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***SUSTAINABLE DEVELOPMENT OF HUMAN SETTLEMENTS IN THE UNECE  
REGION: PROGRESS AND CHALLENGES\****

*Report prepared by a consultant and finalized by the UNECE secretariat*

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\* The references mentioned in this document are available in full on the UNECE website at:  
[http://www.unece.org/env/wgso/Sustainable%20Development/sd\\_forum.jan2004.htm](http://www.unece.org/env/wgso/Sustainable%20Development/sd_forum.jan2004.htm)

1. The goals and commitments in the Programme for the Further Implementation of Agenda 21 (A/RES/S-19/2) and the Johannesburg Plan of Implementation guide the overview of progress achieved in the sustainable development of human settlements in the UNECE region below. Recognizing the critical contribution that cities can make to sustainable development efforts, the focus is on urban sustainability and strategic regional priorities advanced in the *UNECE Strategy for a Sustainable Quality of Life in Human Settlements in the 21<sup>st</sup> Century* (ECE/HBP/120). Given the diversity of responses, as well as major challenges created by the economic, social and environmental changes, the emphasis is on selected issues, good practices and innovation in the past five years. The evaluation focuses on four thematic areas: (i) urban management and governance; (ii) land-use planning for sustainability; (iii) land administration; and (iv) provision of affordable housing. The analysis highlights major achievements in addressing the multiple dimensions of sustainability as well as new challenges and opportunities.

## I. SUSTAINABLE URBAN MANAGEMENT AND GOVERNANCE

2. Countries in the UNECE region have, to different degrees, addressed sustainability goals in human settlements through national sustainable development strategies.<sup>1/</sup> While this has created a supportive framework for local action, efforts to establish a comprehensive legislative, institutional and fiscal context that enables the effective implementation of urban sustainability have been limited. Despite progress, uncoordinated environmental and economic policies often work at cross purposes and even contradict social equity objectives (UNECE 2002d).<sup>2/</sup> Cities and local governments are the main agents of change and the driving force behind progress in the implementation of Agenda 21 in the UNECE region. To meet the challenges of sustainability in a globalizing world, a number of local governments have managed to create coalitions and partnerships to achieve economically productive, socially inclusive and environmentally sound cities. Urban management has proven to be the critical ingredient of success and a major catalyst for change.

### A. Progress

3. Urban management for sustainable development is a decision-making process which requires the *economic vitality, social well-being and ecological integrity of the city* to be considered simultaneously. It fosters the implementation of programmes and services that effectively support the multiple dimensions of sustainability in a collaborative manner. In that respect, it promotes democratic and inclusive governance through innovative and proactive approaches, reaching out to citizens and major stakeholders (UNECE 1996; 1997).

4. To sustain *economic vitality*, urban management supports a diverse and competitive economic base by providing an efficient urban structure that facilitates efficient land use, and the rational movement of people, goods and information. Recognizing that processes are dynamic, it focuses on flexibility and diversity in local economic development.

5. The overall objective of *social well-being* is to develop and sustain strong and equitable communities in which residents have equal access to services and opportunities for improving their quality of life. To facilitate these processes, urban management focuses on equity, diversity, participation and shared responsibility. A range of community and social services are provided to

assist residents in maximizing their quality of life. An important component of social well-being is access to affordable housing which corresponds to households' needs.

6. *Ecological integrity* is related to the conservation and management of all natural resources in the urban structure in a manner which reduces the local adverse impact on global environmental problems, maximizes the environmental benefits of public and private investment, and promotes a clean, healthy, sustainable environment. Urban management recognizes the need to prevent degradation through environmental disaster management and the maintenance of environmental standards. The emphasis is on cutting energy consumption and promoting efficient waste management strategies.

7. The practical implementation of this approach has become embedded in the institutional practices in a number of cities in the UNECE region. Cities such as Freiburg (Germany), Barcelona (Spain), Edinburgh (United Kingdom), Copenhagen, Groningen (Netherlands) and many others have demonstrated success in achieving the vision of a sustainable city through a wide range of actions and policies (see box 1).

**Box 1: The European Sustainable Cities and Towns Campaign**

The commitment to sustainability and the implementation of Agenda 21 at the local level has gained momentum across the UNECE region. Some 6,400 municipalities have undertaken Local Agenda 21 initiatives. The *Aalborg Charter*, which provides a framework for the delivery of local sustainable development and engagement in Local Agenda 21 processes, has advanced a culture of good practices and excellence. *The European Sustainable Cities and Towns Campaign*, launched in 1994, has brought together 2,000 municipalities in Europe and 10 networks of cities and towns active in the implementation of sustainable development practices and Local Agenda 21. The cities of Ferrera (Italy), Heidelberg (Germany) and Oslo are the winners of the *2003 European Sustainable City Award*.

8. In the United States and Canada the movement towards *sustainable, healthy and liveable communities* enjoys wide support from community-based groups and non-profit organizations. Government programmes and funding initiatives at the federal and provincial level often provide a framework for competitive support for these local coalitions and partnerships. In many rural and urban communities, sustainable development issues are addressed in an interconnected manner. *Chattanooga*, Tennessee, Seattle and Minneapolis (United States) and Vancouver (Canada) have received national awards and recognition for their innovative strategies for creating environmentally sound, economically prosperous and socially equitable communities.

9. Across the UNECE region, cities and civic organizations have provided good practices of city-to-city cooperation and learning. Some of the major associations/networks of local governments include the Association of Cities and Regions for Recycling, the Council of European Municipalities and Regions (CEMR), Energie-Cités, Eurocities, the International Council for Local Environmental Initiatives (ICLEI), the Union of the Baltic Cities and the World Health Organization's Healthy Cities.<sup>3/</sup> Many professional organizations have joined their efforts to support the practical implementation of sustainable development initiatives.

## **B. Challenges and opportunities**

### **1. Policy integration and monitoring**

10. Managing the transition towards urban sustainability requires an integrated approach to policy development to pursue coherent cross-sectoral policies. The practical implementation needs horizontal cooperation of public policies as well as between the public and the private sector. On the one hand, the fragmentation of powers and responsibilities and the 'not-in-my-term-of-office' approach form a barrier to the institutionalization of sustainable urban management and more efficient collaboration.<sup>4/</sup> On the other, the fragmentation of urban governance has resulted in a myriad of ad hoc partnerships promoting economic growth or social inclusion and justice (UNECE 2002b). These parallel and sometimes competing partnerships or coalitions of interests challenge integrated approaches to policy-making and constrain implementation.

11. In countries in transition, various urban policies at different administrative levels generally act in isolation, and the environment is often the element that receives the least consideration. The lack of policy integration and institutional cooperation is also an issue in many other municipalities across the UNECE region (UNECE 2003g). To overcome these difficulties, some cities have introduced integrated management systems to allow a more effective coordination of different policy areas and reporting to citizens, as well as effective monitoring and evaluation of policies and their environmental impacts (see box 2). Several environmental management tools, such as the environmental management and audit scheme, ISO 14001, health impact assessment and sustainable indicators exist, but their use is far from being widespread.

#### **Box 2: Environmental stewardship - a key to quality of life**

Its commitment to sustainable development that balances the needs of a growing city with the need to protect the natural environment is the major reason that Calgary (Canada) has been so successful in attracting people, businesses and opportunities. Calgary integrates sustainable social, economic and environmental objectives into a coordinated decision-making process to maintain high standards of living, social harmony and environmental quality. Environmental considerations are important factors in planning for growth, development and operations. Its council has pledged to provide the leadership to conserve, protect, improve and sustain Calgary's environment. Calgary has the first wind-powered light transit system in North America, cutting CO2 emissions by 26,000 tons per year and eliminating 7.5 million commuter trips. It has invested in developing a comprehensive waste-water and solid-waste management system and has become the first city in North America to achieve ISO-14001 certification – the highest international standard for environmental management.

*Source: City of Calgary, Our Environmental Stewardship -- A Special Report to Citizens 2003.*

## **2. Coping with fiscal stress**

12. Managing cities sustainably requires resources commensurate with the task. Recently, the ‘fiscal crisis of the State’ has caused severe problems for urban management in the UNECE region. Municipalities, particularly in countries in transition, have received new responsibilities without the necessary resources to respond to the growing needs for investment. In disadvantaged regions and areas experiencing economic decline, fiscal stress has led to systematic erosion in the quality of essential services – water, sanitation, public transport (Buckley & Mini 2000). In addition, globalization has eroded the ability of central and local governments to govern in the traditional, linear way. Politics have responded by becoming more flexible, differentiated and fragmented, governing through networks and coalitions. Fiscal decentralization has brought intense competition between municipalities, often competing to attract business, investment and commercial developments, even if they have high spill-over effects in terms of congestion and pollution (UNECE 2002b).

13. In response to the fiscal crisis, various experiences with traditional and innovative modes of service delivery have emerged. Countries, and regions within countries, vary enormously in the conditions that make service innovations work. Some CIS members mired in conflict, overstretched in resources and institutional capacity, are able to manage only certain interventions, compared with a stable country with a representative democracy. While the experience shows that no single solution fits all services in all countries, the trend in the provision of sustainable infrastructure indicates a gradual withdrawal from centralized government-controlled solutions. Government intervention is still present as is government financing, but governments are not necessarily the providers of services. Economies of scale make it difficult to sustain market competition (e.g. water, sanitation and electricity), so the decentralization of provision with the contracting-out and privatization of some operations, such as waste management, recycling and public transport, has become a feasible alternative (WB 2002). More competitive modes of service provision with public/private partnerships and community-based initiatives have emerged to facilitate the implementation of sustainable alternatives in human settlements.

## **3. Stakeholder participation**

14. Urban governance aims to include all relevant stakeholders and seeks efficiency through work-sharing based on the relative strength of partners. It signals a strategy of overcoming social polarization and political fragmentation by making the city an inclusive organization, where local government, private business and voluntary organizations work together to create a city that is both sustainable and liveable. However, serious difficulties exist in integrating public and private sector responsibilities, capacities and funding in the implementation of sustainable projects. Public sector resource constraints and the reliance on private capital have led to piecemeal delivery, as developers invest in parts of the project that meet their bottom-line. The involvement of voluntary organizations and citizens is often limited to token gestures (UNECE 2002b). Meaningful public participation is needed if policies for sustainable urban management are to be implemented in local communities. Public participation is required by legislation in

most UNECE countries, but its effectiveness is mostly determined by existing democratic traditions for civic involvement in governance.

## II. LAND-USE PLANNING

### A. Progress

15. Implementing the concept of sustainable development implies a long-term commitment to achieving economic vitality, social well-being and ecological integrity. In urban planning it translates into a set of objectives, policies and initiatives which are implemented according to local priorities and agendas. In UNECE, practical approaches to urban growth and regeneration from a sustainable development perspective are guided by the planning principles elaborated in the *Guidelines on Sustainable Human Settlement Planning and Management (ECE/HBP/95)* (UNECE 1996). In this context, regional and local land-use planning is expected to coordinate different public actors -- ministries, local government departments, regional and cross-border authorities. In addition, planners are urged to foster partnerships with business and voluntary organizations. These are particularly challenging tasks for any profession, particularly in countries in transition, which are still building a new institutional framework for planning. Studies and national reports on sustainable land-use planning in the region have highlighted several common tasks (Brebbia *et al* 2002; UNECE 2002b):

(a) Achieve a greater mix of land uses and densities in the urban structure that provide a full range of urban functions – housing, employment and services -- in a pattern which minimizes the need to travel great distances to work, shop or conduct business. The efficient use of land needs to be compatible with the social and environmental objectives;

(b) Initiate regeneration in inner-city areas and main streets with a high concentration of mixed employment, residential and other uses. These areas with adequate investment in modernization and renovation of the existing stock and infrastructure can provide housing closer to services and a range of lifestyle opportunities;

(c) Enhance and support the regeneration of housing estates through innovative financing, technological and regulatory initiatives and demonstration projects. Focus on eliminating barriers to investment, facilitate small-scale urban renewal through cooperative efforts and self-help;

(d) Encourage broad participation, improve community involvement and build support for sustainable planning policies and programmes; promote community identity through the creation of meeting places, public spaces, pedestrian networks, the preservation of historic buildings and attractive streetscapes;

(e) Provide a range of cultural and recreational opportunities through the efficient use of natural areas; maintain a system of integrated and interconnected open spaces, parks, river valleys and waterfronts; protect the natural habitat and resources in these areas;

(f) Provide water and sewerage infrastructure that accommodates the needs of the local community, while meeting environmental objectives; considerably improve the infrastructure to reduce untreated urban run-off and waste-water discharge, and increase the capacity of infrastructure to accommodate urban growth and intensification;

(g) Improve and expand the transport system to meet the challenges of readjustment in the urban economy and to sustain the competitiveness of public transport. To maximize

efficiency, supplement conventional public transit with specialized services directed at specific market segments, promote energy efficiency and alternative modes of transport.

16. While these tasks indicate a commitment to sustainability, assessment of the effectiveness and efficiency of their implementation is limited. Comparative planning studies often tend to focus on institutional and legal arrangements and on selected aspects of plan implementation in some cities and/or neighbourhoods. More systematic approaches are needed to facilitate the process and disseminate good practices (UN-HABITAT 2002, UNECE 2000).

17. It is important to note that countries in Western Europe have a systematic review of strategic regional plans as well as national spatial plans addressing sustainability issues. Central and East European countries have adopted these practices with various degree of success. Regional planning has gained recognition in the Czech Republic, Slovenia, Slovakia, Poland and Bulgaria. In Canada and the United States, the scope of regional planning tends to be limited due to strong provincial/state powers and the lack of federal intervention. At the local level, the diversity is much more pronounced with master plans, community plans, area structure plans and planning briefs being examples of different planning documents approved in various jurisdictions across the region (UNECE 2002b). Recent experience has shown that a number of cities have chosen to undertake *strategic planning processes*, with various degrees of public consultation, to define common goals and priorities. The plans are guided by sustainable development principles and frameworks. Some examples include the strategic plans of Vienna, London, Seattle, Calgary, Vancouver Region, Warsaw, Sofia, Prague, Vilnius and Riga. Strategic planning has been undertaken in many communities across the UNECE region (Tsenkova 2003b). The approach at the city/neighbourhood level typically includes defining a vision, common goals and objectives and priority actions with active stakeholder participation (see box 3). The strategic planning approach to urban development requires new planning instruments that are more flexible and able to adjust to the pulse of the market and the local community.

**Box 3: Strategic planning and community partnerships**

Unlike earlier ad hoc attempts at urban regeneration, recent programmes and strategies have emphasized strategic approaches. A clear vision is fundamental and is likely to continue to be a hallmark of successful regeneration schemes. However, the shift in ideology also implies the need for strategic long-term resource commitments and community-based partnerships.

*Hulme City Challenge* aims to redevelop a significant portion of Manchester (United Kingdom) incorporating 3,000 dwellings, improve infrastructure and provisions for retail and commercial development. The process was initiated through a strategic planning exercise with broad stakeholder participation. A community partnership was established to design and implement contextually appropriate urban regeneration initiatives. The public sector – central and local government institutions – has provided critical financial and institutional support, but has not taken the lead. Regeneration in Hulme is about people, jobs, housing and actions to deal with social exclusion.

*Source: Tsenkova 2002, UNECE 2000.*

18. Urban planning in countries in transition, particularly in the capitals of advanced

reformers, has taken a proactive role to enable land markets to operate, to stimulate and facilitate private and public investment in economically and socially efficient directions, and to maintain the diversity and quality of the spatial structure. This new role for planning is associated with the monitoring and regulation of land uses, with the promotion of new regulations and tax incentives to encourage efficient land allocation, and with efforts to stimulate land recycling and protect natural resources in the urban structure (Nedovic-Budic 2001).

19. Across the UNECE region, *urban regeneration* has become much more prominent. Countries have experimented with public/private partnerships in inner city regeneration, cultural districts, warehouse and waterfront redevelopment schemes. The search for effective strategies for urban regeneration to create employment opportunities, recycle brownfield sites and facilitate investment and improvement of existing infrastructure has promoted new planning models. Traditionally, urban planning has dealt with growth, and planning strategies and tools aim at managing growth rather than managing decline. Urban regeneration has challenged the planning profession to develop a new repertoire of planning instruments dealing simultaneously with physical deprivation, social exclusion and environmental deprivation in local communities (box 4).

**Box 4: Big Cities Policy: focus on neighbourhoods**

The national Big Cities Policy assists the four largest cities in the Netherlands to respond to problems of high unemployment, crime, polarization and growing spatial concentrations of low-income households and ethnic minority groups, as well as the physical problems often found in social housing. The Big Cities Policy rests on three pillars: (i) the economy and employment; (ii) the physical infrastructure; and (iii) the social infrastructure. Funding is used in an integrated manner to improve the quality of urban space, to create more jobs and to eliminate social exclusion in neighbourhoods. The integral approach is manifested in the involvement of different partners in the policy process – they plan, work and carry out their tasks together. This area-based approach focuses on deprived neighbourhoods and contributes to social cohesion through measures implemented by residents, government bodies (local authority, police, social welfare organizations), housing associations and local employers.

*Source: Van Kempen 2000.*

**B. Challenges and opportunities**

**1. Planning and managing urban growth**

20. The *compact city paradigm* has influenced urban and planning policies in the UNECE countries. Many national planning policies aim to increase the mix of land uses, in order to generate a culturally more diverse, economically vibrant and socially equitable urban environment. At the local level, the integration of transport and land-use planning is common practice in most countries. Good examples of integrated land-use and transport policies are the finger plan structure in Copenhagen, the integrated land-use planning in the greater region of Stuttgart (Germany) or the ABC-parking policy in the Netherlands. In the United States the planning approaches of Portland (United States) and Seattle are frequently cited examples.<sup>5/</sup>

21. Despite this success, urban sprawl is a general trend affecting all cities in the UNECE region, its influence being stronger in large cities in Europe and North America. Urban sprawl is

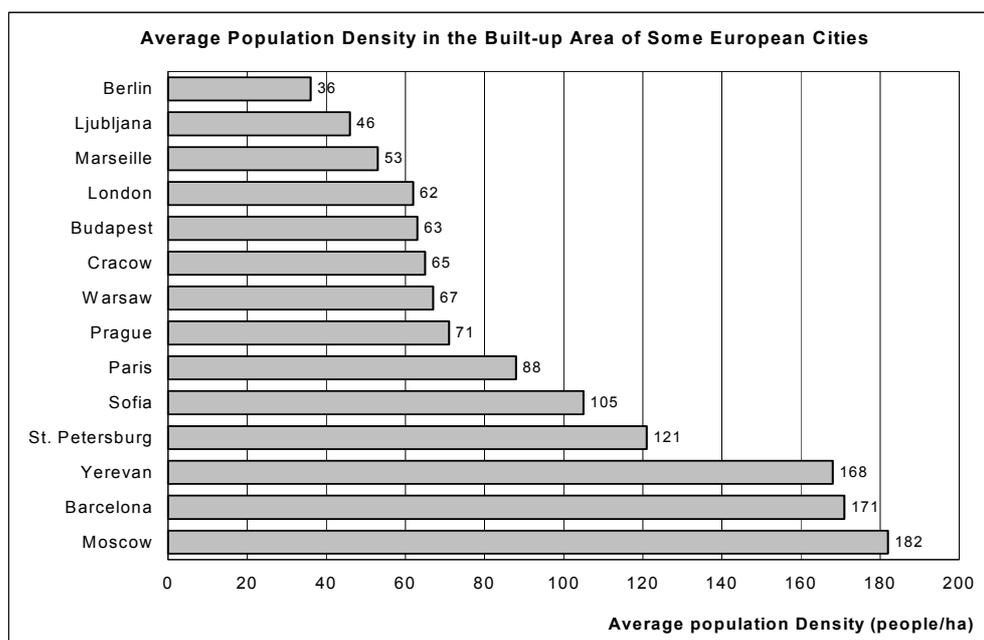
generated by a number of mechanisms: developers favour greenfield sites; lower prices for new developments on the urban fringe make it more affordable to consumers; investment in large infrastructure increase commuting; and big-box retail and office developments continue to move to the periphery. In communities across the United States, there is a growing concern that current development patterns dominated by sprawl are no longer in the long-term interest of cities, existing suburbs, small towns, rural communities, or wilderness areas. Spurring the smart growth movement are demographic shifts, a strong environmental ethic, increased fiscal concerns, and more nuanced views of growth. The planning ideology of '*smart growth*' offers a framework to create communities through mixed-use, walkable neighbourhoods. The practical implementation of these principles so far has been limited. Most of the traditional developments in North American cities have limited housing options and mixed land uses. Car dependency is high, particularly in suburban areas. Although cities such as Portland have set an example for investment in transit-oriented development, others have been slow to follow. The ecological footprints of North American cities are among the least sustainable in the world.<sup>6/</sup>

## **2. Urban planning in transition**

22. Many conurbations in countries in transition are facing economic stagnation and population decline in the inner cities. Depopulation will be an ongoing process in the next decades not only in older industrialized regions. In most cities, owing to the prolonged recession, growth-oriented policies are not an appropriate planning option. Post-communist cities often have a high concentration of people due to strict urban growth boundaries and public investment in high-density housing during the past 40 years (Bertaud 1999). By contrast, the share of industrial land is often 3 to 4 times higher than in cities with well established economies. For instance, in St. Petersburg it is 44% of the built-up area against 5% in Paris (World Bank Database). The economic and social transformation has created new challenges and opportunities, and triggered turbulence and controversy in the planning profession throughout the 1990s. While some capitals have a new generation of master plans that promote sustainable land-use planning, in other places progress has been uneven and planning reforms have received lower priority because the focus was on the consideration of poverty and macroeconomic stability.

23. There is general mistrust in the ability of land-use planning to guide development. Ineffective, bureaucratic planning procedures and rigid and inflexible implementation of the zoning plans are regarded as a way to hinder urban development. In CIS, there is a limited legal basis for spatial planning and physical development. The old master plans dating from the Soviet period are not relevant to today's socio-economic issues. Pressures for new development without a legal and planning framework seriously threaten the cultural and historic assets of post-communist cities as well as the environment (UNECE 2003c,g). Often new construction and changes in land use are approved without regard to urban development documentation. At present, there is neither the competent personnel, nor the economic resources to carry out master planning for all areas where it is required.<sup>7/</sup> Most of the municipalities have resorted to amendments of older plans and ad hoc changes responding to development pressure.

*Figure I. Average population densities in European cities*



Source: World Bank Database, May 2001.

### III. SUSTAINABLE MANAGEMENT OF LAND RESOURCES

24. The role of land in a nation's economy is not always obvious, but it is very significant. Without secure land rights there will be little willingness to make long-term investments. All countries need to determine the ownership and value of land and property and monitor and manage their use so that they may rise in value. In fact, good land administration is essential for the competitiveness of real estate and housing markets, particularly in urban areas. The social and economic benefits of good land administration include the effective functioning of a society where the prime source of personal, corporate or government wealth is land and property. This interrelationship of people and land is fundamental to economic prosperity and socially equitable public policies.

#### A. Progress

25. Across the UNECE region, governments have promoted the practical implementation of good land administration in terms of creating spatially integrated, efficient markets for housing, land and public transport (UNECE 2001b; 2002b). The land market reform in countries in transition was accompanied by the reform of land administration and to a lesser degree of the planning system. UNECE developed Land Administration Guidelines (ECE/HBP/97) to provide a framework for establishing efficient land administration systems in these countries. Several countries followed the Guidelines, reforming the legal, financial, institutional and technical aspects required for successful land administration and management.

26. For countries in transition real property rights, their registration and related cadastral systems were essential elements on which to build the real property market. These efforts on

land reform contributed to economic efficiency – collection of State revenue through taxation and a more effective operation of land markets to provide mobility of ownership and efficient land use.

27. Incremental steps towards the development of cadastre and land registration systems have also set the stage for property restitution and the privatization of agricultural and urban land. By the end of the 1990s, most countries operated land cadastre systems and systems for the registration of property rights.

28. Land evaluation methods have become more sophisticated with the use of geographic information systems (GIS) and information technology (IT). Land evaluation offices in the Netherlands, Denmark, Sweden and United Kingdom have continued to expand their databases linked to digital cadastre maps. Computerized mass valuation has successfully been used in the United States, Denmark, the Netherlands and Sweden for more than 20 years. These experiences and methods have been shared widely with countries in transition to facilitate the establishment of land evaluation and property taxation systems there (FLCSR 2002). Most countries in Central and Eastern Europe have introduced cadastre evaluation since 1998 and several have initiated market-based property taxation (Slovakia, Poland and Lithuania).

29. More explicit emphasis has been placed on land management in disaster-prone areas. Traditionally in most UNECE countries, local mitigation has taken the form of stronger building codes, stricter code enforcement and new construction methods. Land-use planning has rarely been at the forefront of these efforts. Disaster management and prevention has received a high priority in some European countries, particularly Austria and Germany. Last year's floods in Europe have demonstrated the importance of GIS databases and land administration in coordinating rescue efforts and in documenting the extent of a disaster. The Austrian Government has taken an important step towards modifying the legislation to allow the use of geodata (GIS cadastre) to protect people's safety and security. Geodata and the real estate database will be coordinated to ensure disaster management (König 2003).

30. Integrated land-use planning and management in susceptible areas, such as mountainous regions and floodplains, can reduce the incidence and severity of hazards. Some countries have introduced procedures to ensure that risks of flooding, avalanches, landslides and earthquakes are taken into account in the planning and development processes. In Canada, for instance, settlement in flood-prone areas has been discouraged through mapping and the designation of over 320 flood-risk areas (UNECE 2002d). The United States Government encourages the states to engage in land-use planning to avoid flooding.<sup>8/</sup> The Institute for Business and Home Safety, a non-profit organization based in Boston (United States), has created the Showcase Communities to encourage local jurisdictions to institutionalize natural disaster mitigation, just as they have done with fire prevention and recycling (Devlin 2002).

## **B. Challenges and opportunities**

31. In most countries in transition governments have carried out massive land privatization with various degree of success. In rural areas a significant amount of land remains in State ownership. Inefficient farming and the lack of markets for farm products have led to low prices

for rural land across the region. Most countries have maintained State ownership over natural reserves, areas of strategic importance as well as land needed for transport infrastructure, oil and gas pipelines. The scale of land tenure transformation has been very dramatic, particularly in CIS, where private ownership over land was limited and almost non-existent in urban areas. Land privatization and the development of land markets require a whole new system for planning and managing land resources. In the Russian Federation over 50 million people and legal entities have acquired private ownership of land and by the end of the 1990s some 7.6% of the territory was privately owned. This represents 129 million hectares of land, which is comparable to the area of Western Europe.

### **1. Land reform**

32. Privatization is the kingpin of land reform in most countries in transition. Together with legal and institutional developments related to land cadastre and valuation, it has facilitated the establishment of a modern land administration system. Nevertheless, there are still many problems with implementation:

- (a) Land policy implementation is not comprehensive and incoherent;
- (b) Control over the implementation of land policy is ineffective;
- (c) Overlapping institutional responsibilities prevent implementation of a comprehensive and coherent land policy;
- (d) Inadequate institutional capacities constrain the effective transfer of State lands to different levels of government (UNECE 2003d).

33. Restitution of nationalized rural land to its previous owners has been one of the privatization measures. The process faced difficulties and has resulted in serious backlogs in the processing of land claims. In some cases owners were entitled to financial compensation. In most of CIS, governments adopted mass privatization strategies resulting in the quick transfer of land to private owners. In Georgia, for example, 25% of the agricultural land was privatized as an urgent measure in response to poverty and hunger. A similar strategy was adopted in Uzbekistan, where the land plots were an economic 'safety net' to sustain food production for personal use. As a result of the land reform in Georgia, 1 million families became owners of small land parcels, with an average of 0.9 ha per household (UNECE 2003d). Two outcomes of the mass privatization hamper the sustainable management of land resources: (i) the excessive fragmentation of land-ownership does not allow efficient agricultural practices; and (ii) the rural infrastructure originally provided for large sovkhoz and kolkhoz are not suited to smaller parcels and their water management.

34. Urban land privatization also continues to be a challenge. In Central and Eastern Europe private ownership of urban land survived during communism. A decade later, land prices in most urban markets have become more fragmented, reflecting differential opportunities for development and profit. Land barter deals, very common at the start of the transition, have lost their attractiveness and land costs in new residential development have declined (Tsenkova 2000). By contrast, urban land in most post-Soviet countries was generally State-owned. Housing was privatized without the underlying or adjacent land.<sup>21</sup> The myriad of ownership arrangements have created significant barriers for the efficient operation of urban land markets. The normal urban administration of physical planning, zoning and land registration to adequately manage a dynamic process of ownership transformation is rarely in place (see box 5).

**Box 5: Winners and losers in the privatization of urban land in Tbilisi**

Neither the legal nor the institutional framework in Georgia is conducive to effective urban land management or sustainable urban development. Due to the lack of urban master plans or zoning schemes, there is no link between the privatization of urban land the future use of the privatized plots. The privatization price therefore bears no relation to the commercial profit potential. Nor do privatization agreements contractually oblige the buyer to participate financially in building the infrastructure (roads, water, sewerage, car parks) needed to support the future development of privatized land. From this viewpoint, the privatization of urban land can be considered an unfair distribution of future economic obligations and benefits between the new private owner (the winner) and the municipality (the loser).

*Source: UNECE 2003c.*

35. The lack of transparency in land restitution and privatization is a major constraint contributing to the shortage of land in urban growth areas. These developments are accompanied by the occupation the of agricultural land in the urban periphery and the growth of illegal settlements where the combination of inefficient administrative systems and urban poverty creates a cycle of economic and social deprivation. Dysfunctional land cadastre and registration systems and/or weak public administration in parts of CIS continue to keep transactions costs artificially high for households and businesses (UNECE 2001a, b).

**2. Institutional capacity**

36. The institutional evolution of land administration in countries in transition reflects historical and political developments. A number of new institutions and functions have been created – real estate registries in Armenia, Estonia, Latvia and Lithuania. As the reform is only a few years old, it is no surprise that there are conflicting goals, overlapping responsibilities and fragmentation of services. Consequently, the decision-making process requires numerous inter-agency consultations. This delays decisions on major economic issues, and spreads confusion among other partners and citizens approaching land administration authorities (UNECE 2003d,g). Still, even in the advanced reformers, informal transaction take place and bureaucratic delays contribute to high development costs. Furthermore, the regulation of urban land markets continues to be bureaucratic and less responsive to market signals, and financial discipline in underwriting property investments and property taxation are inadequate (Tsenkova 2003c). Administrative subdivisions in countries in transition and self-government mandates have undergone several revisions. This lack of stability and the frequent institutional transformation at the national level have delayed the development of efficient administrative structures for land-use planning and management.

**3. Informal settlements**

37. The massive and uncontrolled population flow in the 1990s in some cities across the UNECE region has resulted in illegal settlements sprawling outside urban boundaries. In Turkey, as a result of haphazard and rapid movement to urban areas, cities are overpopulated, leading to more poverty, unemployment and deteriorating living conditions. There are also problems with the lack of affordable housing, inadequate infrastructure, shortages in water and electricity

supply, and limited access to services such as education and health (HABITAT 2002). The proliferation of informal settlements in Istanbul, Tirana, Erevan and Tbilisi is a major concern (see box 6). Skopje has more than 20 illegal neighbourhoods that date back to the post-earthquake years. Legalizing these settlements means providing infrastructure such as roads, water, sewerage and electricity, and requires significant investments. The presence of illegal buildings in Southern Europe also points to the unresolved complexity of access to urban land and housing in Greece, Portugal and Cyprus.

**Box 6: Informal settlements in Tirana**

The estimated population of the Tirana region has grown from 374,000 in 1990 to 618,000 in 1999. Close to 45% of the population lives in informal settlements. Incoming villagers would occupy a plot of land and start building a house, adding floors and finishing construction over time. As a result, Bathore, an attractive hillside on the outskirts of Tirana, is a new neighbourhood of illegal, three-storey houses with no roads, sewerage or electricity. Those who first occupied land then illegally sell parts to newcomers. Illegal construction usually means no access to schools or health care.

*Source: UNECE 2003b.*

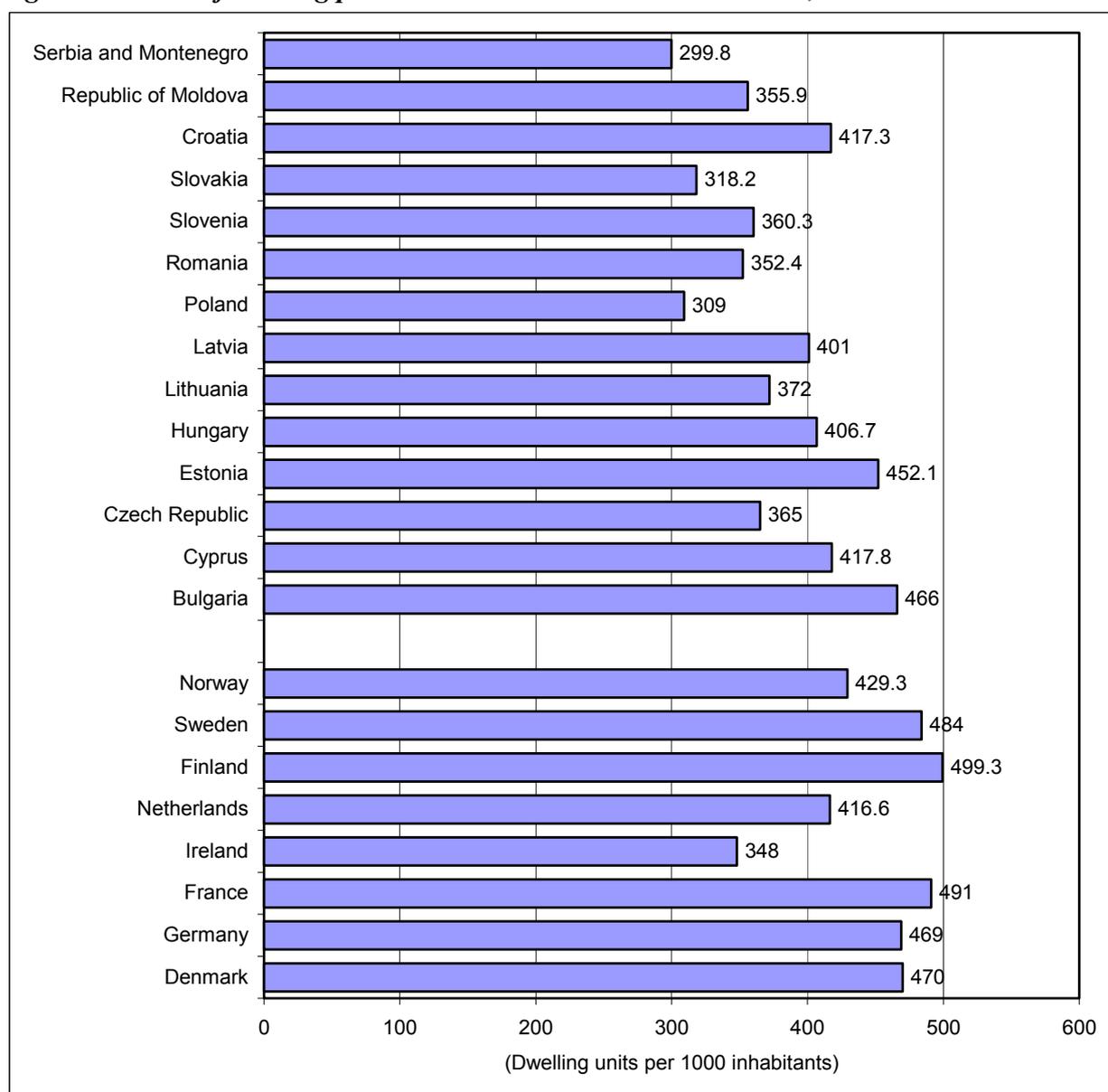
#### IV. PROVISION OF ADEQUATE AND AFFORDABLE HOUSING

38. Housing reforms in the UNECE region in the past decade have promoted policies to reassert market forces and reduce State intervention. With respect to housing provision, they have emphasized deregulation, private sector involvement and demand-based subsidies (UNECE 1997). In addition, public housing has been privatized not only in countries in transition, but also in Western Europe, e.g. the United Kingdom and Sweden. While the overall goal of these reforms has been to improve the economic and social efficiency of the housing systems, responses across the region demonstrate diversity. Recent comparative studies based on the evaluation of experiences in Western and Eastern Europe have advanced the thesis of policy divergence, convergence and collapse (Pishler-Milanovitch 2001; Tsenkova 2003a).

##### A. Progress and challenges

39. Housing conditions in most UNECE countries have improved. The general ratio of dwellings per thousand inhabitants is normally used as a crude indicator of the adequacy of housing provision. The distribution varies, with Finland having the highest number: 499 units per 1000 residents. The countries in transition have low levels, which are nevertheless comparable to those in Western Europe (see fig. II). Housing supply has been positively affected by the reform. New actors and structures have emerged, public/private partnerships have become more prominent and a robust private sector has continued to be the main mechanism for the provision of housing services. Across the UNECE region, rates of housing construction have declined, but investment in housing has remained relatively stable, in the range of 4-5% of GDP, driven mostly by renovation and quality improvements. In Western Europe, Ireland is the only country where new production in 2000 was double the 1990 level.

**Figure II. Level of housing provision in selected UNECE countries, 2000**



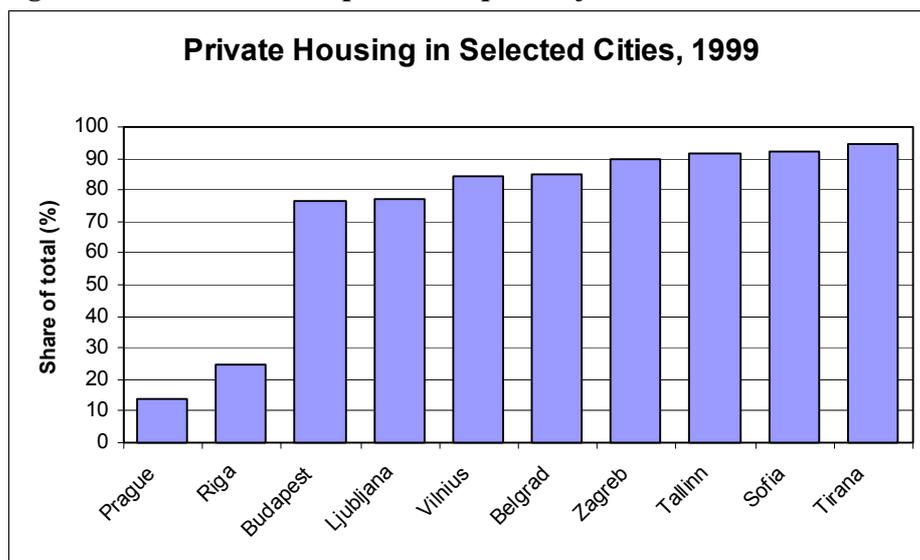
*Source: UNECE Database.*

40. In countries in transition, housing construction has reached record lows, largely because of the withdrawal of government subsidies. Private developers continue to face financial difficulties, high inflation and a lack of adequate credit supply. With few exceptions, mortgage lenders have been reluctant to introduce alternative mortgage instruments more suitable to inflationary environments. High interest rates since the start of the market reforms have paralyzed formal housing finance, although the volume of mortgage lending has increased in the Czech Republic, Hungary and Poland (UNECE 2003e). Still, mortgage debt, even in the advanced reformers, is less than 3% of GDP, compared to the usual 50-65% in mature housing markets.

41. Home ownership has grown steadily in most countries, particularly in those in transition. A

fundamental distinguishing feature of housing markets in post-communist cities is the high rate of home ownership (see fig.III). While in the other capitals in the region this highly imbalanced tenure structure is the outcome of mass privatization (Tirana, Vilnius, Tallinn), Sofia already had a high share of homeownership under State socialism. By contrast, the capitals in Western Europe have considerably lower rates of homeownership – London (58%), Helsinki (45%), Paris (28%), Vienna (17%) (City of Helsinki Urban Facts 2002). More importantly, *home ownership is increasingly fragmented*, with the privileged fraction living in gentrified neighbourhoods and socially segregated home owners in problematic housing estates.

**Figure III. Homeownership in the capitals of countries in transition, 1999**



*Source: Tsenkova 2003b.*

42. Marketized housing provision systems tend to be more sensitive to consumer preferences and choices. The changing demographic and social composition of the population, the growing social polarization and income differentiation have influenced housing demand dynamics. On the one hand, this leads to a more diverse pattern of lifestyles and housing choices. People with more disposable income seek better living standards and move upmarket to more attractive environments.

On the other hand, poverty manifests itself through the growing number of people on welfare, rising homelessness and a general degradation in living standards (see box 7). In Western Europe and North America, housing policies have emphasized the importance of financial instruments – mortgage insurance, tax incentives and demand assistance to targeted groups -- to facilitate access and choice. However, the gap between income and entry costs has continued to increase for low-income households, making affordable housing of decent quality more more difficult to obtain. Studies on affordability in countries in transition indicate that current mortgage arrangements, income levels and house prices have excluded more than 80% of the households from the new housing market. The previous housing shortage has been replaced by a *shortage of affordable housing*, suggesting that a deepening housing crisis is looming.

**Box 7: Homelessness**

Homelessness across the UNECE region is a serious challenge and a sign of major failure of welfare states to deliver affordable housing for all. The United States National Law Center for Homelessness and Poverty reports that over 3 million people were homeless over the past year – about 30% of them chronically and the others temporarily. In many cases people are in and out of the homeless system, which includes shelters, hospitals, the streets and prisons. In addition, 5 million poor people spent over half their incomes on housing, leaving them on the verge of homelessness. A missed paycheck, a health crisis or an unpaid bill can easily push poor families over the edge into homelessness.<sup>10/</sup>

Across the European Union, 3 million people were homeless in 2002 and 18 million were housed in inadequate accommodation, housing which lacks basic amenities, is structurally unsound, overcrowded or does not offer security of tenure.<sup>11/</sup>

Source: FEANTSA: 2003.

**B. Important priorities for countries in transition**

43. In spite of increased policy reform and legislative and institutional reforms, housing policy in countries in transition has failed to keep pace with the market. For instance, there is a lack of comprehensive programmes and incentives for maintenance and renewal of the existing stock, which leads to further disinvestment and lower standards. Housing policy choices are ideological and political. It is clear that housing reforms were given lower priority in the overall reform process. Social housing is low on the political agenda. Given the climate of fiscal restraint and concerns about budget deficits, there is a growing preference for market solutions. In thinking about the way forward in housing policy reform, it is important to implement policies more selectively. Future housing policy makers need to develop enabling strategies that are both workable and financially realistic, tenure-neutral and differentiated according to stated criteria and priorities. Subsidies need to be better targeted and transparent. The justification behind government involvement is the need to encourage investment in the sector, enable markets to work more efficiently and assist marginalized groups to access affordable housing. In this context, the UNECE Committee on Human Settlements has identified two policy areas as important: *the provision of social housing and the rehabilitation of the housing stock*.

44. The opportunities for the public sector to provide *social housing* have been limited as a result of massive privatization. Local authorities are left with the worst part of the stock. Most countries have discontinued the provision of new social housing. Experience during the past decade indicates that governments have failed to integrate social housing reforms into the wider process of welfare restructuring (UNECE 2003 a,e). It is difficult to protect social services during fiscal austerity, but at the same time it should be perceived as critical for the reproduction of social capital, for the quality of life and correspondingly for economic growth. In countries where the share of social housing is still high (Poland, Czech Republic, Latvia, Russian Federation), rent control policies continue to provide universal subsidies to all households. These high implicit subsidies are neither fair, nor an efficient use of public funds and do not benefit the poor. It should be noted that despite the low rents, rent arrears are common.<sup>12/</sup> For example, in the Czech

Republic, where social rented housing is close to 45% of the stock, rents in the regulated market are less than 25% of the market rents.

45. There are important lessons that can be learned from the experience in Western Europe, where social housing has continued to play a major role. As the importance of the sector in meeting housing shortages has diminished, differences in the approaches across the subregion have emerged. In countries where there is a significant share of social housing (Austria, Denmark, Sweden, Switzerland and Netherlands), allocation encourages income mixes, rents are closer to cost recovery but low-income households receive allowances. In countries where the sector is small (Spain, Portugal), rents are low since it is used as a safety net for vulnerable households. In these cases, allocation policies are driven by bureaucratic rules and demand-based assistance is more limited (Stephens 2003). Countries in transition can benefit from these experiences to improve their rent and asset management policies. Operating a large social housing sector with high implicit subsidies is certainly not sustainable.

46. Similarly, most countries in Western Europe have considerable experience in *housing rehabilitation*. Various models for area-based regeneration have emerged. In the past decade community-based partnerships for urban regeneration have become a sustainable model for the implementation of these initiatives. The transfer of these good practices to the countries in transition needs to be a priority. The considerable neglect in maintenance in private and public housing, coupled with the ageing and poor quality of the structures, requires urgent policy intervention. On average, more than 40% of residents in larger cities in countries in transition live in prefabricated multi-family housing. By contrast, in the EU housing estates are the home of 3-7% of the population.<sup>13/</sup> The shortage of housing finance for renewal and the lack of adequate legal arrangements (condominium laws) regarding the responsibilities for upgrading common facilities/structures in apartment buildings are major barriers (UNECE 2003a). High-rise rehabilitation is potentially one of the biggest problems facing urban managers in countries in transition, since failure to carry out needed repairs will result in massive structural problems in a large share of the housing stock (UNECE 1997). *Two aspects are particularly critical (i) the organizational and legal environment of the multi-family buildings, and (ii) growing affordability problems.*

47. Recently, most countries have introduced laws to regulate the operation of homeowners' associations. The legislation has provided the framework for the organization of owners, the decision-making mechanisms, as well as the enforcement of rules and obligations. The crucial question is the implementation of association agreements. Several barriers remain. Firstly, individual owners are in some cases reluctant to establish a new organization as they are expected to pay more with no guarantee of better service; secondly, the administrative procedure is quite complicated especially with regard to property and land registration; and thirdly, the laws typically provide inadequate guidelines regarding voting procedures, cost-sharing mechanisms and enforcement possibilities.

48. Furthermore, the transition has impoverished the population and increased income inequalities. One of the reasons for the poor maintenance of multi-family buildings is the difficult financial situation of tenants and owners. In most cases, the cost of housing-related services has increased faster than incomes, which has resulted in accumulated arrears.

Governments need to assist lower-income groups by better targeting demand-based assistance and providing financial incentives for investment in energy-efficiency renovation. So far, there has been limited experimentation with pilot projects, mostly in energy-efficiency, in Lithuania, Latvia, the Czech Republic and Poland. These isolated examples of good practices are not monitored or disseminated systematically at the national level.

## V. THE WAY FORWARD

49. UNECE countries have, to different degrees, addressed sustainability goals in human settlements through national sustainable development strategies. Cities and municipalities are the main agents of change and the driving force behind progress in the implementation of Agenda 21 in the UNECE region. To meet the challenges of sustainability in a globalizing world, a number of municipalities have managed to create coalitions and partnerships to achieve economically productive, socially inclusive and environmentally sound cities. Urban management has proven to be the critical ingredient of success and a major catalyst for change. The experience across the region indicates that land-use planning plays a major role in policy integration.

50. Pursuing the practical implementation of Agenda 21 and the priorities for sustainability in the *UNECE Strategy for a Sustainable Quality of Life* implies a renewed emphasis on sustainable cities that are liveable and promote social equity while contributing to the progress of the country as a whole. At its 64<sup>th</sup> session, the UNECE Committee on Human Settlements reaffirmed its commitment to sustainable development and acknowledged that policy reforms to promote social stability and social equity needed to become a critical element of national and local strategies for sustainable human settlements. The Committee highlighted the importance of new patterns of democratic governance that are people-centred and socially inclusive.

51. The evaluation of progress in this report, as well as the contributions to the Committee's session, emphasized that countries in transition still had no full capacity to implement sustainable development principles. The transition is both a challenge and an opportunity. It seeks to promote decentralized, democratic and participatory decision-making, revive economic growth and social cohesion, and mitigate environmental disasters inherited from the communist era. Transition also provides opportunities for sustainable development through administrative reform, where integrated planning can be introduced and channels for external expertise and assistance can be opened up. But transition can also represent a serious threat to economic, environmental and social sustainability, by eliminating old institutions without creating new ones capable of long-term planning and creating social safety nets. This worsens poverty and inequality, and encourages the exploitation of natural resources. The Committee's discussion highlighted the importance of coherent local, national and international actions.

### A. Actions at the local level

52. *Foster sustainable quality of life in human settlements through holistic strategic planning.* The attention focuses on improving the liveability and competitiveness of cities through good governance, accountability and transparency of government actions to pursue a sustainable quality of life.

53. *Emphasize sustainable housing reforms and social equity.* The focus is on the provision of affordable housing to ensure social inclusion and regenerate deprived communities, particularly in the post-socialist housing estates.

54. *Promote good land administration for social equity.* Good land administration is essential for the competitiveness of real estate and housing markets. Transparency and efficiency should be promoted to ensure fair competition and security of tenure.

55. Further implementation of sustainable practices in human settlements at the local level can be fostered through policy innovation and good practices that become imbedded in the institutional culture of municipalities, business and community partnerships. A key objective is to capitalize on the innovation in urban management, planning and land administration that has emerged in some cities and to diffuse best practices more efficiently. This means developing a culture of excellence in cities as a catalyst for improvement and institutional learning. Urban sustainability requires change, and strategic investment in hardware (built form and infrastructure), software (management and operations) and mindware (incentives to change travel behaviour or consumption patterns).

#### **B. Actions at the national and international level**

56. Local action requires a supportive and enabling policy framework. To effectively promote sustainable development in human settlements, national governments need to acknowledge that the region is predominantly urbanized. A strategic focus on urban issues in countries in transition will allow policy intervention at the local and national level to have a greater impact. International organizations, including bilateral and multilateral agencies, local government associations and international support networks, have a critical role in this respect. Financial support and technical assistance can promote the transfer of good practices in the region and assist capacity-building. At the moment, official development assistance to countries in transition does not explicitly focus on sustainable human settlements. Various programmes support the implementation of Local Agenda 21, but in most cases the emphasis is on poverty reduction, institutional development or environmental policies (UNECE 2002d; WB 2003a).

57. Future programmes should:

(a) *Mobilize an institution-wide effort to address urban and local government issues and to integrate urban perspectives in a dialogue on national sustainable development policies.* This provides an opportunity to have an impact on pressing urban issues with high stakes for national poverty reduction, equitable growth and environmental improvement;

(b) *Advance the multi-dimensional agenda of urban sustainability,* which suggests common goals for all cities but could be implemented differently, with different priorities and operational instruments, depending on the level of political commitment and institutional capacities. This approach could ensure cross-sector alliances and complementarity of sectoral reforms;

(c) *Establish mechanisms to share achievements and good practices with other cities, partners and central government institutions to ensure replicability.*

<sup>1/</sup>This process has been supported through the *Capacity 21 Programme in Europe and the Commonwealth of Independent States*. Launched by the United Nations Development Programme (UNDP) in 1992, it works with government, civil society and the private sector to meet the goals of Agenda 21 as well as to develop tools in democratic governance.

<sup>2/</sup> Some countries have experimented with a variety of instruments to improve policy coherence -- environmental and economic impact assessments, urban audits, quality of life indicators. Other tools include interministerial committees on environmental issues in Norway and Belgium; environmental assessment of the budget in Denmark; and autonomous commissioners promoting the integration of federal policies in Canada. Independent auditing units have fostered a culture of accountability in public policies dealing with sustainable development.

<sup>3/</sup> CEMR, representing around 100,000 local and regional authorities in 29 countries, is an active partner of the European Sustainable Cities and Towns Campaign and promoter of sustainable practices.

<sup>4/</sup> A typical problem caused by the lack of horizontal coordination among sectors concerns land use, mobility and air quality planning, each managed by different departments. The same applies to water management and land-use management (EUWG-Management 2003).

<sup>5/</sup> Other initiatives include car-free-days, free public transport transit in the downtown area of Calgary and Seattle and intelligent transport systems in Bologna (Italy) and Zurich (Switzerland) to manage traffic flows. The Car Free Cities Network includes some 70 cities committed to developing, exchanging and implementing management methods for the reduction of the volume of urban traffic <http://www.eurocities.org/>.

<sup>6/</sup> The 472 000 residents of Vancouver, living on 11,400 ha, actually use the ecological output of 3.6 million ha, thus imposing a significant ecological burden on the global commons.

<sup>7/</sup> The Town Planning Code of the Russian Federation introduced the principle zoning. Although it obliges municipalities to develop rules for land use and development, very few have done this. Across the CIS, new plans and methods to adequately address urgent urban development issues are essential (UNECE 2001a).

<sup>8/</sup> The Federal Emergency Management Agency in the United States estimates that as much as 75% of the nation's housing stock is susceptible to natural hazards.

<sup>9/</sup> In Latvia, 'accelerated privatization' of State and municipal housing allows the transfer of units of tenants, while maintaining ownership over the buildings and urban land. In Lithuania close to 92% of the housing was privatized in 1992, but most of the urban land is still owned by municipalities.

<sup>10/</sup> Incomes for the poorest Americans have not nearly kept pace with rising housing costs. The poor and the homeless in the United States receive supplemental security income, food stamps and welfare (<http://www.endhomelessness.org/pub/tenyear/index.htm>).

<sup>11/</sup> FEANTSA provides a simple but robust definition of housing vulnerability as persons experiencing one of the following situations: (i) rooflessness; (ii) houselessness; (iii) living in insecure accommodation; (iv) living in inadequate accommodation.

<sup>12/</sup> Close to 10% of the households in Latvia are in arrears as far as rent and/or maintenance bills are concerned; in the rental sector that share is as high as 19.7% (UNECE 2003b,e).

<sup>13/</sup> Owing to industrialization and urbanization policies prefabricated housing dominates the residential landscape of post-communist cities. It makes up 70% of all housing in Bucharest, 45% in Sofia and 20% in Ljubljana (EAUE 2003).