



# Spatial regularization, planning instruments and urban land market in a post-socialist society: The case of Belgrade



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## ABSTRACT

Over the last three decades, Serbia has moved from a mixed centrally planned – deliberative – self-governing economy to a market-based economy, but key institutional reforms are still not complete. Based on the contextual framework of post-socialist countries and theoretical background, this research focuses on the interaction between spatial regularization and existing planning instruments *versus* urban land market and land-use policy, and their impact on urban expansion in the Belgrade metropolitan area (BMA). The intention is to clarify the implications of urban land use policies and their (im) balance with planning instruments and the land market. The contextual framework of post-socialist Serbia, the transformation of its urban land policy as well as the land development management in the BMA illustrate complexities of spatial regularization, further emphasized by the delay in introducing and adopting new urban land policy. Key findings include: extremely inefficient urban land use and excessive urban sprawl (in the last two decades the urban area has tripled; with high urban land consumption of 670 m<sup>2</sup> per capita compared to other metropolitan cities); and important role of urban land policy (existing, still untransformed instruments contribute to urban sprawl).

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## 1. Introduction

After the dismantling of the “Soviet bloc”, followed by the subsequent transitory drop of almost all macroeconomic indicators, that is, GDP, employment, standard of living, etc., the European socialist countries were forced to introduce market reforms. This new model of reforms argued for gradualism and stressed the importance of the institutional and legal framework and the minimization of the social costs of reforms (see: Nellis, 1999; Stiglitz, 1999), but they often resulted in various negative effects. The transitional gap was widely explained by international financial institutions and other advocates as mistakes in the introduced macroeconomic policies, unreadiness for market reforms, the lack of certain necessary reform steps, and limitations within the political system.

Focusing on the specific context of post-socialist Serbia (political and social change, economic growth, urban change, etc.; see Vujošević, Zeković, & Maričić, 2012), this paper aims to provide a comprehensive analysis of the changes in the urban land market

and suburban expansion related to spatial regularization and current planning instruments in the Belgrade metropolitan area (BMA) during the transition period.

The Belgrade population increased drastically during the 1990s (Rašević & Penev, 2006, estimate that 230,000 refugees came in this period from Croatia, Bosnia and Kosovo and Metohija, and the majority of them settled in the BMA), which created enormous pressure on the existing housing market. This process, along with the already existing trend of urbanization, induced a transformation of urban housing: privatization of state-owned flats, massive illegal housing, owner-built housing in the suburbs and market-based housing. The vast international literature on the transformation of urban planning and housing in transitional countries indicates the dominant trend of suburbanization or urban sprawl (see: Novák & Sýkora, 2007; Tosics, Hegedus, & Remmert, 2001; Pichler-Milanovic, 2001; Deda, 2003; Tsenkova, 2012; Dovenyi & Kovacs, 2006; Dimitrovska-Andrews, 2006; Kährlik & Tammaru, 2006; Nozdrina & Toda, 2006; Hirt, 2007; Slaev & Nikiforov, 2013). Pichler-Milanovic (2001) argues that the post-socialist suburbanization in East European countries represents the most spectacular process of socio-spatial differentiation to affect major cities. Bertaud and Renaud (1997) also indicate that the suppressed urban land market started to “bloom” after 1989 as the

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new housing preferences and consumption developed, and the market for urban development land emerged.

The discourse on urban planning in post-socialist cities has focused on the conflicts between comprehensive vs. incremental planning, centralized vs. decentralized decision-making, top-down vs. bottom-up approaches, and interventionist vs. entrepreneurial, market-driven planning (Altrock, Güntner, Huning, & Peters, 2006). One of the urban planning modes is a post-socialist practice of “transformation” from socialist urban planning to urban planning in market economies (Thomas, 1998), or a liberal market-based urban planning, based on what is known as ‘investor-urbanism’<sup>1</sup> (Vujošević, Zeković, & Maričić, 2010). Particularly in the region of Southeast Europe (SEE), transition to a market economy includes a reform of traditional planning institutions that combine new tools with adapting traditional organizational ways and institutional transformation driven by socio-economic and political change (Tsenkova, 2012). The global economic and financial crisis in SEE is deeper than elsewhere, with low development status, low economic growth, high unemployment, an informal (“gray”) economy, massive informal building, uncertainties related to the impact of the globalization process, an inappropriate institutional framework, poor technical infrastructure, huge public debt, poverty, a prolonged regulatory gap in the economy, investment, urban development, and urban land economics (Zeković & Vujošević, 2014).

In this paper, we used the applied approach and method and the technique of moving averages (i.e. urban population rates, growth of GDP, housing rates, and land-use change) in analyzing the dynamics of the urban land market and land-use change in Belgrade in the post-socialist period. Altogether, the aim was to analyze data points by creating a series of averages of different subsets of the full data set for the relevant fields at the short-term or long-term cycle, in economic and urban applications, based on simple moving averages.

After briefly explaining the contextual transitional framework of post-socialist Serbia as a base for the main structural transformation, our research focuses on the impacts of spatial regularization and planning instruments on the urban land market as a key accelerator and catalyst for creating tools and measuring urban expansion in the BMA (privatization and conversion of urban land, legalization of illegal construction). It also highlights the role of urban land policy as a factor of urban expansion of the BMA while determining some indicators of urban sprawl.

### 1.1. Contextual framework of post-socialist Serbia

Market forces dominate Serbia's transitional economy, but the state sector remains large and there is still a need for many institutional reforms. Today's economy relies on manufacturing and exports, driven largely by the FDI. Serbia grossly missed the wave of economic modernization that took place in Europe during the last two decades of the twentieth century. During the 1990s, Serbia faced deep economic crisis when its GDP dropped more than 50%. The average GDP growth rate in the period 2000–2012 was 3.1% p.a., compared to the average of 3.4% in CEE countries (Arsić, 2013). All social, economic, and environmental indicators have worsened, with crucial consequences for urban and regional development. As a radical restructuring of the economy and society has not occurred, the general trend can be described as a “growth without development” (Vujošević et al., 2010).

In the most advanced SEE countries, after transition drop in the first years of market reforms, industrial production recovered and doubled after 2000. At the same time industrial production in Serbia is still 40–70% less than it was at the end of 1980s (Hadžić & Zeković, 2013). From 2000 until 2007 Serbia experienced dynamic nominal economic growth of more than 6% annually, with progress in trade liberalization and privatization of many large state-owned enterprises. According to national statistical sources (RZS, 2014), high unemployment of 21% in 2013 and low household income level were recorded among the major socio-economic problems.<sup>2</sup> In the period 2008–2013, the average GDP rate was –0.6%, as a consequence of the global economic and financial recession as well as inner transitional recession. From 2008 to 2013, the number of employees in Belgrade decreased for 105,700 workers (16%), and more than 45% of small businesses closed (RZS, 2014). In the same period, Serbian total public debt as a share of GDP doubled, reaching 65.3% of GDP.

The largest part of previously state-owned agricultural land was privatized or returned to previous owners (restituted), but the conversion of urban construction land has been realized in only a few dozens of cases. Compared to other reforms, privatization of land and state-owned or socially-owned housing/dwellings has undoubtedly been the most radical and transformative aspect of this transition (Marcuse, 1996). Privatization and restitution of property rights took place in most countries of post-socialist Europe by the mid-1990s, but the restitution of 10,900 ha of urban land in Serbia (2652 ha in the BMA) is yet to come. The status of urban land in Serbia remains largely undefined and there are many critics of urban policy (see e.g. Vujošević & Nedović-Budić, 2006; Vujović & Petrović, 2007; Zeković, 2008). This paper demonstrates that, at least in the realms of urban-land privatization and development management, Serbian transition continues to be slowed down by overall societal circumstances.

According to the *Spatial Development Strategy of the Republic of Serbia 2020* (Zeković & Vujošević, 2009), the aims of current urban land policy are rational urban land use and the establishment of an efficient system of urban land management, including adequate regulatory mechanisms, institutional restructuring, new ways of financing land development and market-based instruments of urban land policy. Achieving these strategic aims requires dealing with the privatization of urban land, which is partly owned by the state or local municipalities; deciding how to manage urban land in state/public ownership (leasing or selling); and assessing the consequences of various urban land policies and tools on uncontrolled suburban expansion.

### 1.2. Spatial regularization, planning instruments and urban land market

Transition from a socialist system requires different approaches to the transformation of urban land policy, new institutions and urban development management. The current system and practice of urban land management in Serbia have not been harmonized with the main course of transitional reform and change. A great number of basic, conceptual problems are still not resolved, and their predictable institutionalization will affect the realization of sustainable spatial and urban development and land use policy. The urban land market is undeveloped, without established basic regulatory mechanisms and institutions, nor up-to-date ways of financing urban land development. The mechanism of urban land rent is incomplete, without contributing to rational use of urban

<sup>1</sup> Wang, Potter, and Li (2014: 50) documented how China applied reforms that transformed states “from protectionist market actors to investment promoters with monopoly power over land markets” (though construction land in China has not been privatized).

<sup>2</sup> Republički zavod za statistiku Srbije (Republic Statistical Bureau of Serbia) is the central statistical institution in Serbia (subsequently: RZS).

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