

The post-Communist growth machine: The case of Baku, Azerbaijan



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ABSTRACT

For years the scholars of urban studies ignored the issue of existence of growth machines in post-Communist cities. Nevertheless, this phenomenon has existed in post-Communist space, especially in the former Soviet region. Although there are local geographical peculiarities, there are also striking similarities between growth politics in post-Soviet, European and US cities. Baku is interesting case from this perspective as the city has developed in a different way than those elsewhere in the region. While market forces do not play an important role in urban development there, government-led urban elites—the growth machine—define the political economy of the city and future development.

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Introduction

Urban development of post-Communist cities in the former Soviet Republics has not received a great deal of attention in the scholarly literature. Relatively little research has attempted to understand urban development and the influence of various forces in the context of the transition to capitalism.

Some researchers have tried to apply existing theories that were first championed in the US and European literatures (Golubchikov & Phelps, 2011; Kulcsar & Domokos, 2005; Stanilov, 2010; Vujovic & Petrovic, 2007). Neither pluralist theory, championed by Dahl (1961), nor public choice theory (Peterson, 1981; Tiebout, 1956) have remained popular in the literature, paving the way for the application of growth machine theory in new environments.

More than 35 years ago, Molotch (1976) introduced his new concept of the “growth machine” which became very popular in the urban literature (Jonas & Wilson, 1999). Molotch claimed that urban development is not driven by supply and demand, but simply by coherent coalitions of elites who benefit from local population growth. In other words, combinations of entrepreneurs and urban politicians known as a “growth machine”—a powerful, pro-development network of business interests and local politicians who favor increased economic development at the expense of neighborhood residents and other, potentially vulnerable stakeholders. Although the environment for growth machines could be different for various places (depending on history, socio-economic context and other factors), and as the growth machine works

differently in democratic and authoritarian societies, the core component of the growth machine – the elite coalition, the self-interested promotion of urban development, and the unequal benefits of this growth – are the same in all contexts (Kulcsar & Domokos, 2005).

From this starting point, Baku, the largest city in Azerbaijan, presents a unique case. The city, capital of the oil-rich country, has increased its visibility and economic power thanks to the oil money and international sports events happening in the country. As in other cities of the former post-Socialist or post-Communist bloc, the urban development of Baku could be understood through various and often competing theories. Past and current debates are concentrating around the power distribution in the city and the impact of certain groups on urban development. From this perspective, applying growth machine theory to Baku seems very appropriate. In fact, the urbanization and de-industrialization of Baku have helped to create social class structures that are similar to those in virtually all large cities of the world. Government officials, wealthy businesspeople, and professionals in Baku together constitute an urban upper class which is responsible for all significant decision-making. The growth machine in Baku is diverse and generally includes large-scale retailers and wholesalers, real estate developers, construction firm owners, hotel owners, transportation company operators as well as leasers (Valiyev, 2009). The growing demand for new apartments has turned the city into a huge construction site. Hundreds of new high-rise towers are being constructed in Baku. Yet, the majority of the city's residents complain that the Mayor's office neither follows basic principles of urban planning nor protects historic buildings, which are being destroyed by profit-seeking companies.

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The main purpose of this article is to design a framework for applying growth machine theory in the post-Soviet environment. A few attempts have been made to understand this process in post-Soviet space but none has examined cities in the Caucasus and Central Asia.

The growth machine of Baku has been expanding since the 1990s as a result of government attempts to introduce a market economy. Unfortunately, there are no valid statistics to measure the dynamics of the growth machine group. A proportionately small, parochial elite whose members have business or professional interests that are linked to local development and growth dominates the city's development. These privileged groups use governmental authority and private funds as tools to boost economic development and thus strengthen their own business interests. They turn the city, as an active, dynamic system, into an instrument for accomplishing the growth goals that will enhance their fortunes (Valiyev, 2009). The city becomes, for all intents and purposes, a growth machine that helps make it possible for business and commerce to expand, for the labor force to increase, and for land resources to be put to more intensive and widespread use. Those who constitute the growth machine of Baku are interested in the concentration of economic resources in the downtown area, and focus on new commercial and residential development in downtown.

In the following sections of the article, we will offer an in-depth analysis of the post-Soviet social and economic situation in Baku, aiming to explain the political power in the urban environment, examine the important actors, including the state and the political elite, as well as bringing up the problems that are created by these actions of the growth machine coalition.

Who's part of the growth machine in Baku and what are their interests? Three key players

As the literature suggests (Kulcsar & Domokos, 2005; Molotch, 1976), the growth machine is built on group interests. In Baku, this process did not differ too much from other post-Soviet states. As Eyal, Szélenyi, and Townsley (1998) and King (2001) pointed out, one of the basic features of the new capitalism was the absence of a genuine capitalist class. In Baku it sprang from the governmental elites that had survived from Soviet times, and was not recruited from either grassroots organizations (as in Poland or Estonia), nor from the economic elite, as in Eastern Germany. Baku's growth coalition consisted of three elements—local administrators, large businesses and small entrepreneurs—with complete dominance of government. In the section below we will try to look at the composition of this growth coalition and their interests. Moreover we will try to analyze their actions and stakes in urban development in Baku.

Player 1: Urban administration

The capital of Azerbaijan, Baku is located on the Absheron peninsula and its territory covers over 2130 square kilometers. Baku itself is divided into 11 administrative districts that also include 59 settlements (not rural areas). The city proper borders Absheron region in the north with its capital Khirdalan situated in the outskirts of Baku. Further to the north, Baku borders Sumgayit city (see Map 1 in Appendix A). The President of Azerbaijan appoints the Mayor of Baku (usually called the Head of Executive Power), and only the President can replace the Mayor. At the same time, the President appoints the heads of all 11 administrative districts of Baku (The Executive Power of Baku City, 2011). Technically, Baku's Mayor is the head of the city, but he does not have power to fire or replace any head of an administrative district.

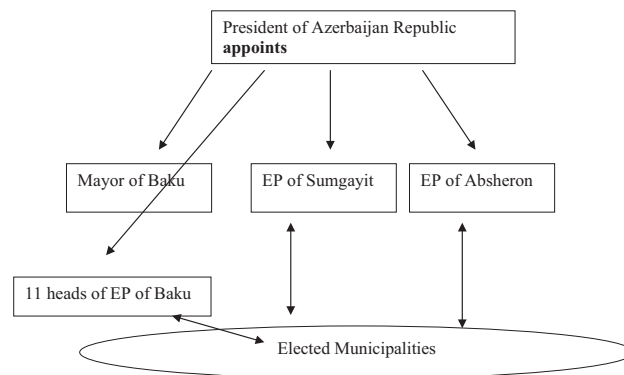
Thus, Baku's Mayor is left with the option to cooperate with heads of districts and to take decisions in coordination with them. But at the same time no proper mechanism of decision-making has been established. Meanwhile, the City does not have a Council bringing together the heads of Executive Power under Baku's mayoral leadership to solve problems. Each district solves problems by itself, or sometimes in consultation with the Mayor's office.

The same scheme is applied to the Absheron Region, whose head is also appointed by the President and automatically becomes the mayor of Khirdalan city too. Sumgayit's mayor is also an appointee of the President and his jurisdiction is spread over the city and two other settlements. This system was inherited from Soviet times and still prevails in the country (see Graph 1).

Since Azerbaijan's independence, the country has introduced the system of self-governance of *bələdiyyə* (municipalities). Today, 1718 municipalities consisting of 15,682,000 people are operating in the country (Agayev, 2007). Municipalities are elected every four years in general municipality elections. In Table 1 we present the regions and cities studied, as well as the number of first, second and third tier governments. It should be mentioned that the word *tier* is used notionally here because all of the governments operate not in vertical or horizontal ways, but through complicated mechanisms of administration. Thus, for example Executive Powers (EP) of one of the Baku districts are not subordinated to a mayor but rather to the President, while the head of a municipality that is supposed to be an independent body usually carries out the instructions and orders of the EP of the district (Agayev, 2010).

The government, at the same time, does not see the necessity to establish a large municipality in Baku. As the Executive Secretary of the ruling party, Ali Ahmadov, stated: this action is likely to be wrong amid Azerbaijani society's current attitude towards municipal activities (Avciya, 2010). Meanwhile, the Congress of Local and Regional Authorities of the Council of Europe have repeatedly proposed an initiative to hold mayoral elections in Azerbaijan, especially in Baku (Council of Europe, 2012). Proposals on the establishment of a large urban municipality in Baku have often been on the agenda.

Government officials have stated that the issue of establishing a single municipality can be seriously discussed in five years (Avciya, 2010). Yet the existence of such a complicated system poses huge problems to the operation of public administration. First of all, administrative costs to run so many duplicated governments are excessive. Moreover, the government is allocating large amounts of funds to the work of Executive Powers, the Mayor's office and their respective departments. Unofficially, local EP also give unofficial orders to municipalities to use their resources for the renovation activities in the district area on a regular basis, whereas financing of such district or town-wide activities is done through the state budget; this happens when municipalities have a myriad



Graph 1.

Table 1

Territory, population and number of governments in studied cities and region. Source: State Statistical Committee of Azerbaijan Republic.

City or region	Territory 000 sq km	Population 000	Number of first tier governments	Number of second-tier governments	Number of third-tier governments – municipalities
Baku	2.13	2065	1	11	51
Sumgayit	0.08	310	1	0	3
Absheron	1.36	190	1	0	15

of socioeconomic problems to address in their own territories. These interventions have an adverse bearing on limiting the opportunities for municipalities to freely dispose of the state budget subsidies. Allocation of financial assistance is basically decided on the basis of unofficial instructions of local executive powers.

Urban administration, with its numerous tiers, represents one of the most important and strongest elements of the growth machine. Urban administration is the major decision-maker in this process. After the collapse of Communism, despite the wide-scale structural transformation happening in Azerbaijan, the conceptual sphere shaping local growth and development as well as forces driving this process, changed very little. Elites, and in this case, urban administration, became the main utilizer of the changed system. The growth machine now involves interrelations of elite groups with their institutional network who are able to abuse power and influence the most important decisions at both national and local levels.

The basic feature of the Azerbaijani growth machine was, as in other countries, the “absence of a genuine capitalist class” (Kulcsar & Domokos, 2005). Instead the system dubbed by Furman (2010) as *nomenclature capitalism* paves the way for the leaders of the coalition. All these different layers of the government represent the driving force of the growth coalition. The major interests of this driving force, as everywhere else, are the maximization of profits for the companies belonging to the public officials. Most of the tenders for construction of certain types of the facilities are given to businesses tightly connected with public officials. In Baku the “growth machine that involves interrelated elite groups with their institutional network were able to abuse power and influence the most important decisions at both national and local level” (Kulcsar & Domokos, 2005). The case of post-independent development of Baku is indeed a clear example of the mechanics of the growth machine.

The historical center of Baku had been densely built up in Soviet and even the pre-Soviet period, and therefore the land available for new construction is very limited. As the few available empty lots were used up, the pressure for re-use of already built-up areas has increased. It is worth noting that this is not a new process in Baku. Thus, between the 1930–1950s, extra floors were added to pre-Soviet 2–3-storey buildings, which significantly increased the residential capacity of the city. However, at present the pressure is not so much to add extra floors (although this too is taking place) but rather to bring down old structures and to create new buildings in their place.

In some cases the process went more or less uncontested, as for example with tearing down the pre-Soviet low quality housing, although there too were some concerns with safety of the new construction and with the amount of compensation offered to the residents. One of the vivid examples of such policy is revitalization and reconstructing of area of Baku nominally called *Sovetskaya*. The area located in one of the most historic places of Baku became the object for redevelopment. The neighborhood is constructed with small shanty-town houses. The government intention was to relocate the people from the area and construct a modern park in its place in order to make the area more attractive. In addition, several multistory buildings would be constructed in this area,

taking the prices of the area to a new high level. In fact, the intention of the city administration could be considered as benevolent for the city as a whole and neighborhood residents in particular.

However, the biggest issue with the relocation came when the government revealed the amount of compensation. The residents of the destroyed houses would receive around \$1800 per square meter of livable space. However, the majority of the houses in the area have very little livable space. Thus, according to the government formula, the restrooms, kitchens and any type of room adjusted from the original apartment (something like an expanded balcony or land near the house) would not be considered as livable space. So, the average livable space in this area would go as low as 30 square meters, and residents would get less than \$60,000 for their apartments. That sum is not only too little to buy an apartment in Baku, but in any vicinity of Baku within 40 km from downtown. In most of the cases, the residents of the neighborhood are poor people and do not have other sources of income. Moreover, being in downtown gives the residents some small chance to earn additional income from access to the city center. In other words, the residents may work as taxi drivers, cleaners in the larger houses, janitors and other similar positions. Relocation to the areas outside of Baku increases their cost of getting to jobs as well as put additional pressure for finding new jobs in downtown.

Meanwhile, the government, supported by the growth coalition members, was able to fulfill several goals. First, the government removes the poverty-ridden area from the center of the city, relocates its residents away from the center and, second, makes the area attractive for growth. Private businesses at the same time would also get tremendous benefits. First, the multistorey houses constructed in the area can be sold for the high prices that would not only cover the cost of compensation for residents, but would also allow businesses to make huge profits. Second, the price of houses in the area would increase, making realtors happy with speculations on high housing prices in the area. Moreover, relocating around 10,000 people from downtown would force the housing market in Baku to react with higher prices. Any appearance in the market of 10,000 displaced people, one quarter of whom would buy apartments in the vicinity of Baku, has already caused the prices for apartments to rise.

Some other cases, however, such as the Old Intourist Hotel near Azneft Square and a recently torn down building on Nizami Street raised more controversy. In both cases the authorities justified the demolition by claiming that the buildings were damaged beyond repair. The media and some city inhabitants on the other hand questioned whether this was indeed so and whether the buildings were indeed impossible to restore. The problem with the relocation of residents is also exacerbated with gaps in the legal system of Azerbaijan. The land on which all houses are constructed has never been privatized and belongs to the government. If the land were privatized, then the residents would have more rights to demand fair prices for their demolished apartments. This problem dates back to the Soviet era when all houses belonged to the government. After independence, citizens were able to privatize their houses or flats, but not the land on which their buildings or apartments are constructed. Overall, in Baku the government plans to demolish several neighborhoods and open the space for parks.

Nevertheless, the residents of these neighborhoods distrust the local government and believe that these territories would be sold to construction companies for various purposes.

Player 2: Large businesses and small entrepreneurs

The influx of oil money allowed Baku to create many businesses whose interests are closely vested into the development of city. Most of the capital investments that poured to Baku went mainly into construction and tourism. Growth is the major component of both. The Eurovision contest, World Cup Soccer among girls under-17 and other international events held in Baku in 2012–2013 had a positive impact on the number of tourists visiting the city. For example, in 2012, the number of people visiting hotels and hotel-type complexes in Azerbaijan increased by 22.5% compared to 2011 and amounted to 624,900 guests (*State Statistical Committee*, 2013). The lion's share of the visitors entered the country through Baku. Meanwhile, the number of overnight stays also increased compared to the previous year. At least 57.3% of the total number of overnight stays was registered in Baku, with the remainder in other regions of the country. However, low-occupancy rate remained the main problem for hotels and hotel-type facilities in Azerbaijan. In 2012, the occupancy rate was around 13.7% while in Baku it was only slightly higher (*State Statistical Committee*, 2013). It is worth mentioning that without international events the occupancy rate would be much lower. Nevertheless, the number of luxury hotels in Baku is increasing every year. In 2012 top brand hotels such as Jumeirah, Marriott and Four Seasons opened in Baku, which now boasts 17 5-star hotels. In 2013 the list added the Fairmont Hotel located in the Flame Towers as well as the Kempinsky. According to Marina Usenko, the Moscow-based executive VP of Jones Lang LaSalle Hotels, in 2009 Baku had only 4400 hotel rooms. In 2010, this increased by 1200 rooms (29% increase), 800 more rooms were added in 2011 and around 1200 more were added in 2012–2013 (*Jones*, 2012).

The growth in the number of five star hotels is understandable. Most belong to businessmen either working in Azerbaijani government or having close ties with it. On paper, all these new hotels are investments from abroad, but in fact these investments are unaccounted funds and money received from various operations inside the country. Hotel business is one of the easy investments and a lucrative enterprise. However, here comes the problem. Despite the fact that government claims an increasing number of tourists in Azerbaijan, in fact all these numbers are bogus and constitute mostly ethnic Azerbaijani living in Russia or Georgia and crossing the border. The Ministry of Tourism boasts them as tourists making the statistics very attractive. In reality, it is very difficult to calculate real tourist numbers but we can claim that the number is not high. Elevated hotel prices, unreasonable prices for entertainment in downtown as well as the visa regime introduced in 2010 have made Baku highly unattractive. Usenko predicts that by the end of 2015, the number of hotel rooms would increase by 260%, raising the question of whether the city is in danger of becoming "overhoted," at least in the luxury category. "Baku is a nice and attractive city, but these are a lot of rooms for a city of just two million people. Concerning business travelers, most of the impact from the construction and installation boom related to the petroleum business is now over. So unless the Azerbaijani authorities reposition the country to attract more (meetings, incentives, conferences and events) business and leisure travelers, I don't see the high-end hotel market as sustainable," she said (*Jones*, 2012). Kemal Bayik, the director of marketing for the recently opened Four Seasons Baku, echoes her. Bayik stated that demand is now primarily from the UK and the US because of the oil business (*Jones*, 2012). Hotel owners (aka government officials) have made it a priority to establish Baku as a city of international events. The

Eurovision Song contest, held in Baku in 2012, has opened new perspectives for hotel owners. They understood clearly that foreign tourists would not come en masse to stay in five-star hotels. Most of the package tourists from EU countries and the US would prefer budget hotels. Thus, government-sponsored conferences, events and tournaments, where the government of Azerbaijan covers the costs, is the only solution for hotels to get the profits they seek.

Government officials zealously strive to bring international events. Some years ago, Azerbaijani authorities tried to win the bid for the 2020 Olympic Games. Initial studies suggested that the cost of hosting the 2020 Summer Games might be \$20 billion that would be financed from the oil revenues and investment of private corporations. By that time Azerbaijan had built 13 new sporting complexes in order to bolster Baku's 2020 bid. Twenty-three other buildings were currently under construction and scheduled to be completed by 2012–2014. It is not surprising that Azerbaijan decided to bid for such an event, along with other cities. Baku's business elite has long maintained a tight grip on the country's Olympic Committee and other sporting organizations, which are seen as a rich source of potential profit and international prestige. Unfortunately, for the growth coalition, Baku lost the bid for the Olympics but was able to bring the First European Games to be held in Baku in 2014. Initial cost estimates suggest that around \$1 billion is supposed to be spent for this event including construction of an Olympic Stadium worth \$720 million (*Turan News Agency*, 2013).

Tourist companies and hotels are also pressing the government to improve the visa granting system. Thus, if before visitors needed to visit the embassy of Azerbaijan in their country and wait for some period, so now with the help of an e-visa system, tourists or business travelers can submit online applications and get visas at the port of entrance in Baku. Meanwhile, the visa regime is not applied to CIS countries, while citizens of Turkey and Israel can get visas in the airport.

Construction companies constitute another group of businesses highly interested in the growth agenda of the city. Whether it is building housing or new facilities for the Olympic games or new roads, construction companies are the major beneficiaries of such processes. It is worth mentioning that housing affordability is a major issue in Baku. Although there appears an oversupply of dwellings, however the price of those produced since the late 1990s does not align with the majority of the population's purchasing power and it is difficult for the average citizen to find an affordable dwelling. Analysts believe that certain types of cartel agreement exist between construction companies, banks and local small entrepreneurs who are looking at residential development as a profit-making business. There are officially 900 registered real estate agencies. In reality, however, this number is much higher, especially when one takes into account individuals who call themselves brokers (*makler*) but who have no education in this field. Thus, the number of this type of person may reach 6000. So the construction companies usually keep the prices high and supply very low. The underdeveloped system of mortgages and high interests rates on bank credits also make the price of apartments in Baku very high. But it is worthy of mention that as in other countries of the post-Soviet bloc, land development is not promoted through financial institutions and the undeveloped lease and mortgage system makes banks less important. Real estate companies do not have much to say either, since the main owner of land is the local government, which, without a fully developed land market, promotes land development within its own administrative system. Construction companies are also less important, since business comes through political networks, therefore the initiator is the local political elite, and the actual construction itself is often done with the help of family members (*Kulcsar & Domokos*, 2005). Moreover, rampant corruption in construction businesses and

irregularities increase the cost of construction and do not let independent companies, not connected with political networks, enter the market. Thus, it is hard to find foreign companies, like the Chinese, in Baku, since absence of competition keeps the profits of political elites and construction companies very high.

Growing problems

Striving for city growth and profit-seeking interests of the urban growth coalition created many problems. Of the many in Baku we have to mention here such endemic issues as uncontrolled growth and sprawl; illegal housing; construction safety and environmental problems.

Uncontrolled growth and sprawl

The situation in the region is heavily exacerbated by the absence of a Master Plan or any other document regulating zoning and planning. The last Master Plan for Baku was designed and introduced in 1984 and it expired in 2005. For the last eight years Baku was developing rapidly, but still based on the outdated Master Plan that did not envision the explosion of the city's population and the accompanying rapid construction boom. Without a plan in place, Baku's development continues to proceed in an unorganized fashion. Right now, each builder acts according to his own ideas and needs—a situation that is likely to create major problems for the future. In fact, such a situation favors business elites. Without proper plan and zoning ordinance requirements, the business corporations can construct any type of buildings anywhere in Baku regardless of consequence. Catapulted by a market economy, major commercial and residential projects have developed at an extraordinary pace. Construction and development have been so rapid that existing legislation, inherited from the Soviet past, has not been able to keep pace. This is especially true in terms of the municipal administrative bodies, city ordinances and the establishment of various active architectural and planning commissions and other crucial public service governing bodies (Valiyev, 2009).

Meanwhile, no single agency was given such a unified responsibility. Several agencies and committees oversee such work without coordinating with each other. Currently around six agencies, including the State Committee on Urban Planning and Architecture, State Real Estate Registry Service, Main Department for Architecture and Town Building of Baku city, Executive Powers and Municipalities, State Committee for Management of State Property, State Committee on Land and Cartography, carry out functions that often duplicate each other. It is not clear to citizens who can authorize construction on the land and how the people can claim their rights to the land. It is the major reason for illegal construction since, at the moment, the hurdles are enormous because of the complexity of the organizations, and the confusion surrounding the regulations.

In fact, formally the allocation of land plots for construction is subject to review by the local executive powers. This review is done by the local offices of the State Committee on Land and Cartography and by the planning body under the executive authority at the district level. Cooperation between these bodies and the State Committee on Urban Development and Architecture is not clearly defined. Permission to construct a building whether it is private or public is in the hands of local executive powers (UN Commission for Europe, 2010).

As for the problem of sprawl, it is very difficult to measure this phenomenon in the Baku area. As the literature suggests, sprawl is a "process in which the spread of development across the landscape far outpaces population growth. The landscape of sprawl creates four dimensions: a population that is widely dispersed in

low-density development; rigidly separated homes, shops, and workplaces; a network of roads marked by huge blocks and poor access; and a lack of well-defined, thriving activity centers, such as downtowns and town centers. Most of the other features usually associated with sprawl – the lack of transportation choices, relative uniformity of housing options or the difficulty of walking – are results of these conditions" (Ewing, Pendall, & Chen, 2009).

If we use such definition and these four factors constituting sprawl – residential density; neighborhood mix of homes, jobs and services; strength of activity centers and downtowns; accessibility of the street network – so it could be said that many new area developments in Baku could be considered as sprawl driven. For example, on average the number of residents in Baku proper is estimated at 2.9 million people while the area of this territory is 253 ha. By filling in this area with 5–9 storey houses, 300 people can be accommodated on a 1 ha area. However, in Baku there are also townships with low-rise construction, and the average population density of the city is estimated at 100 persons per hectare. The areas located between Baku and Sumgayit and Khirdalan cities are getting constructed with low-density buildings. Most of these settlements lack basic infrastructure services and children from these houses need to commute to the schools located some kilometers away (Valiyev, 2011). Some of the governmental programs also encourage urban sprawl. Thus, the program on resettlement of refugees and IDPs constructed low-density houses on Absheron peninsula, away from the city center.

Informal housing

Administrative and political fragmentation leads to other problems too, and one of the most important is illegal housing. As with many countries of the former Soviet Union and post-Socialist countries, Azerbaijan is experiencing problems with illegal settlement and illegal housing. Before going into a discussion on this situation it is worth defining these terms. In the realities of Azerbaijan, illegal housing or construction in most cases is some kind of dwelling built without legal documentation or a permit. In many cases, construction has *some* document issued by municipalities for a fee (very often bribes). However, subsequent elected municipality members very often do not recognize these documents as legal, which is another complication.

The phenomenon of illegal housing first appeared in Azerbaijan in the 1990s. The rapid development of Baku coincided with the oil boom and influx of investments and people to Azerbaijan. The outstanding growth of Baku in 1990s and 2000s has been the result of large-scale migration of people from rural areas to the cities—almost entirely to Baku. In 1991 approximately 50% of Azerbaijan's population lived in urban areas, which continued to grow rapidly (Valiyev, 2011).

There are several reasons giving rise to the problem. First, after independence and the conflict with Armenia in the early 1990s, the country faced huge problems relating to IDPs, who number around 600,000, at the time almost entirely lacking shelter. Many IDP families moved to Baku. However, high prices for housing in Baku, as well as a preference by rural people to live in private houses rather than in apartment buildings, played a significant role. By some unofficial estimates, over 2 million people have moved to Baku since 1995. However, a majority of migrants were people from the villages who were not able to find affordable housing. Meanwhile, the business elites needed the cheap unskilled workforce. Thus, the elites and government officials were encouraging the emergence of temporary shelters on undeveloped land on the outskirts of Baku.

Next, high migration from rural areas to Baku due to high unemployment rates and difficult economic conditions contributed to this process. Another reason was the problem with

affordable housing for local people. There are families with no living space applying for construction permits, but the level of bureaucracy is very high and getting a response from the authorities can take several months. Families do not want to wait to start the construction of their dwellings. Also, there is no strict control of, or penalties targeted at, illegal construction. Last but not least, gentrification processes happening in downtown of Baku forced many hundreds of families to migrate to suburban areas. Due to the fact that the compensation given by government for resettlement is comparatively low, families cannot buy apartments in Baku. For the available funds, resettled people can afford the construction of house somewhere in suburbia. Due to the fact that families need to pay high prices for building permits, people prefer to occupy free territories and build their houses within a few days.

The absence of modern urban development plans and projects further exacerbates the problem. In addition, the problem is also connected to systemic corruption and ineffective management of services. As in Turkey, these houses in Azerbaijan are often called *gecegöndü*, hinting at the fact that the houses are built during one night in order not to be stopped by the police or some other administrative agency. Once illegal housing is inhabited, then police need court eviction orders that could take years, to remove the inhabitants of the property (Valiyev, 2011). The common features of illegal housing in Baku and its vicinities are the following:

- 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/infrastructure pipelines and gas, oil and electricity networks).
- Extensions of existing buildings with no construction permits.
- Violations of the requirements for construction permits (including technical norms and standards) (UN Commission for Europe, 2010).

By some raw estimates there are approximately 800,000 illegal constructions in Azerbaijan including 500,000 on the Absheron peninsula. It is suggested that 30% of Azerbaijan's and 50% of Absheron's population (4 million) lives in illegal housing. Huge informal settlement areas exist in the Khirdalan Municipality of the Absheron economic region. These include squatter settlements, illegally occupied lands and self-built illegal housing. Khirdalan received the status of 'city' by Presidential decree in November 2006. The city has 210,000 inhabitants and a total area of 1800 ha. (State Statistical Committee of the Republic of Azerbaijan, 2011). Khirdalan informal settlements feature mixed-quality housing and varied access to basic utilities. Illegal houses lack addresses and are not connected to basic utilities such as running water. A number of positive improvements occurred between 2005 and 2009, when more parks and schools, roads, and new houses were provided by the State.

Informalization around Baku also has clear social and environmental aspects that need to be considered. Nowadays, there is a growing concern about these settlements and communities operating beyond formal regulations and services. While illegal residents remain socially, environmentally and politically vulnerable, the authorities are experiencing difficulties with properly managing the land (UN Commission for Europe, 2010). Thus, urban sprawl and uncontrolled growth of the city is actually a response to competition within the housing market. The competitive nature of the cities of the region encourages the business elite to favor new development projects. The basic logic of the business elites is that successful cities require a local infrastructure that is supportive of the needs of business and economic development.

The biggest concern of the government is the fact that many of these illegal houses were constructed in areas near electricity

pylons, gas pipelines and other infrastructure despite appeals from the utility companies. According to public officials, around 5317 properties have been 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 government started seriously thinking of destroying houses near the strategic objects but met fierce opposition from the inhabitants.

The biggest problem with informal housing is the fact that many of them are built on the lands belonging to various governmental agencies. The people buy them from municipalities who do not have rights to sell them at all. Thus, for example The State Oil Company of Azerbaijan Republic (SOCAR) revealed that thousands of houses are built on their lands. Around 5000 illegal houses and facilities are built on territory of oilfield Balakhany-Sabunchi that alone covers 570 ha. SOCAR states that it is not only illegal to build on these territories but it is very dangerous since the waste on these lands is hazardous to human health. In their turn, the people inhabiting these lands claim that they had bought the land parcels from municipalities. Expert in issues of urban governance, Azer Mekhtiyev believes that the current situation is the result of private interests of executive powers who favor the resulting chaos in governance. Absence of regulations allows executive powers to gain material benefits from the issue of documents on ownership of lands, although, legally they do not have right to do so. In 2011, the President of Azerbaijan called for solutions to the issue of informal housing through transparent mechanisms of formalization. However, the situation has not changed since that period of time (Valiyev, 2011).

Architectural Chaos and environmental problems

The absence of some kind of regulating body also adds to the problem of low quality of houses and construction. In the Soviet period there existed restrictions on building height due to the location of Baku in an earthquake prone zone. These restrictions have been lifted in the post-Soviet period, and the justification of lifting of these restrictions is being debated. It is true that there has been only one significant earthquake (in 2000), and that the few newly built high-rise buildings that existed at that time did not suffer significant damage. However, in the 10 years that have passed since then the number of high-rise buildings has increased multifold, and the concerns with their safety continue to grow. Baku, Sumgayit or Absheron regions do not have a Department of Building and Safety (DBS) that could control and regulate all construction works (Khanlou, 2005). Currently, the EPs or municipalities alone give permits to construct houses or facilities. Later on this same permitted property is often considered as dangerous to life by The Ministry of Emergencies and is scheduled for destruction. In the absence of the necessary regulating body tragic events are a frequent consequence. On August 28th 2007, some 20 construction workers, rural migrants from outside Baku, were killed when a nearly completed building on Mukhtarov Street in the capital's Yasamal neighborhood, one of hundreds of structures erected amid a seven-year building boom, suddenly imploded, sending tons of debris crashing to the ground. The Ministry of Emergency Situations has attributed the cause of the collapse to uneven foundations and low-quality construction work. The director and three managers of Mutefekkir Company, the firm responsible for the building, are now under arrest. The head of the Baku city government department for apartments and cooperative buildings, which oversees such construction projects, was also taken into custody on abuse-of-power charges. The tragedy has intensified a longstanding debate about the government's ability to uphold construction safety standards—a critical question in this earthquake-prone city (Valiyev, 2011).

Deputy Prime Minister Abid Sharifov, who heads a government commission looking into the building's collapse, told reporters on August 31 that Mutefekkir Company had permits only for the building's design, not its construction. A day earlier, Baku City Prosecutor Aziz Seidov revealed that the building's foundation had been designed to support only nine storeys. In addition, approval for the final design plan was never given. The collapse revealed numerous problems in the construction business and the depth of the problem.

"You need authorization from up to 40 government bodies to begin the construction of a building in Baku. If you start construction of a garage in your courtyard without proper permission, bulldozers will destroy it the next morning. How is it possible to build a 16-storey building in the city center without authorization?" commented Rauf Mirkadirov, a political columnist of Zerkalo newspaper.

[Mirkadirov, 2007]

According to Emil Akhundov, the former head of Baku's main construction department, "chaos" exists in the city's urban planning process. Companies, he alleged, do not follow construction specifications, use sub-standard materials as substitutes for those in short supply and hire untrained laborers for jobs that demand a high level of building skills.

"There is no other way, but to stop all residential building in Azerbaijan until order is restored in this sector," he said.

[Valiyev, 2010]

With over 1200 new buildings approved for construction since January 2007, the chances of another tragic collapse would appear to be high. The tragedy also revealed the fact that nobody knew who was responsible for the situation – the Mayor's office, EP or the municipality. Another point of concern is the structural integrity of the new skyscrapers constructed by business companies. Buildings in Baku, which is located in an active seismic zone, need solid foundations built to precise standards, especially in terms of the quality of the construction materials. Yet many construction companies, eager to maximize their profits, often purchase cheap, low-quality construction materials. According to Bahrz Panakhi, 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 storeys (Ismailzade, 2006).

The situation is exacerbated by the fact that many houses are built on the territories of former oil fields or other places that could be hazardous for people. Such a problem could lead to the birth of children with health problems and high chances of cancer for people living there. Because of overpopulation and absence of control over territories adjacent to Baku, the construction of houses in suburbs has become erratic. As a result, 4 million people currently use infrastructure that was supposed to accommodate only 2 million. That catastrophic situation has affected the environmental situation in Baku. In 2008 *Forbes* published an article citing Mercer Human Resource Consulting's 2007 Health and Sanitation Rankings of cities. According to that ranking, Baku was cited as the most polluted city among 215 monitored cities. Fetid water, oil ponds and life threatening levels of air pollution emitted from drilling made Baku the world's dirtiest city (Luck, 2008).

Unregulated and chaotic construction as well as sprawl has already significantly worsened the traffic jams in the city, as many roads are closed to accommodate construction cranes. The situation with traffic became so bad that President Ilham Aliyev personally decided to take care of the issue and ordered the construction of nine new overpasses in the city. However, these bridges are being built in the outskirts of the city and therefore will

not resolve the traffic jams downtown (Saifutdinova, 2010). Expert in issues of urban governance, Azer Mekhtiyev believes that the current situation is result of private interests of executive powers who favor the chaos in governance (Mekhtiyev, 2010).

Another major issue raised by the transformation of Baku's built environment has to do with proliferation of high rise buildings in the new construction. Leyla Saifutdinova, urban sociologist, states that the historical center of Baku was built up with houses that are 2–5 floors high. In the Soviet period, some higher buildings were constructed, such as the present day Presidential Administration Building, and some hotels: Absheron and (new) Intourist. However, such higher buildings were rather exceptional, and they did not dominate the urban landscape. From that point of view, Baku had boasted an amphitheatrical layout, thanks to its geographical location on hills around the Baku bay. The new high-rise buildings are constructed without any regard for these geographical conditions, so the amphitheatrical layout of the city can be now considered irreversibly lost.

Green areas have always been an issue of particular sensitivity for Baku and its neighborhoods due to lack of natural forestation around the city. Leyla Saifutdinova, expert in urban development states that the post-Soviet urban redevelopment has been particularly harmful for this element of the urban system.

"Due to the absence of regulation and zoning ordinances, the trees are being cut down all over the city. The first to come under attack were the unused spaces where trees were planted to sustain landslide or simply to increase the area of greenery without officially establishing them as parks. Unregulated ownership and lack of accountability resulted in a rapid conversion of these areas into construction sites. At the same time the trees are being cut down in the official parks, too, as well as in the streets and alleys. This is a very negative development, and unfortunately there appears to be no signs of this practice coming to an end. The importance of greenery for urban system is well known and obvious – the trees absorb carbon dioxide, which is emitted into the air by industrial production and traffic, thus helping to reduce air pollution. Needless to say, this is an issue of extreme importance for the present-day Baku with its growing number of cars. Unfortunately, this growth is not being compensated by new green areas, but on the contrary, the pollution is being aggravated by the reduction of the existing greenery". (Saifutdinova, 2010)

The missing link: Citizen groups and perceptions of Bakuivians

If in the original growth machine model, interests may disagree over certain issues and the coalition becomes fragile, so in Baku the absence of elite change and proper elections dictate that the growth machine is more than stable, not least as local administrators exercise control over the two other players. For example, the head of Executive Power of one of the districts in Baku may have several businesses (hotels, restaurants) as well as be a patron for a group of leasers. Thus, we may claim that the coalition in fact is heavily skewed toward the side of the administrators.

What differs in Baku's growth machine, in contrast to the original US concept, is its social context. While in the US, suburban residents and small businesses were able to stand against land developers, local administrators and big businesses, in the Baku case it was impossible because the governmental agencies explicitly took the side of the growth coalition and was actually a growth coalition itself. In contrast to the US, the core of the growth coalition in Baku is the local administrator and government itself. Again, this differs from the West, where local government is controlled by the economic elite and not vice versa (Kulcsar & Domokos, 2005). In many cases, urban development in Baku today

reminds observers of the similar processes that happened in New York in the 1930s when Robert Moses imposed his vision on the city.

In many interviews conducted by researchers in 2009–2010, the city's residents are complaining that the mayor's office neither follows basic principles of urban planning nor protects historic buildings, which are being destroyed by profit seeking companies. The main concerns of respondents are construction of the projects in the places that represented historical or symbolic value for Baku residents. Destruction of residential areas and construction of entertainment centers near the Alley of Martyrs or mosques are another major concern of the people. Others comment on is the absence of control over compensation and total corruption in issues related to development. For example several interviewees mentioned that they do not trust the local authorities as they try to cheat on their compensation. Most of the urban developers of Baku believe that if Baku make the headlines of international attention it is good for its reputation. The main idea behind most of the projects is the desire of elites to capture the flow of tourists coming to the region and make it "Las Vegas on the Caspian". The successful example of Dubai made the elites think about turning Baku into the business center of the region. In the understanding of the elite, Baku is intended for businessmen, diplomats, bankers, students and for other people who are looking for spending leisure time. It does not include space for historical attractions (Valiyev, 2010).

A majority of the discussants believe that the basic reason for problems facing Baku inhabitants is their passivity. As one of the interviewers stated:

The population in Baku is very weak, in fact. Can you destroy any building corner in Prague or in Paris for example? Certainly no. It will produce a bombshell effect! We had to set down rules for the behaviors of the Bakuvians in such situation of architectural destruction. Your town's appearance is in your hands.

[Valiyev, 2010]

A majority of those interviewed consider themselves excluded from the decision making process. Moreover, Bakuvians are losing the feeling of ownership of the city. They start to believe that the city where they live does not belong to them and they feel

uncomfortable there. It also leads to passivity in making decisions. Most of those interviewed came to conclusion that protests will not lead to any decisive change.

A remarkable feature of Baku's redevelopment is the absence of grassroots organizations. In many cities, whether it is Prague, Moscow or Kiev, there are citizen groups who are trying to influence the process by seeking information, writing petitions, providing alternative expert opinion, even though they are not always successful. In Baku this is not happening, and the rather large and active NGO community of Baku is remarkably uninterested in the urban transformation. Moreover, the communication media that constitutes an active actor of anti-growth or pro-growth coalition in other cities of the world cover urban development only occasionally. Most of the newspapers and news agencies that usually belong either to government or business elites ignore the urban projects.

Conclusion

A good deal of academic debate has attempted to assess the extent to which the growth machine model—now some forty years old—can be applied in the societies that moved to a market economy post-1989. Inevitably, there are convergences, insofar as the basic driver of growth has transformed most urban areas over the intervening two decades. To the same extent, there are divergences, manifested in the different political economies of the respective countries, the different historical contexts of the individual cities under scrutiny, and the roles played by institutions such as the planning process (Zlatar, 2014).

Despite many commonalities with other cities of the post-Communist states, Baku nevertheless differs significantly from any other locality. A hybrid regime of governance, weak civil society, a massive influx of oil money, as well as grand ambitions to become a major city, has made Baku a unique case. It would be hard to extrapolate Baku's example to other cities of the former-Soviet Union, since none has had the same historical path and current conditions, although Moscow or Alma-Ata could be comparable cases, taking into consideration the significance of each city to the respective economy.



Map 1. Territory of Baku, Absheron and Sumqayıt.

What is particularly important about the application of the growth machine model to Baku is that it not only helps us to better understand the dynamic of the creation of a growth coalition in many cities of the former Soviet Union, especially those of the Caspian region. In addition, it shows the role that *urban* growth can play in *national* development. The explosive regime of destruction and construction that has been manifested in Baku is to some extent a function of *place-making*, as that term has been used by Golubchikov and Phelps in their study of edge city development in Moscow (2011). Individual neighborhoods and specific construction sites are, of course, the locations in which recognizable developments occur, be they residential or commercial. Yet it is also the case that what is happening in Baku cannot be separated from the aspirations that are held for Azerbaijan by its leaders. The intended outcome of urban growth is not restricted to the urban area itself, and can only be understood in the broader national context. The construction of luxury hotels, to take one example, is designed to help turn Baku into an international tourist destination; but that is only comprehensible as a component within the elevation of the national profile. Sports events represent a context in which we can see an essential relation between what occurs on the ground and what occurs as part of the transformation of nations within the region.

In short, this account underlines the way in which it is possible to continue to apply the urban growth machine concept in settings much different than those originally envisaged by its creators. Yet it is also the case that the political economies that we witness in rapidly-growing countries as diverse as Nigeria and Azerbaijan offer a new and dramatic example of how the transformation of the urban fabric is implicated in the transformation of the nation itself. This does not point to the need to jettison all our existing templates for understanding growth but it does indicate that there are many settings in which the sheer scale of economic growth and its implications for the urban fabric demand analytic approaches that are equally broad in their outlook.

Appendix A

See Map 1.

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