



## City profile

## Baku

Anar Valiyev<sup>\*,1</sup>*School of Public and International Affairs, Azerbaijan Diplomatic Academy, 11 Ahmadbay Aghaoglu Street, Baku AZ1008, Azerbaijan*

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## ABSTRACT

Baku, the capital of the Azerbaijan Republic, was one of the major industrial cities in the Soviet Union. In contrast, the post-Soviet development of Baku has witnessed a major reconstruction with grandiose construction projects, which is meant to turn the city into a global city. Consequently, the urban landscape has been transformed in many parts of the city, while informal settlements and a deteriorating environment have become the main scourges of Baku. However, while the administration has attempted to follow the model of Dubai, in practice, the urban development is characteristically chaotic due to the absence of effective regulation and planning. Indeed, with the continued influx of oil revenue, the city is spending vast sums on new projects, buildings and infrastructure without any apparent strategic plan. This paper identifies the key forces and processes underlying the transformation of Baku and looks at the problems haunting the city.

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## Introduction

Baku is the capital of Azerbaijan and the largest city in the Caucasus. The city is located on the Absheron peninsula with a territory covering over 2130 square kilometers, which is divided into 11 administrative districts that also includes 59 settlements (Agayev, 2007). The city proper borders the Absheron region in the north with its capital Khirdalan situated in the outskirts of Baku. Further to the north, Baku borders the city of Sumgayit that used to be the hub of the chemical and petro-chemical industries of the Soviet Union. Since the collapse of communism and the disintegration of the Soviet Union, Baku has undergone a tremendous transformation. In this context, demographic trends for the last decade have been quite favorable to the development of Baku with a constant increase of population due to the high net in-migration from rural areas of Azerbaijan. The official population of the capital reached 2.1 million in 2011, while, at the same time, Ganja, the second largest city of Azerbaijan, has only 316 thousands inhabitants (State Statistical Committee, 2011a). However, unofficially, it is estimated that up to 3.5–4 million people live, or commute, to the city every day. As a consequence, it is not surprising that Baku exerts a disproportionately significant influence on the national economy. The total GDP of Azerbaijan in 2011 was \$63 billion of which almost 71% was produced in Baku (State Statistical Committee, 2011b).

Consequently, the city continues to be the leading recipient of investments and much of this is funneled into the construction industry. In addition, government investment also favors Baku

where major funds are directed toward infrastructure projects, city gentrification<sup>2</sup> (beautification) and renovation. Demographic pressure and the demand for new apartments has forced the city to heavily invest in construction, with new high-rise towers constantly rising across the downtown area.

In addition to changes in the infrastructure, the urbanization and de-industrialization of Baku has also helped to promote social class structures that are similar to those in all large global cities. In contrast to Soviet times when the decision-making process was completely in the hands of the city administration, today the urban elites of Baku – consisting of wealthy businesspeople, government officials, real estate developers, large-scale retailers and wholesalers – are responsible for decision-making. Thus, many projects in the city are being implemented following the logic of these urban elites.

This paper examines the nature of the urban transformation of Baku during the post-Soviet period, while arguing that Dubai is the model of development that city administration and business elites follow. Nevertheless, the model has proven to be not appropriate because of the historical background, culture of governance, geographical location, and resources, as well as different population structure of the Baku.

## Baku in pre-Soviet period

Prior to Tsarist Russian annexation, Baku was considered one of the most deserted and forgotten places in the region, with a

\* Tel.: +994 12 437 3235x129; fax: +994 12 437 3236.

E-mail address: [avaliev@ada.edu.az](mailto:avaliev@ada.edu.az)

<sup>1</sup> Assistant Professor.

<sup>2</sup> Here and elsewhere the term *gentrification* is used to describe process of beautification and renovation of old buildings in downtown of Baku. Millions of dollars have been spent by the Baku administration for renovation purposes.



**Picture 1.** Nikolayev Street in Baku and the State Duma (on the right) in early of 20th century. The State Duma building is currently hosting the Baku Mayor's office. Source: Our Baku: History of Baku and Bakuvians, [http://www.ourbaku.com/images/5/5e/Nikolaevskaya\\_str.jpg](http://www.ourbaku.com/images/5/5e/Nikolaevskaya_str.jpg).

harsh climate and an absence of water, making the location unattractive. According to Alexander Dumas, who visited Baku in 1840s, the region was characterized as “place where tigers, jackals, panthers, snakes and poisonous snakes roamed freely” (LeVine, 2007). Indeed, before Russian annexation in the early 19th century, Baku was no more than a small fortress, far from the major trading routes or cultural centers even though it had access to the Caspian Sea. However, in the second half of the 19th century the city was transformed into the jewel of the Russian empire. The birth of the new Baku as an industrial city can be dated to 1847 following the drilling of the first industrial oil well. The period from the 1870s till the World War I has been called the “first oil boom”, or the golden period, of the development of Baku. From this period till 1918, Baku witnessed the rise of magnificent buildings in a Baroque style that was completely alien at the time to the architecture of the Moslem city.

By 1913, Baku was producing almost 95% of all Russian oil and 55% of the total global oil production (Hasanli, 1997). The revenue from this development gave birth to the emergence of an urban class that was multi-cultural in composition. The richest strata of Baku, often called the oil barons, were the main decision-makers in relation to the development of the city, typically constructing the most magnificent buildings. During the Russian empire period, Baku initially became the center of the Baku *uyezd* (district). Later, in 1846, Baku *uyezd* became the part of Shamakhy *guberniya* (province). However, in 1859 a devastating earthquake destroyed Shamakhy, the center of the province, and thus the government was transferred to Baku. Consequently the province was renamed *Bakinskaya guberniya*. The population of Baku also increased significantly. If in 1883 the population of Baku numbered around 45,000 people, so by 1913 its number reached 200,000 people (see Picture 1, *Всесоюзная перепись населения 1926 года*, т. 14, Закавказская СФСР, г. Москва, 1929).

Geographical location as well as the presence of natural resources predetermined the course of urban planning in Baku. Located on a peninsula surrounded by biggest lake in the world, the historical image of Baku is defined by several natural factors including the sea, the landscape, the climate and the limestone, used for construction of many of its historical buildings. The first city plan dates back to the end of 19th century when the general plan of the inner city castle (*Icheri Sheher*) was drafted. The draft envisioned construction of new buildings beyond the walls of the castle. The plan covered the region from the *Bayil* area at the entrance of Baku to the walls of the castle. The planning project was also designed for the Black City region – an area of oil extraction characterized by heavy pollution – and the White City Region – residential and financial areas. Colonel N.A. Fonder Nonne designed this first plan of Baku in 1890–1898. The general plan envisioned the location of square-shaped districts to the north of the castle, wide and large boulevard-shaped greeneries and squares (see Fig. 1, Fatullayev, 1998).

Since Baku was the major port, the largest city and economic pearl of the Russian Empire's south, the administration was especially concerned with its defence capabilities. The first urban plan took into consideration the possible vulnerability of the city. Square-shaped district development served to turn Baku into a fortress if needed. In 1911–1918, Azerbaijani architect M.G. Hacinski edited and reformed Nonne's plan and this became the base of the future planning projects (Fatullayev, 1998). The Hacinski plan envisioned the establishment of new districts in the city taking into consideration a growing number of *nuovirches*, as well as trading and administrative class (see Fig. 2).

### Baku during Soviet period

The rapid and unregulated development of Baku was interrupted by the Russian revolution of 1917. As a consequence,





**Fig. 1.** Fonder Nonne Plan 1898–1900. Source: The State Committee on Urban Planning and Architecture of Azerbaijan Republic, The Greater Baku Regional Development Plan, [http://www.boyukbaki.az/info\\_en.php?section=3&subsection=13](http://www.boyukbaki.az/info_en.php?section=3&subsection=13).

initially Baku became the capital of the Azerbaijan Democratic Republic (from 1918 till 1920), before the Red Army occupied the city. For the next 70 years, Baku was the capital of the Soviet

Azerbaijan. Moreover, from this point onwards, Baku's development during the Soviet period was no different from many other cities of the Soviet Union.



**Fig. 2.** M.Q. Hacinski Plan 1911–1918. Source: The State Committee on Urban Planning and Architecture of Azerbaijan Republic, The Greater Baku Regional Development Plan, [http://www.boyukbaki.az/info\\_en.php?section=3&subsection=13](http://www.boyukbaki.az/info_en.php?section=3&subsection=13).

The first decade of the Soviet administration in Baku between 1920 and 1930, is often called the Decade of Transition. This period saw the construction of wide new avenues, new suburbs and standardized buildings (Khanlou, 1998). Within this period, the style of architecture called Constructivism dominated the urban structure. This type of architectural style was heavily influenced by the Bolsheviks who saw urban space in the context of utilitarian purposes (Aliyev, 1998). Thus, most of the buildings constructed during this period were fashioned in a way to serve people, not for aesthetics.

In 1924–1927, under the leadership of architect A.P. Ivanisky urban planning also served utilitarian purposes. The first plan of Soviet Baku studied the climate, housing utility conditions, development perspectives, and the production profile of industrial regions in addition to a number of other aspects. The administration paid specific attention to construction of residential areas with better living conditions, establishment of green spaces and street transport (see Fig. 3, Fatullayev, 1998).

Soviet Constructivism ended abruptly in middle of 1930, when the Soviet administration called for return to the use of national architectural forms. In Baku, the call resulted in the re-introduction of ornamental arches, columns, inner courtyards, balconies and fountains (see Picture 2, Aliyev, 1998).

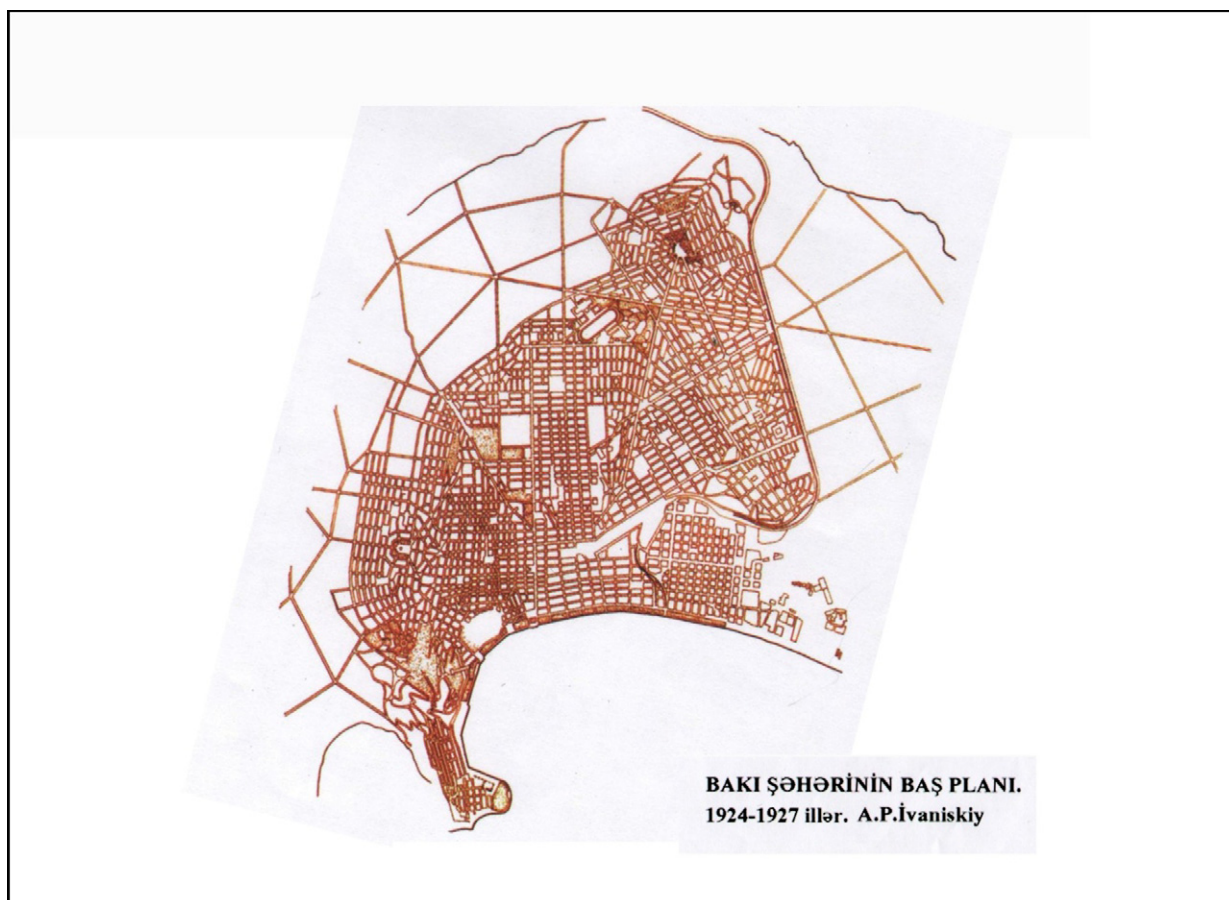
Due to the increasing population of the city, the urban planning process of Baku also changed. In 1932, the State Urban Design Institute under the leadership of V.N. Semyonov was invited to Baku to continue the planning project of Baku and

the entire Absheron peninsula. The major purpose of the project was the development of satellite cities that began to grow in vicinity of Baku. L.A. Ilyin, the chief architect of Leningrad, implemented the planning project. The major idea of the general plan was establishment of the center of the city and a boulevard in the most suitable place – along the waterfront. Based on industrial development, the urban population had been calculated up to include a million people over the estimated period. Placement of so many people in the Baku landscape raised difficulties and demanded an increase in the density of construction and the height of buildings. The shape of the city, the landscape and seismicity of urban area were reflected on the plan (see Fig. 4, Fatullayev, 1998).

World War II interrupted the normal pace of Baku development when around 20–25% of the country's male population was conscripted to the war, mainly from industrial Baku. The significance of Baku to the Soviet Union during the period of World War II is difficult to overestimate. Around 70–75% of all Soviet oil produced between 1941 and 1945 came from Baku (Agayev, 1995). Indeed this was also noted by the Germans who reacted by undertaking a military thrust from the Northern Caucasus toward Baku, at the time of the siege of Stalingrad, in order to stop the oil supply from Baku to the frontlines.

Later, the postwar period was marked by a massive investment in the oil industry, despite the fact that new oil fields in Siberia had been discovered. Furthermore, Baku became the center for production of oil-related industries and a training center for oil experts. Indeed, the first city on the sea, *Oil Rocks*, was built in the Caspian





**Fig. 3.** A.P. Ivaniskiy Plan 1924 – 1927. Source: The State Committee on Urban Planning and Architecture of Azerbaijan Republic, The Greater Baku Regional Development Plan, [http://www.boyukbaki.az/info\\_en.php?section=3&subsection=13](http://www.boyukbaki.az/info_en.php?section=3&subsection=13).

Sea near Baku in 1947.<sup>3</sup> Subsequently, as a result of the expansion of the oil industry, between the late 1950s and the mid-1980s, a special emphasis was also placed on housing. Specifically, in order to solve the housing problem due to migration of rural people into the city, the Soviet administration heavily invested in the construction of cheap five-story buildings. This was also the period when many *microrayons* (micro-districts) were constructed in Baku reflecting the central socialist urban planning concept of “Ideal Communist City Planning”. In the jargon of the Bakuivians, such buildings were simply called *khrushhevka* or *leningradka*. Therefore, according to the final Soviet census, by 1979, the population had grown to almost 1 million from a city of approximately 453,000 in 1926 (see Picture 3, State Statistical Committee, 2011a).

In the post-war years, state socio-economic development and rapid urbanization, as well as heavy housing construction characterized urban planning of Baku and Absheron peninsula the first post-war general plan of Baku was finished in 1954. This time the plan considered the growing population of the Absheron peninsula and the suburbs of Baku. The last Master Plan of Baku was prepared in 1985 and covered a 20-year period. The plan included the Baku region and the Absheron peninsula planning; a transport scheme for Baku, planning of the Baku region proper and a general

plan for resort zones that would be established in the north of Absheron peninsula (see Fig. 5).

The Master Plan served several purposes including functional zoning of the peninsula area; development of residential areas of Absheron taking into consideration Baku’s city limits, establishment of an urban agglomeration provided with improved employment, education, housing, culture and recreation opportunities; and environmental wellness (see Fig. 6).

The Master Plan envisioned that population of Baku and Absheron peninsula would reach 2.26 m people by 2006 while housing area would reach 22.3 million m<sup>2</sup> or 18 m<sup>2</sup> per capita (see Fig. 7).

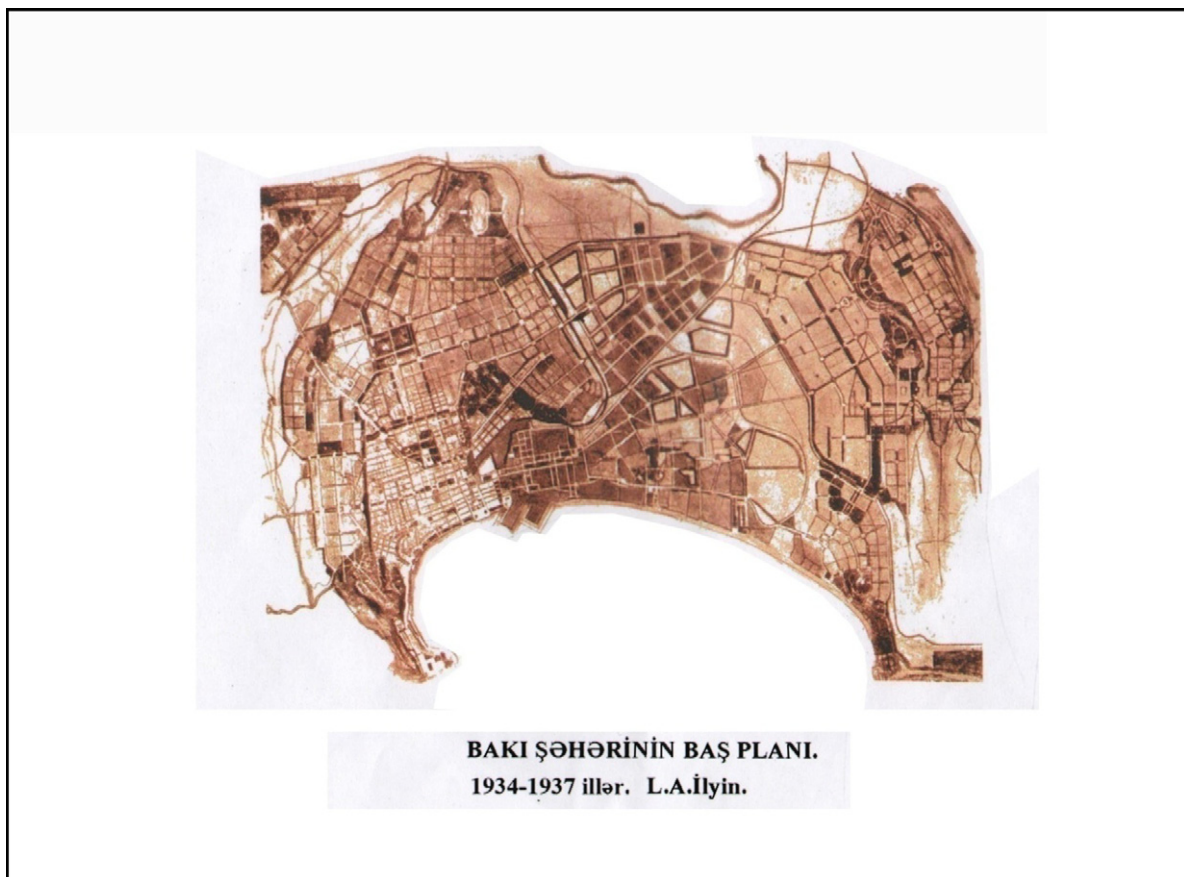
#### Urban development since independence: Dubai on the Caspian?

The collapse of the Soviet Union and the transition toward a market economy enabled Baku to make tremendous progress in urban development and become one of the fastest growing cities in the region of the Caucasus and Central Asia. As in many other Central and Eastern European countries, the rate of post-socialist urban change in Baku was striking with privatization being “the leitmotiv of post-socialist urban change” (Bodnar, 2001; Stanilov, 2010). Specifically, the post-Soviet urban transformation in Baku was characterized by many positive characteristics. Within two decades the city’s landscape has changed completely. Most notably, new high-rise buildings, plazas and business centers were built in Baku. Moreover, although the concept of a Central Business District is absent from the urban planners’ jargon in Baku, some resemblance of a CBD has been established in the areas close to

<sup>3</sup> Oil Rocks or Neft Dashlary (in Azerbaijani) is the city-type settlement that was constructed in the sea during 1940s–50s. Located 42 km South-East of Absheron peninsula it was built on metal piles that were fixed to the bottom of the sea in a few metres of height on sea level. At the end of the 60s the total length of piers fulfilling the duty of specific “streets” was over 200 km. The helicopter was used for carriage of people, foodstuffs and other items. At the peak of its activity Oil Rocks hosted around 2000 people.



**Picture 2.** The Academy of Science, Constructivism period. Source: Khanlou (1998).



**Fig. 4.** L.A. Ilyin Plan 1934 – 1937. Source: The State Committee on Urban Planning and Architecture of Azerbaijan Republic, The Greater Baku Regional Development Plan, [http://www.boyukbaki.az/info\\_en.php?section=3&subsection=13](http://www.boyukbaki.az/info_en.php?section=3&subsection=13).

downtown near the Central Bank. Continuously, billions of dollars of investments poured into city's economy, while a variety of international events have put Baku on the media map. For example, the Eurovision song contest was held in Baku in May of 2012, placing

the city at the apex of regional and European attention. The logic of this development in Baku highlights that the government and urban elite are trying to turn the city into the main tourist destination of the region as well as an economic powerhouse similar to





**Picture 3.** The Soviet style building. A Typical Soviet *khrushhevka* in one of Baku's micro-districts. *Source:* Author's personal archive.



**Fig. 5.** Current Master Plan of Baku and Absheron region 1986–2006. *Source:* The State Committee on Urban Planning and Architecture of Azerbaijan Republic, The Greater Baku Regional Development Plan, [http://www.boyukbaki.az/info\\_en.php?section=3&subsection=13](http://www.boyukbaki.az/info_en.php?section=3&subsection=13).



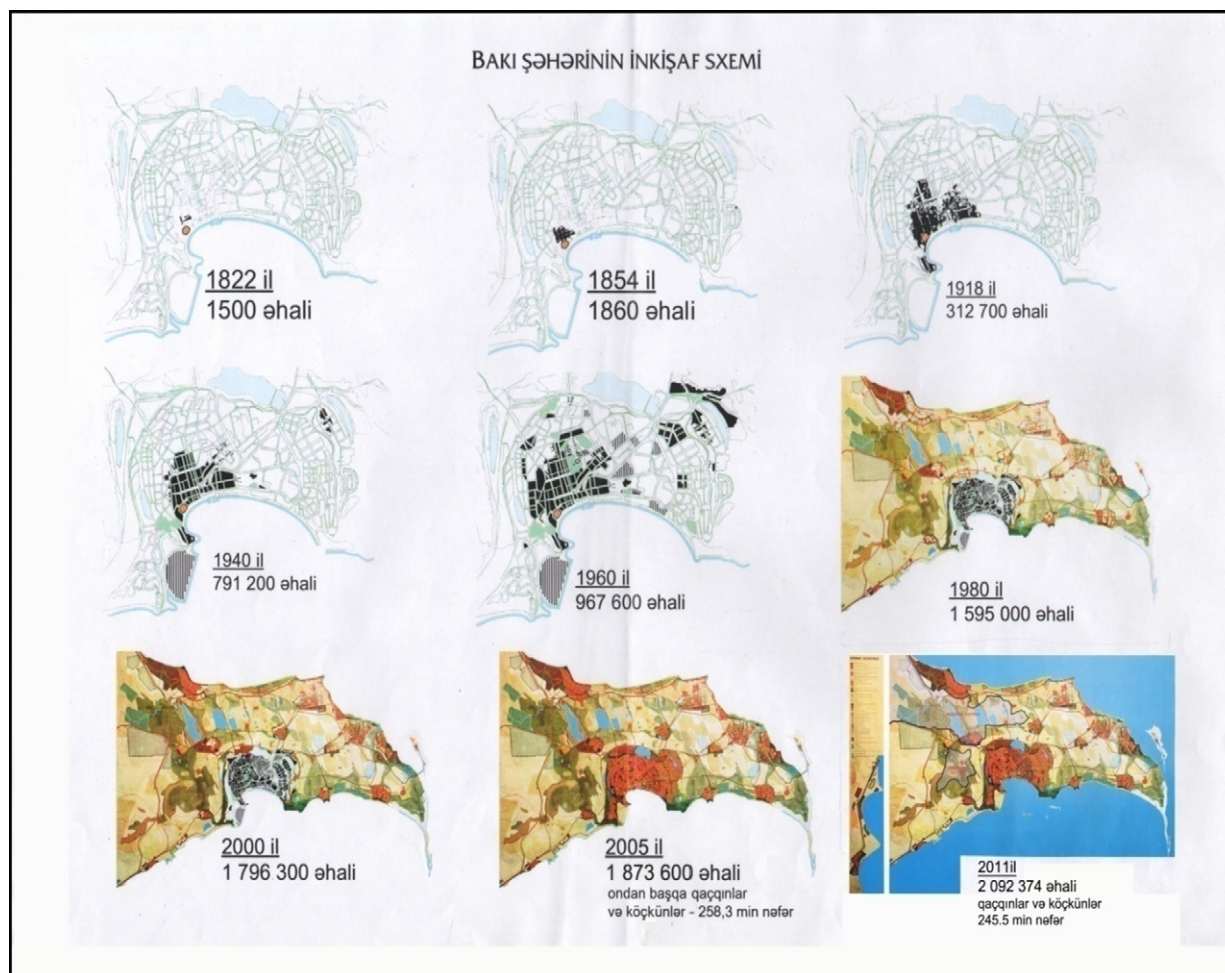


**Fig. 6.** Proper Baku Master Plan. Source: The State Committee on Urban Planning and Architecture of Azerbaijan Republic, The Greater Baku Regional Development Plan, [http://www.boyukbaki.az/info\\_en.php?section=3&subsection=13](http://www.boyukbaki.az/info_en.php?section=3&subsection=13).

Dubai. Baku's development after 2004–2005 resembles Dubai's rapid expansion. But the work that Dubai carried out for almost 45 years, Baku was trying to accomplish within a decade. In addition, just as the Dubai rulers tried to turn city into a transportation hub by constructing Port Rashid and Jebel Ali (Pacione, 2005), the government of Azerbaijan took a strategic decision to construct a new modern port 60 km south of Baku. The port would serve to facilitate transportation of goods and passengers from Central Asia to Europe and back. As in Jebel Ali, the government has plans to establish a free trade zone near the port spurring a trade turnover of the country. Second, despite geographical constraints, the business elites of Baku and the government continue their attempts to lure foreign tourists by way of massive investments in leisure attractions and futuristic projects. As in Dubai, brand new hotels such as the Marriot, Hilton, Jumeirah, Kempinsky and Four Seasons have been opened in Baku. In an attempt to establish Baku as a booming center, or tourist Mecca, the government is trying to market the city for various international events and sport competitions. For instance, the victory of Azerbaijan in the Eurovision song contest led to construction of the Crystal Hall which cost around \$76 m (Economist, 2012). In general, the business elite are particularly fond of events such as these that bring additional profits for them from the thousand of tourists who attend (see Picture 4).

The attraction of tourists is not the only objective of the business elites, as the successful example of Dubai also encouraged the business elites to consider turning Baku into a business center for the region. Similar to Dubai's policy to create cluster type satellite-cities – Dubai Internet City or Dubai Media City – the business elites, with support of government proposed construction of Baku-city, which is a 29 square kilometer coastal area designated for business facilities (Saifutdinova, 2010). In terms of the target audience, Baku-city is intended for business people, diplomats, bankers, and students who are seeking to enjoy their leisure time. As a consequence, it will not include housing for employees, though Baku-city will also include an allocation of certain lots of the land destined for the construction of university campuses. Currently, most of the universities are located in the downtown area, or close to the center of the city, which results periodically in thousands of students overcrowding the center. Here, the logic of the business class is understandable in that, by transferring the universities from the downtown area to the outskirts of the city, they can divert the flow of the people and ease the pressure on transportation and other facilities of the city. Simultaneously, these same business people would then be able to exchange the newly built suburban campuses for the original university property downtown that could then be converted for business use, thus obtaining an additional return on their original investment. This plan also copies





**Fig. 7.** Development of Baku–Absheron Peninsula 1822–2011. Source: The State Committee on Urban Planning and Architecture of Azerbaijan Republic, The Greater Baku Regional Development Plan, [http://www.boyukbaki.az/info\\_en.php?section=3&subsection=13](http://www.boyukbaki.az/info_en.php?section=3&subsection=13).

Dubai's policy on university clusters located in one area of the city (Pacione, 2005).

Another example of a grand project of the post-Soviet period is the construction of the Baku Flame Towers that are gradually becoming a symbol of the city (for example they are frequently placed on postcards bought by visitors). The towers symbolize the long history of fire worshippers that considered Azerbaijan as a birthplace for prophet Zoroaster. The Baku Flame Towers include a residential tower that can accommodate 130 residential apartments over 33 floors; a hotel tower that consists of 250 rooms and 61 serviced apartments; and the office tower that provides a net 33,114 square meters of office space (see Picture 5, Dia Holding, 2011).

In addition to the iconic Flame Towers, the Heydar Aliyev Center is another pearl of the construction boom in Baku. Occupying 57,519 m<sup>2</sup>, the Heydar Aliyev Cultural Centre, that hosts a conference hall, library, and museum, was opened in May of 2012. Designed by famous architecture Zaha Hadid, the center is one of the many buildings that have been built in Baku over the last 2 years that represent a move away from the Soviet-dominated past and toward a national identity. The center is part of a larger redevelopment area and is expected to be the hub of the city's intellectual and cultural life (see Picture 6, Buildopedia, 2011).

Last but not least of the endeavours in this list is the Khazar Islands project. The project, spearheaded by the local company, Avesta, covers a 3000 ha area. It will consist of 41 different-sized

islands and 19 districts in the Caspian Sea. The archipelago will cover an area 24 sq/km by 8 km in length and 3 km in width. The total length of the boulevard islands will be 50 km. The project was launched 1.5 years ago and construction of 6–7 residential buildings is underway on one of the biggest islands. It is expected that, in general, the city, when completed in 2022–2023, will host 1 mln residents. Overall, it is expected that construction of these artificial islands will cost \$100 bn of which \$30 bn will come from foreign investors and another \$30 bn from apartment sales. According to the project, the price of completely renovated apartments, will be around \$4000–\$5000 per square meter (Ahmadov, 2012). One does not need to be an expert to see the striking similarity between the Khazar Islands and the Palm Islands in Dubai. What is surprising about this project is how enthusiastic business people and government officials are. None of the involved parties seems willing to imagine the huge problems and dangers that may plague this ambitious project (see Picture 7).

There are several issues that could make such a project unfeasible in Baku. First, the price of apartments will not allow average Azerbaijani to buy apartments (even with a mortgage). The number of people capable of buying such apartments will hardly reach 5% of the intended one million residents. Second, unlike Palm Jumeirah, it is hard to imagine that foreign investors or celebrities would buy apartments in a volatile region with uneasy neighbors. Last but not least, the inability of the Nakheel company (constructor of the Palm Islands project) to sell their apartments has not

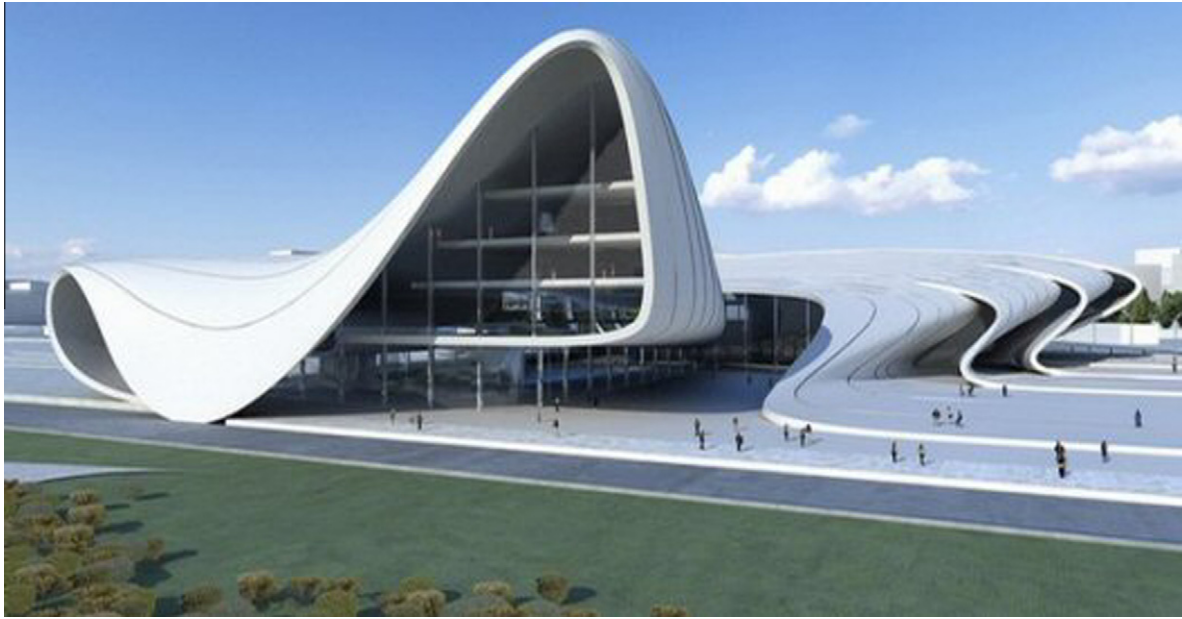


**Picture 4.** The Crystal Hall Venue constructed for the 2012 Eurovision 2012 Song Contest. Source: Eurovision 2012 Contest, <http://eurovision-2012.com/?p=3416>.



**Picture 5.** The Flame Towers. A symbol of modern Baku depicted on tourist postcards. Source: Dia Holding Website, <http://www.diaholding.com/>.





**Picture 6.** The Heydar Aliyev Center. A New Convention Center. Source: Dia Holding Website, <http://www.diaholding.com/>.



**Picture 7.** Khazar Islands Project. Source: Khazar Islands, <http://khazarislands.com/>.

stopped Avesta from continuing the project. Overall, it seems that urban elites are more concerned with making Baku livable for foreigners and turning it into a tourist destination, rather than a city for its citizens. With high prices for almost everything and an

influx of oil money not supported by production, Baku is becoming an extremely expensive city to live in and even to visit.

If we try to compare Baku's development with Dubai, we can see that both cities share many things in common. The first

similarity is government-led development. As in Dubai, Azerbaijan's government, not the private sector, has taken the lead. Even the private sector is divided among the business groups closely associated with the government. It allows the government to obtain financial support if needed for any type of project. Government-led development and no public involvement, make decision-making in Baku as rapid as in Dubai. If the government needs to build a new facility, sport center, industry or port, decisions on such a strategic issue will be taken very quickly. Last but not least, is the similarity in supply-generated demand. As in Dubai, Baku is trying to build everything to overcapacity against the advice of experts. Whether it is a hotel, housing or grandiose projects such as the Khazar Islands, the logic of the business elites can be explained by the phrase "supply goods or service and let it generate its own demand" (Hvidt, 2009).

Thus, it seems that Baku is fitting Dubai's model on certain parameters. However, contrasts between the cities can completely turn the luck of Baku. First, geographical constraints prevent Baku from becoming a global city. Cities that transform from small towns to mega cities are usually ports with access to an ocean. Singapore, Hong Kong and Dubai are in the center of sea trade with easy access to neutral waters. Baku, with certain exceptions, could be considered a land-locked city since the Caspian Sea does not have access to the ocean. Second, unlike Dubai, Baku is the capital of a state where almost 80% of the budget and GDP is generated. Thus, a big share of its income is distributed all across the country. Third, Baku's (as well as Azerbaijan's) economy is not diversified and can be characterized as rentier state. The non-oil sector of the country and the city's economy is marginal. Unlike Dubai, whose economy is characterized as knowledge-based with high growth, high value-added products and global mobility, Baku's economy is not diverse at all and the major source of the income depends on highly volatile commodity – oil. Finally, is the fact that Dubai's success was highly dependent on historical circumstances of international surplus capital looking for profitable investment possibilities in the 1990s and early 2000s. Dubai was lucky to be able to take advantage of the opportunity to create a significant build-up of physical and human assets within a relatively short time (Hvidt, 2009). On the other hand, Baku's rapid development began during a period of world financial and economic crisis, when excess capital rushed to save the economies of Europe and other states. Thus, the only investment that spurred development in Baku was government money received from oil sales.

### Local administration

The structure of local administration of Baku does not differ much from the Soviet period. Still, the president of the country appoints the mayor of Baku, who is usually called the Head of Executive Power/EP, and only the president of the country can replace the mayor. At the same time, the president appoints the heads of all eleven administrative districts of Baku. Technically, Baku's mayor is the head of the city, but he does not have the power to fire or replace the heads of an administrative district. Thus, Baku's mayor is obliged to cooperate with the heads of districts and take joint decisions. However, at the same time no proper mechanism of decision-making has been established. Indeed, it was logical to assume that a city council would be the next step, where the mayor and eleven heads of districts could come together and take decisions. Unfortunately the City does not have a Council bringing together the heads of EP of districts under Baku's mayoral leadership to solve problems. Each district solves problems in isolation, or occasionally in consultation with the mayor's office. Although Baku has a two-tier administrative system, in terms of the city mayor and EP heads at district level, the powers of these

two tiers are not properly defined and no official documents specify the exact distribution of powers.

In 1999, Azerbaijan introduced the system of self-governance or *bələdiyyə* (municipalities). Currently, 1718 municipalities and 15,682 municipality members exist in the country whereas only recently the number of municipalities was around 2750 (Agayev, 2007). Furthermore, municipalities are elected every 4 years in general municipality elections, and there are now 52 municipalities in Baku and the surrounding area. Initially, it was envisioned that eventually the powers of EP would be smoothly transferred to municipalities, making the city management system democratically elected. However, when the government did not pass the functions and responsibilities of the EP to municipalities, the system of governance became more complicated. Today, municipalities lack both political and financial powers and have in practice become an additional tier of government in terms of implementing the orders and instructions of the EPs. The Congress of Local and Regional Authorities of the Council of Europe have proposed to have mayoral elections in Baku as well as to establish a large urban municipality. However, government officials have stated that the issue of establishing a single municipality could be seriously discussed only in 5 years (Avicya, 2010).

### Informal settlements and housing market in Baku

Despite many positive changes, Baku has not been able to avoid problems that often plague developing cities. As in many other cities, these problems included a retreat from planning; lack of institutional coordination; poor implementation of laws; chaotic development patterns; suburban sprawl and a surge in informal construction. Moreover, the impact of transformation was felt in the loss of open space in urban areas, the privatization of the public realm and social stratification. However, while in Central and Eastern European cities the process of transformation was accompanied by a decentralization of power and a greater role of public participation and NGOs, in Baku. In contrast, governmental policies led to further centralization, as well as an absence of democratic participation. Indeed, a Byzantine system of governance inherited from Soviet times, as well as ineffective resource management and corruption, have hampered the city's sustainability and precluded reforms in public administration. At the same time, the absence of a clear vision creates endemic problems such as environmental pollution, urban sprawl, informal construction of dwellings, as well as political and administrative fragmentation.

One major issue facing Baku's development is the absence of a Master Plan that would guide the development of the city. As was mentioned before, the last Master Plan was designed and introduced in 1984 and expired in 2005. As Kessides (2000) argued, the usual socialist city "was 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". Baku's original Master Plan did not envision the collapse of the central economy and its transformation into a market economy. The city's new economy required new types of buildings for the banking sector, hotels, business and commercial projects among others. Moreover, the original plan did not anticipate the explosion of Baku's population. Thus, without a Master Plan, Baku is developing in unorganized fashion and the absence of zoning is leading to chaotic construction (Khanlou, 2005). In fact, such a situation favors the business elites. Without proper plans and zoning ordinance requirements, business corporations can construct any type of building at random in Baku, regardless of the consequences. Indeed, development and construction has proceeded so fast that the inherited Soviet



legislation has not been able to keep pace (Khanlou, 2005; Valiyev, 2009).

The situation with planning and zoning in Baku is exacerbated by the fact that no single agency has been given a unifying and coordinating responsibility over it. Several agencies and committees oversee such work without coordinating with each other. The absence of a regulating body also adds to the problem of quality housing and construction. In contrast, during the Soviet period, some restrictions existed in terms of building height due to Baku's location in an earthquake prone zone. These restrictions have been lifted in the post-Soviet period, and the justification for the lifting of these restrictions is being debated. It is true that since independence, there has been only one significant earthquake (in 2000) and that the few newly built high-rises that existed at that time did not suffer significant damage. However, over the last 10 years the number of high-rise buildings has increased significantly, and concerns with safety continue to grow.

The rapid growth of Baku's population has also significantly affected the housing market in the country. The old Master Plan envisioned that population of Baku, estimated at 1.7 m in 1985, would grow to 2.26 m by 2006. Population forecasts considered both natural growth and migration. The plan estimated that the majority of the growth would be realized in small and medium-sized cities within the Absheron peninsula that would not create more pressure on Baku City itself. The plan estimated that total residential housing would be 19.9 million m<sup>2</sup> or 11.5 m<sup>2</sup> per capita in 1986. It was further forecast that per capita residential space would be increased to 18 m<sup>2</sup> and the total additional residential space in Absheron peninsula would reach 22.3 million m<sup>2</sup> in 2006. One of main purposes of the master plan was to provide housing to every family in Baku City until 2000. The collapse of the Soviet Union and the inability of the Master Plan to reflect such dramatic changes led to complete chaos in the housing market.

Baku stood in the line with many other cities of Asia and some in Europe (such as Tirana or Istanbul) in being unable to avoid the

problem of informal housing. However, before entering a discussion on this situation, it is essential to define these terms. In Azerbaijani, informal housing, or construction, in most cases, involves some kind of dwelling built without legal documentation or permit. In many cases, such construction does include some documented action issued by the municipalities, or local executive government, for a fee, which is often a bribe. However, the next elected municipality, or other state agencies, very often do not recognize these documents as legal. The phenomenon of informal housing initially appeared in Azerbaijan in the 1990s and there were several reasons that provoked the problem. First, after independence, and the conflict with Armenia, in the 1990s, the country faced huge problems relating to internally displaced people (IDPs), which numbered around 600,000. Many IDP families did not have a choice, but rather moved to Baku where they were able to find jobs. However, the high price of housing in Baku, as well as preferences of rural people to live on land rather than in buildings played its role. Second, while there were homeless families who applied for construction permits, the complex level of bureaucracy meant that obtaining a response from the authorities could take several months. Naturally, such families could not afford to wait such periods before starting construction on their dwellings. Furthermore, there is no strict control, or penalties, which target informal construction. As a consequence, the absence of modern urban development plans further exacerbates the problem. In addition, systemic corruption and the ineffective management of services also aggravate the problem. As in Turkey, these houses are often called *gecekondu*, which relates to the fact that such houses are built 'over one night', in order to avoid interference by police or other administrative agencies. Once informal housing is inhabited, the police require a court eviction order that could take years to obtain. The common features of informal housing in Baku and the suburbs are squatting on another person's land (including State or municipal property); no legal documentation (including construction permits); unsafe structures and locations (buildings erected on utility/



**Picture 8.** Informal settlements in one of Baku's suburban areas. Source: UN Commission for Europe (2010).

infrastructure pipelines and gas, oil and electricity networks); extensions of existing buildings with no construction permits; and violations of the requirements for construction permits (including technical norms and standards) (see [Picture 8, UN Commission for Europe, 2010](#)).

By some raw estimates ([UN Commission for Europe, 2010](#)), there are approximately 800,000 informal constructions in Azerbaijan, including 500,000 in the Baku area alone. It is suggested that 30% of Azerbaijan's and 50% of Baku's population, approximately 4 million, live in informal housing. An obvious problem for residents is that informal houses lack addresses and are not connected to basic utilities such as running water ([UN Commission for Europe, 2010](#)). However, a number of positive improvements did occur between 2005 and 2009, when more parks and schools, roads, and new houses were provided by the state. Moreover, informalisation around Baku does have clear social and environmental implications that need to be considered. For example, there is now a growing concern about these settlements and those communities operating beyond formal regulations.

While informal residents remain socially, environmentally and politically vulnerable, the authorities are also experiencing difficulties with properly managing the land. The most significant concern of the government is the fact that many of these informal houses were constructed in the areas near electricity pylons, gas pipelines and other infrastructural utilities, despite appeals from their owners. According to public officials, around 5317 properties were built too close to gas pipelines, of which 2814 were in Baku, 543 in the nearby Absheron region and the rest scattered around the country. Some 70% of the buildings were houses, while the rest were restaurants, shops, and other businesses ([Hagverdiyeva, 2010](#)). In 2008, the government started seriously thinking about destroying houses near strategic facilities, but were met with fierce opposition from inhabitants. Yet another problem with informal housing is the fact that many of them are built on the lands belonging to various governmental agencies and the people who purchase them from municipalities who do not have rights to sell them. Thus, for example, the State Oil Company of Azerbaijan Republic (SOCAR) revealed that thousands of houses are built on their land. Indeed, around 5000 informal houses and facilities alone are built on territory owned by the company Balakhany-Sabunchi that spans across 570 ha. SOCAR states that it is not only illegal to build on these territories but also very dangerous, since the waste on these lands is hazardous for human health. The response from the people inhabiting these sites is that they had bought the land parcels from the municipalities. As a consequence, the government prefers to close their eyes to this issue, but the problem continues to expand. SOCAR has reacted by demolishing several houses built on its territory, which has led to violent clashes with residents, who fear that they will have to move to yet unknown locations to resettle ([Avciya, 2012](#)).

Another major problem for Baku is the absence of a regulating body that could inspect and ensure the safety of informal buildings. Currently, only the EPs, or municipalities, can provide permits to construct houses or facilities. However, at some later date, such properties are often considered dangerous to life by the Ministry of Emergencies (MoE) and scheduled for destruction. In the absence of a regulating body, tragic events frequently occur. For instance, in 2007, some 20 rural migrants south of Azerbaijan were killed in one of the nearly completed buildings in Baku. MoE claimed that uneven foundations and low-quality construction work caused the tragedy ([Ismayilov, 2007](#)). The tragedy opened up new debates about the ability of government to keep up construction safety standards in an earthquake-prone zone. According to Bahruz Panakhii, the head of the department of seismology at the National Academy's Research Institute on Geology, an earthquake measuring 4.5 on the Richter scale could destroy many buildings, regardless the number of stores ([Ismailzade, 2006](#)).

Analyzing the housing market of Baku, it is worth mentioning that, for the last decade, construction has grown by 7.5 times. Today, over 1500 construction companies operate in the country. In 2011, around 1,351,200 square meters of housing were commissioned in Baku, 25% more than in 2010 ([BakuBuild, 2012](#)). However, the high oil prices and the influx of oil money to Azerbaijan since 2005, has resulted in skyrocketing apartment prices. As a consequence, a two-bed room apartment in Baku could be as expensive as one in Prague, Berlin or Frankfurt. The financial crisis of 2008 significantly affected the prices and they dropped by between 25% and 35%. It is interesting to mention that the financial crisis did not have a great effect on the Azerbaijani economy since it is heavily dependent on oil and gas export. It also did not affect the purchasing power of the Azerbaijani population. Nevertheless, the prices went down because the financial crisis hit Azerbaijani citizens living in Russia who are the major buyers of Baku apartments. Around 1 to 1.5 million citizens of Azerbaijan reside in Russia as migrant laborers. By some estimates ([Markedonov, 2009](#)), around \$1.8–2 billions are transferred to Azerbaijan every year to support the families of these workers. The same migrants laborers were the main buyers of apartments in the period of 2003–2008 keeping prices high. Often, the affluent migrant worker would buy two, or even three, apartments in downtown Baku without residing there for years. Thus, the financial crisis that hit the world and Russia in particular, affected the purchasing ability of Russian-Azerbaijanis. The prices for apartments in Baku before the crisis was not affordable at all and a middle-income class family earning from \$700 to \$1500 would hardly be able to buy an apartment that equal to their 10-year income. Thus, the same circle of people – governmental officials, businessmen closely related to government as well as foreign citizens – were buying apartments in Baku. In 2007–2008, in order to revive the housing market, the government launched a mortgage system letting people borrow money to buy apartments. However, the mortgage system did not affect the purchasing power of the middle class for several reasons. First, the maximum amount of funds that citizen can borrow for 25 years was limited to \$65,000 and the citizen should contribute at least 15% of the funds for purchasing of apartment. The sum was too small to buy a decent apartment since a 2 or 3 room apartment decently renovated costs between \$100,000 to \$130,000. Thus, the people only borrowed money to buy apartments in suburbia or far from downtown. Second, the majority of newly constructed houses in Baku do not have proper documentation. They have been built by construction companies and sold to buyers before the state commission inspected them. Most of the newly constructed buildings in Baku did not pass inspection and thus do not have documentation proving the property rights of the resident. The residents usually only have a piece of paper confirming an agreement between the construction company and the resident. Only after the building passes inspection and gets approval, is a resident able to register his or her property and get proper documentation. In order to get a mortgage, the citizen needs to leave collateral at the bank in the form of documentation for his/her new apartment. Thus, the citizens are forced to buy apartments in the secondary market or in old buildings that have proper documentation. By 2011 the government allocated around \$190 million to revive the housing market. By the end of 2009, over 3000 mortgage loans had been given to people for buying apartments ([Azerbaijan Mortgage Fund, 2010](#)). Despite these measures, the property market lost 20% of its value in 2009 alone and over 30% over the period of the crisis.

Today, the weighted average cost of 1 square meter of housing in Baku is \$780. Apartments in the primary market for bulk buyers were offered at an average of \$688, business class at \$1250, and luxury apartments at \$2380 per m<sup>2</sup> ([Turan, 2011](#)). The housing market in Azerbaijan is also characterized by the lack of an “urban



growth machine “consisting of consultants, bankers, brokers, agents, and realtors (Logan & Molotch, 1987). In Baku, construction companies are free to define the prices for houses and other property. In addition, commercial property in Baku has experienced a boom over the last 10 years. However, due to the current crisis, interest in real estate in Baku is decreasing. The sale of real estate in 2011 dropped by 15% in comparison with the previous year. Today, the price of commercial property in Baku is around \$2720 per square meter, a decline from the summer of 2011, when the price of commercial property in downtown Baku cost around \$4860 for a square meter; territories further away from downtown cost from \$760 to \$2144 (Khalilov, 2012).

### Urban transportation

On the eve of independence, Baku had an effective and efficient system of public transportation. The city had developed a subway system while trams, trolleybuses and buses were typically able to meet the demands of the city. However, the demographic explosion between 1992 and 1999 has completely changed the situation, and the public transportation is not able to serve the disproportionately increasing population. At the same time, under-financing and the absence of funding for public transportation has further exacerbated the situation. As a result, within a few years, new types of transportation – *marshrutka*-jitneys – appeared on streets of Baku. With a maximum capacity of 12–14 people, these mini taxis were able to partially solve the mobility problem. However, these mini-taxis also undermined the tram and trolleybus system in Baku. Being slow and costing as much as *jitneys*, trams and trolleybuses were not able to compete. Thus, in 2000 trams and trolleybuses disappeared from streets of Baku. However, the *jitneys* were not able to survive either. From the beginning of 2006, the city government decided to change the image of the city and started substituting regular large buses. Consequently, by 2010 all mini-taxis also disappeared from the streets, replaced by the large buses. However, even today, the urban transportation system of Baku experiences serious problems. First, disappearance of trams and trolleybuses negatively impacted the ecological situation and CO<sub>2</sub> emissions. Thus, the old Master Plan envisioned that in 2006 around 30% of passenger transportation would fall on electro powered vehicles (against 17% in 1986). The first arises from the rapid motorization of the country after the collapse of the Soviet Union. Indeed, in 2000 around 440,000 cars were on the roads of Azerbaijan including 146,000 in Baku alone. By 2010 around one million cars were on the roads of the country, including 600,000 in Baku. Moreover, around 50,000 more entered Baku from other provinces. Therefore, 65% of all cars nationally commute to Baku every day (Jafarli, 2011) Second, the road system of Baku remained unchanged during the years 2000–2006 leading to substantial traffic jams and accidents. Only in 2005 did the city administration begin to construct bridges and express lanes to mitigate the situation. Third, due to the high prices of property in downtown Baku and high opportunity cost, it has become very expensive and not profitable to build parking lots. Thus, drivers usually park on sidewalks, or on the side of the roads, limiting the driving space. Last, but not least, the low quality of public transportation adds another problem. Here the absence of express lanes for buses increases commuter time, thus discouraging people from using public transport. Ordinary people prefer to commute either by taxi or in their own cars. Investing more in a metro system that is quite developed in Baku could solve the problem. In fact, the government has built two new stations over the past 2 years and plans to construct several more over next 5 years. The smart Transport System launched in Baku in 2011 envisioned the installation of monitors on all bus stations of Baku showing the timing of bus arrival and

departure time. Meanwhile, the large monitors on the central streets were aimed at improving life for drivers by showing them the roads in the city where the traffic jams were, helping drivers to avoid such trouble spots. Nevertheless, the absence of an integrated approach to solving urban transportation problem did not allow the intellectual system to effectively solving the problems and in fact did not help much overall.

### Quo Vadis Baku?

It is hard to apply any literature on urban regimes to the case of Baku because of the nature of politics in the city. Baku, in contrast to case study cities such as Atlanta, New Haven, Chicago or New York is not an independent body with an elected administration, vibrant grassroots organizations or an independent business sector that shapes its development. Development is totally in the hands of the government in Baku. Moreover, the absence of fear of losing elections by the mayor's office and no public pressure make the process of development opaque and highly patriarchal. Research conducted by the author in 2010–2011 highlighted the deep disappointment of Baku inhabitants in relation to urban development. The majority of people interviewed among the wider public consider themselves excluded from the decision-making process. Moreover, Bakuivians are losing the feeling of ownership of their city. They have now started to believe that the city no longer belongs to them; they have also begun feeling uncomfortable in the environment, which has led to a passive attitude towards the decision-making process. Most of those interviewed had come to the conclusion that protests will not lead to any change.

In this context, one remarkable feature of the redevelopment of Baku is the absence of grassroots organizations. In many cities, such as Prague, Moscow or Kiev, there are citizen groups trying to influence the process by seeking information, writing petitions, and providing alternative expert opinions, though they are not always successful. However, in Baku, this is not happening, and the rather large and active NGO community of Baku is remarkably uninterested in the process of urban transformation. Many of the people interviewed also complained about the fact that government and urban authorities do not inform them about proposed projects. At the policy-making level, there is a clear deficit of information. The public is usually informed about redevelopment projects after the decisions have already been reached, the projects approved and the construction, or renovation, is about to begin. The general public does not participate in the process of making decisions about development, even though such issues have a profound effect on their life. The process is now even less participatory than in the pre-Soviet period when urban projects had to be at least approved by the City Council and thus the Soviet legacy of centralization and inaccessibility is being continued (Valiyev, 2010).

Having explored some of major issues relating to the urban development of Baku, it is still very difficult to define a future possible model for the city. Indeed, it appears that none of the current global models is a particular fit for the city. In fact, Baku already displays some of the features characteristic of all models in that it has the vitality of the Western European inner city neighborhoods; the suburbanization of the North American style with eroding downtowns and the creation of edge cities; eroded levels of public services, as well as a rapid growth of informal houses in poverty-ridden areas; and finally the booming economy and huge investments, as in Dubai, Abu Dhabi or Singapore. Nevertheless, after examining the construction and infrastructure projects, the gentrification of the city center, as well as massive investments into landmark buildings, it is becoming clear that the Baku administration and government is trying to increase the competitiveness

of the city by increasing its attractiveness. In this context, Dubai continues to be the most suitable model for the overall needs for Baku, even though the two cities do not have much in common. However, the perception of urban development among the city elites is skewed toward understanding that *Dubaization* of Baku is the fast shortcut toward becoming a world, or global city. However, it seems that these elites fail to understand that the geographical situation, financial resources, as well as historical moment, enabled Dubai to emerge as a world city. In contrast, Baku, unfortunately, lacks all three major components. Consequently, random construction combined with environmental degradation continues to negatively affect the image of Baku. Therefore, if it is not currently possible to adopt the Dubai model, the city could follow the model of European cities such as Prague, Paris or Amsterdam and preserve its historical heritage, which could have the benefit of attracting more tourists in contrast to the current skyscrapers. Sadly, in the current situation, the city administration fails to pay attention to the factors that would make the city more cosmopolitan, tolerant and vibrant, while enabling the city to become more competitive in comparison with other cities of the region.

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