



**Economic and Social  
Council**

Distr.  
GENERAL

HBP/1999/13  
25 August 1999

Original: ENGLISH

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ECONOMIC COMMISSION FOR EUROPE

COMMITTEE ON HUMAN SETTLEMENTS

Item 5 of the provisional agenda  
for the sixtieth session  
(Geneva, 13-15 September 1999)

GOVERNANCE OF URBAN PROBLEMS: AN IMPLEMENTATION CHALLENGE

Summary report prepared by the secretariat

**Introduction**

1. The present report is a summary of the Committee's in-depth discussion on urban governance held at its fifty-ninth session (14-15 September 1998). It complements the discussion paper on governance (HBP/1998/6) prepared by the secretariat. The summary takes into account the presentations made by Messrs. John Manthorpe and Vincent Nadin (United Kingdom) and Mr. Gert Gundersen (Norway) and the statements made by the representatives of Austria, Belarus, Bulgaria, the Czech Republic, Cyprus, Denmark, Germany, Greece, Finland, France, Hungary, Kyrgyzstan, Lithuania, the Netherlands, Norway, Poland, the Russian Federation, Slovakia, Slovenia, Sweden, Ukraine, the United Kingdom, and the United States. The statements of the non-governmental organizations, the International Real Estate Federation (FIABCI), the International Society of City and Regional Planners (ISOCARP), and the International Union of Tenants (IUT) and of the Committee's Housing and Urban Management Advisory Network are also reflected. Ms. Margot Wikström, member of the Network, moderated the discussion.

**I. MAIN ISSUES RAISED BY THE KEY SPEAKERS**

A. The economic benefits of good land administration (Mr. Manthorpe)

2. There is much common ground between the principles of good governance and land administration. Governance is related to land administration by its definitions, objectives, procedures, and the decentralization of powers and the public participation it entails.

3. Previously, privatization was seen as a first positive step towards economic reform. Today, land and property ownership have become a far stronger tool in managing urban growth than any sort of planning policy or regulation regime. Market decisions about urban development or urban governance are based on information on land. Six characteristics of a good land registration system are also applicable to governance:

- Speed of response (information must be there quickly);
- Accuracy of information (information must be right, guaranteed and secure. If you make decisions based on that information, government will not let you down);
- Information must be in as simple a form as possible (so that citizens and institutions can understand it);
- Systems must be inexpensive (efficient);
- Must be suitable to the circumstances (the culture, history, aspirations are different, so that you cannot have a single tailor-made system; it must reflect these variable factors).

A good land registration system, as well as good governance, is about not just maintaining information but updating that information and providing services to everyone.

#### How governance and managing urban growth works (Mr. Nadin)

4. Governance as related to the management of urban growth is a complex subject.

5. Firstly, the problem of managing urban growth is a priority for governance in:

- Maintaining and improving the quality of life;
- Protecting and improving the environment;
- Reducing social and economic disparities;
- Promoting economic competitiveness; and also
- Maintaining political stability.

6. Secondly, the market requires urban development to be effectively managed and regulated. The market, capital investment and sustained economic development depend on a coordinated and planned approach. However, the extent to which a government can plan urban growth is constrained by many factors.

7. Land-use management and planning are two tools available for urban growth management. Property and land laws, economic development, environmental protection, agriculture, transport, and taxation measures also affect urban growth. A spatial planning approach provides a wider perspective for managing urban growth. Although the idea of planning is not popular, it is essential in governance for urban management.

8. The decentralization of powers to local governments: the majority of European countries have devolved considerable powers in urban development to local authorities. Often local authorities are still heavily supervised from the centre. The traditional approach of the local level has been to prepare

detailed and legally binding land-use plans. Such plans require extensive powers to implement, enforce and finance, and also need public and private sector support.

9. At the local level, detailed binding instruments try to govern urban growth, but contribute to a development rather than promote good development. Individual developers and citizens are bypassing the system, because they cannot live with those detailed and restrictive prescriptions. Master plans as the strategic frameworks have been more successful.

10. Governance is not about preparing blueprints for a development for the future but rather about providing a framework for negotiating individual development proposals. The focus remains on local authorities. It is essential that local governments have the powers to promote their plans in land acquisition, levying charges and underwriting risk in capital investment. Asking local authorities to do too much with too little power should be avoided.

11. In any system of governance, the competencies have to be assigned to the appropriate levels. Important competencies need to be retained at the national and regional levels. Also, local authorities have to be prepared to cooperate and form larger planning units if they are to be successful. Unfortunately, many local governments find themselves in competition with others rather than working collaboratively. The mechanisms to ensure the integration of the activities of national, regional, and local governance in pursuit of managing urban growth have to be in place.

12. The lack of coordination between local governments is often a problem. The strategic approach to managing urban growth, which requires coordination, is the weak link in the process across much of Europe.

13. Public participation: there are often many plans, programmes, laws and policies. Yet, the management of urban development sometimes fails. Frequently, plans and programmes are ignored. Citizens have a negative attitude towards regulations. A culture opposed to planning or regulation and the unwillingness of bureaucrats and politicians to enforce it let commercial interests exploit weaknesses in the system. The way out of this is (i) to raise public and government awareness about the need to control urban growth and (ii) to give people a stake in the plans, programmes and policies to manage urban growth. That is done through consultation, participation and dissemination of information.

14. Privatization: good examples of urban growth management can be found where both the public and the private sectors have taken the lead and have an extensive role in implementation. There is no one simple rule to apply in terms of the relationships between governance and the private sector. Extensive privatization has to be supported with an effective system of regulation. A good system of regulation is needed even where the public sector operates alone. Often coordination becomes even more difficult where many governmental bodies are involved in urban growth. Whatever the arrangement is, it has to allow for communities to be involved in decision-making.

Governance and housing management (Mr. Gundersen)

15. The system of public governance in the housing sector in western Europe is a good illustration. In the post-war period, the housing sector was a major tool for social development. The building sector was considered important for economic growth. National housing policies encompassed the national legal, institutional and financial frameworks. Within the national housing policies, the municipalities were in charge of housing. Housing problems were rarely solved by the municipalities themselves but by cooperation between the State, the municipalities and the private sector. In most medium and large municipalities, municipal housing policies were central elements of the system of urban governance. Public participation in housing varied between countries but was generally very weak. To get direct public participation, housing cooperatives were established. They have contributed significantly to the housing solutions in most west European countries. This system was based on high political priority for housing, clear national and municipal policies, strategies, and institutions, and proved to be successful.

16. Since the second half of the 1980s, the general model for governance of housing has changed mainly because of two factors. Firstly, housing was deregulated and the public sector transferred certain housing obligations to the private sector. Secondly, the political pressure decreased because of well-supplied housing markets.

17. Today, the deregulation and transfer of responsibility for housing are creating new problems. Increasing, but still marginal, population groups (the young, elderly or homeless) are experiencing problems with poor housing or lack of basic services. Also, the need for urban renewal increases, while new housing development demands costly infrastructure. If urban renewal and housing development were left entirely to market forces, it would lead to the depopulation of urban areas.

18. The majority of the new problems created by changing governance systems for housing are experienced at the local level in the municipalities. It has only indirect consequences at the national level, where policies are created. What do the new models for governance of housing look like? At present, there is no clear answer to this question. Western Europe does not yet have an ideal model for the 21<sup>st</sup> century.

19. The establishment of good governance is imperative for countries pursuing a transition to a market economy. The process of decentralization has resulted in municipalities being vested with public housing responsibilities and local housing governance. However, municipalities rarely have the organizational, technical and administrative structures or financial resources to adequately perform their duties.

20. The existing municipal housing management and maintenance structures are not efficient, nor are they adequate to carry out their role. The existence of municipal maintenance companies only defers the re-organization of the housing maintenance market and blocks the emergence of competition.

21. The extensive privatization of dwellings to sitting tenants is perfectly understandable as a practical political expression of the reform. The privatization has produced a very large stock of multi-family housing with mixed public-private ownership. Arrangements to make such mixed ownership function are only partly regulated by new laws. Normally, it is not compulsory to establish homeowners' associations or condominiums. New owners often avoid the duties that go with private ownership. Consequently, there is no efficient management and the backlog of urgently needed renovation is increasing. In the long run, this will have costly consequences for the housing stock's renewal. Today, the countries in transition have an urgent need for assistance and advice on effective urban governance and governance of housing management.

## **II. ISSUES RAISED DURING THE IN-DEPTH DEBATE**

### **A. Privatization**

22. There is little choice of whether to undertake privatization. In theory, privatization is a reaction to international competition and is about bringing efficiency to the market or dealing with market failure. In practice, housing privatization served to decentralize the housing problems to municipalities. Frequently municipalities missed the opportunity to save part of the housing stock for social or other purposes. Privatization has not solved the housing stock management and operation problems, nor has it provided an impetus to new construction. Despite privatization, house building financing remains a problem in economies in transition.

23. Reforming real property rights is on the agenda of all countries in transition. One of its most important steps is the establishment of private ownership of land with clear title and associated rights. The consequences of housing and land privatization (also how to privatize, how to govern, and what is the role of governance in an imperfect market) are issues of particular interest to economies in transition.

### **B. Decentralization**

24. It was often thought the market would solve transition problems and decentralization would be the formula for improvement. In fact, decentralization is not easy to put in place and municipalities find it difficult to implement. It is important that countries share experiences on legal and institutional reforms.

25. In several ECE countries the housing system is decentralized and an important proportion of decision-making is at local level. Local governments are responsible for providing adequate housing to citizens in a healthy and sustainable environment. They have to base their policies on regularly collected figures, and have to have the financial means to implement these policies. Local authorities have to adopt planning systems and methods for better management, local development monitoring and public participation.

26. Recently in the Netherlands, different specific and earmarked budgets have tended to become integrated into one budget, which the municipality can

spend in the most effective way. Because performance can be assessed over a longer period, each municipality is accountable for its performance to the national Government on a five- or ten-year basis.

27. Also, according to the Netherlands Constitution, the private sector can undertake tasks and functions that are otherwise carried out by the public sector. The housing associations as private institutes play an essential role in housing provision. They own two thirds of the rental housing stock and provide well-maintained housing to below-average income earners. They have good relations with their tenants and offer value for money (they are non-profit institutions). They have mutual support funds to deal with financial problems and funds to guarantee loans from the capital markets. The Housing Minister is accountable for their performance to the Parliament. The associations have to comply with the regulations, which tend to be on the soft side. Regulations on tenant's participation are safeguarded.

28. Austria has a long tradition of decentralization on the national and regional levels. Further decentralization at the local level will be carried out slowly, aiming at an equilibrium between central and local tasks and minimizing the costs.

29. In the process of decentralization, Slovenia has experienced difficulties with newly established municipalities that do not possess sufficient knowledge, experience, or financial resources. In addition, municipalities are too small to delegate to.

30. In Slovakia, the decentralization of powers in land-use planning included a decentralization of financial sources accompanied by a cut in the professional staff for planning at local level. Small cities and towns became unable to do professional planning work. During public participation hearings, which are compulsory in the process of preparing plans, local authorities fail to explain to the citizens the various implications of the plans. The citizens protest against nearly every new proposal during the planning process, especially at the stage of granting building permission. The next step is the shift in planning powers to regional authorities and entrusting local authorities to issue building permits. In addition, the Government supports local authorities by giving direct support to prepare plans and providing professional guidance to manage the preparation of the plans. Sometimes the Government provides methodological support and guides the process of preparing the plans.

31. In Hungary, local governments use the chief architect's institution to prepare and adopt land-use plans. Counties and nearly all cities have chief architects. This facilitates local participation within the framework of locally determined priorities and objectives, and seeks to promote the planning process and to make it flexible.

32. In Germany, the problem in urban governance is not how to decentralize, but how to control decentralization, how to find mechanisms and an adequate forum for arriving at public decisions. This requires rethinking criteria for allocating authority in decision-making. The experience shows that decision-making by small units does not produce positive results. If

governance means decentralization, a balance has to be found between simultaneous developments towards centralization and decentralization.

33. In Bulgaria, the decentralization of responsibilities is not matched by a decentralization of budgets. The local governments therefore find it difficult to carry out local initiatives. Local governments without resources are further superseded by the private sector. Thus, local government plans lack direction and strategy.

34. The United States Agency for International Development (USAID) local government partnership programme involves 50 local governments working in partnership to develop a nation wide system for promoting good governance. At its heart is the identification or development of best practices and the establishment of an institution for disseminating information. But institutionalization does not only concern dissemination. The programme also seeks to involve local institutions (consulting firms, universities, research, training and professional institutions) to help them to improve their capacity to work with local authorities. In the final stages, 90 to 95 per cent of the assistance will be delivered directly by local institutions and not by expatriate consultants.

35. Some countries still need to focus on land policies and institutions for planning. To distribute land resources without proper planning hampers the sustainable development of towns and regions.

36. Decentralization or delegation of powers and functions from central to local authorities will certainly depend on a combination of factors (history of planning, tradition of operating planning and control systems, level of planning, kind of plans that are made, legal restrictions, professional skills). Central Government has to retain some planning functions, coordinate, coach local authorities, and ensure consistency in decision-making and approach. The transfer of power has to be gradual and closely monitored. Local authorities have to create larger planning-authority bodies.

37. State policy should provide guidance and control functions to move towards sustainable development policies. At the local level, private construction activities are developing too quickly, while the Government takes little or no action.

38. Countries should refrain from giving fiscal incentives to various housing stakeholders. No advantage should be given to one partner over the other, whether owner or tenant. In each country, it is important to make sure that the decentralization clarifies roles -- who does what -- in the private and public sectors.

39. There is often an insufficient pre-determined financial framework which may result in long-term conflicts, hampering the implementation of urban development and renewal programmes. Shifting problems from one small local community to another results in a 'not-in-my-back-yard' attitude. The influence of certain pressure groups and the competition (instead of cooperation) among local authorities are weakening their position towards

potential investors. A comprehensive legislative and administrative framework must exist to secure transparent decision-making and distinct responsibilities, including related budgets. This framework may include the establishment of stronger regional bodies to overcome the danger of growing regional disparities. It should guarantee equal decision-making powers to all stakeholders (including minorities and socially weaker groups). Certain tasks should remain at the central level, which is not inconsistent with the aim of decentralization.

40. While there are differences between countries, the role of the private sector in land and building development is growing nearly everywhere. In some countries, the private sector plays a major role in maintaining the local areas and in planning and building activities. It is very important to look at measures to regulate the private sector when it comes to ethics, economics, social and environmental issues. Licensing by regulating bodies is advisable.

#### C. Public participation

41. Although some economies in transition embrace public participation, they still need time to reconcile and manage the very different views that are expressed.

42. Though the concept of democratic involvement is publicly endorsed, there are difficulties with public participation. Declaring democracy and citizens' responsibilities is insufficient, as the mentality of people and the behaviour of enterprises are changing only slowly. In human settlements' issues, city authorities should launch the debate by going to the people and involving them. People should be encouraged and empowered to participate and to share ideas and opinions on how to undertake tasks. Mutual confidence should grow.

43. Participation needs training and public assistance. This has often been forgotten, especially regarding the participation of minorities and socially weaker groups. Maintaining ethical standards is a requirement for an open, honest and constructive dialogue. Public participation includes tenant participation and participation in planning, design, management, maintenance, urban renewal and rent-setting. Children should also be heard in matters of physical planning. Active women's participation must be promoted. Great differences between small and medium-size cities need adequate attention in this context.

44. The systems for public participation should make it possible to reconcile local initiatives and national priorities, confronting top-to-bottom approaches and having arbitration procedures. Normally, problems require the involvement of several levels of public authority. The challenge is to combine efforts and to coordinate policies rather than to share competencies. To respond, authorities have to develop new forms of public initiative and action, consultation, regulation, in particular for contracting out work. The public should be entitled to prompt responses from government to requests for information.



45. Public participation is a question of resources as well. It is no longer just a question of asking people to approve (or disapprove) what authorities propose, but of actually engaging them in the process of deciding what could and should be done. The public is part of the proposal and not just part of the reaction. The transition from reaction to constructive participation will need time.

### III. CONCLUSIONS

46. The concept of good governance is central and it is therefore important to define the terminology. Frequently, 'governance' is understood only as the relation between elected officials and bureaucrats. There is ambiguity about the roles of politicians, bureaucrats and officers.

47. Good urban governance:

- Is characterized by a continuing process of decision-making by national, regional and local authorities. The challenge is to find mechanisms to make public participation a continuing process;
- Is about ensuring that other interests are represented in the debate (children and the homeless, environmental interests). Attention needs to be paid to establishing pressure and interest groups, which can feed into governance;
- Reflects changes in attitudes and mentalities, which are very important fundamentals for a discussion on public governance.

48. Governance is a very complex subject. There is a need to constantly evolve and tailor governance to the situation that countries find themselves in. However, governance is not a system to be organized overnight. Governance varies from place to place, from situation to situation. One should look at the mechanisms for partnership and coordination very carefully, and decide who does what and who does it best.

49. Governance is indispensable for stability and sustainable prosperity in society; it is not just a system or an infrastructure but more an attitude. Good governance is also an important part of the cultural heritage.

50. Governance is not government. Governance is rather the capacity to shape and represent local interests, to develop strategies for the people and partners involved. The capacity to develop a collective framework for local action, to ensure participation, is the main part of governance.

51. Governance is an ongoing process. It has its ups and downs. It varies from country to country. It requires awareness. Those who want to take up responsibility have to use their governing capacities, talents and powers for the citizens they are responsible for and account to.

52. Good urban governance requires strong central authority (ability to encourage partnerships and create a favourable climate for initiatives, to ensure feedback and proper functioning of markets). This is not sufficiently understood by authorities today.

53. To have good governance there has to be mutual confidence between people and authorities. To have confidence, public participation has to be introduced and encouraged. To have effective participation in an effort to achieve sustainable planning, people must be willing to change their consumption patterns and lifestyles.

54. Countries should share the concept of governance, institutionalizing good governance at local level. Since good governance can be achieved in many ways, there is no particular model. However, the process of trial and error is an inefficient way of achieving it.

55. It is important for the international community to share the experiences of creating an urban governance system. Economies in transition used to have a system. With the transition, it just collapsed. Many countries of the Commonwealth of Independent States face the task of establishing a new system, which should entail governance.

56. In countries where reforms have made considerable progress, governance still needs to be much improved and completed, especially in terms of its implementation, understanding, awareness, and a decision to use it fully to the benefit of the people.

57. The attention given to urban governance is not sufficient to meet the challenges. In particular, the intellectual and financial input to develop new tools for good urban governance is extremely weak. Few instruments are available to make good governance operational at the neighbourhood level.

58. Housing issues have to be central policy issues. The right to decent shelter, as expressed in the Declaration of Human Rights, places the issue of housing squarely within the political arena - where it belongs.

59. The decision to privatize, whether in an economy in transition or in a market economy, is a political one. An evaluation of the impact of the decision to privatize housing would put the issue back on the agenda of decision makers.

60. Decentralization means better governance and improving democracy. The decentralization of responsibilities without power or resources should be avoided. Decentralization of authority for planning to municipalities needs to be checked at the regional and State levels. There is a need for regional planning authorities or for planning cooperation between municipalities. Competencies in urban growth management need to be established at the regional level, where most systems are particularly weak. Once regionalized, there is again a tendency for centralization but this time at regional government level.

61. Central governments routinely intervene in the activities of the local level in urban growth management when urgent problems appear. Special agencies and institutions are set up to tackle these problems. It is not left to the local governments alone.

62. There seems to be no direct correlation between the size of the local authority and the efficiency of the planning system. The great advantage of small, decentralized municipalities is that they have to work together to provide services and carry out their government function.

63. The mechanisms to ensure cooperation and support to all local authorities (vertical integration and horizontal coordination) are more important than scale. When creating these mechanisms, one should pay attention to institutions, new instruments, and procedures to link different levels of government (procedures for supervision, appeal and consultation). The objective of creating mechanisms should be to reduce competition and increase collaboration between local authorities.

64. Decentralization is about people and skills. It is about values, attitudes, opinions and reconciling them to arrive at an acceptable solution. The process of trying to educate and change attitudes, opinions, and values about planning is slow. This demonstrates the need to place emphasis on education and professional development. It is important that governments encourage the development of the private sector's capacity to assist local authorities.

65. Discussions on public governance have to be based on a clear understanding of underlying traditions, values, political systems and economic and social conditions. The adoption of models of public governance across countries and regions is very difficult.

66. Theoretical discussions on governance are important to create a framework. Within this framework, practical solutions, practical assistance and dissemination of good and bad examples are needed to speed up the transition to good public governance in the countries with economies in transition.

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67. Delegations stated their interest in a workshop on housing privatization (including its consequences, management responsibilities, finance, and institutions), taking into account work carried out by the Organisation for Economic Co-operation and Development (OECD) on the topic. It should also deal with urban governance, so that the roles of different levels of administration and the links between commerce and urban development, transport, taxation and ethical aspects could be discussed. A debate is required about the criteria to use when deciding what powers ought to be assigned to government? What levels of government should there be in the first place? However, some delegations felt the need to have a common concept of governance first.