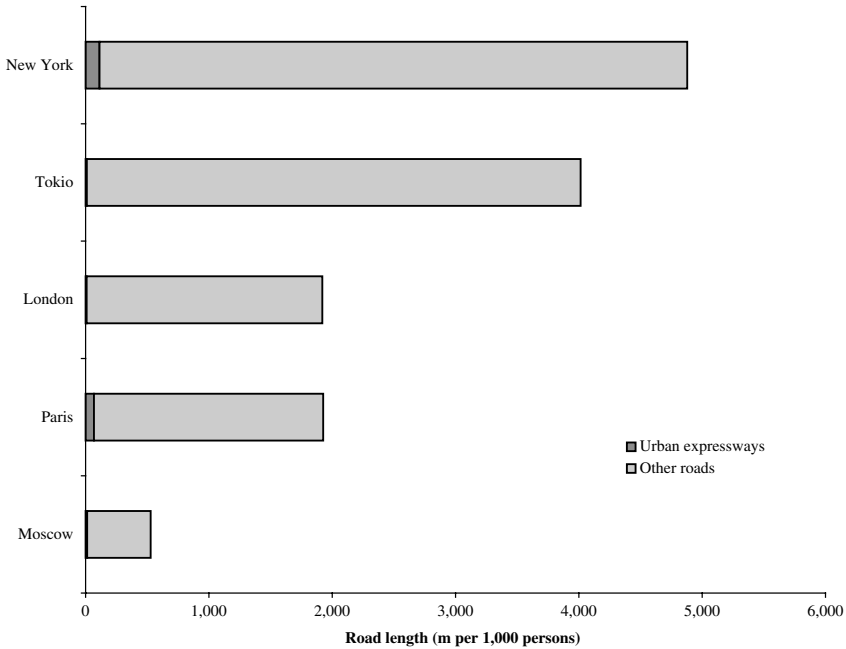


Fig. 12.5 Roads per 1,000 residents in eight major cities

Source: World Cities Research, 2005

lack of vacant sites and the designation of the existing buildings either as historical monuments or government property. Arbat leads the rest of the districts with the greatest number of compounds, but our field observations indicate that developers may well be chewing the last pieces left on the plate there. Notable is the absence of gated communities in this district, characterized by the small size of the new elite compounds (27 apartments on average). Judging by the apartments per compound ratio, large-scale projects occur just in three districts: West-Zarechye, the Outer districts, and Khamovniki-Plushchika. All three are rather far from the city center.

Overall, opportunities to add new elite residential compounds have become quite scarce in the inner parts of Moscow (Figure 12.6). Developers have exhausted the stock of suitable sites and new projects of this type are getting quite rare in the Central Administrative District. Today, such developments have to leapfrog to West-Zarechie, beyond the outer beltway of Moscow.

12.3.3

The diffusion of upscale housing to the suburbs

Since 2004, the upscale projects in Moscow Oblast have outnumbered those built in the city of Moscow. The diffusion of upscale housing has proceeded along the

Table 12.3 Location of elite residential compounds in Moscow by district, Fall 2005

Districts	Elite compounds	Of them: Gated	Number of apartments	Apartments per compound
Arbat	15	0	402	27
Zamoskvorechye	9	7	503	56
Ostozhenka	6	3	154	26
West-Zarechye	6	3	842	140
Tverskaya	3	2	92	31
Outer districts	3	2	246	82
Patryarshye	2	0	74	37
Khamovnik-Plushchika	2	1	137	69
Yakimanka	1	0	28	28
Chistye Prudy	1	0	14	14
Sretenka	1	0	20	20
Taganka	1	0	19	19
Krasnaya Presnya	1	1	51	51
Kitay-Gorod	0	0	0	n/a
Total:	51	19	2,582	51

Source: Penny Lane Realty*

Note: The tabulation includes also data from other real estate agencies on properties listed at 3,000 USD per sq m on November 5, 2005.

highway corridors radiating out from the city core. The most popular residential type within this segment of the housing market has been small to medium-scale secluded developments of up to 30 dwelling units. Along the Rublevo-Uspenskoe Highway, such compounds have joined the villas of the Soviet elite, forming a belt extending 30 km in length and 6 km wide.

According to the Concordia Assets Management Company, the adoption of two legislative acts between 2001 and 2003 – the Land Code and the Law about the Turnover of Lands of Agricultural Appropriation – has been instrumental in inciting the development of the suburban real estate market where annual yields may reach 100 to 150 percent (Concordia Assets Management, 2005). The distance to the outer ring road of Moscow, the MKAD, is an important factor in setting the price of suburban residential properties. Lots located within a 15 to 30 km distance from the MKAD are on average 30 percent cheaper than those located inside the 15 km belt. Mature vegetation or proximity to forested areas may increase the price of residential properties up to 80 percent. Most pronounced, however, is the impact of waterfront access which can increase the price from 3 to 5 times (Shuvalova, 2005).

An overriding importance in terms of the attractiveness of a particular suburban site is its location relative to the transportation corridors leading out of the city. The most prestigious and expensive locations are situated along the highways running west from Moscow, followed by the southwest, northwest, and northbound

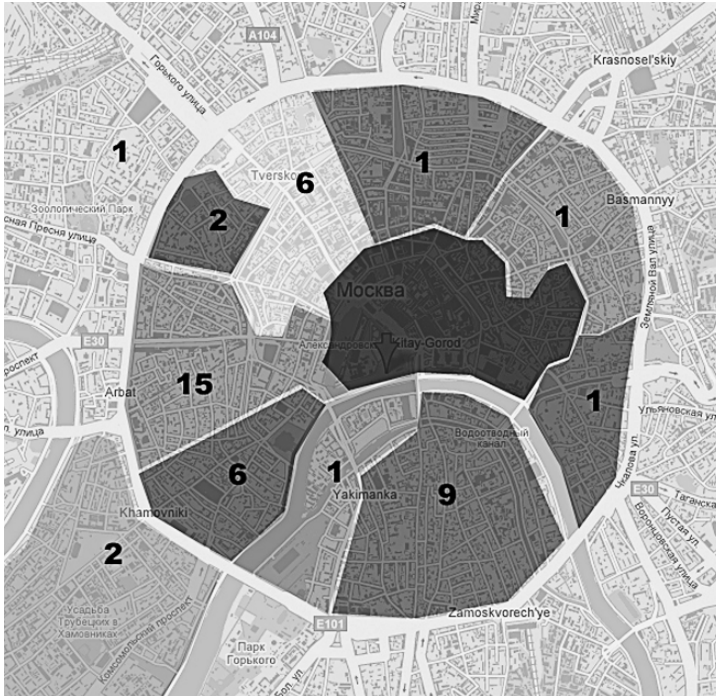


Fig. 12.6 Number of advertised elite compounds in inner Moscow by district, October 2005

Source: Penny Lane Realty

corridors, which, although not quite as prestigious, are attracting a large share of the new upscale developments as well⁸ (Figure 12.7). The western suburbs of Moscow have always been free from industrial pollution due to their location relative to the industrial zones and the direction of the prevailing winds. These suburban areas have also enjoyed easy access to most of the regional recreation opportunities (Figure 12.8). This has not been the case in the eastern and southeastern environs of Moscow, which have not succeeded in attracting significant interest by the upscale sector of the housing market (Concordia Asset Management, 2005).

The diffusion of upscale housing in Moscow's environs has been paralleled by the eager acceptance of the car as a main mode of transportation for the upper and the middleclass households. Automobile ownership in Moscow, reaching one car per family, is twice as high as the national average (Borisov, 2003). The density of roads and the quality of the road network in Moscow Oblast is the highest in Russia. The province has 32.5 km highways per 100 sq km compared to Russia's average of only 3.2 km. The highways and beltways crisscrossing the province are easier to upgrade than the network of Moscow's streets as road improvement

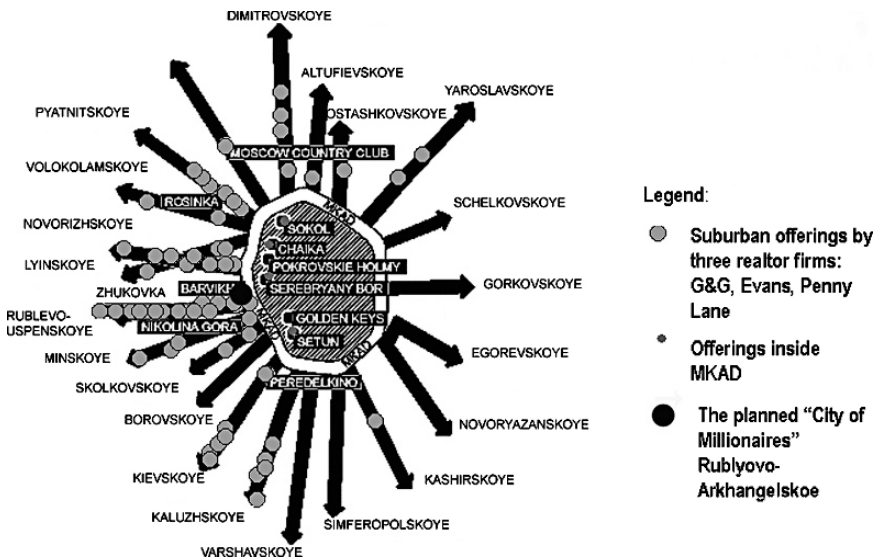


Fig. 12.7 New gated communities in the environs of Moscow

Source: Based on October-November 2004 offerings in the databases of G&G, Evans, and Penny Lane Realty.

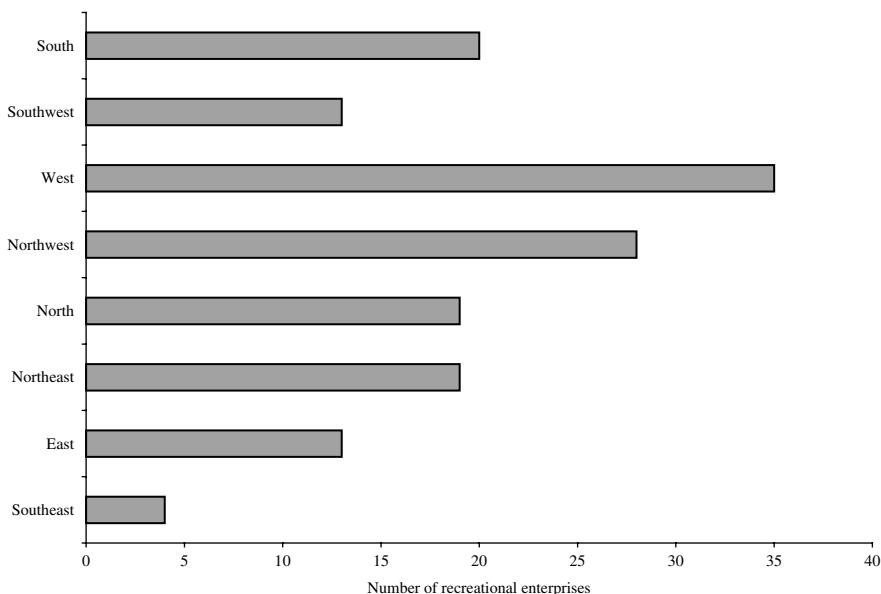


Fig. 12.8 Recreational enterprises around Moscow, 2004

Source: Expert, 2004

projects are rarely faced with the opposition by powerful land users or custodians of historical landmarks, typical inside the city boundaries.

Developers of upscale housing outside of Moscow's municipal boundaries do not face the constraints imposed by the master plan of Moscow either. The province does have a similar document, but local authorities are more accommodating to the needs of large-scale developers. For many outlying jurisdictions, the construction of upscale housing is the only way to improve cash flows, job opportunities, and local tax revenues.

Unlike the dacha that is habitable mainly in the summer, the modern suburban house in Moscow's environs is a year-round dwelling with the same or better comfort as an elite apartment in the city. The residents of the new suburban dwellings find the rural tranquility of Moscow's periphery, combined with the modern day comforts of the luxury housing, an irresistible choice and quite a bargain in the Moscow's heated housing market. For the price of a luxury condo in the city, they can get a substantially more spacious house in the suburbs, with the same or better security, a garage, broadband Internet access, and dependable cellular phone communications.

For many "New Russians," owning a house in the suburbs of Moscow is a source of income. In most cases, these properties are rented to foreign individuals with business accounts or job contracts with a generous housing allowance. In 2005, rental properties comprised the majority of dwellings in 20 villa settlements, bringing rental incomes comparable to the elite rental apartments in Moscow.⁹

The new suburban settlements have been very successful in attracting wealthy residents by copying well-known prototypes of the past. Besides using the traditional appeal of the dacha residence, developers have employed the scheme of the exclusive townhouse communities built initially for diplomatic families. One of the oldest developments of this type is Pokrovsky Hills, a gated community with over 200 detached and semi-detached houses and rents ranging from 6 to 10 thousand USD. The site is off the Leningradskoye highway, with its boundaries framed by the Moscow Canal and the Pokrovskoye-Glebevo Park. It is adjacent to the site of the Anglo-American International School, which was started in 1949 on a campus covering 6.5 hectares of parkland (Expatriate.Ru, 2005). Another similar community, Rosinka, is located in the northwestern suburbs of Moscow, not far from Le Meridien Moscow Country Club. It is composed of 217 luxury townhouses scattered around a lake with a sandy beach. The list of communal facilities includes a preschool, day care center, and the British International School.

The escape from the urban problems and congestion in Moscow, however, comes at a price, which includes, besides the premium rents, the long commutes to the city. In the last few years, however, the western suburbs have begun to combine new housing developments with jobs and services. The suburban growth of Moscow is unfolding in a sequence characteristic of the evolution of the Western European and North American suburbs – the development of suburban territories started with upscale housing, followed by communal facilities, shopping, and, finally, jobs.

The trajectory of suburban development in the outskirts of Moscow has reached a stage in which entire large-scale exclusive communities are planned as environments complete with most urban functions. A primary example of this is Rublyovo-Arkhangelskoye (also known as the Town of Millionaires). The project, set to rise on a bend in the Moscow River just west of the city limits, will host 30,000 residents on a 430-hectare site. According to the plan approved by the government of the Moscow Region, construction is set to begin in 2006. The project, estimated to cost over 3 billion USD, is financed by “Nafta-Moskva” holding, owned by Mr. Suleiman Kerimov, a well-known billionaire and a State Duma deputy.

12.4 Conclusion

In the beginning of the twenty-first century, the housing market in Moscow is characterized by the boom of the upscale segment of the market. The demand for luxury residences continues to grow faster than the supply. A number of factors contribute to this imbalance, but the most important ones could be listed as follows:

Demand

- Most residents of Moscow, or at least those who can afford it, are driven by a desire to escape the drab environments of the Soviet mass-produced housing estates and move as fast as they can to new or renovated upscale dwellings.
- The upscale housing market has opened a lucrative investment niche and rental revenues have aided the expansion of capital formation in Moscow.
- The successfully developing knowledge-based sectors of Moscow’s economy are pushing the demand side of the upscale housing market.
- A recently started mortgage financing system has helped to channel domestic capital into the real estate market, opening up the upscale segment of the market to a wider circle of Moscow residents.
- The upscale housing market attracts investors not merely by the promise of handsome returns, but as a safe niche for diversification as well. Unlike the oil industry, this sector of the economy seems to be shielded from government intervention.

Supply

- Constrains on the supply of upscale housing due to the lack of available or suitable sites in the city
- Limited accessibility to suburban areas due to lower levels of service by public transit or inadequate road capacity
- Opposition to upscale developments by citizen groups fighting against gentrification or protecting the historical character of the built environment
- Continuation of bureaucratic procedures for issuing building permits
- Restrictions imposed by the Master Plan of 1999¹⁰.

The market economy mechanisms work in Russia with notorious imperfections and obstacles. Uncertainties about the future of the private sector loom in the background of all business transactions in view of the historical tendencies of the government to interfere in all economic affairs, a fear buttressed by the recent case of Yukos. The situation has prompted the renowned social analyst Otto Latsis to call for “a new, fundamentally different social contract” (Latsis, 2005).

The upscale housing market, as well as real estate development in general, suffers in particular from the Russian archaic, over-complicated, and contradictory laws on land transactions. Ownership of a residence rarely means ownership of the occupied land, and land rents are set administratively, at the pleasure of Moscow’s authorities.

The Russian Union of Industrialists and Entrepreneurs has prodded the federal Economic Development and Trade Ministry to institute a procedure for land buy-out by building owners. Unfortunately, Moscow’s Law on Land Tenure and Development is at variance with federal regulations on the land buy-out. Moscow’s authorities have devised a system that effectively blocks the buy-out option, thus preserving the City’s monopoly over the ownership of land. The municipal administration has used for this purpose the Land and Urban Planning Codes, which have the stated goal of controlling land speculation. In reality, however, the city administration has reserved its right to act as the only speculator in town (Lazarevsky, 2004).

The complications with urban land ownership in Moscow illustrate inconsistencies in the implementation of policies adopted during the transition period by the municipal and national authorities. These inconsistencies reflect an ongoing battle between the pro-market and pro-government control ideologies within the power structures of Russia. This battle brings uncertainties clouding the prospects for the future of upscale housing in Moscow. On the other hand, the wealth generated by the economy, including the upscale housing sector, has empowered the pro-business circles, tilting the scales in their favor in this clash of ideological views.

The negative social connotations of the luxury segment of the housing market should not overshadow its positive impacts. The boom of the upscale housing developments in Moscow has expanded the spectrum of jobs, contributed to the robustness of Moscow’s economy, and provided funds for the improvement of social services for the residents of the capital. In addition, the upscale housing sector became a new essential source for tax revenues funding the municipal programs for affordable and subsidized housing.

The explosion of the upscale housing sector of the real estate market in Moscow is a rather special case in the contemporary urban transformation of the former Eastern Block countries, both because of the nature of Moscow’s market and the specific socio-economic circumstances of the post-Soviet transition. In terms of its political and economic development, Russia remains a very special case in post-socialist Eastern Europe. Moscow’s experience with the luxury housing market, however, highlights some of the key issues of urban development during the transition period presented in their extreme light: the contested and fragile

balance between government and market forces, the fermentation of a new socio-spatial urban structure from the egalitarian fabric of the socialist city, the transferability of ideas and notions about contemporary patterns of habitation. In this sense, the case of Moscow presents lessons that are relevant not just for the other post-socialist cities of Central and Eastern Europe but for many societies making the transition to a free market economy within a compressed period of time.

Notes

¹ The share of manufacturing in Moscow's land-use is projected to decrease from 20 percent in 1999 to 14 percent in 2020 (Kuzmin, 1999). For comparison, the share of industrial land in the large cities of the U.S. is just about 5 percent (the same as commerce), while housing occupies nearly 1/3 of the urban land (Hartshorne, 1992: 221).

² Most notable among them is the thoroughly examined case of housing regeneration in the Ostozhenka neighborhood (Gdaniec, 1997; Badyina and Golubchikov, 2004a; 2004b). While some critics are hailing the project as an Art Nouveau wonderland (Osipovich, 2005), others have cautioned against developing "an increasingly exclusive city center to the detriment of lower income groups" (Alden et al., 1998: 369).

³ Upscale housing in this publication means dwelling units or complexes that the Guild of Realtors of Moscow lists as the Class A category and the topmost "elite" category including gated communities.

⁴ Our data are checked for consistency by multiple sources and by our field observations. Moscow's new business environment permits this verification process as the housing market is very competitive and well advertised. The housing market information is regularly updated and coordinated by the Moscow Guild of Realtors (MAGR).

⁵ The economic base analysis, a well-established branch in econometrics, offers Location Quotients (LQ) as a measure of specialization in cities (Bogart, 1998: 148; Shaw and Wheeler, 1985: 304). Every $LQ(i) > 1$ tags a sector of employment capable of bringing a net inflow of money to the city from the rest of the country.

⁶ The Marketology Guild of Moscow provides annual surveys of the structure and upward mobility of the rich. The Guild's president, Igor Berzin, summarizes the survey results in the BTL Magazine (Berzin, 2005). Corroborating information is available from competing surveys made by such agencies as Expert and Komkon-2 (Salikova, 2005; Blazhenkova and Gurova, 2000).

⁷ The tax revenue collected in Moscow is so large that the city contributes to the Federal budget nearly 30 percent of the national total (Ananina and Schukin, 2005).

⁸ The Rublevo-Uspenskoe highway, considered the premier location in suburban Moscow, has established its reputation long ago as it serviced the legendary dachas of the communist elite. It is neither the widest nor the speediest, but it still features the addresses of the highest-ranked officials in Russia. The nearby Minskoye highway is also popular because of its old dacha compounds and, in particular, because of the writers' village of Peredelkino. Recently, the Novorizhskoye highway, a 6-lane road, has achieved the distinction of the most dynamically developing area in Moscow's suburban real estate market, contributed in large part to the cluster of several reservoirs in its vicinity and a number of upscale recreational facilities such as the Istra Country Club and Country Hotel Bunino. Along the Kaluzhskoye highway, which runs southwest from Moscow, and which has gained in status from serving several presidential compounds, numerous villas have mushroomed in gated communities such as the Belgian Village and Pine Forest Estate.

⁹ Monthly rents of elite residences within Moscow ranged from 2 to 14 thousand USD in 2006. At the top of the market, some cases reached rents of 40,000 USD per month (Penny Lane Realty, 2006).

¹⁰ It should be noted that the 1999 Master Plan does not have legal power as it did not get officially adopted. Article 15 of the national constitution explicitly forbids enforcing unpublished normative documents. The problems surrounding the non-enforceability of the plan are discussed at length in the 2005 "City Almanac" (Trutnev and Yakubov, 2005; Smirnyagin, 2005). The Master Plan has

been used by the municipal government as a guiding document, but it has been criticized as “a poor coordinator of construction” within the current complex ownership structure (Trutnev and Yakubov, 2005: 80).

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PART 4

THE EVOLUTION OF PUBLIC SPACE

13 Democracy, markets, and public space in the transitional societies of Central and Eastern Europe

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13.1 Introduction

Since the ancient days, when the agora became the focal point of the political, economic, and social life in the Greek polis, the idea of Western democracy has been intrinsically linked with the notion of public space. The Roman forum, the medieval market square, the Renaissance plaza have all served as a main public stage where the framework of social relations was tested, reinforced, or publicly challenged. The balance between the public and private realms has been dynamically reshaped by a multitude of social forces and duly reflected in the physical structure of the city.

Throughout urban history, the extent to which public space permeates the urban fabric has fluctuated, and so has its content. Depending on where the social energies of a particular historical moment are concentrated, the emphasis has shifted among three main functions – the political, the economic, and the social. During times of political instability, public space is charged as a vortex of social discontent, often leading to the dismantling of existing regimes and the unleashing of radical transformative forces. In our consciousness, the collapse of the communist system in Eastern Europe is indelibly linked with images from 1989 of spontaneous mass gatherings in the streets and squares of Central and Eastern European cities – the Brandenburg Gate in Berlin, the Wenceslas Square in Prague, the main boulevards of Bucharest and Sofia. In the following years, the wave of citizens' protests continued to spread on, reaching Moscow's Red Square in the early 1990s, Belgrade's Republic Square in 2000, and Kiev's Independence Square in 2004. From symbols of totalitarian oppression during the second half of the twentieth century, the main public spaces of Eastern European cities turned into a dramatic and potent stage where the heroic struggle for democracy by millions of oppressed citizens was played out in front of a world-wide TV audience.

Since the heydays of the revolutions sweeping throughout Central and Eastern Europe at the end of the twentieth century, the political tensions filling up the public spaces of the former socialist towns have noticeably subsided. This has been a consequence of attaining some of the immediate goals of the reform movement, as well as a result of certain disillusionment with its outcomes, which set

in during the 1990s. Gradually, the romanticism of the revolution and the political impetus it generated were pushed away by the relentless advance of the pragmatic forces of capitalism epitomized by two main processes – privatization and commercialization. In terms of urban form, this has been reflected in a significant reduction of the public realm and a dramatic transformation of the very nature of public space vis-à-vis the socialist city.

13.2 Characteristics of public space in the socialist city

The unique features of the socialist cities in Central and Eastern Europe are best exhibited in a comparison with their Western European counterparts. Relative to the nature of public space, such juxtapositions reveal three main areas of distinction reflected in: 1) wide quantitative variations between Eastern and Western European cities in terms of their share of land in public use; 2) distinctly different patterns of public space distribution; and 3) stark differences in the functional content of public spaces.

In the socialist cities of Eastern Europe, most space was public by default. In some countries, such as Russia and Yugoslavia, all urban land was appropriated by the state. In others, private ownership of urban land was limited in various degrees, but it was confined mainly to individual residential properties. Yet the majority of the urban parcels – all of the areas covered by commercial, industrial, and institutional uses, all parks and recreational areas, historical districts, and the territories covered by large housing estates – were invariably held in public ownership. Added to this body of public land were the streets, the squares, and the land used for public utilities, thus bringing the share of public land in the socialist city to roughly three quarters of the total urban area. In cities of the capitalist West, the ratio between public and private land is more or less inverse, with a combined share of public space taking about a third of the total urban area.¹

The amount of public land in the socialist city was not only significantly greater, but it was distributed in a pattern that was quite different from the geographic allocation of public space within the capitalist city. In Western European cities, public space typically tends to be clustered in and around the urban core, with the exception of some public parks scattered towards the urban periphery.² Such public space gradient decreasing with distance from the center was not characteristic of the socialist city where large expanses of industrial, institutional, recreational, and public housing developments dispersed public uses throughout the urban fabric.

The abundance of public space in the socialist city and the dispersed pattern of its distribution resulted in a lower intensity of its use relative to the utilization of public space in the capitalist city. Added to that was the fact that socialist cities lacked or significantly curtailed one of the most vital functions of public space – its utility as a marketplace. Curbing private entrepreneurship and limiting commercial activities to a few state-run retail centers drained from the socialist city the energy that has been invigorating urban spaces since the early days of the Western civilization. In

spite of its relentless efforts to infuse public space with ideological meaning, the socialist state could not fill in the vacuum created by the withdrawal of commerce from city streets and squares. The importance of the formal public spaces inserted by the communist regime in the urban fabric of the Eastern European cities seems greatly overstated in urban literature. The ideologically charged monumentality of the central squares, decorated for the proper “celebrations” of the Communist Party’s glorious leadership, stood in stark contrast with the abundance of desolate, unkempt, and undifferentiated open spaces characterizing the majority of the urban landscape in the socialist city. Under these circumstances, social interaction remained the only viable function of public space. Unlike the Western European city, however, where those functions are channeled to a fairly limited number of reasonably well-defined streets, squares, and parks, and where social interaction is supported and induced by commercial activities, in the socialist city social interactions were diluted throughout the urban fabric in an entropic fashion.

Overall, within a few decades after the end of World War II, the socialist system dramatically changed the nature of public space in Central and Eastern European cities by imploding its share, diffusing its patterns, and curtailing the mix of functions it contained. Naturally, the dismantling of the socialist system, with the ensuing shift in the balance between the public and private realms, has led to a massive reorganization of public space within the changing structure of the post-socialist city.

13.3

Post-socialist transformations of public space

The realignment of public space in the post-socialist city has been a result of two powerful processes. The first one is defined by the need to address the imbalances and distortions in the relationship between the public and private realms inherited from the socialist past. Within the physical structure of the post-socialist city, this process is reflected in the reestablishment of a spatial organization characteristic of the Western European settlements through: a dramatic reduction of the share of public space; a centralization of its patterns of distribution; and its infusion with a wide assortment of commercial activities. The outcome of these processes has coincided to a great extent with the direction in which global forces have been reshaping public space in cities throughout the world since the beginning of the 1980s. The precipitous rise in the power of international corporations and the revolution in communication technologies, both gaining momentum towards the end of the twentieth century, have combined to render traditional concepts of public space obsolete (Banerjee, 2001; Mitchell, 1995). The overlapping of these two major factors – the internal pressure to transform the outdated and dysfunctional spatial structure of the socialist city, on one hand, and the advances of global capitalism and technology as major agents of change in the region, on the other – have generated a tidal force sweeping through cities of Central and Eastern Europe, resulting, among other things, in a massive privatization of public space.

13.3.1 The privatization of public space

In the climate of glorified market liberalism permeating all spheres of life in the reform-driven societies of the former Soviet Block, privatization has become a panacea for all social ills. The new dominant neo-liberal ideology called for a wholesale privatization of urban land, housing, and most economic activities, including production, commerce, and the delivery of services. The spatial impacts of this strategy on the fabric of the city reveal a radical shift in the shares of public and private space.

The policy of privatization through restitution of urban properties has had the strongest impact on the reduction of public space in the post-socialist city. This process has transferred the majority of urban parcels into private hands, including many areas that were previously utilized for public uses – modest pieces of land serving as playgrounds, small neighborhood parks, undeveloped slivers of open space nested within the densely build inner city neighborhoods. The impacts of land privatization have been even more visible in the peripheral socialist housing estates, where numerous new residential buildings, oddly placed retail centers, and a staggering number of gas stations have sprung up on restituted property carved out from the open spaces surrounding the prefabricated high-rise dwellings. The process of land restitution has inevitably created significant amount of tension between the old residents, who see the disappearance of open space as a negative trend deteriorating the quality of life in their communities, and the new (old) land owners, who want to exercise their reestablished property rights by developing their lots at maximum densities. In this battle, the defenders of public space frequently find themselves on the losing end as the new laws, adopted in a hurry after the fall of the communist regimes, invariably place individual property rights above public interests. The drive to reestablish private property rights has been so strong that it has not spared even the territories of the urban park systems.³ The process of restitution has been carried out in some CEE countries with such zest that rumors of municipal governments restituting existing streets have gained considerable credibility among citizens affected negatively by the disappearance of cherished community spaces.

Indeed, most Eastern European local governments have quite eagerly squandered the majority of their municipal assets. Squeezed by the sharp drop in state subsidies and the rising costs of providing public services, city authorities have not only willingly transferred properties to restituted owners, but resorted to auctioning off most of the remaining municipal assets as a way of increasing revenues and cutting down expenses. The list of privatized properties, previously in public use, has included not only the majority of the public housing stock, pieces of undeveloped land, playgrounds, and segments of existing parks, but community halls, sports arenas, and historical landmark buildings as well. Widespread corruption among government officials has fueled the wholesale disposal of public land and space through shady deals and the formation of questionable public-private

partnerships as a result of which valuable community resources have ended up in the hands of private developers with little concern for the public wellbeing.

The extent of the public realm in the post-socialist city has been further eroded by the proliferation of development patterns that have curtailed public access to ever increasing portions of the urban fabric. The instant popularity of gated communities throughout post-communist Eastern Europe is a phenomenon that has not received due attention in urban literature, a surprising fact given the magnitude of the process and its impact on the dynamics of urban life in the post-socialist cities. The process of fragmentation of the urban fabric into small isolated pieces has spread as a brushfire, claiming ever greater chunks of urban land for exclusively private purposes. The “balkanization” of the urban fabric has mimicked to some extent the processes of dissolution of the Eastern Block, and the Soviet and Yugoslav federations. The desire for greater autonomy, coupled with the decline of centralized power, has created a mosaic of smaller independent units within of states and cities alike. The results, however, have been quite different at the two levels. While at the national scale this process cut off artificially imposed bounds, allowing the healthy growth of individual states, on the level of the city the fragmentation and isolation of pieces of the urban fabric has seriously eroded the functioning of the urban systems. The two most visible outcomes of this process have been the radical increase in traffic congestion and the precipitous rise in socio-spatial stratification. The striking popularity of gated communities in the post-socialist city (see Chapters 11 and 12, this volume) underscores the failure of both the preceding communist regimes and the governments which followed to build an equitable and just society. Seeking rescue from the chaos of the post-socialist reality, most residents with means have decided to build their own insulated version of personal paradise, letting the rest of the city crumble to pieces. If they have chosen not to do this in the mushrooming new suburbs, they typically opted to parcel off pieces of land in the city, equipping those urban islands with an impressive assortment of tall fences, private guards, and security cameras. The fear of the messy and unpredictable urban environment, which has dominated the patterns of post-war development in North American cities, has taken hold of the Eastern European psyche, or at least of that segment of the population who has subscribed to their own version of the “American dream” (Blakeley and Snyder, 1997; Hayden, 1984).

The concept of partitioning urban space into pieces designated for the exclusive use of specific groups has been embraced not just as a formula for the new upscale residential developments, but it has become the new dominant philosophy of appropriating urban space employed in the design of numerous fashionable shopping centers and office parks alike. As a rule of thumb, those developments have made little effort to embrace the idea of making themselves accessible to all residents by linking their location to the system of public transit or by integrating their site design within the existing framework of public spaces. With the majority of such projects built in the suburban periphery, the idea of enhancing the vitality of existing neighborhoods is given little consideration, ruled out by the traditional

developers' predilection for parcels with low land costs and high automobile accessibility. The design of such shopping and office developments is based on the same logic determining the selection of their location. The glossy new buildings are intended to attract the eye from the urban freeway, not to entice pedestrians. Most often, these developments are surrounded by vast expanses of parking or, in cases when they are forced to coexist with surrounding neighborhoods, the buildings are arranged around an interior space turning their backs on whatever happens to be around (unless of course it is a high-speed arterial road). Such development patterns have fractured the continuity of public space, twisting its structure and characteristics in a dysfunctional, automobile-dominated environment, shifting the focus from social interaction to individualized consumption.

The new shopping centers, such a novelty in the Eastern European urban landscape, have undoubtedly attracted sizeable crowds and the argument is often made that they would become the new public spaces of the post-socialist city. Yet, it is hard to imagine that the next revolutions could be instigated on the parking lots or food courts of the suburban malls and discount stores. Whether these places will achieve the status of "new downtowns," as their American counterparts did in the 1980s (Rybczynski, 1993), is an open question. There are already some signs that the popularity of suburban malls and big box retail is quickly wearing off and that the city centers will survive the competition from the onslaught of suburban development, relying on the strong European traditions of urban life. A critical component of tipping the balance one way or another is going to be played by the set of public policies adopted by municipal and state governments. During the period of transition, they have unquestionably favored the forces of decentralization and privatization, but public concerns for the negative impacts of commercialization, suburbanization, and the fate of the inner city are slowly gaining traction in political circles.

13.3.2 Commercialization of public space

Some of the strongest public reactions towards the ways in which the built environment of the post-socialist cities has been transformed have been provoked by the blatant commercialization of the public realm. This process was to a great extent an inevitable outcome of the release of the entrepreneurial energies following the crash of the socialist system. After a half-century, during which most expressions of private initiative had been suppressed by the communist state, the citizens of Eastern Europe broke free from the grip of the central authorities controlling all facets of economic life. For many residents impacted by the closure of the state-run enterprises, starting a small business was the only chance for survival. Thus, a large number of new entrepreneurs emerged overnight, some of them quite enthusiastic about the prospects of economic freedom, others quite hesitant in their first steps in capitalist marketplace. All of them, however, needed to find space for their newly established businesses, triggering a wave of intense urban space appropriation.

Residences, basements, and garages were turned into offices and shops, infusing the dormant public spaces of streets and squares with energy, which spilled over to the most secluded corners of strictly residential communities. In a manner reminiscent of urban life in the Middle Ages, all nooks and crannies of the city fabric were utilized as spaces of small-scale production and trade (Andrusz, 1996).

In this process of urban transformation, not all cities fared equally, some quickly gaining advantage as hubs of trade and commerce over others, which struggled to gain their footing in the emerging new economy. The most dynamic changes took place in the national capitals, big regional centers, and cities in border regions benefiting from their greater connectivity with the world beyond the former Iron Curtain. The energy field generated by the sprouting commercial nodes and corridors infused the streets of those cities with people, traffic, and lights.

Urban form was another significant factor determining the pace of economic transition and, by extension, the character of public life on the streets. Cities with a larger proportion of pre-socialist quarters were better positioned to adapt to the restructuring of economic life, compared with the settlements developed mostly during socialist times. In these urban areas characterized by traditional urban fabric, restitution quickly turned over larger shares of the urban environment into private hands, spearheading redevelopment and conversion of former residential or institutional properties into commercial uses. The newly restituted parcels were speedily refitted and placed on the market where the demand for commercial space exceeded greatly the supply. The relatively small size of the parcels and buildings located in the older, pre-socialist quarters was a good match for the needs and means of most business startups at a time when real estate and business financing opportunities were fairly limited. The quick turnover of properties to commercial use and the vibrant street scenes in these older cities and districts stood in stark contrast to the latent public spaces of post-war origin where the monuments of socialist architecture loomed over lifeless oversized boulevards and squares. Gradually, small-scale businesses made inroads into some of the larger structures but the majority of them remained vacant for a number of years. It was not until the second half of the 1990s when the appearance of the global corporations on the Eastern European scene signaled a new stage in the commercialization of urban space.

Once the global capital determined that Eastern Europe is a fertile ground for spreading the seeds of consumerism, the international corporations made sure to establish their presence in no uncertain terms by filling up the most visible territories of the public domain – the primetime TV slots and the main squares and street corners of every large city in the region. The billboards of Sony, McDonalds, and Shell replaced the ubiquitous communist slogans, adorning many building rooftops and bombarding the senses of a mesmerized Eastern European audience with vigor on par with that of the communist apparatchiks in the pre-1989 days. Today, the insignia of the corporate world tower over a sea of smaller commercial banners and garish advertisements obliterating the Eastern European streets, desperately trying to catch the attention of a public that has grown callous over the barrage of commercial messages oozing from all corners of public space.

The essence of the tumultuous evolution of public space in Central and Eastern Europe during the twentieth century is most vividly exemplified in the history of Potsdamer Platz in Berlin. Located on the very edge that divided Europe and the city of Berlin for three decades, this site was an epicenter of Europe's cultural life in the 1920s. After World War II, this jewel in the crown of Berlin was turned into a dreadful urban wasteland by the madness of the Cold War ideology. Today, the site draws again large crowds of people, flocking to the cornucopia provided by the cutting edge entertainment and shopping opportunities nested between the towering headquarters of the Daimler-Benz and Sony corporations – the true patrons and guardians of this quasi-public space.

13.3.3

The transformation of streets and urban transport

When thinking about urban public spaces what first springs to mind are the parks and the plazas of a given city. They are considered the preeminent elements of public space, mostly because their primary intent is to serve as places for social gathering and interaction. A fact that is often overlooked, however, is that the largest share of public land in cities is taken up by another element of their spatial structure – the street. Streets perform primarily utilitarian functions to which the social component is attached as a consequence rather than a *raison d'être*. They serve as spatial connectors, conduits of movement, and a primary element of ordering urban development, setting up the basic pattern of land subdivision and the spatial framework of public service provision (including not only transportation, but electricity, gas, water and sewer, fiber optics, etc). Yet, streets provide also the spatial container where most unscripted social interactions take place. In some urban areas distinguished by their public spaces, such as the extension of Barcelona's historical core planned by Cerdà in the mid-nineteenth century, or the downtown area of Portland in Oregon, streets take up to 40 percent of the land (Siksna, 1998). In contrast, in urban areas that are intensely private, such as most of the post-war North American suburbs, the share of land dedicated to streets hovers around 10 percent (Moudon, 1992).

Not surprisingly, the trend in the post-socialist cities of Central and Eastern Europe has been marked by a sharp decline in the provision of public space. The boom in urban construction, channeled to peripheral new developments and the densification of some inner city districts, has not been paralleled by a corresponding increase in the capacity of the street system. The provision of new streets and public infrastructure, as a general rule, has been kept to a bare minimum due to developers' reluctance to increase their construction costs and the inability of financially strapped city governments to keep up with private construction, particularly in the expanding suburbs.

Overall, the twentieth century evolution of the street network in CEE cities parallels the one followed in the West, but here the spatial patterns are better articulated as they are directly related with changes in the dominant ideologies of

the time – from the small-scale pre-war urban grids of the bourgeois past, to the superblocks of the socialist industrial mega-projects and large housing estates, to the fragmented cul-de-sacs of the post-socialist gated compounds. The trajectory in the evolution of the street network in Central and Eastern European cities highlights a path leading to the increasing erosion of the quality of public space. This trend has been fortified by the intense post-socialist privatization of the modes of transportation, which, in turn, has resulted in increasing levels of congestion, pollution, and social isolation. The old age of the automobiles crowding the streets of Central and Eastern European cities⁴ has become a main cause of pollution in urban areas, surpassing the level produced by industrial sources.⁵ Data on road accidents indicate that traffic safety is another major problem for the region, the newly accepted members topping the list of EU countries with most deaths caused by traffic accidents in 2004 (EU Press Releases, 2006).

The process of massive privatization of urban space and activities that followed the dismantling of the socialist system has affected significantly urban transportation. During the period of the transition to a market economy, the efficient system of extensive public transit characterizing the socialist city has been replaced by a heavy reliance on the private automobile as a dominant mode of transportation. In most CEE cities, the share of trips served by public transit dropped from a high of 80 to 95 percent at the end of the 1980s to about 60 percent by the end of the 1990s (International Transit Studies Program, 2003). In the last few years, in cities like Budapest, Prague, and Zagreb, the share of public transit has fallen below 50 percent (Tosics, 2004). At the same time, automobile ownership has increased to levels comparable to Western European standards. Between 1990 and 2004, the number of registered cars per 1,000 residents almost doubled in Eastern Europe (tripling in Lithuania and Latvia) (Table 13.1) while in Western Europe it increased by an average of 20 percent. The fast growth of automobile ownership has propelled Sofia, Ljubljana, Prague, Bratislava, and Warsaw among the top ten capitals in Europe in terms of the number of cars per 1,000 residents (Urban Audit).

The reasons for the explosive growth rates in automobile ownership in the region of Central and Eastern Europe are manifold. The most frequently cited one is that buying a car in Eastern Europe has become a lot easier. Studies have confirmed that, in the context of rising income levels in the region, the costs of owning a car have declined while the costs of using public transit have effectively increased (International Transit Studies Program, 2003). Moreover, due to the introduction of market economic principles, the supply of automobiles to Central and Eastern Europe has increased sharply meeting the pent-up demand created by decades of insufficient supply and restrictions imposed by the socialist economic system. Since the early 1990s, the growing fleet of private automobiles was joined by the pickups, vans, and small trucks needed for the operation of thousands of new private businesses supporting the daily operation of the post-socialist city.

Another significant factor in the proliferation of private automobile use is related to the increased rate of suburbanization triggered during the transition period. The majority of the new residential and commercial development taking place at the

Table 13.1 Number of registered cars per 1,000 residents

	1990	2004
CENTRAL AND EASTERN EUROPE		
Czech Republic	234	373
Estonia	154	350
Latvia	106	297
Lithuania	133	384
Hungary	187	280
Poland	138	314
Slovenia	289	456
Slovakia	166	222
Bulgaria	196	318
WESTERN EUROPE		
Denmark	309	354
Germany	485	546
Greece	171	348
Spain	309	454
France	415	491
Italy	483	581
Netherlands	368	429
Sweden	421	456
United Kingdom	375	463
NORTH AMERICA		
Canada*	445	550
United States*	739	776

Source: Eurostat

* Data for US and Canada are for 1995 and 2003.

urban periphery has been located on sites poorly connected with public transit, taxing the capacity of a limited number of existing roads (see Chapters 11 and 12, this Volume). The socialist mikrorayons, on the other hand, proved to be ill-suited to meet the new traffic demands as well. Their layouts, planned on a system of superblocks and a limited number of wide arterial roads, have induced some of the worst spots of traffic congestion outside of the metropolitan cores.

One of the most damaging impacts on the system of urban transportation in the post-socialist years, however, has been caused by certain policies adopted universally throughout Central and Eastern Europe during the 1990s and leading to a sharp withdrawal of support for public transportation. Pressured by the reigning neo-liberal philosophy of the transition period and the directives of the international financial institutions, state and municipal governments cut drastically their transit subsidies, confirming Pucher's observation that the more market-oriented a state is, the more neglected is its public transportation system (Pucher, 1990). The dwindling subsidies for public transit led to sharp fare increases, which, coupled

with the eroding quality of service delivered by obsolete fleets (Crass and Short, 1995), resulted in further ridership losses. Between 1990 and 2000, annual ridership in Riga fell from 700,000 to 250,000 passengers. Similar decreases were recorded in Tallinn where the number of annual public transit passengers declined from 400,000 to 150,000 (Fig 16.9). The rate of decline has slowed down since the end of the 1990s as some investments have been made in rehabilitation of fleets and tracks. Most cities in the CEE region, however, continue to experience ridership decline. In Sofia, for instance, the number of public transit passengers dropped from 700,000 in 1998 to 500,000 in 2005 (Stanilov, 2006).

13.3.4

Public policies and public space

Sadly, the majority of public policies adopted during the transition period have inflicted considerable harm to the system of public spaces in the post-socialist city, particularly evident in the sphere of transportation planning. The main thrust of the effort there has been aimed at accommodating the growing number of automobiles at the expense of undermining all other modes of transportation (European Academy of the Urban Environment, 2003). Voices calling for managing the use of private vehicles have been perceived as an outright assault on the newly gained individual freedoms (Crass and Short, 1995; Suchorzewski, 1999). Thus, most of the public financing for improvements in the transportation system has been directed to expanding the vehicle carrying capacity of streets by adding new traffic lanes and building multi-level intersections, with the main purpose of moving more cars faster. Such policies have achieved little but induce more automobile use, thereby considerably aggravating the existing traffic and transport problems, and eroding the quality of public space.

There has been very little evidence that public authorities in Central and Eastern Europe are cognizant of the issues concerning more sustainable mobility patterns. Some cities, such as Warsaw and Bucharest, have adopted transportation master plans, but their implementation has been slow, impeded by resistance from automobile users and a lack of political will to enforce the plans (International Transit Studies Program, 2003).

In addition, many of the transportation plans and policies adopted by Central and Eastern European cities since the mid-1990s have been mired by serious shortcomings. The most common one has been the poor integration between transportation and spatial planning. In the context of supporting private initiative, development projects with significant impact on the urban environment have received quick approval without much concern given to their integration into the existing or proposed transit and public space networks. While investors have been genuinely interested in the prospects of development in areas around existing or future transit nodes, the lack of readily available properties, the uncertainty of sustained government support, and the difficulties of implementing projects on these sites have pushed the majority of real estate investors to location that are easier and

cheaper to develop. Quite often, these locations are removed from the transit network, yet municipal governments have been reluctant to deny development for the lack of connectivity alone. Thus, the poor coordination between development plans and urban transportation systems has led to chaotic and inefficient traffic patterns, which have generated bottlenecks in the existing street network.

Conservative thinking among planners and public officials is another factor for the worsening traffic problems in the post-socialist city and the eroding quality of its public spaces. Alternative modes of transportation such as walking and bicycling are given very little consideration viewed as irrelevant for the scale of the modern twenty-first century metropolis. Investments in older forms of public transit such as streetcars are seen as waste of public resources as these older, slower, and less convenient systems have been deemed to stand no chance in competition with the private automobile (Suchorzewski, 1999). The severe and most obvious problem with parking in the central districts, where parked cars clog most streets and sidewalks, is addressed primarily with proposals for spacious underground garages. The impact of such measures to be implemented in Prague and Sofia is not difficult to predict – they will attract more cars to the city centers, thus increasing further traffic congestion (Sýkora, 1999a).

It is disheartening to see how cities in Central and Eastern Europe seemed doomed to repeat the mistakes made by Western European and North American cities after World War II when the West embarked on ambitious projects to reshape the urban environment in order to clear way for the automobile. One would have expected that the lessons learned from this experience would be transferred to the East, particularly when the intent is to integrate the former socialist countries in the European Union. Unfortunately, the majority of EU's pre- and post accession programs and financing has been directed towards transnational corridors and improvements in regional road infrastructure. National policies in the CEE countries have followed blindly this agenda, committing a majority of their limited resources to the implementation of such projects without much reference to local context and needs (Stability Pact Watch Group, 2004). Undoubtedly, the improved accessibility to interregional networks within metropolitan areas resulting from such investments will have a significant impact on the rearrangement of urban activities. Land along to these corridors is already being set aside for the construction of new shopping malls, production facilities, and distribution centers, supporting the forces behind suburbanization and public space evasion. The damaging practice of weak integration of transportation and spatial planning on different scale levels has been continued and extended under the supervision of the EU administration.

13.4 Conclusions

The nature of public space in the post-socialist city has been significantly altered during the period of transition. In the last 15 years, the basic characteristics of the system of public spaces have undergone a process of intense revision in Central

and Eastern European cities as a result of: 1) internal forces highlighting the inefficiencies of land allocation inherited from the socialist regime and adjusting the urban spatial structure to the requirements of the new socio-economic system; and 2) advances of globalization and technological innovations spreading to most countries of the world during the last couple of decades. An overview of these two factors – the internal forces of reorganization and the impact of external processes – reveals that they are in many aspects intertwined, yet the processes driven by the internal factors, including historic legacies and present public policies, exert a stronger influence on the direction in which public space is transformed. Several trends have been highlighted here as a result of these forces.

Public space has shrunk drastically as a result of a wholesale privatization of urban land and properties, with little concern given to former use and value to the public. The emerging new pattern of public space has been concentrated towards the city core, while a number of quasi-public commercial places have appeared scattered towards the periphery.

Second, the content of public space has been revised by replacing its empty ideological function, promoted by the communist regime, with new energy derived from the proliferation of private initiative and commercial enterprises throughout the urban fabric. The flipside of this process has been the extreme commercialization of public space, with private interests – from small businesses to global corporations – aggressively invading the public domain.

Third, the process of public space privatization has impacted the way in which people move around the city as well, and, as a consequence, the quality of the public domain. The emphasis on private motorized transportation has generated higher levels of congestion and pollution on city streets. Public policies supporting automobile use have contributed to making streets less hospitable to pedestrian use, thus furthering the erosion of the public realm.

All of these processes impacting the quality of public space have coincided with a period when new ways of communication are threatening to undermine the traditional ways of interaction. Digital communication is widely embraced in Central in Eastern European countries characterized by a highly educated urban population with an insatiable appetite for knowledge and entertainment. From the satellite dishes, which adorned many apartment balconies in the early 1990s, to the broadband internet connections provided today even in the smaller provincial towns, Eastern Europeans have confirmed their ability to adapt to the swing of the times. Could the traditional culture of extended community ties, quite strong in most countries of the CEE region, counterbalance the trend towards making space irrelevant as a medium of communication? It is quite likely that if this trend is supported through radical realignment of urban space, the old ways of social interaction would wither away.

A survey of contemporary urbanization reveals that there are three main models from which the post-socialist cities may choose a path in terms of the development of their urban structures and, more specifically, their public realms. The first model could be called the *Open City*. Its features are best exhibited by some of the

most celebrated cities of Western Europe such as Paris, Vienna, and Amsterdam. Public space here is treated as an integral element of the urban fabric, structuring space and movement in the city. This framework is supported by an excellent public transit system in an overall transportation scheme that treats the automobile as an equal participant in the urban circulation. Priority is placed on the needs of the people experiencing the city by foot. The second model could be called the *Private City*, and it is in many respects the opposite of the previous model. The public realm is shrunk to the corridors serving exclusively the utilitarian function of moving motorized traffic, with a heavy accent placed on the needs of the private automobile. Places for gathering are limited to: the parks (some of which are also private); the streets downtown (dominated by the offices of private corporations); and a few market places (developed by corporate sponsors as theme parks for shopping and entertainment). Cities in the southern parts of the U.S., such as Atlanta, Phoenix, and Houston, come to mind as fitting this description. The third model is the *Bazaar City* found in many of the booming mega cities of the developing world. Public spaces here are shaped by the clash of traditional ways of appropriating space and the spatial imprint of global corporations. Circulation patterns are rather chaotic, relying on the inventiveness of local entrepreneurs to navigate their vessels through the urban jungle of traditional (old) and haphazard (new) development.

The following three chapters present cases from relatively remote corners of Eastern Europe, or, at least, from places lying outside of the core group of East Central European cities that has attracted most of researchers' attention in the last decade. There seems to be little conclusive evidence as to which way the places reviewed in this section are heading relative to the three models outlined above. The chapters do make a strong argument, however, that the path which the post-socialist cities will follow is determined to a great extent by the ways in which public space is integrated and defined in the urban fabric and the everyday life of its residents.

Notes

¹ The exact figures, of course, vary from city to city, but the overall distribution of public space in the two contexts maintains this reciprocal relationship.

² While large amounts of land in public ownership (public utilities, water districts, etc.) are also found in the suburbs of U.S. cities, these areas are usually not accessible to the general public (Southworth and Parthasarathy, 1996) and, as such, could not be considered true public spaces.

³ The Architecture and Planning Department of the City of Sofia has estimated that in the last 15 years the amount of open green space in the Bulgarian capital has been reduced by 900 ha, or half of its late-1980s' size (Granitska, 2005).

⁴ According to Eurostat data, 70 to 90 percent of the cars in the Baltic republics are over 10 years old, while in Western Europe the share of automobiles in this age bracket is between 20 and 30 percent (Eurostat).

⁵ A study by the Romanian Auto Registry found that 80 percent of the cars in the country do not comply with pollution standards (Stability Pact Watch Group, 2004).

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14 Public space in the “blue cities” of Russia

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14.1 Introduction

The balance between the public and private realms is an important characteristic of all societies, a key issue in both advanced democracies as well as less-democratic states. The categories of *public* and *private*, however, could vary significantly in their meaning in different societies (Oswald and Voronkov, 2003).

In the writings of Soviet sociologists, one can rarely find the term *private* in use. This directly reflects the tenets of the communist ideology according to which the life of every person has to be “public” at all times. The ideal Soviet citizens, it was proclaimed, should identify themselves with the Soviet society and subordinate their private interests to the social aims of the state (Shlapentokh, 1989). Thus, patterns of public behavior were prescribed as a common standard instilled in the public conscience through the various venues of the Soviet propaganda machine.

The concept of public space in Soviet town planning is most clearly exemplified in the so-called “blue cities” of Russia. This colloquial term was popularized by a song in the Soviet movie “Two Sundays,” which depicted the dream of a better life in post-war Russia, associated with the founding of new cities in the east. These new urban places springing up beyond the Urals quickly became a symbol of progress and prosperity (Tolstoy, 1979). The fact that they were not open to the public gave rise to all kinds of speculation about the reality of life in them, contributing further to their mysterious appeal.

The majority of the Blue Cities were founded during the period of big industrialization programs, between 1955 and 1975, in the northern parts of Siberia and the Far East. The availability of enormous resources of space and minerals in this part of the country combined with the availability of cheap labor resulted in an extensive economic rise of these regions (Tumanik, 2001). Within the span of two decades, close to 800 new towns were built, casting a net of settlements over the remote and sparsely populated lands of the North¹ (Brade et al., 1998). Many of them were developed as highly specialized military, industrial, and research centers (Semzov, 1970) located along new transport lines and development axes leading from important cities along the Trans-Siberian railway to the north. After the 1970s, new cities were created as part of a plan to concentrate different industry branches, such as natural oil and gas refineries, the nuclear industry, and the mining industries used to recover natural resources such as nickel, platinum, and diamonds.



Fig. 14.1 Principles of new town development in the USSR after 1955

Source: Based on materials from Ostsibirische luftgeodätische Gesellschaft and interviews with Soviet planners²

The concept for the urbanization of Siberia included the development of a settlement system including permanent mountain settlements, supporting cities in the South, and base cities and smaller towns in the North (Brade et al., 1998) (Figure 14.1). The base cities were located at the centre of industrial regions and presented a platform from which further development could take place. Beside their basic production functions, these cities served also cultural and administrative needs. This concept for the development of Siberia was instrumental in the evolution of urban planning in Soviet Russia, culminating in the adoption of a programmatic document in 1975 – the General Scheme of Settlement Structure on the Territory of the USSR – which laid down the main principles of spatial development of the country, aimed at an equal distribution of settlements over its territory (Mazanova, 1981). In that sense, the Blue Cities became model settlements of Soviet urban planning theory and practice.

Three of these Soviet settlements – Angarsk, Ust-Il'msk, and Sajansk (Figure 14.2) – are used as main case studies in this paper. These cases clearly

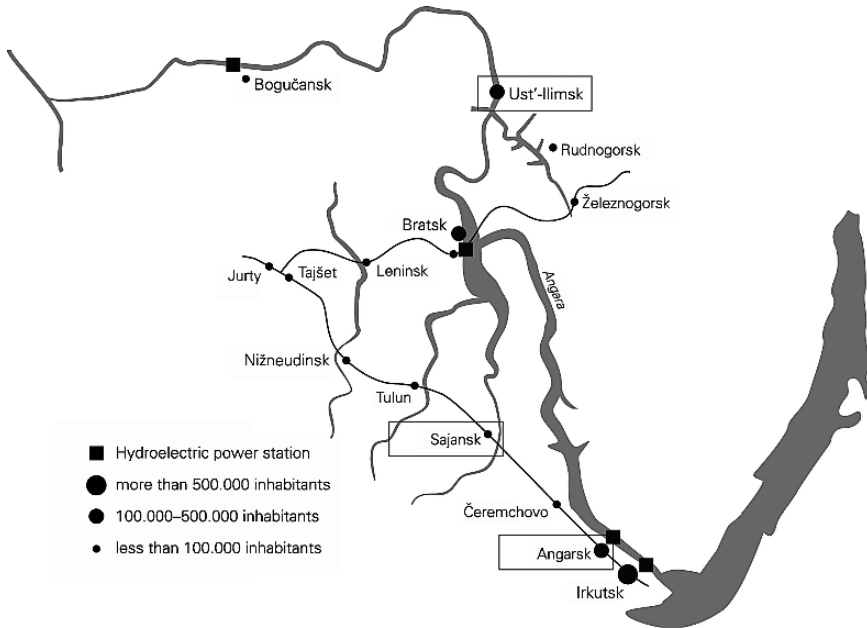


Fig. 14.2 Location of cities in East Siberia

Source: Ogly, 1980

reveal the main characteristics of public space embedded in the socialist city planning principles and the difficulties of the transformation of these spaces after the demise of the old socio-economic system.

14.2 Public space in Soviet cities

One is hard pressed to find a direct translation of the term *public space* in Russian where it does not carry the same weight and meaning as in many of the Western languages. In Soviet planning literature, this term was rarely used since no distinction was made between private and public open spaces. After all, all urban land was owned by the state and, thus, all open spaces in the Soviet city were considered public by default. Russian planners used instead the terms “free space” or “open space” to designate urban areas without buildings. The term “social space” was also in use, its meaning focused on the importance of these areas in the urban structure as centers of socialist life. Public spaces were divided in three groups: a system of social/public centers (*sistema obshchestvennyh centrov*); a street system (*sistema magistrali*); and a green system (*sistema ozelenenija*).

The important role that public spaces had to serve in the new society was noted in one of the earliest and most significant documents of the communist ideology – the Communist Manifesto. There, it was stated that the representative buildings and open-air areas of the institutions for “collective services of social needs” should be treated with priority over the private spaces of the residents. Following this imperative of Soviet town planning, which was exclusively a responsibility of the state and therefore fulfilled a central political and ideological function, public spaces represented a focus for the expression of ideological values. The new socialist way of life was to be clearly demonstrated in the planning and design of urban squares, parks, and boulevards. These spaces were intended to represent the advantages of the socialist system and to serve as inspiration for the proper behavior of its citizens (Goldzamt, 1974).

A salient purpose of public space in the Soviet city was to serve as a visual symbol of the power of the Communist Party. This was achieved through the design and dimensioning of streets and squares equipped with political symbols emphasizing the omnipotence of the regime.³ The center of the city was to be planned as the heart of socialist life, concentrating the majority of the administrative, public, cultural, and trade functions in the urban core (Leucht, 1957). Central squares were planned with monumental proportions at a scale reflecting the superhuman power of the government, rather than the daily needs of the residents. These spaces were frequently used as a grand stage for numerous political parades, festivals, and public celebrations showcasing the advantages of the socialist system (Rüthers, 2003) (Figure 14.3). The control over the use of these spaces and the importance assigned to them was further demonstrated by the high level of their governance, which included not only their dutiful maintenance but also the strict control over



Fig. 14.3 Celebration at the Prospekt Mira in Ust-Ilimsk, 1984

Source: Photos by P. Umichov and K. Lopuchov

access to those areas prohibited for certain unwanted groups including homeless, alcoholics, and drug addicts (not to mention political demonstrators).

These over-decorated public spaces stood in stark contrast with the monotonous housing areas surrounding them on all sides. The system of public spaces was extended into the residential zones where several buildings for communal activities were planned in the center of the housing estates (Vlassov, 1960). Through the design of these public places, the relationship between the public and private realms was to be permanently changed in a process where the two domains would be merged together. Thus, private activities were expected to become public by taking place in designated communal settings. The transfer of private functions into the public domain (assisted also by the cramped living conditions in the residential complexes) led to the establishment of community meeting points such as large communal kitchens, houses for child care, youth clubs, and other communal facilities. By providing this infrastructure and services, the state was able to take over an important part of the daily functions of its urban residents (Gradov et al., 1960).

In Soviet times, there was a wide range of institutions and services catering to the needs for public recreation in sport grounds, ice-rinks, and other sports facilities (Andrusz, 1987). All types of recreational functions were defined as aspects of socialist culture that had to support the wellbeing of each socialist citizen. The whole system of green areas was not only created to improve the aesthetic quality of cities and the health of their population, but to support and reproduce the standards of social behavior spelled out in the program documents of the Communist Party.

The strong hierarchy in the design and function of public spaces was an expression of the transparent desire of the government to control people's lives and activities at all times and all places. This concept of controlling the elements of human existence through environmental design was rooted in the writings of utopian socialists during the nineteenth century and the modernist principles of city planning established in the 1920s. The goal was to substitute the chaos of urban life with a logical organization of space and human activities, one fitting the particular mold of ideological reasoning (Stölting, 2002).

It should be noted that public activities not officially sanctioned by the government, which nevertheless constituted an intrinsic part of daily life, were relegated to less formal areas of the public domain such as train stations, bus terminals, informal markets, spaces around kiosks, etc. Here, spontaneous and unscripted public interaction was taking place under relatively lighter surveillance. This tension within the fabric of the city between planned and unplanned activities, formal and informal places was becoming more intense as the collapse of the communist system was drawing nearer. The unresolved contradiction was predicated on the botched attempt to regulate and plan rigidly all facets of life, disregarding the complexity of human existence.

Public spaces in Soviet cities, at least in their planning conception, were ambitious endeavors, aspiring in their design and wide-reaching in their intent. However, many ideas remained only on the drawing board, primarily due to the persistent lack of adequate financial resources. In many cities, neither loftily proportioned

city centers nor stately boulevards were ever built. The provision of the residential quarters with social and cultural infrastructure very rarely reached the intended targets. The consistent discrepancies between what was planned and what was built are a key component for understanding today's post-Soviet urban reality. Recent changes brought about by the collapse of the Soviet system have illuminated and, to a great extent, exacerbated the problems of public space in the cities of Russia.

14.3

Public spaces in post-Soviet cities

Today, public spaces in Russian cities planned and built at the time of the Soviet Union are confronted with a new social and economic reality. The public realm has become an arena of growing tensions between various interest groups.⁴ Consequently, public space is being rearranged by the outcomes of this conflict and the emerging new patterns of urban space consumption. While some of the new functions and demands can hardly be contained within the frame of the existing public space, threatening its spatial coherence, the withdrawal of other uses and meanings from it has left empty voids in the urban fabric. The system of carefully orchestrated urban spaces is eroded by the disorder of a chaotic transformation. As in many areas of Russian life, Perestroika, deemed responsible for most social ills of the transition period, by default takes the blame for the post-Soviet urban crisis and the concomitant disintegration of public space. The roots of the problems, however, go much deeper.

14.3.1

Land use mix and intensity

Soviet town planning regulations laid down the form and functions of the socialist city and its public spaces in no uncertain terms. The relentlessly applied modernist city planning principle of arranging urban space in strictly separated mono-functional zones hindered the development of a mixed and vital society and, by extension, the generation of multifaceted public spaces. The mono-functional design of the elements in the urban fabric meant that public spaces were animated only when they were used to their full capacity for the specific function for which they were designed. A decline in the intensity of that function or its termination doomed those urban areas to desolation for a long time. The squares and boulevards designed for the big parades could not be brought back to life by the comparatively low number of people who lived around them. Many industrial zones turned into ghost towns once their functions were severely curtailed by the economic crisis of the yearly 1990s.⁵

These problems are lucidly demonstrated in the Blue Cities of Russia, which were once proudly referred to as the "cities of workers" (Kucherenko, 1960). The dominant structural elements of these settlements were their industrial zones, which were not conceived as a collection of individual sites but as an entire

industrial complex. The location and size of the factories determined the location of the residential areas and their infrastructure. The main aim was to create a type of settlement organized exclusively around the idea of supporting the production process. All other spheres of human activity such as trade, services, and recreation were, literally, pushed into the background.

The rigid monofunctional design of the Blue Cities did not leave a chance for the development of a rich mixture of public activities. This situation was exacerbated by the frantic speed of their construction, which led to curtailing some “secondary” elements contained in their urban plans such as cultural, recreational, and other public facilities. A growing lack of funds quickened this process, to the extent that often only about half of the planned community buildings were erected (Bater, 1980). Adding insult to injury, many of the few civic facilities that were actually constructed were, eventually, closed down after the withdrawal of state funding in the 1990s. Of the remaining stock, a great number of these buildings have been put to other uses as the genetic lack of space suitable for the accommodation of small businesses triggered a wide-spread reutilization of such premises in the post-Soviet years.

The standardization of public spaces, particularly in the residential areas, is another legacy of Soviet planning which has been difficult to overcome. The layout of the residential districts and their open spaces was based on endless repetitions of a limited set of designs developed by state government institutes as spatial norms. The constant repetition of the same building and open-air elements led to a pathological lack of individuality of the residential communities. The search for individuality, to put it mildly, was never really high on the list of the Communist Party’s concerns. The monotony of the residential quarters, like other grievances in the Soviet Union, has become the butt of many anecdotes, which the Russians continue to tell to this day with a mix of self-irony and desperation. One characteristic that infuses energy in the otherwise drab public spaces of the residential districts is their rather high density achieved through the uncompromising use of mid-rise prefabricated buildings. In addition, the fairly small apartments⁶ of these concrete slabs are tightly packed. In Angarsk, for instance, about 30,000 people live in residence halls or share so-called “kommunalkas.” This situation softens the contrast between the intensely populated residential quarters and the vast, under-utilized public spaces, which have become appropriated over time by the residents as an extension of their living rooms.

In addition to this fusion of public and private life, since the beginning of the 1990s, the monotony of the residential areas and their public spaces has been broken by an ever increasing presence of small-scale business enterprises. On the corners of the *panelkas* and at their front entrances, shops, cafes, hairdressers, shoemakers, and other essential small retail and service establishments have sprouted up. In the open spaces between the buildings, in sheds, utility structures, and back rooms other small trades such as locksmiths, carwashes, and repair shops have moved in.

This process of adaptation of space for economic functions is spreading throughout Russian cities as a brushfire. The lack of goods on the state-run markets

and the absence of spaces for trade have forced urban residents to take matters into their own hands, a process that has been facilitated by the tolerance, if not always the support, of the local authorities⁷ (French, 1995). At bus stops, railway stations, and other frequented places, a market economy is booming in the form of temporary kiosks, stalls, and tents erected for selling a seemingly unlimited variety of goods. In Angarsk, a daily market has been established on the site of a former factory for construction materials. Other kinds of moveable stalls can also be seen on the streets, allowing traders to spontaneously occupy spaces and sell goods in an “informal” manner as licenses are quite difficult to obtain (Figure 14.4). The proverbial *babushkas* can be seen selling flowers, vegetables, fruit, or even household items from their front doors. Nimble merchants spread their goods on the pavement, on top of fences and retaining walls, or simply hold them in their hands. All of this activity has invigorated city squares, streets, and intersections, but it has created a new set of problems as well.

14.3.2 Ownership, control, and maintenance

One of the main processes taking place within the public realm of the former Soviet cities is the privatization of public space, which takes various forms. The takeover of urban squares and street corners by the budding entrepreneurs of the new free market economy described above is just one of them. While reviving the main public areas of the city, this pattern of aggressive and uncontrolled space appropriation has reeked havoc in the traffic, disturbed the peace of once quiet



Fig. 14.4 Summer café in Ust-Ilimsk

Source: Photo by B. Engel

urban areas, and redistributed some of the most precious pieces of the public space into the hands of forceful occupiers with little concerns for the public good. Some of the temporary spatial arrangements have gradually turned into more permanent structures. This pattern of development bears no apparent signs of being subject to any kind of regulation. The “Wild East” mentality is the prevalent mode of space management, while city authorities are pondering (at excruciatingly slow pace) what kind of laws should be written to govern their future development. In this regulatory environment, playgrounds, parks, and open spaces disappear at a rapid pace as new illegal or semi-legal (provisional) buildings pop up overnight, clearly compromising the chances for orderly urban development.

The law, of course, prohibits the selling and privatization of public spaces. Streets, squares, small green spaces, and promenades naturally fall in this category. Some cities such as Irkutsk, however, have made legal provisions granting special rights of use to public and private parties including exceptional rights over use of open spaces that are adjacent to their property. This is not simply an extension of the rights of the building occupiers to cover the land enclosed within the boundaries of their properties, but an extrapolation of these rights to include adjacent roads, sidewalks, and squares. Given the rate at which community facilities have been turned over into private hands, the expansion of the rights of use beyond property boundaries is a particularly alarming trend.

It should be noted that Russian society has been marked by a special attitude towards the land, formed over the course of its history. There is a long Russian tradition of restricting individual's rights to own land (Bertaud and Renaud, 1994). The absence of such rights can be traced back to pre-revolutionary Russia when the majority of the land was concentrated in the hands of the tsarist government and a circle of aristocratic landholders. In Soviet times, all land was nationalized in a quick and ruthless manner.⁸ These historical circumstances have alienated the Russian citizenry from matters related to the management of land and that attitude has been passed on to the local governments. In Siberia, where land was never in a short supply, the municipal authorities demonstrated a blasé attitude towards this resource. The lack of appreciation towards the value of the land meant that rather than encouraging the redevelopment of the inner urban districts, the appropriation of new areas at the urban periphery became the standard manner of development (Klevakin, 2001; Bertaud and Renaud, 1994). This philosophy has left huge urban areas in a state of decay or underutilization, eroding the urban fabric, and, by extension, undermining the quality of its public spaces.

Another form of privatization which has had a negative impact on public spaces, not just in the Blue Cities but in every town of the Russian Federation, is linked to the privatization of housing. This process has been going at different rates in the various parts of the country, but in some of the Blue Cities it has been rather speedy and successful. By 2006, more than 60 percent of the apartments in Ust-Ilimsk and Sajansk have been privatized. The privatization process includes only the apartments and the common areas in the buildings, but not the land on which they are built. The upkeep of public spaces in the residential areas during

Soviet times was responsibility of the government. Today, after ownership of the dwellings has been turned over to the municipality and later to the residents of the apartments, it is unclear who should maintain their auxiliary grounds. Up to this day, it seems that the residents themselves have not established a close relationship to the area surrounding their homes. Their attitude is probably affected also by the culture of the Blue Cities' origins – set up to exploit the natural resources of the land rather than value it as a precious resource.

As the federal and state governments cut off significant amounts of their funding for municipal affairs, the local governments found themselves severely limited in their ability to support many essential public services. Except for the central squares and boulevards, the maintenance of public spaces has always been relatively low on the list of municipal priorities. Thus, these services were significantly curtailed and in many areas abandoned altogether. The lack of basic maintenance has contributed further to the demise of public space in many Russian cities.

14.3.3 Growing rate of motorization

The quality of public space in the Russian cities has been eroded greatly by the increasing volumes of automobile traffic. This has been a result of the growing demand for mobility, on one side, coupled with the increased supply of more affordable cars on the market, on the other.

The phenomenon of increased motorization did not start with the Perestroika (Figure 14.5), it simply did not get much attention until the end of the Soviet era. Already at the beginning of the 1980s, the development of Soviet cities entered a new phase in which individual consumption began to increase significantly. This was demonstrated most vividly in the rising car ownership rates, which led in turn to an increase in motorized traffic. Until the end of the 1970s, it was believed that continuous improvements of the urban public transport systems would make private transport obsolete. In the early 1970s, only 5 to 10 percent of all urban passengers were transported by private cars or motorbikes (French, 1995). The situation began to change in the early 1980s as more cars took to the streets and the press began to refer to this growth as a “progressive phenomenon.” Gradually, the spatial demands of the private automobile began to get incorporated into town planning documents (Lyubitseva, 1985). Nevertheless, the parameters of personal motorized traffic played a relatively small role in the Soviet town planning system.

Cars in Soviet days were valuable and expensive goods but the slow growth in car ownership was not so much a result of their high prices as it was a consequence of an inadequate supply.⁹ Lately, however, the car has become more of a necessity. The growth of Russian cities since the 1970s and the pattern of locating new housing estates at the urban periphery have resulted in longer commuting distances. At the same time, the public transport network has not been able to keep up with the new demand.

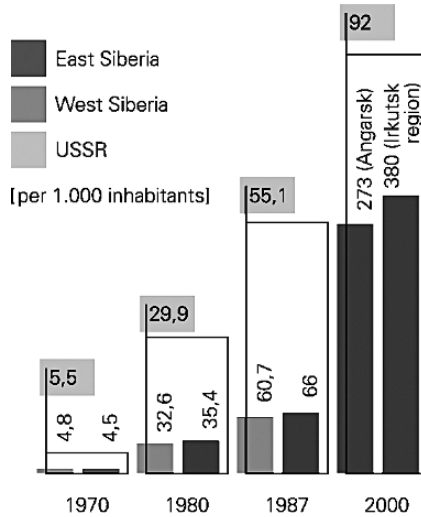


Fig. 14.5 Motorization rate in the USSR and Siberia

Source: Goskomstat, 2001a

While the generous dimensioning of the streets in Soviet cities has helped to absorb this additional traffic, the lack of parking space has become a serious problem. Many public open spaces have become victims of this growing need. Both sanctioned and unauthorized takeovers of public lands for parking have reduced open space quantity and quality alike. Today one sees more and more loveless, fenced-in parking lots springing up in the residential neighborhoods, city centers, and throughout the urban fabric. Often, the cars are parked indiscriminately on the sidewalks and the landscaped areas around the buildings.

The construction of clusters of single-car garages at the edges of residential districts is also a phenomenon of the Soviet times when private cars were, for a large part of their lives, parked and securely locked. Finding spare parts was usually quite a challenge, which meant that no removable part of a car was safe. The reaction of urban planners was to incorporate underground garages in the master plans, but their construction was consistently found to be too expensive and, thus, they were rarely built (French, 1995). On the other hand, the building of assembled single-car garages was very cost efficient, and these temporary structures are now as much a part of the city landscape in the Siberian cities as they are in Moscow and St. Petersburg. Naturally, all of them are built on public land (Figure 14.6).

Another blow to the system of public spaces, following the rise of car ownership, has been presented by the erection of numerous gas stations, car repair shops, spare parts stores, show rooms, and other car-support activities, which are typically sited on public lands with high visibility. This has further eroded the supply of



Fig. 14.6 Parking lot in Sajansk

Source: Photo by B. Engel

public open space, establishing the dominance of private automobile needs over the needs of the community.

14.3.4 Urban design

The post-Soviet patterns of urban development – the numerous new business establishments, the incremental appropriations of public space for private needs, the sharp increase in motorized transport – have not been able to redress one of the principal urban design deficiencies of the new cities built in Soviet times. One of their main urban form defining characteristics, besides the strict separation of uses in monofunctional districts, has been the abundant use of poorly differentiated open space. These anonymous expanses of land separate not just the functional districts but the buildings as well, diluting the ability of public space to serve as a spatial container focusing of social activities (Figure 14.7). Many of the wide-open spaces in the neighborhoods have become wildernesses over the years, and it is not surprising that they have been treated as such – a no-man’s land left over to be appropriated by whomever wishes to use it as they please.

The problem is exacerbated by the fact that the open spaces, the squares, and the boulevards were dimensioned for a population size that these cities never reached. The cities of Angarsk, Sajansk, and Ust-Ilimsk, as well as Nizhnevartovsk, Surgut, and Novy Urengoy were envisioned by the planners in the design institutes of Moscow and St. Petersburg as booming industrial centers of several hundred thousand residents. Sajansk, for instance, was planned as metropolis with a population of 400,000 residents. By 2000, however, the city barely reached 46,000



Fig. 14.7 Streetscape in Angarsk

Source: Photo by B. Engel

(Goskomstat, 2001b). The situation is not much different in the other urban centers planned for the region.

Naturally, the hugely over-sized spaces lack many of the details that were part of the original plans, especially in the green open spaces which were never adequately landscaped. It seems that the only beneficiaries of the monumentally proportioned spaces these days are the motorists who roam freely the streets and boulevards of the Blue Cities. The maintenance of these immensely proportioned roads, however, requires resources which the cities do not have. What was once conceived



Fig. 14.8 Streetscape in Nizhnevartovsk

Source: Photo by B. Engel

as modern starkness has become desolation (Stölting, 2002) (Figure 14.8). The random patterns of spontaneously appearing new structures accommodating the spatial demands of the emerging market economy add more chaos than order to the vast spaces floating in this loose spatial framework.

14.4 Conclusion

The discussion of the processes of public space transformation in the Blue Cities of Russia raises many questions related to the urban future of these and many other cities built as conceptions of a different era and following principles of spatial organization that seem hopelessly outdated and unfit to suit the needs of a new socio-economic order. What role can public space play in the development of these cities? Can it be used to repair their urban structures and create impulses for the transformation of the other elements of the urban fabric? What principles and regulations should be adopted to attain these goals? This paper does not discuss the possible answers to these questions. It simply focuses the attention on the key issues where the roots of the problems of public space transformation and their relevant solutions could be found.

It is clear that the processes of political, economic, and social transformation currently underway possess the potential of infusing new energy and ideas for the restructuring of the spatial fabric of the post-socialist cities. One of the great challenges in their future urban development is to create out of the mono-functional, underdeveloped settlements lively and attractive cities, i.e. to create cities that are able to channel the dynamic process of change to their advantage. The repair of public space could play, undoubtedly, a key role here, serving as the backbone of urban reconstruction.

This process must be governed by policies and regulations based on a clear vision for the future spatial development of these urban centers. Such policies should be aimed at better utilization of public lands as a most valuable community resource. Municipal control over urban land is a powerful tool for shaping development patterns which should be wisely used to structure the physical frame of the city and its public spaces in particular. Privatization should proceed and the energy of the private sector should be used in a constructive way, infusing new functions in the dormant public spaces, but in a cohesive and sensible manner avoiding the chaotic patterns of spontaneous urbanization.

Clearly, a key ingredient for the future success of the Blue Cities is the much needed decentralization of power and resource allocation that will give local governments the ability to implement new policies and plans. There is a blatant unfairness in a situation where the urban centers of regions, which produce a large share of the energy sources running the global economy, do not have the minimum resources needed to run basic municipal services. But while control over all of the important issues related to urban development is not in the hands of the local

governments yet, this should not be used as an excuse for relinquishing the power of communities to influence the development of their cities.

The end of a historical era should be viewed as a new beginning, a chance for a far reaching and positive change of which the restructuring of cities should be an integral part. The public spaces in the Blue Cities of Russia illustrate the wide range of problems associated with such urban transformation and the key areas which need to be addressed in facilitating the process of urban regeneration and sustainable growth.

Notes

¹ During the 1950s and 1960s, 25 to 30 new cities were built every year in the USSR, more than half of them in undeveloped areas in Siberia. Altogether, between 1926 and 1989, 1,500 new cities and urban type settlements were built by the Soviet regime (Brade et al., 1998). Many of these cities, however, did not reach their forecasted size in terms of area or population, which had significant consequences for the amount of resources allocated to them (Piterski, 1997).

² The figures in this chapter are reprinted from *Progress in Planning* 66 (2006), Engel, B., Public Spaces in the Blue Cities in Russia, pp. 147–239, with permission from Elsevier.

³ The desire to express the strength and greatness of the government could be traced back to the traditions of the Russian Empire. In the city center in pre-revolutionary times, as well as in the period of Soviet town planning, grand representative buildings and boulevards were erected, which stood as colossal symbols of centralized power against the village-like, traditional private houses that dominated the rest of the urban fabric.

⁴ These include bankers and financiers, city administration authorities, investors, managers of large industrial firms, party functionaries, media conglomerates, nets of organized criminal circles, owners of oil and gas reserves, distributors of energy resources, security and military circles, etc.

⁵ In Sajansk, for example, almost 30 percent of the population found themselves suddenly unemployed in 1991 (Miller, 2001).

⁶ According to Soviet norms, 12 sq m was the amount of space officially allotted per person.

⁷ The direct selling of food by individuals and cooperatives to consumers began already in the time of the Khrushchev's government, which allowed the establishment of collective markets in cities.

⁸ With its first decree of 1918, the Bolshevik party proclaimed all land to be ownership of the state. Later on, this policy was mercilessly enforced during the period of collectivization.

⁹ This conclusion is confirmed by the long waiting lists for car purchases, which became notorious in Soviet times.

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15 The peculiar history of (post) communist public places and spaces: Bucharest as a case study

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When you have an empty space and you fill it, it does not mean that you have eliminated the void. You can fill the space and create more void than if you had not built at all.

Daniel Libeskind¹

15.1 Of place and space

The *public place* emerges as soon as someone else, beside me, appears on a given territory. Thus, I have a chance not only to look around me, but to be looked upon at the same time. The enspacement of the action of looking and being looked at is the elementary level of public place. This place will exist only as long as the event that invents its own necessary space lasts. The event “takes place” – it unfolds the space of its occurrence – in a system of dynamic relations where visibility plays an essential part. It is established at a given moment (and for a determined time period) between at least two human beings.

The reason the phrase *public place* is pre-eminently used in this text derives from the way its meaning is defined above: the quality of being public presupposes necessarily as spatial staging a simple expanse and not a space that is delimited by various means of construction.² The word *place* indicates here that there is a minimal spatial requirement for the occurrence of a public event. The term *public space*, then, refers to the actual built space of edifices that is being used for purposes pertaining to the public realm.

The limits of the public place are given by the very scope of the event in its unfolding, not by gestures of prior construction. The event takes out of *spatium* that portion of space, but not the building proper. The latter (provided it stays minimal and low in order not to hinder mutual visibility) can come as a consequence, as a remark of a recurrence of a certain event on a given location and not as a precondition likely to invoke and “smooth out” the occurrence of the event.

In public places, events can happen concurrently, coexisting on the same territory. These are actions that occur “in the open, in broad daylight, as opposed to

secret procedures” (Vernant, 1995: 70). Authoritative regimes (whose relation with the public place will be tackled later in this text) have the tendency to control fully³ this unfolding of the event, or, as Lyotard put it, to keep the event under the authority of totalitarian red tape (Lyotard, 1997: 83).

It only takes a glimpse into the essential character of a natural place and a little arrangement so that it may be lit up by the act of the event, by visibility. In other words, in order for a place to become public, the clearing of its space is sufficient. A public place is therefore a piece of territory where the experience of (sometimes radical) *otherness* attracts and secures the frequency of meetings between people. It alone warrants the self-support of the initial clearing, which made the public place available in the first place.

To sum up, only a minimal arrangement is required by the place where a public event is about to occur. This in itself will, of course, prove disappointing to architects. For a long time, many of them believed that the formula for public places is to draw and build a square that can be geometrically quantified, and that its success depends on the rigor with which they have designed the “civic” spaces composed of monuments and edifices, turning heroism to stone. It is often noted with surprise that the actual formula for public spaces is more evanescent than believed. The Romanian architects of the 1960s, 1970s, and 1980s missed this revelation as they built “civic centers” in each county seat according to vulgarized, “updated” formulas of the Roman forum, sacrificing in the process the real centers of the respective cities, the not-built-upon public places that the eyes can sweep undisturbed – a dance rink where a Sunday round dance is performed in the Romanian village, a historic battlefield, or a simple public square.

The group identity (local, regional, ethnic, etc.) is eloquently expressed in the way the public place is made visible, administered, and used, and especially in the relationship between public place and private space. This relationship depends on time; it is not given and immutable, and therefore it has the character of a process and history of its own becoming. The change of the system of land ownership exerts just as much influence on the identity related to the use of the common space as the cultural or psychological modifications (e.g. those analyzed by proxemics) or the socio-political ones (depending on the accent laid on the individual or the community).

15.2

Civic plazas: The communist rapture of urban public places

This trip through the undergrounds of Communist politics of public space production and use is intended to properly introduce the Western reader to the topic of life (after death) of public places in Romanian post-communist cities, and particularly in Bucharest. History is a main source for understanding the present and the future; while this is a truism, in the post-communist built environment this is a

lesson learned the hard way. One cannot explain the lack of proper public places in contemporary Bucharest without looking at the violent contrast between the medieval city and the successive attempts to clear, modernize, and monumentalize its urban fabric – from the mid nineteenth century, through the 1930s, to the 1980s and beyond. The master plan for Bucharest of 1935, with its major boulevards uniting ample official squares with administrative palaces in the Carol II style (a local version of the Fascist Stile Littorio) was meant to exterminate the medieval Bucharest and turn it into a rational and modern European capital. This master plan was praised during the 1980s as the main source of inspiration for the late-communist urban renewal, which demolished 450 hectares of historical Bucharest, several churches, and an Orthodox monastery of great historical and artistic value (Vacaresti). Straightening up the urban fabric of Bucharest was a clear target, and the monumental axis was idealized and turned into a fetish of Communist planning. It was applied excessively to the point where it did not always connect major destinations, as was the case with the Boulevard of Victorious Socialism imposed for the single purpose of opening up vistas from the Palace of the Republic onward. The public use of the space cleared by the boulevard was not an issue warranting consideration in the urban design strategy for the new civic center.

Between 1968 and 1987⁴, the project of building public places in Romanian towns approached most diverse architectural expressions, all sharing a few common characteristics. The prevailing edifice was that of the political and administrative power. From an architectural vantage and as an urban structure, the most representative building of all structures included in the civic centers was the one housing the headquarters of the Party. It necessarily became the dimensional yardstick of monumentality in town and the landmark for the future development of the communist establishment all around.

As representatives of the relatively disciplined typology of office buildings, the headquarters of the Communist Party all over the country never featured a straightforward and simple architectural design. The palette ranged from the late-Corbusier-style “lyrical functionalism”⁵ to the “national specific architecture” pushed to delirious shapes by Nicolae Porumbescu with his last project at Satu Mare. Among this group of buildings, only the first projects hesitated to veer to *architecture parlante*: in Focsani, the architectural discourse refers rather to Hensellman’s Stalin Alee by the Schinkelian modernism it promotes. Always eclectic, the sources of this “identity” architecture were borrowed directly (in a pastiche that implied a switch to a different material or a different scale), or allegorically (from prestigious references of vernacular architecture such as porches, ridged roofs, decorative motifs proper to wood architecture, or even the utensils of daily peasant life). The House of Culture in Satu Mare is a collection of constructive combinations of the small wood house of Romanian peasants, turned to a monumental scale and made from reinforced concrete. At Ramnicu Valcea, the last levels of the building clearly refer to Dionisie’s Belfry at the Horezu Monastery close by. References to monumental Orthodox religious architecture can be seen in other works as well, especially in Moldavia, where the only existing

forms of monumental architecture from the “Romanian” past that could be invoked as prestigious models were churches and monasteries.⁶

As the regime was turning chronic, and “working visits” by party dignitaries more and more institutionalized, the new official buildings acquired a rostrum from where Ceausescu and the local Party leadership addressed the throngs compulsorily gathered beneath. As a rule, this building level came to be a “piano nobile” containing the office of the first secretary, his private council hall, and, further down to the plaza, the rostrum of the leader. A high was again touched at Satu Mare, where the rostrum, plunging into the plaza, is intensely decorated with “folk” motifs including “the underneath face” – the facade visible to the population gathered in the plaza. Its daring silhouette introduces the rostrum as a deliberately oversized element of the composition relative to the tower from which it is detached, thus, reminding of the design entries for Mussolini’s rostrum submitted to the competition for the Fascia Palace in Rome. This gesture of a false opening of the building to the plaza actually simulates the “popular” character of the regime, which conversed from above with the masses but refused proper entry into the edifice of local power. The interior area of the building was accessible only to the initiated, those who ministered and administrated power, while the public space – the “civic plaza” – was exclusively exterior, subordinated to the building and devised not as a space of interaction between equal parties but for the controlled and manipulated aggregation of listeners. The panoptic nature of the bipolar civic plaza-edifice complex was thus established. From this point of view, it is no accident that in the Brasov unrest of 1987, and especially during the 1989 revolution, rebelling meant first of all “taking” this building and using its rostrum for acts of public cleansing of insignia, slogans, and books connected with the abhorred regime. In counties, as well as in Bucharest, the very creation of the new local power in 1989 presupposed a significant number of “balcony scenes” – the only moments when communication with the people spontaneously gathered in the otherwise empty plazas was carried out two-way.

The architecture and urbanism of the new civic centers represented one of the most potent tools of psychological manipulation by the regime. After the violent demolition of the old architecture and the subsequent massive reconstruction, the full remaking of the city was supposed to ensue from this point of irradiation outwards. Today, many such structures (including the meridian Bucharest case) seem to have remained without obvious connections to the city that preceded them because, through the actions of the Ceausescu regime, the old city was doomed to vanish completely. The historic urban quarters were considered “fallacious” and had to be put in a new kind of order. The civic center and the yardstick edifice would have engendered the communist city’s new rationale of urban articulation. This can be observed in the towns that succumbed to the “contamination” coming from the new center to the suburbs (Slobozia, Alexandria, Galati). In towns with a rich architectural heritage or powerful geographic identity, on the other hand, the new civic centers ran into violent conflict with established public spaces and even with the geography of the place (Satu Mare, Tulcea).

Some medieval cities, like Sibiu, Brasov, and Sighisoara,⁷ managed to preserve their old centers relatively unaltered until 1989. Paradoxically, Cluj, although the largest city in Transilvania (indeed its capital city), managed to escape completely such intervention.⁸

15.3

Bucharest's own "new civic center"

The urban and architectural remodeling of the Romanian towns reached its acme with the "new civic center" in Bucharest. The capital of Romania is a city where competing development projects violently replace each other. Every fifty years or so, a new layer of the "palimpsest" (as an expert in the architecture of Bucharest, architect Alexandru Beldiman, uses to call the city's structure) or "an unfinished project" (Ioan, 1996) re-emerges in the city with the intention of turning it monumental, in step with the pretences of one regime or another. In the 1930s, in a manner similar to the fever of recomposing cities that was spreading throughout Europe at that time (Moscow, Berlin, Rome), King Carol II decided to turn his capital monumental by imposing straight axes on the still medieval urban texture. Ever since then, the Spirii Hill has been targeted for a new administrative palace for reasons of being central to the city's contours and having a resilient soil. Thus, the world, or at least that of architects, showed little surprise when after the devastating 1977 earthquake, which revealed to Ceausescu the transitory nature of architecture and whetted his appetite for grandiose foundations, it was decided to build a House of the Republic on that site. This undertaking required massive demolition (over 450 ha) of city districts with rich architectural heritage. They had to be replaced by a grandiose complex of representation spaces, administrative and political. In 1984, when the razing of the area had been completed and part of the foundations had been cast for the new mega edifice of communist power, Nicolae Ceausescu and his wife signed parchments that they placed, with resplendent ceremonies, in genuine "time capsules" laid at the building's foundations.⁹

Internal contests within certain state design institutions were held to select the project that best suited the vision of the regime for its most visible symbol of omnipotence. At the time, the process started by Ceausescu was expected to produce the amplest post-modern urban project in Europe.¹⁰ Parallels were drawn with the *Grand Projets* in Mitterand's Paris. But can we actually speak of a postmodern endeavor? And, furthermore, is this urban intervention something that, by resisting a single interpretation, opens itself only to fractured postmodern diagnoses?

After the 1989 revolution, the palace had its name changed to the Parliament Palace and became the favorite spot for gathering of the new/old political elite. By 1995, with the Parliament already in, the Chamber of Deputies moved to the precincts, and in the fall of 2005 the Senate was also relocated there. Thus, the House of the Republic, the second largest building in the world, finally became

the ultimate political edifice in Romania. If the presidential headquarters were to move there as well, Ceausescu's testament would have been fully fulfilled.

The Parliament Palace and the Boulevard of Victorious Socialism setting out from the palace have become subjects of various interpretations: from their conception and construction, to their use before and after the communist period. Any attempt to set them in order should start from two premises: 1) the respective edifice resists any "holistic" interpretation that could exhaust meanings in matters of production and destination; and 2) there are important distinctions between the modalities of explaining the building from the threefold vantage of its spaces: its exterior space (the city), the exterior space *of* the building (the huge halo of influence exercised by the monstrous structure over its immediate vicinity), and, naturally, the building's interior space. In the absence of verifiable data, oral studies¹¹ and legends recounted by eye witnesses or former "initiated persons"¹² on the mythical dimension of the tidal wave of *petites histoires* appended to this colossal project are the only sources accounting for the nearly "occult" nature of the biggest urban operation in the history of Romania.

The most valuable interpretations, even if partial ones, are to be found not exactly within the architecture and urbanism discourse, but rather in the realm of social sciences such as anthropology, political science, and psychoanalysis. The various readings offered in connection with the House of the Republic after 1989 vacillate between two extremes. At the lower, more narrowly defined end, the House is analyzed in the strictly professional jargon of architectural expertise used not only by architects but by a diverse group of interpreters (including tourist guides who show it to mesmerized foreigners). These commentaries define "the bottom line of the bottom line" (as poet Nichita Stănescu would have put it), discussing quantities, sizes, forms of design, special structures, and so on and so forth. At the upper level of this approach, we find reflections on the "postmodernism" of the House and the Boulevard, on their "Bigness" (Rem Koolhaas), as well as other concepts that could prove useful at a certain moment. The "higher" end of the excessive investments with meaning is taken by discussions about the House as an epiphany of the heavenly Jerusalemite temple that happened to be elevated here, in Bucharest, in view of a second coming that is expected to take place on the spot.

Between these two extremes – one that renders occult (often deliberately because of guilt) the numberless social, economic, and political folds of the edifice; and the other that goes into an interpretative frenzy before it – flutters an endless concatenation of "grays." For instance, the nationalist rhetoric is boosted by the apparently neutral data regarding construction technologies and materials, on account that they would have been all exclusively Romanian and, of course, superlative.¹³ Close to the other extreme lie the much more decent, professionally speaking, but no less phantasmagoric ideas concerning a pre-established plan of Bucharest set out from utopian schemes of the Sforzinda type (Harhoiu, 1997). The structuring origin of this scheme would be a sacred geometry made up of a monastic Bermuda Triangle, with parish churches laid concentrically in relation to St. George the Old Church, seen as the navel of the city.

The last fifteen years changed the civic plazas destination and architecture, sometimes decisively. Embarrassing monuments, some erected after 1989 but politically incorrect (according to the newly assumed European identity), vanished while others, just as awkward, cropped up instead (such as the Memorial of 1989 on Revolution Square in Bucharest, opened in 2004). Bucharest's new civic center earned considerable attention culminating in an international architecture contest in 1995–1996. Yet, the House of the Republic itself remains perpetually under construction and repair while the area around it appears utterly derelict.

15.4

Privatization of the most public space of Bucharest

The aesthetics and scale of the House of the Republic are not the main issues defining its oppressive presence within the city structure. The entire space around Romania's supposedly public edifice *par excellence* is still surrounded by a hideous tall fence separating once more (this time not only symbolically or in point of scale) the building proper from the city where it is situated. The alleged most public place of the city – the civic island at the center of which the problems of the city should have been laid bare to be solved – was snatched away and turned into a “private” space of rural character belonging to someone sufficiently powerful to appropriate it in a violent manner. Thus, the public island, the *raison d'être* of the civic centre, was ravished and vanished.

The 1999 project of the America's Partners investment group to build on one side of the House a Dracula theme park (financed by Michael Jackson), casinos (financed by American tribes) and commercial galleries (financed by Persian Gulf investors) is less radical than the idea of turning the House itself into an enormous casino. The former variant keeps the dome of national disgrace intact; it even preserves its presumably solemn function.¹⁴ Yet, there are, even at the heart of post-modernism and of the derision that is built into its genes, limits of common sense.

The new “owners” of the most public building in Romania failed to see any reason why the perimeter space of the “people's house” should be public. On the contrary, their actions, then and now, perpetuate this rape. The former chairman of the Chamber of Deputies (later Prime Minister and now back to chairmanship) threatened in 1995 to veto any solution of the Bucharest 2000 International Urban Competition that would have affected what was called “His House” (i.e. Ceausescu's). Even more peculiar is the attitude of others who, ignoring the incongruity of having such a building “grow its own yard” (as if it were located in the countryside), proposed the construction of a golf course and a hotel, both belonging to the Parliament. In a perfect contradiction in terms, the grounds of the House of the Republic located in the very core of the city are treated as a private property of the Parliament. Any reasonable decision concerning the future of the area is put off indefinitely. In 2005, the local elections brought up an even more bizarre idea on how to use the ultimate public space of Romania's capital: a proposal was advanced to construct an automobile racetrack around the House. Later on, in 2005,

the Parliament decided to give most of the fenced backyard of the House for the construction of the future Patriarchal Cathedral of the Romanian Orthodox Church, although the land underneath is a subject of restitution.

Meanwhile, the huge Constitution Square in front of the House – an empty territory preceding the ample fenced park of the building – is used for various celebrations of consumerism. Beer festivals are most popular, but auto shows are also frequent guests to this very official location. The ministerial buildings and the House provide a posh background for all sorts of events. In a way, masses are indeed present there as was the original intention of the place. The fact that pompous consumerism and frivolous carnivals join in history with totalitarian architecture and treasure it as a proper stage for their purposes should not be a matter of great surprise. While designed to be a parade ground overlooked by the President's balcony in the background, the massive square of the House of the Republic seems to have been domesticated in the last fifteen years. A superposition of "civilian" consumerist uses outside its primordial political destination has managed to "ease" its original meanings and to make it a place to go in the city, a "neutral" place with a weird background where foreign tourists take pictures. Multiple purposes, daily and annually, manage to keep the square away from its previous "frozen" stature as a mass gathering destination of the totalitarian regime. While the official use was rarely activated after 1989 (except for a single military parade in 1997), it is now obvious that the other frequent uses (entertainment, shopping, advertising, tourism) are the only ones capable of keeping the public place "open for business" to public use.

The "axis versus square" battle was won, at least in Bucharest, by the former while the latter still struggles to find room in the city. There are still people today claiming that since we already have such a clear axis present in the city texture one has to maintain it open and perhaps continue it in the future, much like Champs Elysees in Paris or, perhaps more appropriately, Karl Marx Alee in Berlin. While the French influence in Bucharest is obvious, the alleged "democratic" nature of Karl Marx Alee (i.e. indiscriminately consistent and homogenous from periphery to the center of the eastern part of the city) would make more sense as an argument for those who are still dedicated to the idea of the long, straight, and continuous axis as the main tool of urban planning in Bucharest.¹⁵

15.5 Squaring Bucharest?

Bucharest has indeed a century long tradition of monumentalization and "straightening up" in the name of modernizing its urban fabric. The master plan of 1935, designed by several of the most prominent professionals in the field (such as G.M. Cantacuzino and C. Sfintescu), was developed concurrently with similar projects in Berlin and Moscow. As such, the master plan was meant to invent certain new major axis cutting through the "obsolete" city fabric. It was a royal pet project of the flamboyant king Carol II and, as such, it did not bother much more than the

subsequent Communist project of the 1980's with questions concerning ownership, tradition, or public involvement.

The elegant and "heroic" Bucharest, foreseen in the master plan of 1935, has always been used as a reference and an excuse by the architects involved in the process of reshaping the Romanian capital. Duiliu Marcu designed some of the most important edifices built according to the master plan of 1935, including the re-design of Victoria Square. In the 1980s, the ideas of the master plan were invoked by those involved in the design of the House of the Republic, since it too suggested an ample administrative "palace" on top of the Arsenal Hill where the house now sits.

The period after 1989 generated little but gossip in terms of critical thinking and interpretation of urban space in Bucharest. The very first critiques of the Boulevard of Victory of Socialism came in 1991 from Serban Cantacuzino, who suggested that the central part of the wide axis should be developed in order to subdue the visual influence of the House. The president of the Union of Romanian Architects from 1990 to 1998, Alexandru Beldiman, who was initially seduced by Cantacuzino's proposal, became later on a guardian and promoter of keeping the boulevard open and clear of buildings that would have cut the space into several shorter portions as was suggested in the Bucharest 2000 International Urban Competition of 1995/96 (Union of Romanian Architects, 2000). The boulevard starting from the House and going nowhere was the main challenge of the competition, which remained unfinished as well in its attempt to produce a new master plan for the city. The competition, however, produced some effects by not being taken to its intended realization.

One of the consequences of this situation was the national competition for the Orthodox Patriarchal Cathedral of 2002,¹⁶ which addressed a question left open by the Bucharest 2000 event: Should the boulevard be turned into a collection of lateral squares by planting a major edifice in the very middle? The competition, backed at the time by all the relevant institutions of the country, the city hall, and the architectural guild, started from an answer – one can and should break the monotonous and "open-ended" avenue. In the last ten years, the proposed location for the cathedral has been changed five times (and counting), the boulevard is still open, and so is the question of its life-after-death. But what is more important in the legacy of Bucharest 2000 is the collection of urban places envisioned by various entries. The winning entry by Von Gerkan and Zeis, while promoting a densely articulated urban block structure for the demolished areas around the House, proposed to turn the Unirii (Union) Square, located 1,5 km eastward from the House along the boulevard, into a lake! Richard Roger Partnership's plan was gentler, but apparently resembled too much a similar project they did around the same time for Beijing, with ovoid squares meant to articulate an exceedingly dense, but visually interesting urban space around their peculiar shape. Amy Anderson's idea, also mentioned by the jury, called for turning the whole area into a forest. Strange as it seemed at the time for a guild of architects preoccupied by the idea of continuous development, Amy Anderson's "anti-urban" healing approach

seems closer to the spirit of Bucharest, with its French-style public gardens of the nineteenth and twentieth centuries.

Which is to say that, yes, there is a local tradition of public places. Such a tradition is either quoted (as in Amy Anderson's project) or it may be a burden to the present times. Bucharest is also known, in its pre-modern structure, as a place articulated around irregular public places, mostly located in the proximity of Orthodox churches as spaces for the gathering of various guilds. These "spontaneous" squares are called *maidan*, a Turkish-derived term which turned in time into a derogatory name for the derelict, uncontrolled, and unkempt public places found in the socially mixed and spatially ambiguous outskirts of Romanian cities.

With the (still unfinished) re-privatization of land and the frenzy of real estate development, *maidan* is, once again, back in business due to the lack of control over the development process. The left-over places are the only ones that can be envisioned for public use while the existing ones, such as the Revolution Square in Bucharest (the very core of some of the 1989 revolution's grand gestures), are the target of aggressive private invasion with the active (and dubious) involvement of the city hall. The public places and the public use of urban space have been seriously compromised in an autistic, booming, business-oriented Bucharest. In a very short time, we went from conceptions of public place as empty squares for marches and parades to the absence of any expert debate on the making, appropriation, and use of public place and space. The malls downtown have become the sole providers of structured public places in Bucharest. This violent privatization of the public realm has taken place in the absence of professional debate or community reflection on the issue during the last fifteen years. Rem Koolhaas believes that the idea of building public places and especially the obsession with the necessity of its presence in the city are two favorite hobby horses with architects that, little by little, will stop having the importance they used to have in urban theories of the past decades (Koolhaas, 1996). This does not have to be the case in Romania, where the efforts to establish a community dialogue should be doubled after the disastrous record on public space generation of the last decades.

With a critical mass of projects attempting to appropriate and privatize whatever has been left of the public realm, we now notice the beginnings of what might resemble a public debate on the subject (see discussions on www.pulafashion.org, www.igloo.ro, and www.arhitectura1906.ro on "urban scandals," as well as the late mobilization of the press in 2006 against certain major development projects downtown). Might it be the sign of a much delayed birth of a public, pro-active force advocating the right to public places and spaces in the busy Romania of today? Better ask me again in five years.

Notes

¹ An interview by Christopher Langer and Ulrike Steglich in *Architronic* September 5, 1996 (www.saed.kent.edu/Architronic/v5n2).

² Of course, a public space can exist as a ricochet of a private space in the sense that looker-on and looked-upon are contained in the same space. this is the case of the throne hall inside a royal palace or, on the contrary, of a panoptikon.

³ “The watchdog of sense needs not to feed fully on the event other than to summon it to testify in the trial the doctrine starts against the real. Only what is heralded to happen must happen.” (Lyotard 1997:84).

⁴ The year when the last and most flamboyant of the civic centers outside Bucharest was inaugurated in Satu Mare, designed by the leading architect of the program, Nicolae Porumbescu.

⁵ References to Chandigarh are often obvious in town halls and the near-by Houses of Culture, such as the building complex in Ploiesti.

⁶ From this point of view, things reached a perverse high in Bucharest where Anca Petrescu claims that she used decorative motifs from the Vacaresti Monastery to adorn the House of the Republic, putting the biggest Christian Orthodox church in the Balkans, demolished in the 1980s, under the umbrella of Ceausescu’s mega-project.

⁷ The case of Sighisoara, a medieval Transylvanian Saxon citadel, still inhabited, is extremely relevant as the project for a new political-administrative “agora” was masterminded by Anca Petrescu, chief architect of the House of the Republic in Bucharest. Discussions for and against this project continued long after 1989 as it enjoyed the support of the local post-communist authorities who wanted to destroy the town’s historical heritage in order to have their own version of a Grand House and a plaza for parades.

⁸ Worth mentioning is the fact that although civic plazas were abundantly built in Bulgarian cities as well, the medieval centers of the towns stayed relatively intact. Thus, today Bulgarian towns have a head start in the cultural tourism competition compared to their Romanian counterparts.

⁹ In 1993, I traced the entire process with the help of period footage and put it on film (*Architecture and Power*, Agerfilm SRL, Bucharest, 1993, director Nicolae Margineanu, script and commentary Augustin Ioan.). The film received the Grand Prix at the Festival of Architecture Films FIFAL, 1994.

¹⁰ In some of the interviews that I took after 1990, the participants mentioned as source of inspiration the pompous, historically inclined postmodernism of Ricardo Bofill (especially the Antigone ensemble of Montpellier and those near Paris).

¹¹ Mostly unfinished and unpublished yet, such as those of Gérard Althabe from EHESS Paris.

¹² Such as the one-time rector of IAIM Bucharest, Prof. Cornel Dumitrescu.

¹³ At times, the Peles Castle comes into the picture as a corollary, for which even the wood was brought from abroad.

¹⁴ Few of us who listened to the representative of America’s Partners pleading his case at the Bucharest City Hall in 1999 seemed to realize that one cannot perform legislative acts in the very middle of a circus arena. I do appreciate the postmodern frame of mind of the chosen of the nation. Seeing my 1991 proposal to turn the boulevard into a gigantic Communist Disneyland about to become real, even if in a sensibly different form, I rather tend to believe that we might well resuscitate urban life in that dead place.

¹⁵ Paradoxically, the battle axis vs. squares was fought once again during the Bucharest 2000 competition of 1995–6. The French late nineteenth century Haussmannian perspective was present in some of the submitted projects. One of them, placed fourth, actually – and seriously, it seems, since the jury appreciated it – proposed that what Bucharest needed in order to heal its wounds was the development of the Versailles metaphor of the new civic center, with three ample classical courts surrounding the north, west, and south sides of the House of the Republic/Parliament Palace. While, according to oral sources, such metaphor (“our Versailles”) was indeed used during the design and building stages in the 1980s by both Ceausescu and his architects, preserving and continuing the major axis of the city and multiplying the number of empty, monumental parade squares was probably meant to be a joke by the author of the competition entry.

¹⁶ The competition was won by a team from the Bucharest University of Architecture and Planning lead by the author.

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16 Urban transport in the Baltic republics¹

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16.1 Introduction

The phrase “fast forward” comes to mind when looking at the urban transportation situation in the cities of the Baltics. First, there is the simple observation that quite a few people drive fast and recklessly, thus generating one of the worst traffic safety records in the world. But there is also a deeper reference to the quick sequence of events since regaining independence in 1991 that seem to move toward an automobilized society. A replica of the situation in cities of the United States and Western Europe is not deliberately sought, but “natural” and apparently irresistible trends are leading in that direction.

The latter condition is regarded with some superficial pride by local residents – “Look, we too have traffic jams, just like London or New York!” The implications, however, are quite sobering (at least for those who are familiar with the problems of auto-dominated communities). This leads to a hypothesis that will not be proven (neither formally discarded) in the following review, but which does provide a point of reference for the discussion: *people in cities reaching certain levels of prosperity will behave similarly with regard to mobility and will have about the same demands, no matter what country they live in.*

There is the oft-repeated comparison that what the industrialized countries of the First World accomplished in development over more than a century, cities of the developing Third World today are attempting to do in decades. The record in the latter cases, however, is mixed and real successes not very common. The Baltic countries, being former members of the Second World, may be getting there, nonetheless, at an accelerated pace. It is most instructive to watch a development process at “fast forward” since results can be seen in quick succession and trends illuminated more clearly.²

Another basic but tentative conclusion emerges from an observation of recent attitudes toward urban transportation in the Baltics as well as in North America: *travelers value their own comfort and convenience very highly* (if their economic status gives them some flexibility in this matter) and will make transport decisions increasingly with these considerations in mind. This is not the “classical” concept in urban transportation analysis, which defines *cost* and *speed* as principal, if not sole, determinants of mode choice. Even in the United States, where the evidence appears to be overwhelmingly supportive of the premise that *personal comfort*

tends to govern travel behavior, research analyses will rarely get very deep into this cause and effect relationship. In the Baltics, this concept is still unexplored in urban transport studies, but it will be used here without apologies to explain a series of recent phenomena.

A basic question in contemporary urbanism, which the recent experience in the Baltics may help illuminate, is whether an individually-controlled, motorized, personal mobility device (better known by its original French name – automobile) is seductive enough to overpower established behavior by city residents and eventually alter urban structure and activity locations? If the answer is *yes* – as it seems to be – does this lead to the destruction of cities as we know them? Or are there ways to maintain a civilized and agreeable human environment as we define it with twentieth century hindsight? Since the cities of the Baltics are not rich or experienced enough to oppose such trends with deliberate counter-programs (such as Singapore, Zurich, or London), nor show an exemplary level of civic responsibility (such as Amsterdam, Copenhagen, or Stockholm), they should present an opportunity to see events unfold in an unconstrained form.

The cities in the Baltic Republics tend to be small compared to those in other regions of the world (Figure 16.1): Riga, Latvia, had 734,000 residents in 2004 (down from 916,000 in 1990, the last year of Soviet rule); Vilnius, Lithuania,



Fig. 16.1 Location Map of the Baltic Republics

Source: Ministry of Transport, Republic of Latvia

numbered 593,100 in 2005 (down from 597,700 in 1991); and Tallinn, Estonia is 392,300 today (down from 479,000 in 1989). The current population trends in all three cities under review here are downward and the national forecasts, based on demographic analyses, are also negative³ (Figure 16.2). Yet, planners and politicians of any specific place have great difficulties envisioning a smaller city as they look ahead, even though that may present an opportunity to achieve better operations and more responsive services. Consequently, officially the target size of near-future Tallinn is 360,000; of Riga – over a million (with the new growth located outside the present municipal boundaries); and of Vilnius – 600,000. These figures, besides projecting an image of energy and commitment, nevertheless are defensible because they serve as built-in safety factor for planning purposes, anticipating an elevated level of service demand.

Preparing for the future in these three cities is a particular challenge because there is not much experience anywhere dealing positively with a shrinking base. Fewer people may be present, but they will live in smaller households. Since the size and quality of the average living space today in the Baltics is far below European standards, more and better dwelling units will still be needed. New construction has already expanded into outlying zones – therefore, trip lengths will increase. Higher quality of life generates demand for greater mobility and choices in services. Patronage on public transit becomes seriously threatened; automobile dealers and repairmen look forward to a rosy future. Examples of reduced cities elsewhere from the past may not be particularly applicable – they encompass government centers that have now a sharply limited subject territory (Vienna), market centers that have lost their trade area or linkages (Bruges), settlements that have been struck by major natural disasters (Yerevan). None of them offer models

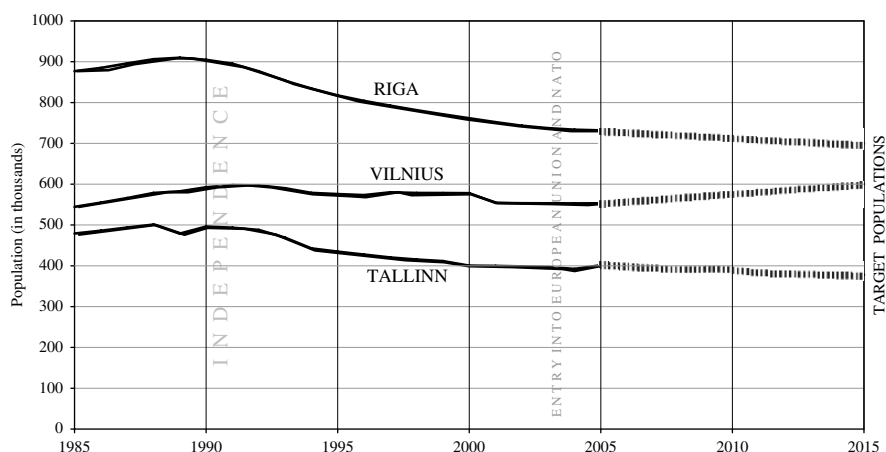


Fig. 16.2 Population size of Baltic capitals

Source: Municipal development departments

for the Baltics. Relevant comparisons, however, may be made with the old central cities of the United States, almost all of which have lost population but have gained greatly expanded peripheral areas beyond the original municipal boundaries.

The city of Riga experienced an interesting interlude regarding city size and transport systems in the late 1980s. Soviet norms required that any city of 1 million people be equipped with a metro system (heavy urban rail, mostly underground). As Riga rapidly approached that threshold, plans were made and, indeed, a construction yard established. City planners, however, felt that such a transportation mode was inappropriate for the character and shape of the city (Grava, 1989). On a political level, this project was seen by the native population as a pretext for further russification and industrialization of the city. Vigorous protests ensued, with demonstrations in the streets, and this cause (together with opposition to a hydroelectric dam damaging the principal national river) is credited as the first expression of organized public discontent with the Soviet regime, leading to independence.

16.2 Settlement patterns

16.2.1 Historic districts

All three of the Baltic capitals have core districts of medieval origin, which are quite well preserved as the Soviet government deliberately neglected them for ideological reasons (Figures 16.3, 16.4, and 16.5). Each one of these areas is now a historical district of considerable charm and cultural value (recognized by UNESCO as World Architecture Heritage sites⁴) (Figure 16.6). The principal transportation challenges of the historical city centers are keeping automobile entry to a manageable level, maintaining citywide accessibility, and providing for a dominant pedestrian presence. The basic task is to maintain centuries-old urban fabric and elements (size and network of streets, scale and style of buildings, sequence of significant spaces, and landmark buildings) while accommodating residents, workers, visitors, and shoppers with twenty-first century demands in terms of access and mobility.

16.2.2 Pre World War II districts

The bulk of the inner city territories of the three capitals is occupied by areas developed in the nineteenth and early twentieth centuries. These districts follow the typical European pattern of that time – a grid street system, frequently fragmented and modified, accommodating rather high density, mid-rise buildings enclosing the perimeters of the blocks. These parts of the urban fabric were built when horse carriages and dray carts as well as human power provided transport services. While

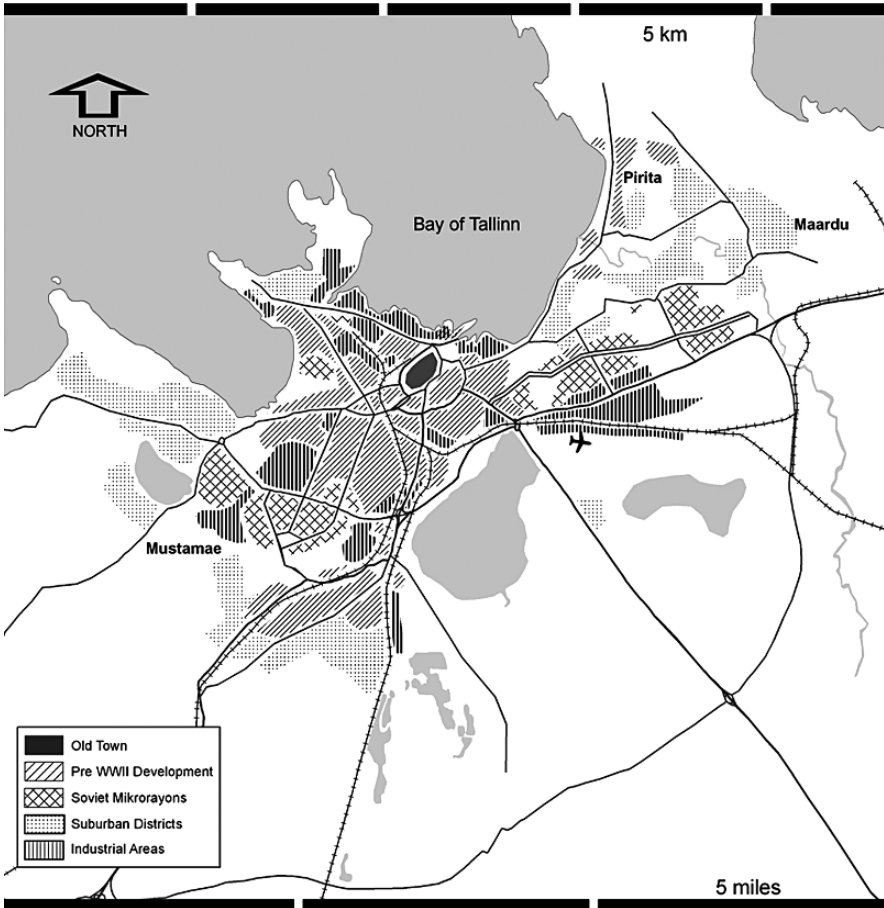


Fig. 16.3 Tallinn and environs

Source: *Linnaplaneerimise Amet of Tallinn*

cities in Western Europe and North America have already gone through a rather painful process in trying to establish a *modus vivendi* between motor vehicles and largely fixed urban elements, in the cities of the Baltics the process is currently in its most turbulent phase. It is not quite clear whether the experience elsewhere will provide guidance that will be accepted and followed here.⁵

16.2.3 Mikrorayons

Eastern European cities, including those in the Baltics, have a specific addition to their urban inventory that is rarely found in the West – the presence of extensive

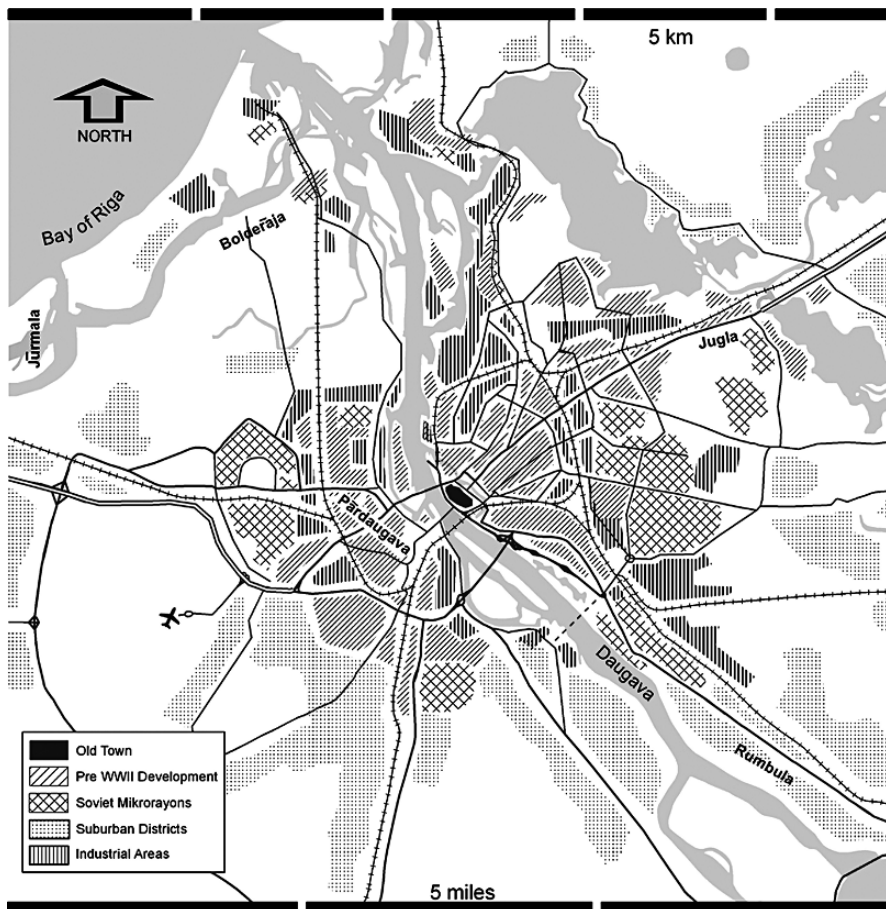


Fig. 16.4 Riga and environs

Source: *Attīstības departaments* of Riga

post-war housing estates⁶ (mikrorayons), composed of high-rise, prefabricated residential slabs.⁷ These residential districts were conceived during the Soviet era as social units complete with all necessary residential services. Much has been written about the problems associated with this type of Soviet-style housing estates, as well as the question of how they might be adapted better to contemporary needs under a market economy.

One of the interesting aspects regarding mikrorayon's access and mobility is the fact that, while private vehicles were rather scarce under the Soviet regime, the major streets in these new zones were designed with very generous dimensions and so built, if resources allowed (see Chapter 14, this volume). This by no means responded to a functional need but is rather the consequence of adhering to fixed

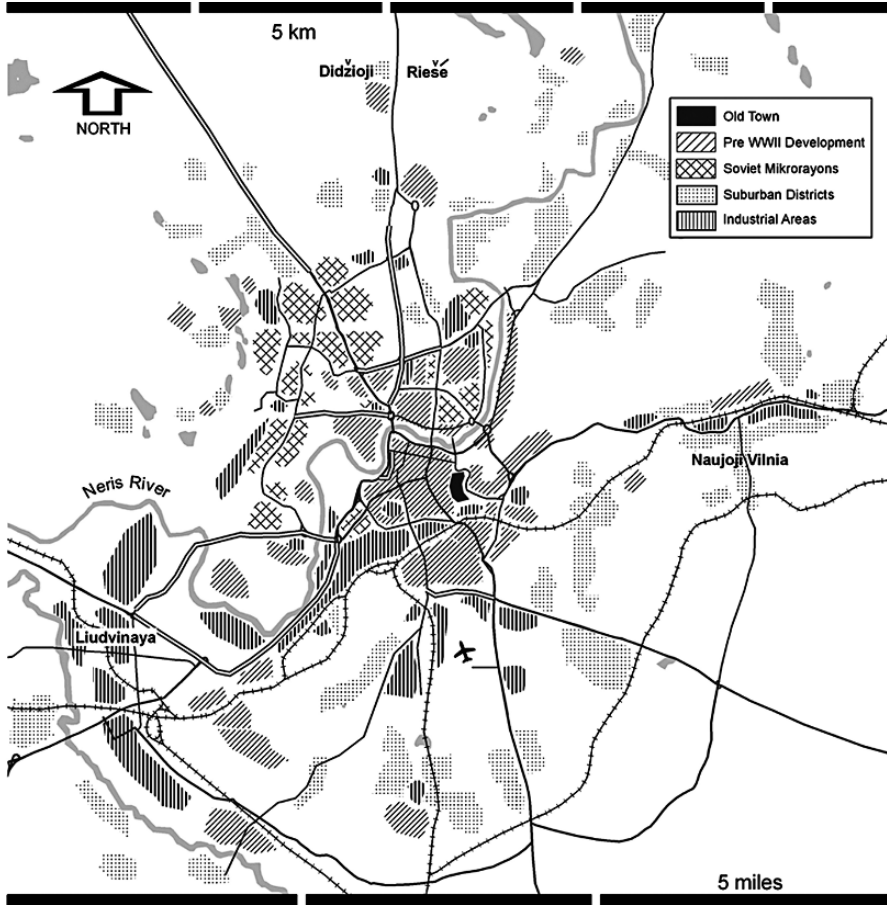


Fig. 16.5 Vilnius and environs

Source: *Vilniaus Planas*

norms that insisted on monumentality and open vistas. The “towers in a park” design concept engendered by modern architects and city planners in the 1920s and 1930s, found its purest expression in the mikrorayons of the Soviet Union. The results are bleak and dreary streetscapes, but with enough space to accommodate traffic volumes far beyond the highest forecasts at the time they were conceived. This is not to say that localized trouble spots cannot be found today, particularly where the new roadways connect to the old street network.

Demands in the transport sector do have a way of catching up to supply. Under the changed conditions today, the traffic lanes are beginning to be filled with motor vehicles even within these generous networks. The wide open lands along the road alignments are inviting sites for commercial strip developments,



Fig. 16.6 City square in Tallinn

Source: Photo by S. Grava

which resemble very much those found along peripheral arterials of cities in North America. Establishments with their own parking lots, drive-ins, and gasoline stations dominate, attesting further to the automobile revolution. Pedestrians are appearing too, but they are not accommodated along the roadways, which were never intended to have them.

In Soviet planning theory, the residential mikrorayons were supposed to alternate with districts of employment zones, somewhat in a checkerboard pattern, to minimize the lengths of commuting trips and allow most workers to walk to their jobs. The concept of linking housing and work districts did not have much influence on the development of Baltic cities. Sites for mikrorayons were selected incrementally, wherever it was easier to build at any given time. It could be argued that the remoteness of some of these projects was not a major issue since the cities themselves were not too large. Nevertheless, mikrorayons were to be fully equipped with public transit service. In many instances this effort lagged because different agencies were in charge and all sectoral programs were not fully coordinated. However, in most cases, access to transit was eventually provided (by trolleybuses and buses, usually). The issue that remains today is the difference between what Soviet norms defined as acceptable walking distance to the nearest transit stop and what people expect today in terms of easy accessibility. There were (are) some notorious, almost legendary, examples of long treks to the bus stop through a Russian or Baltic winter. This remains a built-in problem in the adaptation of the “socialist city” to today’s demands. The solutions are not difficult to envision – services can be extended and enlarged – but they call for a massive effort since about a half of the total housing stock in Riga and two thirds in Tallinn is found today in Soviet-built mikrorayons.

The original design of the socialist housing estates anticipated that private automobiles may be owned by some inhabitants, but not too many were expected, and parking spaces were not allowed to interfere too much with the interior layout of the superblocks. Open lots were placed at the edges, which required rather long walks from the apartment and did not allow much supervision against vandalism. Currently, the private car fleets have grown dramatically, and people – as anywhere else – definitely prefer to leave their vehicles as close to the door as possible and in direct eyesight from the apartment window. The consequence of this, coupled with the general relaxation of the strict rules of Soviet administration, is that automobiles can now be found almost anywhere within the mikrorayons, and the management of squatter parking is a sore issue.

An associated challenge is the presence of Soviet-era parking compounds that consist of simple prefabricated metal sheds with a locked door. They were located at many points in each city, offering security and weather protection to the valuable private vehicles.⁸ Personal vehicles were stored away in those sheds for the winter, to be visited occasionally. That is no longer the case as cars are expected to be in daily use, thus, immediate access becomes a major concern. Since the metal sheds have reached the end of their useful lives and most are rusting away, the compounds have become major eyesores in the city.

16.2.4 Post-Soviet developments

A new type of development, which is beginning to be a significant part of the built urban environment in the Baltics, is the establishment of single family housing districts at the urban periphery. It could be speculated that the exclusive groups of dachas for the Soviet nomenklatura⁹ provided a model for this new type. Single family homesteads, on the other hand, have been the dominant rural pattern (at least in Estonia and Latvia) for centuries. Building individual homes was quite a common practice in the 1930s, and even in the last decade under Soviet rule prefabricated, somewhat clumsy detached houses started to appear. The dacha-type settlements seem to provide strong support for the assertion that many people consider the single family home the most desirable form of housing. The Balts are no exception.

Regrettably, in most societies around the world only a small proportion can afford this. Low urban density also means that all services on a per unit basis become more expensive and often communal transport cannot be supported by assembling enough patronage in any given corridor. This is a classical case of individual desires and comfort preferences clashing with societal efficiency – a basic issue that has been painfully present in North America for some time. One can say that it is a sign of progress in the Baltics if there is a need to discuss this form of housing in a chapter on urban transportation. Such settlement type is closely associated with mobility needs and demands – the specific issue is the availability of a family car or two (or more), which leads to completely different

transportation behavior than in a high-density city relying exclusively on mass transit modes.

There are today two major types of single family housing districts around and near cities in the Baltic Republics. One of them emerges from the wholesale conversion of garden plots with tool sheds, allocated during the Soviet period, into residential areas for permanent housing, not just used as weekend retreats. Having a family garden was a matter of survival then, and the government gave urban residents rights to a 600 sq m plot in garden colonies, frequently located at some distance from the city. The layout of these sites is always a simple grid with access to individual parcels via alleys, which are not paved and not wide enough to accommodate a real street. There are no utilities whatsoever, except a water tap somewhere nearby. Even during the Soviet period, many people built structures (classified officially as “utility buildings”) that could accommodate overnight stays. Considerable ingenuity had to be applied and miniaturized dimensions utilized to stay within the norms. In effect, these were homes at two-thirds scale, certainly larger than doll houses, but often giving exactly that impression. After independence, restrictions on construction or use are no longer enforced, and many of these colonies are turning into permanent settlements with family homes on inadequate lots, offering almost no privacy and very rudimentary services.

From a transportation perspective, there are physical access problems, public transport is rarely feasible, and private cars have considerable difficulties moving along the interior paths or being stored. Since there was no need for shops, schools, or libraries in garden colonies, such facilities simply do not exist, and there are no good mechanisms for building them as a part of the conversion process. Residents often have to walk over long and difficult distances to accomplish chores if a private car is not available.

Another type of single family development is the result of recent regular subdivision practice, very similar to what has been experienced in the United States for the last fifty years.¹⁰ This process has arrived in the Baltics, and it is still regarded with amazement and confusion. There are few rules or standards to control this unprecedented phenomenon. Much of this action takes place beyond the boundaries of the central cities in the surrounding townships that have their own local governments and no particular reasons to conform to a regional development control or settlement distribution scheme (if such a plan exists). For reasons that are not fully understood, this process started earlier in Lithuania, where suburban settlements were quite visible already in the early 1990s. At this time, Vilnius is ringed with a broad band of single-family housing clusters of various sizes, all of them automobile oriented (Figure 16.7). The same trends are now most visible around Riga and Tallinn. Leaving aside questions about the quality of this new housing, the standard transport problems of suburban development become increasingly apparent on the fringes of all sizable cities of the Baltics: complete reliance on the private car, infeasibility of adequate public transportation service, and severe restraints on personal mobility for many people without access to an automobile.



Fig. 16.7 New automobile-oriented suburban housing in Vilnius

Source: Photo by S. Grava

The other contemporary development action that disturbs and puzzles local officials and residents of East European cities the most is the emergence of many new commercial centers in the peripheral sections of cities. To anybody who has seen the urban changes in North America (and even Western Europe) over the last half century, there is nothing strange or unfamiliar here. If core districts become overcrowded, they no longer offer the most accessible locations, and many, if not most, new business establishments locate themselves outside. Many of their customers are there already. It does not matter very much where specifically these sites may be, as long as they are touched by the principal roadway network.¹¹ This decentralization is very clearly seen today in Vilnius, Riga, and Tallinn. Shopping centers, large furniture stores, automobile showrooms, garden supply and home improvement centers, and supermarkets are to be found as individual box-like buildings, as a series of colorful structures along major trafficways, or as clusters forming significant activity centers. Office buildings and large entertainment places follow similar paths. If and when large institutions (government, education, medical) need to expand or consolidate, they too are likely to find campus sites outside the compact city. In Vilnius specifically, a very prominent cluster of high-rise commercial buildings has emerged on a site that is outside the traditional business center, but not too far away across the river. A very similar pattern appears to take place in Riga where the first high-rise buildings are already in place across from the long-established core itself, and others are expected to follow suit.

The general decentralization trend being currently established is almost certain to prevail. As the urban structure changes, so does the demand for types and intensity of transportation services. A dynamic and ever-changing urban pattern is likely to be the norm, with a fluid and dispersed structure where the traditional communal means of mobility will have to struggle hard to remain relevant and useful.

16.3 Street network

The road networks in the Baltic territories had been in a rather primitive state all the way from Napoleon's time into the 1930s. Improvement programs started at that time in the independent republics but progress was slow during the Depression. World War II and the invasion by two external powers found a basically rural environment where gravel and dirt roads dominated. Considerable progress was made during the Soviet years in line with the All-Union policy to industrialize and absorb these countries. However, the first priority of the Soviet empire was railroads. Thus, in Estonia and Latvia, the road program moved gradually, establishing basically a paved two-lane roadway network connecting the larger activity centers. Military considerations and access to such installations were notable factors. The situation in Lithuania was quite different. During Soviet rule, this republic succeeded in constructing a respectable system of multilane roadways, several sections with limited access features.¹² Roadway development in the cities followed a similar path.

16.3.1 Vilnius

The Lithuanian capital has an almost complete modern highway and arterial network, with fairly advanced features (Figure 16.8). It was accomplished in a rather high-handed way, not paying much attention to community, environmental,



Fig. 16.8 Depressed artery in Vilnius

Source: Photo by S. Grava

and cultural values, but a system is in place today. The structure of the regional network of Vilnius is a clear star-shaped pattern with at least half a dozen major radials extending in all directions (Vilnius City Council, 1999). They are not, however, of equal importance because of the “corner” location of the city.¹³ The principal roadways, both in terms of traffic volumes and physical dimensions, are found to the west (the larger part of the country) and to the north (eastern part of Lithuania and Latvia). Vilnius does not have a continuous outer ring road. There are, however, proposals to develop such a peripheral artery, primarily in conjunction with the preservation of a generous green belt around the city controlling the decentralization of activity nodes.

Within the metropolitan area, the pattern is also basically radial since there are no significant geophysical obstacles, except for hilly terrain west of the core districts (Figure 16.5). The center-oriented configuration is more clearly seen on the north side of the city where the radials fan out from several prominent traffic nodes that take the form of large traffic circles. A number of the roadways are of modern arterial design, partially depressed below street level. New commercial and institutional clusters form activity centers along these alignments. The high-rise business center, currently under development, is at the approximate focal point of this subsystem.

The road pattern in the southern half of the city is much older and shaped by gradual development period-by-period. Nevertheless, the principal roads tend to focus on the Old Town and the adjoining business core. As could be expected, traffic congestion is prevalent here. Efforts have been made to direct flows around the very center of urban concentration. Large highways reach the core as well, but do not cross it. Some segments employ rather advanced design concepts, such as placing buildings atop the road alignment. Full continuity in the arterial network is not yet achieved, and a complete hierarchical system with clear traffic carrying purposes for each class level also needs further development. Yet a strong circulation and access skeleton is in place for Vilnius, and it can be used as a foundation for future improvements in the urban road network.

16.3.2 Riga

The surface transportation problems of Riga are serious but not yet critical as a consequence of the expanding size and historical configuration of the urbanized area. The explosive growth in automobile use, however, is the main culprit. The basic existing pattern is dominated by long principal corridors where traffic builds up regularly, and a single dominant center, which generates the need for intensive to and from linkages throughout the day. There are large lakes, wetlands, and marshes, as well as nature reservations around the city itself that constrain the location of radial facilities to narrowly defined passages (Figure 16.4).

During the Soviet period, Riga received only one stretch of a major highway, which is not quite of limited access quality. It runs for 15 kilometers from the

city center, leading past the airport to the seaside resort Jurmala. It was built, reportedly, along this alignment because it provided the most direct connection between the city zone where most of the high Party functionaries lived and their weekend dachas on the Bay of Riga. There are a number of other pieces of new arterials, but they are not connected, thus having little utility at this time, or they responded to needs that no longer exist. A striking example of the latter situation is the almost complete two-lane circumferential road, with an approximate radius of 12 to 16 km. It runs through still open territories since its principal purpose was to connect a series of rocket, tank, communications, ammunition storage, and other military bases that ringed the city. It will take some decades before city development reaches this far, when the facility will probably have to be doubled in width.

The River Daugava, bisecting the urbanized territory, is the glory of Riga but also a major internal obstacle (particularly now that settlements on the left bank expand further, and there are indications that a new center of high-rise buildings is growing across from the Old Town). There are only three vehicular crossings,¹⁴ with an additional one being built in the southern part. Programming work has started on other northern crossings downriver in the port area, which will have to be tunnels or high-rise bridges to accommodate marine vessels, thus requiring outside technical assistance and support from the European Union.

The future roadway development needs, besides the river crossings, encompass the construction of a large scale interior distribution grid, which includes an Eastern Arterial (currently under construction), a corresponding facility on the West Side, and new or significantly upgraded east-west cross-arteries.¹⁵ Even though some voices can be heard today (appropriately) against trying to accommodate the car above anything else, Riga does need an interconnected and efficient roadway network within an overall economic and social system that depends on motor vehicles to a very large extent.

16.3.3 Tallinn

The roadway situation in the Estonian capital is less complicated. Tallinn is smaller than Vilnius or Riga and, therefore, in a functional transportation sense, requires a less elaborate roadway structure. The urbanized territory is basically flat, and development can expand with relative freedom, except for the sharply elevated area of the Old Town and the Gulf of Finland, which reaches the core with two local bays along the northern edge (Figure 16.3). The latter, together with a lake to the south, create a geophysical container for the city that directs development into three broad corridors. The larger territories to the southwest contain the bulk of the city's residential areas, including extensive mikrorayons. The corridor to the east is characterized by a number of special activities, ranging from the Olympic yachting center to the airport. The limited peninsula to the north has some residential areas, but also the cargo port and several municipal housekeeping installations.

The overall mobility system of Tallinn is characterized by the historical centrality of development and by principal trafficways and railroads extending from the core in three directions. Several highways to the east have features of advanced design (grade separation, medians); the roadways to the south are rather conventional surface arterials. The historic urban structure with a single dominant center leads inescapably to traffic congestion at the focal point, which in less motorized periods could be alleviated by a series of ring roads around the core. Today, the logical response is to create efficient metropolitan-level links for eastward and southward expansion, by-passing the CBD and the Old Town. A Northern Passage and a Southern Passage are currently being developed (Tallinn City Council, 2004).

16.4 Public transportation

Eastern European cities developed respectable public transportation systems during the twentieth century, and most urban activities heavily depended on them. While automobiles assumed a dominant role in American cities already in the 1920s and 1930s, private cars were still relatively rare here until the start of World War II. Soviet urban practice was oriented overwhelmingly toward communal services, and tram and bus operations received considerable attention, sometimes with special resource investments that exceeded those in other sectors.

After independence was restored in 1991, the cities in the Baltics found themselves with reasonably extensive transit networks and established operations. The systems were, however, worn and the equipment obsolescent by Western standards. The problem was also that robustness had been given preference over comfort and, therefore, the available service gradually became regarded as inadequate. Vehicles did not move very smoothly or fast; they had very high floors, hard seats, poor ventilation and heating. The rolling stock was not fuel or power efficient. The systems worked in a functional sense, but without paying full attention to consumer needs.¹⁶ Maintenance had slipped considerably in the last few decades. In the early 1990s, resources were particularly scarce and service reliability started to suffer.

When there was no choice in transportation options, such conditions had to be accepted and tolerated by the customers. As soon as other (private) opportunities appeared and transit users realized that their expectations could be voiced and receive a hearing, a broad-based criticism of the public transit system commenced. At the same time, however, everybody opposed fare increases, thus constraining renewal programs. The situation had to be reformed, and the fares had to move up gradually.

The most significant recent fact about public transport in Baltic cities is the massive drop in ridership after 1991 (Figure 16.9). Passenger levels in both Tallinn and Riga are down to some 30 percent of what they were in the 1980s. The first phase of this trend can be explained easily – contraction of economic activity and less commuting due to a reduction in jobs. However, as vigorous economic recovery

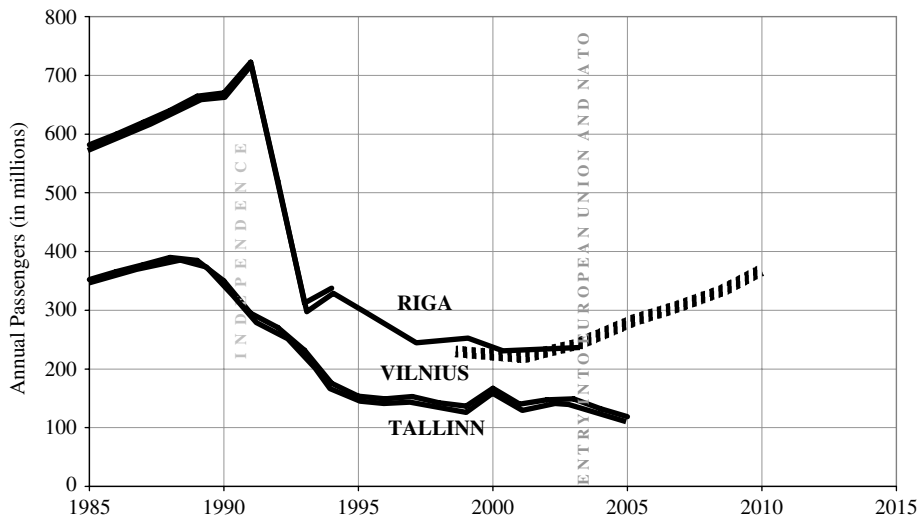


Fig. 16.9 Public transit ridership in Baltic capitals

Source: Municipal transportation agencies

has occurred in subsequent years, passengers have not come back (even when the statistics are corrected for lower population sizes). This is reason for major concern and subject for further discussion. The situation, however, is not completely bleak. There is strength left in the public transit systems in Tallinn, Riga, and Vilnius, as shown below in comparison with ridership figures in other places (Table 16.1).

Soon after Independence, there was a period when gifts of used buses from countries in Central and Northern Europe were rather common means of upgrading the rolling stock. These were second hand but still serviceable vehicles that were quickly placed on the streets. The result of the many donations was that the

Table 16.1 Average number of trips annually on public transit per person

Tallinn	370	
Riga	317	(91 by streetcar; 112 by trolleybus; 114 by bus)
Vilnius	542	
Helsinki, Finland	423	
UITP average	340	(325 in 1995)
USA, national urban average	40	

Source: National bureaus of statistics, municipal transport agencies

Note: The International Association of Public Transport (Union Internationale des Transports Publics) assembled an extensive data set for 50 selected cities world wide (mostly from Europe) in 2001. This average therefore largely represents cities that have extensive mass transport system (including metros).

streetscape became quite busy with a wide range of large vehicles in various sizes and in a spectrum of colors. Today, the vehicles are still colorful, but because revenue-producing advertisements cover all available surfaces of new and old stock.

The other problem was that used equipment could not last very long and relatively soon these vehicles started to leave the fleet. The local governments gradually reached a level of economic capability that no longer had to depend on charitable contributions from the outside, and the demand by users urged regular purchases of new and modern equipment. Currently, the Surface Transit Department of Riga is trying to sell its used Ikarus buses, which are no longer needed in local service, and is about to solicit bids from manufacturers for new low floor vehicles. The rolling stock of Tallinn and Vilnius, at this time, is in good condition and modern equipment is now common (Figure 16.10), even though the most advanced models with high-level automation and pollution control, available in Europe, have not yet been acquired.

The same image problems are also faced by trolleybuses (overhead wire for electrical power pick-up) in the Baltics. They were very popular in the Soviet Union because electricity was assumed to be the cheapest power available, and they have a considerable advantage today in cities because they are non-polluting. However, because the rolling stock has not been replaced and new models are scarce worldwide, they are regarded as vestiges of a less-advanced age. Trolleybuses do place constraints on unimpeded flow by motor vehicles on streets, and their future – regrettably – is doubtful.

Considerable effort has been applied in all three cities to keep public transportation fares within the margin of affordability. Income revenue is badly needed to upgrade operations since external subsidies are limited, but it is even more important not to price out a large part of the population – those who have to live with extremely limited income – from access to transportation. Various



Fig. 16.10 The new tramway car in Tallinn

Source: Tallinn Transportation Department

forms of discount passes are available for up to a year and for various routes and modes, and most passengers take advantage of this opportunity. Reduced fares for seniors and disabled persons are in effect. Social policies, as well as political memories, are recognized in the multi-level fare structures.¹⁷ The annual budgets for the three public transportation agencies show that income from ticket sales covers about 40 to 50 percent of the operating expenses, which is a fairly high level compared to most countries of the West. Subsidies are provided mostly by city governments since local transit is still a responsibility of the municipalities and has not been delegated to regional organizations, which is frequently the case elsewhere. These agencies have to pay taxes to the national treasuries, which is a difficult situation to explain or justify given the public service significance of these operations. As almost anywhere else, the public transport agencies in the Baltics struggle but manage to provide quite acceptable service. They do not have, however, much extra resources to recover lost patronage or upgrade systems to better service levels without substantial external assistance.

In comparing the public transit systems in the Baltics to those in Western Europe and North America, one specific difference stands out. There is one mode that has become very popular, but is not found in the old industrialized countries: minibus or passenger van services that operate in the jitney mode.¹⁸ They are quite common, however, in all developing countries around the world, providing a locally-generated, spontaneously-originated private service, particularly in places and along corridors where formal public service is lacking or inadequate. They were definitely present in the Soviet Union and operated widely in just about all cities as “marshrut taksis.”¹⁹ Minibus service is not particularly widespread in Estonia, where these vehicles carry only about 1 percent of the public transport volume in Tallinn, almost all of it to and from peripheral districts. Presumably, the regular public transit services in the center are most adequate to preclude a demand for minibuses. They are, however, major players in Latvia and Lithuania where they are found in provincial cities as well as in the capitals. In all instances, the service is most popular among its users, but it is looked at askance by city authorities, sometimes to the extent of trying to eliminate it. This ambivalence becomes expressed in the fact that no real data are available on these operations, even though they may carry a major share of the total ridership on communal modes. The excuses are that they are private and not a public responsibility, that routes and service intensity change all the time, and that they compete with the official public services. Government control is limited to the granting of operating authority on specified corridors to individual entrepreneurs or firms.

The negative features of jitney service stem usually from the fact that it is privately owned and operated, thus, profit-driven, and drivers' income usually depends on the number of passengers that they can pick up. This can lead to aggressive driving and taking various shortcuts on the street. The positive features are the fact that no subsidies from the government are given or required, and that the users receive a very responsive and agile service. They clearly like the rapidity of movement compared to a regular bus (fewer stops and faster speeds), the greater

privacy and comfort, and the “finer grain” of the service due to smaller vehicles (greater frequency and getting closer to origin and destination points). The most important aspect may very well be that in the new low density districts around cities, where even regular bus service may not be workable, minibuses may be the only form of transit service that is even remotely feasible. The principal question here is whether a mode that is characteristic of developing countries can survive and flourish in cities that are in a rapid modernization process. The service is not as responsive to individual needs as taxis, of course, but it is much cheaper, requires much less space, and is sufficiently direct and convenient. It could be structured not as a stop-gap service for the poor but as feeder service to primary heavier modes (Figure 16.11).

At this time, the public transportation service in Tallinn employs buses as the principal mode that covers the entire urbanized area. Streetcar lines radiate from the center in several directions, but do not run too far. Trolleybuses serve exclusively the western districts of the city that were largely built during the Soviet period (Mustamae).

Riga has a mixture of all the regular modes, but cannot really boast of a well structured network because different segments have been added (and subtracted) incrementally over the decades. While the system is primarily center-based, a number of complications make orientation difficult. Buses offer the broadest coverage, with trolleybuses operating in the more central districts. Present streetcar lines are basically the remnants from an earlier network, but plans for the future envision light rail transit to be the principal public mode for the expanding city. Regional rail, besides the long-established service to the seaside, assumes greater importance as nearby settlements are drawn into the metropolitan activity sphere.



Fig. 16.11 Buses and microbuses in front of Riga's Central Station

Source: Photo by S. Grava

Vilnius never introduced streetcars but has relied on buses ever since they became available. At this time, the bus network is extensive, reaching far toward the peripheral settlements. The overall pattern is much more of a grid than a radial arrangement. Trolleybuses overlap in coverage with fewer lines, which are concentrated in corridors of mikrorayon developments. While regional rail service is not a significant factor, at least three regular rail stations are close enough to be within the urbanizing territory.

The dramatic drop in public transit ridership remains a basic concern in all three cases. The cities work, but they work now in a different way than previously, with considerably higher resource consumption on a per capita basis and new problems caused by a growing automobile presence. There is no return to the old situation, and few would desire it. Some of the losses in passengers may be explained by a lower inventory of jobs, but the dominant reason, undoubtedly, is an erosion of public transit's appeal and the emergence of the private individual vehicle as a working mode, not just a casual and attractive convenience for the select few.

Upon closer inspection, the data also show that public transit ridership figures have recovered somewhat during the last few years. Many people see great encouragement in this fact as a sign of rebounding in the use of mass transport. Whether this is a steady and reliable trend, remains to be seen. More likely, it represents some stabilization and overall improvement in the economic base of the cities. Voluntary giving up of automobiles and return to mass transit by a significant number of people has not been seen in any society yet.

Despite the overall negative trend, however, ridership on public transit in the Baltic republics on a per capita basis is still a magnitude larger than that in the United States, and comparable, if not higher, than that in Western Europe. The principal task now is not to lose that advantage. This will require a more proactive government role in promoting public transit, which should be based not only on heavy investment in hardware (Table 16.2) and system improvements, but also on developing effective programs for public education and building of a positive attitude towards public transportation.

Table 16.2 Extent of public transit in Baltic capitals

	Regional Rail	Streetcars		Buses		Trolleybuses		Minibuses (Jitneys)
	No. of stations within city	No. of routes	Route km	No. of routes	Route km	No. of routes	Route km	No. of routes
Tallinn	—	5	42	55	608	8	68	
Riga	22	8	57	53	275	24	84	48
Vilnius	—	—		70	347	19	74	62

Source: UN Economic Commission for Europe, municipal transport agencies

16.5 Automobilization

The crux of the current transportation problem in the cities of the Baltic republics – as almost anywhere else – is the private automobile, or, more specifically, the extremely rapid expansion in car ownership and use with an impact that reverberates through most sectors of urban life. East European cities are simply not prepared for this, and local authorities have not yet fully grasped the implications because of the lack of direct experience. The Baltics are not alone in trying to cope with automobiles, but they have the difficult task of preserving their urban heritage in the process of taming, if not accommodating, the private automobile. The residents of Vilnius, Riga, and Tallinn have seen traffic overloads at home and elsewhere, but getting to the conclusion that many things need to be done now to preclude pending disasters is a major challenge.

Under the Soviet regime, private cars were scarce, and street traffic remained at very low levels. For the ordinary Soviet individual, to buy a car in the 1980s required not only several years of salary but also a wait that could extend beyond ten years (unless one was bumped up the list as a reward or as a personal favor). Officials and functionaries, depending on rank, had access to vehicles owned by their agencies or enterprises, and this privilege was exploited as much as possible. The association of automobiles and status became indelibly engraved in the public's consciousness. The few individuals and families who were lucky enough to actually own an automobile struggled continuously with finding spare parts and competent mechanics, replacing tires, guarding against theft and vandalism, and locating the next gasoline station. Riga, a city of close to a million people, had only ten places selling fuel (legally) in the 1980s.²⁰

With the introduction of free market economy, the functional and operational parameters changed overnight.²¹ As anywhere else, the attractiveness of the private car, with its promise of unconstrained and individually controlled mobility, was irresistible. No sales campaigns were necessary, and most often the first major expenditure by individuals and families was the private car. As a result, the Baltic countries may reach relatively soon the level where Central Europe is right now – at 450 to 500 automobiles per 1,000 people (Table 16.3). The consequences of this rapid expansion of the total fleet are quite apparent. Chronic overload problems have become daily occurrences on many links in all three capital cities. The congestion levels and their duration are far below the conditions in most other large cities of the world, but there is cause for concern, and the future does not bide well for cities with tightly developed urban cores.

Parking – as can well be expected – is a serious problem in the core districts. The automobilization shock was particularly severe in this sector, within a completely unprepared situation. In the early days after Independence, there was also a curious but not surprising complication: automobile owners tended to be the privileged, prominent, or self-important persons who presumed to stand above common regulations and had not yet developed much sense of a civic responsibility. Chaos

Table 16.3 Number of registered vehicles per 1,000 residents

Year	USA	Sweden	Estonia		Latvia		Lithuania	
			Tallinn	Country	Riga	Country	Vilnius	Country
1985	554	377	116	114	70	83	73	96
1990	731	462	161	207	109	136	107	158
1995	759	447	311	309	145	167	226	226
2001	778	455	398	299	265	229	320	337
2004	766	455	396	385	333	304	450	354

Sources: Various national transport agencies and the UN Economic Commission for Europe (www.unece.org/stats/trends/ch8)

Note: Numbers include only passenger automobiles and other 2-axle, 4-tire vehicles, not all motor vehicles, such as trucks and buses.

prevailed, but parking violations could usually be settled on the street before any official record was generated.²² Today, traffic problems have gained general public visibility, and more mature attitudes prevail. In all three cities, strict parking regulations exist and they are enforced reasonably well. That does not mean that the problem is solved since the hard decisions still have to be made whether to institute more severe entry and time restrictions (which may constrict business operations in the center), whether to build more garages (as has been done in Riga) (Figure 16.12), shift motorists to public transport (which almost never seems to



Fig. 16.12 Electronic gate at entry to Old Town of Riga

Source: Photo by S. Grava

work adequately), or impose entry fees in the core (which is a political challenge, but has been done in Singapore, London, and Stockholm).

The other and larger dimension of motor vehicle presence in cities is congestion on streets, frequently restricting general mobility to an unacceptable degree. In Tallinn, because of its relatively limited size and a street network that still has some excess capacity, the situation is not yet particularly severe. In Vilnius, because of the regional system of good arterials, the problems are found primarily in the very center, but concerns have become vocal, and expressions of alarm appear in the popular press. In Riga, motorists (and bus passengers) are chronically delayed up to a half hour on the river crossings and several principal arteries. Traffic congestion is a common topic of conversation, but those with cars are not quite ready yet to accept restrictions. The trends are quite obvious and ominous. By this time, there is a good record of traffic volume counts at critical locations in all three cities, which prove what is now common knowledge – traffic is swiftly becoming worse.

The “new” automobiles in the early 1990s came basically from two sources. The first were the emerging prosperous businessmen who had apparently unlimited resources to acquire the most prestigious luxury models and flaunt their use. These individuals were referred to as “the mafia,” with considerable envy and honoring the Socialist tenet that the accumulation of wealth is an evil practice.²³ The second source of private cars were entrepreneurs who went to Central Europe, bought as many second and third hand cars as they could (sometimes with incomplete ownership papers), had a staff of drivers ferry them to the Baltics (with the additional challenge of crossing Poland along then perilous highways), and placing them on the market through used car lots, often clustered in specific districts. This improvised process, responding to a pent-up demand, over the time span of a decade has been largely replaced by regular distribution and sales procedures. At this time, there are dealerships and showrooms for just about every significant automobile manufacturer in Riga, Vilnius, and Tallinn (except American firms, which are not particularly well represented). Stretch limousines can be hired in Riga and only an extreme sports car would make heads turn. *Moskowitches* and *Ladas* can be seen as well, but not in great numbers in the cities, and they are the cars that everybody passes on rural roads.

There is hope and there should be at least expectations that preventative programs can be initiated before a true congestion crisis arrives. Is it possible to learn from the examples and mistakes of others? Planners have identified the specific problems and have advanced various suggestions to cope with the pending situation in the Baltic cities; the question now is how soon general public opinion and official actions will reach a point of accepting progressively more painful solutions.

A very serious issue, which borders on tragedy, is the *traffic accident* situation on the roads and streets in Eastern Europe. The very high figures, as contrasted with Western Europe, on the whole are not getting any better. Latvia and Lithuania currently fall in this group. Fatalities and injuries in those two countries, by whatever measure, far exceed the averages that should be expected in advanced societies

(Figure 16.13). Estonia, however, was able to make significant improvements during the last few years (Table 16.4).

Studies have been done to try to understand the reasons for the deplorable situation in Latvia and Lithuania, but they cannot suggest much more than what is quite apparent from the basic facts already: most accidents are caused by young males who drive irresponsibly and frequently under the influence of alcohol.²⁴ In Lithuania, about a quarter of the fatalities are caused by drunk drivers and about a third by drivers without a valid license. The appropriate authorities in both

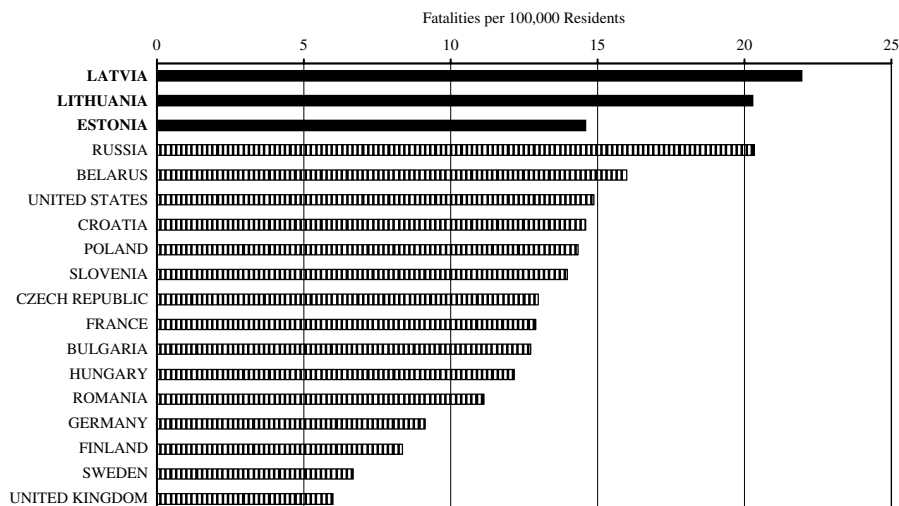


Fig. 16.13 Persons killed in traffic accidents, 2001

Source: UN Economic Commission for Europe

Table 16.4 Traffic fatality record

	1997	2003	2004	
	Fatalities per 10,000 persons	Fatalities per 10,000 persons	Pedestrian Fatalities	Fatalities per 10,000 persons
Estonia	2.3	1.3	55	1.2
Latvia	2.3	2.1	197	2.2
Lithuania	2.0	2.0	260	2.1
USA	1.5	1.5		1.4
Sweden	0.6	0.6		0.5
Finland	0.8	0.7		0.7

Source: National ministries of transportation in each country, UN Economic Commission for Europe and European Conference of Ministers of Transport

countries are highly concerned, and there are programs that are expected to lead to improvements. Yet, they do not seem to work, and the targets regarding traffic safety are not met year after year. Petty corruption on the street involving traffic police is a common topic of conversation, which would tend to contribute to the overall unsafe situation on the streets. Lately, however, experience suggests that this situation may be coming under control.

Just like in the old days, when it was hard to find an individual in Latvia or Lithuania who did not have a relative or acquaintance deported to Siberia by the Soviet regime, today just about everybody has personal knowledge of a road death, and the carnage continues. The experience in Estonia, on the other hand, shows that positive results are possible under just about identical social and economic conditions. This involves not only good signage and road markings, but also strict enforcement of rather severe speed restrictions in built-up areas and unforgiving attitudes toward drunk drivers, as well as extensive education programs directed at motorists, pedestrians, and children.

16.6 Non-motorized transportation

All three Baltic capitals have well-preserved Old Towns that stem from the Middle Ages and, while a series of additions and modifications can be found, they retain their original urban fabric, scale, external appearance, and a series of authentic and significant buildings from various centuries. There is no question at any civic level whether these environments are to be preserved; the debates continue on how to best do it and what may be acceptable elements of contemporary construction. Since the policy is to maintain these districts as living parts of the cities with residences and work places, there are urgent questions of contemporary visual quality and transportation. In all three instances, automobile use is discouraged but not excluded entirely since viable operations could not be maintained without them. However, each place has adopted a different approach toward this aim.

Riga, which has the most prominent historic district unmistakably delineated by sharp boundaries, has adopted the strictest programs. While it is true that the activities inside the Old Town are turning increasingly toward entertainment, tourist services, and cultural activities, the goal is to retain sufficient businesses and residences (most are now at the high income end) in order to maintain the vitality of a real city district. Physical barriers to vehicles have been placed at all entries/exits, activated by an electronic card. Such cards are issued free of charge to all residents and business establishments in the Old Town. Taxis carry a special card that allows them a 15-minute entry. Everybody else has to pay a 5.00 lats (8.75 USD) charge. The system works and there is a general acceptance of it, except that even a casual observation of the street scene will lead to the conclusion that there are still too many cars inside, impairing the total concept. This could be corrected by tightening the requirements progressively until a quarter or a third of the current vehicles is eliminated. Such a policy would have to be accompanied by

building garages at the periphery (several of which already exist) and improving public transportation around the district.

Since the dimensions of Old Riga are 600 by 900 meters, everything is theoretically within walking distance, yet a trip can sometimes become tiring, particularly because of the quality of the “historically correct” walking surfaces and the weather, which is not always pleasant. There is no suggestion that regular public transit should penetrate the district. Horse carriages were tried a few years ago, but apparently could not survive; currently several bicycle rickshaws are available for hire. There are no other real pedestrian enclaves in Riga, except some block interiors and the wide street around the Freedom Monument. The latter space is mostly ceremonial and symbolic. Elsewhere in the city, the intensity of movements on foot is not extraordinary high within its rather wide streets. Near the Central railroad station, pedestrian underpasses were built during the Soviet period. They serve a useful function but are neither very attractive nor comfortable. Here too, encompassing the adjoining bus terminal and Central market, ideas abound on how to create a multi-purpose, multi-level activity complex reaching out to the surrounding districts by walkways.

The Old Town of Tallinn is similar in many respects, except that it is located on a higher elevation than the rest of the city, with some steep streets and a sharp promontory on one side. The dimensions across are 1,000 by 600 meters. This historic district is also orienting itself toward entertainment, culture, and tourism, and there are still some sections to be redeveloped and recaptured for contemporary use. The same attitude of minimizing automobile entry is in force, but this objective is attained by largely unobtrusive means. There are very strict directional controls on all the narrow streets, and strictly enforced parking regulations give few opportunities for leaving a private car on the street. Elsewhere in the city core, elements assuring pedestrian priority and amenity are found at numerous locations.

The Old Town of Vilnius (approximately 600 by 1,000 meters out of a total designated area of 359 hectares) is less distinct in its composition and structure than the previous two cases, but it too has major institutions, attractive buildings, and charming streetscapes. It is an active place at several locations, but there are also sections that are still awaiting development. Automobile entry is likewise a problem and many of the old streets are hardly wide enough to allow a vehicle to pass through. No specialized or unusual controls are in effect except for street directional designations banning through movements on some streets and, in effect, creating a labyrinth for motorists. On-street parking is strictly controlled and there is not too much of it. On the other hand, there are some very visible parking lots within prominent public spaces. The central business street of Vilnius – Gediminas Prospect – has received extensive traffic calming and pedestrian priority features.

A new policy, strongly supported by all municipal governments in the Baltic capitals, is bicycle riding. There is a noticeable increase in this activity lately (perhaps because it carries a certain status today), but the actual counts are still low. There is an open question as to the extent in which bikes will be used for

regular commuting (as distinct from recreational riding) in this part of the world where snow removal is a challenge and at least four months are damp and dark. Regardless of these cautionary notes, the City of Vilnius has embarked on an extensive program of developing a full bike route network. Streets are designated within residential districts, and there are interconnected paths through recreational areas. Radials lead to the center and marked lanes cross the Old Town. So far, 66 km have already been equipped and 33 more kilometers are in process. Local planners believe that 160 km will be needed to establish a complete interconnected network, with some 400 km as the ultimate target. In Riga, a rather long velopath has been established through the residential districts on the Left Bank (Pardaugava to Jurmala) just outside the center, but – as in any other old city – there are considerable difficulties in finding space in the core for such reserved facilities. An additional subsystem is programmed to the northeast. Tallinn has designated an extensive network of bike routes that covers just about the entire urbanized territory from Pirita to Harku. Frequently, the selected streets are less than a kilometer apart. The coverage of the center is limited, but otherwise the network reaches most of the significant recreational sites.

16.7 Conclusion

Tallinn, Riga, and Vilnius – cities that contain elements from just about every century of European urbanization, including major examples of the Soviet era – stand on an urban development threshold. They are undoubtedly entering the post-industrial period at a fast pace, which is characterized by decentralization of many functions that traditionally were to be found only in the center. Another distinct feature of this period, quickly absorbed by the Baltic cities, is a large-scale dependence on private motor vehicles. These are the conditions under which urban residents will have to live and service providers will have to operate in the coming decades. The trends are not destructive, certainly not if a progressive frame of mind is adopted, but they appear threatening to most people today. All three cities have stated strongly, through official policy documents and by expressions of general public attitudes, that they intend to preserve and use their existing districts, that they do not wish to lose the charm and urban atmosphere of their cities, and that they intend to enhance the cultural values that have been accumulated over a long history.

These are cities that in the 1990s were still clear examples in their urban patterns of the earlier industrial era and the recent Soviet period. The sudden shock of contemporary political, economic, and social forces, predictably, brought serious dislocations in some established districts, created new activity centers, and opened up new residential locations. Explosive automobilization, dramatic losses in public transport usage, and a persistent shift toward motor vehicles in goods movement and long-distance travel are significant trends in their own right, but they also affect urban service demands and call for changes in supply responses. The national

economies are doing quite well, external support is available, and people have elevated their expectations. A calm and gradual evolution is not happening; the transformation is sharp and frequently disquieting. Tallinn, Riga, and Vilnius may no longer grow in population size, but their effective territories are expanding, and the anticipated upgrading of quality of life depends to a large degree on much better infrastructure systems. The Balts, too, are following the example of their Western counterpart city residents in expecting greater personal comfort and mobility convenience within the built environment.

This means that the use of the automobile (particularly in the center) will have to be curbed and that – more importantly – public transit systems will have to be developed further and enhanced to attract users on their own free will. Perhaps advanced technology devices can operate effectively in the Baltic cities as well to preserve established urbanity. On the other hand, the low density districts and decentralized nodes demand services that go beyond those traditionally found in these cities but rely on simple systems (such as vans and minibuses). There are great opportunities for pedestrian and bicycle facilities, which most people support conceptually, but which are not so easy to implement in existing dense districts.

New ways will have to be found to accommodate vital motorized surface vehicles without damaging historical and urban assets. This is not just a question of sensitive roadway design, but more likely requires the employment of various computer-based “intelligent transportation” and traffic management solutions, which might allow the Baltic capitals to leapfrog the prevailing contemporary transport situations in the cities of the West. There is still more room to maneuver here, and new investments have to be made anyway.

All these concerns – at least in an abstract form – have been included in the stated official strategies already; the next decade will show whether there is enough political will and civic drive to adopt some temporarily unpopular policies and to allocate needed resources. The opportunities are definitely there for all cities of Eastern Europe to bring these historical settlements into the next period of urban development and create well-functioning and attractive urban environments in the twenty-first century.

Notes

¹ Assistance in assembling the factual base for this review was provided by the planning and development departments of the respective municipal governments – *Linnaplaneerimise* of Tallinn, *Pilsetas Attistibas departaments* of Riga, and *Miesto Pletros Departamentas* of Vilnius – and *Imink* consulting firm of Riga. Special help came from Anu Kalda (Tallinn Transport Department), Eva Kalvina (Riga Traffic Department), Rasa Balbieriene (Vilnius Urban Development Department), and Birute Voveriene (Vilnius Public Transport Agency). The graphics were prepared by Clare Newman of Columbia University.

² In an overall sense, the conditions, trends, and opportunities identified by this review in Tallinn, Riga, and Vilnius are also found today in other cities of East Europe. Each place, however, is different, and some are well ahead and some are less advanced in various dimensions than the cities of the Baltic republics. Therefore, sweeping and even sectorial cross-country findings will not be attempted,

leaving those tasks to people who are well informed about their own cities. It is hoped that the material assembled here can serve as a component in further analyses of transport development in the region, and provide a base for comparisons.

³ In 2004, the population size of Estonia was 1.3 million; Latvia – 2.3 million; and Lithuania – 3.6 million. United Nations forecasts place the numbers in year 2030 at 1.1, 1.9, and 3.3 million, respectively.

⁴ The UNESCO World Heritage site in Tallinn is approximately 1.0 by 0.6 km in size; the one in Vilnius is 2.0 x 2.0 kilometers, encompassing a large park. In the case of Riga, the application was made and the designation was granted for a large site – some 2.5 x 3.0 kilometers. This area includes a number of old districts, not all of which are necessarily of great historical importance.

⁵ While people tend to think that their situation is unique and that they should find their own solutions, the contention here is that modern transportation demands are just about the same anywhere, and that the choices in solutions are not that plentiful.

⁶ For more detailed descriptions of microrayons see Andrusz (1985, pp. 127ff) and chapters 9, 11, and 14 in this volume.

⁷ It could be argued that a number of post-World War II social housing projects in Western countries have similarities to mikrorayons, but this conclusion is valid only regarding external appearance and site layout.

⁸ The price of a *Lada* was equal to two or three years of a normal salary.

⁹ Individuals who merited placement on a list of the privileged, as determined by the Party.

¹⁰ A land developer acquiring a sizable parcel of land, securing all development permits, subdividing it into lots, providing streets and utilities, building standard homes, and, after retailing them to individual families, leaving the project.

¹¹ Reference can be made to the “urban field” concept (Grava, 1999).

¹² The explanation of the effort cannot be fully documented, but it is quite clear that in Lithuania energetic and nationally-minded professionals readily joined the Communist party and were thus able to establish an effective power block to advance the interest of their own country. A delicate and clever balance was maintained between requesting All-Union funds to alleviate then-prevailing poverty, but not generating full-scale industrialization that would be accompanied by major in-migration of workers from the East. The resulting programs, among other things, encompassed a substantially upgraded road system. In contrast, in the Latvian SSR the Party was dominated by russified Latvians who returned from Russia after World War II and dutifully placed All-Union interests above any indications of nationalism.

¹³ The geopolitical situation of Vilnius has changed a number of times during its long history. In some periods it has been central to large territories; today, as the capital of Lithuania, it is definitely located on the periphery of the country with linkages to the southeast (Belarus) not particularly active.

¹⁴ Salu (Islands) Bridge has adequate dimensions, but it needs better maintenance and it does not connect well with the street network on the Right Bank; Akmens (Stone) Bridge has a largely local role and it abuts high density urban districts at both ends; Vansu (Cable-Stayed) Bridge, opened in 1972, is a modern facility, but it channels all of its traffic on the most congested streets in the core.

¹⁵ The latest master plan for Riga, just recently approved, consists of several volumes, ranging from broad strategies to programs for the historical core. The documents have been prepared under the auspices of the Riga Department of Development (*Attīstības departaments*), under the City Council. Partial English translations and summaries are available at www.atdep.rcc.lv.

¹⁶ During the Soviet era, success and plan fulfillment was measured by vehicle-kilometers completed, not by indicators of user satisfaction.

¹⁷ The base fare in Vilnius, if a single trip ticket is used, is 0.80 litas, purchased at a newsstand, or 1.00 litas (0.37 USD) if obtained from the driver. Students, pupils, pensioners, disabled persons (Category II), as well as certified individuals who suffered under Soviet military occupation (1940-90) pay half price. The fare for handicapped children, Category I invalids (and their escorts), and participants in the resistance who are older than 70 years is 0.16 litas. Various types of passes can be purchased, which is the common practice for regular riders. For example, a full monthly pass on both buses and trolleycoaches costs 50 litas, weekdays on buses only – 28 litas, one day on all services – 4 litas, ten days – 20 litas, etc.

In Riga, the single ticket on any of the public modes costs 0.20 lats (0.36 USD) bought from a conductor on every vehicle. The next controversy is likely to be the introduction of pre-paid electronic cards with

the elimination of the second operative person. In Tallinn, a single ride ticket should be purchased prior to boarding; it is available at almost any newspaper kiosk for 10 kroons (0.83 USD), which strains the limits of universal affordability, or a booklet of 10 for 70 kroons. Drivers will sell a ticket for 15 kroons. There are also express buses with higher fares.

¹⁸ The term “jitney” refers not to a specific type of vehicle since vans, minibuses, buses, and even private cars may be used, but rather to a mode of operation: vehicles run between two terminals along a fixed route but not following a schedule. They may depart when a vehicle is full or reasonably full, or at fixed intervals, and pick up and discharge passengers along the route upon demand. There is a standard fare, paid to the driver, which may have a surcharge for longer distances.

¹⁹ This term, however, is no longer popular in the Baltics, and the common designation is “minibuses.”

²⁰ It was common practice for energetic young men to seek a career path not through education but by becoming drivers of heavy and light government vehicles, which gave a permanent opportunity to siphon off fuel and sell it on the black market. This was understandable but hardly justifiable behavior since it was an issue beyond survival, simply a desire to attain a more comfortable life. This was one practice, together with numerous other examples, that engendered a state of permanent petty (and some grand) corruption affecting several generations. This cavalier attitude toward laws and rules and a skewed definition of proper societal behavior are, unfortunately, rather difficult to eradicate. Some of it still persists.

²¹ The immediate period after regaining independence was characterized by eating well (bananas and French wine), followed by major attention to attire (not just jeans), then moving into acquiring non-Eastern cars, even if, at the beginning, the only affordable automobiles were used vehicles brought in from Central Europe. That situation is not exactly over yet but the quality of cars has improved markedly, driver etiquette is much better, and – most importantly – public opinion and official attitudes have started to recognize that wholesale automobilization carries with it serious community threats and discomforts as well.

²² One example is particularly illustrative of this period. In the mid-1990s, Riga acquired several tow trucks and placed them in operation since any traffic specialist knows that this is the most effective method of coping with illegal parkers. After the cars of several members of the Parliament were removed, the backlash was swift and thorough. The tow trucks disappeared, never to come back. It is only now – ten years later – that some timid voices can be heard advocating such measures again.

²³ This characterization still persists because outright criminals were included in this cohort, and because, in the early days, just about anybody who moved ahead energetically had to cut corners and presumably do some things of questionable legality.

²⁴ There may be some validity to the assertion that after the years of deprivation and constraints under the Soviet regime, there is a psychological tendency to break loose and demonstrate contempt for regulations, particularly by individuals who have rather limited economic prospects. This explanation fades, as that period recedes in history. To observe that it gets dark early in this part of the world in winter and that some of the pedestrians are not sober does not provide much of an excuse, particularly when comparing the data with traffic fatality records of Sweden and Finland.

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www.rdpad.lv (Attistības departaments)

www.vilnius.lt/new/en/ (Vilniaus Planas)

City Public Transportation Agencies:

www.tallinn.ee/eng/ (Transportdiamet)

www.riga.l (Satiksmes departaments)

www.vilniustransport.lt/en/ (Susisiekimo paslaugos)

PART 5

PUBLIC POLICY AND URBAN DEVELOPMENT

17 Urban development policies in Central and Eastern Europe during the transition period and their impact on urban form

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17.1 Introduction

The transition to market-based democratic societies in Central and Eastern Europe has been guided by the overarching necessity to reduce the role of the state and unleash the power of the market forces to restructure and propel the struggling economies of the former socialist countries forward. According to the neoliberal ideology dominating the spirit of the transition period, the market is often viewed as the major (and quite frequently the only) agent of positive change while the role of the post-socialist governments is confined to curtailing their own influence, attracting capital, and making sure that it flows freely within the elements of the economic system. This view, however, which renders the post-1989 state governments as passive participants in the process of transition, could not be further from the truth. The formulation and implementation of public policies has been both the most difficult and the most critical component of social restructuring after the fall of the communist regime. The development of public consensus on the nature of reforms and the mechanisms of realizing their objectives have been the defining steps in the transformation of the post-socialist countries into market-based democracies.

Urban development during the transition period has been profoundly impacted by the policy decisions adopted on national, regional, and local levels. The process of formulating the regulatory environment managing urban development in the post-socialist transition countries has not always been the most open and democratic, and many of the adopted policies have been rightly criticized as rather questionable in their intent. However, it would be quite erroneous to assume that since 1990 the urban environment in post-socialist Eastern Europe has evolved, by and large, spontaneously under the conditions of unregulated free market forces. Such market did not exist neither in the beginning of the transition period, nor does it exist today. The massive redistribution of assets (land, buildings, services) has been a result of the implementation of specific public policies guided by the regulatory frameworks set up in quickly evolving post-socialist legislative systems. The subsequent appropriation of urban space has been controlled and directed by

the rules established and enforced through the various levels of public administration. The popular notion of the former socialist countries as the “Wild East,” where any kind of development folly is possible, reflects only the difficult beginnings of the transition period when the post-socialist societies struggled to understand what role governments and public policies should play in shaping the future (Reiner and Strong, 1995).

The difficulty of finding the proper answer to the question of how to frame the nature and extent of government intervention in regulating urban development within a market-based economy stemmed not just from the fact that during socialism real estate markets simply did not exist or were severely limited. Since the socialist state had exclusive rights as a land owner, investor, and developer, there was “no need for development of law under which the government could control its own land use activities” (Marcuse, 1996). The socialist state, of course, developed its own set of bureaucratic rules to administer its operations, but the concept of a law that should regulate urban development as a field where public and private interests compete was an alien idea for the times. The patterns of urban growth during socialism were governed by master-plans devised and approved by the appropriate planning authorities managed centrally by the state. Local authorities served simply as administrative arms of the central government (Buckley and Muni, 2000), with little say in local development matters. The decisions about how cities should develop were taken with respect to the national economic development plans, without any concern for the prices of land, capital, services, and labor.

Regardless of the fact that the grip of the central governments in the CEE countries has significantly loosened since 1989, the restructuring of their regulatory environments to the demands of the new market economy has proceeded with significant difficulties. The systematic deficiencies in the process of development and implementation of new laws governing urban development in the post-socialist countries can be related to several objective factors rooted in the nature of the transition period.

A major challenge for the CEE societies after the fall of the communist regimes was presented by the mandate to reorganize within a short period of time their entire legal systems, including a profound revision of most laws. Lacking the capacity to accomplish such a heroic task within a limited timeframe clearly impacted the quality of the newly coined legislation. Moreover, the process had to be accomplished within a context of intense political struggle as new political groups, fermenting from the once fairly homogenous social fabric, were competing for power and representation. Under these circumstances, reaching a consensus on any law among the competing political interests was a lengthy and drawn out process. In the ensuing political standoffs, various interests groups with sufficient access to power and resources quickly learned how to take advantage from the absence of adequate regulation. A system was set in place in which the lack of political will to regulate certain areas of economic activities became entrenched in legislation and government operations. In the sphere of urban development, the possibilities to profit from deregulation, at least in the initial phase of asset redistribution, were

thoroughly explored, partitioning the urban fabric into fragments of individual investments without any coherent logic but the sole desire to capitalize on the opportunity of the moment.

The scale of these practices of spatial appropriation in Central and Eastern European cities was restricted in later revisions of the urban development legislation, yet many of the new regulations were provided with a number of loopholes that continued to serve special interests, this time officially sanctioned by the law. As the institutions of the post-socialist states grew stronger, some of these loopholes were closed, but the process of policy formulation remained in many aspects far from democratic. The development of laws was carried out in a process shaped by a top-down, self-serving, bureaucratic approach, with few openings for consensus building and public participation.

As the new laws, written under various pressures during the early phase of the transition period, began to get perfected over time, another chronic deficiency of the legislative systems in general, and urban development in particular, became apparent – the loose enforcement of adopted regulations. A number of complex factors contributed to this phenomenon. First, for reasons outlined above, many of the laws were poorly written. In the area of urban development, many of the regulations either lacked sufficient legal power or were inadequately coordinated with other legislative acts, creating a lot of confusion not just among the general public but for government officials as well. In addition, the urban development regulations were in a state of perpetual updates, which made them rather difficult to follow, even for the most law-abiding citizens. As Marcuse pointed out, conformity to new laws is rarely “a hallmark of rapid change” (Marcuse, 1996). The heavy bureaucratic machinery of the state and local governments inherited from socialist times complicated the task of implementing the laws even further. In addition, the chronic lack of resources, a situation applicable in most contexts during the transition period, was a major reason for the loose enforcement of development regulations, with the agencies in charge of enforcement being hugely under-staffed and under-funded. This situation was reflected in the high number of instances in which government officials were predisposed to overlook apparent violations of the law through various means of persuasion, including coercion, bribery, or (sometimes) brute force.

The fairly high share of unauthorized construction that took place in Central and Eastern European cities during the transition period is also a reflection of the specific public attitudes exhibited by citizens in this region towards the law. Over the course of long-lasting historical circumstances, the residents of most Eastern European countries have developed intense mistrust towards the government, its representatives, institutions, and, ultimately, its laws. This social behavior is most vividly illustrated on the streets of Sofia, Vilnius, Budapest, and other CEE cities where traffic law serves as a very loose framework creatively interpreted by the drivers, often under the gaze of an ostensibly indifferent police force. After being abused by the socialist and other authoritarian governments for many decades, “people no longer perceive[d] it as morally wrong to exploit any system (socialist,

capitalist or 'transitional')” (Sztompka, 1991, cited in Hamilton, 1999). The deep economic crisis of late socialism and early capitalism provoked various “coping strategies” (Smith and Pickles, 1998), which were not always in line with the law of the day.

The socio-political context of the transition period, within which public policies impacting the built environment have been coined, has determined to a great extent the content and effectiveness of the post-socialist system of urban development regulations. That system, in turn, has actively shaped the patterns of spatial appropriation. Analysts of contemporary urban form transformations have often emphasized the importance of market forces, globalization, technological advancements, changing demographics, and shifting patterns of social behavior as primary determinants of physical change. The impact of government policies and regulations, particularly in the context of the post-socialist city, is frequently overlooked or assessed as weak or inadequate to impact significantly the evolution of urban form. This assumption, however, does not reflect properly the influence that public policies and development regulations, adopted during the transitions period, have exerted on the physical transformations of the post-socialist city.

17.2

National urban development policies after 1989

After the fall of the communist regime, the regulation of the urban development process and the spatial patterns that it generates has become a prerogative of local governments. Yet, many of the policies formulated on a national level have reshaped the post-socialist built environment in most influential ways, some of which are not immediately transparent. A summary of the most significant areas in the realm of national public policies impacting the physical structure and growth of the post-socialist cities reveals their broad and pervasive influence.

The process of privatization has become the leitmotiv of urban spatial restructuring in the cities of Central and Eastern Europe (Bodnar, 2001). Undoubtedly, the transfer of assets from public to private ownership has made it much more difficult for the local governments to control the use of land. The decision, however, about how far the process of privatization should be carried forward is a political one. The boundaries of the process have been set up in national legislative acts, which vary considerably from country to country. Thus, while in Belgrade and Moscow most of the land is still publicly owned, in Sofia, the laws favoring individual property rights in the process of land restitution have resulted in a rapid disappearance of parks and open spaces (see Chapter 11, this volume).

The protection of precious public resources, such as nature preserves, national parks, environmentally sensitive areas, historical landmarks, and cultural heritage sites, fall clearly under the purview of national governments. However, state laws adopted during the 1990s have compromised the protection of these public resources by transferring a significant share of responsibilities to local governments, which are much more prone to give in under pressure from private investors eager to

develop such areas. The swelling of mountain and sea resorts into pristine, previously protected environments is often driven by laws favoring the interests of private developers over the principles of protecting the public good. Loose public policies regarding privatization of public lands have been embraced by municipal leaders in the name of advancing economic development, balancing municipal budgets, and, ultimately, as a lucrative way of filling the pockets of corrupt government officials.

Related to the issues of privatization outlined above are the state policies prescribing land development controls. Whether suburban expansion is discouraged or supported is determined to a great extent by the rules set up on a national level. Particularly important in this sense have been the laws that regulate the conversion of agricultural land to urban uses. During socialist times, the expansion of the urban territories occurred mainly as a result of massive development projects carried out by the government either in the form of large-scale housing estates or ambitious industrial enterprises. Small-scale, incremental growth by development of individual parcels at the urban periphery was effectively controlled by a combination of several factors. The most important of those were: the small share of parcels in private ownership, the strict control exercised by the government over urban development, and the lack of supporting infrastructure outside of the established urban boundaries. After 1989, the first two constraints on suburban expansion were quickly lifted. The privatization of land at the urban periphery induced enormous interest by the new land owners and real estate investors in developing these properties. The realization of their intentions, however, was not possible without revising the laws governing urban development and property rights. As a general rule, new legislation passed in most CEE countries during the 1990s allowed the conversion of land to urban uses to be realized with considerable ease, especially compared with land development regulations in Western European countries such as the Netherlands, Germany, or Switzerland. As a result, suburbanization has become a main mode of urban growth in the post-socialist CEE metropolitan areas, which were previously characterized by rather sharp urban boundaries.

Undoubtedly, the primary area of state policies with direct impacts on the urban environment is the collection of laws stipulating the requirements of the planning and urban development process *per se*. Most of the CEE countries revised these laws during the early and mid 1990s, adopting several subsequent revisions since then (Golubchikov, 2004; Nedovic-Budic, 2001). However, the experience of the transition period has highlighted numerous imperfections of these legislative acts, many of which have been related to various loopholes allowing the proliferation of piecemeal development. While most of the laws on land development explicitly stipulate that development should take place only according to an adopted general plan and only after the required infrastructure is in place, the use of partial area plans, allowed by the laws in certain cases, has become a mass practice in Central and Eastern Europe, undermining the effectiveness of development regulations. This has led to rather haphazard patterns of urban development, subverting the implementation of unified plans, overloading existing infrastructure, and creating tensions between new and old uses (and users).

The general relaxation of development controls after 1989 has also contributed to the proliferation of practices of illegal construction. Public policies attempting to curb this phenomenon have created mixed results. In general, the laws developed to curb illegal construction have been quite stringent. However, over the course of the last fifteen years, several successive legislative acts have been passed allowing the legalization of already constructed illegal projects (Grochowski, 2002; Chapter 18, this volume). This practice has created a commonly shared premonition that all illegal construction will, eventually, find a way to get legalized. While the CEE governments have registered significant success in the fight against illegal construction in the last few years, the physical legacy of over a decade of widespread unauthorized development has become a permanent part of the urban fabric, exacerbating the existing urban problems and contributing to the general sense of chaos characterizing the zeitgeist of the post-socialist period.

Compared to national land development regulations, the administrative and fiscal policies that were adopted during the transition period by the CEE countries exerted less direct impact on urban patterns of growth, but a significant one nevertheless. After 1989, many states in the region initiated administrative reforms aimed at democratization of the decision making process, which included a push towards decentralization. As a result, in some CEE countries a large number of new municipalities were created, most of them concentrated around larger urban areas (Pichler-Milanović, 2005). In addition, local governments have been granted more power to manage their budgets, including the ability to tax income and properties (Nedovic-Budic, 2001). Seeing a general reduction of state subsidies, the municipal governments have utilized various methods of increasing their revenues through taxation. Most of these practices provided incentives for development on greenfield sites, which fostered the acceleration of sprawl.

Striking a balance in revenue sharing between the central and the local governments has become a highly contested political issue. The tendency of the large metropolitan centers to attract most of the economic investments has pushed the smaller municipalities to offer a variety of incentives to prospective investors, thus enticing them away from the metropolitan core. Experiments in adjusting the revenue sharing equation have had mixed results. As Tosics reports, during the initial stages of the reform in Hungary, nearly half of the personal income tax revenues remained at the local level. This prompted local governments to encourage high income residential development. After the local share of the income tax stream was drastically decreased, municipal authorities concentrated on attracting new entrepreneurs since the business tax revenues were retained exclusively at the local level (Tosics, 2004). Thus, the wave of high-income residential suburbanization was replaced by a wave of commercial decentralization.

The impact of national fiscal policies on the patterns of urban development is an issue that has received very little attention in the public discourse on government actions. The unintended consequences of important political decisions, not immediately transparent to the public, have been clouded by the rhetoric of government reform. Even some of the more socially minded and seemingly harmless acts of

national governments have left a negative impact on the process of shaping the patterns of urban growth. The mileage allowance for commuting to work introduced in Eastern Germany after the reunification, for instance, has become yet another incentive for further suburbanization (Nuissl and Rink, 2003).

The lack of coherent national policies and program documents regarding the future of cities in most post-socialist CEE countries has been a telling sign of the failure of state governments to address adequately the problems of urban development. In some former socialist countries, in fact, it is still unclear which ministry is in charge of urban affairs (Tosics, 2004). The presumption shared by state authorities is that, once they have delegated power to the local governments and set up the major rules controlling the urban development process, cities should be able to deal with their own problems. Such philosophy ignores the fact that, although urban problems are manifested locally, their roots are planted in the larger structure of social relations, and their solutions often call for approaches that transcend municipal boundaries.

On the national level, however, such understanding is largely absent in the post-socialist countries. One rarely finds in state government documents even a slightest recognition that national policies on investments in infrastructure influence significantly urban development patterns. The completion of transnational highway corridors, a major preoccupation of ministries of transport and regional development in the CEE countries entering the European Union, is promoted as a powerful tool of economic development. State financial backing for these projects is lined up as a national priority. With most of the state funding channeled to freeway and road construction at the expense of public transportation, the automobile is officially sanctioned as the dominant mode of transportation leading to further proliferation of auto-oriented (sub)urban development.

The disconnect between national economic development policies on one hand, and national spatial development policies on the other, has left additional scars on the fabric of the post-socialist metropolis. Many of the state sponsored development programs aimed at attracting strategic investors created strong incentives for urban sprawl by locating most of the newly formed enterprise zones in the suburban and exurban fringe where land is significantly cheaper and easier to assemble (Nuissl and Rink, 2003). In recognition of this impact, since 2001, the Czech government has expanded its program to include the redevelopment of large brownfield sites. So far, however, the share of brownfield redevelopment initiated by the program has been negligible in comparison to the numerous suburban employment nodes that have sprung up as a result of state-sponsored economic development programs (Sýkora, 2006).

With regard to residential development, very few post-socialist CEE governments have developed detailed national housing policies or carried out systematically their implementation. With the act of turning over the majority of public housing in the hands of municipal governments and the subsequent privatization of most of the dwelling stock, the states have, by and large, absolved themselves from the housing problem. While homeownership has improved dramatically as

a result of such policies, the quality of the former public housing stock (never in a great shape to begin with) has continued to deteriorate. Particularly critical has become the situation in the large socialist housing estates. With over half of the urban population of Central and Eastern Europe residing in these prefabricated environments, the physical and social deterioration of the ubiquitous housing estates is a problem that looms large in all cities of the region. Most state governments have failed to recognize adequately the magnitude of this problem. Neither have they managed to address effectively the housing issues in the other parts of the post-socialist metropolis. The intensive conversion of housing to retail and office uses is threatening to depopulate the cores of many capitals and large cities in the region, yet this problem has not been registered as an issue deserving the attention of the state. In relation to the phenomenon of escalating residential suburbanization fostering social segregation and environmental degradation, the role of the post-socialist governments has ranged from that of a passive observer to being an active accomplice in the process. In East Germany, where the national government took most active role in urban regeneration with a series of ambitious housing programs carried out during the 1990s, public subsidies for new construction outnumbered funding for housing reconstruction in a ratio of two to one (Nuissl and Rink, 2003). While the other CEE countries watched with envy the flurry of government-sponsored programs reshaping the fabric of cities in the former GDR, they bitterly lamented their own chronic lack of resources, using it as a justification for political inaction.

The lack of policy, however, is a policy in itself. The absence of national strategies for urban regeneration in Central and Eastern Europe related to the areas of housing renovation, brownfield redevelopment, infrastructure improvement, and historic preservation has aided the processes of inner city decline and suburban expansion. The absence of basic policies and directives on a national level for the future development of cities in Eastern Europe has created a climate facilitating “the realization of individualized political ambitions,” which, in turn, have “formed and maintained an unregulated, politicized, corrupt, and unstable mode of ‘wild’ urban development practices” (Sýkora, 1999). In the absence of clear spatial strategies and guidelines for urban growth, “land use planning at the municipal level has been characterized by the prevalence of ad hoc investments (and political decisions)” (Pichler-Milanović, 2005).

The tone for a *laissez-faire* approach to urban development set by the CEE state governments after the fall of communism left initially the local governments puzzled and confused. Not only did they have to find the means for addressing their escalating urban problems, but they had to quickly come up with their own rules and strategies for the manner in which their urban territories would develop. Lacking the institutional strength and expertise to address the challenges of managing the spatial needs of a radically transforming society, most municipal governments defaulted to a process of handling urban development on an ad hoc basis (Axenov et al., 1997). Creating economic development opportunities was the overriding concern, pushing all other considerations into the background. The

overly permissive attitude of local authorities towards new development echoed the philosophy of the state governments of encouraging new investments at all costs, with little concern for assessing potential negative social or environmental impacts. Any type of growth that promised to bring in new investments, jobs, or services was considered a blessing. In the absence of a common model or set of rules to be followed nationally for the spatial management of development activities in urban areas, the suburban periphery became the main destination for new development projects. This pattern of growth was aided by a variety of factors fueling suburbanization at the end of the twentieth century throughout the world (Stanilov and Scheer, 2004). In the eyes of policy decision makers in all CEE countries, decentralization was viewed as an inevitable process and a sign that the former socialist cities are becoming like the rest of the Western world – i.e. normal.

17.3

Evolution and trends in urban public policies and regulations

The problems, which compiled due to the *laissez-faire* approach to urban development practiced in Central and Eastern Europe for the most part of the 1990s, gradually brought state and local authorities to the realization that the philosophy of minimal government intervention is leading cities on a path to major urban crises. The haphazard patterns of development made it increasingly more difficult for city governments to maintain an adequate level of service and infrastructure provision. The subsequent deterioration of large parts of the existing urban environments and living standards led to a growing public discontent with the way state and local authorities were managing urban affairs. The most influential push towards a greater level of development regulations, however, came from the real estate investors' realization that the lack of urban planning was diminishing their profits. The entry of larger players on the real estate market called for the creation of a regulatory environment that would safeguard their investments. Thus, starting in the mid 1990s, cities began to introduce their own planning laws, followed by major revisions of the state development regulations. By the turn of the millennium, most of the CEE countries had adopted new planning regulations, and most of their state capitals had approved and began implementation of newly furbished master plans (see Table 20.1, this volume).

Although the “Wild East” phase of the transition period seemed to have come to a conclusion by the end of the 1990s (Golubchikov, 2004; Nuissl and Rink, 2003; Sukora 1999), the impact of urban projects constructed during this period left a lasting mark on the landscape of the post-socialist city. Development that took place or was approved during that time generated a critical mass of urban sprawl, which set a strong trend towards decentralization before public administration had elaborated the proper development controls (Häussermann, 1997). Today, the adoption of new national policies aimed at promoting planned urban growth is still in its infancy stages. Many of the program documents, although hitting

the right tone and ideas, lack supporting legal mechanisms, detailed strategies, and proper funding for adequate implementation. The notoriously low levels of vertical and horizontal coordination between various governmental agencies have become a major obstacle towards the realization of otherwise fairly stated goals (Sýkora, 2006).

The hectic preparation for joining the European Union forced the CEE applicant countries to revise thoroughly their legislation and institutional structures, bringing them in compliance with EU's accession requirements. In the sphere of spatial planning, however, the EU mandates affected mainly the process of preparation and coordination of national and regional spatial programs with a focus on infrastructure and economic development goals. The areas of urban development and city planning received much less attention. This was a reflection of EU's reluctance to set normative legislation, given the diversity of the urban environments in its member states and the difficulties of achieving agreement on commonly shared standards. The European Spatial Development Perspective (ESDP), the main EU document on spatial planning, has the character of a nonbinding policy statement of the kind that overflows the hallways of post-socialist bureaucracies. The urban dimension of the ESPD is fairly vague in its recommendations and broad in its scope. Some of the most critical issues in the development of the post-socialist cities – urban transport, brownfield development, suburban sprawl, large housing estates – are mentioned only in passing. This has allowed seasoned CEE ideologists to use the ESPD document and the phraseology of other EU program documents as they see fit.

The main and most powerful mechanism through which the EU has influenced public policies related to urban development in the CEE region has been through its pre-accession and structural funds. The overwhelming majority of this funding, however, has been targeted to social and economic development goals and infrastructure projects on a regional, national, and transnational levels, with only a small portion of it aimed at supporting specific urban development projects. None of the three pre-accession funds (ISPA, Phare, or Sapard) has an urban focus, and only one of the four post-succession structural funds – the European Regional Development Fund (ERDF) – covers urban redevelopment as one of its many development areas. A number of other Community initiatives, such as INTERREG III and URBAN II, have the character of EU sponsored programs seeking to find new strategies and solutions to common urban environmental problems, which are then offered to EU countries as policy recommendations. Their impact on the on CEE countries in terms of the process of public policy formulation and urban planning has been fairly limited, so far.

Yet, the idea of promoting more sustainable patterns of urban development through the adoption of new public policies is slowly making its way in Central and Eastern Europe. In East Germany, the massive ten-year-long renovation of the post-war housing estates has been, by and large, completed. The program extended beyond the mere structural rehabilitation of the housing stock to assure several other important characteristics of the built environment, including the provision

of good quality public transport and open spaces. Brownfield regeneration has become a main component of the master plans for Prague and Budapest, redirecting significant portions of public and private investments for the regeneration of their inner city districts. The cities of Bucharest and Warsaw have developed comprehensive transportation plans aimed at achieving a variety of competitive mobility choices in order to curb the increasing dominance of the automobile and related traffic congestion. The Baltic capitals are building extensive bicycle networks connecting various parts of their urban fabrics in an effort to promote healthier and environmentally-sensitive lifestyles. Several CEE capitals are extending, albeit very slowly, their underground rail systems. The city of Moscow is making efforts to restrict the displacement of residents caused by aggressive commercial expansion and increase the number of dwelling units in its historical core. Most impressively, the governments of Slovakia and Slovenia have recently adopted nation-wide spatial frameworks for urbanization and city development.

The implementation of these ideas has not been easy as the progress towards sustainable urban development patterns in Central and Eastern Europe is impeded by a number of obstacles still standing in the way. The lingering mistrust towards heavy-handed government interventions as a legacy of the socialist rule, the impact of the "Wild East" period of deregulation, the momentum gained in the process of suburbanization since the early 1990s, and the lack of a coherent vision about national urban policy have all contributed to the continuation of many negative urban development trends in the region. Thus, the results of the housing rehabilitation program in East Germany have been undermined by the even larger amount of government subsidies for suburban development (Tosics, 2004). The attainment of the goals to contain sprawl and stimulate inner city regeneration proclaimed in the Sustainable Development Strategy prepared by the Czech Ministry of Environment has been undermined by the lack of political will in the other branches of the government for the adoption of appropriate supportive policies, pointing to the dire lack of sectoral coordination (Sýkora, 2006).

After the first 15 years of the transition to democratic forms of government, however, many of the most difficult issues surrounding the formulation and implementation of public policies and regulations guiding urban development in Central and Eastern Europe seem to be finding more effective resolutions, at least in the countries which have made significant strides towards government reform. Gradually, the major problems generated by the *laissez-faire* approach to urban development are coming into focus under increasing pressure from grassroots organizations, the media, enlightened private sector investors, and responsible government officials calling for reevaluation of existing policies and practices of urban space management. This is clearly a sign that the post-socialist countries are putting the most difficult period of their transition behind, entering a stage of a more mature democratic order, characterized by the realization that the adoption and implementation of sound laws and policies are in the best interest of everyone. This process has already initiated the revision of a number of existing policies and regulations, as well as the development and adoption of new legislative acts aimed

at addressing some of the most pressing concerns, including the decentralization of power to local governments, further tightening of development regulations, increasing investments in public services and infrastructure, and securing funding for regional and municipal planning activities.

This process is advancing with various speeds throughout the region. Its progress has been particularly difficult in countries of the Balkan region where historical circumstances have fragmented the political landscape to a highest degree, slowing significantly the advance of government reforms. The two case studies of Belgrade and Zagreb, presented in this section of the book, provide critical highlights on the nature and magnitude of the problems related to governing urban development in the context of dramatic political and social transformations. The majority of the insights addressing the positions of the various players in the urban development processes in Belgrade and Zagreb are valid in the other, although less extreme, urban situations characterizing post-socialist Eastern Europe during the 1990s.

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18 Belgrade's post-socialist urban evolution: Reflections by the actors in the development process

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18.1 Introduction

This chapter describes Belgrade's post-socialist urban development by focusing on key analytical questions related to the distribution of power among actors in the development process and the means through which this power is exercised. Urban sociology typically distinguishes four main types of actors considered relevant to the scene: 1) political actors – those who define strategic developmental aims by balancing entrepreneurial goals with public interests; 2) economic actors – players, primarily from the private sector, who utilize urban resources necessary for their activities; 3) spatial experts – those who operationalize development strategies through urban planning practices linking all of the actors involved in urban development; and 4) inhabitants – the multilayered users of the city (Bassand et al., 2001). Only the first two groups have direct influence on the legal and institutional changes shaping the urban development process, while the strategies of all actors are constrained by the institutional legacies of the past (Nielsen et al., 1995).

In view of this analytical context, several theses relevant to Belgrade's post-socialist development are discussed below:

1. Political actors still hesitate to introduce a new legal and institutional framework for the development process, thus causing a delay of comprehensive urban transformations.
2. While the influence of economic actors increases in importance, political voluntarism fuels corruptive behavior that leads to rather chaotic spatial development.
3. Due to blocked socio-economic transformation, illegal strategies have flourished, confronted by a predominantly reactive political response.
4. Urban planners operate within an environment of insufficiently defined laws and weak enforcement of regulatory acts, which marginalizes their position.
5. The influence of citizens on urban planning and development is negligible, except for the cumulative effect of widespread illegal construction practices.

The presentation of our study is organized in two sections. First, we describe the legislative framework of laws, policies, and normative acts aimed at governing urban development in Belgrade. We also sketch the socio-economic and spatial context in which the legislative framework has been developing since 1990, we trace its main impact on urban growth and discuss the position of certain actors. Secondly, we assess the main characteristics of Belgrade's urban evolution in the last 15 years from the perspective of several main groups of actors in the development process. We faced considerable problems concerning the availability of reliable data needed for our study resorting to the use of various fragmented data sources including official statistical publications,¹ legislative documents, administrative and NGO reports,² and scholarly research.³ In addition, we interviewed 15 professionals practicing in various areas of urban planning, most of them from the Urban Planning Institute and the University of Belgrade.⁴ The majority of them have professional experience dating back to the 1980s and 1970s, which gives them a long-range perspective on Belgrade's urban development. The interviews were conducted in September and October of 2005. For the purpose of our study, we also analyzed a number of interviews given by the city mayor, the city architect, and the city manager to three daily newspapers (*Politika*, *Blic*, and *Večernje novosti*) during the period from February to November 2005.

18.2 Legislative and contextual framework

During the socialist period, Yugoslavia was marked by a system of socialist self-management, which placed greater importance on the development of market-type relations in the economy than any of the other socialist countries in Europe. This strategy was a significant factor in achieving a higher standard of living and a lower level of under-urbanization⁵ compared to the other members of the Eastern Block. By the 1980s, the capital Belgrade was acquiring a distinct cosmopolitan flavor, hosting several international film and music festivals, and showcasing the presence of major international hotel chains such as Intercontinental and Hyatt Regency. Nevertheless, the foundation of the political and economic system was typically socialist and, after 1989, Belgrade was confronted with similar problems as the other post-socialist capitals. Many of these problems worsened considerably with the demise of the Yugoslav federation and the ethnic wars of the 1990s, delaying substantially the start of much needed socio-economic transformations.

18.2.1 Changes during the Milosevic regime

The delay of reforms was not just a consequence of the wars, but a main strategy of the political elite to keep its power at any cost and for as long as possible. Due to the strict international isolation of Serbia imposed by the UN, there were

no external forces supporting the case for economic liberalization either. Consequently, political elites were not a bit interested in the role that Belgrade and other cities could play in the global economic competition. For that matter, they were largely indifferent to the establishment of any urban policies (Petrović, 2001). Very few reforms were undertaken, the most notable of which was the privatization of housing, initiated in 1992 with the adoption of the Law on Housing. This process was carried out with an impressive pace.⁶ Although quite incomplete in respect to the complexity of the issues surrounding housing reform, the law is still in force today.

The fragmented and incomplete implementation of housing reform contributed to a sharp drop in housing production. Since 1990, there was a constant decrease in the annual number of legally built residential units. Thus, during 2003, their number in Belgrade reached only 25 percent of the housing output in 1990. Taking into account illegal construction as well, housing production in 2003 is estimated at about 50 percent of the housing output in 1990 (Petrović, 2004: 173–175). The lack of a coherent housing policy led to the intensification of housing affordability problems as well.⁷

Under these circumstances, illegal construction became so widespread that the term lost its original meaning (Figure 18.1 and 18.2). The share of unauthorized construction increased steadily during the 1990s, matching the number of buildings constructed legally by 1997 (Petrović, 2004: 177). It should be noted that illegal construction was a problem inherited from socialism.⁸ In comparison to the socialist period, however, several changes occurred. First, the actors changed. While during the socialist period illegal construction was predominantly associated with marginalized social groups, during the Milosevic regime such practices became equally characteristic of the activities of the affluent and powerful as well. Apart from “self-help” strategies practiced in the informal sector, members of the political and economic elite actively participated in illegal housing construction by usurping exclusive residential locations in Belgrade (the area of Dedinje is one of the main examples of such developments). In the period of “wild capitalism,” this group was joined by war refugees, private building contractors, and war profiteers. A further distinction from socialist times is that illegal houses in that era were built at the outskirts of cities. Since then, they became a common sight in many inner and central city locations as well. Finally, another main contribution of the Milosevic period was a new form of illegal construction that appeared after the massive privatization of social housing in the 1990s – the illegal occupancy of common spaces in multi-family buildings. This type of illegal construction was mainly driven by members of the middle class maximizing the utility of existing residential buildings. The share of new units constructed as loft-space conversions, for instance, rose from 6 percent of the total number of units built in the metropolitan area during 1990 to 33 percent in year 2000 (Petrović, 2004: 175).

The sheer extent of illegal construction, combined with the political power of some of the actors involved in the process, made the idea of demolishing illegally built structures both politically unpopular and economically unsustainable.⁹ The



Fig. 18.1 Illegal construction in Belgrade

Source: Photo by E. Dimitrov, Urban Planning Institute, Belgrade



Fig. 18.2 Unauthorized settlements at the outskirts of Belgrade

Source: Photo by E. Dimitrov, Urban Planning Institute, Belgrade

adoption of a new planning law in 1997, the Law on Urban Planning and Construction, focused primarily on the procedures required for a massive legalization of the already built illegal stock. The law did not address the need to develop adequate mechanisms for prevention of illegal construction. Such activities were not even defined as illegal acts. Planners were also helpless to confront this issue as the outdated master plan from 1972 (somewhat updated in 1985) did not recognize illegal construction as an urban development issue either. No new major planning documents were initiated during the 1990s except for a partial regulation plan legalizing the upscale housing constructions in Dedinje. Its implementation was stopped by the Constitutional Court after the political change in 2000.

The Milosevic regime vehemently opposed any political decentralization and supported an increasingly authoritarian style of governance, particularly after 1996 when parties opposing the regime won local elections in Belgrade and other big cities in Serbia. The centralization of power was cemented in a series of laws adopted in the first half of the 1990s. Along with the Constitution of Serbia from 1990, these included the Law on Urban Land (1995) and the Law on State Property (1995), all making the case for state ownership of urban land as a strategy of safeguarding the public interest. A few years later, the Law on Local Self-Governance from 1999 stipulated the centralization of various government activities in the areas of education, social, and health services, imposing a substantial reduction of local revenues.

18.2.2 Developments after 2000

After the political changes in 2000, which brought down the Milosevic regime, the new political elite, at both state and local levels, opened the doors to socio-economic reforms and relations with the West. The new Law on Local Governance, adopted in 2002, charted the course to political decentralization and entrepreneurial local governance. The institutions of City Mayor (directly elected by citizens), City Manager, and City Architect (both directly responsible to the mayor) have been introduced with the intention to make municipal governance more economically effective, socially responsible, and transparent. Thus, the Mayor of Belgrade received powerful political legitimization and an increased autonomy in governing the city budget. Implementation of the new Law on Local Governance has strengthened city's coffers by adding new revenues from property taxes (previously collected by the state) and by increasing the share of income taxes redirected back to the city from the state budget.

Today, the City of Belgrade is divided into 17 administrative districts, each of them with its own local governmental bodies that run certain operations as determined by the City Charter. The distribution of government responsibilities between the districts and the City is rather centralized, but it is expected to be refined in the new Capital City Law, which has not been adopted yet due to continuing conflicts between the political parties at various governmental levels.¹⁰

While the city is quite autonomous from the national government in setting its policies, there is still a significant centralization of resources in the hands of the state government stemming from a peculiar system of land ownership. According to this system, the state owns all of the urban land granting only rights of use¹¹ to those who build on it. Thus, in Belgrade the city districts have “rights of use” over 6 percent of the land, the city government over another 4 percent, with the rest of the land under the right of use regime of various actors. The system of land management is confounded further by the fact that there is no law defining the rights and obligations of the state government with regard to urban development. Land use planning and control is in the hands of the local governments, which also collect fees for the use of land (Hiber, 2002). In the absence of a land market, the local government distributes the right of use to the highest bidder (Begovic, 2002). Often, the City is faced with a problem of delayed construction, even in some very valuable central city locations, yet it has no recourse since a break of the leasing contract would oblige the city to pay back all collected fees and investments made by the user.

In order to address the deficiencies of a disastrous urban development record in the 1990s, the City initiated work on a new master plan in 2001, which was adopted by the City Assembly in 2003. The plan states as a main goal the recovery of Belgrade’s status as a European metropolis by utilizing its locational advantages to spearhead the process of much needed economic transformation. The decade of the 1990s was catastrophic for Belgrade’s economy. Its gross domestic product (including the grey economy) decreased from 4.4 billion EUR in 1991 to 2.4 billion EUR in 2002. The level of investments dropped from 990 to 420 million EUR, while the unemployment rate in 2003 reached 24 percent (Institute of Urban Planning, 2003: 24). Having in mind that foreign investments are of utmost importance for economic growth, the new master plan emphasizes the need for infrastructure improvements as a prime goal of Belgrade’s strategic development.

The plan also concludes that the extensive industrial development during socialism led to an over-concentration of population in Belgrade.¹² While the future population of the metropolitan region was projected to remain stagnant at about 1.5 million residents until 2020, new polycentric development patterns of deconcentration are stated as an important long-term strategic goal. There is already some evidence that residential suburbanization is gaining momentum among the middle class residents of Belgrade. This process, however, is significantly impeded by a devastated regional infrastructure and an inadequate transportation system.

The master plan identifies New Belgrade as a main zone of future growth (Figure 18.3). This area, located in close proximity to the city center, was developed after World War II with the intention to connect Belgrade with the annexed city of Zemun. New Belgrade was ambitiously designed according to the principles of modern city planning as the new capital of socialist Yugoslavia with an administrative core containing the headquarters of the federal government and the Communist Party. Due to a lack of resources, the area remained underdeveloped, although it became Belgrade’s largest residential community (over 230,000 inhabitants) with

relatively good communal infrastructure. Therefore, the master plan envisions New Belgrade to develop as the capital's new commercial hub.

Special attention in the master plan is given to the housing crisis. With an estimated deficit of about 70,000 dwelling units, the plan emphasizes the need to create affordable housing integrated in the fabric of the existing neighborhoods. The goal is to prevent (or at least soften) income segregation as trends in the housing demand towards more luxury residences are predicted to reshape Belgrade's spatial patterns by concentrating investments in select inner city areas, pre-socialist elite suburbs, and the city's outskirts. Particular attention in the plan is given to the allocation of new land for the construction of single family residences as their share in the housing market increased significantly since 1990.¹³

The analytical section of the plan identifies illegal construction as one of the major problems of Belgrade's urban development. It is estimated that 10 percent of the residential units on the housing market have been illegally built while the total number of illegally built structures is assessed to exceed 40,000. Many of these structures are temporary built commercial objects within open area markets (OAMs). In 2002, 75 percent of the OAMs were located in the inner-city (half of them illegally built), creating chaos and congestion in key points of the urban fabric. The plan recommends these activities to be relocated to new shopping centers, mostly in New Belgrade, but also in other more peripheral locations. Particular attention is paid to projects of rehabilitating cultural institutions and revitalizing key inner city areas as vehicles for the development of stronger urban identity.

In 2003, the Serbian Parliament passed a new law with the intention to improve the regulatory environment for urban development and to address the escalating



Fig. 18.3 Shopping malls and churches in New Belgrade

Source: Photo by E. Dimitrov, Urban Planning Institute, Belgrade

problem of illegal construction. The Law on Urban Planning and Construction introduced precise definitions of the rights and responsibilities of the main actors in the development process. New regulations were adopted, intended to make the process of getting building permits more transparent and efficient. The law also declared illegal construction a criminal act while, at the same time, it simplified the procedure of legalization.¹⁴ It provided the option to legalize every structure built without a building permit or in deviation of the approved plan, unless the building was constructed on land of public interest or unsuitable terrain.

Due to the slow process of socio-economic transformation and a low rate of foreign investments, the expected gap between demand and supply in the commercial real estate market in Belgrade has not yet appeared. The low demand for commercial space has been reflected in the fact that less than one percent of the residential stock has been offered for commercial use. Thus, it could be said that housing privatization did not influence significantly the commercial real estate market. Most of the supply of commercial space has been a result of recent acceleration in the privatization of state enterprises, which led to a sharp increase in offers of commercial space as the new owners sell or rent their real estate assets to obtain resources for restructuring and renovation. State property over urban land has resulted in the development of a flourishing illegal commercial real estate market through transactions with "rights of use." A widespread practice is the subleasing on the black market of retail premises contracted from the state or the city below market rates. This process fuels the grey economy and defers quality retailers from entering the market. The high vacancy rate of commercial space in the inner city is not only due to insufficient demand, but also to the inadequate quality of the supply, particularly according to the standards of big transnational companies. Some limited foreign investments have been made in shopping centers, yet multinational companies have been slow to invest in Belgrade, primarily due to perceptions of political instability in the region. Foreign investors have been arriving with a considerable delay in Belgrade as they await the creation of an adequate institutional environment. Bigger changes in the commercial sector of the real estate market are to be expected in Belgrade, but they have not materialized yet.

In the absence of long-term funding, the position of domestic developers has not been an easy one either as the financial market has just begun to develop the system of corporate credits. Therefore, developers have been continuously searching for solutions to lowering their costs as much as possible, thus, entering into the grey economy and relying on informal channels and corruptive practices for the realization of their projects. Under these circumstances, money laundering has become a main source of financing in the construction sector, explaining to a certain degree the enormous increase in the number of developers and real estate agencies.¹⁵ The decline of jobs in the industrial sector is another reason why so much of the labor force has been redirected to the construction industry. As a result of all these processes, the sector experienced a certain "de-professionalization" reflected in the quality of recent urban development.

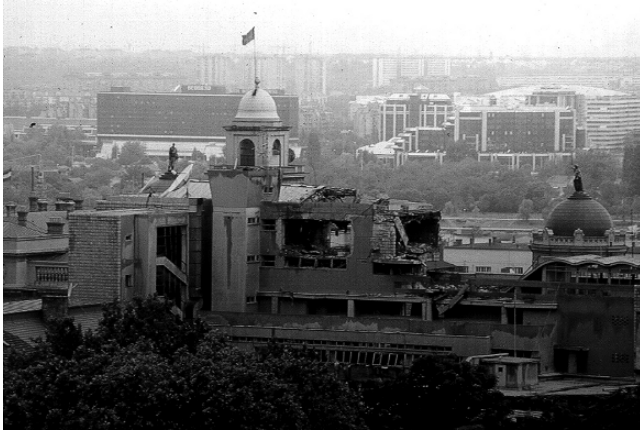


Fig. 18.4 Ruins in the city center left after the NATO bombings of Belgrade

Source: Photo by E. Dimitrov, Urban Planning Institute, Belgrade

The system change has altered significantly the position of some other actors in the real estate market as well, including the army and the church. During socialism, the army was a very powerful actor on the scene, building housing and military bases on some of the most attractive locations in Belgrade. Today, most of the military buildings are to be sold, rented, demolished, or reconstructed. Some of them were damaged during the NATO bombing and left in ruins (Figure 18.4). The impoverished army has an interest in selling its property, but this process is considerably delayed by unresolved legal and ownership issues, as well as various competing economic interests.

The political reforms advanced the standing of the Orthodox Church, which was marginalized during socialism. The process of de-secularization was fuelled by the ethnic conflicts in former Yugoslavia as they overlapped with religious division lines. Consequently, the role of the Church as an important social institution increased significantly, which was reflected in the number of churches built since 1991, particularly in the areas of Belgrade developed after World War II. This process has been supported politically and financially by entrepreneurs from Serbia and the Serbian Diasporas.

In conclusion, it should be underscored that a complex approach to urban policy matters has not been developed yet in Belgrade. The Ministry of Capital Investments (the former Ministry of Construction and Housing), preoccupied with development of European corridors through Serbia and motorway networks in general, has not developed any relevant laws or strategic documents in the last five years. The Spatial Plan of Serbia (adopted by the Parliament in 1996) and Belgrade's Spatial Plan (adopted in 2004 by the City Council) exist but contain no new approaches toward urban development regulation. The expected privatization of land and the restitution of nationalized property still present the biggest political

challenges in the field. The unresolved questions of whether to restate properties to foreigners, how to secure funds for property compensation, and how to resolve problems with the inadequate cadastre system are most frequently mentioned by politicians as reasons for delaying the adoption of laws on denationalization and restitution. In 2005, the state government adopted a legal act requiring the registration of properties subject to restitution, which has been criticized as another political strategy for further delaying denationalization and restitution. One of the main reasons why New Belgrade is attracting larger investments today is linked to the fact that there is no possibility for restitution claims in that area (before socialism, the land was never used due to its sandy and muddy ground).

The importance of finding solutions to all of the issues discussed above is stressed by the Foreign Investors Council (a non-profit business association established in 2002). It identifies as some of the main obstacles to foreign investment in Serbia and Belgrade “governmental control over the supply of larger pieces of land that prevails within central city areas, a bureaucratic process of land acquisition that lacks transparency, no information on past transactions and prices achieved, minimum prices of the majority of urban land determined by the government instead of the market, [and] misuse of power” (Foreign Investors Council, 2005: 61–62). Therefore, the Council concludes that the reform of the real estate market should start with changes in the constitution to allow freehold ownership of land, and continue with the process of restitution, completion of the land registry system, and the “enforcement of the Law on Urban Planning and Construction in a transparent manner and under a tight schedule” (Foreign Investors Council, 2005: 63).

18.3 Perceptions by the actors in the development process

The *urban regime* concept describes efficient and flexible city development through a system of urban management that implies effective public-private partnership and an extremely complex web of relationships among the actors involved. This concept contends that actors should have two characteristics to be effective partners in such systems: “first, possession of strategic knowledge of social transactions and a capacity to act on the basis of that knowledge, and second, control of resources that make one an attractive coalition partner” (Stone, 1989: 91). In a free market society, political and economic actors certainly possess key resources to be considered attractive partners. The spatial experts, on the other hand, have to prove their capacity to implement their cultural capital in accordance with the interests of other partners, still keeping a certain degree of professional autonomy. Finally, the ability of citizens to participate in the development process depends on various factors including the level of citizens’ trust in institutions, their capacity for collective action, as well as the level of development of key democratic institutions.

In the following analysis, we focus on the views about contemporary urban development in the Serbian capital expressed by the Mayor, the City Manager,

and the City Architect as new types of political actors in Belgrade. Further, we analyze the perceptions of urban planners as actors in the development process with broad insights in the behavior and motivations of the other players on the scene. Finally, we try to sketch the citizens' perspective. The views of the economic actors remained beyond the scope of our survey, although we gained glimpses of their position indirectly from the views expressed by the other actors. Some of these insights are reflected below.

18.3.1

Key political actors at the city level

A common supposition about government officials in the post-socialist era considers them prone to adopting an entrepreneurial mode of operation conditioned by the necessities of economic reform, including the promotion of budget stabilization, privatization, and price liberalization (Offe, 1996: 225). Nevertheless, due to the strategy of "adaptive reconstruction" employed by the political elite, which included adjustments of old institutions or the creation of new ones for the purposes of preserving political power (Lazić, 2000: 28–33), social and economic transformation in Serbia was blocked, particularly effectively until 2000. Consequently, political voluntarism and corruption ensued, allowing enormous concentration of wealth in the hands of a few economic and political actors through "buddy" or "brotherhood" networks. Although the politicians have become even more attuned to the demands of the economic actors since 2000, they still lack a proactive approach. On the contrary, the official authorities continue to value highly control over the resources that allow them to "convert political capital into economic one" (Harloe, 1996: 3–10; Misztal, 1993: 455–461). Such circumstances avert economic actors seeking legal guaranties for their investments and transparent rules for doing business. Consequently, as stated above, apart from the reasons stemming from more general political instability, Belgrade's urban government fails to attract foreign capital and create competitive advantages for the development of the city.

The Mayor of Belgrade, in his second term since 2000, believes that the city government has established its basic development strategy and made the initial steps in its implementation. In his view, contrary to the complete negligence of urban planning until 2000, a proactive approach towards city management has been adopted, focused on the modernization of Belgrade's infrastructure.¹⁶ As proofs of strategy's success, the mayor points to the restructured public transportation system,¹⁷ renewed bus and tram fleets, the improved inner city parking system, and the newly built underground garages. Significant attention has been paid to the decoration of public parks and fountains, the restoration of old buildings, improvements of street lighting, and the relocation and regulation of the open air markets, which have been removed from the central city.¹⁸ The mayor emphasizes that Belgrade is the only big city in Serbia where the unemployment rate has not increased in the last couple of years in spite of the ongoing processes of privatization and economic restructuring. He points out that the city government continues

to protect the most vulnerable population, mainly through subsidizing utility costs (50,000 households are covered by this subsidy). A housing affordability program for those employed in local government administration, health, education, and research institutions has been developed to prevent the emigration of well-educated people from Belgrade.¹⁹ Priorities in the next five years, according to the mayor, will be given to key infrastructure projects including a light-rail system, a new bridge over the Sava River, and a new traffic ring around Belgrade.

Asked to comment on the difficulties in his work, the mayor refers to special interest groups, mostly political opponents of the Democratic Party (to which he belongs as a high-ranked member), who tend to disagree uncritically with almost every project proposed by the mayor's cabinet. Concerning the proposed Capital City Law, the mayor expresses willingness to support its adoption stressing, at the same time, the conflicts with various political opponents at other governmental levels who, according to him, try to obstruct Belgrade's progress instead of supporting its principal role in Serbian development. When asked about the misuse of political power and corruption at the city level, the mayor does not deny the phenomenon but expresses a firm dedication to investigate each suspicious case and sanction the actors.

The city manager and the city architect, as members of the team selected by the mayor, express very similar views on Belgrade's development. The city manager admits that, currently, he has concentrated his energy primarily on infrastructure development projects aimed at improving Belgrade's attractiveness to investors. In the future, he expects to expand his activities to projects related to enhancing public sector efficiency, employment growth, and environmental sustainability. The city architect emphasizes that while for 15 years no infrastructure improvements have been carried out in Belgrade, today, the city has become a huge construction site. He also stresses the need to develop the image of the capital as a modern city, expressing no concerns that certain projects might damage the existing urban character. With the greatest share of foreign real estate investments absorbed by New Belgrade (often called "the Manhattan of Belgrade") (Figure 18.5), the city architect believes that there is no real danger of inner city decay due to decentralization of activities.

The issue of public ownership of urban land is recognized by the mayor who favors the land privatization but emphasizes that it is the responsibility of the state government to change the constitution, introduce the process of restitution, and complete the land registry system. Neither the mayor, nor the city manager, or the city architect make any comments about possible problems they face due to the current system of land management. Clearly, such system gives the City greater power to implement its development policies while a possible land privatization would certainly weaken its control.

Not unlike other politicians, the city officials tend to overemphasize the presence of foreign investments in Belgrade's market.²⁰ They refer with pride to the construction of the largest office building that Societe Generale builds outside of France and the investments of Holland's GTC in a 15,000 sq m office complex.



Fig. 18.5 View of New Belgrade across the Sava River

Source: Photo by E. Dimitrov, Urban Planning Institute, Belgrade

Nevertheless, according to the data from the Belgrade Agency for Building Land and Development, just thirteen locations have been leased to foreign investors until January 2005. Considering Belgrade's future, clearly the mind of city officials is on highly visible projects that are trusted to enhance the image of the Serbian capital in the Balkan Region. Therefore, they boast about the reconstruction of the highest



Fig. 18.6 View of St. Sava Church in the center of Belgrade

Source: Photo by E. Dimitrov, Urban Planning Institute, Belgrade

office tower on the Balkans (the former Communist Party headquarters, demolished during the NATO bombing), the construction of the biggest sports arena, and the restoration of the biggest congress center (all located in New Belgrade). Construction on the largest orthodox church in the world, located in Belgrade's city center, is almost completed (Figure 18.6). In 2004, the former director of the Belgrade Agency for Building Land and Development proudly announced that, since the year 2000, almost 1 million square meters of real estate was under construction or was already completed in Belgrade. He referred to similar construction rates achieved in Warsaw and Budapest by the fifth or sixth year of their transition, pointing out proudly that Belgrade hit this benchmark within a significantly shorter period.

18.3.2 The views of urban planners

City planners are facing an identity crisis in post-socialist Belgrade. Although they mainly functioned as transmitters of political decisions during socialism, to a certain extent, their power and efficiency were greater than now since planning, at least ideologically, was perceived as an important social function under the old regime. Planners' professional authority, never well-established, has been further eroded in post-socialist times by the influence of both political and economic players in an inadequately regulated professional environment.

The interviews we conducted with planning professionals confirmed this observation. Typical comments on the present state of urban planning revolve around the perception that the profession "has been reduced to pure technical and formal procedures," and that it "ceased to be integral scientific discipline and respected social practice." In the view of some planners, private and group interests have gained the upper hand over planners' professional dignity as no professional association related to the field has reacted officially to the chaos characterizing the development process (Mičić and Perišić, 2005). The need to improve and update professional skills and knowledge in order to strengthen planners' position is well recognized, but the attitude of politicians toward the profession, which has not changed significantly after 2000, is seen as a major impediment in the process. The top-down generation of urban development regulations, planners point out, has been carried out without adequate experts' input. Even the new Law on Urban Planning and Construction – the most important legislative act in the field – has been prepared without taking into serious consideration the opinions of planning professionals.

Contrary to the upbeat views of city government officials, urban planners believe that the current legislative framework regulating Belgrade's urban development consists of laws that are either anachronistic or poorly developed and coordinated with respect to each other and to the European legislation. As an example, they pointed to the Environmental Protection Law, which is in accordance with the European standards. Due to its discrepancy with the Law on Urban Planning and Construction, however, the analysis of environmental sustainability has been

reduced to a strategy of minimizing environmental costs (Stojanović, 2005). A common view shared by the planners we interviewed is that too much power is concentrated in the hands of the mayor, which is contradictory to Belgrade's complex administrative structure and the diversity of its municipal districts. Interviewees pointed out that the Law on Urban Planning and Construction does not define properly the public interest, which opens space for manipulations, power misuse, and corruption.

According to some participants, Belgrade's master plan has not been developed as a strategic document but as a set of prescribed parameters. In their view, the management of urban development is weakened by a practice of changing the parameters of the master plan through area regulation plans, thus, "leading to voluntarism that damages the urban identity and quality of certain locations, including the most valuable ones in the city center."²¹ Consequently, "normative concerns about the public good appear only in planning documents while they disappear in the leasing contracts on properties for construction as urban planning institutions have no mechanism to control plan implementation." In such circumstances, as one respondent expressed, "the entrepreneurial private sector takes advantage by corrupting those who decide, leading to domination of 'investor urbanism.'"

The question of who has the greatest influence on Belgrade's urban development and planning is answered unanimously by the interviewed planners, who share the belief that private investors dominate Belgrade's urban development while politicians have the greatest influence on urban planning. According to our respondents, the power of investors stems from the fact that "money manages to overcome all barriers set by law, normative procedures, or planning principles, particularly in impoverished societies." In their view, public competitions and tenders have become "a decorative procedure, thanks to big capital and corrupt public institutions." The influence of politicians, our participants believe, derives from a "nontransparent decision making process" and the "inhibition of citizen participation." Several interviewees pointed out that the underdeveloped legal framework allows politicians to hold more power, which in turn gives them the opportunity to get more benefits (for themselves or for their political party). The Law on Urban Planning and Construction, according to some, has been left deliberately undefined to permit interpretations in line with private interests, thus, reflecting a strong bias towards "market fundamentalism" (Zeković, 2005).²² Nevertheless, the majority of our respondents think that investors should have significant influence on urban development, but only within a more developed and transparent legal framework.

The participants in our survey noted that while the 1990s were characterized by urban chaos produced by both local and state governments, between 2000 and 2003 the first signs of positive changes appeared. With the adoption of the Law on Urban Planning and Construction in 2003, however, "everything became blurred again, causing a great deal of confusion among planners and city administrators about the way the law should be implemented."

The most dramatic problems of Belgrade's urban development during the last 15 years, in planners' views, were linked to the pervasiveness of uncontrolled

and illegal development. In the city, such patterns of development led to the deconstruction of its urbanity and the abuse of its public spaces. At the urban periphery, such practices were fostered by the application of minimum urban standards and the lack of overall planning principles. Our interviewees considered illegal constructions a logical outcome of inadequate legal regulations, holding corrupt politicians and institutions most responsible for this situation as “the state and the city have tolerated such kind of grey economy for the sake of political and social compromises.” The respondents pointed out that the Law on Urban Planning and Construction from 1997 instead of resolving the problem, actually, generated new illegal construction. They shared the belief that the strategy to “legalize almost everything,” promoted by the new law from 2003, is “completely inappropriate because it devastates the trust in the social system and tolerates the misuse of public interest, as well as planning standards and aims.” According to some respondents, such approach leads foreign investors to the conclusion that “anything is possible to be built in Belgrade.” These participants highlighted the fact that no one has been sentenced yet in Belgrade for constructing or approving illegal projects.

The city government, it is further believed, follows the goals set by the master plan only in declarations and “just rushes into expensive projects.” The majority of our respondents were quite critical of most projects emphasized by Belgrade’s political actors, expressing concerns about the existence of a network of interests connecting closely politicians and investors. In addition, the experts we interviewed thought that the local government leases the land inefficiently through a nontransparent and semi-legal system, and that public ownership over urban land has negative consequences for the development of the city. Some of the planners pointed to the fact that the administrative methods of determining rent levels exert a negative influence on local tax policy and diminish budget revenues. As a result, “Belgrade has financial problems with implementing crucial projects such as the removing of the old railroad tracks from valuable central city locations that would allow the inner city to open up towards the rivers and thus create new opportunities for investments.” Similar effects have emerged in the process of privatization of state-owned enterprises by not taking into account the market value of their location. Therefore, the new owner might get the right to use attractive land for a negligible amount of money while his further investments will reap considerable profits due to the specific location. Consequently, a few private Serbian firms have become the biggest landholders in Belgrade, which has given them a monopolistic position that the city has no mechanisms to confront (Zeković, 2005).

Speaking about the future of Belgrade, urban planners were hopeful that radical changes in urban governance and planning will take place with regard to the processes of privatization, deregulation, and decentralization. A pessimistic minority pointed to the inevitable process of Belgrade’s polarization, which is expected to create, on one hand, “a modern and glamorous city that confirms its European identity and orientation” while, on the other hand, it will lead to “devastated urban areas and rising urban poverty.” Some planners noted that the

increased role of non-profit organizations and citizen initiatives would be the best guarantees that positive qualitative changes in living standard will occur. Although, the interviewed experts generally recognized the role of the participative approach in managing urban development, they tended to view it as a distant political and planning ideal.

18.3.3 Citizens' perceptions

The Law on Urban Planning and Construction defines public debates of urban planning activities as an important measure of public control. In addition, the law stipulates that citizens (individually or through organizations) have the right to request information on or initiate the development of urban plans through petitions to the offices of the city architect or the mayor. The Law on Local Self-Governance, as well as the Law on Environmental Protection, also define the methods of citizen participation in the decision making process. The questions that arise then are: to what extent citizens exercise their rights secured by the law, and why is their influence on the decision-making process at the local level negligible compared with the power of all other actors discussed above?

A previous study, based on a representative sample of Belgrade's population, concluded that many citizens lack the motivation for public action because a widespread mistrust in public institutions leads them to believe that the prospects for meaningful participation in the decision making process on the local level are small or non-existent. An overwhelming 80 percent of the citizens participating in the survey believed that, compared with other actors, their efforts have no impact at all. The respondents saw as most important "channels" of influence on the municipal level the structures of the political parties (32 percent), the municipal council (26 percent), and personal connections and corruption (22 percent). The decision-making "channels" ranked at the bottom in terms of their influence were the trade unions (12 percent), local communities (7 percent), NGOs (1 percent), and citizen petitions (0.8 percent) (Vujović, 2004: 173).

The citizens perceived that their local and central governments have grown increasingly more distant from them. The arrogant attitude of the political elite has remained, for the most part, unchanged in spite of its democratic label. Almost all parties of the political spectrum systematically neglect the role of citizen initiatives, except in the cases when it is used as an opportunity for confronting their political opponents. Citizens, on the other hand, have not grown accustomed to defending their rights or considering themselves important political actors. The recognition of civic responsibility towards defending public interests has remained below a minimal threshold level.

Clearly impaired in their attempts to use the official channels of participation in the urban development process, a lot of citizens have resorted to informal strategies, including illegal construction. The cumulative impact of such actions

is considerable, thus, exerting unintended pressure for the development of legislation and urban planning principles for better urban management from the bottom up. Consequently, the allegations that ordinary people are passive participants in “the production of space” in Belgrade could hardly be substantiated. In certain cases, the inhabitants of the illegal structures have simulated planning principles in infrastructure development as to allow easier *ex post facto* legalization of their dwellings (Džokić et al., 2002: 114).

Citizen protests in Belgrade against the abuse of public interest and the degradation of the urban environment remain rare and inconsequential, except in some cases in which the very existence of the residents has been jeopardized. A notable example is the protest of the inhabitants of the “asbestos estate,” which was built of this cancerous material some 30 years ago. For almost 10 years, as the number of cases of morbidity and mortality increased from year to year, the residents petitioned to be relocated but without any success. Only recently, the city government initiated plans for upgrading the estate, although without intention to remove the inhabitants from the contaminated site. This case confirmed the perception that only reactive protests might have some success, while proactive initiatives from the bottom up are sorely missing.

The most recent example of reactive participation concerns the protest of middle class citizens against government’s attempts to resettle Roma population from their community, located on an attractive site in New Belgrade, to a more peripheral location in the area. The owners of existing housing in the vicinity of the designated site complained that the project would decrease the market value of their properties. Consequently, the city was forced to withdraw the project. The success of this kind of citizen initiative, carried out in the best traditions of the NIMBY (Not In My Back Yard) movement, indicates the growing divisions among Belgrade’s residents based on the power they possess over urban development decisions.

One example of a more proactive citizen involvement is related to the restitution of properties nationalized during socialism. The citizens who claim restoration of their property rights are the best organized civic group whose voice is constantly present in the ongoing debates about denationalization and restitution. Since the 1990s, many parties have promised to initiate the return of property seized after World War II as soon as they came in power. Yet, to this day, except for making rhetorical statements invoking law and justice, nothing has been done to initiate the process.

18.4 Concluding remarks

Belgrade’s urban governance and planning have been quite reactive since 1990. The general trend of deindustrialization has not yet started and neither has the influx of significant foreign investments to the city. Therefore, Belgrade still has a quite peripheral position within the European urban network.

During the Milosevic regime, only partial market reforms were implemented to the extent that ensured benefits for the political elite and those closely connected with it, thus, blocking effectively political, economic, and institutional reforms. Even after the fall of Milosevic's regime in 2000, the political elite retained significant degree of power. Complex legal and institutional transformations, including those in the area of urban development, proved particularly difficult since they required the dissolution of informal connections between political and economic elites reluctant to support policy changes diminishing their power.

Therefore, sound laws governing the sphere of urban development in Belgrade according to free market, democratic principles are still largely missing. On the other hand, the question of laws' quality becomes irrelevant when political voluntarism dominates their implementation. The relation between the mechanisms of land use regulation and land tenure still remains unresolved. The retention of state ownership over urban land is intensely criticized by economic actors, urban professionals, and local politicians. Nevertheless, no serious attempts have been made to initiate urban land privatization.

The relations of the actors involved in a democratic urban development process presuppose that communication between various levels of social networks should flow in both directions – top down and bottom up. This includes the fostering of strong connections between key public and private stakeholders, as well as the formation of tight links between citizen groups and public and private organizations operating at the local level. In circumstances when these linkages are weak, the incidences of corruption and anomie are much more evident than in efficient and flexible urban development systems (Woolcock, 1998; Keyes, 2001).

In the case of the widespread illegal construction in Belgrade, two types of networks could be described – vertical and horizontal. One can speak of a vertical interest alliance between the illegal actors and politicians who tolerate it to secure, among other things, electoral votes. There are also vertical clientelist links running up and down inefficient and corrupt government institutions. This system could be described as “consensual chaos,” or “organized irresponsibility.” The horizontal networks are found in the gray zone of urban development in Belgrade, where a reactivation of solidarity micro-networks takes place, motivated by necessity more than sentiment. They could be described as familism, a kind of social capital at the bottom level that aids survival strategies, but impedes efficient social and system integration. Therefore, both types of networks, the vertical and the horizontal, are inappropriate for the realization of cooperative, efficient, and flexible city development.

Urban planning in Serbia is in a deep crisis that begs for radical new solutions. The passive responses to market-driven spatial changes have been characteristic of neoliberal regimes. In a somewhat twisted version, such planning approaches also appear in states characterized by a loose regulatory environment, political voluntarism, and vulgar economy, thus, becoming an obstacle to development of new proactive approaches in the field of urban management (Vujošević, 2002: 5–6). The mixture of views, ranging from economic neoliberalism to socialist

protectionism, is considered typical for all participants in the processes of post-socialist transformation. According to our analysis, neither politicians nor urban planners in Belgrade support exclusively the neoliberal tenet that the logic of market relations should pervade and guide all principles of social organization. A major question, however, is whether a sufficiently strong alliance could be formed among political and other actors to support this view as the current situation seems firmly dominated by a “wild capitalism” mentality.

The proactive approach considers the actors involved in the urban development process not as stakeholders but as shareholders, which means that the planning process should attempt to synchronize the competing interests of all parties. In the case of Belgrade, neither planners nor citizens have developed adequate foundations for the implementation of such approach. Due to the heavy socialist legacy, citizens lack information about their rights, while the political elite remains unaccustomed to considering public opinion. In addition, people’s ideas about their social identity have become blurred due to an on-going process of social re-stratification since 1990. Their potential, therefore, to recognize their mutual interests – a most important step for collective action – is rather low at this point. Finally, there is the effect of betrayed expectations, which, to a certain extent, accounts for citizens’ resignation and political passivity (Offe, 1996: 231–235). This has been another major negative impact of the long-delayed socio-economic transformation and the high social tolerance for illegal practices. Therefore, the implementation of an effective reform in the system of urban management in Belgrade faces the challenges of a de-legitimization crisis more serious than the ones exhibited in most other post-socialist cities.

Notes

¹ The statistical databases for Belgrade are slowly being improved, yet a lot of data needed to evaluate the dynamics of the transformation processes are still missing. Consequently, the latest data available for our study were mainly from 2003.

² These included municipal reports on illegal construction, use of urban land, etc.

³ Comprehensive research on Belgrade’s urban development is largely missing. We used papers presented at urban planning conferences that are focused on certain aspects of Belgrade’s or Belgrade region’s urban planning and development.

⁴ We interviewed mainly executive managers of different departments as well as heads of different municipal divisions at the Urban Planning Institute in Belgrade. We spoke with professors from the Faculty of Architecture, School of Economics, and Faculty of Geography at the University of Belgrade. Our respondents were mainly educated as architects or urban planners, but we interviewed also economists, sociologists, and lawyers. The information obtained during the interviews was treated according to our analytical premises and the final interpretation of the views expressed in the process rests solely with us as authors.

⁵ When speaking about “under-urbanisation” of CEE cities during the socialist era, Szelenyi (1983) pointed out the lag of growth in urban population behind the growth of industrial jobs, and a lack of coordination between infrastructure and industrial development compared to Western urban experience. The role of urban rent and other market mechanisms was suppressed, resulting in less diversity in the mix of uses, higher shares of industrial and residential land, and lower concentrations of commercial activities in the inner city (Čaldarevic, 1989).

⁶ While two thirds of Belgrade's housing stock was publicly owned in 1991, by 2002, over 95 percent of it had become private property (Petrović, 2004). Today, only a small number of social housing units have not been privatized, mostly due to unresolved legal issues with properties nationalized under socialism. These problems were caused by a policy of "privatization before restitution," which was a result of adopting and enforcing the Law on Housing prior to enacting the Law on Denationalization.

⁷ The problem of housing affordability became extremely serious as the housing price to income ratios reached levels over 13 in 1994, showing a very slow decrease thereafter (Petrović, 2004: 179).

⁸ During socialist times (and through the 1990s), the procedure for getting construction permits took one to three years on the average. In addition, residential lots serviced by infrastructure were rare and very expensive. As a result, entire housing developments were built illegally (Petovar, 1999: 151). While serving as compensators for system's production and distribution failures during socialism, these strategies reflected the lack of financial capital and reduced the risks from the unleashing of market forces during then post-socialist period (Sik and Wallace, 1999).

⁹ An estimation showed that Belgrade would earn through legalisation of all illegally built structures 2.5 billion EUR while their demolition would cost 1.5 billion EUR (Džokić et al., 2002: 113).

¹⁰ At the moment, the Democratic Party has considerable political power in Belgrade, holding the mayor's position and other governing city institutions in coalition with the Serbian Democratic Party. Both parties are, at the same time, serious political rivals within the Democratic Block (the former opposition to Milosević's regime). The Serbian Democratic Party holds the prime minister's position and has control over the government at the republican level where the Democratic Party is in opposition.

¹¹ The "right of use" is a legal concept inherited from Milosević's regime. It refers to the right of building owners to use the land on which the building is located for as long as they own the building.

¹² Over 30 percent of the national workforce is concentrated in the capital. The highest population growth occurred in the 1950s and 1960s when Belgrade's population increased by almost 30 percent each decade. This trend slowed down in the 1970s and, particularly, in the 1980s, with only a slight population increase registered during the 1990s. This increase occurred due to the refugee immigration (some 112,000 refugees came to Belgrade), which offset the population decline caused by negative natural growth and emigration.

¹³ The share of single family homes of the newly constructed housing rose from 36.5 percent in 1990 to 75 percent in 2000, dropping slightly to 65 percent in 2003.

¹⁴ The owners of illegally constructed buildings could apply for legalisation within six months after the adoption of the law, even with uncompleted documentation. The Law stipulated that money collected from fees should be used for infrastructure development in the areas of legalized construction. Those who choose not to apply for legalization became subject to much higher fees, demolition of the illegal structures, or prison sentences.

¹⁵ There are more than 500 real estate agencies in Belgrade. The smaller ones are often run by lawyers while bigger agencies are mostly sister companies of developers who "came from nowhere" to the construction sector with enough capital to start the business.

¹⁶ About 200 km of streets have been reconstructed, another 100 km are in reconstruction (with complete communal infrastructure), and almost 100 km of the sewage and water networks have been replaced or renewed (Belgrade Agency for Building Land and Development, 2004).

¹⁷ The public transport system was completely devastated during the 1990s. In 1997, the private sector emerged on the scene, but no real public-private partnerships were formed until 2004. The situation is gradually improving, but Belgrade still lacks an underground transport system.

¹⁸ In general, these activities have been funded from the city budget but with significant support of foreign donations and investments, as well as credits from the EBRD.

¹⁹ In 2003, Belgrade's city government implemented a housing affordability program with housing prices kept to construction costs. Minimal down payment is 10 percent with subsidised long-term interest rates. The program calls for the construction of 1,000 dwelling units every year.

²⁰ Domestic investments still dominate the real estate market with a ratio between domestic and foreign investments at 70 to 30 percent in 2004 (Belgrade Agency for Building Land and Development, 2004: 3).

²¹ In a similar research conducted in the year 2000, 78 percent of the interviewed urban planners shared the belief that revisions of the master plan through area regulation plans, as a dominant urban planning practice primarily aimed to create conditions for legalization, were a reflection of a situation marked by the misuse of political power, jeopardizing the public interest and the capacity of urban planning to defend it. Only 20 percent of the interviewed thought that such practice reflected gradual redefinition of planning towards market conditions. The study was based on a sample of 50 urban planners and professionals in Belgrade (Petrovic, 2004: 203).

²² The study mentioned above, indicated that the majority of planners considered the lack of political will as the main reason for the delay in the privatization of urban land. Concerning the specific motivation of the political elite for inaction, the majority of planners emphasized the opportunities for manipulations with land as a valuable resource while only a few respondents thought that public ownership over urban land was used as a means of better protecting the public interest (Petrović, 2004: 204).

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19 Urban development, legislation, and planning in post-socialist Zagreb

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19.1 Introduction

The transition from a communist to post-communist socio-economic system has brought significant changes in the ways in which urban space is generated. Although the private investors have become the key players in the urban development process, politicians, planners, and other stakeholders continue to exert substantial influence on the formation and management of urban space. This influence transpires through institutional structures and administrative processes that are set up to guide, manage, and regulate urban development. Urban form itself is a cumulative result of many private and government interventions in the urban habitats.

This chapter focuses on the case of Zagreb – the capital city of Croatia. We first present an overview of the evolution of urban form in Zagreb, then we discuss the major changes in the legislative framework and planning process. At the end, we look at the various actors involved in urban development, sharing the results of interviews conducted with some of these actors during the summer of 2005. We find that the urban planning and development arena in Zagreb is still somewhat unbalanced in terms of distribution of participatory powers and that it lacks professional expertise based on integrated and interdisciplinary approaches. However, despite the numerous challenges, there are steps taken in the right direction and the progress toward sustainable and contextualized urban future is noticeable.

19.2 Zagreb now and then – background on urban development

The city of Zagreb is the central hub of a rapidly expanding metropolitan area in the region of Zagrebačka Županija (Zagreb County). It is located at the intersection of several overlapping zones of influence and a number of international roads

leading to the Mediterranean Sea, the Eastern Balkans, and Central Europe. Zagreb is the capital of Croatia and its most prominent city, recognized by its specific natural setting, historical and architectural heritage, and culture. The city spreads over 600 sq km, out of which 24 percent are built-up, 46 percent are agricultural fields, and 30 percent forested land. Zagreb's spatial structure is radial-polycentric, encompassing the neighboring small towns of Velika Gorica, Sesvete, Samobor, and Zaprešić. With a population of 780,000 residents, the city is "aging" demographically, with an increasing share of the over-65 age cohort (15 percent in 2001) and decreasing share of population below 14 years of age (16 percent in 2001) (Mattioni, 2003).

Much of Zagreb's urban history, townscape, and land development have been closely related to the proximity of the Medvednica Mountain in the north and the Sava River in the south. Within this strip of land, spatial changes during several historical epochs created a complex urban pattern and imagery. Since 1242, when Zagreb was proclaimed a free city by a special charter of King Bela IV, its unique southern Slavic flavor and middle-European urban fabric have been evolving through the historical layering of different activity patterns. This evolution has resulted in an elaborate matrix of urban features. Centuries of Zagreb's growth have extended the urban boundaries of its first settlement between the two hills Gradec (Grič) and Kaptol (Maroević, 1999), forming a typical medieval stronghold. Frequent dramatic events, such as earthquakes, fires, wars, and health epidemics, continuously reshaped Zagreb's urban fabric over the centuries.

With the course of time, Zagreb articulated its main physical characteristics – the compact form of its historic nucleus, an elongated layout spreading along three railroad lines and two main trading routes (along Gradec and Kaptol), a relatively low skyline, a hierarchical street network, a downtown dotted with plazas and squares, numerous historical landmarks, and a fairly stable composition of neighborhoods. The core of the city developed mainly in the east-west direction until bridge connections over the Sava River were introduced in 1786 and the city started to spread to the south. Doklestić (1996) chronicles the evolution of Zagreb's urban form in three distinct historical periods: *medieval town*, *first modernization*, and *second modernization* (Figure 19.1, 19.2, and 19.3). Currently, we are witnessing the emergence of the *third modernization* period (Figure 19.4).

In 1865, the city got its first regulatory plan, which directed further urban growth towards the south through the introduction of an orthogonal street network. In 1880, a devastating earthquake destroyed a significant portion of the existing building stock. Nevertheless, Zagreb quickly continued its urban development, adopting fashionable landscape and urban design principles employed throughout European and US cities at the time. The regulatory plan of 1889 proposed an elaborate network of parks and public buildings to create a so-called "green horse shoe" including a botanical garden and a new railway station.

After a period of relative urban planning inactivity, in 1937, Zagreb adopted a new regulatory plan based on Le Corbusier's ideas of the modern city and the participation of a number of local and international experts (e.g. Vlado Antolić



Fig. 19.1 Medieval Town

Source: Photo by B. Cavrić, 2005



Fig. 19.2 City of first modernization

Source: Photo by B. Cavrić, 2005



Fig. 19.3 City of second modernization

Source: Photo by B. Cavrić, 2006

and Ernest Weissman). However, in 1953, the socialist government enforced new regulations, which erected a barrier against international urban influences (Delalle, 1989). Ten years later, a new city urban program was prepared and, in 1971, the first comprehensive urban plan of Zagreb was adopted. Unfortunately, the plan failed to bring the social and ecological aspects of urban planning together, thus, becoming the source of numerous criticisms, which called for its revision and subsequently led to the adoption of another general plan in 1986. The main legacy of that planning period were the massive housing estates, most of them built in the newly established sections of the city in Novi (New) Zagreb, Trešnjevka, Peščenica-Žitnjak, and Trnje. The 1986 plan was focused on reconstruction, rehabilitation, renewal, and redevelopment within the existing city perimeter, avoiding further expansion beyond the urban boundaries. An attempt was made to employ a more sensitive and interdisciplinary approach, respectful of city's natural environment and historic heritage.

By the late 1980s, the crisis of the socialist system and the volatile political situation in the region lead to the secession of Croatia from the Yugoslav Federation, followed by a war for independence. Urban development and planning remained areas of secondary concern until 1993 when a new planning campaign was launched with a series of urban initiatives and programs.¹ The culmination



Fig. 19.4 City of third modernization

Source: Photo by B. Cavrić, 2006

of these initiatives was the new master plan, adopted in 2003. The plan classifies Zagreb's urban territory in three zones: highly consolidated area (including the historical core in which a strict planning regime is applied), consolidated areas (lower density areas with elaborate street networks governed by more flexible zoning), and unconsolidated areas (lower density zones where large-scale redevelopment schemes are permissible). The plan gives priority to several parts of the city requiring concentrated attention: the slopes of Sljeme, the historic nucleus of the city, several areas designated for urban renewal, the New Zagreb, and the city outskirts (Mattioni, 2003). The identification of locations in the periphery is related to the demand for land and infrastructure in the southern, western, and eastern parts of the outer ring (Figure 19.5).

In the current stage of post-socialist transition, the city has adopted as its main planning goal the harmonious integration of all city parts into a coherent and functional entity. It is widely proclaimed that the implementation of this vision would be based on the principles of sustainable development and free market economy. Under such conditions, it may be expected that the image of Zagreb as both historic and modern city will be transformed as new urban development projects are going to be implemented due to anticipated surge in public and private initiatives. A major change the city has already experienced has been the shift in policy

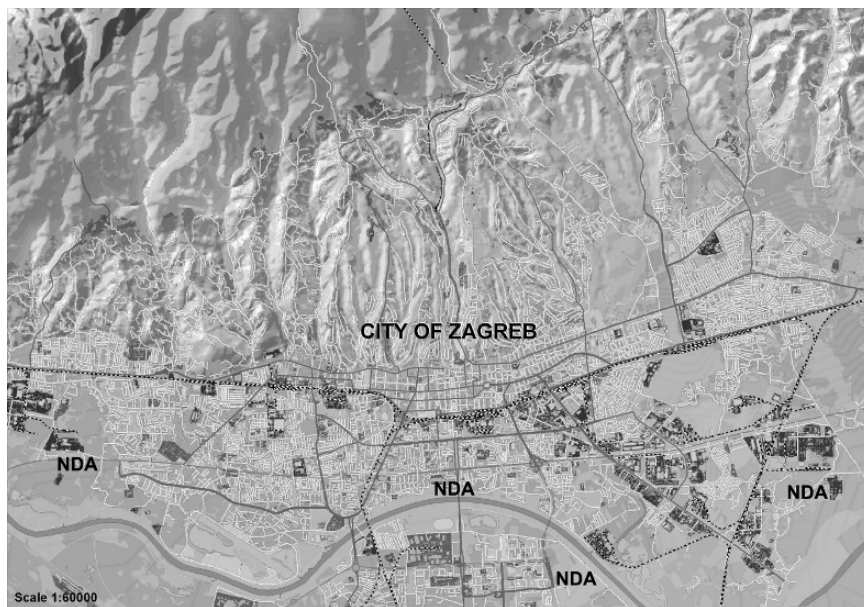


Fig. 19.5 Zagreb's new development areas

Source: GISDATA Zagreb, 2006

related to public housing (Pichler-Milanović, 2001). While in 1991 state-owned residential units presented 45 percent of the housing stock (Bezovan, 2004), in 2001, only 4 percent of households lived in social housing. During the same period, private ownership almost doubled, reaching over 80 percent of the housing stock.

The ongoing processes of institutional restructuring, accelerated urban development, legislative reforms, and the mushrooming of numerous stakeholders in the urban development arena, which have all significantly influenced the physical character of Zagreb and its image. New office development, the establishment of commercial and business outlets, the refurbishment of old industrial sites, the construction of large shopping centers, along with other spatial interventions have reflected the diffusion and influence of Western models of planning and urban development. Quite noticeable is the proliferation of upscale dwellings (i.e., urban villas) and modern multi-family residential buildings in elite residential areas on the fringes and in some of the most attractive parts of the city. These new developments often result in conflicts with existing development in perimeter areas dominated by illegal construction and socialist housing estates.

In summary, the city of Zagreb has had a long evolution of urban development, and one that has been actively shaped during the twentieth century by public policies and planning ideas. Recently, Zagreb has emerged as the political centre of

a new state, a fact that has led to the further intensification of its urban development and functions, widening the gap between the city and the other Croatian settlements in terms of the degree of urbanization and the dynamics of economic growth (Njegač, 2004).

19.3 The planning process

During the communist regime, urban planning in Croatia (as in the rest of former Yugoslavia) was governed by the doctrines of socialist ideology. During this period, the practice of planning moved slowly from a system of rigid centralization, dominated by economic development concerns, to a more decentralized planning model of self-government (Pogačnik, 1987). Many plans of various types (regional, general urban, and detailed area plans) were adopted, but most were shelved as blueprints of unachievable goals. While the participation of the general public, local communities, public institutions, and business enterprises in the formulation of planning goals and objectives became a requirement of the new system of self-management, in practice, the role of these various actors in the urban development process during the socialist period was diminished by influential politicians and planning technocrats, who were strong proponents of the “top-down” approach.

Since gaining independence in the early 1990s, the urban planning process in Croatia has turned away from the old socialist methods of planning, towards more flexible forms of urban management and governance. The climate in which the relationships between professional planners and other stakeholders have been developing since the early 1990s is now far more conducive to moderating the planning process with the needs and preferences of the local players. In fact, after the political reforms towards democratization and the privatization of land and property, a level of extreme flexibility has become characteristic of the planning process in Croatia, which is quite unique compared to the procedures used in most developed and developing countries (Anderson, 1995). The process is, basically, reinvented and adjusted on a case by case basis, depending on the particular circumstances.

Currently, the real estate market and government interventions are the key determinants of the manner in which city territories are developed and urbanized. As a result of the overly flexible approach to planning and development, a lot of room remains in the system for land speculation, illegal construction, and environmental degradation. The rigidity and overlapping authority of numerous planning and development agencies; the large number of different, often conflicting, urban plans; and the insufficient levels of public participation in matters of local governance are factors that present significant challenges to the improvement of the urban development process. A notable exception in this regard has been the development of major transportation corridors and a semi-circular system of highway by-passes at the city’s outskirts (towards Slovenia, Hungary, the Adriatic coastline, Serbia, and Bosnia and Herzegovina), which triggered the creation of new development

opportunities in the suburban villages of Buzin, Zaprešić, and Lučko. These areas are turning into high-tech suburban business enclaves and a consumers' paradise (Lukić and Jakovčić, 2004).

Despite the introduction of the new and powerful economic actors on the urban development scene, the planning process in Croatia is balanced by a stronger involvement of the local authorities, the general public, and special interest groups. In this, it has been guided by the Spatial Development Act from 1994 and the Regulation of Public Debate in the Process of Spatial Plan Approval adopted in 1998. The purpose of those regulatory documents is to guide the effective operation of the urban planning and development process, rather than to prescribe a static model that should be replicated in the preparation of technical reports or designs. Such flexible planning process involves prioritizing the concerns, recognizing functional and spatial relationships, and understanding the social, financial, environmental, and end-user implications of planning proposals and policies (Behrens and Watson, 1997).

In the case of the City of Zagreb Master Plan, the planning process was employed to provide a spatial framework within which numerous collective and individual actions and investments would be accommodated by the year 2015 in a collaborative and environmentally conscious manner (Mattioni, 2003). The plan is driven by goals and ideas that are intended to initiate and facilitate rather than prescribe and regulate the urban future (Kelly and Becker, 2000). It indicates a minimal set of necessary spatial interventions, rather than attempting to be comprehensive and rigorous. The plan lays down the bases of the city's spatial organization, the protection of natural, cultural and historical values, the land use classification system, and the implementation priorities in view of the changes that have taken place in the city's social composition and its land and property regimes.

It should be noted that although the plan stresses the importance of public participation, it still supports a classic system of planning dominated by the preparation of detailed technical plans by trained professionals only. The plan also suffers from the lack of effective implementation tools that characterize planning in most Western countries. As a result, the experience since the adoption of the plan has shown that some of the plan's intentions have been difficult to implement and monitor due to institutional and financial constraints, and the opportunistic behavior of key players in Zagreb's urban arena (Cavrić, 2005).

19.4

Planning legislation in Croatia and its impact on urban planning and development

The planning laws that affected the development of cities on the territory of present-day Croatia can be traced back to the city of Dubrovnik and its "Liber Statutorum Civitatis Ragusii" from 1296 (Krstić, 1982). However, the development of

modern planning legislation should be dated at the outset of the twentieth century. Four periods of modern planning legislation and practice may be identified, which changed with the shifts of the socio-economic and political situation. During the initial period, which ended by 1918, the legislation was developed under the influence of the Austro-Hungarian Monarchy. The most important acts during that time were Construction Orders I, II, and III governing planning and construction in the Kingdom of Croatia and Slavonia, and the cities of Osijek, Varaždin, Zemun, and Zagreb. Similar regulations were in force in Austria, Hungary, and in the regions of today's Czech and Slovak republics. In the next period, which lasted from 1918 to 1945, urban development was governed by the Civil and Public Construction Law. This act was adopted to assist the orderly and progressive development of land in both urban and rural areas, and to provide building standards and uniformity in designated areas. During the time of socialist Yugoslavia (1945–1991), planning legislation was based on communal property rights and the restriction of private ownership and property. The reestablishment of full private property rights was initiated and for the most part completed in 1991, immediately after Croatia seceded from former Yugoslavia.

The adoption of the Spatial Development Act in 1994 and its amendments commenced a new phase in the evolution of urban and regional planning and land development in Croatia. This law prescribes the integral treatment of physical space and the related preparation of planning policy documents. Applied to the administrative region of Zagreb, this legislation establishes several hierarchical levels of planning (e.g. county, metropolitan area, city proper), and requires their vertical coordination. For example, the City Council may approve the Spatial Plan of Zagreb County only upon obtaining consent from the Ministry of the Environmental Protection, Spatial Development, and Construction and the opinions of municipalities within the jurisdiction of the county. Similar procedure is prescribed for the preparation and implementation of the Spatial Plan of Zagreb Metropolitan Area and the Master Plan of Zagreb. Detailed plans that are prepared for limited geographic areas are closely inspected and approved by the City Assembly and the City Council upon consideration of the opinions received by the relevant planning stakeholders.

The experience of implementing the Spatial Development Act has revealed numerous limitations and imperfections of the established regulations. One of the most criticized aspects of the legislation is the sheer number of required planning documents, which has considerably complicated the process of planning. Compared to other EU countries, for instance, Croatia has a significantly larger number of required plans that regulate and guide its territorial development (Krtalić, 2004).

Another weakness of the legislation regulating the planning process is the limited level of public involvement required by the law. Public scrutiny is incorporated formally in the process, with limited influence on land development decisions. Usually, the ideas, suggestions, and critiques offered by particular individuals or groups are heard only during discussions of the draft and the final planning documents (Cavrić, 2005). The role of the public during the stage of formulating goals

and objectives has been rather limited, and there has been no active engagement of the various community groups, professionals, politicians, investors, and other stakeholders in the remaining stages of the planning process. This is to a great extent a result of the procedures established by the law as they do not provide sufficient guidelines for effective community involvement and consultation. In addition, the legislation remains silent on the establishment of special bodies that could defend the public interest in an organized manner.

Another shortcoming of the existing legislation is in the area of plan monitoring and review. This area is covered by only two instruments – land development status reports and land development improvement programs. The latest status report for Zagreb points to the need to address several deficiencies of city's development including: underutilization of valuable urban spaces, shortage of housing, illegal residential construction, transportation problems, deficiency in certain urban services, and lack of funding for capital projects (Gradska Skupština, 2005a). The report traces the main sources of the existing problems to inadequate institutional environment, unsuitable legal solutions, and ineffective organization of communal services. Following the report's recommendations, an improvement program was prepared to address the problems noted in the report and to focus on the incomplete implementation of various existing spatial and urban plans (Gradska Skupština, 2005b).

Finally, the issuance of location permits is still used as the main instrument of plan implementation in Croatia. This method, also employed during socialism (Krtalić, 2004), has been criticized for being used as a substitute for detailed urban plans, complicating the implementation of major public projects. Contrary to the prevailing practice in the EU countries, where the process of land utilization is based on detailed area plans, a location permit issued by an executive authority (e.g. city or county council) in Croatia has a power of a management act concerning the subdivision, consolidation, preservation, and construction of buildings and associated infrastructures. The experts interviewed by Cavrić (2005) expressed great concern about the practice of substituting local area plans with location permits, emphasizing that this tool should be promptly complemented with other implementation techniques and instruments recognized in many countries worldwide.

Many alternative implementation instruments are available to complement the existing mechanisms employed in the practice of managing urban development in Croatia. These include: performance zoning and land subdivision ordinances, inter-governmental cooperation, capital infrastructure improvement programs, development control codes, communication techniques, and miscellaneous other planning tools successfully applied in other countries. Their application, however, requires the amendment of existing statutory frameworks with a clear and precise systematization of the implementation instruments recommended by professional consultants and planning stakeholders. Some elements of these instruments are included in the instructions for plan preparation provided by the current law. Nevertheless, they

must be treated with a focused legislative attention in order to rectify the confusion that is currently characterizing existing implementation processes.

19.5

Actors in the urban planning and development process

Urban planning in Croatia involves numerous individuals and groups (Cavrić, 2005) who are engaged “at the front line” of urban development (Tsenkova, 2000). Typically, all major urban development projects in Zagreb have mobilized both opponents and proponents of these interventions, a situation which has led in many occasions to intense public conflicts. The following text outlines the positions of the main actors involved in Zagreb’s planning arena and presents a summary of their reflections on the process of contemporary urban development in the city.

19.5.1

City government and politicians

The governmental influence on the urban development of Zagreb occurs at two levels: (1) at the supra-local level, through the preparation and implementation of national and regional policies, programs, and regulations; and (2) at the local level, through the generation and implementation of local plans and development regulations, and the approval of investment initiatives.

The organization of the city government and local constituencies, through which planning and other municipal affairs in Zagreb are pursued, shows a hierarchical structure of management composed of city departments, city council district offices, and city quarters (neighborhoods). Besides the main city administration, there is a network of administrative offices located within 11 urban districts, whose jurisdiction extends over 17 city quarters. The statutory responsibilities of these offices include managing local community affairs and protecting citizens’ rights and interests. The role of the district offices is also to encourage consensus building within the communities on development matters and to stimulate public involvement in different spheres of urban life. The urban district administration is democratically elected by the residents of the city quarters.

City quarters are units of local self-management founded by the Statute of the City of Zagreb in 1999, which allow citizens to participate directly in the decision-making process pertaining to local affairs. According to the Statute, self-governments are assumed to play a vital role in the domains of spatial planning, infrastructure construction and maintenance, communal affairs, environmental protection and management, social welfare, and many other matters of local government. However, city quarters have often failed to perform as expected due to excessive fragmentation (García, 2006; Hardy, 2004), inadequate financing, and organizational constraints. Sometime their decisions might be overruled by higher authority. To improve their performance it would be necessary to facilitate better co-ordination among city and district offices; to

establish guidelines and procedures for coordination between city and local officials; and to consider sitting allowances for the local (neighborhood) representatives. In the field of spatial planning and land development, it is expected that these self-government bodies should assist planners in plan preparation in consultation with local citizens, socio-economic data collection, initiation of necessary planning analysis, identification of problems and constraints, and monitoring of the approved plans. In other words, city quarters, self-management units should facilitate public participation in all stages of the planning process (Pogačnik, 1987).

The position of the City Mayor in Zagreb is a special case of concentrated political power, combining the function of a politician, urban governor, and entrepreneur. On one hand, this position gives the mayor the power to brake through the routines of everyday government operation to advance mega-projects, which can enhance a city's competitiveness in global capital markets (Siemiatycki, 2003). On the other hand, it gives the mayor the opportunity to spend a lot of time with ordinary citizens from his constituency, attending to their problems and needs. The "strong man appearance" of the mayor's energetic charisma is broadcasted almost daily on local and national TV. The populist image is enhanced by numerous journalist's columns describing mayor's ability to by-pass routine planning procedures and to establish adequate public-private partnerships acting as initiator, executor, supervisor, or critic of mega-city projects such as the city gas pipe-line, the Bundek recreational area, the Zagrebačka Gora tunnel, the northern by-pass, the light rail project, and many more. These practices are well illustrated in several recent studies of mayor's influence in Belgrade and Zagreb (Petrović and Vujović, 2005; Cavrić, 2005; Vujović, 2004; Rogić and Dakić 2000).

The political ideology of the government has varied slightly over the past 15 years and the political shifts have been reflected in the role of planning and planning professionals and their relationship with leading political forces and politicians. Organizational structures have not been systematically reviewed in terms of their efficiency. Unfortunately, due to political interference of special interests (beyond political curtains), decisions on physical planning issues are not always brought close to the attention of people affected, and the organizational and administrative setups are still in the process of being streamlined. In Croatia and Zagreb, this process has been affected by the balancing of political power between moderate social democrats (SDP – Socialist Democratic Party) and liberal conservatives (HDZ – Croatian Democratic Union), who have been continuously present on the political scene. Currently, the politics of transition continue to alter the city's economic and development matrix. The political aspect of the urban development process is also characterized by the recent launch of catalogued views essential in furthering the processes of globalization, glocalization, and marketization acceptable by European standards. However, the presence of an emerging international class and the cooperation (or co-option) of a strata of local politicians and bureaucrats still echoes the "comprador capitalism" of Latin America, where the need for blossoming of public actions is acknowledged as a critical imperative (Stenning, 2004).

19.5.2 Neighboring municipalities

As a centre of a greater metropolitan region, Zagreb's development extends to a number of neighboring areas. Especially important are the contact zones at the rural-urban fringe (e.g., Buzin, Lučko, Zaprešić, Dugo Selo, Sesvete) where the process of rapid transformation of land use is more noticeable. There, cheap agricultural land is offered along the main traffic corridors connecting Zagreb with the network of surrounding towns and villages, which are independent territorial units. Since their establishment in the early 1990s, these administrative divisions have impeded the implementation of regional planning initiatives and induced competition between the city and its metropolitan periphery. This situation has fueled the proliferation of urban sprawl and the urbanization of agricultural land in Zagreb's greenbelt. After the 1991 census, the urban region of Zagreb was redefined by the delineation of new municipal boundaries (Vresk, 1997), which influenced changes in regional form (Figure 19.6). The urban region today almost completely encircles the central city of Zagreb (except in the northeast due to Medvednica Mountain barrier) with 15 surrounding municipalities (Ilić and Toskić, 2004).

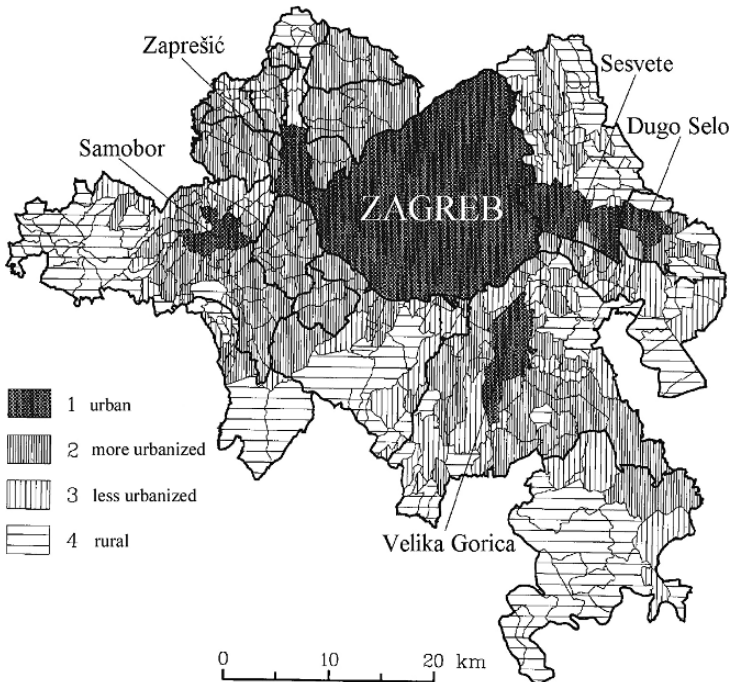


Fig. 19.6 Intensity of urbanization in Zagreb County

Source: Bašić, 2004

Zagreb's identity as a centre of a greater urbanized area would require fostering cooperative relationships among all jurisdictions within the region. The first attempt to introduce such concept was made during the preparation of the Spatial Plan of Zagreb and the Spatial Plan of Zagreb County (Zagreb Županija) by establishing basic mutual starting points for the creation of an effective system of regional planning (Dakić, 2000) in which an endogenous development aims for a robust, livable, and more egalitarian city and its hinterland (Friedman, 2002). From a planning perspective, such development will seek to strengthen the relative autonomy of Zagreb's urban region through public investments in human, social, cultural, intellectual, environmental, natural, and urban assets (Friedman, 2005). This model is similar to that which appeared in many developed Western countries, especially the ones with strong democratic traditions of urban government such as Sweden, Switzerland, Austria and, partly, France (Pogačnik, 1987). As a result of this new redistribution of urban spheres of influence and the transfer of some urban functions to Zagreb's hinterland, access to some basic human services has been improved in surrounding municipalities. At the same time, the quality of life of people residing and working there, or commuting and satisfying some periodic needs in Zagreb, has been dramatically changed. The process of urban form and character transformation is currently taking place in all urban villages and towns surrounding the Croatian capital (Lukić et al. 2005). The proliferation of small businesses is changing the appearance of individual yards, with auxiliary buildings converted into workshops, warehouses, and small offices. Elements characteristic of cities have began to appear in the form of social and physical infrastructure. At the same time, the rising awareness of people about environmental and other quality of life issues confirms the great impact that the processes of transition have left on local communities.

19.5.3 Planning professionals

The majority of professional planners in Croatia and Zagreb work in the public sector. Planning is practiced by a range of individuals and organizations, mostly with architectural and engineering background, with a few specialists from other disciplines engaged in large national agencies, city councils, parastatal companies, and in academia. In all of these settings, they are employed by the government and as such their official role is that of government advisers covering different realms of the urban environment. Presently, a small number of planners work in the private sector for development, consultancy, and real estate firms, NGOs, and environmental groups, but their numbers are expected to increase with every year (Cavrić, 2005). The role of planners in all contexts has not been affected by a movement towards more ecological, equitable, and sustainable forms of development (Randolph, 2004). In Croatia and Zagreb, in particular, priority in the practice of the profession is given to spatial or physical land use planning. Non-spatial matters of urban development have not yet come into the focus of the discipline. This could be explained, at least partially, by

the fact that almost two thirds of the professionals involved in the preparation of the latest master plan of Zagreb were architects. Civil engineers, economists, legal professionals, and surveyors are also involved in the development of plans on various levels, but they are not formally trained as specialist in “urban and regional planning” since such academic programs simply do not yet exist. The exclusive status of architects in urban planning is solidified in legislative decrees² and in public statements given by prominent members of the academic world.³ This situation stands in stark contrast to the widely recognized need to incorporate diverse issues into planning curricula (Sandercock, 2003; Wolfe, 2003; Rodriguez, 1992;) if planning education is to reflect the socio-economic realities of the twenty-first century (Siddhartha, 2005).

Practicing the profession of urban planning today demands training that encompasses all dimensions of urban development – spatial, environmental, socio-cultural, and economic. Urban planners need to be reflective of various local and global political and cultural influences (Kelly and Becker, 2000; Roseland, 2000), and thus able to communicate effectively with specialists both inside and outside the public domain (Friedman, 2005). Unfortunately, this is not the case in Croatia. Due to the lack of (interdisciplinary) planning programs, communication among the various professionals involved in urban planning has been difficult. The current triangle (architect, developer, builder) still caters to a “spatial reality” that is not efficiently connected with issues related to sustainable economic growth, social diversity and justice, and stewardships over natural and environmental resources (Friedman, 2005). To rectify the deficiencies of the way the profession is currently practiced, urban planning in Croatia will need a paradigm shift in both education and practice.

19.5.4

Private investors and developers

The primarily sphere of interest of private investors and developers in Zagreb are specific locations in the city with high concentration of population, adequate urban facilities and services, and fewer urban planning controls. Investment and wealth accumulation through legal and illegal channels are predominantly concentrated in housing and other attractive real estates (Nedović-Budić and Vujošević, 2004; Stening, 2004; Tsenkova, 2000). A dominant motive of this group is profit generation. Since the market mechanisms and institutions are still in the phase of active development, they often happen to serve private interests operating on the verge of legally accepted actions (Cavrić, 2005; Rogić and Dakić, 2000). Powerful players of this group, including also international corporate and financial institutions, often manage to acquire favorable locations below market costs, exclusive development rights, and exemptions from various municipal taxes. Members of this group have substantial influence over municipal authorities, planners, and local politicians, and use various channels to exert pressure for approval of their projects (Perković, 2002). This power structure was established during the civil war of the early 1990s and continued to function unabated afterwards under the

conditions of uncontrolled land and property markets (Cavrić, 2005; Bezovan, 2004). The economic crisis and the lack of finances during the 1990s suppressed the real estate market, which made it easy to obtain properties at very low prices, especially at the fringe zones of the city. This situation resulted in intensified illegal construction, whereby the requirements for preserving functional standards and ecological values were either neglected or completely ignored (Dakić, 2000). Most illegal construction took the form either of violations of existing zoning designations, or as infractions of building codes and plans (where such existed). In order to eradicate this problem, the City Assembly passed a decision in 1998 to legalize all illegal developments and provide relevant communal standards in the areas of Dubrava, Peščenica, Novi Zagreb, and many other districts saturated with unauthorized construction (Figure 19.7). This legislative act has had a mixed impact on curbing illegal construction. Although it clearly states that all new unauthorized development will become subject of demolition, it has left the impression in some developers that, if push comes to shove, similar acts of legalization could be repeated in the future.

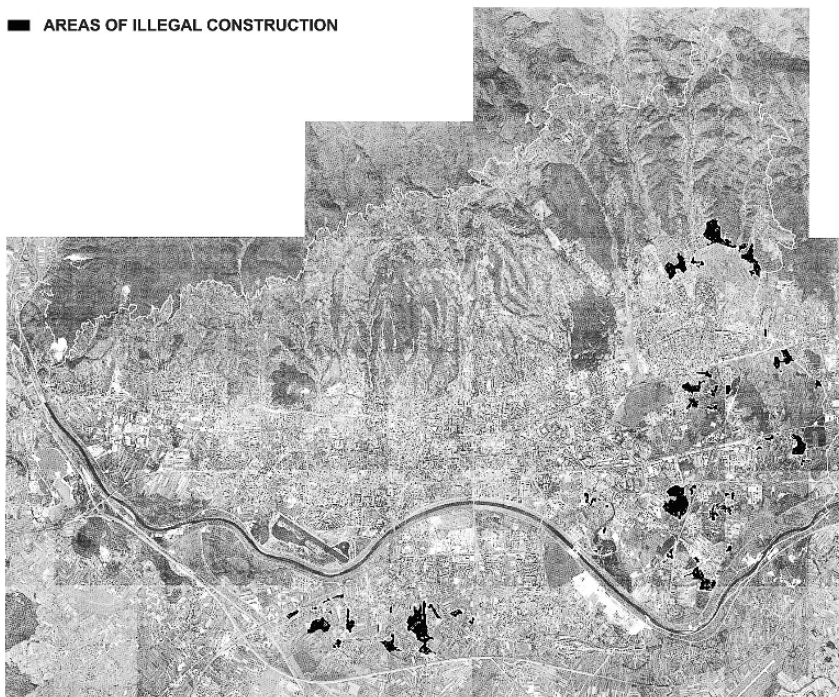


Fig. 19.7 Areas with high concentration of illegal construction

Source: City of Zagreb Master Plan, 2003

19.5.5 Religious institutions

The Catholic Church – the dominant religious institution in Croatia – is focused on repossessing its properties, which had been nationalized during the socialist period. The land and buildings owned by the church often included the most attractive parts of the city protected for its significant architectural and historical heritage. This specifically refers to the area of Gornji Grad (the historical core of Zagreb) and other sections of the town surrounding Preradovićev trg and Folnegovicevo naselje, with a higher concentration of sacred places. Some urban analysts have observed that in all these sites the church authorities are primarily concerned about protecting their own interests while showing little or no regard for the preservation of the urban fabric (Rogić and Dokić, 2000).

19.5.6 General public, citizens associations, NGOs, and community groups

The public at large is involved in the planning process, but still in a limited capacity and often in a position where planning decisions are presented as a *fait accompli* (Šimunović, 2005). Institutional and other actors perceive the public as unequal participant in planning discussions, insufficiently objective, or utterly incompetent (Cavrić, 2005). Even though the importance of public opinion has been regularly proclaimed as a key ingredient of the democratic society, full public participation and empowerment is still within the sphere of social aspirations. Public participation needs to be incorporated at all levels of the planning process, from the development of initial ideas to the implementation and evaluation of development projects. Several small steps have already been made in this direction. Access to digital geographic information databases and web sites (e.g. www.zagreb.hr, e-uprava.gzaop.hr) has offered new options to communicate with authorities and a venue for the public opinion to be heard. A regular web-based reporting has been set up disseminating the results from public debates about exhibited planning documents that should receive citizen attention before their final approval (available at <http://www.zagreb.hr/dokument.nsf/VSV/>). During the latest public scrutiny of the Zagreb County plan in April 2006, authorities have received 178 online comments and suggestions. Over 40 of them were accepted and forwarded to the planning consultants for further attention.

Citizens associations, NGOs, and local community groups that are trying to influence urban changes in Zagreb are organized around various civil activities (Rogić and Dokić, 2000). According to public polls done by non-governmental organizations in 2004, there were 268 associations in Croatia, with over a third of them headquartered in Zagreb. They represent many diverse interests including human rights protection, preservation of societal and environmental resources, scrutinizing the use of public funds, and monitoring the enforcement of laws. In

the process of urban development, these actors help balance the public interest with the influence of other actors by using various venues such as public meetings, workshops, discussions, surveys, and exhibitions. Nevertheless, these grassroots organizations are yet to be fully recognized and accepted as equal participants in the planning and urban development processes at the neighborhood and citywide level. The battles that these organizations have initiated with special interest groups and bureaucratic authorities should stimulate the formation of alternative urban scenarios and create a “generation of powerful change forces” (Greed, 2000). The future livability of Zagreb and its neighborhoods will depend in large part on the activities of such groups. It is worth mentioning that some NGOs, such as Green Action and Green Forum, have participated in several events concerning important environmental and planning issues (the spatial plan of Medvednica, Zagreb’s solid waste management plan, the construction of a communal incinerator, public and bicycle transport campaigning, etc.). The activities of these groups within the urban arena pursue a set of objectives, which are sometimes suppressed by city officials and their agencies. Authoritarian segments of the city government are fearful of challenges posed by NGOs and the actions of community groups organized at the grassroots level in the individual self-governing quarters. In such circumstances, authorities have sometimes resorted to imposing financial restrictions, or to diverting funds towards other city locations, as most common methods of suppressing diverging public opinion.

19.5.7 Migrants and Refugees

After a long period of slow and stable population growth in Zagreb, the civil conflict of the 1990s brought only within a few years about 200,000 newcomers to the city (Rogić and Dakić, 2000). The majority of them have already returned to their places of origin while only about 15 to 20 percent have remained. These immigrants had to adapt to a new urban environment, quite different from the small towns and rural areas where the majority of them came from. The issue of their adaptation has not been sufficiently explored, but it is clear that this explosion of immigrant population has had a significant impact on the social, economic, cultural, and physical environment of the city as studies of similar migration waves in the past have demonstrated (Perković, 1982; Supek, 1978; Seferagić, 1977). Results of field surveys and data from the City of Zagreb Master Plan indicate that the newcomers tend to concentrate in rather attractive urban locations or in already established illegal settlements. The reasons for this clustering of migrants and refugees in certain parts of the city and its suburbs (Kozari Bok, Bukovec, Novaki, Little Bosnia in Sesvete) are explained by the settlers’ eagerness to maintain their cultural identity and connections with communities of similar origin and values (Bašić, 2004). These emerging socio-spatial patterns, however, have come in conflict with the urban values and sensibilities of the local inhabitants. Perković (2002) suggests that Zagreb’s traditional social life characterized by “individualism, pluralism, cosmopolitanism, and tolerance” stands in contrast to the “collectivism,

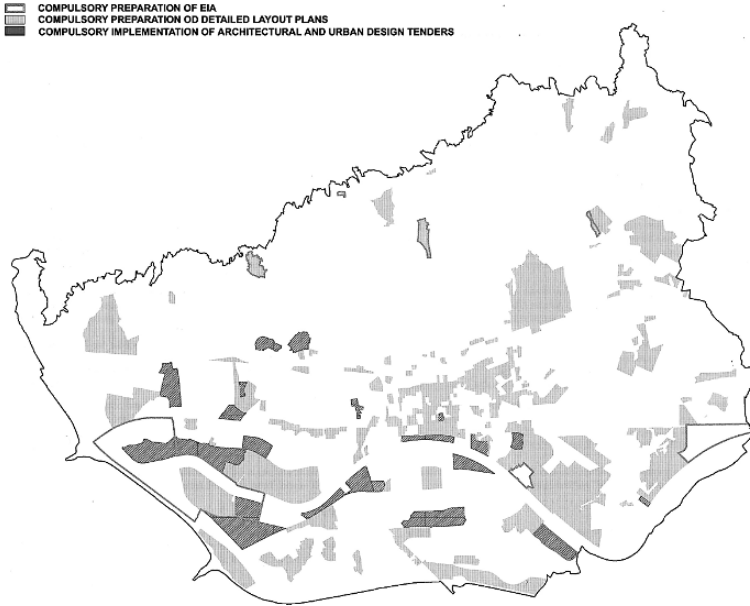


Fig. 19.8 Application of compulsory urban programs and procedures

Source: City of Zagreb Master Plan, 2003

traditionalism, and provincialism” of the newcomers to the city. The biggest problems emerging from this tension are reflected in increased urban crime, unemployment, prostitution, juvenile delinquency, drug trafficking and use, increased poverty and destitution. Contrary to such deviant conditions, city parts occupied by émigrés are at the same time excellent examples of a process of city image alteration. A growing number of luxurious mansions in these urban areas reflects the desire of their owners to showcase their wealth. Such urban artifacts are inspiring models of behavior for every new “countryman” coming to the big city. The currently adopted master plan and a system of location permits try to control the mushrooming of such structures in the city by utilizing all means available at government’s disposal, including demolition (Figure 19.8). Such position is certain to exacerbate a brewing social conflict, looming as one of the biggest challenges in the future development of the city.

19.6 Findings from local interviews

During the summer of 2005, we conducted extensive fieldwork and personal interviews with eminent planning professionals, land developers, academics, representatives of non-governmental organizations, and randomly selected citizens of the city of Zagreb. The interviewees were asked to share their thoughts on a

number of different issues concerning the urban past, present, and future of the Croatian capital. The protocol included open ended discussion items on the evolution of the political, economic, social, and built environments. While the first three topics were included to illuminate the context in which urban development and planning takes place in Zagreb, the last one addressed the specific outcomes of the development process.

One of the significant advantages that Zagreb has to other cities in the region is the combination of its historical heritage and its natural setting of woodlands and a rich agricultural hinterland. These advantages, according to the interviewed professionals, have been maintained throughout the urban evolution of the city. They pointed out that in the latest planning campaign, involving the preparation of the new master plan, a special emphasis was placed on planning and protecting Zagreb's historical and natural areas (Figures 19.9 and 19.10).

The discussions with environmentalists and citizens point to the importance of securing an effective protection of the natural landscapes in Medvednica, Podsljeme, and the valley of the Sava River, which are areas of special natural beauty serving as wildlife refuge, recreation destinations, flood protection zones, and open space reserves. Various protective measures have been suggested for all these areas (i.e. flood zone buffering, geo-technical investigation, regular water sampling, trimming and cutting of old tress, pest control), but the main issue has been the inability to pursue a comprehensive environmental management plan due to conflicting interests between environmental proponents and development lobbies. A couple of interviewed citizens expressed their frustration that their influence on matters related to environmental quality through the channels of public scrutiny is very limited and their suggestions in affecting changes in land use

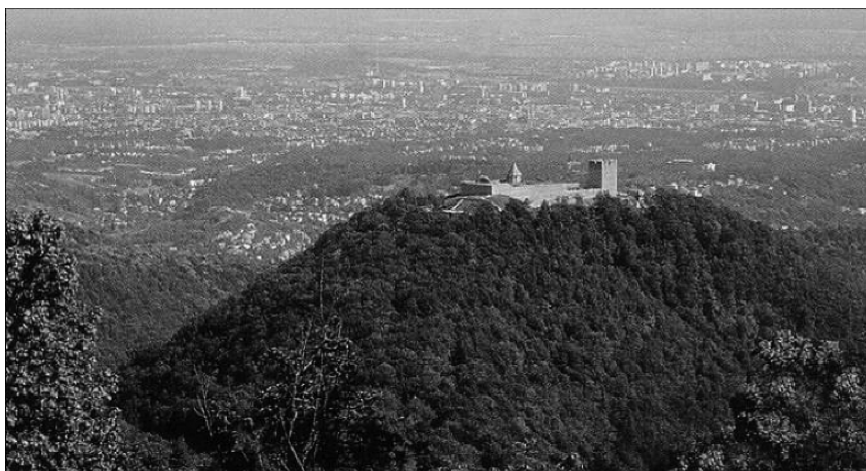


Fig. 19.9 Sljeme and Medvedgrad

Source: Zagreb Tourist Bureau, 2002



Fig. 19.10 Recreational centre Jarun

Source: Zagreb Tourist Bureau, 2002

zoning and development are usually overruled by city administrators serving the interests of well-connected private entrepreneurs.

Especially interesting is the information shared by land developers, investors, and most of the interviewed professionals who demonstrate enthusiasm for a wide range of mixed use development concepts, but point to the failure of the municipal services to provide complete technical documentation for the development of some of city's most attractive locations. They find that a rather complicated and ineffective system of metropolitan administration and public service provision presents a major obstacle to the urban development process. In the developers' and investors' view, the time spent on administrative procedures affects adversely the efficiency and profitability of their projects. In addition, they concur that this problem is partially related to the inadequate professional education and skills of the personnel engaged in preparing the projects. Additional problems arise from the conditions created by the limited number of plan implementation tools, which are reduced to the issuance of location permits. Developers suggested that implementation of more sophisticated data analysis methods such as social impact assessment, economic impact analysis, fiscal impact analysis, shared infrastructure cost analysis, and some other available techniques might be very beneficial. According to them, the employment of such analytical instruments is still in infancy, especially when the data need to be translated from planning-based documentation to legal and construction details. On the other hand, it is notable that this group did not emphasize the need for environmental impact analysis, which was highly recommended by the environmentalist who participated in the interviews. The group of developers and investors noted that an excellent progress towards faster administering and processing of land data has been made with the recent introduction of a GIS web-based tool, which has helped enormously in retrieval of planning

and land information at different spatial scales (from 1:500 to 1:300,000). A most important advantage of this engine has been its public accessibility.

Academics and planning professionals are especially critical of the rising popularity of “urban villa” (single family detached) construction. This type of development presents a battlefield of expert, political, and economic arguments and interests. At the same time, it is an indicator of the social and environmental consequences of recent development in some of the most attractive city locations. Opinions are divided on this matter, but a prevalent view is that there are too many housing units of this type being built, and that they offer a negative image of a society that strives for fair distribution of social and economic resources and discourages urban elitism. Apart from this type of development, the interviewees criticized the gradual transformation of Zagreb’s urban character by the introduction of urban products borrowed from the “developed world.” The city image of lively streets, squares, and parks filled with people is gradually changing with the introduction of new patterns of urban development advancing at an accelerated pace. The mushrooming of large shopping centers has been duly noted by urban professionals and citizens alike, lamenting the tendency of these places to become the new meeting, entertainment, and cultural hubs of the city, especially attractive to the young generation eager to adopt “Western” lifestyles.

19.7 Conclusion

Zagreb’s experience with past and current urban development shows a long standing and rich historical dimension and can serve as an example of moderate and context-sensitive urban growth for other rapidly urbanizing post-socialist cities. The lessons learned from different epochs and concepts, which have shaped Zagreb’s image, reflect the city’s multifunctional capacity and potential, illuminating possible solutions to future challenges. The mixture of cultural influences from Central and Southeast Europe, along with its natural setting and historical heritage, offer opportunities for the city to build on the positive elements of its traditions and imagery. To achieve this, however, the land development forces should be brought under control and partnerships should be formed among city officials, politicians, community groups, and private stakeholders. The current difficulties and opportunities, as well as the roles of different actors discussed in this chapter present only a starting point for rethinking the future implementation of complex city development programs. These initiatives should include concepts and principles of sustainable urban development in a democratic context, but they also need to be translated into detailed set of guidelines, tools, and procedures for their realization.

The insights from the case study of Zagreb provide evidence about the increased importance of establishing a democratic political process for managing

urban development. Such path is laden with conflicts on various land development and environmental issues involving diverse groups of stakeholders. Such conflicts are common among Zagreb's urban actors and need to be rectified through better regulation of professional practice, community involvement, and empowerment procedures. Even the most politicized decisions need to consider the professional advice and be aware of the value and usefulness of planners' input (Greed, 2000). By the same token, urban planners can only be effective if they recognize the political context in which they operate and adapt their strategies accordingly (Randolph, 2004). There is a need for a paradigm shift with regard to the current role of the architectural and urban planning community in Zagreb. The prevailing tradition emphasizes the physical and architectural practice and concerns, and is quite negligent of a broader range of new societal needs, as well as the variety of perspectives and participants in the urban development process. A broader urban paradigm requires an expanded knowledge base and retraining of professionals to enable the application of new approaches to planning.

Planners are, certainly, only one part of a network of actors involved in Zagreb's urban arena. The intersection of their interests across multiple organizational frameworks, administrative, and territorial constituencies can be a powerful force. Currently, not all roles, needs, and interests of the various actors are recognized, even when sometimes they overlap. Private developers and investors, on the other hand, have become powerful and important players, whose activities in the land development process should be more efficiently regulated. The cooperation and trust between the government and all actors in the context of renewed urban policies and public-private partnerships should become the cornerstone for an integrated urban vision where all participants will be active and equal contributors in shaping the city's future.

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Notes

¹ These included: Basic Direction for Future Development of the City of Zagreb (1993), Basic Directions for the City of Zagreb Development (1994), Programme Zagreb 2001 – Functioning and Development (1997), Zagreb 2000+: A New Urban Strategy (2000).

² Municipal and county planning offices should have at least three permanently employed professionals with BSc degrees in architecture and two employees that might have BSc degrees in technical sciences (e.g. Civil Engineering, Transportation, Geodesy, Geography, Ecology, etc.) or in social sciences (Economy, Sociology, and similar disciplines) (People's Gazette, 1998, Article 4., p.1).

³ "In principle, the most suitable profession for education of urbanists is architecture, because the education of architects is initially oriented towards space, and architects possess the necessary general, knowledge and breadth. Urbanism is a science, technique, law, and art." (Marinović-Uzelac, 2001: 29)

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PART 6

PLANNING THE POST-SOCIALIST CITY

20 Urban planning and the challenges of post-socialist transformation

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20.1

Introduction – the context of post-socialist planning

The massive restructuring of political, economic, and social relations that took place in the Central and Eastern European countries after 1989 placed the urban planners operating in this region in an extremely difficult situation. After all, practicing the profession of planning, regardless of the specific context, two main conditions – the ability to regulate urban development initiatives based on an established set of rules, and the ability to plan for the future based on analysis of existing and future needs. Both of these facilities of the planning profession were seriously undermined with the collapse of the socialist regime in Eastern Europe. As the laws and institutions supporting the old system crumbled down, the domino effect sent shockwaves through all facets of society, including the established structures of planning. In a matter of months, it became clear that most of the old rules regulating the appropriation of urban space had been rendered irrelevant. The future became highly uncertain and unpredictable. The only safe guess was that within a fairly short time everything will change. This situation complicated tremendously the operation of urban planners, making “the traditional links between past, present, and future less explicit and predictable” (Chapter 22: 452, this volume).

To make matters worse, the profession of urban planning entered a deep legitimacy crisis since the very concept of government control over private initiative was vehemently rejected as an ill-concealed attempt to reinstate old socialist practices (Sýkora, 1999; Reiner and Strong, 1995). Such sentiments were shared among the radicalized citizenry, a growing number of property owners, and a new crop of market-obsessed politicians. One of the first acts of the reform-minded post-socialist governments was to adopt new laws that fundamentally redefined the structure of property rights in favor of private interests. This limited significantly the capacity of the government to act in defense of the public good, curtailing drastically the powers that urban planners once possessed.

During the 1990s, the domain of urban planning was quickly populated by a number of new players who contested the prerogatives enjoyed previously by planners in matters related to the distribution of spatial assets. During socialism,

strategic planning was done in the upper echelons of political power, but planners were still called upon to determine how the goals handed down by the central bureaucracy will be incorporated in urban space. After 1989, this system of operation was discontinued as most CEE state governments delegated decision making on matters related to urban development to local authorities (see Chapter 17, this volume). The local politicians took advantage of this newly acquired power to suspend the practice of city development based on a predetermined vision of officially adopted plans. Most of them saw urban planning as a cumbersome process limiting their ability to respond flexibly to the opportunities of the moment. Thus, urban development became characterized by a highly individualized and a rather permissive approach to managing investment decisions, which severely undermined the ability of planners to advance coherent strategies for city growth.

The indiscriminant support for any kind of private development initiatives provided by the new property laws, the state policies of encouraging economic development, and the investment-hungry local governments gave a lot of power to private developers to pursue realization of their investment projects. Developers claim that the requirements imposed by planners hampered their property rights and the process of economic growth found sympathetic audience among public authorities and ordinary citizens alike, limiting further the ability of planners to regulate the chaotic manner in which the fabric of the post-socialist city was being transformed. In addition, it became more difficult for the planning authorities to track the myriad of authorized, semi-authorized, or blatantly illegal adaptations of urban space, which were taking place with an increasing rate as the post-socialist economies began to recover towards the mid of the 1990s. The large-scale government-run projects shaping the growth of the socialist city were replaced by innumerable, incremental, small-scale space appropriations, which were difficult to control, particularly in a climate dominated by the social imperative for deregulation and market liberalization.

Added to this challenging context, within which urban planners needed to reestablish their authority, was the increased activity of citizen, professional, and nongovernmental organizations, which rose to contest the expanding power of a solidifying business elite controlling ever greater shares of urban assets. In the battle between public and private interests, planners had to learn how to walk the fine line between the two territories. In this, they found little support from politicians, whose propensity for populist statements was rarely more than a front for serving behind the scene interests of powerful private investors.

The mosaic of players on the post-socialist urban development scene, whose interests planners had to include in the equation, was enriched by the arrival towards the end of the 1990s of large scale international investors looking for the next emerging opportunities on the real estate global markets. The promises of high investment returns attracted a number of less risk-conscious entrepreneurs to the Eastern European hot spots, transferring time-tested development schemes of shopping malls, hypermarkets, and big-box retail with utter disregard for urban contexts. City officials in Eastern Europe, who seemed to be as enthralled by the

onslaught of the consumerist culture as the average post-socialist citizen, rushed to satisfy eagerly all demands made by the omnipotent investors. This attitude was instilled among the planning circles by the post-1989 policies adopted both on national and local levels of courting foreign investors at all costs.

Lastly, another layer of requirements to which urban planners had to respond was added by the mandates for reorganization of the planning process imposed by the European Union on all CEE candidate countries. Meeting the EU requirements for horizontal and vertical integration of the various levels of spatial and economic planning demanded knowledge and resources that planners in the CEE countries had not been able to acquire. This placed an additional pressure on their operation, especially since the EU had not articulated consistent policies and procedures on the implementation of the process. In constructing the foundations of a new planning system, both in the initial stages of the transition period as well as towards its conclusion, the CEE countries had no single model to follow (see Chapter 22 and 23, this volume). The only option left to them was to sort it out on their own through the method of trial and error within a rather condensed period of time. The highly stressful environment, within which urban planners had to operate, led to a natural psychological response by which planners often resorted to familiar and routine patterns of behavior regardless of their relevance to the situation (Rehnicer, 1998)

The dramatic reorganization of the urban planning process in the post-socialist countries, challenging as it was, presented only one side of the conundrum in which urban planners found themselves after 1989. The other part, which tested equally their ability to adapt to a radically different situation, was related to the spatial changes that were reshaping the post-socialist urban environment itself. The familiar patterns of urban activities characteristic of the socialist city quickly began to dissolve. Industrial areas, which drew large portions of the urban population employed in the state-run enterprises, turned into ghost zones in a matter of months. In the wake of the crashing socialist economy, numerous small-scale private shops and start-up businesses sprung up throughout the urban fabric, infusing the once dormitory residential districts with newly found entrepreneurial energy. City centers, previously dominated by the administrative functions of the socialist bureaucracy, started to fill up with commercial uses, which gradually pushed away most of the other functions from the city cores. A powerful process of suburban expansion spread increasing portions of the new residential, retail, office, and industrial development to the urban periphery. The new spatial patterns generated much greater demand for mobility, most of which was absorbed by an increasing stock of private automobiles leading to escalating levels of traffic congestion. The dispersal of functions throughout the expanding post-socialist metropolitan areas started a process of socio-spatial stratification, which created pockets of unprecedented wealth while other neighborhoods seemed destined to turn into slums.

All of these changes, which took shape in less than a decade, found the urban planners in Central and Eastern Europe entirely unprepared to comprehend the

nature of the urban transformation and its impacts. Clearly, the old urban plans and development regulations were rendered obsolete (Nedovic-Budic, 2001). None of them foresaw, for instance, that by 1995 over 30 percent of the land in Budapest, Prague, or Bratislava would become derelict (European Academy of the Urban Environment, 1996), or that by the end of the 1990s most of the new development will take place at the urban fringe. The areas set aside for development in the plans from the 1980s were generally ignored by the new developers as they did not reflect the principles of the new land and property markets. The ability to link planning initiatives to the performance of the markets became one of the main challenges for urban planners during the post-socialist years (Pichler-Milanovich, 2005).

Making the transition from a top down centralized approach with total government control over resources to decentralized decision making operating within a complex market-driven environment required a thorough revision of planning theory and practice. This steep learning curve of adjusting planning to the new socio-economic reality could have been softened by adequate legislative and institutional support, but those were not provided as urban planning was not considered central to the process of post-socialist transition. Under these circumstances, planners had to learn how to operate in the new environment “on the fly,” an act that they struggled to perform while fighting to reinstate the legitimacy of the profession.

20.2

Planning activity in the post-socialist era

The first attempts to bring planning practice in line with the new post-socialist reality were made in the early 1990s as part of the drive to adjust the legislative systems in the CEE countries to the principles governing market-based democratic societies (Healey and Williams, 1993). This campaign included some early revisions of existing planning legislation,¹ which were quickly proven to be inadequate. Following the advance of political and economic reforms, the region slowly began to recover from the deep socio-economic crisis of the early 1990s. A better understanding of the principles and mechanism by which the market operated and the role of the public institutions in the new society began to emerge, leading to a wave of new legislative acts regulating the process of urban planning and development.² The new legislation reflected the realization of the need to endow local governments with greater power to manage and control the growth of urban areas by placing planning in the hands of local authorities (Nedovic-Budic, 2001).

The realization that urban planning is, after all, a needed public service, the establishment of a better legal framework for planning practice, and the delegation of power to the local governments generated a flurry of planning activities in the second half of the 1990s. This led to the adoption of new master plans for most CEE capitals and major cities around the turn of the millennium (Table 20.1). By the end of the 1990s, for instance, two-thirds of the Czech communities had approved general plans (see Chapter 23, this volume) and close to 200 such documents

Table 20.1 Major planning activities for CEE capitals

	Pre-1989 master plans		Post-1989 master plans		Strategic plans
	latest updates	revised	adopted	revised	adopted
Berlin			1999		
Warsaw	1982	1992	2000		
Budapest			1993	1998	2003
Prague	1986	1994	1999		2000
Bratislava	1976	1993	2000		1999
Moscow	1984		1999	2006	
Riga	1984		1995	2005	2005
Vilnius			1998		2002
Ljubljana			2002		
Belgrade	1985		2003		
Zagreb	1986		2003		2000
Bucharest	1980s		2000		
Sofia	1985		2007?		2003

Source: Compiled from various sources by K. Stanilov

were prepared in Russia (Golubchikov, 2004). Another planning initiative, which started around the same time or shortly thereafter, was the preparation of strategic plans for some of the major metropolitan areas in Central and Eastern Europe (see Chapter 22, this volume). Unlike master planning, which was an established planning practice since socialist times, the elaboration of strategic plans was a new concept for the post-socialist countries. While the preparation of master plans basically followed the established process of land use and physical planning with some modifications to address the new political context, strategic planning was used to advance specific action-oriented programs for the realization of main socio-economic goals (Sýkora, 2006). The novelty of this approach to managing spatial development in the former socialist countries is a factor which still limits its effectiveness as a method of coordinating public and private investments. The alignment of the planning process with EU policies and regulations, however, is likely to advance the popularity of strategic planning as an integral component of the planning system in Central and Eastern Europe.

Despite the latest in-roads of the concept of strategic planning, the main tool, through which municipal governments in Central and Eastern Europe controlled urban development during the transition period, remained the time-honored tradition of master planning. Some of these planning documents, such as the master plan of Moscow, were rather ambitious of their scope.³ Most of the other plans, however, were quite modest in their vision, especially compared to the plans of the socialist period. The majority of them proposed de facto an official legalization and continuation of the trends already articulated in the spatial evolution of the CEE cities during the first post-socialist decade.

Such passive approach to planning (simply accepting without major reservations the existing trends of spatial development) could be explained by several factors that exerted a strong influence on the formulation of ideas on spatial planning during the transition period. First, there was no single model or theory addressing the main problems of the post-socialist cities or laying out the main principles for their desirable spatial organization. Ideas about sustainable development, smart growth, or new urbanism, which sporadically reached Central and Eastern Europe through a variety of channels, were considered specific for the Western European and North American urban contexts and by and large irrelevant for the problems facing the post-socialist city. In fact, planners in Central and Eastern Europe looked with envy at the position of their Western colleagues, whose problems were considered somewhat contrived in comparison with the messy post-socialist reality. The commonly shared view among planners and the general public in Eastern Europe was that cities of the former Eastern Block need to shake up their socialist legacy and become more like the urban areas of the developed world. The socialist cities were considered too dense in their built-up and too rigid in their spatial organization, and these were perceived as the most critical areas that planners needed to address.

The absence of a normative model guiding the spatial transformation of the post-socialist city was hardly viewed as a major drawback. On the contrary, the experience from the socialist past had made Eastern Europeans very suspicious of any preconceived models of social organization. A much more pragmatic approach to governing social affairs had quickly developed in which public trust was placed in the market rather than in ideological constructs. The model to emulate, to the extent that it was recognized as such, was the Western city. In fact, the further west the source of inspiration lied, the more advanced and progressive the ideas associated with it were considered. Hence, socio-spatial stratification, suburbanization, CBD formation, gentrification, automobilization were seen as desirable, or at least natural, outcomes of the post-socialist transformation of urban areas. The general consensus on the direction in which cities should develop was complemented by spontaneous notions of planning in place of theoretical research (Maier, 1998).

The main conclusions, to which Eastern European planners arrived through their shared observations and experiences in comparing cities in their region with those in the developed countries, were formulated in two broad principles – dispersal and multinucleation. These were considered the key spatial characteristics of the modern urban settlements of the twenty-first century and the two major forces that should be engaged in the restructuring of the post-socialist city. This strategy fit both the imperative of the times for decentralization of power and resources and the appetite of the market to absorb more territories for new development. The concept of multinodal urban structures echoed the language of European Union's documents describing desirable regional spatial development patterns as a system of polynucleated networks (European Commission, 1999).

While the idea of articulating a multinodal spatial structure was well justified given the heavy concentration of service and office functions in the centers of the

Eastern European cities during the socialist period, the policy of deconcentration through the strong encouragement of new development at the urban periphery has been the gravest strategic mistake committed by planners in the CEE countries during the 1990s (Nedovic-Budic, 2001). The process of accelerated suburbanization, which took hold during that time, diffused a great amount of development to the expanding urban periphery, bypassing many urban areas in dire need of investments. The fervor with which suburbanization was embraced in Central and Eastern Europe was a reflection of both ignorance on the negative impacts of sprawl and the lack of political will to confront the wave of suburban development hailed as a hallmark of progress by real estate investors, politicians, and media alike.

The misplaced desire to emulate some of the most distinct elements of the spatial structure of the capitalist city has also prompted many Central and Eastern European capitals to adopt plans for the development of their own high-rise financial and business districts in the vicinity of their historic city centers. The realization of such ideas is well underway in Moscow (“Moscow City”) and Warsaw (Warsaw’s downtown), and plans have been approved for the development of such business centers in Prague (“The City” in the Pankrác district), St. Petersburg (“Gazprom City”), Riga (the left bank of Daugava River), Sofia (“The City”), and Belgrade (in New Belgrade). The services of some of the world’s most renowned star architects have been commissioned for the design of the new skyscrapers,⁴ with the clear intention by the local boosters to achieve instant global recognition.

On a first glance, the concentration of high-density office development in city centers might appear as a positive idea, an attempt to counterbalance the trend for commercial and office decentralization. The particular form in which such developments are proposed – a cluster of ultramodern office skyscrapers commonly referred to as “the City” – has captured the imagination of various participants in the development process, turning them into ardent proponents of the idea for a variety of different reasons. For developers, such concepts provide a chance to squeeze out maximum profits and increase visibility of their products; for local politicians and municipal authorities, it is an opportunity to project a progressive entrepreneurial image and attract the attention of foreign investors; for architects, engineers, and planners in Eastern Europe, it is a professional challenge they have dreamed about since their freshman days in college.

The impact of such developments on the city, however, raises a number of questions, which have just begun to enter the public discourse. The glaring lack of contextual fit between the proposed massive futuristic structures and the traditional scale of the historic Central and Eastern European city cores is one aspect of these proposals that has drawn the attention of preservationists and concerned citizens (see Chapter 7, this volume). The high saturation of city centers with office and commercial uses and the displacement of residents from the urban cores is another serious issue which Eastern European planners have not been able to address, and the proposed additional densification with primarily commercial uses promises only to exacerbate this problem. The impact of the new business centers on the

already extremely congested traffic flows in the downtown areas is another issue that deserves considerable attention.

Related to the last point is a third area in which Central and Eastern European planners failed to promote sound urban growth policies during the transition period – the integration of land development and transportation investments. Here, the strategy of promoting decentralization, combined with the late adoption of new master plans (after a decade of poorly coordinated development carried out on the basis of partial plans), created a situation in which the current traffic gridlocks became a foregone conclusion. The rush to alleviate congestion by increasing road capacity has just induced more automobile traffic, thus making the situation even worse.

There were numerous other mistakes that were committed by urban planners in the process of coming to terms with the spatial demands of the post-socialist society. Some of them were naïve responses due to a lack of experience with the market environment (e.g. designating locations for commercial uses which triggered little interest from developers), or reflected planners' insufficient understanding of the potential outcomes of their interventions (e.g. adding more traffic lanes to alleviate congestion). Other faux pas were a result of ill informed decisions made under political pressure (e.g. infill development on valuable community open space), or sheer lack of resources (e.g. underfunding inner city redevelopment). Yet many of the lapses in planning judgment were a result of deficiencies embedded in the planning process itself.

20.3

Evolution of the post-socialist planning process

The revision of the planning process and the approaches to managing urban growth has lagged behind the dynamic changes which have taken place in the post-socialist urban environments. The advance of applied theoretical knowledge in the post-socialist context has been very slow to emerge. The old routines in practicing the profession continue to prevail over innovative approaches to guiding urban development.

One of the main weaknesses of the planning process in the post-socialist countries has been the failure of planners to involve the public in meaningful ways through all phases of planning, including the establishment of visions and goals, the identification of alternatives, plan development, and implementation. The decades of practicing planning under the socialist system, in which decision making was concentrated at the top and directives were handed down a strict hierarchy, have left a lasting impact on the culture of the planning profession. Planners still resent challenges to their professional judgment, regardless of their origin, but while they have been trained to respond to demands placed by the echelon of politicians above them, they have remained unaccustomed to viewing the public as an equal participant in the planning process. Even after public participation became a standard requirement of many post-socialist laws, these mandates are habitually treated as a

token gesture to the public by the legislator, of the kind perfected by politicians in socialist times. The extent of citizen participation is often limited to public hearings in which the audience is simply informed about soon to be approved development plans (Hirt, 2005). The input collected at such meetings has minimal impact (other than discouraging the public from further participation) (Golubchikov, 2004). In spite of these obstacles, citizen participation is gradually increasing as a result of the political reforms carried out after 1989, which have led to the establishment of a more democratic political environment (Nedovic-Budic, 2001). This process has been supported by the legalization of citizen and non-governmental organizations, which emerged to defend public interests and counterbalance the aggressive expansion of the private realm.

The poor integration of citizen participation in the planning process has been also a result of another remnant from the socialist times – the continued belief that urban planning is the domain of technical experts, with little room for consideration of uneducated opinions (Shove and Anderson, 1997; Chapter 18, this volume). This claim, however, does not withstand scrutiny given the poor state of data collection, management, and analysis characterizing the practice of post-socialist planning. Information processing, which was considered the exclusive domain of specialized central government institutes of the socialist regime, is still heavily guarded by the remnants of these organizations despite the adoption of new laws designed to open up access to public information. The increased complexity of the post-socialist socio-economic reality, the drastic cuts in state funding, and the diluted responsibilities for data management have seriously undermined the ability of the designated institutions to provide reliable up-to-date information for planning purposes. The efforts of the real estate sector to fill in the information gap have been limited by the relatively narrow interests of the industry to a specific set of market-related characteristics. The chronically deficient levels of funding has prevented municipal governments from upgrading their planning offices with the technical equipment and trained staff needed to carry out data capture and analysis as a basis for urban management (European Academy of the Urban Environment, 2003).

Under these conditions, planning agencies have resorted to traditional ways of practicing planning, which involved the preparation of spatial planning documents emphasizing physical characteristics with considerable detail. The rigidity of these plans has required frequent revisions in order to reflect the continuous changes in the rather dynamic socio-economic situation of the transition years. Such approaches to planning have necessitated the initiation of costly and complex administrative procedures (Pichler-Milanovic 2005), which, in turn, have further compromised the efficiency of the planning system. In addition, this method of planning has often relied on the application of a set of standardized spatial prescriptions with little sensitivity towards local context or needs.

This process of a piecemeal application of spatial development standards and schemes for detailed area plans requiring continuous updates has been indicative of the general lack of strategic vision in guiding the evolution of the post-socialist cities. The magnitude of the urban development problems, which have

been accumulating during the transition period, has brought a growing number of planners and politicians to the realization that new planning paradigms and approaches need to be sought. Such critical evaluation of established planning practices has prompted several municipal governments in Central and Eastern Europe to embrace strategic planning as a way to involve a broader constituency in the planning process (Chapter 22, this volume). The emphasis of this approach has been placed on the two most critical failures of the old planning system – the formulation of a consensus on priority goals and the establishment of action oriented programs for their implementation.

The application of strategic planning approaches can be instrumental in addressing another weakness of the post-socialist planning process in Central and Eastern European countries – the poor coordination between the various areas, sectors, and levels of spatial planning. Due to the massive political and economic restructuring of the region and the relaxation of centralized control, planning has become a highly fragmented activity. The idea of regional planning, which presupposes government coordination, was abandoned during the 1990s as it was considered an intrusion in local government affairs in the wake of the push for decentralization. Towards the end of the 1990s, however, it became clear that some form of an intermediate level of government was needed to serve as a link between local and state authorities and address issues which were beyond the purview of individual municipalities (see Chapter 23, this volume). The issue, however, did not receive sufficient attention until the EU candidate countries began initiating administrative reforms in order to meet pre-accession requirements. Even today, regional planning is perceived as “a bureaucratic budget enlargement exercise, with limited comprehensiveness and public involvement” (Chapter 22, this volume). Coordination between neighboring municipalities and between urban and regional plans is notoriously poor (Purchart and Slepicka, 1997). The sectoral approach to planning on the state level has become another major obstacle to integrating socioeconomic and physical planning at the local and regional levels (Healey and Williams, 1993; Maier, 1998).

The most visible weakness of post-socialist planning, and one that has probably drawn the most criticism, however, has been implementation. This does not come as a surprise considering the low rates of legislation enforcement in Central and Eastern Europe during the transition period (European Academy of the Urban Environment, 2003). The reasons for that are complex and many of them are rooted in structural forces beyond the control of urban planners (see Chapter 17, this volume). There are two areas, however, that are directly linked with the practice of post-socialist planning, which have limited to a great extent the effectiveness of plan implementation. The first one, as already pointed out, is related to the difficulties of adjusting planning theory and practice to the realities of the market and the subsequent discrepancy between ideas advanced by planners and the demands of the market economy.⁵ The other obstacle to plan implementation, directly linked to the nature of the planning process, has been related to the complicated planning procedures ranging from building permit to plan approval.

This situation has tempted many developers to explore alternative ways of pushing forward their projects. The lack of a streamlined planning process has, thus, created opportunities for cronyism and corrupt practices short-cutting the planning process entirely (Keivani et al., 2001). Recent hopes of improving the effectiveness of plan implementation are linked to legislative refinements aimed at simplifying the planning process and the development of innovative planning approaches involving the wide spectrum of stakeholders as active participants in the process of plan development and implementation.

20.4 Conclusions

The task of regulating the appropriation of space during a period when all political, social, and economic structures of are being simultaneously and radically transformed requires an institutional capacity that urban planners in post-socialist Central and Eastern Europe never acquired (or even aspired to attain). Thus, the chances to capitalize on the positive characteristics and spatial opportunities inherited from the socialist city were irreversibly missed. These features included the high degree of social coherence found in most urban neighborhoods, the compactness of the urban envelop characterized by high residential density and well defined urban boundaries, the large amounts of open space accessible to urban residents, the well developed system of public transit used by the majority of the population, and a huge share of land in public ownership at government's disposal. Regrettably, none of the planning systems in the former socialist countries managed to preserve these tremendous urban assets. Planners, who became self-conscious about the legitimacy of their right to regulate urban activities by managing single-handedly the use of space, succumbed to the dominant social impetus of the radicalized post-socialist movement to eradicate all traces of the socialist past.

Was it possible for planners to prevent the squandering of precious urban assets and preserve some of the positive characteristics of the former socialist cities? Is it realistic to expect that they could have averted the "Wild East" phase of the 1990s? The fact that neither of the CEE countries managed to accomplish these heroic tasks is strong evidence that the processes of post-socialist urban form transformation (socio-spatial fragmentation, suburbanization, urban space commercialization, automobilization, etc.) followed a path that has been determined by the nature of the post-socialist transition. This process resulted in a dramatic revision of the legal framework governing socio-economic relationships, a realignment of the balance between the public and private realms, and a sharp reduction in the authority of the government to control private initiatives. As a result, planners felt confused, marginalized, and inept in providing meaningful innovative solutions to the challenges thrown in their way.

Almost two decades have passed since the Berlin Wall crumbled down, signaling the beginning of a new era in the history of Central and Eastern Europe. The period of the post-socialist transition is coming to an end and the dust from restructuring

the political, social, and economic systems of the former Eastern Block countries is settling down. As the air clears up, there is a growing realization that urban planning is an indispensable social activity for all democratic societies that have reached a certain level of maturity. Planners appear to be reawakening from the period of deep depression, which has mired the profession for too long. There is a rising sentiment among professional circles that planners are overdue for their own transition from “technical, rigid, and mostly land-use-oriented planning in support of economic plans to process-based, participatory, and integrative planning activities” (Nedovic-Budic, 2001). They need to redefine their role from reactive caretakers serving the interests of the political and economic elite to active defenders of public interests. In this, planners will need all the help they can get from the legislators, international institutions, and enlightened investors. Most of all, however, planners in Central and Eastern Europe need to tap into the creative energies of their citizens, who have proved time and again throughout history their ingenuity and resourcefulness in adapting to most challenging situations.

The following three chapters in this last part of the book take a glance at some new developments in Central and Eastern Europe related to the evolution of new planning practices in the region. The analysis of some of the latest attempts to incorporate innovative planning approaches from Slovenia, Slovakia, the Czech Republic, Russia, Hungary, Bulgaria, Latvia, and Lithuania presents evidence that, although the process is not going smoothly, a new way of thinking is slowly spreading a vision of an alternative path that promises to lead the post-socialist city out of the confusion of the transition period into a brighter and hopefully better future.

Notes

¹ Such legislation was adopted, for instance, in 1990 in Hungary, 1992 in Czechoslovakia, and 1992 in Russia.

² New planning laws were enacted in 1996 in Hungary, 1997 in Slovakia, 1998 in the Czech Republic, and in 1998 in Russia.

³ The version of Moscow’s plan adopted by the city in 1999, but never approved by the national government, called for functional changes in over a third of the city’s territory (Golubchikov, 2004).

⁴ The new skyscraper projects feature designs by Daniel Libeskind in Warsaw, Rem Koolhaas in St. Petersburg, Norman Foster in Moscow, and Richard Meier in Prague.

⁵ The failure of Warsaw’s plan to regulate the location of large shopping centers is a case in point. Of the eighteen such developments built in the metropolitan area during the post-socialist years, only four were constructed on sites designated for such uses by the plan (EAUE, 2003). Similar discrepancy between plan and reality characterized the Strategic Plan of Prague, which designated several locations as future secondary city centers, yet the majority of commercial development took place in other locations (see Chapter 7, this volume).

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21 The post-socialist urban restructuring of Ljubljana: Strengthening identity

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21.1 Introduction

The recently completed Urban Development Concept for Ljubljana (City of Ljubljana, 2002)¹ is a strategic document of great significance not only for the future evolution of the city, but for the preparation of a new generation of planning documents in Slovenia as well. More than one hundred experts from the local administration and various consulting companies participated in its preparation. The need for producing a new concept for the development of the city was generated by several factors. These included: the socio-economic changes brought in with the democratization of society after the demise of the old socialist regime, the increasing competitiveness between cities in the context of globalization, the rapid development of communication and information technologies, the growing importance of ecological concerns in the public arena, the emerging trends in urban lifestyles and patterns of behavior conditioned by the rise of a consumer society, and, last but not least, the development of new professional paradigms in the field of planning. The main principles guiding the formulation of the Urban Development Concept were based on the understanding that the plan should be responsive to rapid changes in spatial demands and efficient in solving problems related to future urban transformations.

Facilitating responsiveness to change and encouraging innovation in cities, however, should not be mistaken with an “anything goes” attitude towards urban development, particularly in cities characterized by a distinct geographical location and a well preserved historic heritage, such as Ljubljana. In the beginning of the new millennium, these places are under severe pressure from increasingly mobile capital and new urban hedonism, both leading to global uniformity of shapes and programs. There is a clear danger of cities throughout the world becoming more alike and less distinguishable, especially if urban planners do not recognize, preserve, and develop the unique local elements of urban form.

In contemporary professional discourse, there are two opposing views on the future evolution of cities concerning their urban form. Some argue that urban spaces are becoming richer in terms of their texture and meaning. Boris Podrecca, for instance, claims that robust or stable parts of the built environment, such as

railway stations or airports, have ceased to be only utilitarian objects but are changing into places of communication and culture (Zschokke and Podrecca, 1996). Vacant factory buildings and army barracks are turning into new-age temples of leisure and knowledge, while open spaces from the neighborhood to the national level are again becoming settings for social interaction and collective identity. The opposing view is defended by urban planners, architects, and social thinkers such as Rem Koolhaas, who claims that public spaces are disappearing, becoming fluid and irrational, while particular architectural objects are simply disjointed artifacts in a substrate of urban components. The final product can only be an autistic and dysfunctional space, while cities become Babylonian masses of disconnected pieces. Because of such trends, the space for interaction is moving away from the non-communicational and aggressive environment of streets, squares, and parks into the controlled areas of protected, semi-public spaces of shopping malls and transportation terminals, and ultimately – the internet (Koolhaas et al, 2001).

The development of a distinct urban structure, however, is considered a key component of city (re)development concepts (Rogers and Fisher, 1992), while the fostering of a strong cultural identity is deemed a critical pre-requisite for creating genuinely sustainable communities (Office of the Deputy Prime Minister, 2005).² Therefore, during the preparation of the Urban Development Concept of Ljubljana, special emphasis was given to strengthening the city's identity, making the reinforcement of cultural identity and continuity of the urban structure a main objective of the plan.

21.1.1 Contemporary trends in urban space management

In the last fifteen years, attitudes towards city management and urban planning, including the design of public spaces, have changed significantly, especially in cities with rich historic heritage. In 1987, the Charter for the Conservation of Historic Towns and Urban Areas was adopted, bringing many novelties to the theory and practice of preservation and planning in such environments (International Council on Monuments and Sites, 1987).³ For the first time, a document prescribed that public participation should be an integral part in the urban regeneration process. Preservation and rehabilitation of the historic heritage were emphasized as a critical part of urban planning activities, a point stressed by the required integration of conservation programs in most urban design and planning documents. Since then, the rehabilitation and preservation of the urban heritage has become an important task for urban planners throughout the world.

The 1980s witnessed also the wide recognition of the concept of sustainable development, which calls for an approach to urban growth that would prevent the destruction of the urban environment, maintain ambient values for future generations, and ensure improvements in the quality of life for all inhabitants. With the publication of the Green Paper on the Urban Environment in 1990 by the European Commission, sustainable development was given an institutionalized form. The paper called for the revision of existing zoning policies and the introduction of

new strategies in managing urban development and change. These include the promotion of mixed use, urban identity, cultural heritage, and the formulation of urban policies to ensure active public participation in urban planning and development (Commission of the European Communities, 1990). In the language of urban design, this philosophy of urban development inspired a return to traditional urban forms. Such approaches to city planning were popularized in the USA since the 1980s, and especially during the 1990s, under the name "New Urbanism" (Duany and Plater-Zyberk, 1991) while in Europe they became known as "New Classicism" (Krier and Culot, 1980). Both approaches advanced fairly rapidly from theory to practice. They have been applied in different fields of urban design and architecture including urban reconstruction, planning of suburbs and new towns, and re-urbanization of urban districts (Grafis, 1996). Thus, the planning of cities has again become a comprehensive social, cultural, and political process aimed at the continuation of the cultural traditions through the utilization of traditional city building practices (Krier, 1996).

Recent approaches in urban planning theory and practice in developed countries are increasingly focusing on issues of maintaining, strengthening, and transforming (or even establishing completely new) socio-spatial urban identities. Articulating the distinct features of cities and their component parts has become the key development issue in the context of European integration and globalization processes. Preserving and creating new recognizable urban identities, it has been argued, is a response to global standardization that is causing uniformity in urban spatial arrangements (Dimitrovska Andrews et al., 2001).

Two seemingly conflicting demands stimulate a city's global orientation. On one hand, planners and city managers strive to enforce internationally comparable quality standards of the built environment required by residents, businesses, and institutions in cities trying to get integrated into the global urban network. The fear is that if such standards are not achieved, they will be forever left behind in the intensifying global competition for resources. On the other hand, cities have to ensure that they support and enforce their comparative advantages by projecting a distinct identity that will set them apart from the rest of the competition. A review of urban practices in successful European cities, such as Barcelona, Paris, Berlin, and Birmingham, shows that these cities are acutely aware of the strong link between economic growth, urban identity, and city status within the European urban network (Dimitrovska Andrews, 1998a). For this reason, they have devised comprehensive planning strategies and long-term visions supported by an appropriate set of administrative, planning, and financial mechanisms geared at the strengthening of their city identity. Three conditions that need to be managed creatively to secure such success have been identified: the formation of strong ties among relevant partners (including private, corporate, institutional, and other public organizations); the modernization of all aspects of urbanity in the direction of European and global standards (learning, accepting, and adapting best practices); and the development of distinct elements within the city projecting a harmonic urban identity (Dimitrovska Andrews et al., 2001).

In the last few years, planners and decision makers in Slovenia and Ljubljana have embraced this approach with the hope of achieving significant results in improving the quality of their urban environments.

21.1.2 Preservation of urban heritage in Slovenia

The preservation and development of urban identity should be grounded in a thorough analysis of the urban environment, leading to an understanding of its constituent physical parts and the logic of their spatial interrelations formed through history. In recent Slovenian history of urban planning and historic preservation, such morphological analysis was rarely employed. Urban form investigations were most often used by planners as a means to justify urban development concepts designed well in advance. Urban morphology rarely served as a basis for professional discourse or a generator of planning ideas. Historic preservation, on the other hand, was primarily involved with the protection of particular architectural landmarks. In a limited number of cases, morphological investigations were prepared as expert findings for rehabilitation projects of historical city centers (Freljih, 1981; Fister, 1975). Policies and programs for the protection of the built environment were, in practice, limited to the extent of the medieval town cores, and were almost unheard of in newer urban areas. They often lacked the necessary theoretical backing and adequate instruments to affect decision making at the higher administrative levels. The Law on Planning Settlements and Other Development (Official Gazette, 1984), adopted in 1984, did in fact prescribe an analysis of existing environmental conditions as a compulsory component of plan development, including an assessment of built structures, cultural and natural heritage, and characteristics of the urban environment, but these requirements were seen as perfunctory tasks and were usually poorly executed.

In the aftermath of the disappointing performance of many modernist projects and ideas, urban planners are now turning back to the principles of traditional city development, formulating clear procedures and methods for the protection of the cultural heritage represented by the elements of the built environment. Urban scholars have recognized that the analysis of the evolution of urban form can lead to a clearer understanding and articulation of the distinct features of city structure and character. Morphological analysis is, therefore, an important foundation for the formulation of sound urban planning principles and ideas regarding the future spatial development of cities. This approach is especially relevant for urban (re)development within predominantly built up areas aimed at the implementation of sustainable development principles.

Ironically, the lack of funds for serious interventions in the urban structure of Ljubljana during socialist times, ultimately, proved to be a substantial benefit for the city. Renewal of the city core started in earnest only in the 1980s by allowing the conversion of ground floor levels from residential to commercial uses. After the de-nationalization of these properties in the early 1990s, much of the building stock

in the historical core was seen as sub-standard with regard to utilities and structural quality. Nevertheless, during the course of the 1990s, these properties gained significant increases in their value due to the rising demand for space in the city centre, which led to intensive reconstruction of the building stock in the area. Today, the historical structures that were preserved in this process have become a considerable economic asset and a desired type of residence for the citizens of Ljubljana.

21.2

Methods for recognition of urban form and structure

Urban form, on a two-dimensional level, is determined primarily by a city's footprint, its relation to the geographic characteristics of the site, the city's street network, plot patterns, spatial relations between built-up and open spaces, and the configuration of the system of public spaces. These characteristics, along with the existing set of prevalent building types, are also reflected in the three-dimensional image of the city's streetscapes and its silhouette. An important characteristic of urban form is that it is defined at various levels, from the scale of the individual plot, through the urban tissue of the area or district, to the larger territory of the region (Conzen, 1981). None of the urban form elements is autonomous; none exists alone in isolation, devoid of relations to the others. Parts are always dependant on the whole and any urban form will change according to the context where it is manifested.

The preparation of the Urban Development Concept for Ljubljana (2002) has been guided by the understanding that a city plan should contain guidelines for the coordinated development of all levels of urban form. Thus, in the process of elaboration of the Concept, a methodology was developed⁴ and applied analyzing the identity of the urban structure at three levels: the functional urban region⁵ (the outer city), the city as an entity (the compact city), and specific urban areas (the urban district) (Dimitrovska Andrews et al., 2001).

21.2.1

The image factor

According to this methodology, the distinct image of the capital of Slovenia is revealed on a regional scale in the overall structure of its settlement pattern, the characteristics of its landscape system, and the spatial relationship between the city structure and its hinterland. The image of the city, on the other hand, is determined by its physical layout and silhouette, and the identity of its component parts – functional structures, types of activities, and landscape characteristics. At the level of the individual urban area, the unique morphological characteristics are recognized according to the period of construction, land use, street layout, plot division system, and building typology. Using the results of the analysis on these three levels, complemented with research from related studies of Ljubljana's urban form, the distinct structural elements of the city were identified along with the

problems related to their performance as essential components of city’s identity. The next step of the process included analysis of the results gathered from citizen surveys and public discussions on issues related to the organization of urban space, spatial legibility, and city identity. The delineation of the various elements of the urban structure, which emerged as a result of this process, led to a classification of the urban fabric into “thematic” and “non-thematic” area types.

It was proposed that characteristic city areas, designated as “thematic” elements of the urban structure, should be preserved and redeveloped in accordance with their historic spatial development patterns. For these areas, special urban design guidelines should be prepared assuring continuity both in terms of physical form and cultural context. The “non-thematic” elements, on the other hand, are used to identify the general organization of the town as a whole – some of them presenting concentric points in the structure while others forming dynamic links. According to the concept formulated on the basis of this methodology, new development in the “non-thematic” structural areas should be used to enhance the quality of these spaces, ensuring legibility and identity in the context of city growth (Figure 21.1).

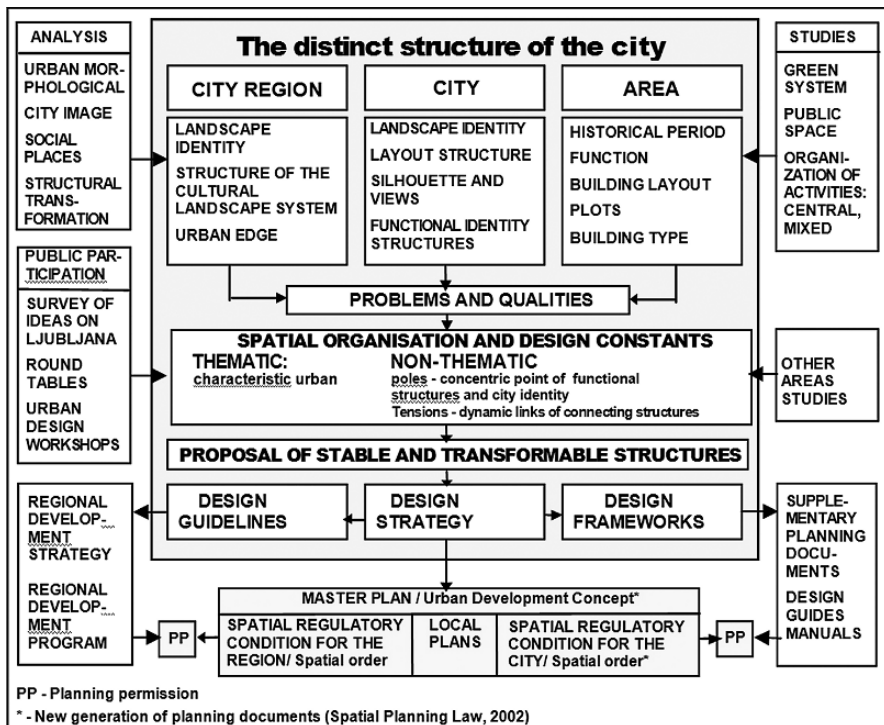


Fig. 21.1 The distinct structure of the city within the planning process of the city of Ljubljana

Source: Dimitrovska Andrews et al., 2001

The analysis and classification of urban form in Ljubljana included the dynamic aspects of morphological transformations by identifying those areas where development should be geared towards preservation (stable structure), and others where the creation of new urban identities is encouraged (transformable structure) (Figure 21.2).

The city form of older settlements, such as Ljubljana, is composed of various layers of historical development. Despite the significant modernization and intensely planned development during the last century, the capital of Slovenia still shows clear traces of its earlier history in its urban tissue. Amongst the various elements of urban form, some of the most durable ones are the routes of the major roads, which can remain unchanged for centuries. Good examples of this phenomenon are Slovenska and Dunajska Streets, whose origin could be traced back to antiquity. Another durable element of the urban fabric, rarely considered at all (but with immense implications for the generation of urban form), is the land subdivision system. It is not surprising that we can still recognize plot boundaries in the city layout that were set up several centuries ago. In the dynamic evolution of the built environment, the most changeable elements of urban form are the buildings, which are often perceived as its most durable components, yet they are transformed continuously as a result of variations in market demands, human needs, and historical circumstances.

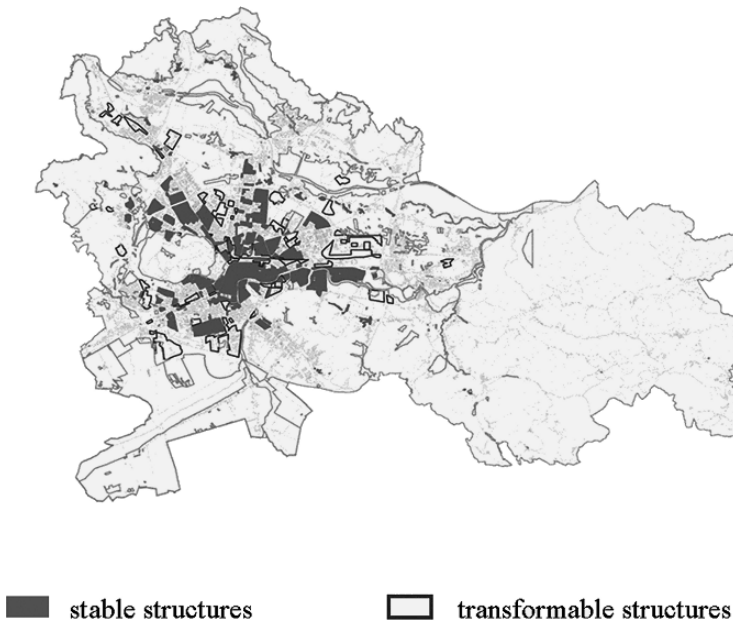


Fig. 21.2 Proposal of stable and transformable structures

Source: Dimitrovska Andrews et al., 2001

21.2.2

The age factor

Age is one of the main criteria for defining distinct urban areas in the plan layout based not only on the time when its structures were built, but on the age of the plot and street patterns as well. The specific spatial configuration of these urban elements is indicative of the period of their origin. The morphogenetic analysis of the historical development of Ljubljana identifies six distinct morphological periods detectable to this day in the characteristics of the urban fabric:

- 1200–1850 – the period from the founding of the city until the construction of the railway system when the city merged with its suburbs
- 1850–1918 – the period when the city grew to the limits of the present city centre
- 1918–1945 – the period when the city started to grow intensively across its administrative boundaries and merged with more distant villages
- 1945–1960 – the period of post-war renewal and planned economy marked by the explosive growth of industry and housing
- 1960–1990 – the period of pro-market reforms supporting growth of central functions and stimulating more cost efficient use of municipal property
- 1990–present – the period of democratization of society and transition to market economy characterized by processes of privatization, restitution, and land-use restructuring.

The methodology of urban form analysis and design described above was used as the analytical foundation for the Urban Development Concept. It was intended to be incorporated in the process of articulating new policies and regulations to be embedded in the new generation of planning documents for Ljubljana. It was also proposed that this methodology would be employed in further development of supplementary planning documents on both regional and municipal levels, which should provide a coherent basis for regulating the future urban development of Ljubljana.

21.2.3

The social aspects

From a sociological perspective, the specific starting point for analyzing issues surrounding urban identity is the recognition of the existing large gap between spatial variety (not disorder!) and established social identities. This conflict is most often expressed in the tension created by the coexistence of incompatible uses in a given urban space. The solution, of course, lies not in suppressing the emergence of different identities, but in stimulating a more flexible management of uses in space. Sociological evaluation is therefore a much needed step in finding planning solutions that will enable the harmonization of social and spatial identities.

The main issues here (Kos et al., 2001), are: 1) under what conditions do *identity public spaces* emerge in the city, which can, under the circumstances of

post-modern territorial fragmentation, de-urbanization, and dynamic urban transformation, develop into nodes of difference; and 2) how to stimulate the creation of those *representative social places* that have city building potential to serve as anchors for endangered urbanity.

Sociological analyses of the vitality of urban areas can enable planned interventions for stimulation of constructive city building processes in those presently declining parts of the city (Kos et al., 2001). Such planning activities emphasize two processes. First, they encourage the elaboration of new methods and forms of *spatial diversification within the city*. Such activities initiate the dynamic rearrangement of social, functional, symbolic, and other aspects of specialization of particular urban places, enabling the establishment of specific identity settings (stages) in the city. Secondly, they foster the elaboration of new methods and forms of *spatial integration of the whole city*, which helps to articulate a distinct city identity in relation to other cities, both inside and outside of national boundaries.

Following this rationale, the Urban Development Concept for Ljubljana, which was aimed at reinforcing the legibility of the city as a whole and the identity of the characteristic city areas (Figure 21.3), proposed the following growth strategies: renewal of the branching morphological model in the outer city and a combination of the branching and the concentric model in the compact city. The Concept emphasizes the need for: 1) concentration of more densely built areas with distinct

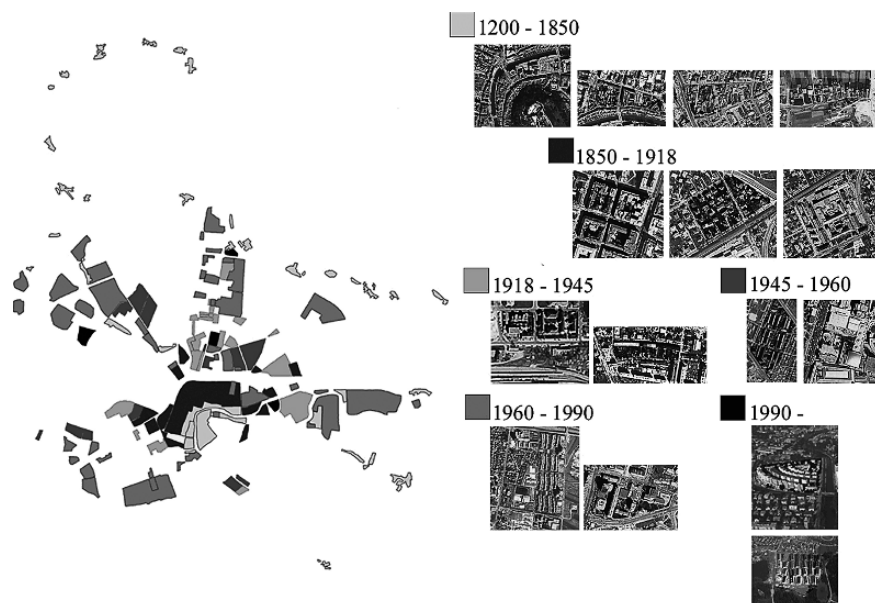


Fig. 21.3 Characteristic Urban Areas: Historically conditioned morphological patterns in Ljubljana

Source: Dimitrovska Andrews et al., 2001; Urban Planning Institute of the Republic of Slovenia, 2006



Fig. 21.4 Proposed structure of the city of Ljubljana: Morphological concept

Source: Dimitrovska Andrews et al., 2001; City of Ljubljana, 2002

character and defined focal centers along the main radial roads (functional concept); 2) development of a system of well designed and interconnected public spaces; and 3) development of a system of interconnected and actively protected green areas (Figure 21.4)

21.3 Post-socialist restructuring of Ljubljana: examples and trends

Current urban changes in Ljubljana, characteristic of the period of post-socialist restructuring, have been associated predominately with the following three processes: 1) commercialization and gentrification of the historic core; 2) re-urbanization and revitalization of some inner city areas; and 3) residential and commercial suburbanization in the outer city (Dimitrovska Andrews, 2005). Representative examples of these processes are presented below. Their description is supplemented with a commentary on the main trends, problems, and planning policies related to future urban development in the three structural areas identified in the Urban Development Concept – the core, the inner city, and the region.

Many of the presented developments follow the same values and goals of modern city building that can be found in the Urban Development Concept,

although their implementation started earlier. For example brownfield development, inner city regeneration, and housing stock renewal have been promoted by urban development policies for quite some time. However, many recent developments follow a different, much more profit-based rationale.

21.3.1 Historic core

The prevailing types of construction activities in the historic core⁶ have been the development of offices, multipurpose commercial centers, and tourist oriented facilities. These projects are most often executed as refurbishment of existing buildings or new infill development promoted by the private sector and the city government. Unfortunately, the spur of construction activities in the urban core has led to certain negative consequences in this area of the city, most notable of which are the decline of residential uses, the erosion of cultural heritage under the pressures for commercial development, increase in traffic congestion, and inadequate parking supply. To address these issues, the Urban Development Concept proposed the preparation of a City Centre Design Strategy and Design Frameworks for specified characteristic urban areas as supplementary guideline documents.

The project Kapiteljski vrtovi (Capitol Gardens) (Figure 21.5) has been recognized as a good building practice in the revitalization of the city centre (Dimitrovska Andrews, 2006: 70). The 2.3 ha site, located next to a prominent Secessionist palace (used during socialism by a printing press company), is stretched from the



Fig. 21.5 Kapiteljski vrtovi

Source: Genius Loci Architectural Bureau, 2002

Ljubljana River on the north to the remains of the medieval suburb Poljane on the south. The project proposed the renovation of the Secessionist building for the Faculty of Law, the construction of an office building on the site along the river embankment, and the insertion of a residential building closing the urban block on the west side (Bavarska street). The two new buildings are connected with a shopping mall and underground garage with 250 parking spaces. The elevations of both buildings are designed with respect to the existing surroundings in terms of their height (4 to 6 floors). The riverside facade has a pedestal of the same height as the Secessionist building to assure continuity of building elevations along the riverfront, while the upper part is curved to stress the river bend at that location. The residential building decreases in height toward the east in order to fit the scale of the adjacent medieval structure. Building materials and colors are carefully chosen to match the texture of the surrounding buildings. The brick red tones near the medieval structure pass into green and blue shades towards the river and the brightly colored Secessionist palace.

21.3.2 The inner city

The most significant urban change in the inner city area of Ljubljana⁷ has been the reduction of land in industrial and military uses due to the release of these zones as “brownfield” sites available for new commercial and housing development. Other types of development in this area include the formation of secondary business nodes established in strategic locations along major access roads, and the emergence of scattered housing developments on vacant sites.

Two representative examples of new development practices in the inner city since 1990 are the residential area Nove Poljane, built on a 4.8 ha site of a former military barracks located by the Ljubljana River (Figure 21.6), and the “BTC City” – a shopping, business, and leisure centre established through the redevelopment of a 62.8 ha warehouse zone in the north-east part of the city (Figure 21.7).

The semicircular plan for the residential estate Nove Poljane follows the original layout of the site characterized by the curved Dolenjska rail tracks on the southeastern side of the property (Dimitrovska Andrews, 2006: 71–72). The site plan consists of four rows of buildings – three as detached structures and one as a super-block stretched along the eastern boundary of the site. The building height rises from 3 stories in the centre to 6 stories along the rail-tracks. A communal park is located in the northwestern corner accessible via two radial pedestrian paths. Besides its excellent design characteristics, the residential estate Nove Poljane is a good example of successful public-private partnership. Of the 440 flats built on the property, 309 units are in the public rental sector, including 20 units reserved for the disabled.

After the breakup of Yugoslavia in 1990, a major warehouse zone on the outskirts of Ljubljana, formerly used by the custom service, lost its primary function



Fig. 21.6 Nove Poljane

Source: Mojca Švigel Architectural Bureau, 2002; Urban Planning Institute of the Republic of Slovenia, 2006

and was gradually converted to shopping and business uses. In 1998, the development strategy for the area was revised and a decision was taken to promote a new and improved image of the area under the name “BTC City.” The plan called for the infusion of new uses in the area by incorporating sports and entertainment functions, including a 12 screen cinema and a comedy theatre.

Today, “BTC City” is the largest trade and business centre within the urban region of Ljubljana with a built area of over 250,000 sq m, attracting 12 million visitors annually, for whom over 8,000 parking spaces are provided. The layout of the new development scheme was based on the original structure of low-rise warehouse halls. To improve the design of public spaces and the appearance of the area, new urban design and landscape plans for further renovation have been prepared. A recently revealed transportation plan proposes light rail connections with the centre of Ljubljana and the regional transportation infrastructure.

This development, apparently, does not coincide with the stated values of the Urban Development Concept. Yet, many of its features do qualify this project as a case of successful urban restructuring. These include: the mix of mutually complementary functions, the creation of an international attraction for various spatially demanding activities, the rectification of public transport services, the connection with planned housing developments nearby, etc. At the same time, it should be noted that “BTC City” is a prime example of an “edge city” development that can undermine the vitality of the city centre and its ability to attract new businesses.

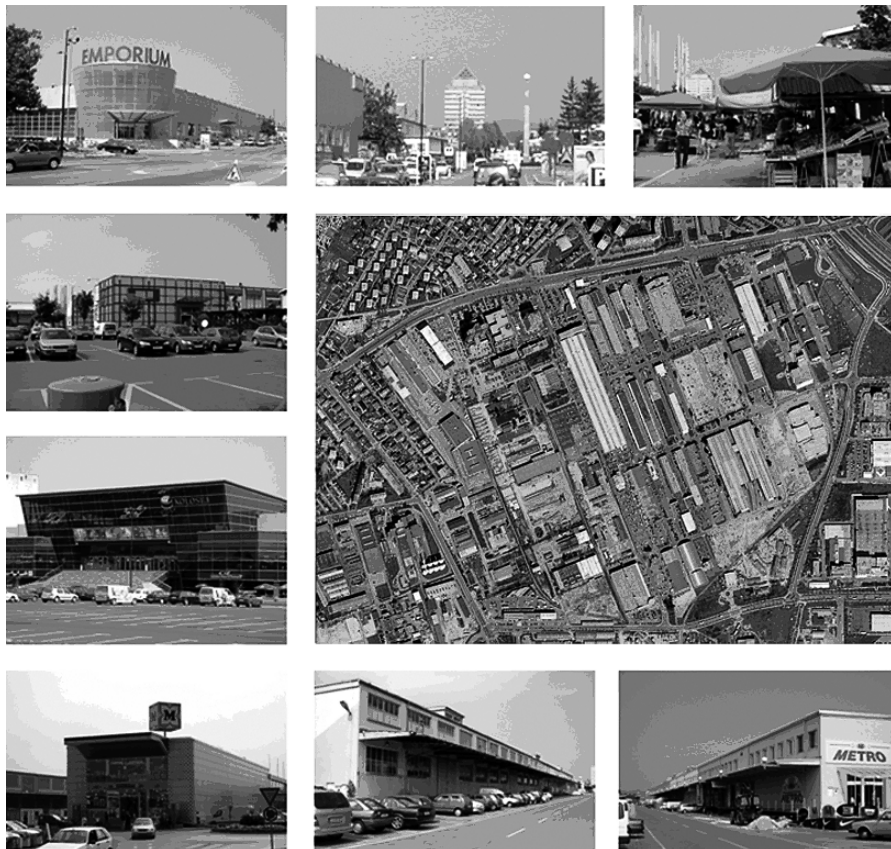


Fig. 21.7 BTC City

Source: Urban Planning Institute of the Republic of Slovenia, 2002; BTC City, Sector for marketing and PR, 2002

Other problems in the restructuring of the inner city area have been associated with increasing social polarization of large housing estates related to their declining physical condition and their need for revitalization, maintenance, and proper management. Another source of concern is new infill development in existing inner city communities executed with little respect for the physical character and identity of established city areas. Last, but not least, is the problem with derelict industrial sites abandoned at various stages of the transition period, which account for nearly 14 percent of the total urban surface area in Slovenia (Koželj, 1998).

Currently, there is growing recognition of the need to adopt a clear strategy for the future development of the inner city based on a pro-active planning philosophy needed to secure the vitality of this part of the city and Ljubljana as a whole. To achieve more coherent patterns of development, the Urban Development Concept

for Ljubljana has proposed the incorporation of urban design principles and guidelines into the legislative framework of development regulations and plan preparation. This includes the adoption of a City Design Strategy and Urban Design Frameworks for characteristic city areas, which were discussed earlier in this chapter.

21.3.3 The functional urban region (outer city)

Residential suburbanization has been present in the functional urban region of Ljubljana since the 1970s, predominately in the form of dormitory extensions of existing “satellite” villages. After 1985, these processes became more extensive and were followed by industrial and commercial suburbanization.⁸ New mixed-use zones combining commercial, light industrial, and housing developments have sprung up in the outer city, most of them on greenfield sites along the main motorways.

The development of Trzin, a small settlement located 5 km northeast of Ljubljana, is one of the most representative examples of current planning and building practices in the outer city (Dimitrovska Andrews, 2006: 72) (Figure 21.8). Trzin developed from a rural village with 700 inhabitants in 1950, into a large dormitory

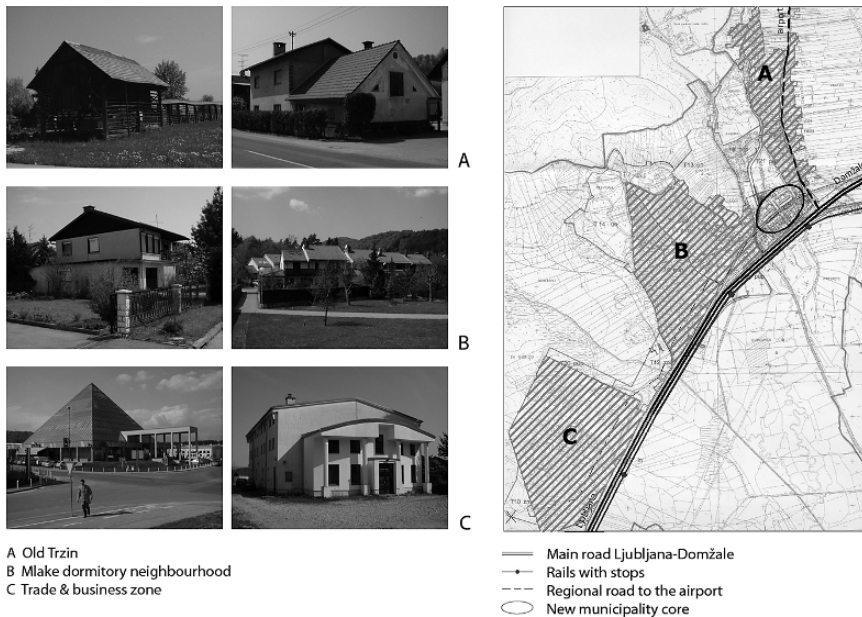


Fig. 21.8 Trzin

Source: Urban Planning Institute of the Republic of Slovenia, 2002; Municipality of Trzin, 2002

suburb of Ljubljana with several thousand inhabitants by the end of the 1970s. Today, it is turning into a vibrant centre of business and handcraft activities – a largely self-sufficient settlement, and a centre of the newly established municipality of Trzin. In its oldest part, Stari Trzin (Old Trzin), the village structure and rural origin of the settlement can still be traced, although much of its original identity has been lost. The neighboring dormitory community of Mlake is a typical example of residential suburbanization in the Ljubljana region during the 1975–1985 period. Detached single family houses (some prefabricated) built on a grid street pattern were later supplemented with row houses to increase the residential density of the area. In the late 1980s, a trade and business zone was established next to Mlake, with small light industry and craft workshops. During the 1990s, the area gained the status of a business, trade, and service centre of regional importance. This part of Trzin is still the most vibrant one. The variety of uses and the typology of the built structures are the main characteristics of the area. Further development plans for the municipality are focused on the creation of a new core dominated by public functions, which will be located between Old Trzin and Mlake. The integration of the three parts of the settlement into a coherent urban structure and the creation of a new, distinctive identity is declared a priority task by the ambitious local authority.

The most characteristic problems of urban transformations in the outer territories of the region are visible in the coalescence of existing traditional villages into a suburban agglomeration with resultant loss of identity of the cultural landscape, pollution of underground water resources, and escalating levels of automobile traffic.

A review of the processes of urbanization taking place during the last 15 years indicates that Ljubljana is still in a phase of suburban expansion (Dimitrovska Andrews et al, 1998b). Yet, new regeneration processes in the city core and mixed-use developments in the inner city could be seen as a modest start of the process of re-urbanization. However, in order to strengthen this trend, there is a clear need for stricter control over the pace of suburbanization. The Urban Development Concept for Ljubljana has proposed a planning model of “centralized dispersion” based on the establishment of a network of higher density local centers linked by efficient public transport (light rail or tram). Such centers have been identified in the existing suburbanized areas of the region, bearing the potential for accommodating additional mixed development and higher density projects. The realization of the proposed model requires effective strategic planning and coordinated actions by the municipalities throughout the Ljubljana urban region. Such accomplishments are difficult to achieve without changing the present climate characterized by competition rather than cooperation amongst the municipalities within the region.

21.4

Conclusion

The Urban Development Concept for Ljubljana emphasizes the need to guide the future growth of the city in a way that capitalizes on and develops further the city’s unique spatial characteristics. The methodology elaborated in preparation of

the Concept is based on several key principles of analysis designed to capture the essence of city's identity as a physical place. According to these principles, it is necessary to analyze the distinct city structure and its constituent elements on all three levels of the structure's organization: the region, the city, and the individual city districts or areas. The analysis continues with investigations of the systems of urban green space, public places, and the functional structure based on a network of local centers and mixed-use nodes. The results of these investigations are used to distinguish the key issues in the development of the city's image and identity in an open planning process involving extensive public participation. The process is used to ensure clear definition of terminology and goals considered essential for guiding the growth and rehabilitation of the urban environment and the development of the city's image – from managing regional development patterns to overseeing the design and implementation of particular site projects. Such measures for promoting the development of a unique city identity are considered essential in today's climate of global economic competition.

One of the positive consequences of globalization is that smaller cities, such as Ljubljana, will be cleansed of some functions in areas where they cannot compete with the larger global economic centers. This should allow smaller cities to develop their own niche, rediscover their forgotten identity, or perhaps formulate a new one. The proposed concept of treating the city as a distinct spatial structure stimulates the preparation of design strategies at various scales and territorial levels, placing a greater weight on issues related to the design of the city's image. In the elaboration of such visions, the city should be seen both as a product of its historical context and as a dynamically evolving entity. The city is revitalized and reconstructed by independent, yet strategically connected actions, therefore, the discussion of the impact of individual projects should be simultaneously applied to urban development of the particular urban area and the city as a whole. Only such an approach, monitoring and guiding urban development at various scales, cognizant of their interrelations and their impact on the city as a whole, can be effective in preserving and developing further the identity of an urban place in a dynamically changing environment.

The described Urban Development Concept for Ljubljana brought to the planning culture two much needed new characteristics. The first was modern urban development pragmatism, whereby the "plannable," "achievable," and "public" are given advantage. The second feature is the flexibility that a liberal, market-oriented plan requires. Hopefully, the new (formal) Urban Development Concept, set up as an essential part of the Municipal Spatial Development Strategy, will adopt most of the goals and values expressed in the described strategy, thus, giving the ideas advanced in the Concept the necessary official weight in the implementation phase.

Notes

¹ Although the name Urban Development Concept given to the document corresponds to the name of a compulsory component of the new Spatial Planning Law adopted later in the same year, its contents and formal status do not reflect the requirements of the law. According to the new law, the

planning documents to be developed at the local level are: 1) Municipal Spatial Development Strategy (which includes the Urban Development Concept and the Landscape Development and Protection Concept); 2) Municipal Spatial Order; and 3) Local Detailed Plans. Under the new planning law, the Municipal Spatial Development Strategy replaces the former Long Term Spatial Plan, while the Urban Development Concept replaces the former Master Plan. The City of Ljubljana is currently preparing two documents: the Municipal Spatial Development Strategy (which will include the revised Urban Development Concept and a Landscape Development and Protection Concept) and the Municipal Spatial Order. According to the time schedule, these two documents will be adopted by 2008. The majority of Local Detailed Plans are prepared by investors and developers themselves, with the public participation and adoption procedures being managed by the Planning Department of the City of Ljubljana.

² As the document states, “[s]uccessful cities with strong cultural identities deliver sustainable communities beyond their limits - regionally, nationally and even internationally” (Office of the Deputy Prime Minister, 2005: 5).

³ The ICOMOS Charter for the Conservation of Historic Towns and Urban Areas was adopted in 1987 at the plenary session of ICOMOS in Washington, DC.

⁴ The methodology for identifying the distinct structure of the city and its integration within the planning process (Figure 21.1) was developed at the Urban Planning Institute of the Republic of Slovenia, authored by Kaliopa Dimitrovska Andrews.

⁵ The area representing the Functional Urban Region is the statistical planning region, which was the area covered by the City government before the local self-government reform of 1994. Today, it consists of the municipality of Ljubljana plus nine other surrounding municipalities.

⁶ The area within the city centre ring road has been defined as the historic core of Ljubljana. It consists mostly of areas developed prior to the twentieth century.

⁷ The area within the expressway ring road is defined as the inner city area of Ljubljana.

⁸ Following adoption of the new planning law in 1984, the planning documents were somewhat simplified as was the permitting procedure. Most of the municipalities around Ljubljana used this to their advantage, offering cheaper land for various development schemes (albeit with seriously deficient utilities).

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22 Urban futures: Strategic planning in post-socialist Europe

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22.1 Introduction

Recent planning experiences in post-socialist cities indicate a growing interest in strategic spatial planning. In the last ten years, most capital cities from the Baltics to the Balkans have gone through a process of strategy development with a varied degree of success (Buckley and Tsenkova, 2001; Nedovic-Budic, 2001; Maier, 2000). A number of secondary cities have replicated the process, giving an impetus to a range of strategic planning politics. While strategic planning is not necessarily embedded in the planning legislation, it appears to provide a much-needed link between the traditional comprehensive land use planning and fiscal and financial planning carried by municipal bureaucracies (Tosics, 2003). In their search for new planning paradigms and more flexible approaches to city planning, municipalities in transition countries have embraced strategic planning as a way to involve the business community and the broader constituency in defining a vision for the future. More importantly, this more proactive approach has created an opportunity for mobilization of funds and political support for urban development, thus, bridging the resource gap under a regime of fiscal austerity (Tsenkova, 2003). It appears that strategic spatial planning has evolved as a parallel instrument to statutory land use planning as well as regional planning. The latter, imposed by EU guidelines, is perceived as a bureaucratic budget enlargement exercise, with limited comprehensiveness and public involvement.

This chapter explores challenges and opportunities for strategic spatial planning in post-socialist cities. Drawing on the experience of six capital cities – Prague, St. Petersburg, Vilnius, Sofia, Budapest, and Riga – with strategic spatial planning, it outlines the essential characteristics of the process (plan-making) and the product (strategic plan). It establishes clear links between the process of strategy development, its institutional framework, and the hierarchical structure of goals, objectives, and actions. The case studies provide important insights for planning practice in the context of rapid economic, social, and institutional change. The research highlights the responsiveness of the model to transition imperatives and its ability to define contextually appropriate multi-dimensional strategies for the spatial development of post-socialist cities.

The methodology for this research draws on content analysis of policy documents and secondary sources of analytical information pertinent to the strategic planning process in the cities under review. These methods are supplemented by personal interviews with major stakeholders involved in the strategic planning processes over a period of three years, as well as personal observation of strategy formulation in Sofia.

22.2

Spatial strategic planning in Europe: major concepts

Strategic spatial planning is an active “social process through which local communities respond to internal and external challenges with respect to the management of local environments” (Healey et al., 1997: 293). It builds on and transforms established ways of doing things (institutional relations) and accepted ways of looking at things (policy agendas) in order to create locally new institutional capacities for influencing the future (Albrechts et al., 2003). Western Europe provides a distinctive institutional environment for strategic spatial planning, particularly given the ideological acceptance of public intervention for the common good (Healey et al., 1999). Studies indicate that strategic spatial planning in Western Europe is well positioned to address the economic, social, and environmental dimensions of urban and regional change through locally articulated strategies that involve a wide range of partners in policy formulation and realization (Albrechts et al., 2001; Healey et al., 1997). The mobilization of this wider coalition of actors and institutions – senior level governments, non-profit agencies (NGOs), and business interests – in support of a city is essential part of the process. However, strategic planning efforts are demanding in terms of institutionalization – they require extensive consultation to establish legitimacy, representation, and ensure diversity of input (Salet and Faludi, 2000; Bryson et al., 1986). There has been much debate about strategic planning and strategic spatial planning and their links to territoriality, “place making,” and proactive entrepreneurial style of governance (Faludi, 2004; Newman and Thornley, 1996). Much of the discussion has centered on process, on mobilization of stakeholders and development of collective power, and on “top down” vs. “bottom up” approaches (Baker, 2001). Other studies have explored the selectivity of strategic plans and their ability to address “critical problems” (Maier, 2000) or the internal inconsistencies in strategic planning documents (Healey et al., 1999). However, there have been very few studies that evaluate the content and the process of the new generation of strategic spatial plans and none aiming at systematic evaluation of the plan-making and implementation process.

The strategic spatial planning process does not follow a well established trajectory, but generally incorporates the following stages: 1) scan the environment; 2) select key issues; 3) set mission statements or broad goals; 4) undertake external and internal analyses; 5) develop goals, objectives, and strategies with respect to each issue; 6) develop an implementation plan to carry out strategic actions; and 7) monitor and update (Albrechts et al., 2001; Kaufman and Jacobs, 1987). A key

feature of the strategic spatial plan is the SWOT analysis (strengths, weaknesses, opportunities, and threats) as a basis for devising action strategies to achieve goals and objectives in priority areas. Another distinguishing characteristic feature of strategic planning is its orientation towards action, implementation, and results. The institutional capacity to collaborate during the strategic planning process (plan-making) is perceived to increase the effectiveness of implementation. This institutionalization (the design of arenas) could be initiated during the strategic planning process by a planning team, which may fuel forums for dialogue, decision-making, and collaboration. Bryson et al (1986) distinguish three different strategic planning arenas: those for key decision-makers, the strategic planning team, and strategic issue task-forces. The formal arenas could be complemented with informal ones where new people, new alliances, new networks, and new ideas are brought together to articulate strategic priorities and approaches (Albrechts et al., 2001).

The advantages of strategic spatial planning are usually associated with the process itself – it is in this process that the wider consideration of alternatives, the stimulation of discussion, creation of a framework for decision-making, and the establishment of local expert policy communities emerges (Healey et al., 1999; Radford, 1980). Bruton and Nicholson (1985) emphasize the advantage of hierarchical arrangements in strategic planning, which allows comprehensive but generalized overview of issues to be established at the top level and developed into more detailed policies and implementation strategies at the lower levels. Some of the disadvantages are usually associated with the lack of clear links between strategy and implementation, particularly from higher level of decision-making to the operational levels. The adequacy of resources for the plan-making process and its implementation are a significant challenge, often undermining the validity of the process (Baker, 2001).

22.3

Strategic planning in the context of transition: Conceptual framework

The literature on strategic planning, or planning in general, in post-socialist cities is indeed very limited. In constructing a new planning system, these countries do not have a single model to follow. What is clear is that the new regulatory form of planning under the market system is an alien concept to the socialist traditions of planning, where the plan operated more as a horizontal spatial system bringing together sectoral public investment programs (Thomas, 1998). Most commentators on planning challenges in the post-socialist era have focused on the links between land reforms, privatization/restitution of real estate, and the development of planning institutions (Golubchikov, 2004; Bertaud and Renaud, 1997). Studies have indicated that the new market regimes do not necessarily have a coherent ideology, but have adopted the *laissez faire* approach to planning and public policy, thus creating more uneven urban development (Jaakson, 2000). The traditional tools of

land use planning, sectoral infrastructure planning, and financial management – a powerful socialist legacy – are still imbedded in the planning legislation and planning practice (Tsenkova, 2003; Bertaud and Renaud, 1997). Municipal planning departments operate in isolation, maintaining a working etiquette of “closed office room” and experiences with public consultation in the planning process tend to be limited. These are significant factors that influence the emerging planning system in general and the implementation of strategic planning in particular.

While it might be too early to develop a convincing theoretical account of the transition process in post-socialist cities and its impact on planning, insights from case studies might test the capacity of theoretical concepts to generate explanations of concrete situations and, ultimately, provide the empirical material for further theoretical development. The overview of key conceptual issues pertinent to strategic spatial planning in Western Europe informs the overview of the plan-making process and the product (strategic plan) in the case studies. The framework is presented in Figure 22.1.

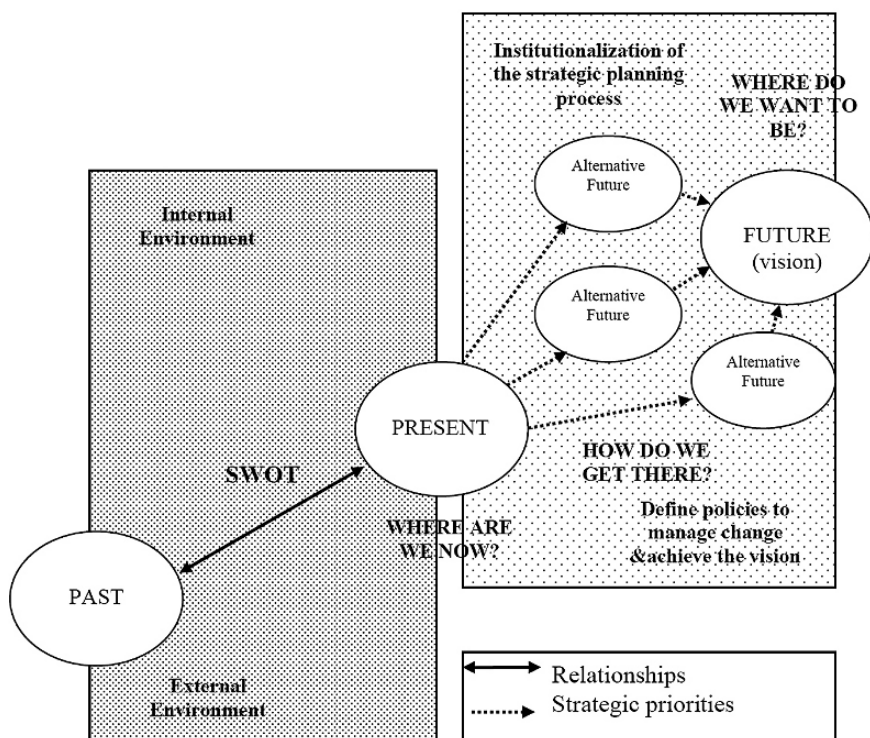


Fig. 22.1 Strategic Planning in the context of transition

Source: Tsenkova, 2007

The framework applies the classic strategic planning model, which establishes relationships between past, present, and future to design alternative strategies for plan implementation (Tsenkova, 2007). Linking the past with the present is guided by exploration of “where are we now,” while linking of the present to the future is explored by “where do we want to be” (Abott, 2005). The future reflects a community vision, usually developed with some degree of consultation with major stakeholders to build consensus and to ensure shared ownership. The strategic planning process explores different alternative futures and attempts to incorporate the most appropriate one in the strategic plan. Selecting priorities and designing alternative course of action essentially responds to the fundamental question of “how do we get there” (Healey et al., 1997; Bryson et al., 1986). This formulation of action plans implies a good understanding of trends; patterns of change in the natural, built, organizational, and social environment; and clear definition of ways to influence the implementation process (Salet and Faludi, 2000).

The framework recognizes that as a forward looking activity planning driven by the future is selective in its analysis of elements in the past and present (Friedman, 1987). Often planners assume that natural, economic, social, and political processes that have linked events in the past will continue to link the present to the future. Knowledge of the future, in planning terms, is often unknown and uncertainty, both within the internal and external environment, is a major constraint (Abott, 2005). In addition, the process of plan-making is embedded in the external environment and these contextual influences have a critical way of influencing both the decision-making process and the choice of strategic priorities. The conceptual framework distinguishes the following stages of the strategic planning process: SWOT analysis, selection of key issues/priorities, and the development of goals, objectives, and strategies in key priority areas (Kaufman and Jacobs, 1987). Since the institutionalization of the process is an important element, the framework highlights the significance of formal arenas – the strategic planning team and key decision-makers – in presenting the strengths and weaknesses of the present, and in articulating strategic actions in the future (Albrechts et al., 2001).

It should be noted that the framework is designed to accommodate some of the unique challenges for strategic planning in post-socialist cities. In particular, the changes in the external environment are much more dramatic and revolutionary in nature, associated with the transition to democracy (systemic political change) and markets (systemic economic change) (Buckley and Tsenkova, 2001; Thomas, 1998). Despite the diversity in outcomes generated by this dual transition across countries and cities, what is clear is that the links between the past and the present are less explicit and the ability to define the future – less promising. Another less known aspect of the transition – “the quiet revolution” associated with decentralization and devolution of power and responsibility to local governments – significantly affects the scope of the action plans (Tsenkova and Nedovic-Budic, 2006). A new intergovernmental institutional setup and fiscal central/local relations require mobilization of wider support for the implementation of strategic plans (Tosics, 2003; Maier, 2000). Uncertainty about choices of governments,

organizations, businesses, and individuals in the turbulent environment of post-socialist cities makes the implementation of alternative futures much more difficult. The internal environment is also in a state of flux, reflected in the rapid adjustment of the physical, economic, social, and political structure of the city itself (Nedovic-Budic, 2001).

This framework is applied to the analysis of major stages/phases in the process of strategic spatial planning in the case studies. It provides insights into the development of institutional capacity able to initiate and support the process. This institutionalization is then related to the identification of major milestones in the strategic planning processes (plan-making) and content analysis of major thematic blocks of the plans.

22.4

Plan-making: The strategic planning process

The development of strategic plans in the capital cities of post-socialist Europe started in the mid-1990s, often with some donor assistance.¹ The broad goal of these initiatives is to generate sustainable, long-term benefits for city residents, while enhancing the competitiveness of the local economies and the development of democratic and self-reliant municipal management systems. The strategic plans promote the creation of a vision for the future development of the city with clearly defined goals, objectives, and actions for priority areas. These are long-term policy documents with a timeframe of 10 to 15 years.² Budapest is the only exception advocating a vision for the next 30–40 years. The strategic planning process is often divided into four to five phases identified in Table 22.1. The process appears to be quite lengthy, particularly in the case of Budapest, and includes a series of iterations to validate strategic priorities, objectives, and appropriate course of action. Public consultation and various forms of expert and city management input are channeled through the process to build consensus on different development scenarios and drafts of the strategic plan.

In the case of the six strategic planning processes reviewed in this chapter, the following pattern can be identified.

Organization of the process and analytical work. Following agreement on the strategic planning process, an analytical scan of the internal and external environment is usually undertaken. The focus tends to be on issues pertaining to the city's competitive advantage, economy, social and spatial changes, as well as sectoral issues related to infrastructure, housing, and real estate development. A SWOT analysis and identification of key issues and priorities is carried out (Prague, Vilnius, St. Petersburg, Sofia).

Formulation of a community vision. The SWOT analysis assists in the definition of key issues and priorities and the formulation of a vision, often with broad stakeholder input (Riga, Vilnius, Sofia). Interim endorsement of the vision by senior city management is often required at this stage.

Table 22.1 The strategic planning process: Comparative overview of major milestones and institutions

	Prague	St. Petersburg	Vilnius	Budapest	Sofia	Riga
Major Milestones	<ol style="list-style-type: none"> 1. Workshops, analytical work 1995–1998 2. Prague Strategic Plan summary approved July 1998 3. Strategic Priorities and programs for implementation approved (1999-2006) June 1999 	<ol style="list-style-type: none"> 1. Methodology and strategic priorities, Oct-Dec 1996 2. Ratifying the principal objectives of the plan & institutionalization, January-March 1997 3. Drafting of action plans by 12 thematic committees, March-July 1997 4. Consultation and approval Nov. 1997 	<ol style="list-style-type: none"> 1. Creating Vilnius City vision, 2001 2. Analysis of economical and social conditions 3. Establishing long-term priorities for city's development, approved in November 2001 4. Development of Vilnius City Strategic Plan & public consultation, April-May 2002 5. Development of a monitoring system, May 2002 	<ol style="list-style-type: none"> 1. Expert analysis of city development, conference, first draft - Oct-1997-August 1998 2. Focus on key issues ("pillars" of the concept): -Jan-Oct 1999. 3. Third Draft prepared with public input-August 2000 4. Fourth version approved by Municipal Cabinet, wide public debate - Dec 2001-April 2002 5. Fifth version debated and presented to Municipal Assembly of Budapest, November 2002 	<ol style="list-style-type: none"> 1. Organization of the process and analytical work, September 2000-February 2001 2. Vision & strategic priorities, March 2001 3. Formulation of Sofia Development Strategy & public consultation, June-October 2001. 4. Development of action plans, consultation - January-April 2002 	<ol style="list-style-type: none"> 1. Analysis of economic, social and urban conditions, 2003–2004 2. Creating city vision through public involvement campaign-April 2004. 3. Draft City Development Plan finalised & public consultation- December 2004 4. Revised draft City Development Plan - 2005
Approval of the Strategic Plan	May 2000	December 1997	June 2002	March 2003	March 2003	

(Continued)

Table 22.1 (Continued)

	Prague	St. Petersburg	Vilnius	Budapest	Sofia	Riga
Leading Institution	Prague Development Authority	Leontief Centre & General Council for the Strategic Plan	Analysis and Strategic Planning Division of Vilnius City Municipality	Metropolitan Research Institute consortium	Sofia Master Plan Team /World Bank	Development Plans Management Unit City Planning Office
Implementing Institution	The City of Prague; Strategic Planning Department	The City Administration of St. Petersburg	Analysis and Strategic Planning Division of Vilnius City Municipality	The Municipality of Budapest	The City of Sofia	The City of Riga
Timeframe	2015–2020	...	2002–2011	2030–2040	2002–2010	2006–2018
Influence on major city management documents	Strategy of Prague Region, approved in 1999	Plan of Action to be Implemented by City Administration	Infrastructure Investment Programs	Financial plans (7-year)	Sofia Master Plan 2020 Regional Plan of Sofia Oblast (2006–2010) Infrastructure Investment Program	Long-term development strategy until 2025 Development program (2006–2013) Comprehensive plan including the construction regulations (2006–2018)
Donor Assistance	Land use plan Sectoral concepts	Legislative action to Ensure Implementation of Measures in the Strategic Plan	Sectoral concepts	...	World Bank/Cities Alliance	World Bank/Cities Alliance
	International cooperation with UK	International cooperation with EU		

Source: S. Tsenkova

¹economic policy, knowledge base, industrial restructuring, retail, real-estate development, logistics, transport, spatial structure, urban renewal, housing policy, public spaces, environment, social policy, culture and tourism

Formulation of Strategic Plans. The first drafts incorporate a summary of the SWOT analysis and identify the hierarchical system of goals, strategic objectives, and priorities for action. Building consensus among city residents, stakeholders, and development partners on key objectives and priorities further refines the strategic plan. Public input is facilitated through a variety of means – conferences (Budapest, St. Petersburg, Vilnius), surveys and public meetings, round tables, open houses (Riga, Sofia, Prague).

Revisions, validation, development of action and implementation plans. A second (in the case of Budapest, fourth and fifth) draft strategy document and action program matrix with realistic and measurable objectives supporting the major goals is prepared and circulated to key stakeholders for review. At this stage, some cities opt for more expert review and input (St. Petersburg, Sofia, Prague) as opposed to general consultation with the public (Riga, Vilnius). The critical difference is also in the action matrix embedded in the strategic plan. Prague, Vilnius, and to some extent Sofia, have identified specific institutions responsible for implementation of actions as well as corresponding budgets, which makes the task of monitoring more manageable.

Approval and implementation of Strategic Plans. The strategic planning process concludes with the endorsement of the Strategic Plan by the municipal council, although the documents suggest that subsequent revisions are expected and the actual implementation process might augment the choice of strategic priorities. The strategic plans, as long-term city development visions, have an important influence over the more traditional land use/master planning documents (Sofia, Prague) as well as on regional strategies (Prague, Sofia, Vilnius) and other more operational urban management tools, such as 5 to 7-year investment programs (Budapest, Vilnius). In Riga, the long-term development strategy is expected to function as an umbrella document for the entire City Development Plan (2006–2018), being the most important policy document of Riga City Council and a tool for city management and development control.

22.4.1

Institutionalization of the process: Design of arenas

The institution-building (the design of arenas) is initiated early in the strategic planning process. In most of the cases, the lead institution is based within the city administration, although Budapest and St. Petersburg are exceptions (see Table 22.1). The formal arenas are established to lead the thematic work associated with the SWOT analysis, and to manage the input of different stakeholders into the strategic planning process. The key decision-makers typically include city mayors, councilors (local politicians), senior management, and members of the lead strategic plan institution (department).³

From the very start, these formal arenas seem to be complemented with informal participation of experts and institutional representatives from central government

ministries, agencies, non-governmental organizations (NGOs), and academic institutions. This somewhat hierarchical structure is legitimized through the strategy process and expanded during subsequent rounds of public consultation (workshops, conferences, open houses, etc.). For example, the model of engagement assigned experts to “task-specific” circles related to the three thematic areas of Sofia Strategy, while in St. Petersburg the draft action plan was prepared by 12 thematic committees (General Council for St. Petersburg, 1998). The consolidation of public and stakeholder input, as well as feedback from the municipal administration, is often done by consultants (Budapest, St. Petersburg, Sofia, Riga), although the results are vetted by key decision-makers.

While the implementation is vested with the city administration, in several cases the lead strategic planning institution (Vilnius, Riga, Prague) continues to exist beyond the approval date and assumes the role of monitoring agency.

22.4.2 Public participation

This is, perhaps, the part of the strategic planning processes that marks a radical departure from the plan-making under socialism. Various strategies are incorporated in the cities under review, ranging from more to less inclusive.⁴

Riga, for example, has chosen a very open and democratic process to formulate its vision (Figure 22.2). A public involvement campaign “I do Riga” was launched in April 2004, including mail-out questionnaires to every household, street advertisements, business breakfasts, and open discussion forums with experts.⁵ Within three weeks, it generated more than 12,000 written opinions, excluding those of the experts. The second round of public consultation on the draft strategy was done in December 2004 through eight-week exhibition and thematic workshops, which resulted in close to 5,000 different submissions (Riga City, 2005).

The approach in Vilnius includes a mix of surveys (of experts, residents, and municipal officials), work breakfasts, seminars, and conferences soliciting feedback on the Vilnius City Strategic Plan. The leading institution presented the Vision and the Plan to a number of stakeholders to consolidate different opinions, but it does not seem that residents were actually involved in the formulation of objectives and action plans.⁶ Retaining more control over the process certainly made it more manageable and allowed its completion within one year. In St. Petersburg, and to some extent in Budapest, the process of public participation was more formal, targeting mostly the expert audience. In St. Petersburg, the strategic objectives were presented to a conference attended by 400 people while only 27 actually spoke. The Strategic Plan was accepted, part by part, at a final conference in 1997, which had 15 sectional meetings attended by 900 people; 115 people spoke (General Council for St. Petersburg, 1998).⁷ In Budapest, each draft of the strategic plan was presented to an expert audience with efforts to engage local politicians.⁸ The spring of 2002 marked a period of wider dissemination of the concept through the City Forum of Budapest, where at least 150 persons participated.



Fig. 22.2 Public outreach in the strategic planning process of Riga: Questionnaires handed out in a traffic jam

Source: Photo by S. Tsenkova

In Sofia, close to 200 people representing a variety of institutions were engaged in round table discussions, voting and selection of priorities. Facilitated discussions, priority voting and reporting of results to the Mayor and other stakeholders ensured that different views are taken into account and the process is transparent. The participants were brought together for a second round of consultation on priorities and actions. Facilitated discussions in eight “task-specific” circles engaged 110 experts to build consensus on Sofia’s strategic action plan. Leaders of the “task-specific” circles presented their recommendations to the Mayor and Deputy Mayors. In addition, two representative surveys were carried out to incorporate the views of businesses and citizens (Zeijlon et al, 2002).

The consultations generated a significant level of interest and, given the lack of tradition in public involvement, they were perceived to be successful in changing the traditional hierarchical relationships and lines of communication among local government, NGOs, and citizens. Figure 22.3 schematically presents the links between modes of public participation and input as they relate to major milestones in the strategic planning process. The public input was instrumental in the selection of priorities related to the five thematic areas of Sofia’s Strategy – finance, city services, management, economy, and the urban environment.

The matrix in Table 22.2 highlights the extent of public participation at different stages of strategic plan-making in the six cities. The scale of public involvement ranges from “none” to “broad.” These categories stylistically represent immense divergence of modes and strategies for public participation. As with any category, one should be careful to guard against assumptions that the whole world of public participation in the planning process can easily be captured by the labels of different categories. Rather, this should be viewed as an attempt to delineate different forms

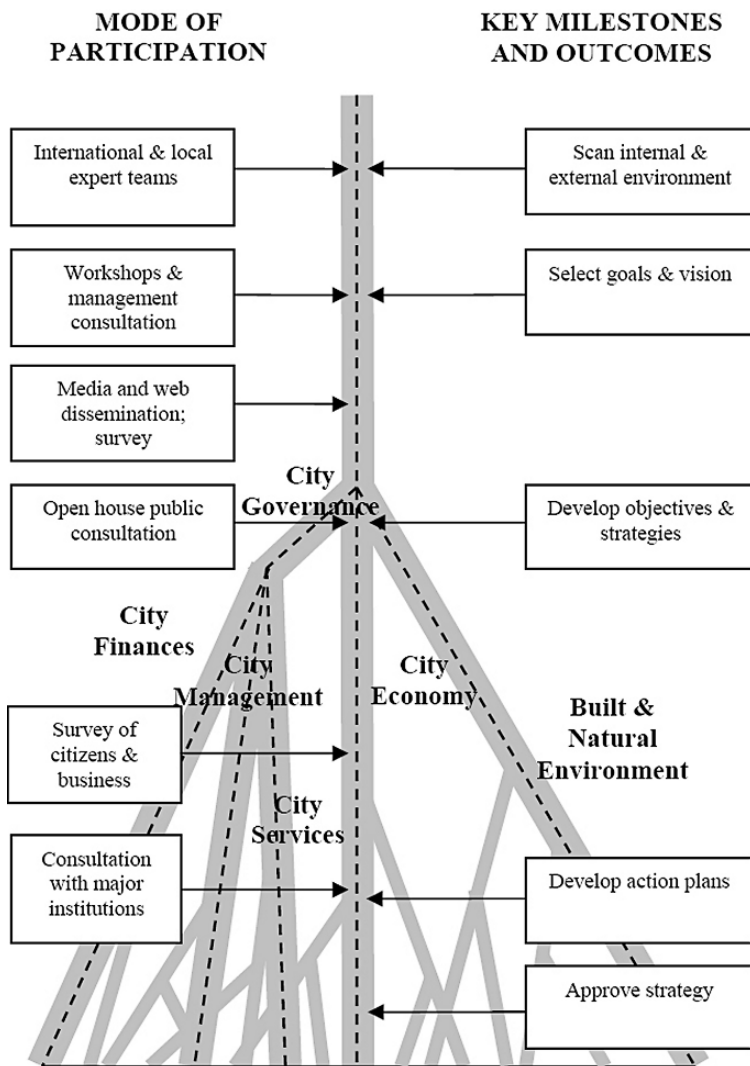


Fig. 22.3 Mode of public involvement and major milestones of the strategic planning process in Sofia

Source: Adapted from Tsenkova, 2007

Table 22.2 Public involvement at different stages of strategic plan-making

Stages	Prague	St. Petersburg	Vilnius	Budapest	Sofia	Riga
Organization of the process and analytical work	Experts & senior management	Experts	Experts	Experts	Experts & senior management	Experts
Formulation of a community vision	Experts and various forms of public engagement	Mostly experts driven	Broad stakeholder input	Experts and various forms of public engagement	Broad stakeholder input	Broad stakeholder input
Formulation of Strategic Plans	Experts with public input	Experts & senior management	Experts with public consultation	Experts driven	Experts with some input from the general public	Experts with extensive public input/validation
Revisions, validation, action and implementation plans	Experts	Experts	Experts with public consultation/validation	Experts & senior management	Experts	Experts with public input
Society/residents' well-being						

Source: S. Tsenkova

of public participation and expert involvement in the formulation of a vision and the selection of goals and strategic priorities for the future.

22.5

Plan content: Visions for urban growth management

22.5.1

Visions

The visionary approach is a more flexible way to deal with an uncertain world. Visions set the broad outlines of a strategy while leaving the specific details to be worked out (Mintzberg, 1994). In the post-socialist context of uncertainty in the economic, political, and social domains, the visions need to be connected to the present with a good understanding of the forces at work determining possible future alternatives. While this process is no doubt very challenging, the city visions advanced in the strategic plans of the six cities demonstrate an effort to position them on the European stage of prosperous and attractive places. Riga is promoted as a city that presents opportunity for everyone, a convenient and comfortable place to live in, a city that is metropolitan, diverse, and efficiently managed. The vision statement of Vilnius speaks of the city's confidence and recently found prosperity, describing it as "the most modern city in Central and Eastern Europe, an international center of politics, business, science, and culture" (Vilnius City Municipal Administration, 2002: 2). St. Petersburg's vision also promotes the city as Russia's gateway to Europe, a cultural capital with open economy, which offers sustained improvement in the quality of life for its residents (see Figure 22.4). In a similar fashion, Sofia's vision statement portrays the city as "...capital of the Balkans, a city with a competitive economy and sustainable economic growth, ...with high quality of life, attractive for businesses, residents and tourists" (Zeijlon et al., 2002: 4).

These city visions demonstrate a strong emphasis on competitiveness, economic growth and prosperity, and efforts to enhance the quality of life through improvement of infrastructure, housing, transport, and education.

22.5.2

Thematic blocks of the Strategic Plans

Notwithstanding the distinct features of each city and its economic, natural, social, and cultural potential, several thematic blocks can be discerned in the hierarchical structure of goals, objectives, and strategic priorities of the strategic plans under review – competitiveness, economy, society, and urban environment. While there is no doubt that a fair amount of overlap exists with respect to the challenges that need to be addressed and priority actions that need to be taken, the plans tend to maintain this broad thematic classification in their structure. The interrelationships between the thematic blocks are perhaps best illustrated in Riga's presentation of strategic priority goals in Figure 22.5.

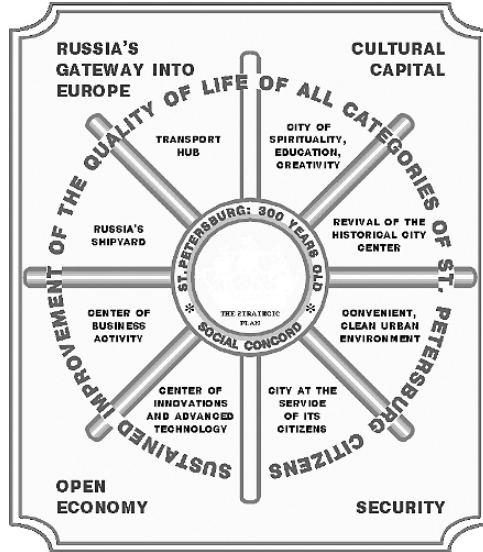


Fig. 22.4 St. Petersburg’s vision

Source: Adapted from general council for St. Petersburg, 1998



Fig. 22.5 Riga City Development Plan strategic goals

Source: Adapted from Riga City, 2005

22.5.3 Strategic objectives and actions

The strategic plans articulate a variety of goals, strategic objectives, and specific actions. The goals and objectives build upon strengths and opportunities identified in the SWOT analysis and establish the framework for strategic and operational decision-making (Tsenkova, 2002). The matrix in Table 22.3 provides a comparison of this framework for the strategic plans of Prague, Vilnius, Riga, Sofia, and St. Petersburg. The Budapest Strategic Development Concept (2003) was excluded from this analysis since it consists of 8 strategic aims, each containing 3 to 7 broad aims (altogether 39), which are further divided into specific aims. It appears to be very much work in progress with no priorities or leading projects defined.

With the risk of oversimplifying the diversity of plan content, the analysis is focused on the similarities in the choices of goals and strategic objectives as opposed to the nuances and differences. Perhaps the similarities are due to the common legacy in post-socialist cities and the impact of multiple transitions – to markets, democracy, and pluralistic governance (Tsenkova and Nedovic-Budic, 2006).

In the economic realm, the focus is on accelerating growth in the local economy while addressing the dual challenges of stagnating labor markets and the shift to service-based (knowledge-based in Vilnius) economies. City leaderships is expected to facilitate private sector growth through more aggressive marketing of the city to national and international investors and by implementing a wider dissemination strategy on business and real estate investment opportunities. The emphasis on place promotion – the diffusion of appropriate information about main resources, products, spaces, services, etc., as well as on “inward investment” strategies in the plans of Sofia, Vilnius, Prague, and St. Petersburg is particularly strong. The strategic priorities in the economic theme target development of skills and knowledge (Sofia, Vilnius, Riga) as well as existing industrial capacity (St. Petersburg, Riga) to define the competitiveness of the local economy and its ability to attract new economic activities. In the process of economic adjustment, the challenge and the opportunity for these cities are to create a climate that fosters the restructuring and modernization of the economy and contributes to equitable growth. The economic component of the strategic plans is closely linked to priorities to sustain the economic position of cities (Prague, Vilnius, St. Petersburg, Sofia).

While the SWOT analysis emphasizes the high concentration of business headquarters and highly skilled labor force, as well as the relatively high quality of life in these capital cities, the plans highlight the importance of urgent actions to improve their infrastructure (Riga, Vilnius) and urban management (Prague, Sofia) in order to sustain competitiveness. Other priorities relate to the development of more favorable business climate (St. Petersburg) and city marketing (Prague, Vilnius).

In the social realm, issues of major concern include rising business and living costs, inadequate quality of life in existing housing areas, and the provision of access to jobs, retail, and recreation. The plans attempt to address these challenges through a particular emphasis on the improvement of social services (Sofia),

Table 22.3 Matrix of themes, goals, and priorities in the strategic plans

	Prague	St. Petersburg	Vilnius	Sofia	Riga
Major goals/priorities	<ul style="list-style-type: none"> o Become a successful and competitive city with prosperous economy o Improve quality of life and become attractive and well-balanced community o Create high quality urban environment while respecting sustainable development; modernize transport infrastructure o Improve city's management and administration 1 	<ul style="list-style-type: none"> o Create a favorable living environment; o Create a favourable cultural and industrial environment; o Integrate the city into the world economy 	<ul style="list-style-type: none"> o Increasing the international competitiveness of Vilnius; o Developing a new economy; o Creating an advanced society; o Developing of transportation infrastructure. 	<ul style="list-style-type: none"> o Improve the competitiveness of the city's economy o Invest and improve city services (infrastructure and social programs) o Enhance the quality of the built environment o Improve city management and finances 	<ul style="list-style-type: none"> o Create educated, skilful and culture respecting society o Promote strong local communities within the city o Promote economy that uses the East-West links
Competitiveness	<p>Improve city's management and administration1.</p> <ul style="list-style-type: none"> o Raise administration efficiency, secure public involvement in resolving city affairs o Strengthen the standing of Prague within the national public administration 	<p>Establishment of a favorable business climate</p> <ul style="list-style-type: none"> o Elimination of constraints on business o Reduction of the tax burden o Development of the real-estate market; reform of city-planning regulation o Development of the labor market; improvement of labor mobility; provision of conditions for retraining and skills upgrading o Reorientation of financial resources towards investment in the real economy 	<p>Increasing the competitiveness of Vilnius</p> <ul style="list-style-type: none"> o Strengthen its significance as a capital and strategically attractive center o Build an image of Vilnius as a knowledge economy o Improve the urban image of the city and make wider use of its distinctiveness 	<p>Improve city finances & management</p> <ul style="list-style-type: none"> o Enable the city to do reliable financial forecasts and planning by establishing a stable and predictable system of inter-governmental fiscal relations o Improve the organization of the municipal administration o Enhance internal efficiency o Improve communications with and response to citizens 	

Economy

- Become a successful and competitive city with prosperous economy**
 - o Utilize the city's potential to secure competitive economy & prosperity
 - o Develop Prague as an important part of new Europe
 - o Secure economic activity according to the potential of the city

- Integration into the world economy**
 - o Strengthening of foreign-trade and transport functions
 - o Consolidation of competitive manufacturing industries
 - o Promotion of St. Petersburg on the cultural and tourism markets
 - o Development of science, education and innovational activities

- Develop a new economy**
 - o Create favorable conditions for the development of a knowledge economy
 - o Ensure favorable environment for business and investment

- Improve the competitiveness of city's economy**
 - o Sustain economic growth by creating a favorable business climate
 - o Broaden the economic base
 - o Capitalize on the City's human resources
 - o Form partnerships to support the local economy

- Promote economy that uses the East-West link**
 - o Promotion and creation of the international relations
 - o Development of the services export in Riga
 - o Transit infrastructure development
 - o Promotion of the logistics' services
 - o Promotion of the multicultural environment

Society/residents' well-being

- Improve quality of life and become attractive and well-balanced community**
 - o Strengthen Prague's traditional position as centre of education and culture
 - o Improvement of housing
 - o Promoting safety

- Establishment of a favorable social environment**
 - o Establishment of a stable social environment
 - o Development of the educational, cultural and intellectual potential of St. Petersburg's citizens
 - o Accelerated resolution of the housing problem, reform of housing-maintenance
 - o Restructure management of public transport and road maintenance
 - o Improvement of the quality of administration of the city and region

- Improve city services**
 - o Invest in infrastructure to improve the quality of services provided: district heating; water and sewerage; urban transport
 - o Improve social services: health care, education, social assistance

- Create educated, skilled and culture respecting society**
 - o Development of basic skills
 - o Follow-on the market demands and changes;
 - o Development of the knowledge based economy
 - o Commercialization of the scientific ideas
 - o Promotion of the professional higher education
 - o Promotion of the exact sciences

(Continued)

Table 22.3 (Continued)

	Prague	St. Petersburg	Vilnius	Sofia	Riga
Urban Environment	<p>Create high quality urban environment while respecting sustainable development; modernize transport infrastructure</p> <ul style="list-style-type: none"> o Gradually improve all areas of the city environment o Sustainability of energy and material flows o Development that respects cultural and historic heritage o Create attractive integrated system of public transit o Reliable system of drinking water 	<p>Improve the urban environment</p> <ul style="list-style-type: none"> o Revival of the historical city center o Formation of zones of dynamic urban redevelopment o Development of the inner-city and suburban transport network and of major roads o Development of utilities infrastructure o Improvement of the state of the environment 	<p>Develop transportation infrastructure</p> <ul style="list-style-type: none"> o Ensure good international and external transport connections o Ensure balanced development of the city's transportation system o Modernize the engineering supply 	<p>Improve the built environment</p> <ul style="list-style-type: none"> o Create a balanced spatial structure to enhance sustainable opportunities o Sustain the vitality of the City center; o Regenerate existing secondary centers o Improve quality of life in existing housing areas o Promote sustainable use of environmental resources 	<p>Promote strong local communities within the city</p> <ul style="list-style-type: none"> o Creation of multifunctional neighbourhoods with adequate social infrastructure o Revitalization of the rundown areas o Promotion of neighborhood identity and socially integrated neighbourhoods o Sustainable neighborhood development

Source: S. Tsenkova

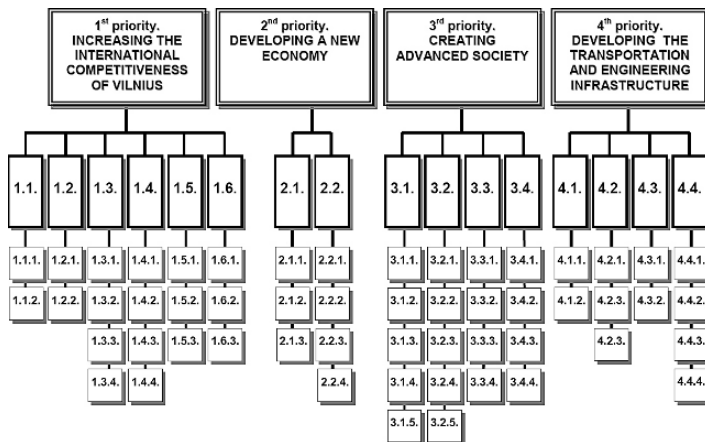


Fig. 22.6 The Structure of priorities, goals and objectives of Vilnius City Strategic Plan

Source: S. Tsenkova, adapted from Vilnius City Strategic Plan, 2002

investment in education (Riga, Vilnius, St. Petersburg), and general action to improve opportunities for local residents (Prague).

Correspondingly, the urban structure component of the strategic plans emphasizes the importance of the following objectives: 1) investing in infrastructure to improve the quality of the services provided (Prague, Vilnius, Sofia, St. Petersburg); 2) creating a balanced, polycentric spatial structure to enhance sustainable opportunities (Prague, Sofia); 3) improving the quality of life in existing urban centers and residential areas (St. Petersburg, Riga, Prague); and 4) promoting sustainable use of environmental resources (Prague, Sofia). In a similar fashion, the goals of more efficient and effective transport system support a cluster of actions and programs in Riga, Vilnius, and Prague.⁹

It is beyond the scope of this chapter to provide detailed content analysis of the wide range of actions and programs in each thematic cluster. Although the links at times are not straightforward, the plans demonstrate relatively clear relationships between existing strengths and opportunities in the SWOT analysis and the strategic goals and objectives endorsed in the plans. The typical hierarchical structure of the goals achievement matrix is perhaps best illustrated in the strategic plans of Vilnius, Prague, and St. Petersburg (see Figure 22.6).

22.6

Critical reflections on the strategic planning experiences

Planning for the uncertain future is a very important aspect of present post-socialist politics and a valuable source of learning. It has obvious relevance to planners and policy makers attempting to apply standard policy options, successful plans, and

institutional structures drawn from Western Europe or elsewhere in the context of transition countries. While there are obvious differences in the way the three aspects of the transition process – the transition to democracy, markets, and democratic governance – affect post-socialist cities, they set a very different and perhaps unique context for strategic planning. The magnitude of change, both in the external and internal environment, as well as the turbulence affecting planning institutions, is much more significant compared to urban contexts in Western European cities. This undoubted complexity creates unique challenges for planners, making the traditional links between past, present, and future less explicit and predictable. In this context, the SWOT analysis becomes perhaps more important as a way of establishing the critical links between past, present, and future. While this technical, rational approach might have its limitations, it is essential in setting the framework for the participatory stages in the strategic planning process (Tsenkova, 2002). Further, the institutionalization of strategic planning might be even more demanding if extensive consultation is envisioned to establish legitimacy, representation, and diversity of input. Planning practice in post-socialist cities is influenced by extensive reliance on physical land use planning and experiences with public consultation tend to be limited. These are significant restrictions for the design of the strategic planning process.

In the relative absence of literature on planning in the transition countries in general and on strategic planning in particular, insights from these experiences might contribute to better understanding of urban transformation in post-socialist cities and the complex reality of plan-making. The strategic planning processes in the six cities – Riga, St. Petersburg, Vilnius, Sofia, Budapest, and Prague – have created a shared vision for the future of the city as well as a framework for more effective policy and investment planning. The process itself provides a basis for interdepartmental coordination and the creation of strategic partnerships and alliances with central government, business, and NGOs. Its goal-focused development priorities link economic, social, spatial, and financial objectives, making some of the immediate choices on strategic priorities explicit. Stakeholder participation in the strategic process is a search for a common vision and aims at the development of public ownership and support.

In thinking about some of the advantages and disadvantages of the process, several issues need to be considered. First, the selection of strategic goals capitalizes on the advantage of hierarchical arrangements in strategic planning and strong leadership, which allows goals to be established at the top level (particularly in St. Petersburg, Sofia, and Vilnius), and developed into more detailed policies and implementation strategies at lower levels. Second, the process allows consideration of alternatives on the basis of substantial analytical work (SWOT) and the creation of a framework for more integrated decision-making in a collaborative manner (Vilnius, Prague, Sofia). Third, it establishes better and more transparent relationships among municipal bureaucrats, politicians, and their constituencies (Budapest, St. Petersburg, Prague). The institutional set up and task specific circles, or thematic committees, bring together formal and informal institutions (with experts taking the lead role),

and facilitate partnerships. Despite these advantages, the participatory process faces challenges and risks. It generates a huge amount of information, which is not always consistent (Budapest, Riga, Sofia). It is difficult to achieve consensus and to broker different interests, particularly at the level of action plans and budgets.¹⁰ Mutual trust, inclusiveness, and partnership are critical for the legitimacy of the participatory process, but they take a long time to develop and nurture.

These experiments with strategic planning offer a systematic test of the efficiency and appropriateness of the concept in post-socialist cities. A few important elements might characterize a successful approach. First, strategic spatial planning, where the process of participatory plan-making is equally important as the plan itself, ensures broader consensus on priorities as well as mobilizes public and institutional support for its implementation. Second, it allows combination of multiple priorities and objectives (e.g. economic growth, social services provision, improvement of the business environment, land use planning and investment, etc.), which is essential for the creation of cities that are competitive and livable. Third, well targeted strategic spatial plans with clearly established priorities allow synergies of various sectoral projects and generate positive economic and social spillover effects. In summary, it can be argued that strategic spatial planning is an efficient tool to manage post-socialist cities. It creates opportunities to mobilize funds and wider support for city's priorities, as well as to define contextually appropriate multi-dimensional strategies for future development. Certainly, the process of plan implementation is the ultimate test of the effectiveness of strategic planning in the context of transition to democracy and markets. It is perhaps too early to make informed judgment in this regard without adequate understanding of implementation challenges in different cities and the extent to which strategic plans have made a real difference in the process of city management.

Acknowledgements

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Notes

¹ For example, the Canadian International Agency supported the development of the "first generation" of strategic plans in Riga, Tallinn, and Vilnius. More recently, The Cities Alliance – a global program led by the World Bank and the United Nations Centre for Human Settlements (UN-Habitat) – has played a critical role in the strategic planning processes of Sofia and Riga.

² The Budapest Concept defines three different planning periods: medium-term (7 year) financial forecast and development plan; long-term (15 years) program, and 30–40 year very long term vision (City of Budapest, 2003).

³ In St. Petersburg, a General Council and Executive Committee were appointed to work together with the Project Office at the Leontief Centre.

⁴ Prague had a participatory process which established a forum for the public to actively participate in the preparation of the strategic vision and in proposals for its implementation.

⁵ The campaign addressed a major problem with the lack of interest demonstrated at the beginning of the strategic planning process when only 6 opinions were received in the official public consultation.

⁶ Vilnius City Strategic Plan process included 15 work breakfasts with 300 participants, six seminars with more than 400 participants, and two conferences. In addition, the plan received suggestions from more than 100 residents of Vilnius (Vilnius City Municipal Administration, 2002).

⁷ By developing Russia's first strategic plan, St. Petersburg tested a new democratic approach to identifying goals for the future development of the city.

⁸ The conference attracted 400 people in its thematic sessions. This was followed by six half-day discussions in the districts of Budapest with the participation of political leaders (mayor or deputy mayor, head of planning committee) and chief architects (Tosics, 2003).

⁹ Urban development in the 1990s in most of the post-socialist world, particularly in the capital cities, has been characterized by suburbanization of housing, retail, and jobs. These trends, together with growing motorization, have created immense transportation challenges in the historic city cores (see Tsenkova and Nedovic-Budic, 2006 for further discussion).

¹⁰ In the case of Budapest, the main differences between experts and city politicians became visible two years after the first draft of the Plan. The politicians wanted to see more financial analysis behind the suggested programs as well as more precise definition of the role of the Municipality and other stakeholders in city development (Tosics, 2003).

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23 Urban and regional planning in Central and Eastern European countries – from EU requirements to innovative practices

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23.1 Introduction

Since the early 1990s, Central and Eastern European countries have been carrying out painful transformative processes, trying to break from their socialist past and move towards democratic, market oriented societies. One catalyst of this development has been the preparation of these countries for accession to the European Union.¹ The inclusion of the new member states in the spatial planning process on a European level is expected to facilitate the development of more effective governance structures and assist knowledge exchange on a European scale (Pallagst, 2000). A critical part of this process has been the formation of a sound knowledge base on the processes of socio-economic transformation affecting former socialist countries in Europe. In the last fifteen years, regional economic research has provided a great number of studies investigating issues of regional development in post-socialist Europe, making significant contributions to the area of “transformation studies” (Kraetke, 2002; Uvalic, 2002; Barjak, 2001; Fassmann, 2000). Urban and regional planning researchers, albeit at a slower pace, have joined this effort, accumulating a unique body of knowledge on urban development and planning practices in these transitional societies.

While reflecting on the debates about EU’s regional policies, this chapter presents – with the examples of Slovakia and the Czech Republic – a discussion on the future prospects of urban and regional planning in CEE countries under the conditions of an enlarged Europe. We suggest that a new quality of spatial planning in these countries has to be found, taking requirements for urban and regional planning on the European level into consideration. The argument is based on the analysis of the main institutional steps that have been taken by countries in the region in preparation for the EU-accession. In this regard, we examine structural policy instruments that have been applied in recent years to support these countries. We also discuss anticipated changes in EU programs in that regard. Two scenarios – “retention” and “merger” – are presented here, related to the possibilities to either create an epistemic community² around planning in Central and Eastern Europe, or to shape an enlarged epistemic community of European spatial planning.

The empirical question posed in this paper is: How do CEE countries elaborate and implement efficient planning strategies, considering that European assistance is not supposed to replace national policies but to stimulate their development? Subsequently, the question arises: Under which influence or model will the planning policies of the new members evolve given the standardized EU policies and methodologies, on one hand, and the various approaches employed in urban and regional planning practices of the old EU member states, on the other? To answer these questions, it is necessary to investigate closer specific national environments and to scrutinize areas that constitute the core of national planning policies. In this respect, the paper presents the two cases of Slovakia and the Czech Republic following their recent urban and regional planning paths. Since these two countries were joined in one state until 1993, an exploration of the similarities and differences of their planning practices can yield valuable insights related to what could be the distinctive features of urban and regional planning in CEE countries beyond EU prerequisites.

23.2

The role of EU structural policy in shaping planning and development

Since 1957, EU regional policy progressed around the strategic orientations of economic and social cohesion, but without clear competences given to the European Commission in the field of territorial development and spatial planning. Some states with strong lobbying positions desired to collect benefits without paying too much for other member states. For this reason, the history of EU regional policy development is characterized by permanent negotiations and, sometimes, fierce opposition, particularly during successive phases of enlargement.

The situation of the CEE countries is, however, noticeably different. The first issue is the question of scale – the task of integrating ten new member states representing about one third of the EU population is daunting in itself. The process of integration is further complicated by the fact that the group of new members is composed of states with strong socio-economic and territorial disparities. Moreover, these countries do not have the long experience in decentralization and territorial development accumulated by Western European countries since the 1950s. The idea of joining the European Union became more tangible for the post-socialist countries in the middle of the 1990s, and since then, they became intensely engaged in a competition for EU accession. Even if Poland, at the European Council of Copenhagen in December 2002, clearly demonstrated that the CEE countries were able to put forward strong claims, since the end of the 1990s, the tendency has been characterized by a broad acceptance of the conditions fixed by Brussels.

After the collapse of the socialist central planning system in Europe, the difficulty for the CEE countries today lies in the attempt to elaborate national policies between the pressure of EU regulations, on one side, and the temptations of a self-regulating liberal economy, on the other. Although the European structural

policy is not supposed to shape national spatial planning and regional development strategies, its programming and implementation systems have a real impact on territorial governance in Central and Eastern Europe as the prospects of receiving EU subsidies are directly influencing the choice of national and territorial investments.

Since the year 2000, the applicant countries began to draw benefits from the pre-accession programs ISPA and SAPARD,³ preceding respectively the Structural and Cohesion Funds.⁴ The acceding countries are considered eligible for benefits from these funds only after they secure full compliance with the implementation rules, as well as with EU policies and legislation in areas ranging from environmental protection to economic competition and state aid. The European Commission proposed Special Preparatory Programs (SPP) to help the candidate countries set up the instruments needed so that the mechanisms of absorbing these funds are fully operational by the date of accession to the EU. Between 2004 and 2006, 22 billion EUR have been earmarked for all structural instruments in the ten new member states.

At the national level, the European regulations related to the structural funds impose certain institutional reforms. These management requirements remain primarily centered on the use of EU funds and do not appear suitable to carry out thorough political debates concerning long-term goals in the field of spatial planning and territorial development. International cooperation and academic research in the area of spatial planning in the CEE countries, on the other hand, suffer from a lack of strategic orientation and financial support by the national and local governments. Support for territorial development in the region has mainly come from ministries of economy through legislative, institutional, and financial help for small and medium size enterprise (SME) networks, training initiatives, innovation, and investments. Environmental ministries or departments, more traditionally in charge of spatial planning issues, can still bring their technical assistance for the drafting of territorial documents, but they are mainly based on sectoral issues related to environmental protection. At this stage, new member and candidate countries are missing real inter-ministerial cooperation to be able to conceive more integrated spatial planning and territorial development policies.

From an institutional point of view, the EU programming method based on NUTS II regions⁵ has been viewed as an occasion to advance the difficult process of decentralization. On this point, the EU Commission has often expressed the position that setting up decentralized regional bodies is a strong precondition for obtaining and utilizing properly EU funding. At the regional level, the fast creation of these new authorities in the end of the 1990s resulted in paradoxical situations. Administrative borders were often fixed in urgency under the pressure of the European agenda, avoiding deeper discussions on the long-term impacts of territorial administration reorganization. The newly fixed territorial boundaries try to combine historic concerns, local identity issues, and physical and economic spatial organization principles with EU management and programming requirements. The choices, therefore, often appear to be more an attempt to respond to a whole set of heterogeneous criteria than arising from a long term political project.

On the local level, CEE local authorities are called to play a key role in the elaboration and management of programs and projects, yet they do not have the experience that the EU 15 local governments developed during the second half of the twentieth century. Although the autonomy of municipalities in the applicant countries was recognized in the early 1990s, their financial means remain very limited. Municipal services and human resources are generally unsuited to face their new missions including the management of schools, social services, roadway networks, town planning activities, local economic development, etc. The lack of experience in project management is coupled with the need to adapt to a new territorial organization, which limits further their possibilities.

The many difficulties, encountered since the year 2000 by the EU candidate countries with the implementation of ISPA and SAPARD programs, led the Commission to modify its programming strategy. The low absorption capacity of local authorities, the lack of financial means, the inadequacy of human and administrative resources, and the structural difficulties encountered by many regions pushed the EU in favor of a greater concentration of programs and subsidies in candidate states.⁶ As a result, during the negotiations between the applicant countries and the EU Commission on the strategy for utilization of structural funds over the period 2004–2006, a limited number of sectoral operational programs were created.

The EU pressure to set up “regional authorities” coherent with the NUTS II programming scale appears today a bit outdated as the new structural funds regulations for the 2007–2013 period are mainly rejecting the original zoning system. Currently, the EU is encouraging “territorial cooperation” based on socio-economic realities and governance capacities. This change is encouraging as it shows a maturation process concerning territorial development issues.

The *Lisbon Agenda* and the *Third Report on Economic and Social Cohesion* (Commission of the European Communities, 2004) underline the necessity to support national economies through innovation initiatives and general improvements in the climate of competitiveness.⁷ Structural funds are promoted as growth policies against the background of the classic economic dilemma raised recently in some influential and critical analyses of EU regional policies – do regional policies act as a burden or as a resource from the macro-economic point of view? Another ongoing debate is formed between proponents of the territorial convergence policy, which is looking to increase regional and national economic efficiency through large investments and sectoral approaches targeting key areas, and the cohesion policy whose objective is to reduce social and territorial disparities by taking into account socio-economic situations.⁸ The main argument in favor of the geographical and sectoral concentration of the investments holds that development poles have a beneficial economic incidence on a broader scale. The main urban and capital regions concentrating innovation, cultural, and intellectual life, the argument goes, can spread their resources over the national areas.

From a territorial cohesion perspective, the regulation proposals for the next programming period strongly insist on the application of a territorial approach

emphasizing strategic planning partnerships between rural and urban areas. Such initiatives will mainly affect Objective 2 projects aimed at raising competitiveness of regions in the most developed European countries. In the new member states (essentially, Objective 1 countries), the priority placed on basic structural investments and socioeconomic development is, however, a strong opportunity to shape national territorial balance through long term planning initiatives.

23.3

Theoretical considerations: EU enlargement and new epistemic communities in planning

In retrospect, the 1990s were characterized by a boost in spatial planning on the European level, driven by the efforts of the EU member states and supported by the European Commission. A milestone of this development was the European Spatial Development Perspective (ESDP) (Commission of the European Communities, 1999) and the broad discursive process leading to the generation of this document. The main focus of the document is the territory of the EU member states and the policies related to their spatial development. Not surprisingly, the Central and Eastern European countries were addressed in a separate chapter.

The integration of the new Central and Eastern European actors in the European planning arena has become one of the principal challenges in European spatial planning. The planning traditions of the CEE countries, formerly embedded in socialist plan-making, differ greatly from those in the Western European states (Pallagst, 2001). This indicates the need for a systematic exchange of planning knowledge in a reciprocal approach. In the context of European spatial planning, mid-range theories, such as policy networks, epistemic communities, and multilevel governance, have been proven to offer most valuable theoretical explanations (Faludi, 2002).

Epistemic communities⁹ in the arena of EU policy development, just like policy networks, are encapsulated in an environment of multilevel governance where national governments are supplemented by supra-national and sub-national players (Marks et al., 1998). The question of stable actor relationships is a critical activity in forming these networks. Moreover, such networks are considered a typical medium for exchange of policy agendas between policy makers, and for the integration of these items into policy proposals (Richardson, 2001). This has been exactly the case in European spatial planning where the Western-centered perspective influenced heavily the content of the ESDP.

Uncertainty and knowledge demand, as generators of epistemic communities, can also be traced in the characteristics of European spatial planning. In this regard, Faludi describes the process of ESDP formulation as an “anarchic field” marked by “uncertainty regarding content as well as ...the positions of the various actors.” He comes to the conclusion that “[w]hat has emerged is an ‘epistemic community,’ admittedly with its roots in Northwest Europe.” (Faludi, 2000: 249).

The implication is that experts within the epistemic community of European spatial planning assume that the policy area might have geographical limitations.

Indeed, spatial planning on the European level has always been divided between Western and Eastern Europe, and it has recruited experts around these territories. Current events, such as the search for CEE experts for the European Spatial Planning Observatory Network (ESPON), confirm that this thinking of “them” vs. “us” seems to be of some persistence. However, CEE accession countries have always avoided being labeled second class EU members, following this line also in the ongoing discussions about the union’s structural policy. Taking these issues into consideration, two possible scenarios suggest themselves when imagining future spatial planning on the European level with regard to Central and Eastern Europe.

In the first scenario, called *retention*, the current trends will continue. Development perspectives, even concepts for the European territory, will be elaborated based on the experience of the Western European countries, while the eastern part of the continent will be conceptualized in a separate way. These principles imply that the competencies are mainly divided between multilevel expert groups shaping planning processes on European level while specializing either on one or the other part of Europe. Moreover, this approach assumes that EU funding should be channeled to the two zones differently. The advantage of this scenario lies in the fact that expert knowledge regarding CEE territory would be comparably high and that countries in the region would be able to receive strong advocacy to formulate their specific spatial planning objectives. On the other hand, the gap between the East and the West would be continuing and the mental barrier would remain unchallenged.¹⁰ Nevertheless, this scenario would help sharpen the view of spatial planning for Central and Eastern Europe as an epistemic community.

The second scenario, called *merger*, envisions a close integration between the two parts of Europe. It relies on the idea that spatial planning barriers between the East and the West, which used to be backed by spatial development studies, would finally vanish. The European Commission would take on this aspect and handle structural policy funding programs for the whole territory of the EU in a joint way. However, regional specifications will be taken into consideration. In this regard, networking and transnational cooperation can be perceived as a key to a more integrated Europe. This approach would also be characterized by a vital transfer of spatial planning knowledge. On the other hand, this scenario would most likely weaken the attempts towards the formation of an epistemic community around Central and Eastern European spatial planning issues. Ultimately, the merger scenario would require spatial planning for Central and Eastern Europe to find its role within the larger epistemic community of European spatial planning, thus strengthening the latter.

From the current standpoint, the scenario merger is more likely to occur. This is due to the fact that Central and Eastern European planners are more actively participating in European planning activities in order to enhance their knowledge about European developments in general and to support planning within their national planning culture.

23.4

Case studies: new requirements for urban and regional planning

The case studies of the Slovak and Czech republics presented below focus on the following questions: Which requirements arise in Slovak and Czech planning considering the European demands for regional policy development? How does the European trend towards strengthening of the regional level correspond with the existing planning and governance structures in the two republics? Is urban and regional planning in these countries prepared to participate in international co-operation? How can urban planning in Slovakia and the Czech Republic address the growing needs for greater flexibility and more effective implementation? Before we try to answer these questions, it would be useful to provide a brief overview of the evolution of planning traditions in these two Central European countries.

23.4.1

Urban and regional planning in Czechoslovakia

Current urban and regional planning in the Czech and the Slovak republics is rooted in the planning traditions of the federal state of Czechoslovakia. Under the communist regime, planning in Czechoslovakia was patterned after the “Eastern Block model,” which was based on the development of five-year plans for the allocation of major macroeconomic investments.

In 1976, the Law on Territorial Planning and Building was adopted to regulate the entire planning and development process in Czechoslovakia and to ensure a flexible link with the five-year plans (Kistenmacher et al., 1995). In a modified version, this code is still the foundation of planning regulations in the Czech Republic today. On the basis of this law, as well as the Law on Territorial Planning,¹¹ the Czechoslovak planning system was split in two levels. The first one, called *territorial planning*, was encompassing primarily economic development goals on a regional scale. This type of planning maintained strong ties with the governmental plans for macroeconomic development. It provided the link to area planning by setting up long-term development goals. *Area planning*, on the other hand, covered decisions on the final location of investments and the regulation of land uses on the regional and local levels (Matousek and Slepicka, 1988).

A problematic issue of this system was the coordination of both planning levels as they were operating within different time horizons. The lack of coordination was also a serious problem for territorial planning where the activities of various governmental agencies were never well synchronized. In addition, an effective implementation of planning decisions on all levels was rarely attained. All planning decisions were, of course, controlled by the central government while the lower levels of the administration were simply bound to enforce them.

After 1990, urban and regional planning in Czechoslovakia had to be redefined within the new democratic and market-oriented socio-economic frame. After the

Velvet Revolution, both politicians and the general public expressed a highly negative attitude towards regional planning as it was considered an intrusion in local affairs and a mechanism to keep the old centralist regime alive. These sentiments were reflected in the diminishing role of regional authorities, leaving all development aspects in the competencies of the respective ministries. Responsibility for urban and regional planning on the state level also became blurred, rotating several times between various ministries.

After a period of initial contempt, the awareness about the importance of planning began to rise again. This was due, in large part, to the processes of empowering local governments with rights and responsibilities that were previously under the purview of the state government. As a result of this decentralization, a boom in the development of city-wide general plans ensued and by the end of the 1990s two-thirds of the Czech communities had prepared such programming documents, followed by the adoption of detailed area plans for smaller city sections.¹²

After the separation of Czechoslovakia in 1993, the further development of the urban and regional planning systems in Slovakia and the Czech Republic has found inspiration in the heterogeneous planning styles of Western European countries, as well as in the ideas about joint European spatial development. Today, urban and regional planning in the Czech and the Slovak republics can hardly be deemed established planning practice. Since the beginning of the 1990s, urban and regional planning has been in a state of continuous transition, with only fragments of planning legislation and regulations in place. Yet, an emerging need to apply different, more contemporary planning tools (such as collaborative planning, citizen participation, strategic planning, and flexible development concepts) is getting wider public recognition. The necessity to apply new planning approaches is underscored by the urban growth pressures felt most strongly in the two capitals – Prague and Bratislava.

23.4.2 Slovak spatial planning

23.4.2.1 *From state management to local governance*

The continuing process of decentralization in Slovakia is expected to provide local authorities with considerably more power than they currently have. The high municipal fragmentation, however, could cause significant problems with regard to institution building. With 2,886 municipalities for a population of 5.4 million inhabitants (an average of less than 2,000 people per municipality), the Slovak Republic is more fragmented than any other country in Central and Eastern Europe. The new responsibilities handed over from the central to the local governments would present a considerable burden to the smaller municipalities and exceed their existing capacities.

From a financial point of view, Slovakia was one of the least decentralized of all CEE countries several years ago. Then, in September 2004, the Slovak parliament ratified four laws that replace state funding for municipal budgets with a direct share of personal income taxes, local taxes, and a local fee.

Under the fiscal reform, 70.3 percent of income and local taxes and fees go to municipalities, 23.5 percent go to higher territorial units, and 6.2 percent remain with the state. Municipalities are entitled to set the rates on eight “new” taxes.¹³ The laws also allow municipalities to charge a fee for communal and petty construction waste. Higher territorial units, which oversee several municipalities, are also entitled to levy vehicle tax under the fiscal reform.

In the new system, big cities profit from a so-called quantitative coefficient. As centres of employment, education, and entertainment, cities receive more funds to offset their higher infrastructure costs. According to projections, personal income taxes and new taxes and fees should fill municipal budgets with 40 billion SK (990 million EUR) in 2007. If the parliament had not passed the new laws and the former state-funded system had remained, municipalities would be operating on a budget of 36 billion SK (890 million EUR) in 2007.

23.4.2.2

Structural funds as a national development tool

According to the eligibility regulations for EU structural funds, each of the CEE applicant countries has to adopt a National Development Plan (NDP) prior to attaining membership status. One of the main objectives of these strategic documents is to achieve high rates of economic growth in order to increase living standards and levels of employment. However, the NDPs differ significantly in terms of the allocation of support to areas of intervention, reflecting variations in socio-economic circumstances and national priorities.

In response to the EU requirements for the absorption of structural funds, the Slovak government issued on March 15, 2001 a resolution approving the National Plan of Regional Development (NPRD). Elaborated by the Ministry of Regional Development, this plan is intended to play a major role as a basic programming document for the implementation of structural and regional policy during the 2004–2006 period. Its regional planning and programming strategy has important implications for local authorities. Many of the measures adopted within this framework address key urban issues including the needs of transportation, infrastructure development, labor markets, education, tourism, etc.

In its first version, the Slovak NDP identified four Regional Operational Programs and seven Sectoral Operational Programs. To ease the implementation process, the plan was amended in 2002, taking into account the comments from the European Commission. The number of Regional Operational Programs was reduced to one (Bratislava region under Objective 2) and the number of Sectoral

Operational Programs to five and, subsequently, to four – Basic Infrastructure, Industry and Services, Human Resources, and Agriculture and Rural Development – with total funding exceeding 1.7 billion EUR.

23.4.2.3

Regional cooperation

In a fragmented and unbalanced settlement structure, Slovakia must refine its national development strategy by taking into consideration its specific urbanization pattern characterized by a net of small and medium-sized towns dispersed throughout a mountainous or hilly landscape, on one side, and a well developed capital city open to international influences and economic markets, on the other. In both cases, the success of the strategy hinges on the capacity of local partners to mobilize economic, institutional, and human resources around common area-based strategies and projects.

Area-based policies within the European Union have become increasingly more important in the last few years. Some member states have started to develop area-based solutions inspired by the EU's Urban II initiative, which is intended to promote regeneration of declining urban areas. These programs are designed for relatively short-term periods and their targeted policies are overlaid on top of the mainstream national policies of urban relevance. Another important distinction of area-based policies is that their spatial scope differs widely – from programs directed to particular sections of urban neighborhoods, to policies for urban agglomerations and larger administrative regions.¹⁴

In Slovakia, the capital Bratislava is the only region that exhibits the typical characteristics of a highly urbanized area with well established connections to neighboring countries and international markets. Its classification as an Objective 2 region is expected to encourage innovation and investments in highly competitive economic areas. The fact that the capital region will not compete with the other (Objective 1) regions in Slovakia for the same funding programs is quite positive in the sense that Bratislava will not concentrate most of the designated resources.¹⁵ The geographical situation of Bratislava and the status of Slovakia as a new EU member give the capital region a strong opportunity to formulate an integrated development strategy with the city of Vienna, taking advantage of EU cross-border cooperation programs. The connections between the two cities are considered to be of strategic interest for the coming years (OECD, 2003).

In fragmented settlement systems, such as those of Slovakia, the Czech Republic, Hungary, or France, state governments could intervene to prevent counterproductive competition among municipalities or regions. Revenue sharing within intermunicipal structures can be a successful formula for regional cooperation. The boundaries of the “project areas” depend on local political arrangements. In these contractual relations, the state can ensure that area-based strategies are settled on proper socioeconomic boundaries in order to minimize political conflicts. As the governments of smaller municipalities are usually quite weak in both financial

and professional matters, they have rather limited bargaining power in relation to the state government and private sector developers. In this context, the main challenge is to develop a governance system able to combine efficiently scarce human, administrative, and economic resources.

In Slovakia, a first step in this direction was made with the creation of microregions covering a small number of municipalities around socioeconomic, environmental, or cultural projects. These structures, a first attempt towards municipal cooperation, have not yet attained specific legal recognition and must use the status of nongovernmental organizations to implement their projects. Within the framework of regional cooperation, municipalities and their associations have elaborated numerous innovative projects in which they actively participate. They include providing information and counseling to entrepreneurs in the area of rural or agro-tourism (for instance, the Low Carpathian Wine Route) and developing attractive marketing offers for investors. Both formal and informal coordination of these activities of city councils with local entrepreneurs, farmers, church representatives, voluntary associations, regional chambers of commerce, and charitable organizations represent a new form of the regional bottom-up cooperation.

The authority of the regional governments, which were introduced in Slovakia in 2002, has been undermined by the discrepancy between political and fiscal decentralization and the lack of experience by local administrative and political bodies. For these reasons, the Regional Development Agencies (RDAs), which were created since the mid 1990s in Poland, the Czech Republic, Slovakia, and Hungary, have performed an intermediate role between the central administration and local development programs and projects. In 2000, the state government of Slovakia created an integrated network of RDAs designed to establish these institutions as one of the main regional support instruments. One of the objectives of this network is to create room for the effective use of funds intended for regional development from various sources, in particular from the state and local budgets, and the EU's pre-accession and structural funds. In addition, RDAs can aim their activities at drawing up development strategies for local authorities, preparing business projects for entrepreneurs, providing loans or loan guarantees to foreign and domestic investors, and creating and maintaining databases for advisory purposes.

In the next years, the active participation of local and regional governments in the process of utilizing the potential of Regional Development Agencies in individual regions will be essential. To ensure progress in this direction, it will be necessary to intensify relations with other local and national partners such as the Slovak Agency for the Development of Investment and Trade, the National Agency for the Development of Small and Medium-Sized Enterprises, the Slovak Tourism Development Agency, the Slovak Environmental Agency, and other similar national and local organizations.

To conclude, we can say that, since the 1990s, a wide range of local and regional planning and development tools have been gradually established in Slovakia. If the economic potential of regions is a clear precondition of their future prosperity, it is

equally important to activate endogenous development forces by applying political will and coordinated area-based strategies. Such actions will help prepare the CEE countries for the post-Objective 1 period, which will require the development of and the operation within highly competitive and innovative territorial environments.

23.4.3

Developing a more efficient planning system in the Czech Republic – still muddling not yet through

The Czech case study is motivated by the attempt to explore those features characterizing spatial planning on the European level which could be successfully employed in the restructuring of urban and regional planning in the new CEE member countries. The main observation is that, today, spatial planning on the European level is more or less a melting pot of different approaches, nevertheless, providing a platform for information exchange and harmonization of different urban and regional planning policies and practices within the European Union. The Czech Republic can be considered, in that respect, a new EU member contributing to the expansion of the European spatial development epistemic community towards the East. In this regard, the case study is following the thoughts presented in section three of this paper, placing a special emphasis on the *merger* scenario.

In the current climate favoring deregulation and the creation of more efficient and leaner governance structures, urban and regional planning has to sustain efficiency, flexibility, and the ability to implement its goals. More efficiency in planning along those lines is characterized by a tendency of turning away from preparing plans covering entire cities or regions, and leaning towards more project and action oriented approaches. In this model, the stakeholders (planners, investors, citizens, NGOs) are preparing and implementing planned activities in a continuous negotiation process, leading to consensus-based decisions (Pallagst, 2000).

On the European level, the emphasis on plan implementation is expressed in the requirements of the EU structural policy to support projects and programs with financial means. Examples, in this respect, are the projects of the community initiative INTERREG regarding cross-border and transnational cooperation. Here, a project's potential for implementation is a major benchmark for approval. Another trend in the area of planning implementation is the persisting importance of the so-called "informal" planning instruments that are based on collaboration and operate, to a wide extent, outside of the normative framework. Under this category, regional development concepts, regional conferences, and collaborative approaches are among the many possibilities that could be pursued by participating countries.

After the Velvet Revolution of 1989, urban and regional planning in the Czech Republic was slated for fundamental revisions. A positive change came along with the amendment of the Code on Area Planning and Building in 1998, which was aimed to facilitate and streamline the preparation of urban and regional plans. The amendment reduced the number of required plans on all planning levels, presenting a step towards more flexibility in planning, particularly with regard to large area

plans and their implementation.¹⁶ The system of planning documents was reduced from nine to three categories: regional plans (to be set up for an area of several cities, several districts, or the entire country); area plans (regulating the territory of a municipality); and regulation plans (detailed, parcel-level plans for parts of the urban fabric).

The role of regional planning was redefined as an independent component of spatial planning, created after territorial planning was abolished as an element of the planning system. However, the amendments of the code did not address the coordination between these three levels (e.g. the principle of concurrency), nor did they comment on the relation of regional and local planning to planning on a national or EU levels. Additionally, the Code on Area Planning and Building did not contain remarks concerning how regional policy regulations relate to area planning.

23.4.3.1

Area-based regional planning

On a national level, regional planning activities in the Czech Republic have been related mostly to updates of plans for large urban areas and the preparation of planning documents for the so-called “Euro-regions” concerning bilateral and trilateral cross-border cooperation with Germany, Austria, and Poland.

Development conditions in the region of Prague, characterized by intense urban sprawl since the beginning of the 1990s, called for more than a simple update of the planning documents from the 1970s and 1980s. A new development prognosis for the capital region was created with the characteristics of a strategic document.¹⁷ A new area plan was also prepared for the Ostrava region, comprising the cities of Ostrava, Frýdek-Místek, Karviná, and Opava. The plan was developed in response to the processes of deep economic restructuring in the mining and heavy industries in this region. The area plans of Brno, Plzen, and Zlin, where the dynamics of urban and economic restructuring were not as pronounced, were simply updated. A number of county-wide plans were also prepared, including new plans for Cheb and Ústí nad Orlicí, and updated plans for Liberec, Jablonec, Ceska Lipa, Hodonin, Klatovy, and Litomerice.

Cross-border cooperation in the German-Czech border area had developed as early as the beginning of the 1990s. In the wake of this new development, a multitude of studies and area plans were generated, mainly in the frame of development concepts for the so-called “Euro-regions.” Additionally, development concepts were set up for the Austrian-Czech and the Polish-Czech border areas.¹⁸ These plans considered primarily the relations between the neighboring countries in the fields of economic development and transportation. The lack of set criteria to this date for the preparation of cross-border plans in the Czech Republic¹⁹ has allowed great flexibility regarding their content.

In terms of their implementation, regional plans in border areas are reliant primarily on EU funding from community initiatives such as INTERREG III,

PHARE, and related EU programs. For the other area-based urban and regional plans corresponding to more traditional planning approaches, plan implementation is left to the individual communities, without the provision of special financial resources.

A major problem since the start of reforms in planning in the Czech Republic has been the weak coordination between urban and regional plans (Purchart and Slepicka, 1997). One contributing factor is that regional plans are not available for the entire Czech territory. Moreover, a linkage between the urban and regional plans is not required by law. What complicates the situation further is that private consulting firms in charge of developing the regional plans are, in most cases, not sufficiently involved in all phases of the planning process, particularly those including moderation between stakeholders' interests and plan implementation. For these reasons, the gap between area-based regional planning and implementation appears to be widening.

23.4.3.2

Strategic regional development programs

In 1998, the Czech government passed the law Regional Policy of the Nation (Government of the Czech Republic, 1998) intended to address all of the deficiencies of regional growth management described above. The law provided the framework for regional development and was viewed as a blueprint for implementation of EU's regional policies. The adoption of the law was a direct result of EU's critical assessment of the lack of a national strategy for regional development, considered a major obstacle on the path to accession.

The goal of the new law was the adoption of an integrated set of policies for regional development based on a programmatic approach allowing the involvement of regional and local actors in the process of implementation. This strategy called for a broad vision of regional development, concentrated not only on economic development issues, but taking into consideration ecological and social aspects of regional development as well. The implementation of the goals outlined in the new strategy for regional development was based on a network of regional development programs covering the entire territory of the Czech Republic. The main priorities of the new regional strategy were aimed at balanced regional development, elimination of disparities between regions, and support of sustainable economic and social growth. The principles of the strategy explicitly required a mandatory compliance with EU regulations in order to secure harmonization with EU regional policies and directives (Government of the Czech Republic, 1998: 11).

As a result of the new strategy, government supported regional development programs have been introduced for the entire Czech territory. These are "integrated (multi-sectoral) programs covering periods of several years and designed for the support of regions selected in advance, with a fixed time-schedule and financial framework for implementation" (Government of the Czech Republic, 1998: 14). For this reason, regional development programs – representing the basis

for participation in EU structural policy implementation – have been considered a powerful mechanism for enhancing the effectiveness of regional planning.

Having two types of planning on a regional level (area-based plans and regional development programs) may, however, lead to some conflicts; in particular, if a well-balanced coordination between the two modes in terms of content and timing is not provided. Moreover, area-based regional planning could prove to be the weaker link since the policies of the new regional strategy are applied as a better integrated set of programs covering a broader scope of economic, ecological, and social aspects. In addition, the regional development programs, as extensions of the national regional strategy, exert an influence over the entire territory of the country, with a clear focus on implementation. Nevertheless, unlike the long terminated territorial planning, which was the sole instrument of regional planning exclusively focused on economic development, today, two modes of planning coexist and it is often difficult to distinguish one from the other.

In this contradictory context, it becomes necessary to: 1) articulate more clearly the specific roles that the two modes of regional planning should play; 2) define better their boundaries; and 3) establish strong linkages between the two.

The implementation of regional policy through regional development programs, which brought about a second regional planning approach in the Czech Republic, is more attuned to the European trends toward process-centered planning approaches. It appears that the ball is in the court of the traditional style, area-based regional planning, which needs to redefine itself in view of the emerging new concepts of managing regional development. The use of area-based regional plans should not be considered an outdated method of planning. Such plans are successfully employed, for instance, in Germany under the name “spatial use concepts,” applied for metropolitan or border regions with specific characteristics. These regional plans should sustain their area-specific character and, thus, continue to be applied as a flexible planning tool supplementing regional policy plans and programs. Implementing the content of area-based urban and regional plans could be enhanced by the financial support provided for regional development programs. A much needed step forward is synchronizing the timing of both planning modes in order to save administrative resources.

23.5 Conclusions

A new dimension in conceptualizing European spatial planning has to be added, reflecting recent developments in Central and Eastern European countries. In the next decade, spatial planners in the eastern and western parts of Europe should embrace this new task as an opportunity to deepen and widen their knowledge if the idea of European spatial planning as an epistemic community is to evolve. Thus, much will depend on the vital transfer of knowledge between Eastern and Western European expert circles.

The EU's structural policy has proven to play a strong and influential role in shaping governance structures and territorial entities in the CEE countries. As discussed in this chapter, Slovakia and the Czech Republic are both struggling to adjust to the new modes required by EU regulations, stressing decentralization and flexibility in planning and urban governance. In this respect, EU structural policies, funds, and programs such as INTERREG, URBAN, and ESDP offer most needed guidance in the transformation of planning towards more efficiency, flexibility, and democracy.

Today, planning in both countries follows a more decentralized and democratic path with stronger competencies at the local level. During the first phase of this transformation, planning documents were updated, and development focused on the capital cities. Because of their dispersed settlement structure, both countries require strong urban-rural linkages. While Prague's location in the center of the country commands a strategic position within the nation, Bratislava should not focus exclusively on its relation to close-by Vienna, but must show more resolution in strengthening its ties with the Slovak hinterland. In addition to relations with the capital city, networks of smaller settlements and cities in both countries should actively support the development of rural areas.

Whereas the Slovak Republic provided a concise planning document on the national level as early as 2001, the Czech Republic remained focused on developing a strategy for regional growth, not quite synchronized with the existing area-based planning approach. In both countries, cross-border planning became vastly important as a national development tool as well as a link with current EU policies. While in the Czech Republic this new type of planning is mostly related to rural development policies, the main focus in the Slovak Republic is the Bratislava-Vienna border region.

From the particular situation in which Central and Eastern European countries find themselves today, it is most likely that new approaches to planning will ferment with time, giving more complexity to the European planning traditions. Urban planning in the two Central European countries reviewed here has already started to redefine its role as it evolves from being the extended arm of the socialist economy into a modernized toolbox for preserving and enhancing the post-socialist urban environment. A long stretch of the road lies ahead, but the direction seems clear, and the journey promises to be an exciting one, with lessons to be learned for planners on both sides of Europe.

Notes

¹ On October 9, 2002 the European Commission announced that ten Central and Eastern European candidate countries will become EU members - eight in 2004 (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia), and two more in 2007 (Bulgaria and Romania).

² On the notion of epistemic communities, see Haas (1992).

³ The ISPA program (Instrument for Structural Policies for Pre-Accession) was designed to address environmental and transport infrastructure priorities identified in the Accession Partnerships with the ten applicant countries. The aim of the SAPARD program (Special Accession Programme for Agriculture and Rural

Development) is to help the beneficiary countries of Central and Eastern Europe address the problems of structural adjustment in their agricultural sectors and rural areas, as well as in the implementation of the acquis communautaire concerning the Common Agricultural Policy and related legislation.

⁴ The Structural and Cohesion Funds are the main financial instruments of EU regional policy, which help member states since 1994 to reduce economic and social disparities and to stabilize their economies.

⁵ The Nomenclature of Territorial Units for Statistics (NUTS) was developed by the European Office for Statistics (Eurostat) in order to create a single and coherent structure of territorial distribution. It has been used in the Community legislation pertaining to structural funds since 1988.

⁶ In Slovakia, despite the creation of four programming regions, the central and eastern parts of the country have been included in one single NUTS II region. In other countries, one programming region can cover the whole national territory (Estonia, Latvia, Lithuania, Slovenia) or several administrative regions.

⁷ In March 2000, EU heads of state governments agreed on an ambitious goal: making the EU “the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion.” In particular, it was agreed that to achieve this goal, an overall strategy should be applied, aimed at preparing the transition to a knowledge-based economy by: developing new policies meeting the needs of the information society; stepping up the process of structural reform for competitiveness and innovation; and modernizing the European social model by investing in people and combating social exclusion.

⁸ This trend is reinforced by the position of the SAPIR report (Sapir, 2003) and the latest discussions about the EU budget for the next programming period.

⁹ “An epistemic community is a network of professionals with recognized expertise and competence in a particular domain, and an authoritative claim to policy-relevant knowledge within that domain or issue-area” (Haas, 1992: 3).

¹⁰ On the concept of “mental geographies,” see Hedetoft (1999).

¹¹ The Law on Territorial Planning and the related government regulations were repealed in 1990.

¹² An overview on these plans is assembled by ÚÚR (Ústav Územního Rozvoje; the Office for Spatial Development is a planning and research entity based at Brno; information gathered in an interview with Zdenek Prykřil in the year 1999).

¹³ These include: real estate tax, pet tax, public area usage tax, accommodation tax, slot machine use tax, slot machine sale tax, nuclear facility tax, and driving and parking in historical areas tax.

¹⁴ Examples of special regional policies can be found for instance in Finland, Denmark, Sweden, France, and the United Kingdom. In the Nordic countries, these policies are usually targeting areas composed of smaller settlements.

¹⁵ This has been often the case in similar situations where the most urbanized areas tend to attract the lion share of investments.

¹⁶ These plans are comparable with the so called “spatial use concepts” (Raumnutzungskonzepte), which are a common informal planning tool in Germany.

¹⁷ Information gathered during an interview with Jan Prykřil, a consultant for the Czech Ministry of the Economy, 2000.

¹⁸ Large area plans for mountain areas in the border regions were set up for Krkonose, Sumava, Krusné Hory, Orlické Hory, Beskydy, and Hrubý Jeseník. The studies for the region of Karlovy Vary-Cheb and the counties Tachov and Domazlice were likewise a result of cross-border planning initiatives.

¹⁹ Such regulations exist in Germany and Poland.

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