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**REFORMS AND SOCIAL EQUITY IN HUMAN SETTLEMENTS:
TOWARDS A SUSTAINABLE QUALITY OF LIFE**
Discussion paper*

1. At the request of the Committee on Human Settlements, the Bureau has linked the in-depth discussion of the sixty-fourth session with preparations for the regional follow-up meeting to the World Summit on Sustainable Development, the Committee's programme of work and the ECE Strategy for a Sustainable Quality of Life in Human Settlements in the 21st Century. The discussion aims at integrating the results of the activities in the three major thematic areas of the Committee's work: spatial planning, housing policy and land administration.
2. The objective of this discussion paper is to provide a framework for reviewing the Committee's work as it contributes to the sustainable development of human settlements and the implementation of the goals of the Millennium Declaration.^{1/} Particular emphasis will be given to the social dimension of sustainable development closely linked to the economic and environmental pillars and related to the mandate given to the regional commissions by the Johannesburg Summit through the Plan of Implementation, i.e. to facilitate and promote a balanced integration of the three dimensions of sustainable development into their work.
3. All delegations are invited to prepare written notes or case studies on the challenges to achieve social sustainability in human settlements through policy reforms in spatial planning, housing and land administration. The input from of the Committee's in-depth discussion will be integrated in the ECE background report for the regional follow-up meeting to the World Summit on Sustainable Development.

* *Prepared by a consultant, Ms. Sasha Tsenkova, with support of the UNECE secretariat*

Background

4. At the beginning of the 21st century, globalization and sustainability dominate the global development agenda. ^{2/} The ECE region is overwhelmingly urbanized, with more than 80 per cent of the population concentrated in urban areas and a growing complexity of urban challenges. With the globalization of the economy and the advancing international division of labour, cities have gained importance as networks of economic growth and business development. ^{3/} Economic diversification, social heterogeneity and cultural diversity have become major city assets. 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 polarization 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 decentralization of responsibilities from the State to the local level, democratization of the decision-making process and effective public consultation.

5. In the countries of Central and Eastern Europe, the transition to a market-based economy has added another layer of complexity for the implementation of sustainable development. The integration of these economies within the ECE markets has offered significant opportunities for increasing the economic prosperity and social well-being of urban residents. Cities of countries in transition have remained the centres 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 the 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.

6. The rise in urban poverty is one of the most serious concerns in the region. Certain groups, such as low-income households, the unemployed, the elderly and ethnic minorities, are particularly vulnerable to social exclusion. While poverty, social exclusion and inequality are much more pronounced in the countries in transition, they are also an integral part of the social landscape of large metropolitan areas in Western Europe. These outcomes jeopardize efforts to achieve prosperity and to improve the quality of life in a sustainable manner. In this context, reforms to promote social stability and social equity need to become a critical element of national strategies for sustainable human settlement development. The best way to respond is through a new focus on people-centred and socially inclusive policies. In the urban arena this reorientation implies a new generation of municipal policies – spatial planning, housing, transport and delivery of urban services – that promote social equity.

7. In the ECE region different countries, driven by national priorities, politics and historic circumstances, interpret sustainability differently. Despite this diversity, policies for its practical implementation emphasize the interrelationship of the range of economic, social and environmental components. 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 blueprint for sustainability, a series of important policy documents endorsed by the ECE Committee on Human Settlements maps out a trajectory for strategic policy action.

ECE Strategy for a Sustainable Quality of Life in Human Settlements in the 21st Century

8. The goal of the Committee on Human Settlements is to promote sustainable development in the region while fostering economic and social prosperity and supporting democratic governance. This goal is explicitly stated in the ECE Strategy (ECE/HBP/120) endorsed at the ministerial meeting in 2000. The document articulates the strategic vision for the Committee's priorities in response to major regional challenges for sustainable development. Five objectives provide strategic directions for change and action:

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

9. In the context of a sustained policy dialogue with national governments, the Committee's work has focused more explicitly on transferring experience and knowledge, and improving legal, institutional and management frameworks in the countries of Central and Eastern Europe. The practical implementation of sustainable development through a wide range of activities aims at urban sustainability and the successful integration of economies in transition in the ECE region.

10. 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. In a number of recent policy documents the Committee has restated its commitment to change and action for urban sustainability through policy reforms in spatial planning, urban regeneration, housing management and land administration. The important questions today relate to: (i) how do the ECE Committee's activities support the vision of sustainable quality of life in human settlements; (ii) what are the main social challenges that can be addressed more effectively through the Committee's work; and (iii) what lessons emerge from the strengths and weaknesses in its performance and response capability.

Main areas of work and implementation challenges

11. The Committee has defined three priority clusters for its regional activities: (i) spatial planning; (ii) housing; and (iii) land administration.

12. These major areas of work provide 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. Over the past ten years, the critical importance of integrating the countries in transition into the European and global economies has gained further prominence on the Committee's agenda and will remain a priority.

13. While economic growth prospects in these countries have been evaluated positively, the social impact of the transition presents a major challenge to market reforms. The most significant social challenges are associated with labour market adjustments - resulting in many countries in escalating unemployment - and social differentiation. Different countries have increasingly diverging social and economic experiences with 'advanced policy reformers' converging towards EU standards and the rest lagging behind. 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 more efficiently and that the social protection of vulnerable groups is perhaps the most important aspect of public policy intervention.

14. Poverty is a growing problem in urban areas. Cities have increasingly become characterized by rising income inequality, unemployment and growing insecurity. This trend is likely to continue and constitutes a radical social change for these previously egalitarian societies.

15. The high rate of poverty and inequality in urban areas has broad impacts on society's well-being because it leads to the social exclusion of certain population groups from adequate health care, education and housing. Children are especially vulnerable, since women work and adequate childcare is often lacking. Cumulative disadvantages, often defined along the lines of gender, age and ethnicity, create widening social disparities between different social groups with low-income, single-parent or women-led households being worst off. ^{5/}

16. In addition, the countries in the region have undergone a process of decentralization making local authorities more responsible for the planning and delivery of urban services. This devolution of responsibilities, particularly in the countries of transition, 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 programmes have come under close scrutiny; social budgets have been cut back thus leaving many 'unfunded mandates'.

17. In the context of decentralization and fiscal constraints, the major social challenges for **spatial planning** are related to its contribution to pre-empting the rise of poverty and social exclusion, rather than fighting their consequences. In practical terms this means creating adequate access to jobs, social and economic opportunities and housing through socially equitable land use, public transport, and social services. This is essential for women and youth, particularly those disadvantaged by poor transport and housing policies that limit residential mobility and reduce access to employment.

18. In the area of **housing**, most countries in transition are struggling to 'enable the housing markets to work' more efficiently and equitably. After the initial years of speculation and escalating house prices, housing markets even in the best economic performers have remained sluggish and new housing output has collapsed. Besides the low level of housing market activity, there is an even lower level of mortgage lending. Although housing subsidies have been reduced, they are often higher than those provided in most industrialized countries with well-established market-based housing systems.

19. It has been argued, however, that those transfers often provide poorly targeted subsidies that do not necessarily benefit the socially disadvantaged people. In addition, an extensive privatization of public housing has taken place, creating 'nations of homeowners' with levels of homeownership over 85 per cent. These often asset-rich but income-poor owners are not in a position to maintain their homes, which leads to disinvestment and massive deterioration of the housing stock.

20. Recent reforms in **Land administration** in the countries in transition have focused establishing 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. Still, even in the advanced reformers, informal transactions take place and inadequate investment in public infrastructure leads to scarcity of serviced urban land. Furthermore, the regulation of urban land markets continues to be bureaucratic and less responsive to market signals, and financial discipline in underwriting property investments and property taxation are inadequate.

21. Corruption and lack of transparency in land restitution and privatization as well as the planning process are a major constraint for the development of efficient real estate markets. These developments are accompanied by the 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.

22. The implications for social welfare and the economy in the short and the long term can be critical if these social and sectoral challenges are not addressed in a timely manner. Effective solutions will require policy reforms addressing broader issues in a cross-sectoral way with a particular emphasis on social equity. In particular, more efficient spatial planning, land administration and housing policies as well as public policies that focus on income distribution and economic growth must be central to the public policy agenda.

Spatial planning to foster sustainable quality of life in human settlements

23. The Committee's work in the area of spatial planning has centred on developing a concept for sustainable and liveable cities as well as on guidelines for sustainable planning and management. In addition, a series of studies and workshops have contributed to the dissemination of good practices in sustainable urban regeneration (e.g. Bratislava, Budapest). The Committee has supported comparative work on human settlements in the ECE region, and the first evaluation of urban and housing trends in the countries of Central and Eastern Europe. Urban regeneration practices to achieve a comprehensive integration of economic, social, housing and planning policies feature prominently in this area of work.

24. While the cluster of activities facilitates the implementation of all five objectives of the ECE Strategy, it is particularly significant in promoting a system of democratic governance as well as social cohesion. The efforts ensure that countries benefit from the process of globalization and work to promote liveable cities. The policy dialogue recognizes that the urban transformation affects the physical concentration of people and production, consumption patterns and social structures. Each of these dimensions in turn affects the diverse system of urban

settlements in the region and translates into locally specific requirements for urban management and socially responsive governance. Furthermore, a number of policy statements of the Committee reflect the view that effective public policies coupled with community action and public-private partnerships can make cities more competitive and make a significant contribution to urban sustainability.

25. According to the ECE Guidelines on Sustainable Human Settlements Planning and Management (ECE/HBP/95), the outcomes of spatial planning and urban policy reforms in terms of poverty, employment and social equity are important indicators of a sustainable quality of life. These outcomes set the stage for appropriate strategies for intervention that might focus on regeneration, social housing or sector-specific programmes for transport, water and sanitation, meeting demand in a sustainable manner. Attention is increasingly focused on improving the liveability and competitiveness of cities through good governance, accountability and transparency of government actions to pursue shared goals.

Towards sustainable housing reforms and social equity

26. Activities in this thematic area include analytical studies of the housing sector and cross-country comparative guidelines on condominium management and social housing provision. The housing activities, despite their sectoral character, have a major contribution to make to the practical implementation of sustainability and support two of the ECE Strategy's objectives: promoting market reform in the housing and urban sector, and social cohesion.

27. The housing sector has a critical role in ensuring the success of economic and social development in the ECE region and sustained progress of the reform process in countries in transition. The Committee has supported the national housing profiles on Albania, Bulgaria, Lithuania, Poland, Republic of Moldova, Romania and Slovakia, and is continuing this work for Armenia and the Russian Federation. This is an effective tool for national governments and major stakeholders which assists the analysis of their housing policies, strategies, institutional and financial frameworks. The country profiles are a process-oriented exercise that establishes an agenda for coherent policy action to be drawn up. Attention is paid to the economic, social and environmental aspects of housing reforms to ensure sustainability.

28. The profiles support the view that economic sustainability in housing is closely related to affordability. This is a major challenge since the transition from an excessively subsidized socialist housing system to a market-based one where users pay the full costs of utilities has created significant affordability constraints. There is a universal shortage of affordable housing in urban areas to meet the needs of young families and socially disadvantaged residents. The Committee also emphasizes the importance of economic sustainability in relation to strategies to sustain the value of the existing housing stock. In particular, widespread problems with poor maintenance, a result of financial constraints but also poorly defined property rights, are addressed in the new Guidelines on Condominium Ownership of Housing for Countries in Transition (ECE/HBP/123).

29. Social sustainability in housing requires the impact on residents' health and safety to be minimized, the needs of the elderly and socially disadvantaged to be considered and a wide range

of affordable housing to be available to facilitate mobility and choice. In response to growing homelessness and other transition challenges, this policy area has received particular attention in the Committee's recent activities. The workshop on social housing highlighted its critical importance for socially balanced and stable societies. This policy transfer and sharing of experience in the region is important for countries in transition, where owing to fiscal austerity support to social housing and other forms of social assistance have been severely reduced.

30. To develop the multiple dimensions of sustainability in housing, the Committee has facilitated the establishment of appropriate policies at both the national and the local levels, involving interdisciplinary multi-sectoral approaches. Environmental aspects feature prominently through the emphasis on energy-efficient housing renovations and the institutional development of homeowners' associations to facilitate sustainable home improvements. The recommendations of the housing profiles and guidelines provide a number of alternatives for legal, institutional and financial reforms, and can be a positive instrument for empowering communities in pursuit of socially equitable housing policies. The political commitment of national governments to action and practical solutions will be essential for the success of country-specific efforts in this area.

Benefits of good land administration for social equity

31. At the core of land administration activities are the Land Administration Guidelines (ECE/HBP/96), the sharing of information on effective land management and policy advice on strengthening institutional capacities in the ECE region. The work supported by the Committee so far has made a well-defined contribution to policy transfer to countries in transition to improve their land cadastre systems, land registration procedures and security of private property rights in real estate.

32. Two aspects of the work are essential: (i) land administration reviews, which are problem-oriented and linked to national issues (Armenia, Georgia, Russian Federation); and (ii) cross-country studies encouraging better policy responses and the sharing of experience in the region.

33. Good land administration is essential for the competitiveness of real estate and housing markets, particularly in urban areas. Building liveable cities requires buoyant, broad-based growth of employment, incomes and investment. Approaches to promoting 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.

34. Recent ECE policy recommendations continue to promote the practical implementation of good land administration in terms of creating spatially integrated, efficient markets for housing, land, real estate and public transport. They also focus on the problems of dysfunctional land cadastre and registration systems and/or weak public administration, which create high transactions costs for households and businesses (Armenia and Georgia).

35. The work contributes to urban sustainability fostering a more transparent and efficient operation of real estate markets, and participatory, market-sensitive urban planning (Land Administration Review on the Russian Federation, HBP/2003/7 and Add.1). 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.

Issues for discussion

36. In the above sections various issues have been raised with respect to policy reform for urban sustainability and social equity in the ECE region. Delegations may wish to relate to one or more clusters of ECE Committee activities (spatial planning, housing, land administration) and share their practical experiences or good practices in achieving progress towards urban sustainability (see para.3 above).

The following questions may guide the discussion:

- (a) What is the role of social housing in promoting social equity? What practical solutions are available?
- (b) Can the country profile programme be used to support social equity? If yes, how?
- (c) What policies and practical steps are necessary to improve access to essential urban services -- water, waste management, transport and housing -- in major urban centres in a sustainable manner?
- (d) As the privatization of housing is playing an increasing role in the region today, what initiatives have been implemented to ensure equitable access to housing?
- (e) To what extent can public-private partnerships be an effective way to regenerate urban areas and socially excluded communities? Cite practical examples of good practices where the approach has worked.
- (f) What innovative spatial planning policies are pursued to tackle economic and social exclusion in cities? What works in practice? How can we learn from the success?
- (g) How can access to land and security of property rights be achieved in a socially equitable manner? What good practices are there to promote access to land and housing for the urban poor?

Notes

^{1/} In September 2000, 147 heads of State and Government gathered in New York and issued the Millennium Declaration (A/RES/55/2), outlining their collective commitment to sustainable development and poverty reduction. The Road map towards the implementation of the United Nations Millennium Declaration (A/56/326) prepared by the United Nations 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.

^{2/} The centrality of urban issues to the national and global sustainable development agenda has been acknowledged in the international arena. The Habitat Agenda, adopted by 171 governments at the second United Nations Conference on Human Settlements (Habitat II) in

Istanbul (Turkey) in 1996, marked a turning point in promoting socially and environmentally sustainable cities. It also sent an important message that good urban governance was a prerequisite for sustainable development. These commitments have changed the agenda of major donor institutions responding to challenges of the urbanizing world significantly.

^{3/} Synergy between the rural and urban areas is a particularly important channel for contributing 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.

^{4/} Habitat II and a number of ECE forums have confirmed the need for sustainable civic engagement. The Charter of European Cities and Towns Towards Sustainability describes sustainability as a creative, dynamic and evolving process, aiming for balance that has to permeate all areas of decision-making.

^{5/} It is widely acknowledged that in the countries in transition women were disproportionately affected 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 per cent. These wage differences combined with the triple burden for women – work, family and care for ageing parents – create multiple disadvantages.