

URBAN SUSTAINABILITY IN EUROPE AND NORTH AMERICA:

CHALLENGES AND OPPORTUNITIES

LE DÉVELOPPEMENT URBAIN DURABLE EN EUROPE ET EN AMÉRIQUE DU NORD:

DÉFIS ET OPPORTUNITÉS

Cities, Policy & Planning
research series



URBAN SUSTAINABILITY IN EUROPE AND NORTH AMERICA:

CHALLENGES AND OPPORTUNITIES

Sasha Tsenkova

Cities, Policy & Planning

research series



ENVIRONMENTAL | UNIVERSITY OF
DESIGN | CALGARY

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ABBREVIATIONS

CIS	Commonwealth of Independent States (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, the Kyrgyz Republic, Moldova, the Russian Federation, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan)
CEE	Central and Eastern Europe
CSD	Commission on Sustainable Development of the United Nations
EC	European Community
EE	Environment for Europe
EPR	Environmental Performance Review
ESDP	European Spatial Development Perspective initiative
EU	European Union
FYROM	Former Yugoslav Republic of Macedonia
JPOI	Johannesburg Plan of Implementation
LA21	Local Agenda 21
HABITAT	United Nations Human Settlements Program
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
PIA21	Plan for Implementation of Local Agenda 21
R. Moldova	Republic of Moldova
UNDP	United Nations Human Development Program
UNECE	United Nations Economic Commission for Europe
UK	United Kingdom
US	United States of America
WB	World Bank
WE	Western Europe
WSSD	World Summit for Sustainable Development

ACKNOWLEDGEMENT

Urban Sustainability in Europe and North America provides a comparative assessment of challenges and opportunities to achieve economically productive, socially inclusive and environmentally sound cities. The study highlights a series of innovative practices and strategies to enhance quality of life in cities through better urban planning and more equitable provision of urban services.

A number of researchers in Europe and North America have assisted me in the collection of data and background studies. I thank them all for their professional collaboration and insightful suggestions on the content of previous drafts. The assistance of the Secretariat of the United Nations Economic Commission for Europe (UNECE) is highly appreciated. The research was commissioned by the United Nations, Division of Sustainable Development in New York and UNECE Environment and Human Settlements Division (Geneva) within the framework of global review of progress in the implementation of *Agenda 21, The Plan for Implementation of Local Agenda 21, and The Johannesburg Plan of Implementation*. The study was launched at the Regional Implementation Forum on Sustainable Development in Geneva, 15 to 16 January 2004. Comments from the UNECE Human Settlements Committee and participants in the Forum were instrumental in defining urban management for sustainable development as the critical ingredient of success and a major catalyst for change. Input from reviewers was essential for the selection of good practices in the region where innovative urban management has fostered the implementation of programs effectively supporting the multiple dimensions of sustainability.

I would like to acknowledge the role of government representatives and policy analysts from a number of transition countries in shaping the agenda for urban policy intervention advanced in the book. Arguably the management of post-socialist cities on a sustainable path in the future will allow more efficient responses to pressing urban problems with high impact for national poverty reduction, equitable growth, and environmental improvement.

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PREFACE

URBAN SUSTAINABILITY: SETTLEMENT, SENSITIVITY, INTERVENTION & IMPLEMENTATION



Our contemporary world presents a highly complex and often challenging milieu. While some corners of the globe enjoy relative prosperity and high standards of living, other corners confront the difficulties of severe poverty, social unrest, and substandard habitation. As the planet continues on its escalating urbanization path, the need for solid research, sensitive action, and informed intervention proves vital. To realize success in this regard demands new ways of thinking that are at once interdisciplinary, holistic and comprehensive.

The work contained in this volume, *Urban Sustainability in Europe and North America: Challenges and*

Opportunities, presents us with innovative and integrated approaches to sustainable human settlement. From progressive management strategies and effective governance models to appropriate land use planning and the provision of affordable housing, Dr. Sasha Tsenkova exposes us to a broad spectrum of approaches that aim to improve the quality of life in our cities and nations. There are few easy answers to the pressing questions that accompany the planning, design and sustainability of modern cities. In this volume we are provided a strong sense of problems, priorities and modes of intervention related to our vital quest for the sustainable development of urban settlements.

The Faculty of Environmental Design (EVDS) at the University of Calgary is unique in the landscape of higher education, due primarily to an impressive breadth of engagement that spans from science to art. Founded on a philosophy that looks at environment and design from a highly interdisciplinary and integrated vantage point, EVDS promotes a balanced approach to intervention that respects human, natural and built dimensions of our world. The notion that economy, equity and environment operate together in a complex system is fundamental to the seeing, thinking and acting of the Faculty of Environmental Design.

photo Brian R. Sinclair

In this regard, there is strong synergy between the EVDS way and the work developed and portrayed in *Urban Sustainability in Europe and North America: Challenges and Opportunities*.

Sustainability of our human settlements is urgent. As cities grow in scale, scope and intricacy we must be equipped with the tools and techniques to positively influence their disposition, direction and development. Dr. Tsenkova has examined with clarity and purpose the complex and complicated ethos of cities as we advance in the new millennium. In this volume she establishes a framework for assessing and advancing our progress towards a far more sustainable and livable world. Work in such realms is critical as the planet, and our collective civilization, faces unprecedented threats associated with climate, water, resources, education, infrastructure, governance, economics, human rights, health and wellness. The future is uncertain. The issues are daunting. Our steps must be informed, inspired, and particularly wise.

Brian R. Sinclair, MRAIC
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INTRODUCTION

The commitment to sustainable development at the global level is articulated in *The Program for the Further Implementation of Agenda 21* and *The Johannesburg Plan of Implementation*. Recognizing the critical contribution that cities can make to sustainable development efforts, the Economic Commission for Europe of the United Nations (UNECE) promotes urban sustainability, one of the regional priority advanced in the *ECE Strategy for Sustainable Quality of Life*.

This research monograph provides a comprehensive overview of progress in urban sustainability in the region. Given the diversity of countries and cities, the emphasis is on major achievements in addressing the multiple dimensions of sustainability as well as new challenges and opportunities in four thematic areas: urban management and governance; land-use planning for sustainability; land administration; and provision of affordable housing. The study was prepared as basis for discussion and formulation of an agenda for collaborative action on the occasion of the first Regional Implementation Forum on Sustainable Development held in Geneva with the participation of policy makers and senior officials representing governments, international and non-governmental organizations and the private sector of the 55 countries in the ECE region. The initiative marked the beginning of a two-year global review of progress in sustainable human settlements, water and sanitation launched by the United Nations Commission on Sustainable Development.

The ECE region brings together some of the most advanced but also some of the poorest countries in the world. With 75 percent of the population concentrated in urban areas, efforts to establish competitive urban economies and vibrant urban societies undoubtedly will become more important in the future. Countries and municipalities in the last decade have, to different degrees, addressed sustainability goals through planning and partnerships to achieve productive, socially inclusive and environmentally sound cities. The study argues that despite the overall economic progress in the region, 100 million people are classified as poor, with 39 million living below the poverty level in North America alone. The difference in per capita income between the poorest and most affluent country has reached 1 to 45. Social polarization continues to be a major challenge leading to multiple disadvantages, particularly for the elderly and single parent households. The research draws much-needed attention to the plight of the urban poor who are especially vulnerable to social exclusion and lack access to services, safety nets and political representation. Poverty, growing numbers of refugees and flows of migration in the region have created pressure for housing and basic service provision, particularly in the rapidly emerging illegal settlements in transition countries.

The study further examines challenges and progress in the area of sustainable urban management and the provision of urban services. Most ECE countries are committed to environmental improvement, effective waste management, recycling,

and waste-water treatment. Air pollution and industrial emissions have been reduced; however, suburban growth and unsustainable transportation patterns have increased the ecological footprint of cities.

The comparative perspective on cities in transition countries is particularly valuable, drawing attention to important urban policy questions. Questions of sustainability are connected to rapid urbanization, formation of illegal settlements and chronic disinvestment in existing transport infrastructure and municipal services. In addition, the research evaluates the outcome of the decentralization process, as well as the challenges of large-scale land and housing privatization for the planning and management in post-socialist cities.

The discussion on key urban sustainability themes is combined with case studies highlighting the success of cities and local governments in implementing local Agenda 21 and sustainable development strategies. Good practices from European and North American cities featured in this excellent monograph incorporate economic regeneration efforts to create employment opportunities, recycling of brownfield sites, improvement of social infrastructure-- housing, education, health, provision of integrated public transport and sustainable energy, water and sanitation. More importantly, the success of these policies and strategies is often driven by comprehensive planning, commitment to 'smart growth' and more sustainable production and consumption patterns in these cities. Building on the successes, the concluding comments draw attention to the importance of implementing a broader urban sustainability agenda through community-based initiatives and public-private partnerships.

With its comparative overview of sustainable urban development in Europe and North America, the monograph is a rich resource for policy makers, government officials, researchers and community leaders. It makes a valuable contribution to the discourse on urban sustainability, particularly in transition countries, with some powerful insights into their specific challenges and opportunities. Above all, the monograph provides a practical and engaging analysis of the cross-cutting themes essential for our understanding of urban sustainability in different contexts with the much-needed links to policy reforms and future action.

Christina von Schweinichen

Christina von Schweinichen is Deputy Director of the UNECE Environment and Human Settlements Division in Geneva and has lead the preparations for the Regional Implementation Forum on Sustainable Development in Geneva (human settlements cluster, January 2004).

URBAN SUSTAINABILITY

SUMMARY

The monograph provides an overview of progress achieved in sustainable development of human settlements. The focus is on the experience of the 55 countries of the Economic Commission for Europe (ECE) region. The framework is guided by the commitments in the *Program for the Further Implementation of Agenda 21* and *The Johannesburg Plan of Implementation*. 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 *ECE Strategy for Sustainable Quality of Life*. Given the diversity of responses, the emphasis is on major achievements in addressing the multiple dimensions of sustainability as well as new challenges and opportunities in four thematic areas: i) urban management and governance; ii) land-use planning for sustainability; iii) land administration; and iv) provision of affordable housing.

TRENDS AND IMPLEMENTATION CHALLENGES FOR SUSTAINABILITY IN HUMAN SETTLEMENTS

ECE countries have experienced a strong economic growth and major progress in advancing their structural reform agenda in the last decade. The growth trajectory has been uneven, but it has delivered better living standards and gains in education and health care in Western Europe and North America. On the environmental side, there has been some progress in decoupling pollution and natural resource use from economic growth. Despite these gains, the reality of over 56 million people in the European Union living at risk of poverty, with one in ten people facing consistent poverty, has become a significant social and political challenge.

The transition economies in the ECE region have experienced the most dramatic change in political, economic and social terms. In Central and Eastern Europe, most countries have become functioning market economies, have exceeded the level of economic output of the 1990s, and have moved to decentralized political and administrative power. In the Commonwealth of Independent States (CIS), progress in structural adjustment and political reforms has been rather uneven. While at the start of the reform poverty did not exist, today more than 100 million people are classified as poor. The share of people living on less than US\$1 per day is alarmingly high in Tajikistan, Uzbekistan and the Republic of Moldova. The number of refugees has grown rapidly. About 45 million people now live in countries affected by war or civil strife. Almost 400,000 have been killed and some 7 million have become refugees or are internally displaced. The move towards market economy and democracy has failed to deliver uniform benefits to all countries in transition and/or to all social groups.

These developments create the framework for the implementation of policy reforms promoting sustainable human settlements. The ECE region is overwhelmingly urbanized with more than 75% of the population concentrated in urban areas and a growing complexity of urban challenges. The centrality of urban issues for sustainability is critical, particularly given the rise in urban poverty and environmental deprivation. At the local level, the sustainable provision of essential infrastructure services continues to be a challenge with critical implications for the environment. Cities in transition economies face significant technical and fiscal and constraints in the provision of adequate *water and sanitation, solid waste management, and public transport*. Municipalities have become crisis managers with a lot of responsibilities and limited fiscal powers. These unfunded mandates have led to strategic disinvestment and continued to erode the quality of basic services.

SUSTAINABLE DEVELOPMENT IN HUMAN SETTLEMENTS IN THE ECE REGION



Sustainable Management and Urban Governance. 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 for sustainable development has proven to be the critical ingredient of success and a major catalyst for change. It fosters the implementation of programs and services that effectively support the multiple dimensions of sustainability in a collaborative manner. Some 6,400 municipalities have undertaken Local

Strasbourg: International institutions facilitate the transfer of good practices in sustainable development

Agenda 21 initiatives, advancing a culture of good practices and excellence.

Sustainable Land Use Planning. Sustainable land-use planning plays a major role in policy integration and generates important synergies that define incremental progress towards sustainability. Recent experience has shown that a number of cities have chosen to undertake *strategic planning processes*, guided by sustainable development principles and frameworks. Across the ECE region, *urban regeneration* has become much more prominent. The search for effective strategies for urban regeneration to create employment opportunities, recycle brownfield sites and facilitate improvement of existing infrastructure has promoted new planning models and instruments dealing simultaneously with physical deprivation, social exclusion, and environmental degradation in local communities.

In transition countries, economic and social changes have triggered turbulence and controversy in the planning process. While some capital cities have a new generation of master plans that promote sustainable land-use planning, in other communities planning reforms have taken the back seat replaced by consideration regarding poverty and macroeconomic stability. There is a general mistrust in the ability of land-use planning to guide the development process. Ineffective, bureaucratic planning procedures and lack of adequate institutional capacity have often lead to *ad hoc* changes of older plans in response to development pressure.

Sustainable Management of Land Resources. Across the ECE region, governments have promoted the practical implementation of good land administration in terms of creating spatially-integrated, efficient markets for housing, land, real estate, and public transport. In most transition economies governments have carried out massive land privatization with various degree of success. The scale of land tenure transformation has been very dramatic, for example in the Russian Federation over 50 million people and legal entities have acquired private ownership of land and 129 million hectares of land, comparable to the area of Western Europe, has become privately owned. Together with legal and institutional developments related to land cadastre and valuation, privatization has facilitated the establishment of a modern land administration system. Implementation, however, is constrained by a multitude of problems: i) incomprehensive land policy; ii) ineffective control due to inadequate institutional capacities; and iii) lack of transparency in land restitution and privatization. These developments are accompanied by occupation of agricultural land in the urban periphery and the growth of illegal settlements (e.g. in Tirana, Tbilisi, and Yerevan) where the combination of inefficient administrative systems and urban poverty creates a cycle of economic and social deprivation.

Provision of Adequate and Affordable Housing. Housing reforms in the ECE region in the last decade have promoted policies aiming at reasserting market forces and reducing state intervention. Homeownership has increased to 90% in some transition economies due to mass privatization of public housing and new construction has reached historically low levels. The gap between income and entry costs has continued to increase, particularly in high growth urban areas, making housing less affordable. Homelessness is an ongoing challenge -- about 6

million people in the European Union and the US were homeless and another 23 million were inadequately housed in 2002. There is an urgent need for government involvement to encourage investment in the rehabilitation of the existing stock, and to assist marginalized groups in access to social housing.

In this context, high-rise rehabilitation is potentially one of the largest problems facing municipalities in transition economies, since failure to make needed repairs will result in massive structural problems in more than 40% of the urban housing stock. Major barriers are the shortage of housing finance and the lack of adequate legal arrangements for upgrading of common facilities/structures in apartment buildings.

THE WAY FORWARD

The 64th session of the ECE Committee¹ reaffirmed the commitment to sustainable development and acknowledged that policy reforms to promote social stability and social equity need to become a critical element of local and national strategies for sustainable human settlements. *At the local level*, three important priorities were emphasized: i) foster sustainable quality of life in human settlements through holistic strategic planning; ii) emphasize sustainable housing reforms and social equity, particularly through regeneration of deprived communities; iii) promote good land administration for social equity by emphasizing transparency and efficiency to ensure fair competition and security of tenure rights.

At the national and international level, a more supportive and enabling policy framework is needed that acknowledges the importance of urban issues. This strategic focus in transition economies will allow policy intervention to respond to pressing urban problems with high impact for national poverty reduction, equitable growth, and environmental improvement. International organizations, including bilateral and multilateral agencies, associations of local governments, and international support networks have a critical role in that respect. Financial support and technical assistance can enhance the transfer of good practices in the region and assist capacity building.

¹ *Reforms and Social Equity in Human Settlements: Towards Sustainable Quality of Life*, in-depth discussion of the 64th session of the Committee in the context of ECE follow-up to the Johannesburg World Summit on Sustainable Development, September 15, 2003.

I SUSTAINABLE HUMAN SETTLEMENTS: A GLOBAL CALL FOR ACTION

1 INTRODUCTION

This monograph provides an overview of progress in the implementation of commitments, goals and targets agreed upon in *Agenda 21, The Plan for Implementation of Local Agenda 21*, and *The Johannesburg Plan of Implementation* for the thematic area of human settlements. The focus is on comparative perspectives and trends in the United Nations Economic Commission for Europe (UNECE) region.

The study has three specific objectives. Firstly, it explores major regional trends and policy responses pertinent to sustainable human settlements. Particular emphasis is given to the urban dimension of sustainable development in the context of economic, social and environmental change. Secondly, the study aims at providing an overview of major policy initiatives undertaken at the local, national and international level that contribute to sustainable development of human settlements in the region. Thirdly, given the diversity of experiences in the 55 countries of the UNECE region, it explores challenges and opportunities, as well as progress made since the Rio Summit with a special emphasis on transition economies. Given the lack of readily available data on some of these issues at the regional and/or urban level, the emphasis is on good practices and policy innovation, rather than systematic comparisons.

The assessment is based on existing information from government reports, such as the national assessment reports prepared for the World Summit on Sustainable Development, comparative evaluations pertinent to the topic carried out by major international organizations and research institutes, and international databases and statistics from officially published sources of information. The research has been carried out in October 2003 and integrates input from the in-depth discussion of the UNECE Human Settlements Committee on policy reforms for sustainable development² as well as from delegates of the first Regional Implementation Forum on Sustainable Development held in Geneva in January 2004.

Efforts have been made to reflect the enormous heterogeneity in the UNECE region which has political, economic, social and environmental dimensions. Member countries include some of the richest economies in the world and some of the poorest nations; those with long and strong democratic traditions and others with newly emerging democratic regimes, those with environments almost completely altered by humans and those with large territories under natural and

² *Reforms and Social Equity in Human Settlements: Towards Sustainable Quality of Life*, in-depth discussion of the 64th session of the Committee in the context of ECE follow-up to the Johannesburg World Summit on Sustainable Development, September 15, 2003.

semi-natural conditions. These immense differences, coupled with the most dramatic changes of political and economic transformation in transition economies, have a profound effect on sustainable development of human settlements in the ECE region. Where possible, progress is reviewed on a regional and sub-regional basis. For this monograph four sub-regions have been distinguished: North America, Western Europe, Central and Eastern Europe (CEE) and the Commonwealth of Independent States (CIS).

The outline below provides a framework for the organization of the study and identifies key issues to be addressed in each section. The structure corresponds to the major clusters selected for reporting in the thematic area of human settlements and the priorities of the UNECE Human Settlements Committee.

Chapter one provides an overview of global commitments for sustainable development of human settlements and their relationship to the policy agenda in ECE countries. The second chapter highlights major economic, social and environmental trends in the region as well as driving forces for change. The emphasis is on differences and similarities in these processes and on the important challenges for the implementation of sustainable initiatives, particularly in the urban areas. The next chapter systematically reviews opportunities and challenges in the following 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. Finally, the conclusions revisit some of the major themes and draw attention to alternatives for action at the local, national and global level.

2 COMMITMENTS TO SUSTAINABLE HUMAN SETTLEMENTS IN THE ECE REGION

Sustainable development of human settlements is a multidimensional process. *Agenda 21*, in chapters 7, 10, 21 and 28, focuses on sustainable human settlements, integrated land management, waste and sanitation, and empowerment of local authorities. *The Plan of Implementation of Agenda 21* makes an explicit reference to the importance of human settlements in achieving sustainable development goals locally and globally. It also called for intensifying of international cooperation for poverty eradication. In that respect, the implementation of pro-poor land-use planning and service management policies in rural and urban communities needs to address the multiple dimensions of poverty.

In the evaluation of progress towards sustainability, Rio+10 preparatory process underlined five important issues. Firstly, the international community should concentrate on expeditious implementation of Agenda 21. Secondly, integration of the three pillars of sustainable development needs to become more explicitly integrated into policy reforms. Thirdly, there are new realities like globalization that should be addressed to promote equity and inclusion. Fourthly, a focus on

certain key areas is needed and on deliverables that can accelerate progress towards the realization of the goals of sustainable development, particularly in relation to the Millennium Summit goals.³ Finally, strengthening institutional arrangements for sustainable development is a key to the implementation process (www.johannesburgsummit.org).

Box 1: Sustainable human settlements

The need to intensify efforts and cooperation to improve living conditions in the cities, towns, villages and rural areas throughout the world is recognized. Urbanization creates both challenges and opportunities. Global urbanization is a cross-sectoral phenomenon that has an impact on all aspects of sustainable development. Urgent action is needed to implement fully the commitments made at the United Nations Conference on Human Settlements (Habitat II) consistent with its report, and in Agenda 21. New and additional financial resources from various sources are necessary to achieve the goals of adequate shelter for all and sustainable human settlements development in an urbanizing world. Transfer of expertise and technology, capacity-building, decentralization of authority through, inter alia, strengthening of local capacity and private-public partnerships to improve the provision and environmentally sound management of infrastructure and social services should be accelerated to achieve more sustainable human settlements development. Local Agenda 21 programmes should also be actively encouraged. Global targets could be established by the Commission on Sustainable Development to promote local Agenda 21 campaigns and to deal with obstacles to local Agenda 21 initiatives.

Source: Programme for the Implementation of Agenda 21 - 11th plenary meeting, June 1997

The World Summit on Sustainable Development in Johannesburg refocused attention on achieving development ‘which will last’ and on ensuring that future generations have the potential to enjoy at least the present-day level of welfare. It recognized the importance of urbanization issues such as adequate shelter, water and sanitation for the achievement of sustainable development (UNDESA 2002). *The Johannesburg Plan of Implementation* reaffirms Rio principles and contains important references to sustainable human settlements in the sections on poverty eradication, changing unsustainable patterns of consumption and production, protecting and managing the natural resource base of economic and social development, and institutional framework for sustainable development. The following commitments are of special relevance to human settlements:

³ In September 2000, 147 leaders issued the Millennium Declaration, outlining their collective commitment to sustainable development and poverty reduction. The road map for the implementation of the Declaration prepared by the UN Secretary-General is building up a powerful momentum behind these goals and commitment to eradicating extreme poverty and hunger, investing in health and education, promoting gender equality, and achieving environmental sustainability.

Making globalization work for sustainable development: i) integrate the poorest developing countries in the global economy through supportive trade and investment policies; ii) contribute towards elimination of poverty; and iii) promote better understanding of linkages between environment, poverty, trade and human security.

Sustainable consumption and production: i) adopt measures to encourage shift towards more sustainable production and consumption; ii) focus on energy efficiency and decoupling of economic growth from pressures on the environment or natural resource base.

Sustainable human settlements: i) implement effective urban planning and management, ii) implement the Habitat Agenda with references to sustainable urbanization, adequate shelter, and basic services; iii) improve the lives of 100 million slum dwellers by 2020 through more effective land management and adequate shelter provision; iv) improve the provision of environmental infrastructure, including transport; waste management; water resource management; and disaster management.

Improving governance and democratic processes: i) enhance the role of local authorities and develop partnerships for sustainable development; ii) improve governance systems in cities and other human settlements, and national / local institutional capacities; iii) focus on capacity building in Geographic Information Systems (GIS), planning and management methodologies and improvement of broad-based decision making.

Implementing sustainable development through: i) mobilization of all sources of finance, ii) transfer of technology and capacity building; iii) developing efficient institutional structures; and iv) more effective participation and development of measures for monitoring progress towards sustainable development.

In the ECE region different countries, driven by national priorities, politics and historic circumstances, assign different priorities for sustainable development in human settlements. Despite this diversity, policies for the practical implementation of global commitments emphasize the interrelationship of economic, social and environmental components (EC 1998; PCSD 1996). Success, although often measured in physical and economic terms, is increasingly associated with good governance, social equity and citizen participation.⁴ While there is no universal blueprint for sustainability in human settlements, a series of important policy

⁴ HABITAT II and a number of ECE fora have confirmed the need for sustainable civic engagement. The European Charter on sustainable cities describes sustainability as a creative, dynamic and evolving process, aiming for balance that has to permeate all areas of decision-making.

documents endorsed by the ECE Committee maps out a trajectory for strategic policy intervention.



Copenhagen has pioneered innovative approaches to local sustainable development. Danish local governments were instrumental in preparing The Aalborg Charter, which provides a framework for the delivery of Local Agenda 21 in Europe.

Box 2 ECE Strategy for a Sustainable Quality of Life

The document articulates the strategic vision and priorities in the ECE region in response to major regional challenges for sustainable development. Five objectives provide strategic directions for change and action:

- Promoting a system of democratic governance that responds to the needs of local communities;
- Improving urban environmental performance;
- Facilitating social cohesion and security;
- Promoting market reform in the housing and urban sector; and
- Improving land and real estate markets and securing land tenure.

Source: ECE Strategy for a Sustainable Quality of Life in Human Settlements in the 21st Century, 2000.

The *ECE Strategy for Sustainable Quality of Life* endorsed at a Ministerial Conference in 2000 is an important milestone in defining regional priorities. *The Strategy* supports the main principles of *Agenda 21* and reaffirms the commitments

in the *Plan of Action for the Implementation of Local Agenda 21* in the area of human settlements. As such, it has provided the overall framework for practical implementation of reforms to facilitate incremental progress towards sustainability in the specific context of the ECE region.

The goal of the ECE Committee on Human Settlements is to promote sustainable development in the region while fostering economic and social prosperity and supporting democratic governance. In the context of a sustained policy dialogue with national governments, the Committee's work has focused more explicitly on the transfer of experiences, knowledge and improvement of legal, institutional and management frameworks in transition economies. The practical implementation of sustainable development through a wide range of activities aims at urban sustainability in the ECE region. Pursuing the practical implementation of *The Strategy* implies a renewed emphasis on sustainable cities that are economically vibrant, socially inclusive and environmentally responsible; cities that are liveable and promote social equity while contributing to the progress of the country as a whole (UNECE 2003g:e). Policy documents adopted after the Johannesburg World Summit on Sustainable Development have restated the commitment to change and action for urban sustainability through policy reforms in spatial planning, urban regeneration, housing management and land administration.

The major areas of Committee's work – urban planning, housing and land administration – have provided a broad menu of thematic options for different national, regional and international activities, knowledge transfer and policy development in the ECE region. The overriding objective is to strategically invest in the three priority areas in order to make a stronger contribution to developing policy guidelines and recommendations and to accelerate progress towards sustainability through socially equitable policies. The critical importance of integration of transition countries into the European and global economies has gained further prominence on the Committee's agenda and will remain a priority (Schmoglerova 2003).

Against the background of regional and global commitments for sustainability in human settlements, it is important to evaluate major trends and implementation challenges. The next section provides an overview of economic, social and environmental change. These are important determinants for the understanding of the urban context in the region with its particular challenges for economic, social and environmental sustainability.

II TRENDS AND IMPLEMENTATION CHALLENGES FOR SUSTAINABILITY IN HUMAN SETTLEMENTS

ECE countries have experienced a strong economic growth and major progress in advancing their structural reform agenda in the last decade. Driven by technological progress and globalization, most of the countries have expanded their service-based economies (UNECE 2003h). The growth trajectory has been uneven, but it has delivered better living standards and gains in education and health care in Western Europe and North America. On the environmental side, there has been some progress in decoupling pollution and natural resource use from economic growth. Emissions and concentrations of some of the most damaging air pollutants have been reduced, per-capita consumption of freshwater resources has fallen, and the coverage of forest areas has increased (UNECE 2002d). Despite these gains, poverty, unemployment and social exclusion remain a serious concern.

By contrast, transition economies in the ECE region have experienced the most dramatic change in political, economic and social terms (UNDESA 2002). In CEE, most countries have become functioning market economies, have exceeded the level of economic output of the 1990s, and have moved to decentralized political and administrative power. In CIS, progress in structural adjustment and political reforms has been rather uneven. Across transition economies, inequality and poverty have increased during the last decade and fiscal constraints have eroded the provision of basic social and infrastructure services.

These developments, sketched in broad strokes, create the framework for the implementation of policy reforms promoting sustainable human settlements in the ECE region. *This multi-dimensional process is driven by a series of interrelated processes of change: economic, demographic, social and environmental.* The sequence and rhythm of these changes reshapes existing systems of human settlements, transforms their social and demographic composition and leads to changes in governance. The following sections will focus on some of the major trends across the region and the way they determine the agenda for policy reforms.

1 ECONOMIC AND SOCIAL CHANGE

National economies across the ECE region have become increasingly integrated within a global system of production, distribution and exchange. The liberalization of trade, international capital flows, and structural adjustment policies, are well known developments which have led to fundamental economic restructuring. *This economic transformation has been accompanied by restructuring of the welfare state and a transition to a 'semi-public paradigm' in politics.* The role of the state and public-sector institutions has been redefined with an emphasis on pluralism,

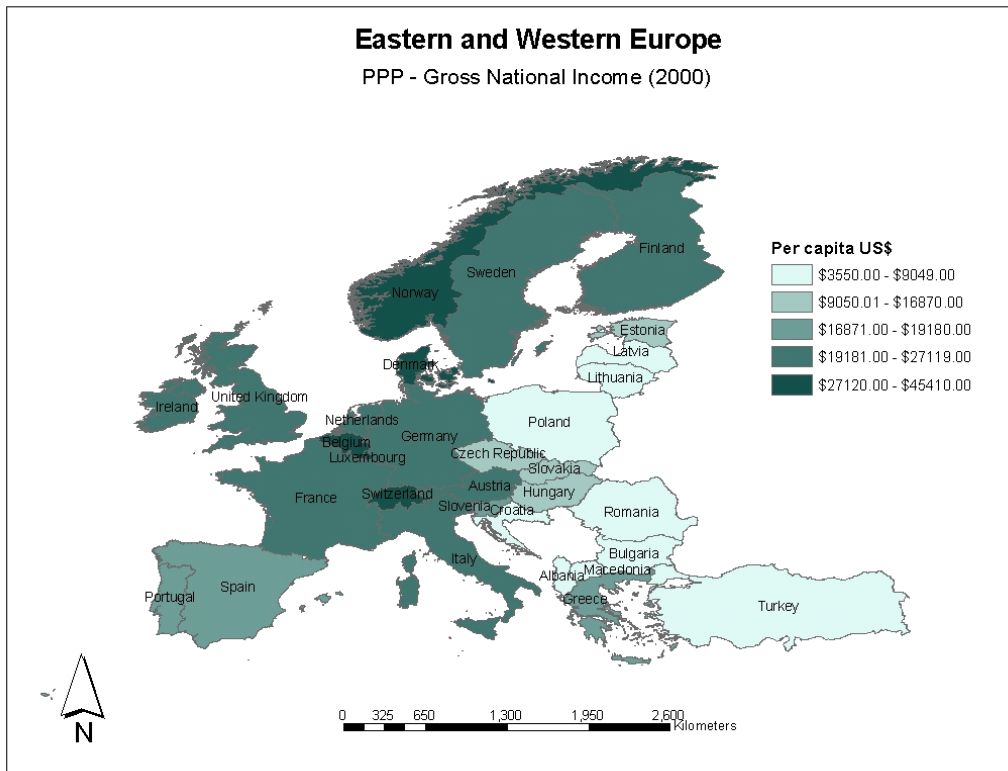
deregulation, privatization and competition in the delivery of urban services (OECD 2001d; UNECE 2003h; WB 2002).

Within the framework of economic restructuring and global integration, differences in economic wealth have increased multiplying inequalities among countries, regions and local communities.⁵

1.1 Economic Trends

Recent data indicate that the average income per capita, measured in purchasing power parity, in Western Europe is US\$ 25,000, while in CIS it tends to be as low as US\$2500 (see Figure 1).

Figure 1 Gross national income in ECE, 2000



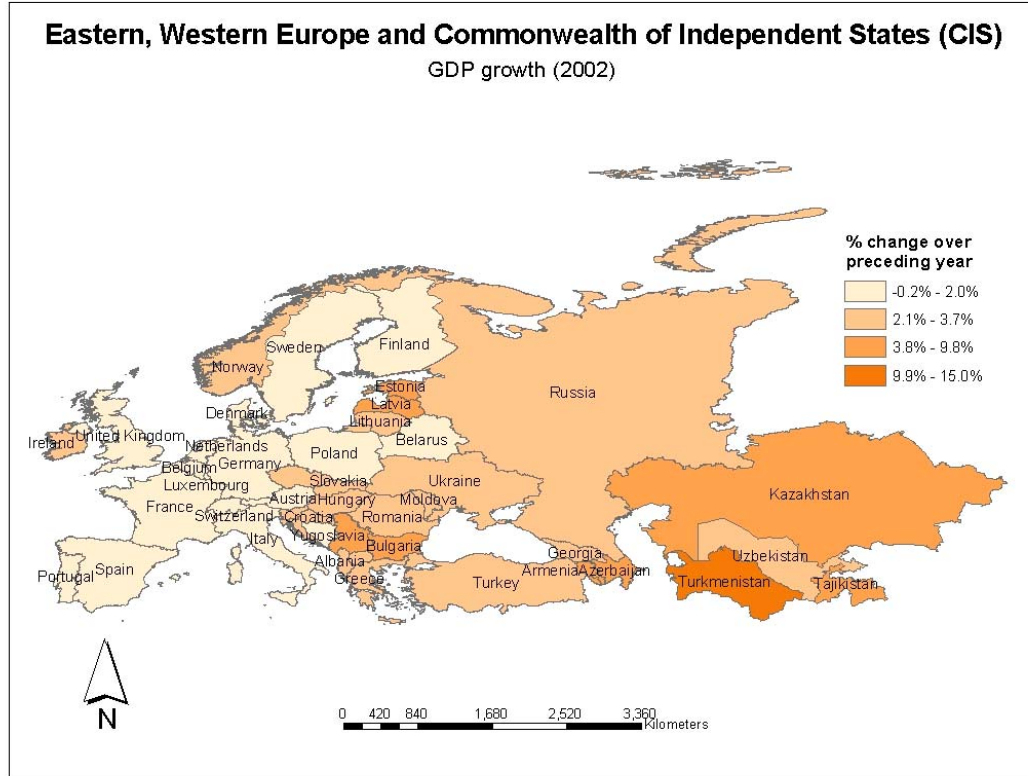
Source: Based on data from World Bank World Development Report, 2002

Rates of gross domestic product (GDP) growth in 2002 across Western Europe are in the range of 1%, with high economic performance in Greece and Ireland (3.3%).

⁵ The difference in per capita income between the poorest and the most affluent country in the region is 1 to 45. Per capita incomes in the three wealthiest countries aspiring to European Union accession were still only 68% of the European Union average for Slovenia, 59% for the Czech Republic, and 49% for Hungary.

As presented in Figure 2, the fastest growing economies are Turkmenistan (15%), Azerbaijan (8%) and Kazakhstan (7%).

Figure 2 GDP growth in ECE, 2002



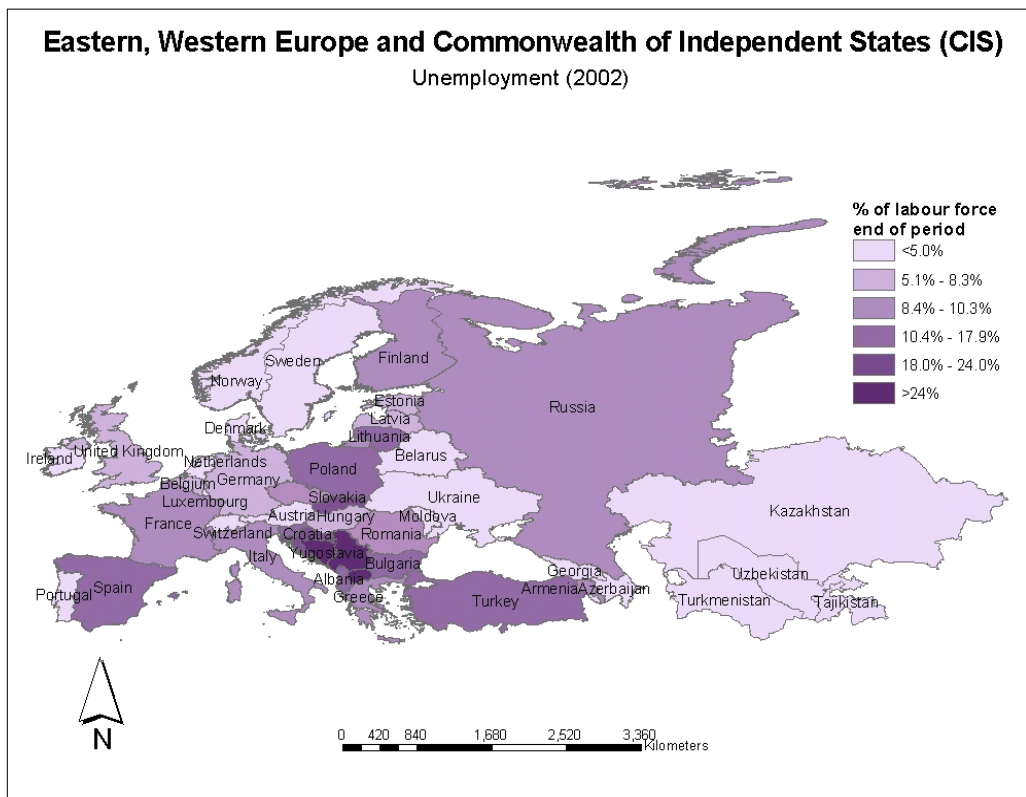
Source: Based on data from UN World Economic and Social Survey, 2002

Some of the fastest growing economies today, in fact have had the worst overall performance in the last decade. After years of economic recession, most CEE countries have exceeded their pre-reform GDP, while in the CIS the average GDP has remained at 68% of its 1990 level (see Figure 1, Annex 1). Foreign direct investment (FDI) has provided a major impetus for growth and adjustment. It has increased with the stabilization of the economic and political environment and is an important driver for sustainable development. FDI has led to the transfer of better technology and management practices and has stimulated additional domestic investment. Hungary, Estonia and the Czech Republic clearly came as the winners in the regional competition for foreign capital. The average cumulative FDI per capita in CEE is \$US 773 million, while in CIS it is just \$US 192 million (refer to Figure 1-Annex 1).

On the social side, structural adjustment policies and economic restructuring have created significant challenges for particular groups such as the long-term unemployed, low-skilled workers and young people with limited work experience. The benefits of growth have not been shared widely across the ECE region (WB 2000b, c). Income polarization has increased, perhaps more dramatically in

transition economies, and unemployment has remained considerably high. In Spain, Greece and Estonia, the income of the top quintile is 6 times higher than the income of the bottom quintile. By contrast, in Slovenia, Sweden and Denmark this ratio is 1 to 3. This is a major source of social inequality, which paralleled with unemployment creates major challenges for social sustainability.⁶ The average level of unemployment has remained high in CEE (26.7%) and in Western Europe (7.6%). Countries with levels of unemployment in the range of 10-11% are Greece, Spain and Turkey. North America has experienced years of jobless recovery, while unemployment in the CIS has remained as low as 2.5% (UNECE 2003g). These countries have sheltered their economies from the external shocks, but have also experienced significant economic recessions.

Figure 3 Unemployment in ECE countries in 2002



Source: Based on data from UNECE Economic Survey of ECE, 2003

⁶ Annex 1-Figure 3 maps income inequalities across Europe measured by the ratio of total income received by the 20% of the population with the highest income (top quintile) to that received by the 20% of the population with the lowest income (lowest quintile). Income must be understood as equalized disposable income.

1.2 Social Trends

The number of refugees has grown rapidly in the last decade creating significant social challenges. The break-up of two former federations, the Soviet Union and Yugoslavia, was accompanied by military conflict and violence in the Balkans and Northern Caucasus. As a result, about 45 million people (excluding the Russian Federation) now live in countries affected by war or civil strife. Almost 400,000 have been killed and some 5.5 million have become refugees or are internally displaced. War-affected countries have suffered major economic and social shocks with long-term divisions in society, often along ethnic lines (UNECE 2002d; UNDP 2003). Displaced people as a result of conflicts in Bosnia and Herzegovina are estimated to be 2.5 million and in Kosovo alone over 1 million.⁷



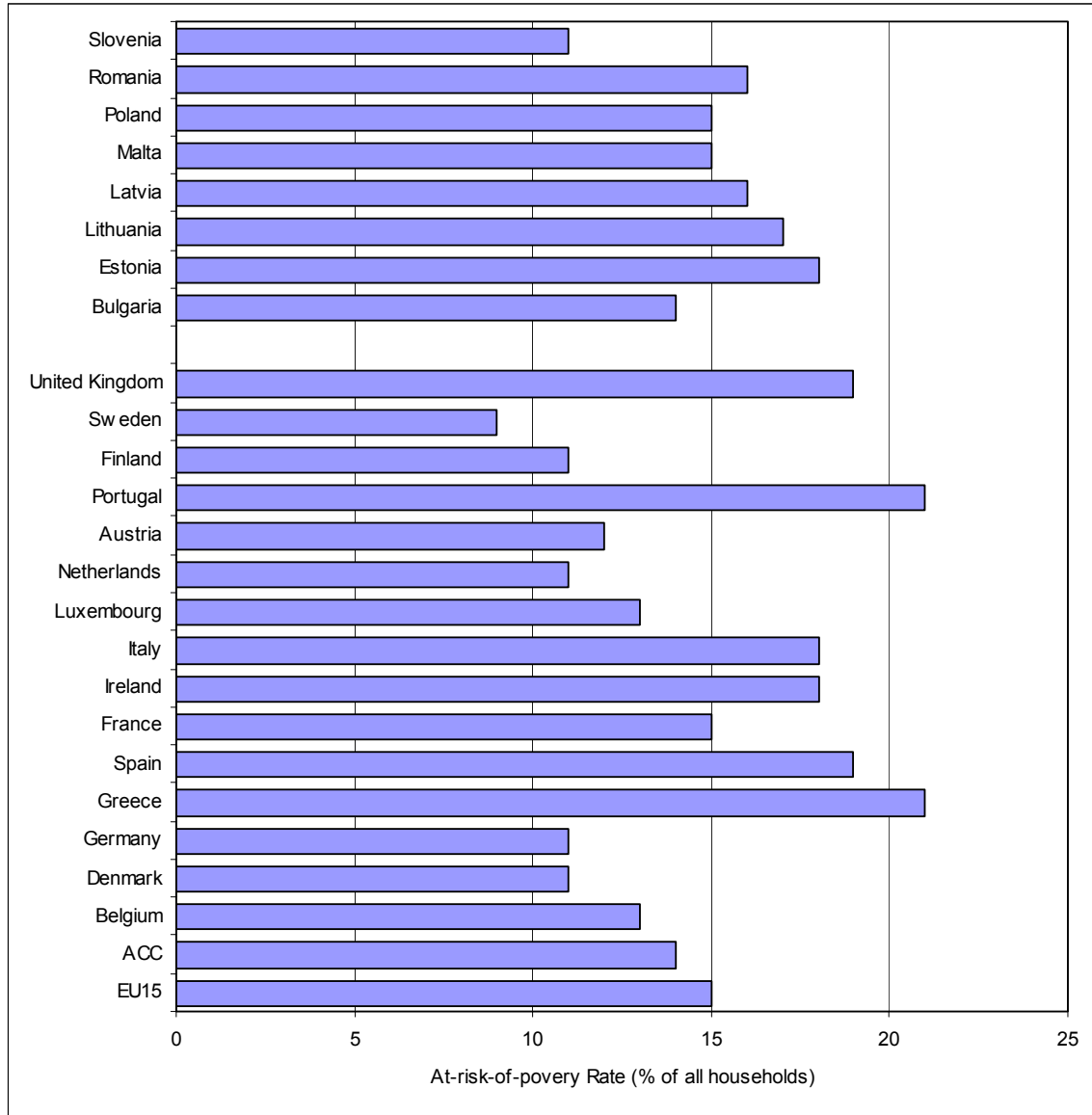
The Roma camp in Podgorica, Montenegro, constructed as a temporary shelter for internally displaced people and refugees.

Notwithstanding the social stress in war affected countries, population growth in the region has remained modest – 1% in Western Europe and 3% in North America, mostly attributed to immigration. Transition economies have experienced years of negative population growth, a result of emigration, lower

⁷ In Serbia and Herzegovina UN-HABITAT has launched a program to facilitate the settlement and integration of refugees. The program does focus on development of sustainable housing solution in six municipalities as well as assistance to municipal officials to develop capacities to cope with refugee and social housing issues.

reproduction rates and responses to economic hardships. While demographic developments are relatively stable across the ECE, poverty has increased. The reality of over 56 million people in the European Union (EU) living at risk of poverty, with one in ten people experiencing consistent poverty, has become a significant social and political challenge (Fahey, Nolan & Whelan 2003).

Figure 4 *At-risk-of-poverty rates after social transfers*



Source: Eurostat Yearbook 2002

Note: The share of persons with an equalized disposable income below the risk-of-poverty threshold, which is set at 60% of the national median equalized disposable income. 'Equalised' means that the measurement takes account of differences in household size and composition. ACC refers to EU accession countries

Groups at risk are long-term unemployed, large or one-parent families, people with low education, also increasingly ethnic minorities, with particularly deep poverty

pockets among Roma communities. Some of the common drivers are unemployment or jobless growth, but also regional inequalities and inadequacy of the social protection systems (EC 2003). Figure 4 presents the share of households at risk of being poor in different countries after the social transfers have been taken into account. CEE countries, for which the data are available, have at-risk-of-poverty rates close to the EU average. The strong welfare states – Sweden, Denmark, Germany and the Netherlands – have rates that are two times lower compared to the UK and Greece.



Jobless growth, regional inequalities and inadequacy of the social protection systems across Europe have exacerbated urban poverty.

The dimensions of poverty in CIS are quite different. The sub-region accounts for the largest share of people living in absolute poverty. *While at the start of the reform poverty in transition economies did not exist, today more than 100 million people are classified as poor* (WB 2003b). The share of people living on less than US\$1 per day is alarmingly high in Armenia (12%), Tajikistan (12%), Uzbekistan (19%) and the Republic of Moldova (22%). The move towards market economy and democracy has failed to deliver uniform benefits to all countries in transition and/or to all social groups. It is widely acknowledged that the second generation of policy reforms is driven by a more sober reflection that market failures need to be addressed in a more efficient way and that the social protection of vulnerable groups is perhaps the most important aspect of public policy intervention (UNECE 2003h; WB 2002).

2 ENVIRONMENTAL AND URBAN CHANGE

2.1 Environmental Trends

The ECE region continues to face significant local, transboundary and international environmental problems. These include emissions of greenhouse gases, air and water pollution, biodiversity loss, waste generation, technological hazards and risks to human health caused by harmful chemicals. Despite progress in some of these areas, such as the reduction in emissions of some air pollutants, decoupling of economic growth and improved energy efficiency, more effective measures are needed to protect the environment and human health.⁸



Barcelona: The city has been particularly successful in implementing its vision for sustainability. It has recycled old industrial sites, curbed pollution and invested heavily in waterfront redevelopment.

On the positive side, significant new legally-binding regional and sub-regional environmental conventions that enhance sustainable development have entered into force. Most countries have developed national sustainable development strategies with key environmental indicators to monitor progress. The *Environment*

⁸ The more advanced countries in transition have succeeded in reducing emissions from stationary sources significantly as a result of the introduction of new technologies and products and better management. The situation in the CIS is not comparable – the reduction in emissions from stationary sources has resulted primarily from the breakdown of the industrial sector (UNECE 2003g).

for Europe process has opened up new opportunities for collaboration in the ECE region to ensure that development is on a sustainable path (UNECE 2002d). Environmental protection and sustainable development feature prominently in the EU agenda. Further, major efforts have been directed towards the adoption of *acquis communautaire* in accession countries as well as in harmonization of their environmental management systems.

Across the ECE region greater focus has been placed on global environmental problems, such as the depletion of the ozone layer and global warming by greenhouse gasses largely because of the global conventions and their pro-active financing mechanisms. The Kyoto Protocol has become an important step in global efforts to respond to climate change, but so far most of the countries in Western Europe and North America have failed to meet the emission targets. By contrast, most transition economies are well below the required level, which creates opportunities for a more effective use of the flexibility mechanisms envisaged under the Protocol to limit mitigation costs (UNECE 2003f). As far as the energy intensity of different economies is concerned, the outcomes are quite different. Despite an increase in energy efficiency of 35% since 1992, the transition economies consume 5 to 6 times more energy per unit GDP than their Western European counterparts.⁹

These developments in environmental policies affect human settlements in a significant way. *Human settlements continue to use natural resources* (energy, water, air, land) which are then consumed, processed, and transported increasing the ecological footprint well beyond their boundaries. *The environmental conditions within human settlements have become a central concern*, particularly due to the strong links between economic growth, poverty and the environment (HABITAT 2002; 2003).

⁹ The removal of energy subsidies, which still remain high in many countries, would go a long way to increase efficiency. For example, if Russia were to remove its subsidies, it is estimated that energy efficiency (GDP/energy) would increase by 1.5%, energy consumption would be reduced by 18%, and CO₂ emissions would decrease by 17% (WB 2003a).



Stockholm Central City Park: A number of European cities like Copenhagen, Helsinki, Vienna, Berlin and Graz maintain elaborate green systems consisting of large urban forests, parks and green belts.

Within the context of sustainable development differences between problem oriented and comprehensive environmental policies have become more pronounced. In Western Europe, many of the pollution related problems have been resolved, while environmental problems resulting from consumption have increased. Transition countries, however, face the legacy of source related problems such as air, soil and water pollution due to outdated industrial technologies and lack of environmentally consistent policies. In CIS, the existence of contaminated sites continues to be a threat to the environment. These sites include: i) industrial properties, polluted by chemicals with stockpiles of hazardous waste; ii) areas surrounding metallurgical plants contaminated with heavy metals; iii) Soviet military bases polluted with leaked fuel and unexploded ordnance; and iv) areas contaminated with radioactive fallout -- Chernobyl in Ukraine, Semipalatinsk in Kazakhstan and closed nuclear cities in the Russian Federation (UNECE 2003g).¹⁰

¹⁰ A particular legacy of contaminated sites was left by the wars in South East Europe: destroyed and burned-down chemical plants and oil refineries, minefields, emergency waste dumps, stockpiles of obsolete pharmaceuticals, spilled PCBs from electrical transformers and military vehicles, and impact sites of depleted uranium shells.

2.2 Trends in the Provision of Environmental Infrastructure

While industrial pollution often needs to be addressed through national policies and intervention, *the critical links to sustainable development of human settlements at the local level are related to the triple challenge: i) provision of adequate water and sanitation; ii) solid waste management; and iii) management of transport* (UNECE 1997; Wakely & You 2001). The sustainable provision of these essential services is an enormous task for municipalities with critical implications for the environment. It has become even much more important at the local level due to recent decentralization and devolution in governance across the ECE region. Municipalities have become ‘agents of change’ responsible for the planning and delivery of environmental infrastructure and social services. This devolution of responsibilities, particularly in the countries of transition, has happened just as national governments began to reduce public spending and to increasingly rely on market forces for economic growth. Existing tax systems and subsidy programs have come under close scrutiny; social budgets have been reduced and investment delayed, thus leaving a lot of ‘unfunded mandates’ (WB 2000). Municipalities have responded to the funding squeeze by cutting back on investment first, then on maintenance and repairs, and finally on services. The adjustment processes and the outcomes in the last decade have been different between countries, cities and utility types, depending on the initial conditions and the depth of the crisis.

Access to water and sanitation: focus on quality

Access to water and adequate sanitation in the ECE region is one of the highest in the world. Available data indicate progress, however, the situation is particularly problematic in Azerbaijan, the Kyrgyz Republic, Romania, Tajikistan and Turkmenistan (Table 1-Annex 1)¹¹ The present level of access to water is 94%. Although urban areas reportedly have higher level of services, close to 3 million people in European cities lack access to water and 8 million - to sewer (HABITAT 2003a). In transition economies, drinking water frequently does not meet basic biological and chemical standards. High connection rates do not necessarily mean good quality of piped water.¹² Access to basic sanitation is ensured for 93% of the people in the ECE region. As in the case of water supply, services are most

¹¹ The official data are not consistent with observations on the ground. For example, substantial problems are known to exist in water supply provision in Albania, the Republic of Moldova and Ukraine and yet official data report delivery rates of 97%, 92% and 98% respectively. Likewise for sanitation, figures of 100% for Georgia and the Kyrgyz Republic are high compared to experience on the ground (WB 2003a).

¹² Examples are Belarus, where data show 96% urban connections but 34% of samples do not meet chemical standards, Georgia (95% connections but 15-16% of samples do not meet standards) and the Russian Federation (98% connections but 22% not meeting chemical standards). Regularity of supply is also an issue in a number of countries -- Armenia, Belarus, Georgia, Moldova and Ukraine (WB 2003a).

problematic in Albania, Romania, and CIS countries. Urban-rural inequalities in sanitation are much more pronounced, particularly in Ukraine and Romania. Although connection to public sewer is quite high in urban areas, the system is frequently in a poor state of repair with leakages and threats for pollution of water resources.

Supplying safe drinking water and adequate sanitation is therefore an important issue in many countries which requires explicit emphasis on quality. The problems are complicated by the inability of national governments, municipalities and municipal companies to ensure maintenance and investment in the existing systems. Losses from the pipelines range between 30 and 80%, metering is rare and the water treatment facilities are in many cases inadequate. Drinking water increasingly fails to meet standards due to pollution, poor operation of treatment facilities, lack of disinfection and the poor condition of supply systems and sewerage systems.¹³ In rural areas, water is pumped from wells that are often chemically and biologically contaminated. On the demand side, contracting incomes and growing poverty has prevented adjustment of prices to achieve cost recovery and to provide much-needed revenue through user costs (UNECE 2003g). While the situation is clearly unsustainable, it has resulted in disinvestment and massive deterioration in the quality of basic services (Box 3).

Box 3 Strategic disinvestment in public utilities

Water is a natural monopoly in urban areas, so customers have few other options available. In Odessa, Ukraine, cost recovery of the water company was 40% in 1996, and other utilities were in a similar situation. The total funding gap for all communal services in Ukraine was estimated at about 50%. The residential water bills in Odessa would have to increase three to ten times to fully cover the costs of provision, but this is out of the question. Pensions (relevant to 45% of the population of Odessa) are set at the poverty level, and government employees are often paid with long delays. The system has deteriorated through 'strategic disinvestment' to a point where water has become unsafe for drinking, is available for roughly one-third to one half of the day, and pressure is variable depending on location within the city or the floor height. Well-to-do households buy bottled water, but most households adjust by storing piped water, and treating it themselves.

Source: Mitric, S. (1999)

Solid waste management

Across the ECE region most countries have made a commitment to establishing efficient and cost-effective solid waste management facilities. Particularly in Western Europe and North America, priority is placed on waste prevention and

¹³ In Kazakhstan, about 33% of the sewage treatment systems do not meet basic maintenance standards. In Ukraine, about 23% of the pipelines need to be repaired and 25% of the sewerage treatment systems need to be rehabilitated (WB 2003a).

minimization, reuse and recycling.¹⁴ Generation of waste is a major problem in most human settlements since landfill sites continue to consume a disproportionate share of land and waste management facilities for incineration and waste water treatment require major investments. Recent policy efforts have focused on strategies to reduce the amount of biodegradable municipal waste (BMW) sent to landfill. Countries with high rates of diversion of BMW from landfill employ a combination of separate collection, thermal treatment (mainly in the form of incineration with energy recovery), centralised composting (mainly of garden and food wastes) and material recycling (mainly of paper and cardboard). The key to achieving both high diversion rates from landfill and high re-use, recycling and composting rates appears to be the provision of widespread separate collection facilities, together with the availability of adequate markets for the materials collected (Crowe et al 2002).

Recent data indicate that rates of municipal waste per person per year are lower in transition economies, but comparable to those in Western Europe. While the annual amount has declined in the last few years, rates vary across the region with the US and Iceland taking the lead with over 700 kg per person (see Figure 2-Annex1).

Solid waste management in transition economies continues to be problematic. The waste is taken to municipal landfills that are usually operated by the waste-collection companies more or less free of charge. Most municipal waste-collection systems are subsidized, and landfill investment and maintenance costs are covered by municipal budgets or municipal environmental funds. The consequence of this is, on the one hand, poor management of municipal landfills and, on the other, a lack of incentives for waste minimization, recycling or some more demanding forms of treatment (UNECE 2003g). Further, there is no safe infrastructure for hazardous waste disposal.¹⁵ Recycling practices are in their rudimentary stage. Experimentation is limited (e.g. Krakow, Budapest, Riga) as far as collection of paper, scrap metals, waste electric and electronic equipment, biodegradable and hazardous components of solid municipal waste is concerned.

Although most countries in the first wave of EU accession have waste management strategies, implementation plans and feasibility studies are non-existent. Generally, countries use command and control instruments. One of the levies generally imposed is the municipal waste charge. Charges are usually set as a volume charge, but in some cases as an average payment per household (e.g. in

¹⁴ A recent EU Landfill Directive requires Member States to reduce the quantities of biodegradable municipal waste sent to landfill and sets specific targets. By 2006, the weight of such waste going to landfill must be reduced to 75% of the 1995 level.

¹⁵ The uncontrolled and poorly managed dumpsites pose a particularly severe environmental and health hazard. All kinds of waste, including municipal, industrial and medical waste, are deposited there. Waste is burned in open areas and the smoke containing toxic substances (dioxins, furans) is a source of serious air contamination.

Hungary or Lithuania). An interesting option was adopted in Bulgaria, where households pay a municipal waste tax based on the value of the property. Some countries apply non-compliance penalties or fees (for example Estonia or Hungary) or higher rates on hazardous or toxic waste (e.g. in Latvia). (DHVCR 2001).

Transport

Air pollution levels related to transport, especially sulphur dioxide, nitrogen dioxide, particulates and hydrocarbons, have been reduced in Western Europe and North America, mainly as a result of vehicle technology improvements. While air quality in towns and cities has improved considerably in the last decade, it is still a serious problem. The success of new technologies has been lost by ongoing growth in traffic and average vehicle weight (UNECE 2003f). Congestion has increased, particularly in large urban areas leading to higher levels of air pollution during peak hours.¹⁶



Belgrade city centre: Rapid growth in motorization across post-socialist cities has created significant challenges for their relatively compact, walkable, mixed use environments.

¹⁶ *European Transport Policy 2010: Time to Decide*, refers to external costs of road traffic congestion alone being 0.5% of the GDP in the EU. Further, it states that if the traffic growth is not reversed, CO₂ emissions from transport can be expected to increase by around 50% between 1990 and 2010.

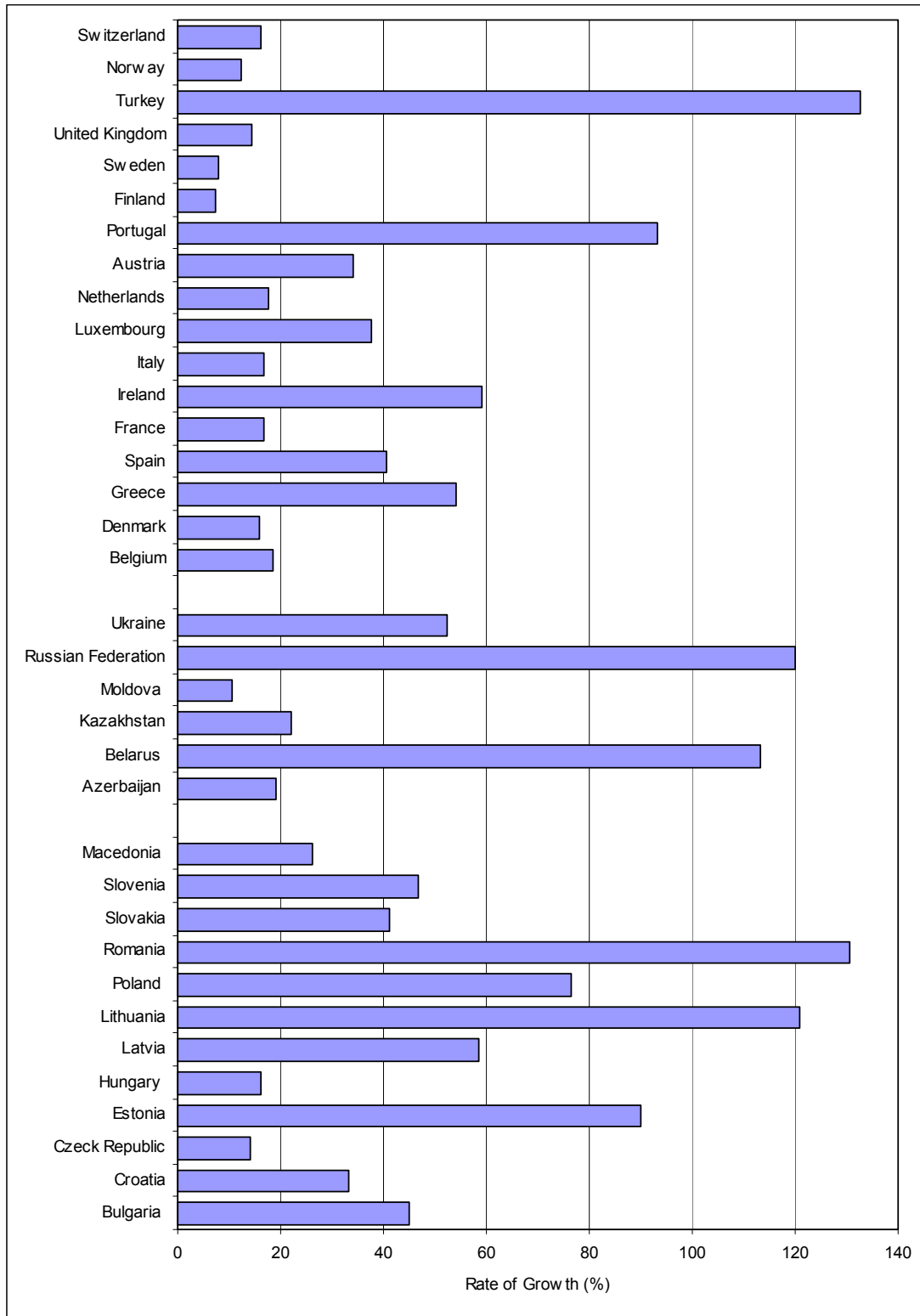
In transition countries, the pollution from mobile sources has increased disproportionately. This is a result not only of the rapid increase in the vehicle fleet but also of the age and condition of the fleet, an inadequate tax structure, poor inspection requirements and the continuing use of leaded fuel.

In most countries in the ECE region, car ownership has increased in the last decade, but the pattern of growth in transition economies has been unprecedented, in spite of the recession. The rates of growth vary between a low of 10-15% in the Czech Republic and the Republic of Moldova to 130% in Romania and 120% in the Russian Federation. Romania has 39 cars per 1,000 population and Slovenia 424, with most countries in the 200-350 range. This growth in motorization reflects a combination of pent-up demand, the size of the grey economy and the scale of income inequality in these countries (see Figure 5).

Data for individual cities are sparse, but confirm the experience that cities drive motorization. In the last decade the increase in car ownership was 106% in Warsaw, 85% in Prague, and much higher in Moscow (196%) and St. Petersburg (207%). Correspondingly, growth in motorization has resulted in growth in the number of trips by private car (per person per day) in the range of 10 % in Western Europe and by 70% in CEE (ECMT 2002).

These rapid changes create significant pressures for the management of existing transport infrastructure and municipal services (parking, public transit, and other operations). *Public transport, particularly in transition economies, has lost its competitive advantage.* Three issues dominate the urban transport scene. The first is the shortage of funding to sustain good quality public transport. The capacity of municipalities to raise adequate funds remains problematic, as are the intergovernmental relations in the case of decisions on fares, discounts, compensation and subsidies. The second issue relates to barriers to reduce the burden of subsidies by gradual move towards cost recovery for services. On the demand side, poverty and lower wage growth, coupled with other increases in the cost of food and essential services, make the adjustment process particularly difficult. Various groups enjoy discount fares, such as the retired in Sofia and Riga or war veterans in St. Petersburg, and resist losing these price privileges. Third, the legacy of the previous system of public transportation is an important determinant of the level and quality of services. Public-owned and still less-than-efficient monopolies are dominant in the more prosperous CEE countries, while heterogeneous mixes of public and private owned operators, the latter with varying degrees of regulation, co-exist in the CIS (Lovei et al 2000; Mitric 1999).

Figure 5 Growth in motorization in the ECE region, 1990-1999

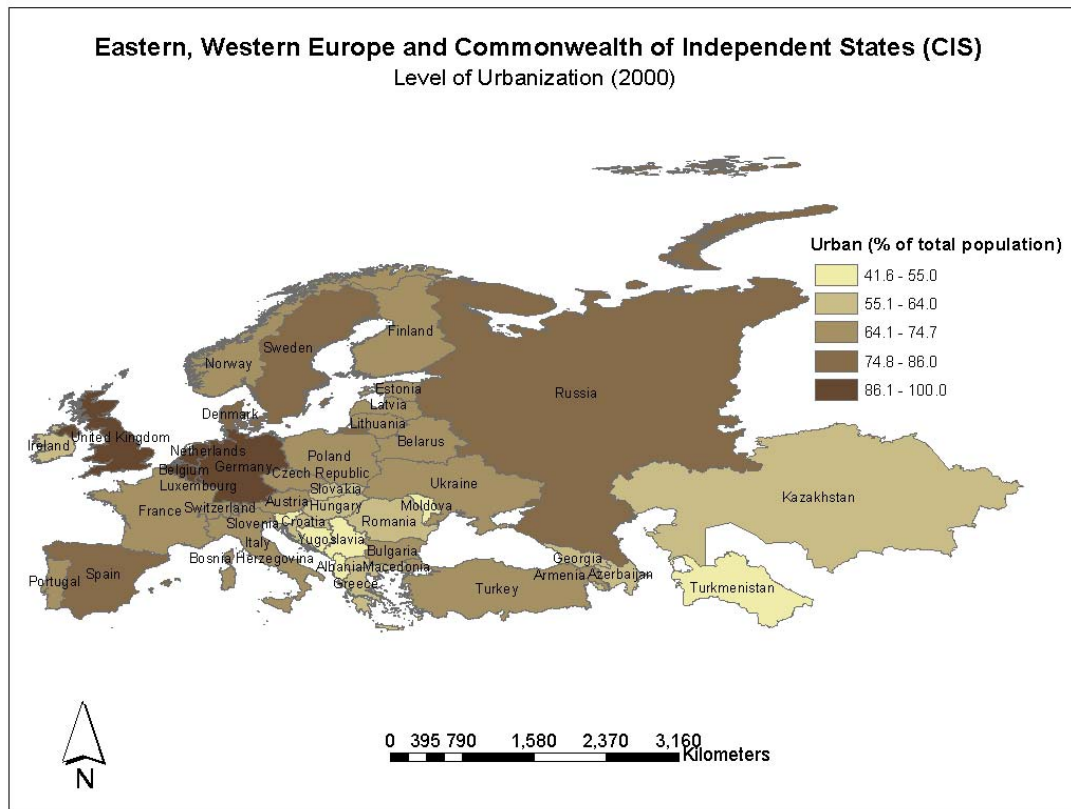


Author's estimates based on data in UNECE Annual Bulletin of Transport Statistics for EU and NA, 2001

2.3 Urban Trends

Urban change in the ECE region is a response to economic, social and environmental trends, but the specific ways in which urban settlements develop and grow in different countries is also determined by the legacy of urban policies, planning intervention and culture. Globalization, democratization, and competitiveness increasingly define urbanization and alternative pathways to sustainability.¹⁷ There is a strong link between urbanization and levels of economic and human development – countries with rates of urbanization above 70% have well developed economies and high Human Development Index (UNDP 2003). The ECE region is overwhelmingly urbanized with more than 75% of the population concentrated in urban areas and a growing complexity of urban challenges.

Figure 6 Urbanization in ECE region, 2001



Source: Based on data from UN Population Projections, 2003

The level of urbanization in Western Europe is 80% with the UK and the Netherlands reaching 90%. The transition countries have an average share of urbanization close to

¹⁷ The centrality of urban issues to national and global sustainable development agenda has been acknowledged in the international arena. The Habitat Agenda marked a turning point in promoting socially and environmentally sustainable cities. It also sent an important message that good urban governance is a prerequisite for sustainable development.

61%, but considerably higher in the largest countries – the Russian Federation (77.7%), Poland (65.6%), the Czech Republic (74.7%) and Hungary (64%). Figure 6 maps these patterns across the region.

With the exception of seven megacities -- New York, Los Angeles, Paris, Istanbul, Moscow, London, and Chicago -- the main cities in the region tend to be under 3 million with medium densities, and stable or low-growth population (growth rates under 1%).¹⁸ Albania, Tajikistan and Uzbekistan are the countries with projected annual urban growth in the range of 2% (HABITAT 2002). Close to 45% of the people live in medium sized cities with population between 100,000 – 200, 000.¹⁹

Challenges for economic sustainability and social equity

*With the globalization of the economy and the advancing international division of labour, cities across the ECE have gained importance as networks of economic growth and business development.*²⁰ New York, Los Angeles, Paris, and London are among the top world cities – centers of command and control functions in business, finance and global governance. The economic functions of cities has diversified, but production of goods and services has benefited from economies of scale, access to a pool of qualified human resources, and a critical mass of customers. Thus urban areas account for an increasing share of national income (Cavallier 1998; UNECE 1998). This economic growth has provided the basis for improved provision of infrastructure, education and social services and income-earning opportunities for the poor. Conversely, in the absence of a healthy urban economy, the provision of essential services defining quality of life could not be sustained.

Despite the notable economic success of major urban centres in the ECE region today, *globalization has exacerbated social polarization and urban poverty*. There is a recognition that the problems associated with environmental degradation and social polarisation are concentrated in cities. There is also a growing recognition that sustainable reforms to address these challenges need to focus on the economic, social and environmental issues simultaneously, however with a particular emphasis on policy solutions that are locally appropriate and socially equitable. This implies new models of governance with decentralisation of responsibilities from the state to the

¹⁸ The ECE region has 100 cities with population over 1 million (HABITAT 2002).

¹⁹ Synergy between the rural and urban areas is a particularly important channel for contribution to national development. Urban and rural are interdependent markets linked by movements of people, goods, services, information and technology. Many of the concerns of rural development intersect with the urban agenda, including the need to support agriculture with services and markets, and to manage the growth of small towns, which often form part of a wider municipal governance structure covering both rural and urban settlements (WB 2000).

²⁰ For example, a recent study defined U.S. Metro Economies as the engines of America's growth. They account for 84% of the US Gross Domestic Product and represent 47 of the world's top 100 economies.

local level, democratisation of the decision-making process and effective public consultation.

In the transition countries, the reforms from centrally-planned to market-based economies have added another layer of complexity for the implementation of sustainable development in cities. The integration process of these economies within the ECE markets has offered significant opportunities to increase economic prosperity and social well being of urban residents. Cities of transition economies have remained the centers of economic growth, technological innovation and cultural diversity. However, in many countries social protection has declined considerably and fiscal constraints have eroded the quality of social infrastructure and social services. These challenges have become particularly significant in large urban centers where the decline in living conditions is accompanied by rapid social polarization, poverty and environmental degradation (Buckley & Mini 2000: Tsenkova 2003b).



The rise in urban poverty is one of the most serious concerns in the region. While poverty, social exclusion and inequality are much more pronounced in the transition economies, they have become an integral part of the social landscape of large metropolitan areas across the ECE. These outcomes jeopardize efforts to achieve prosperity and to improve quality of life in a sustainable manner. The urban poor are especially vulnerable to economic shocks; they lack access to services, safety nets, and political representation. Children are especially susceptible to these risks since women work and adequate child care is often lacking. Cumulative disadvantages, often defined along the lines of gender, age and ethnicity, create

Toronto: NGOs mobilize political support to address growing poverty and homelessness in the city.

widening social differences between different social groups with low income, single parent, or women-led households becoming worst off.²¹

In this context, policy reforms to promote social stability and social equity need to become a critical element of national strategies for sustainable human settlement development. Recent experience suggests that the best way to respond is through new patterns of democratic governance that are people centered and socially inclusive (Allen & You 2002). In the urban arena this reorientation implies a new generation of municipal policies – spatial planning, housing, transportation and delivery of urban services – that promote social equity and community based solutions.



Growth in Greater Vancouver is managed through a regional sustainable development strategy which steers development into designated town centres. Extensive public consultation is an integral part of Vancouver's CityPlan and Community Visions process to ensure adequate representation of different social groups.

Challenges for environmental sustainability

The increasing strain on the environment resulting from a growing exploitation of natural resources and discharging of waste and emissions in urban areas has been targeted by environmental protection policies. So far progress has been uneven and a significant improvement in the quality of the urban environment (e.g. reduced air

²¹ It is widely acknowledged that in transition economies women were disproportionately hurt by the deteriorating conditions in the labour market. As a result of macroeconomic austerity women lost previous non-wage benefits and services. The gender wage gap, although narrowing in general, remains in the range of 25-30%. These wage differences combined with the triple burden for women – work, family and care for aging parents – create multiple disadvantages.

pollution, noise, traffic accidents and degradation of green areas) has not been reported. The impact of urban development on the larger environment (e.g. conversion of farmland and natural areas as a result of urban expansion, emissions of carbon dioxides and nitrogen oxides resulting from heating and transportation) continues to be significant environmental threat (UNECE 2002d). Natural resources required for the construction and operation of urban systems (e.g. building materials and fossil fuels) have also expand the ‘ecological footprints’ of cities, often affecting ecosystems far beyond the city region.

Urban development across the region to a high extent continues to be characterized by spatial expansion and extensive growth. A number of factors including economic and demographic changes, higher purchasing power of the population, and increased mobility have facilitated the higher area consumption per capita. Suburbanization has been boosted by consumer preferences for suburban lifestyles. Decentralization trends have become even more pronounced for industrial development. Suburban or exurban locations have offered cheaper land, access to major transport networks, availability of parking, and amenities to the manufacturing and wholesale businesses. Cities often have become diluted towards diffuse urban conurbations, consisting of low density zones connected by networks of roads and technical services. Edge cities have become an indivisible part of the metropolitan landscape (UNECE 1998; 1997).



Calgary: Typical low density suburban development in new communities at the edge of the city.

To some extent, different patterns of urban development (densification vs. continued spatial expansion) may be attributed to different stages in the urbanization process, reflecting the level of economic and industrial development in the country or sub-region. Parallel to the process of spatial expansion or urban sprawl, the development pressure on central areas in high growth cities has continued, their density has increased, and the cluster of highly profitable urban functions has expanded replacing economically less viable activities such as low income housing (Brebba *et al* 2002; Katz & Lang 2003).

European cities have a legacy of relatively compact, dense and mixed-use environments. Most benefit from having a compact walkable historic core designed to facilitate face-to-face business and social interaction. The vitality and beauty of some of these places has been enhanced through a system of public plazas, parks, and bicycle pathways. Although each city has unique history and character, the greater mix of land uses and private and public spaces means that residents typically have jobs, cafes, restaurants, schools and housing within walkable distance.



The Opera, Paris: One of the many examples illustrating the importance of the public realm as an outdoor stage for socializing, interaction and political events in the historic centre of European cities.

III SUSTAINABLE DEVELOPMENT IN HUMAN SETTLEMENTS IN THE ECE REGION

This chapter provides an overview of progress achieved in sustainable development of human settlements in the ECE region. The framework is guided by the goals and commitments in the *Program for the Further Implementation of Agenda 21* and *Johannesburg Plan of Implementation*. Recognizing the critical contribution that cities can make to sustainable development efforts, the focus is on urban sustainability and strategic priorities for the ECE region advanced in the *ECE Strategy for Sustainable Quality of Life*. 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 last 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.

1 SUSTAINABLE URBAN MANAGEMENT AND GOVERNANCE

At the national level, countries in the ECE region have, to differing degrees, addressed sustainability goals in the area of human settlements through national sustainable development strategies.²² 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).²³ Cities and local governments are the main agents of change and the driving force behind progress in the implementation of *Agenda 21* in the ECE 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.

²² At the national level, the process has been supported through *Capacity 21 Program in Europe & the Commonwealth of Independent States*. Launched by 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.

²³ 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 inter-ministerial committees on environmental issues in Norway and Belgium; environmental assessment of the budget in Denmark; and autonomous commissioners promoting integration of federal policies in Canada. Independent auditing units have fostered a culture of accountability in public policies dealing with sustainable development.

1.1 Progress

Urban management for sustainable development is a decision-making process which requires *economic vitality, social well-being and ecological integrity of the city* to be considered simultaneously. It fosters the implementation of programs 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).



London Docklands: The Greater London Authority has given an impressive emphasis to sustainability in the new city plans and programs. The vision is to 'develop London as an exemplary, sustainable world city'.

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

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 enhancing the quality of urban 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.

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 clean, healthy, sustainable environment. Urban management recognizes the need to prevent degradation through environmental disaster management and maintenance of environmental standards. Emphasis is placed on significant reduction in energy consumption and promotion of efficient waste management strategies.

The practical implementation of this approach has become embedded in the institutional practices in a number of cities in the ECE region. Cities such as Freiburg, Barcelona, Edinburgh, Copenhagen, Groningen and many others have demonstrated success in achieving the vision of a sustainable city through a wide range of actions and policies (see Box 4).

Box 4 The European Sustainable Cities and Towns Campaign

The commitment to sustainability and implementation of Agenda 21 at the local level has gained momentum across the ECE region. Some 6,400 municipalities have undertaken LA21 initiatives. The *Aalborg Charter*, which provides a framework for the delivery of local sustainable development and engagement in LA21 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 (Norway) are the winners of the *2003 European Sustainable City Award*.

In the United States and in Canada the movement towards *sustainable, healthy and livable communities* enjoys a wide support from community-based groups and non-profit organizations. Government programs 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, Minneapolis, and Vancouver have received national awards and recognition for their innovative strategies creating environmentally sound, economically prosperous, and socially equitable communities.

Across the ECE 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 Association of Cities and Regions for Recycling, Council of European Municipalities & Regions (CEMR), Energie-Cités, EUROCITIES, International Council for Local Environmental Initiatives, Union of Baltic Cities, and the World Health Organization Healthy

Cities.²⁴ Many professional organizations have joined their efforts to support the practical implementation of sustainable development initiatives.

1.2 Challenges and opportunities

Policy integration and monitoring

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 one hand, 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.²⁵ On the other, fragmentation of urban governance has resulted into 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 constraint the implementation process.

Box 5 Environmental stewardship - a key to quality of life

A commitment to sustainable development that balances the needs of a growing city with the need to protect natural environment is a major reason Calgary has been so successful in attracting people, businesses, and opportunities. The City of 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. 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 tonnes 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

²⁴ CEMR, representing around 100,000 local and regional authorities in 29 countries is an active partner of the European Sustainable Cities & Towns Campaign and promoter of sustainable practices.

²⁵ A typical problem caused by the lack of horizontal co-ordination 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).

In transition economies, 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 ECE region (UNECE 2003g). To overcome these difficulties, some cities have introduced integrated management systems to allow 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 5). Several environmental management tools, such as Environmental Management and Audit Scheme, ISO 14001, Health Impact Assessment and sustainable indicators exist, but their use is far from being a wide spread practice.

Coping with fiscal stress



Sofia: The quality of public transit has declined due to chronic disinvestment in the aging municipal infrastructure.

Managing cities on a sustainable path requires resources that are commensurate with the task. Recently, the ‘fiscal crisis of the State’ has caused severe problems for urban management in the ECE region. Municipalities, particularly in transition countries, have received new responsibilities without the necessary resources to respond to 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).

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 countries 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 trends in provision of sustainable infrastructure indicates a gradual withdrawal from centralized government controlled solutions. Government intervention is still present as well as 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 move towards decentralization of provision with contracting out and privatization of some operation 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. The range of service delivery arrangements includes contracting out, concessions and privatization of certain services such as waste management, recycling, and public transport.

Stakeholder participation

Urban governance aims at coordination of all stakeholders in private/public partnerships and seeks efficiency through consensus. 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 livable. 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 'tokenistic' 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 ECE countries, but its effectiveness is mostly determined by existing democratic traditions for civic involvement in governance. Studies have pointed out that it might take years to become well established in transition economies (UNECE 2003a; EAUE 2003).

2 SUSTAINABLE LAND USE PLANNING

Implementing the concept of sustainable development implies a long-term commitment to achieve economic vitality, social well-being and ecological integrity. In the area of urban planning it translates into a set of objectives, policies and initiatives which are implemented according to locally set priorities and agendas. In the ECE, practical approaches to urban growth and regeneration from a sustainable development perspective are guided by the planning principles elaborated in *Guidelines for Sustainable Human Settlement Planning and Management* (UNECE 1996). In this context, land-use planning at the regional and local level is expected to coordinate different public actors -- ministries, local government departments, regional and transborder governments. In addition, planners are urged to foster partnerships including business and voluntary organizations. These are particularly challenging tasks for any profession, particularly in transition economies, which are still largely in the process of 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):

- To 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 well-being and healthy environment objectives.
- To initiate urban regeneration in inner city areas and main streets with high density concentrations 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 life style opportunities.
- To enhance and support regeneration of housing estates through innovative financing, technological and regulatory initiatives and demonstration projects. Focusing on elimination of barriers towards investment, to facilitate small scale urban renewal through cooperative efforts and self help.
- To enhance broad participation, improve community involvement and build support for sustainable planning policies and programs; to promote community identity through creation of meeting places, public spaces, pedestrian networks, preservation of historic buildings, attractive streetscapes.

- To provide a range of cultural and recreation opportunities corresponding to diverse needs through efficient use of natural areas for passive recreation and cultural purposes; to maintain a system of integrated and interconnected open spaces, parks, river valleys and waterfronts; to protect the natural habitat and resources in these areas.
- To provide water and sewerage infrastructure that accommodates the needs of the local community, while meeting the healthy environment objectives; to undertake considerable improvement of existing infrastructure to reduce the amount of untreated urban runoff and waste water discharge, to increase the capacity of the existing infrastructure to accommodate urban growth and intensification.
- To 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.

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

2.1 Progress

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. CEE 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 US, 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 degree 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 ECE region (Tsenkova 2003b). The approach at the city/neighbourhood level typically includes defining a vision, common goals

and objectives and priority actions with the active stakeholder participation (see Box 6). The strategic planning approach to urban development requires new planning instruments that are more flexible and able to adjust with the pulse of the market and the local community.



Prague: The city launched a participatory strategic planning process to define a vision for its future development. The Plan sets out a 20 year program to create an attractive sustainable city that is well-functioning, dynamic and efficient.

Box 6 Strategic planning and community partnerships

Unlike earlier *ad hoc* attempts to develop and implement urban regeneration, recent programs and strategies for change have emphasized strategic approaches. A clear vision is fundamental to urban regeneration 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 at redevelopment of a significant portion of Manchester incorporating 3,000 dwellings units, improvements in 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



Manchester: The redevelopment of Hulme into a mixed use neighbourhood through public private partnerships and community involvement.

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

Across the ECE 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 7).

Box 7 Big Cities Policy: focus on neighbourhoods

The national *Big Cities Policy* assists the four largest cities in the Netherlands. It responded to problems of high unemployment, crime, polarization and growing spatial concentrations of low-income households and ethnic minority groups. In addition, there were physical problems, often found in social housing.

The Big Cities Policy rests on three pillars: (1) the economy and employment; (2) the physical infrastructure; (3) 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 at the neighbourhood level. 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 does focus 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.

2.2 Challenges and opportunities

Planning and managing urban growth

The *compact city paradigm* has influenced urban and planning policies in the ECE 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 has become ‘business as usual’ 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 or the ABC-parking policy in the Netherlands. In the United States the planning approaches of Portland and Seattle are frequently cited examples.²⁶

Despite this success, urban sprawl is a general trend affecting all cities in the ECE region, its influence being stronger in large cities in Europe and North America. Urban sprawl is generated by a number of mechanisms: developers favour green field 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

²⁶ Other initiatives include car-free days, free public transit in the downtown area of Calgary and Seattle and application of Intelligent Transport Systems in Bologna and Zurich to manage traffic flows.²⁶ 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/cfc/>.



Chicago: The city government intends to transform Chicago in the greenest city in the world. Urban sustainability initiatives include encouragement of green rooftops, conversion of industrial sites into neighbourhood parks, and promotion of renewable energy and community-based wilderness conservation work.

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 neighborhoods. The practical implementation of these principles so far has been limited. Most of the traditional developments in North American cities have limited choice of housing options and mixed land uses. Automobile dependency is high, particularly in suburban areas. Although cities such as Portland Oregon 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.²⁷

Urban planning in transition

Many urban agglomerations in transition economies 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 in transition economies, due to prolonged economic recession, growth-oriented policies are not an appropriate planning option. Post-communist cities often have higher concentration of people due to strict urban growth boundaries and public investment in high density housing during the last forty years (Bertaud 1999). By contrast, the share of industrial land is often 3 to 4 times higher compared to cities with well established market economies (see Annex 2-Figure 1). 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 capital cities have a new generation of master plans that promote sustainable land-use planning, in other places progress has been uneven and planning reforms have taken the back seat replaced by consideration regarding poverty and macroeconomic stability.

There is a general mistrust in the ability of land-use planning to guide the development process. Ineffective, bureaucratic planning procedures and rigid and inflexible implementation of the zoning plans are regarded as a tool to hinder urban development. In the 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 social-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.²⁸ Most of the municipalities have resorted to amendments of older plans and *ad hoc* changes responding to development pressure.

²⁷ The 472 000 residents in the city 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 (www.ecocouncil.ac.cr/rio/focus/report/english/footprint).

²⁸ The Town Planning Code of the Russian Federation introduced the principle of zoning. Although it obliges municipalities to develop Rules for Land Use and Development, very few have done this.

3 SUSTAINABLE MANAGEMENT OF LAND RESOURCES

Good land administration is essential for the competitiveness of real estate and housing markets, particularly in urban areas. Building livable cities requires buoyant, broad-based growth of employment, incomes and investment. Approaches to promote social equity have to be consistent with incentive systems that foster productivity, competition and security of tenure rights. The social and economic benefits of good land administration include 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.

3.1 Progress

Across the ECE region, governments have promoted the practical implementation of good land administration in terms of creating spatially-integrated, efficient markets for housing, land, real estate, and public transport (UNECE 2001b; 2002b). The work has contributed to urban sustainability fostering a more transparent and efficient operation of real estate markets, and participatory, market-sensitive urban planning. These efforts aim to steer future real estate and public transport investments so as to encourage greater accessibility to jobs and housing for all residents in more compact, mixed-use developments that are friendly to both communities and the environment.

Land evaluation methods have become more sophisticated with the use of GIS and IT-supported methods. 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 (FLCSR 2002). Most countries in CEE have introduced cadastre evaluation since 1998 and several have proceeded with preparation for market based property taxation (Slovakia, Poland and Lithuania).

In the area of land administration, recent reforms in transition countries have focused on the establishment of the legal and administrative framework for real estate markets. Incremental steps towards the development of cadastre and land registration systems have set the stage for property restitution and privatization of agricultural and urban land. By the end of the 1990s, land cadastre systems and system for registration of property rights operate in most countries. The uniform cadastre systems in the Czech Republic, Latvia, Lithuania and Poland have established the bases for market based property taxation and created potential for development of a viable property market.

Across the CIS, new plans and methods to adequately address urgent urban development issues are essential (UNECE 2001a).

More explicit emphasis has been placed on land management in disaster-prone areas. Traditionally in most ECE 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. The floods in Europe in 2002 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-cadaster) for protection of people's safety and security. Geodata and the real estate database will be coordinated to ensure disaster management (König 2003).

Integrated land use planning and management in susceptible areas, such as mountainous regions and floodplains, can mitigate 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 federal government in the US encourages the states to engage in land-use planning to avoid flooding.²⁹ The Institute for Business & Home Safety, a nonprofit organization based in Boston, 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).

3.2 Challenges and opportunities

In most transition economies Governments have carried out massive land privatization with various degree of success. In rural areas a significant amount of land still 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 sustained state ownership over natural reserves, areas of strategic importance as well as land is needed for the creation of 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 development of land markets require a whole new system in the planning and management of 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 became privately owned. This represents 129 million hectares of land that is comparable to the area of Western Europe.

²⁹ The Federal Emergency Management Agency in the US estimates that as much as 75% of the nation's housing stock is susceptible to natural hazards.

The land reform process

Privatization is the flagship of the land reform process in most transition economies. Together with legal and institutional developments related to land cadastre and valuation, it has facilitated the establishment of a modern land administration system. On the implementation level, however, a multitude of problems exist:

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

Restitution of nationalized rural land to previous owners has been one of the privatization measures. The process was plagued with difficulties and has resulted in serious backlogs in the processing of land claims. In some cases owners have been entitled to financial compensation. In most CIS countries Governments adopted mass privatization strategies resulting in 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. 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 create significant constraints for the sustainable management of land resources: i) the excessive fragmentation of land ownership does not allow efficient agricultural practices; and ii) the existing rural infrastructure provided for large *sovkhos* and *kolkhos* allows no access to smaller parcels and water management.

Urban land privatization also continues to be a challenge. In CEE 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.³⁰ The myriad of ownership arrangements has created significant barriers for the efficient operation of urban land markets. The normal urban administration of physical planning, zoning, and land

³⁰ In Latvia, ‘accelerated privatization’ of state and municipal housing allows transfer of units to 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.

registration to adequately manage a dynamic process of ownership transformation often is not in place (see Box 8).

Box 8 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, the privatization of urban land is not related to the future use of the privatized plots. The privatization price therefore has no connection with 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). One example is the privatization of land for recreation purposes in Tbilisi under the agricultural program to build expensive villas and secondary homes.

Source: UNECE 2003c



Belgrade: close to 50,000 residents live in the illegal settlement of Kalugerica today. Migrants to the city have built their homes on privately owned farm land without planning or building permit. The city is gradually expanding its services in the area—most of the residents live there with access to schools, hospitals and public transport.

Lack of transparency in land restitution and privatization is considered to be a major constraint contributing to shortage of land in urban growth areas. These developments are accompanied by occupation 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. Problems of dysfunctional land cadastre and registration systems and/or weak public administration in some CIS countries continue to create high transactions costs for households and businesses (UNECE 2001a, b).

Institutional capacity

The institutional evolution of land administration in transition economies reflects historical and political developments. A number of new institutions and functions have been created – Real Estate Registries in Armenia, Latvia, Estonia and Lithuania. As the reform process is only a few years old, it is no surprise that there are conflicting goals, overlapping responsibilities and fragmentation of services. As a result, the decision-making process requires numerous interagency consultations, which 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. Further, the regulation of urban land markets continues to be bureaucratic and less responsive to market signals and financial discipline in underwriting of property investments and property taxation are inadequate (Tsenkova 2003c). Administrative subdivisions in transition countries and mandates of self-governments have undergone several revisions. This lack of stability and frequent institutional transformation at the national level, has delayed the development of efficient administrative structures for land-use planning and management.

Informal settlements

The massive and uncontrolled flow of the population in the 1990s in some cities across the ECE region has resulted in illegal settlements sprawling outside urban boundaries. In Turkey, as a result of haphazard and rapid movement to urban areas, overpopulation of cities has become a major problem, leading to more poverty, unemployment and deteriorating living conditions. There are also problems with 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, Yerevan and Tbilisi is a major concern (see Box 9). Skopje has more than 20 illegal neighbourhoods that date back to the post-earthquake years. Legalizing these settlements implies provision of infrastructure such as roads, water, sewerage and electricity, which 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 9 ***Informal settlements in Tirana***

The estimated population of 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, sewage, and electricity. Those who occupied land first then illegally sell parts to newcomers. Illegal construction usually means no access to schools or health care. Recently, the municipality with the assistance of the World Bank, has launched the Urban Land Management Project, to provide primary and secondary infrastructure in these settlements with a planned 20% contribution by the inhabitants to its cost.

Source: UNECE 2003b

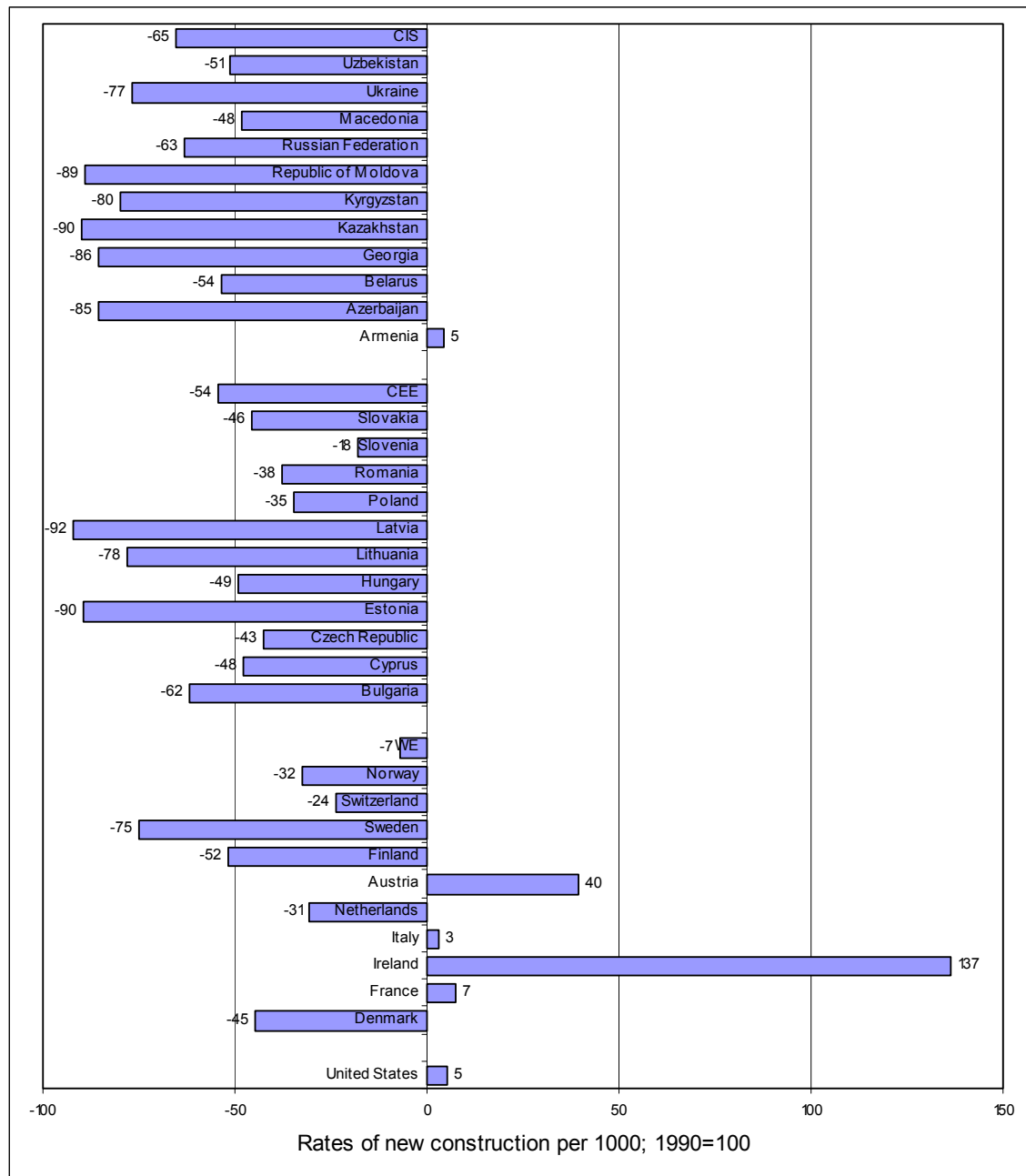
4 PROVISION OF ADEQUATE AND AFFORDABLE HOUSING

Housing reforms in the ECE region in the last decade have promoted policies aiming at reasserting market forces and reducing state intervention. With respect to housing provision they have emphasized deregulation, private sector involvement and demand-based subsidies (UNECE 1997). In addition, privatisation of public housing has taken place in transition economies, but also the United Kingdom and Sweden. While the overall goal of these reforms have been to improve the economic and social efficiency of the housing systems, responses across the region demonstrate immense diversity. Recent comparative studies have advanced the thesis of policy divergence, convergence and collapse based on the evaluation of experiences in Western and Eastern Europe (Pishler-Milanovitch 2001; Tsenkova 2003a).

4.1 Progress and challenges

There is an overall improvement in the housing conditions in most ECE countries. The general ratio of dwellings per thousand inhabitants is usually used as a crude indicator of the adequacy of housing provision. The distribution varies among countries in the region with Finland having the highest number of 499 units per 1000 residents. The transition countries have low, but comparable to Western European, levels of housing provision (see Annex 2-2). *Housing supply* has been positively affected by the reform processes. 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 ECE 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 in renovation and quality improvements. In Western Europe, Ireland is the only country where new production in 2000 has doubled, compared to 1990 level (see Figure 7).

Figure 7 New housing construction in the ECE region, 1990-2000



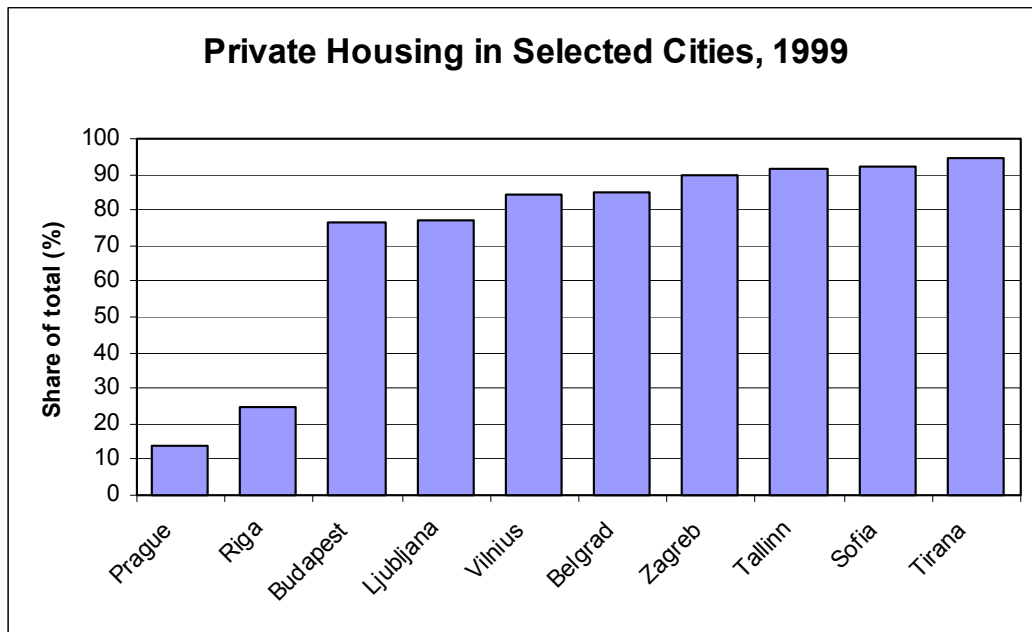
Source: Author's estimates based on UNECE Database

In transition economies, housing construction has reached historically low levels, largely due to withdrawal of government subsidies. Private developers continue to face financial difficulties, high inflation and lack of adequate credit supply. With few exceptions, mortgage lenders in transition economies 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 the GDP, compared to the usual 50-65% in mature housing markets.

Homeownership has grown steadily in most countries, particularly in the transition economies. A fundamental distinguishing feature of housing markets in post-communist cities is the high percent of home ownership (see Figure 8). While in the other capital cities in the region this highly imbalanced tenure structure is the outcome of mass privatization (Tirana, Vilnius, Tallinn), Sofia historically has had a high share of homeownership under state socialism. By contrast, the capital cities in Western Europe have considerably lower rates of homeownership – London (58%), Helsinki (45%), Paris (28%), Vienna (17%). Owner occupation is most common in Oslo and Zurich where the share is close to 75% (City of Helsinki Urban Facts 2002). But more importantly from being a relatively uniform tenure pattern under communism, *home ownership has become increasingly fragmented* with privileged high status fraction in gentrified neighbourhoods and low status sector of socially segregated home owners in problematic housing estates.

Figure 8 Homeownership in the capital cities of transition economies



Source: Tsenkova 2003b

On the demand side, 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 dynamics in housing demand. On one hand, this leads to a more diverse pattern of life styles and housing choices. People with more disposable income seek to achieve better living standards, move up the market in more attractive environments. On the other hand, poverty manifests itself through

the growing number of people on social assistance, rising homelessness, and in general degradation in living standards (see Box 10). 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 in the housing market. However, the gap between income and entry costs has continued to increase for low income households, making affordable housing of decent quality more problematic. Studies on affordability in transition economies indicate that current mortgage arrangements, income levels and houseprices have excluded more than 80% of the households from the new housing market. Previous housing shortage has been replaced by *shortage of affordable housing* suggesting future deepening of the housing crisis.

Box 10 Homelessness

Homelessness across the ECE region is a serious challenge and a sign of major failure of welfare states to deliver affordable housing for all. The US 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 of 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.³¹

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.³²

Source: FIANSAs 2003

4.2 Important priorities for transition economies

In spite of increased reform activity at the policy level and the number of legislative and institutional reforms, housing policy in transition economies has failed to keep pace with the market. Lack of public resources to support housing would make housing investment even more inadequate to housing need. Apparent policy failure refers to the lack of comprehensive programs and incentives for maintenance and renewal of the existing stock, which would lead to further disinvestment and lower standards. Housing policy choices are ideological and

³¹ Incomes for the poorest Americans have not nearly kept pace with rising housing costs. The poor and the homeless in the US receive supplemental security income, food stamps, and welfare. <http://www.endhomelessness.org/pub/tenyear/index.htm>

³² FEANTSA's operational definition of homelessness provides a simple but robust definition of housing vulnerability as persons experiencing one of the following situations: 1. Rooflessness; 2. Houselessness; 3. Living in insecure accommodation; 4. Living in inadequate accommodation.

political. It is clear that housing reforms have taken a back seat in the overall reform process. Social housing is not on the political agenda. Given the climate of fiscal restraint and concerns about the budget deficit, there is a growing preference to rely on market solutions. In thinking about the way forward to housing policy reform, it is important to implement policies in a more selective manner. Future housing policy makers need to develop enabling strategies that would be 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 in society in access to affordable housing. In this context, two policy areas are identified by the ECE Committee as important: *the provision of social housing and rehabilitation of the existing housing stock.*³³



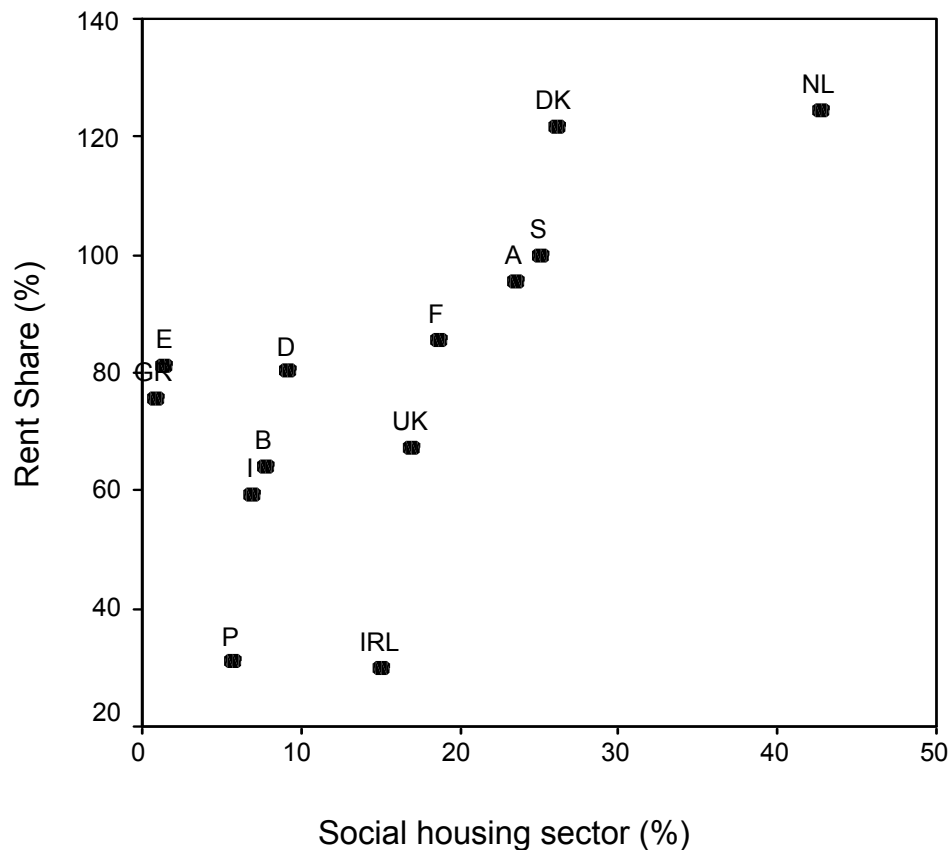
London Docklands: New social housing, managed by housing associations, constitutes 20 percent of all housing in the urban regeneration projects.

The availability of the public sector to provide *social housing* has been limited as a result of massive privatization. Local authorities are left with the worst part of the stock with substantial need for repair and improvement. Most countries have discontinued the provision of new social housing. Experience during the last 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

³³ *Reforms and Social Equity in Human Settlements: Towards Sustainable Quality of Life*, in-depth discussion of the 64th session of the Committee in the context of ECE follow-up to the Johannesburg World Summit on Sustainable Development, September 15, 2003.

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 social housing is still considerably high (Poland, the Czech Republic, Latvia, Russian Federation), rent control policies continue to provide universal subsidies to all households. These high implicit subsidies are neither fair, nor efficient use of public funds and do not benefit the poor. It should be noted that despite the low rents, rent arrears are common.³⁴ For example, in the Czech Republic, where social rented housing is close to 45% of the stock, rent levels in the regulated housing market are less than 25% of the market rents (Grabmulerova, 2003).

Figure 9 Rents in Social Housing as a Share of Private Sector Rents vs Share of Social Housing in Selected Countries, 2000



Source: Author's calculations based on ECHP data 2002

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 sub-region have emerged. In countries where social

³⁴ Close to 10% of the households in Latvia have previous debt as far as payments for rent and/or maintenance are concerned; in the rental sector that share is as high as 19.7% (UNECE 2003b,e).

housing has a significant share (Denmark, Sweden, Austria, and Netherlands), allocation encourages incomes mix, rents are closer to cost recovery and compete with private sector rents. In countries where the sector is small and residualized (Spain, Portugal), rents are low since it is used as a safety net for vulnerable households (Figure 9). In these cases, allocation policies are driven by bureaucratic rules and demand-based assistance is more limited (Stephens 2003). Transition countries can benefit from the transfer of these experiences to improve their rent and asset management policies. It is certainly not sustainable to operate a large social housing sector with high implicit subsidies.

Similarly, most countries in Western Europe have considerable experience in *housing rehabilitation*. Various models for area-based regeneration have emerged. In the last 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 become a priority. The considerable neglect in maintenance in the private and public housing, coupled with the ageing and poor quality of structures, requires urgent policy intervention. On average, more than 40% of residents in larger cities of transition economies live in prefabricated multifamily housing. By contrast, in the EU housing estates are the home of 3-7% of the people.³⁵ Major barriers are the shortage of housing finance for renewal and the lack of adequate legal arrangements (condominium law) regarding responsibilities for upgrading of common facilities/structures in apartment buildings (UNECE 2003a). High-rise rehabilitation is potentially one of the largest problems facing urban managers in transition economies, since failure to make 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 multifamily buildings, and ii) growing affordability problems.*

Recently, new laws have been introduced in most countries regulating 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 have continued to exist. First, individual owners in some cases are reluctant to establish a new organization as they are expected to pay more with no guarantee for improved quality of 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.

³⁵ Due 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).



Chisinau: Multi-apartment buildings are often of poor quality with substantial investment needs.

Further, the transition has led to an impoverishment of the population and increasing income inequalities. One of the reasons for the poor maintenance of multifamily 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 with their affordability problems through better targeting of demand-based assistance and financial incentives that will facilitate investment in energy efficiency renovation. So far, there has been limited experimentation with pilot projects, mostly in energy efficient upgrades, in Lithuania, Latvia, the Czech Republic and Poland. These isolated examples of good practices are not monitored or disseminated systematically at the national level.

IV THE WAY FORWARD

At the national level, countries in the ECE region have, to differing degrees, addressed sustainability goals in the area of 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 ECE region.



Vienna has undertaken many innovative strategies to improve urban sustainability and quality of life such as investment in sustainable transit systems and high quality public spaces, green strategies (waste and graywater recycling), and provision of social housing.

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 sustainable land-use planning plays a major role in policy integration and generates important synergies defining incremental progress towards sustainability.

Pursuing the practical implementation of *Agenda 21* and the priorities for sustainability in the *ECE Strategy for Sustainable Quality of Life* implies a renewed emphasis on sustainable cities that are livable and promote social equity while contributing to the progress of the country as a whole. Participants at the 64th session of the ECE Committee reaffirmed their commitment to sustainable development and acknowledged that policy reforms to promote social stability and social equity need to become a critical element of national and local strategies for sustainable human settlements. The session highlighted the importance of new patterns of democratic governance that are people centered and socially inclusive.

The evaluation of progress in this monograph, as well as contributions to the Committee session and the first Regional Forum on Sustainable Development in Geneva, emphasized that countries in transition still have no full capacity to implement sustainable development principles. The transition process is both a challenge and an opportunity. It seeks to build 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 support by external expertise and assistance can be opened up. But transition can also represent a serious threat to economic, environmental and social sustainability, by eliminating institutions with capacity for long-term planning and social safety nets leading to increased poverty and inequality, and encouraging exploitation of natural resources. The discussion of the Committee session highlighted the importance of coherent actions at the local, national and international level.

Actions at the local level

Foster sustainable quality of life in human settlements through holistic strategic planning - attention is focused on improving the livability and competitiveness of cities through good governance, accountability and transparency of government actions to pursue sustainable quality of life.

Emphasize sustainable housing reforms and social equity – the focus is on the provision of affordable housing to ensure social inclusion and regeneration of deprived communities, particularly in the housing estates of post-socialist cities.

Promote good land administration for social equity – recognizing that good land administration is essential for the competitiveness of real estate and housing markets, promote transparency and efficiency to ensure fair competition and security of tenure rights.



Riga City Strategy: The city is the centre of banking, foreign investment and technological innovation. Home to 60 percent of the country's population, Riga is the cultural and governmental centre of Latvia with proactive municipal government committed to sustainable growth.

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 innovation in urban management, planning and land administration that has emerged in some cities and to diffuse best practices in a more efficient way. 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).

Actions at the national and international level

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 transition economies will allow policy intervention at the local and national level to deliver greater impact. International organizations, including bilateral and multilateral agencies, associations of local governments, and international support networks have a critical role in that respect. Financial support and technical assistance can enhance the transfer of good practices in the region and assist capacity building. At the moment, official development assistance to transition countries does not have an explicit focus on sustainable human settlements. Various programs support the implementation of local Agenda 21, but in most of the cases the emphasis is on poverty reduction, institutional development or environmental policies (UNECE 2002d; WB 2003a).

If future programming approach in transition economies acquires an urban focus, several tangible benefits might emerge: i) Opportunity for impact on pressing urban issues, ii) responsiveness and selective intervention, and iii) scaling-up experiences to meet the growing urban challenges. The agenda for action could emphasize the following:

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.

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.

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