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# FULFILLING CITY BUDGET OR URBAN DEVELOPMENT? THE INFLUENCE OF SERBIAN LOCAL AUTHORITIES' DECISION ON URBAN UNDERDEVELOPMENT

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## Abstract

The aim of this paper is to analyze the socio-spatial and environmental impact of specific legal measure in the process of urban (re)development of Serbia's cities centers, implemented in the first decade of post-socialist period – possibility for private developers to form plots and built multistory buildings with flats exclusively intend for market, including inherited inner city areas with dominantly individual housing. Due the state rapidly withdrew from the housing sector from the beginning of the 1990s, higher dependent on inter-governmental transfers and with the tight budgets, most local authorities brought several documents which make possible to exchange land for square meters in buildings constructed. The laissez-faire approach to urban planning, the flexibility of local documents and ad-hoc decisions created a platform for urban redevelopment of inner city areas which was profitable for local budgets and private developers, but created a whole set of environmental problems in terms of decries of parking spaces, decrease of greenery, waste management collection system and water and electricity supply issues.

**Keywords:** urban redevelopment, inner city, life quality, city's budget

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## 1. INTRODUCTION

In the urban development literature before nineties, most of the urban researchers were concentrated their research on defining what were the main characteristics of “social cities”, term they used to mark specific urban development within socialist/communist regimes. After the collapse of communist system, researchers moved toward “post-socialist” era, exploring transition influence on urban development.<sup>1</sup> Quite interesting area of research is addressed to the patterns of socio spatial differentiation, which were showing strong movements toward suburban single family housing.<sup>2</sup> Also, authors were addressed to the population movements within cities, but also between cities. Hasse et al. found that young people, in transition economies, are looking city center as a place suitable for living for limited time period, after which they are looking for suburban areas. The reason is pragmatic and it is connected with available income.<sup>3</sup>

Similar to other countries in Central and Eastern Europe (CEE), but marked with its own specific development paths both in past and present, Serbia also faced intense urban and housing transformations after the fall of socialism, in terms of policy reforms<sup>4</sup>, socio-economic changes<sup>5</sup> and socio-spatial changes.<sup>6</sup> Beside the quick privatization of public housing stock, constant housing shortage and radical shift to the market as a self-regulatory mechanism, the post-socialist period also was marked by complete deregulation and the rapid withdrawal of the state from the housing sector at the beginning of the 1990s.<sup>7</sup> In this paper, we particularly problematize one of the local authorities’ decision which occurred in the 1990s with far-reaching consequences - the possibility of exchanging land for square meters for newly constructed residential buildings at exchanged land in urban zones within inherit-

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1 Hirt S., *Whatever happened to the (post)socialist city?*, Cities, Vol.32, 2013, pp.S29-S38.

2 Brade, I., Hartfert, G., Wiest, K., *Recent trends and future prospects of socio-spatial differentiation in urban regions of Central and Eastern Europe: A lull before the storm?*, Cities, Vol.26, Issue 5, 2009, pp 233-244.

3 Haase, A., Grossman, K., Steinfuhrer, A., *Transitory urbanites: New actors of residential change in Polish and Czech inner cities*, Cities, Vol.29, Issue 5, 2012, pp.318-326.

4 Petrovic, M., *Post-Socialist Housing Policy Transformation in Yugoslavia and Belgrade*, International Journal for Housing Policy, (2), Rutledge. 2001, pp.211–231.

5 Petovar, K., *Nasi gradovi izmedju drzave i gradjanina: Urbana sociologija*, Beograd: Geografski fakultet Univerziteta u Beogradu, Arhitektonski fakultet Univerziteta u Beogradu i IAUS, 2003.

6 Tosics, I., *Determinants and consequences of spatial change in post-socialist cities*. Paper presented at the conference: “Winds of societal change: Remaking post-communist cities” at the University of Illinois, Urbana-Champaign, 2004.

7 Damjanovic, D., Gligorijevic, Ur., *Socijalno stanovanje*, Prikaz stambenih politika Srbije i odabranih zemalja Evrope, Palgo centar, Beograd, 2010.

ed inner city urban fabric, which we consider as an emergent mode of urban development that has been playing an important role in the transformation of build landscapes of post-socialist city.

## 2. THE ROLE OF LOCAL GOVERNMENTS IN HOUSING SECTOR IN SERBIA – FRAMING AND SETTING THE CONTEXT

There are several conceptual approaches that provide possible theoretical interpretations of the role of local authorities in urban and housing policy, and urban planning in today Serbia. Broadly speaking, the role can be positioned in the frame of urban regime theory<sup>8</sup> closely connected to theories of urban governance<sup>9</sup> and urban management holistic approaches.<sup>10</sup> More precisely, the analytical framework can be found in urban governance theoretical approaches and normative models dealing with the urban transformation and restructuring of planning and management processes in the context of the post-socialist transition. It refers to the functional aspects of such governance<sup>11</sup>, the orientation of the dominant actors and their roles, e.g. the ability of new approaches to planning and service delivery resulting from the transition in government.<sup>12</sup> Commenting the opinions of Stanilov (2007), who in a wider discussion also considers that the decentralized systems of local democratic government is important drivers of urban changes in transition period, Tsenkova argues that “in the absence of national urban policies, and under frequently changing political regimes, local governments have operated in an environment that is less predictable and fiscally much more conservative than in socialist times... often adopted entrepreneurial attitudes and a laissez-faire approach to urban planning”.<sup>13</sup>

However, for an understanding the modes and effects of local government urban policy and planning activities in housing sector in post-socialist Serbia it is necessary to explain the specificities of housing system and regulatory framework, both in socialist and post-socialist period.

8 Stocker, G., *Regime Theory and Urban politics*. In *Theories of urban politics*, edited by D. Judge, G. Stocker, and H. Wolman, 54-72. London: Sage, 1995.

9 Pierre, J., *Comparative Urban Governance: Uncovering Complex Causalities*, Urban Affairs Review, 2005, 40 (4): 446-462.

10 Churchill, A., Forward. In *Cities in Conflict: Planning and Management of Asian Cities*, edited by J. Lea, and J. Courtney, v-vi. Washington DC: World Bank, 1985.

11 DiGaetano, A., and P. Lawless, *Urban governance and industrial decline: Governing structures and policy agendas in Birmingham and Sheffield, England, and Detroit, Michigan*, Urban Affairs Review, 1995, 34:546-77.

12 Ferencuhova, S., *Coping with the Past. Urban Planning in Post-Socialist European Cities*, In *Urban governance in Europe*, edited by F. Eckhardt, 2009, 275-297. Berlin: BWV.

13 Tsenkova, S., *Winds of Change and the Spatial Transformation of Post-socialist Cities, Baltic Worlds*, Sodertons University, 2013, 1: 20-26.

Although the housing model in former Yugoslavia was generally based on East European housing model,<sup>14</sup> the liberal nature and the peculiarities of the Yugoslav self-management socialist system such as: 1) the greater importance of market-like relations in the mainstream economy, 2) a more liberalized income regime, and 3) consumption patterns<sup>15</sup>, led to the divergences in housing model in comparison with the other CEE countries and to a higher standard of living, and better quality of urban and architectural design.<sup>16</sup> However, housing policy was still shaped by socialist principle, centralized planning and the dominance of the state, where the focus was on the housing production and distribution of flats within the state or socially-owned sector. The other types of housing provision, including individual, was also present, but controlled through land policy, restrictive urban planning, bank loans etc. Although housing system was perceived as socially effective and used as an important mechanism to diminish social inequalities, it failed as a social policy exactly due to economic inefficiency - its economic efficiency was subordinated to the wider economic strategy of forced industrialization and urbanization.<sup>17</sup> Those unbalanced processes and constant housing shortage forced people to develop 'exit' housing strategies by abandoning the official housing system in favor to the realm of quasi-markets.<sup>18</sup> The self-built construction became a dominant housing mode, taking increasingly form of illegal practice from the 1960s onwards. In mid-1970s the estimated share of illegal buildings in total housing units was 30%, which was almost equal with total number of housing units in the socially-owned sector and also with number of self built units. The large housing estates, as a typical urban form of socialist housing model, were usually built on the outskirts of cities from the late 1950s, as well as numerous unplanned, illegal neighborhoods a couple years later. The inner city in most Serbia's cities has also undergone significant transformation, reshaped existing urban fabric and urban forms, transformed its social and demographic composition, and lead to new urban life style. However, in some parts of most inner cities, the areas with inherited individual housing from the past left over decades with minor changes until the 1990s.

The fall of socialism in the 1990s led to new political and economic system which promoted decentralized government and strength-

14 Hegedus J. and Tosics I., *The disintegration of the East European housing model*, In: Clapham D, 1996.

15 Petrovic, M., *Post-Socialist Housing Policy Transformation in Yugoslavia and Belgrade*, International Journal for Housing Policy, (2), Rutledge. 2001, pp.211–231.

16 Hirt S., *Whatever happened to the (post)socialist city?*, Cities, 2013, Vol.32, pp.S29-S38.

17 Szelenyi, I., *Cities under socialism – and after*, in Andrusz G. et al. (eds), *Cities after Socialism*, Blackwell, Oxford, 1996, pp. 286–317.

18 Hegedus J. and Tosics I., *The disintegration of the East European housing model*, In: Clapham D, 1996.

ening market forces as well as increasing role of private sector, widespread privatization of state-owned companies, and price liberalization.<sup>19</sup> A 40 years socialist housing system was abandoned, and Serbia shifted to a market-oriented restructuring of housing system, with: 1) less prominent controlling and subsidizing role of the state in the housing sector<sup>20</sup>; 2) no restrictions of market exchange; and 3) quick and mass privatization of socially-owned housing stock to the sitting tenants (98% until 1995). In the frame of overall institutional changes, various reform initiatives were undertaken in housing sector. However, political and economic instability in the 1990s followed by disintegration of the country, civil war, international isolation, close to million refugees and internally displaced persons, have slowed down and blocking housing reforms. The most significant policies that affect the housing sector - fiscal, financial and real estate policies, have also slowed down and economically constrained Serbian governments were pressed to reform housing budgets in a radical way.

In accordance with the *Law on Territorial Organization and Local Self-Government* from 1991, a municipality became a basic territorial unit for local self-government, including urban and housing policies. In order to create a legal basis for their implementation, many local authorities adopted municipal acts and established appropriate public policy instruments. However, the real scope of the local authorities' jurisdiction regarding to urban and housing policy actually remained relatively weak, due to a higher dependency on intergovernmental transfers and the tight budgets of most local authorities.<sup>21</sup> From the other side, the constant declines in new housing production and investment from 1990s and overcrowding of existing housing stock (Statistics Bureau Census, 2002), as well as the demographic pressure of huge number of refugees, heightened the sense of housing shortage in many Serbia's cities. In the absence of clearly defined national urban and housing policies, this led to fragmented and incremental style of urban and housing policy actions at the local level, which attempted rather to remediate the problems than to strategically intervene. Urban and housing policy process was fragmented through devolution of power to a number of participants - bureaucrats, politicians and various interest groups.

The *Constitution of the Republic of Serbia* from 2006 promoted the equality of all forms of property ownership including, for the first

19 Hegedus J. and Tosics I., *The disintegration of the East European housing model*, In: Clapham D., 1996.

20 Clapham D., Hegedus J., Kintrea K., Tosics I. and Kay H. (eds), *Housing privatization in Easter Europe*, Westport, London: Greenwood Press, 1996.

21 Sailer-Fliege, U., *Characteristics of post-socialist urban transformation in East Central Europe*, *Geo-Journal*, 1999, 49:7-16.

time after almost 70 years, the private ownership over the urban land. Among others, it has created a platform for the emergence of new actors in urban and housing development processes - private enterprises started to play active and decisive role in investment in new housing, while property rights of homeowners have expanded, permitting free property transactions at market prices. Due to the absence of urban renewal strategies and clear planning framework, the new circumstances have generated opportunities for market-driven activities and private-private housing (re)development in the direct negotiations between home/land-owners and private investors, including (re)development of inner city areas. For the local governments it was possibility to *fulfilling city's budget* and to remedy the housing shortage "from the distance". Namely, in accordance to *Law on Planning and Construction* from 2009 (including Amendments of the previous *Law on Planning and Construction* from 2003), local authorities were usually involved by adopting of planning acts with which they created a legal basis for new development, in terms of defining the minimum plot surface for each urban zone, occupancy level, number of floors etc. That led to 'explosion' of multistory buildings on new formed plots, with flats intend exclusively for the market. With complete absence of clear vision of block and neighborhood urban fabric from the local authorities point of view, the buildings are often built without regard for the inherited or future built environment, which caused a set of problems in terms of ecological comfort and quality of life.

### 3. THE URBAN UNDERDEVELOPMENT AND LIFE QUALITY DECREASING - FULFILLING CITY'S BUDGET

The political, social and economic changes in the years around 2000 shaped new institutional and legislative environment, which left enough space for "creativity" and "free interpretation" of standards and procedure related with new building construction at the level of local authorities. Local authorities used undefined procedures and standards related with construction permits for increasing local budget revenues and, at the same time, investment in infrastructure were not enough to follow increase in city center's square meters. Such circumstances lead to urban chaos and decrease in quality of life.

#### *Environmental comfort*

If we look at environmental comfort, changes in urban development resulted in unsatisfactory level, mostly due to object

height, distance between objects, occupancy level, density and green area presence. Occupancy level and density are changed by the number of new attendances at the same piece of land. At the same time, green area percentage is decreased because investors wanted to use all space available and green area are used to additional square meters in new buildings.

#### *Safety and accessibility*

Safety and accessibility are also at unsatisfactory level due to the new urban development. We have strong overlapping in two traffic modes, creating problems in traffic and public service (such as waste collection, water and electricity maintenance). The illumination of open space is at satisfactory along with paths length but due to the lack of parking spaces the usage of paths is difficult and in some cases impossible.

#### *Privacy*

The privacy, if we look at visual protection, non residual structures and enclosed open spaces, is at low level influencing unsatisfactory living conditions for old and new residents. New urban development does not make explicit condition for open spaces, but it is given as recommendation to the investor. However, because it isn't obligatory investors are using whole land for building, using opportunity for profit maximization. The result is decrease in open public spaces. The piece of land we have analyzed investors maximize profit opportunity and used whole land for building construction leaving no public spaces for attendances.

#### *Intensity of social interaction*

Intensity of social interaction is at non-existing due to the lack of public open space.. Hence, investors are not obligated to provide number of parking spaces corresponding with number of flats. Such situation is increasing danger for kids and pedestrians, because of inability to use sidewalk and decreased visibility.

## CONCLUDING DISCUSSION

With regard to the first research aim – *to investigate the specific development paths in Serbia which set a platform for local government mode of activities in urban and housing policy since the 1990s*, it ap-

pears that the absence of clearly defined urban and housing policy, as well as slowing down reforms at national level caused by political and economic instability, in synergy with: 1) decentralized government, 2) market-oriented restructuring of the housing sector, and 3) increasing role of private sector and widespread privatization in the early phase of the transition process, are the key drivers which create a platform for role and modes of local authorities engagement. Although many of them adopted municipal acts and established appropriate public policy instruments, due to a higher dependency on intergovernmental transfers and the tight budgets, the real scope of the local authorities' jurisdiction regarding to urban and housing policy actually remained relatively weak. In such less predictable institutional environment, shaped by fragmented and incremental style of national urban and housing policy, local authorities often adopted laissez-faire approach and entrepreneurial attitudes to urban planning.<sup>22</sup> Supported by the absence of urban renewal strategies, those circumstances have also generated opportunities for market-driven activities and private-private housing (re)development in the direct negotiations between home/landowners and private investors, including renewal of inner city areas. For the local government it was possibility to *fulfilling city's budget* and remedy the housing shortage "from the distance", creating just a legal basis for new development.

The research we have conducted revealed serious problems related with new urban approach where it is possible to exchange piece of land for square meter in new building constructed. The main reason for such decision by local authorities is possibility to fulfill city's budget with no additional expenses related with infrastructural investments. However, the data collected regarding life quality has emphasized strong decrease in living conditions. Analyzing defined area we find evidence in life quality decrease through: environmental comfort, safety and accessibility, privacy and intensity of social interaction.

The possibility for interpretation leaves much space for investors to maximize profit by decreasing life quality in urban areas within Serbian cities. Unclear defined procedures and standards for land-square meter exchange influenced negative changes in environmental comfort, safety and accessibility, privacy and intensity of social interaction.

The decision by local authorities to increase budget revenues by issuing licenses for new buildings in urban zones creates

22 Tsenkova, S., *Winds of Change and the Spatial Transformation of Post-socialist Cities, Baltic Worlds*, Sodertons University, 2013, 1: 20-26.

problems which will be faced by new generation with limited capacities for solving. The limited capacities are related with scarcity of budget resources and problems concerning infrastructural limitations. Such situation will lead toward further decrease in life quality in Serbian cities' urban zones.

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## ФИНАНСИРАЊЕ БУЏЕТА ИЛИ УРБАНИ РАЗВОЈ? УТИЦАЈ ОДЛУКА ЛОКАЛНЕ САМОУПРАВЕ НА ПАД КВАЛИТЕТА УРБАНИХ УСЛУГА

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Сажетак

Циљ овог рада је анализа социо-просторног и еколошког утицаја специфичних законских мера у процесу (обнављања) урбаног развоја градских центара у Србији, које су се спроводиле у првој деценији пост-социјалистичког периода - могућност да приватни субјекти креирају парцеле и граде вишеспратнице са становима намењеним искључиво за тржиште, укључујући и градска језгра у којима доминирају породичне куће за становање. Због брзог повлачења државе из стамбеног сектора од почетка 1990-их година, зависне од међувладиних трансфера и са малим буџетима, већина локалних власти усвојила је акте којима се омогућава размена земљишта за одређену квадратуру у новоизграђеним објектима. Приступ *laissez-faire* у урбанистичком планирању, флексибилност локалне регулативе и *ad hoc* одлучивање створили су платформу за обнављање урбаног развоја градских подручја која је профитабилна за буџете локалних самоуправа и приватне субјекте, али је створила читав низ еколошких проблема у смислу недостатка паркинг места, смањења зеленила, капацитета система за управљање отпадом, као и питања снабдевања водом и електричном енергијом.

**Кључне речи:** урбани развој, градско језгро, квалитет живота, градски буџет.

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