THE CHANGING ROLES OF PLANNING AND THE MARKET IN THE PROCESSES OF URBAN GROWTH IN BELGRADE AND SOFIA

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This paper studies the changing roles of planning and the market in the context of urban growth and suburbanization in the capitals of Serbia and Bulgaria, specifically with regard to the socio-economic changes experienced in Southeast Europe over the past decades. With a focus on the post-socialist period, the work also examines specific features of the socialist period, so as to make important distinctions between the two. The research question in this paper is: Is planning or the market responsible for the form of growth that has occurred in Sofia and Belgrade? One methodological problem for the study is that in reality, most urban processes are to a degree both market driven and centrally planned. Thus, it can be difficult to distinguish between the distinct roles and outcomes of planning and the market. To solve this problem, the paper analyzes situations in which either planning or the market is dominant, so as to be able to clearly determine the impact of each mechanism on the resultant development. The paper concludes that urban growth and suburbanization are generally engendered by market forces, whereas the role of planning is to improve and refine the action of the market. When planning ignores the market, it results in failed or inefficient urban forms. However when planning is absent, urban development fails to meet reasonable standards.

Key words: Post-socialist development, suburbanization, urban growth, market-led urban development, market-planning relationship.

INTRODUCTION

Rapid urbanization has been a key feature of spatial development in all parts of the world throughout the 20th century, albeit with some discrepancies between highly developed and developing countries. Worldwide, urban growth has increasingly been dominated by trends of suburbanization and sprawl, particularly in the last decades. Europe, including Southeast Europe (SEE), has been no exception to this trend. Urban development in the SEE region has been influenced by a particular set of historical, socio-economic and political conditions. While many of the above-mentioned trends have been observed in SEE as well, the prevailing forms of urbanization in the region have yet to be thoroughly investigated. Thus, the aim of this paper is to examine the dynamics behind urbanization in SEE and the similarities and differences in the trends, specifically with regard to the unique changes that have occurred in the socio-economic and political environment in the region.

As contemporary trends associated with urbanization are most evident in the largest cities, the capital cities of Belgrade and Sofia are relevant case-studies. Some of the key aspects characterizing urban development in SEE cities can be attributed to the experience of the socialist period. In this regard, three periods of urban development can be distinguished: the transition to socialism, the socialist period and the transition from socialism to a post-socialist system. This paper focuses primarily on the third period; however, it also examines specific features of the socialist period, so as to distinguish between each period’s distinct impact on urban development. For the present study, an important aspect of urban development is the interplay between planning and the market. For our work, the market...
is considered to be the decentralized coordination of socio-economic activities. Conversely, planning is the centralized coordination (or central organization) of human socio-economic activity. Planning comprises a combination of centralized, semi-centralized, decentralized and “hybrid” approaches. The plurality of approaches of this kind has been particularly relevant in the case of the former planning system and practice in Yugoslavia (Serbia).

Suburbanization and sprawl are generally regarded as market-driven urban developments, although the role of planning is also important (in Serbia for instance, sprawl has also been observed in the era of socialist planning). Contemporary urban growth, on the other hand, is considered to be the outcome of planning; however, this issue has not been investigated sufficiently and a unified position is lacking. Thus, the question that this research seeks to answer is: Did planning or the market play a larger role in determining the forms of growth in Sofia and Belgrade? To answer this question, the paper investigates situations in which only one type of coordination is dominant, while the other form is almost missing. Upon this basis, broad conclusions can be drawn about the impact of planning versus the market in the practice of urban development.

THE CONTEMPORARY DISCOURSE OF THE ROLE OF PLANNING AND THE MARKET IN URBAN GROWTH

First and foremost, it is important to distinguish between the meanings of “urban growth”, “suburbanization” and “sprawl”. “Urban growth” is any increase in the population of a city, town or a settlement. “Suburbanization” denotes any growth in urban activities (and the population) in peri-urban, or peripheral, areas. Modern western suburbanization commonly takes the form of urban sprawl. Sprawl is considered a specific type of suburbanization featuring low densities and scattered or ribbon patterns of development.

While suburbanization and urban sprawl can be driven both by planning and the market, suburbanization, as a rule, is the result of the decisions of decentralized players such as households and companies. The European Environment Agency (EEA) (2006) identifies the drivers of sprawl as follows: means of transportation, the price of land, individual housing preferences, demographic trends, cultural traditions and constraints, the attractiveness of existing urban areas, and, not least, the application of land use planning policies at both local and regional scales. Apparently, only two of the listed drivers are directly associated with planning: the means of transportation and the application of land use planning policies. All other factors produce their impact by means of the market. Land consumption for housing, economic activity and commercial growth, population growth, transportation and infrastructure create serious pressures in urban areas (Nuissl et al., 2009). Still, many authors emphasize the influence of planning on developments occurring in the urban fringe (Knaap, 2008; Turnbull, 2004). While land values and land-use are determined by the interaction of supply and demand (Harvey and Jowsey, 2004), different policies and instruments are designed to prevent excessive land consumption. They impact the assessment of land-use changes in urban areas and implement different types of spatial governance for (peri-urban) territorial cohesion (Ravetz and Loibl, 2011). The European Environmental Agency (2006:7) states that “where growth around the periphery of the city is coordinated by strong urban policy, more compact forms of urban development can be secured”. However, while the impact of planning should not be denied, the view that sprawl is primarily market-driven prevails (e.g. Gong and Wheeler, 2002; Brueckner, 2000). Therefore, the initiatives taken on by decentralized market players generate sprawl and the role of planning is to respond and to regulate this process. The planning system may stimulate, facilitate, regulate and even ban the development of certain activities, thus creating the framework for suburbanization.

This conclusion emphasizes the need for planners to be actively engaged in managing the issues of suburbanization and sprawl. As Knaap (2008) notes, many urban economists tend to overlook the role of and the need for planning (Anas and Rhee, 2006; Arnott and Inci, 2006; Brueckner, 2000). Indeed, while the performance of planning may be questioned in many situations pertaining to urban development, urban expansion is a process in which the need for effective planning is most evident. Nivola (1998) draws a comparison between American and European cities to maintain that European cities, in general, follow more sustainable patterns of development. He finds that the differences in the rates of urban expansion are partly due to different lifestyles and residential preferences. To some extent, they are also due to the very different role of planning that is implemented in managing urban development. It is not only urban planners that call for the wider use of planning instruments to combat sprawl. The remedies suggested by urban economists (e.g. Anas and Rhee, 2006; Arnott and Inci, 2006; Brueckner, 2000) are genuine tools of central governance and planning. What they usually propose are various taxes and fees like congestion tolls, property taxes, development fees, etc. Yet governance is, after all, nothing but developing and implementing plans and regulations (Slaev, 2016a, 2016c). When considering the market effect of taxes and fees, they should be viewed not as purely market tools, but as instruments for the coordinated mediation between planning and the market (e.g. in the case of land value capture tax). The relationship between urban planning and the market can be both positive and negative (Slaev, 2016c). As Holcombe (2013:3) notes, “[s]ometimes planning is designed to counteract market forces, revealing an adversarial relationship between planning and the invisible hand [of the market]. Other times planning builds on the spontaneous order of the market, and the two will be allies.” In many cases, it is not about ‘planning-or-market’, but rather about the appropriate mix of ‘planning-and-market’. This approach is increasingly understood as the most suitable way of addressing the management issues in urban and related development.

METHODOLOGICAL NOTES

In practice, it is very difficult to measure the roles of planning and the market in a social activity because the impacts of both mechanisms are inherently related and intertwined. For this reason it is, first of all, necessary to clearly establish which one is considered a market-driven process and which
is planning-driven. As defined in the introduction, a social activity is considered market-driven when the actions of numerous decentralized agents are coordinated by the price mechanism; alternatively, the centralized organization of a social activity requires planning to be employed. Indeed, social activities require a special type of planning that is relevant to complex systems, termed nomocratic planning (Moroni, 2010, 2015). Many researchers regard this kind of planning as decentralized – or bottom-up (Portugali, 2008; Moroni, 2010; Holcombe, 2013). But whereas the main purpose of nomocratic planning is, indeed, to provide space for decentralized agents to participate in the management process, it is still a centralized activity (Slav, 2016b). Therefore, a process is planning-driven if and when it is organized and conducted by a central authority, and market-driven if it is comprised of the activities and arrangements between decentralized agents (despite the significance and impact of the price mechanism not being easy to observe in some cases – e.g. in spontaneous suburban developments).

A methodological problem for this research is that in reality most processes are based on decentralized arrangements as well as governed by a central authority. Therefore, our methodological approach is to study the impact of each of these mechanisms in situations where only one is predominant. The effect on urban development can thus be clearly attributed to the predominant mechanism. Planning can be the sole or predominant mechanism of social interaction only on some occasions and in a centralized society, e.g. a socialist one. In contrast, in a market society, planning may, as a rule, act only along in conjunction with the market. It is possible that on specific occasions and for specific reasons in a market society, the market may be unfettered by centralized governance or interference. In other words, the market will be the sole or predominant mechanism of socio-economic coordination. With these considerations in mind, we proceed with a brief examination of the general characteristics of suburbanization in Sofia and Belgrade over the past few decades. Then, to answer the research question (i.e., to identify the roles of planning and the market), we analyze specific situations in which one of the two mechanisms is markedly (strongly) dominant in the urban development of the two cities.

THE INTERPLAY OF PLANNING AND THE MARKET AND ITS CONSEQUENCE FOR URBAN GROWTH IN BELGRADE AND SOFIA

The growth of Belgrade and Sofia in the 20th century

As some researchers argue (e.g. Fee and Hartley, 2011), suburbanization is often just the first phase of urban growth. The cycles of growth in cities are usually associated with expansion into the surrounding landscape. This was already the case in Belgrade and Sofia in the early decades of the 20th century (Belgrade: 1910 - 90,000, 1948 - 398,000; Sofia: 1910 - 103,000, 1946 - 530,000). The accelerated population growth in the two capital cities was the general reason for the growth of suburban areas, particularly in the late 1960s. From 1948 to 1991 Belgrade grew from 398,000 to 1,168,000 residents (by 193.5%). From 1946 to 1985 the population of Sofia grew from 530,000 to 1,202,000 residents (by 127%).

Post-war recovery and industrialization were among the major drivers of urban growth in cities across Europe. The high rate of urbanization in the socialist countries was a result of the so-called policy of accelerated socialist industrialization (Slav and Kovachev, 2014; Zeković et al., 2015, Daskalova and Slav, 2015). It, in turn, resulted in the emergence of socialist suburbs, which are associated with industrial methods of construction – prefab housing.

The changing roles of planning and the market in Sofia and Belgrade

As explained in the methodological section, this paper employs a specific approach to examine the roles of planning and the market underlying Sofia and Belgrade’s peri-urban development. It focuses on instances of suburban development in which one of the two alternative mechanisms of social coordination – planning or the market – is more or less isolated. This will help us to avoid the difficult discussions which arise when the results observed can be attributed to either mechanism. Former socialist countries have had a very specific experience with regard to the relationship between planning and the market. Even though during the period of socialism, planning was given an overwhelming priority, the Yugoslavian political system was proclaimed to be “market socialism.” Thus, the market held sway over the urban development of Belgrade (to a greater or lesser extent) even during the period of so-called “societal agreements”, albeit in the form of a “black” (illegal) or “grey” market (related to land development, illegal buildings, and the competitiveness between state enterprises, etc.). In Bulgaria, the stage was officially defined as the “first market phase of communism”, but markets were, in fact, heavily suppressed, especially in the areas of property development, housing and urban affairs. Only state construction enterprises could operate in the urban development sector. All housing sales and real estate dealings were executed by state agencies. Thus, it may be concluded that during this period in Bulgaria, planning was the primary mechanism for social coordination in the field of urban development and the market was largely absent.

To study the implications of this situation, it is instrumental to examine the 1961 plan of Sofia. A competition was held between two teams of planners who presented alternative proposals. One of them envisaged compact development and the other proposed considerable territorial expansion (Kovachev, 2003a). The compact variant was chosen, only to be amended three years later to resemble the expansionary plan much more closely, under the pretext of accommodating extreme population growth. Indeed, this was a real concern, as the population forecasted for 1985 – 800,000 – was reached only 5 years after the adoption of the plan. Even though there were population controls in place such as those requiring individuals to be employed in their town of residence (fixed citizenship), immigrants from the countryside still found their way into Sofia. For instance, citizenship was granted for the rapidly increasing number of occupations in the capital city.

Thus, the 1961 compact variant was abandoned and the development of mass, prefab housing estates began in the urban fringe. Eventually, these “socialist suburbs” would
became known for poor quality housing (Kovachev, 2003b; Hirt and Kovachev, 2006; Daskalova and Slaev, 2015). Nevertheless, the city continued this mode of expansionary development for decades to come. It can be argued that this switch, from a compact to an expansionary framework, was a failure in planning because it markedly deviated from the adopted plan. Thus, we can conclude that even when planning enjoys overwhelming priority (as in the period of state socialism), it should account for the interests of decentralized agents.

Despite the fact that the socialist regime in the former Yugoslavia was declaratively more open and flexible, central planners in Belgrade, very much like Sofia’s planners, also exercised considerable planning powers. However, they still failed in many ways to regulate urban growth efficiently. The accelerated population influx during the socialist period created intense pressures on Belgrade’s housing stock, which was partly developed by means of state companies or state organs that were entitled to develop flats for their employees (average 10,000 flats/per year). While this effort resulted in the creation of model settlements on vast, then vacant, peri-urban sites, the remaining migrant population, such as the commuting industrial labour force, had to seek accommodation in the rural communities around Belgrade, which often turned into “dormitories.” Therefore, planning policy resulted in the development of two peripheries and two types of suburbs – a relatively well-serviced, organized type comprising of state-built housing estates, and a spontaneous, “wild” periphery. This “wild” periphery was comprised primarily of privately built houses and was largely devoid of infrastructure.

The suburban development of Belgrade was quite different from that of Sofia (see e.g. Vujošević and Nedović-Budić, 2006; Zešović et al., 2015). In fact, the example of Belgrade and Sofia supports the observation that even when central planning is given overwhelming authority, it does not always steer urban development efficiently or effectively because decentralized, market forces are ignored. The key direction and composition of migrations toward urban areas (including the broader Belgrade area) in post Second World War Bulgaria (Serbia) was determined neither by the planning system and practice nor the workings of the market. Quite the opposite is true: migration processes were predominantly spontaneous, only to be occasionally modified by planning and/or the market. This especially applies to the post-socialist period from the 1990s onwards, when migrations followed and/or paralleled the dissolution of the former Yugoslavia, which caused a massive exodus of people. These migrations were predominantly comprised of Serbs who had to flee from other parts of the former Yugoslavia to various parts of Serbia, especially to the metropolitan area of Belgrade (and Novi Sad).

**Growth and suburbanization in the post-socialist period**

In the post-socialist period the population of Belgrade grew from 1,552,151 in 1991 to 1,659,440 in 2011, i.e., by 6.91% (SORS, 2012), while the total population of the country decreased by 7.27%. Sofia’s population grew from 1,190,135 in 1992 to 1,291,591 in 2011, i.e., by 8.52 % (NSI, 2012), whereas Bulgaria’s population decreased by 13.23%. With the transition from a centralized to a market society, the nature of the processes in peri-urban areas changed significantly (Nedović-Budić and Tsenkova, 2006; Nedović-Budić and Cavrić, 2006; Hirt, 2007b; Slaev and Nikiforov, 2013) and the prevailing type of suburbanization became the so-called “western type” (Hirt, 2007b). This suburbanization of a “western-type” is generated by new suburban settlers moving to the suburbs from central city areas. However, the processes are more complex: other types of suburbanisation were also occurring (Daskalova and Slaev, 2015). Some of these include growth due to rural-to-urban migration as well as migrations of waves of refugees and internally displaced peoples resulting from conflict zones in the former Yugoslavia. The suburbanization trends are evident in Figures 1, 2, 3 and 4. Figures 1 and 2 show the newly urbanized suburban areas in the period 1990-2006. Figure 3 illustrates growth of the population in peri-urban and suburban territories coupled by parallel losses in central areas. Figure 4 illustrates population density decreases in the central communes and districts of Belgrade and Sofia.

From the start of the transition in the 1990s, the balance between planning and the market changed dramatically. The 1990s were commonly referred to as “the dark age of planning” in many post-socialist countries, including Bulgaria and Serbia. This is because any and every form of planning was considered a relic of the communist and thus of the authoritarian rule that prevailed in the socialist period, i.e., from 1945-1950 (Nedović-Budić, 2001; Slaev, 2012). The radical changes occurred faster in Sofia than in Belgrade, resulting in a major collapse of the system of planning. Arguably, in this period, the only mechanism coordinating social contracts in the urban realm was the market, while the planning mechanism was largely absent. Furthermore, the 1961 master plan of Sofia was still in force, with no new plan on the agenda. This plan in effect laid the foundation for unchecked, market-led suburban development. And while all new developments still technically required formal approval by planning authorities, new small scale amendments (for just one plot and the neighbouring vicinity) quickly proceeded to accommodate development initiatives. Such amendments were often called “piecemeal” developments, and in effect they were detrimental because they compromised a comprehensive planning vision. In general, this period of development in Sofia is a good example of market forces unconstrained by planning. The results have been particularly stark in peri-urban and suburban areas. Today, however, Sofia’s citizens and professionals consider “piecemeal” developments as a serious failure of development which ultimately caused a worsening of the urban living conditions. In suburban areas, “piecemeal” developments resulted in substantial losses of open spaces, land for public use and, especially, loss of green spaces – Figure 5 (Kovachev, 2003b, 2005; Nikiforov, 2008; Slaev and Kovachev, 2014).
metropolitan area were converted into construction land in the period 1980-2003 (World Bank, 2004). Parallel to that, local urban development experienced major difficulties due to the waves of war refugees from the former Yugoslav republics and internally displaced people from Kosovo and Metohija. Because of the refugees’ urgent housing needs, most of them settled in suburban areas where land was available, though typically this land was not designated for housing purposes. The planning system could not adapt quickly enough to this major influx of migrants and informal construction escalated (Figure 5). According to UNECE (2009), the informal settlements represent the prevailing form of urban sprawl, taking up 22% of construction land and up to 40% of residential areas in the broader Belgrade area. The number of illegal buildings in the Belgrade region was about 200,000 in 2008 (Nedović-Budić et al., 2011). Clearly, this development was generated by the decisions of numerous, decentralized agents who solved their housing problems by decentralized actions. Therefore, these developments can be classified as of a market type not fundamentally different from the “piecemeal” developments in Sofia. Belgrade’s government and planning institutions, as already stressed, did not react in due time to these trends and planning was, in fact, missing.
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Figure 3. Size of population by district and commune type in Belgrade and Sofia in 1990 and 2006
(Source: SORS, 2012, and NSI, 2012)

Figure 4. Population densities by district and commune type in Belgrade and Sofia in 1990 and 2006
(Source: SORS, 2012, and NSI, 2012)

Figure 5. Loss of green and open spaces in Sofia in the period 1990-2006
(Source: prepared by the authors for the TURAS project based on data from Sofproekt)
CONCLUSION

The foregoing discussion leads us to the conclusion that the roles of planning and the market in suburban development can be summarized as follows: urban growth is generally market-driven, but planning too plays a distinct role in guiding urban development. Market forces are generally the generator of suburbanization, whereas the role of planning (as corrective of the market) is to improve and refine the action of the market. As the generator, markets never stop functioning, as they are guided by decentralized interests, i.e., the interests of the population or specific social groups and various investors. When planning ignores or tries to override the market, it will either fail, like in the case of the 1961 master plan of Sofia, or will create inefficient and unsustainable urban forms, like in the period when the prefab housing estates ("the socialist suburbs") of Belgrade and Sofia emerged. Alternatively however, if planning is absent, like in the case of the spontaneous settlements of Belgrade or during "the dark" age of planning in Sofia, the development of the urban environment fails to meet reasonable standards, especially in suburban areas – either due to loss of greenery and open spaces like in Sofia's suburbs, or due to deficiencies in infrastructure and excessive consumption of land, like in Belgrade's illegal suburbs.

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