

Conference Proceedings:

Governance of Land Use in OECD Countries

The conference “Governance of Land Use in OECD Countries” took place in Prague on 15-16th May and gathered a number of international experts and policy makers from national, regional, local, and city-level, including the Czech Deputy Minister of Regional Development, the Mayor of the City of Prague and the OECD Ambassador of the Czech Republic. During the two day event, the conference dedicated 7 panel-sessions to the topic of land-use policies in OECD member countries. Two panel-sessions focused on the case study of the city of Prague and the Central Bohemia region and the remaining five panels focused on three broad areas:

1. First, to discuss and identify the main challenges for urban and rural areas on uses of land
2. Second, to discuss the adequacy and consequences of policies and regulatory instruments to address the challenges as well as the multi-level governance aspect of land use policies.
3. Third, to discuss environmental, economic and social outcomes of land use policies.

All panel-sessions shared the same structure starting with an intervention by one or two key-note speakers followed by reactions from two to three panellists and finally an open floor discussion. This structure triggered a very rich discussion throughout the sessions highlighting the following elements:

The economics of land use policies is a complex area with an impact on a wide range of socio-economic activities, traditionally overlooked by mainstream economics. While the economics literature has traditionally focused on the role of capital, labour and innovation, it has to some extent marginalised the impact of land use on economic development, quality of life, environmental and social outcomes. At the same time many OECD member countries are facing paramount pressures related to uses of land, particularly the ongoing trend of urbanisation represents a more intense use of land and requires the expansion of cities to accommodate new housing needs. Policies on land use are closely linked with transportation policies which in turn affect the functioning of labour markets and have substantial implications for local budgets and environmental outcomes. There is currently a lack of understanding of good policy practices in this domain.

There is a need to apply the right policy approach to different domains of land use. The panels discussed the fundamental question of why regulation is needed for land-use policies. The first argument presented was the need to address the free rider problem connected to a public good and in particular the under-provision of financing for public goods such as parks and the maintenance of green spaces. A refinement to this argument focused on the property of a *local* public good, and therefore the need for local stakeholders to finance the public good rather than national ones. In this respect it can also be argued that certain public goods are in practice so local that economic efficiency may indicate financing even below the city level (e.g. at the neighbourhood level). Discussions also focused on the environmental impact of land use policies and the need for regulation to ensure environmental objectives are pursued. Finally, there is a need to ensure that land use policies do not just privatise gains and socialise losses as in the recent bursting of housing market bubbles. Ireland and Valencia, for example, illustrate this latter concern. There also is a need to distinguish the general legal framework from regulations, such as building permits, that beyond their intended purpose also increase the administrative burden and red-tape.

It is important to find the right scale of governance for land use policies. Discussions highlighted the importance that national legislative and civil codes have on land use policies. Nonetheless, given the high degree of variability in land use outcomes observed at the sub-national level, multilevel forms of governance are also critical levers for land use policies. This leads to an important question on identifying the right scale of intervention for different policy levers on land use and the importance on coordinating vertically amongst tiers of government. In some policy areas, a top-down approach can miss the target. An example brought up in the discussion were some European level Directives on transportation policy that had been taken without sufficient consultation with local and private stakeholders, which resulted in important bottlenecks in their implementation. In contrast, other examples suggested that bottom-up processes are not particularly well suited for attaining goals such as environmental sustainability. Therefore, more work is needed to better understand the right scale of intervention for the various land-use policies.

It is key to target the actors in land-use policies. The discussions also highlighted the importance to better understand the incentives that land-use policies have on the land-owners, as well as the consequences that tax decisions have on firms. In this respect many discussions in the panel centred on property taxes and highlighted the benefits that are associated with the taxing of land as opposed to the taxing of buildings. Some speakers also suggested that in large cities it may be beneficial to maintain public ownership of land and lease it to private investors, rather than selling it.

There is a need to find the right balance between rigidity and flexibility. Discussions highlighted on the one hand the benefits associated with market based solutions and systems of allocations for land-use policies and on the other the rights and obligations that are associated with the granting of land rights. Therefore there is a need to better understand the right balance between these two forces particularly given existing pressures to expand city boundaries and accommodate the housing needs of growing urban populations. In this respect, cost-benefit analysis that takes into account a medium to long term time horizon can help better understand the impact of land use policies. This latter point is particularly important to unravel the costs and benefits at different levels of government.

There is a need to better integrate incentive mechanisms into existing plans. In contrast to urban areas, the discussion highlighted the presence of three different types of rural regions with different needs in terms of land use: those around the urban fringe, rural in agricultural zones and rural regions at the far margin. Given multi-functionality of rural regions in their uses of land, applying urban planning style solution to rural areas can miss the target if the incentives of land-owners and the economic activities in rural areas are not properly addressed. Furthermore, the discussions highlighted the need for urban plans to better integrate economic realities of urban areas to ensure that incentives are in place for cities to use their full sustainable growth potential.