

# Putting Urban Policies at the Heart of the Agenda





# Managing Urban Transformations...

**F**rom rapid population increases to population loss, cities around the world are being transformed, and challenged, by unprecedented forces. With them come complex and seemingly intractable issues such as (sub)urban sprawl, deindustrialisation, climate change and growing inequality. Leaders at all levels of government—local, regional and national, in the developed and developing world—must coordinate and deploy effective policies to ensure that sustainability, resiliency and opportunity for all are inherent to these transformations. Today, more than ever before, leaders have the possibility and tools to shape the course of urbanisation, ensuring that it results in well-functioning, sustainable cities. But this can only be managed by governments that are well prepared, with comprehensive urban development frameworks in place.

## *Habitat III and the New Urban Agenda*

The New Urban Agenda is the outcome document that is set to be agreed upon at the Habitat III conference in Quito, Ecuador. What is the New Urban Agenda? It sets the framework for global efforts towards achieving sustainable urban development in the coming 20 years. It is also envisaged to contribute to Sustainable Development Goal 11—making cities inclusive, safe, resilient and sustainable—and other sustainability goals in urban areas. It is widely agreed that the adoption of the document will be a milestone in the history of human settlements all over the world. To draft the Agenda, 200 experts from around the world were designated, working in ten policy units of 20 experts each. These units each tackled specific dimensions of the Agenda, producing output documents which will become building blocks of the New Urban Agenda.

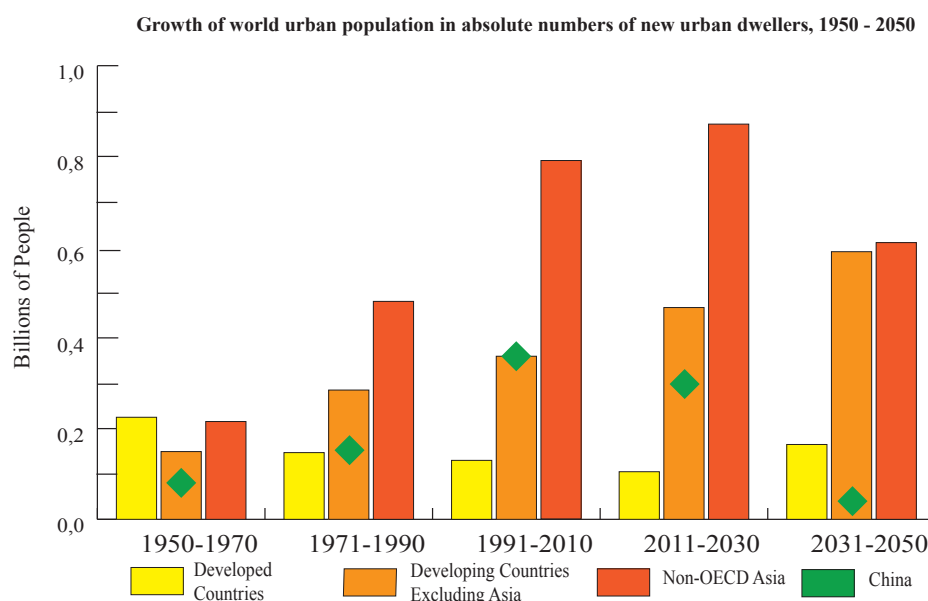
## *The role of the OECD*

The Organisation for Economic Co-operation and Development (OECD) is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD provides a setting where governments can compare policy

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experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies. While its 35 member countries span the globe from North and South America to Europe, Asia and Oceania, the OECD also works closely with emerging and developing economies in Africa, Asia, Latin America and the Caribbean.

The OECD has worked closely over the years with the United Nations Human Settlements Programme (UN-Habitat) on urban development issues. Since September 2015, the OECD and UN-Habitat worked with experts through two Expert Group Meetings, one write-shop and additional virtual meetings to produce the outcome document, “Habitat III Policy Paper 3 on National Urban Policy”. The document outlines key policy considerations for the design, implementation, monitoring and evaluation of a National Urban Policy. In addition to its co-leadership role, experts from the OECD’s Public Governance and Territorial Development Directorate have participated in Policy Units 4 (Urban Governance) and 8 (Urban Ecology and Resilience). The OECD has participated in all the official preparatory committee meetings, regional and thematic meetings, international conferences and workshops to contribute to the New Urban Agenda. Additionally, during the 2016 UN General Assembly, a high-level event hosted by the OECD



Source: UNDESA Population Division (2012), World Urbanization Prospects: The 2011 Revision



Development Centre and UN-Habitat highlighted the need for new mechanisms to help governments in Africa and their partners share information and coordinate efforts towards implementing the New Urban Agenda.

### ***Building on experience***

OECD's Regional Development Policy Committee and its Working Party on Urban Policy have long been at the forefront of debates about national-level urban policies. The Organisation has undertaken five national-level urban policy reviews (Chile, China, Korea, Mexico and Poland), as well as dozens of thematic studies and metropolitan reviews. In addition, many OECD Committees are incorporating territorial approaches in their respective policy fields (see major OECD publications on urban policies at the end of this brochure). Through these studies, the OECD has worked with countries within and beyond the OECD membership to improve the quality of urban development.

OECD's Local Economic and Employment Development Programme (LEED) is an interface between national and local governments. It focuses on

local job creation, skills development, social innovation, entrepreneurship, leadership, economic development and investment strategies, all of which are the building blocks to sustainable urban development. Since 2014, the OECD Labour and Social Affairs Committee has been working on the issue of good-quality affordable housing, key to SDG 11; publications include a review of policies in OECD countries, a review of Chile, and the forthcoming on-line OECD Affordable Housing database.

Through these efforts in different parts of the house, the OECD demonstrates the critical role that co-ordinated policy making has in realising the aims of the New Urban Agenda.

### ***Key policy agendas***

The OECD supports Habitat III and the New Urban Agenda through several policy agendas, including National Urban Policies, local leadership for inclusive growth in cities, urban governance, subnational finance and organisation, in addition to advancing global goals such as the Sustainable Development Goals (SDGs) and COP21 through urban policies.

### ***National Urban Policies (NUP)***

Over the years, the OECD has promoted a National Urban Policy (NUP) approach to harness the dynamics of urbanisation across sectors and levels of government. An NUP contributes a key building block to the New Urban Agenda. The approach works to align sectorial policies that affect urban areas and to develop an enabling institutional environment. It does not replace traditional urban policies, but complements them in order to create an overall, cross-cutting vision of the systems that integrate cities and regions in the process of a country's development.

A successful NUP should lead to transformative outcomes in terms of how different levels of government come together to design, implement, monitor and evaluate policies for sustainable urbanisation. The goal of an NUP must be to:

- Strengthen the alignment of national and local policies affecting urban development;
- Empower local authorities and communities, grassroots organizations, social and traditional leaders, women's movements and civil society at large;
- Promote shared urban dividends throughout the territory and amongst



different actors;

- Increase investment in urban areas by improving the business environment;
- Strengthen linkages between urban and rural areas;
- Foster co-operation and collaboration across jurisdictions, for instance by overcoming metropolitan fragmentation;
- Improve urban quality of life and well-being.

### ***National Urban Policy Programme (NUPP)***

The OECD, together with UN-Habitat, Cities Alliance and other stakeholders, will launch the National Urban Policy Programme (NUPP) at Habitat III. This is a multi-stakeholder programme to support countries' efforts in advancing NUPs and the New Urban Agenda. Its five main pillars will be knowledge management, capacity development, country advisory services, monitoring, and stakeholder engagement. The OECD will contribute to the programme through evidence-based policy assessments including National Urban Policy Reviews and State of National Urban Policy reports, with statistical resources through its OECD Metropolitan and Sub-National Finance databases (see below), with an OECD instrument (the Council Recommendation on Effective Public Investment Across Levels of Government), and finally through high-level policy fora such as the 2nd International Conference on National Urban Policies (Paris, May 2017).

SEE: OECD NATIONAL URBAN POLICY REVIEWS FOR POLAND (2011), KOREA (2012), CHILE (2013), MEXICO (2015), CHINA (2015). UPCOMING: KAZAKHSTAN, VIETNAM

### ***Inclusive growth in cities***

As a response to the growing gap between the rich and the poor in countries worldwide, the OECD launched the *All on Board for Inclusive Growth* initiative in 2012 to help governments analyse rising inequalities, monitor material living standards and broader well-being, and design policy packages that promote equity and growth. To operationalise

inclusive growth in cities worldwide, the OECD launched the *Inclusive Growth in Cities (IGIC) Initiative* in March 2016, together with the Ford Foundation and a number of other institutional partners. Central to the IGIC initiative is the creation of a coalition of *Champion Mayors for Inclusive Growth*, who now number more than 50 worldwide. Champion Mayors have committed to tackling inequalities and promoting more inclusive economic growth in their city, country and across the world. These local leaders have already made a powerful commitment to fight inequality by signing on to the New York Proposal for Inclusive Growth in Cities, and in November 2016, they will reconvene in Paris to strengthen these efforts by endorsing the *Paris Action Plan for Inclusive Growth in Cities*.

SEE: NEW YORK PROPOSAL FOR INCLUSIVE GROWTH IN CITIES; ALL ON BOARD: MAKING INCLUSIVE GROWTH HAPPEN (2015); THE PRODUCTIVITY-INCLUSIVENESS NEXUS (2016)

### ***Urban governance***

Achieving the New Urban Agenda requires collaboration across all levels of government, civil society, the private sector and other relevant stakeholders in the process of designing and implementing NUPs. These policies should provide institutional, and formal as well as informal, frameworks for the mobilisation and active participation of all relevant actors, including at the local level. In the same vein, horizontal, cross-sector policy approaches need to be promoted in order to exploit synergies for effective urban policies. Housing and transport policies are prominent candidates for high levels of potential synergies.

### ***Redefining cities - Functional Urban Areas***

Data on cities, as defined by their historical borders, do not provide the tools for future-oriented policy design. Nor do they allow for meaningful comparisons of experiences, thus limiting the benefits of international dialogue. What's more, good metropolitan governance stretches

beyond administrative borders. Urban areas are socio-economic and environmental entities that go beyond historically defined administrative borders. In certain fields, such as transport, spatial planning or water resources, governance structures need to reflect realities and the requirements for the future rather than the past.

The OECD, in collaboration with the EU, has developed a harmonised definition of urban areas as functional economic units or Functional Urban Areas (FUAs), consisting of densely populated municipalities (urban cores) as well as



any adjacent municipalities with high degrees of economic integration with urban cores, measured by travel-to-work flows. This definition overcomes previous limitations for international comparability linked to administrative boundaries. The definition is applied to 29 OECD countries (with the exception of Australia, Iceland, Israel, New Zealand, Turkey and Colombia), and it identifies 1,179 urban areas of different sizes, ranging from 50 thousand inhabitants in Calera (Chile) to over 34 million in Tokyo. FUAs permit

data collection at the right spatial scale, a crucial step in establishing evidence to inform decision makers and monitor the performance of NUPs. In an effort to support the New Urban Agenda, the OECD is ready to help more countries across the globe in “redefining cities” with the FUA methodology.

### ***Metropolitan Database***

The OECD has developed the Metropolitan Database which provides internationally comparable data based on



the functional definition of cities (FUAs). The OECD is prepared to support further efforts in countries throughout the world, working with them to compile internationally comparable data on cities,

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including on the various dimensions of well-being of citizens.

SEE: OECD METROPOLITAN DATABASE

### ***Making cities work for all***

Cities produce and attract highly educated workers and innovative employers. But cities, especially the largest ones, also concentrate inequalities, both in income and in other well-being aspects, that remain remarkably high in many OECD economies. Addressing the world’s growing inequality concerns in cities should be a central concern of an NUP.

The OECD has developed internationally comparable data on economic growth, inequalities and well-being at the city level in OECD countries. Such data provides empirical evidence on how cities are diverging from, or converging with, other parts of the country, and of the extent of inequality within cities.

The OECD is also looking at how specific policy areas can better contribute to inclusive growth in cities, such as housing quality and access. Across OECD countries on average 15% of low-income households live in overcrowded dwellings and 14% do not have access to an indoor flushing toilet. Promoting access to good-quality affordable housing is an important objective of housing policy in many OECD countries. Data show that most OECD countries support access to housing through a large number of policy instruments.

The forthcoming *OECD Affordable Housing* database will help measure access to good-quality affordable housing and strengthen the knowledge base for policy evaluation. It will include indicators on the housing market context; housing access, affordability and quality; and policy instruments used by governments, such as support for home buyers, housing allowances, and social rental housing.

At Habitat III, the International Transport Forum at the OECD (ITF) will launch the report “*Income inequality, social inclusion and mobility*”, which links transport with urban development and housing. In charge of the International

Traffic Safety Data and Analysis Group, it will also launch “Safer City Streets” at Habitat III, a new group focused specifically on road safety challenges in cities. Road traffic injuries are the leading cause of death among young people aged 15–29 years, and the SDGs are explicitly calling for action in this area.

The OECD is also developing a Longitudinal Study on Social and Emotional Skills in Cities (LSEC), focusing on how children and young people are building the skills needed to cope with the challenges of complex urban environments. Such skills are not only needed to thrive individually, but also to strengthen social cohesion in the fabric of urban life.

SEE: MAKING CITIES WORK FOR ALL, DATA AND ACTIONS FOR INCLUSIVE GROWTH (2016); POLICIES TO PROMOTE ACCESS TO GOOD-QUALITY AFFORDABLE HOUSING IN OECD COUNTRIES (2016); HOUSING POLICY IN CHILE: A CASE STUDY ON TWO HOUSING PROGRAMMES FOR LOW-INCOME HOUSEHOLDS (2016); INCOME INEQUALITY, SOCIAL INCLUSION AND MOBILITY (2016).

### ***Improving financial flows for urban infrastructure investment***

In many countries, fiscal constraints have reduced the funds available for public investment in infrastructure. This decline has had a profound impact at the subnational level. Nevertheless, metropolitan areas have an array of opportunities for improving financial flows, although tapping into them can require new, innovative approaches and robust collaborative frameworks. Examples taken from many OECD countries, such as Public-Private Partnerships (PPPs), mechanisms for municipalities to gain greater access to borrowing, and pricing mechanisms in the form of congestion charges, development charges or parking fees, demonstrate how innovative thinking, in tandem with good governance, can provide access to previously untapped sources of financing to implement NUPs.

SEE: OECD RECOMMENDATION ON EFFECTIVE PUBLIC INVESTMENT ACROSS LEVELS OF GOVERNMENT (2012)



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### ***Financing cities in developing and emerging economies***

Fiscal constraints are even greater in the rapidly urbanising world. Africa's urban population of about 472 million today is expected to double by 2035. The financing need for basic urban infrastructure and services delivery in sub-Saharan Africa is at least between 29 and 60 billion USD a year. In Southeast Asia, although decentralisation reforms have significantly increased own-source revenues of cities, revenues have not kept pace with infrastructure and other financial needs, and many urban governments still depend to a very large extent on fiscal transfers.

Cities in the process of rapid urbanisation face untapped opportunities for

sustainable development by virtue of their rapidly expanding populations and flourishing economies. However, the window of opportunity to put the right policies in place, including financing, is closing fast. Central governments have a crucial role to play in creating and enabling environments in which cities can take innovative steps to raise their own revenues and grant access to private finance. The OECD supports these countries through studies and policy dialogues, providing space for exchanging best practices and lessons.

SEE: OECD AFRICAN ECONOMIC OUTLOOK 2016; URBAN GREEN GROWTH IN DYNAMIC ASIA

### ***But raising funds isn't the only challenge***

Even when investment funding is available, cities may lack the appropriate governance arrangements to make best use of it. Regional and municipal governments undertake around 60% of public investment and 40% worldwide. Public investment in cities therefore

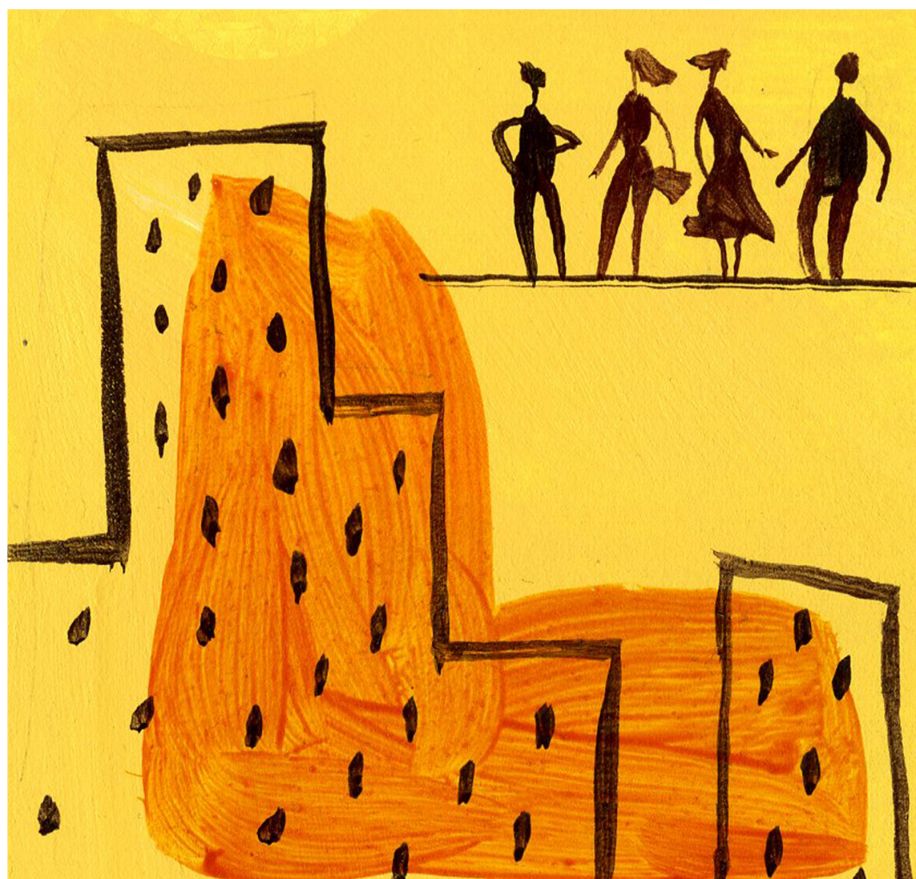
requires substantial co-ordination between regional and municipal governments to bridge gaps in information, policy and fiscal matters. Collaboration in the design and implementation of investment projects is particularly relevant in developing economies, where investment in new infrastructure is widespread.

In 2015, the OECD and the EU Committee of the Regions (CoR) conducted a survey of subnational governments (SNGs) in the European Union to assess the challenges linked to infrastructure investment. Coordination across municipalities, especially at the metropolitan scale, was perceived as a significant challenge by most SNGs surveyed. Roughly three-quarters reported the absence of a joint investment strategy with neighbouring cities or regions, as well as a lack of incentives, including financial, to cooperation across jurisdictions. Other major challenges for better infrastructure investment were a lack of coordination between sectors, e.g. between transportation, housing, broadband, water and spatial planning.

SEE: RECOMMENDATION ON THE GOVERNANCE OF PUBLIC INVESTMENT ACROSS LEVELS OF GOVERNMENT ADOPTED BY THE COUNCIL OF THE OECD IN 2014; OECD EFFECTIVE PUBLIC INVESTMENT TOOLKIT

### ***Subnational Government Structure and Finance - facts and data***

The OECD has developed a subnational government database both at the OECD level and worldwide along with accompanying publications. These contain qualitative and quantitative facts and macro-financial data on subnational government structure, responsibilities and finance (expenditure, investment, revenue and debt). The recent study "Subnational Government Around the World: Structure and Finance (October, 2016), carried out jointly by the OECD and UCLG, presents a cross-country synthesis and 101 country profiles. The 101 countries of the sample account for 82% of the world's population, or close to 6 billion people spread over the principle regional areas:





Africa, Latin America, North America, Asia-Pacific, Eurasia and Middle East, and West Asia. This study is a first contribution to the Global Observatory on Local Finances whose objective is to monitor local finances and assess regions and cities' financial capacity to carry out their responsibilities, and, beyond this, to help all levels of government to address possible fiscal gaps and design effective and efficient development policies.

SEE: OECD (2016), SUBNATIONAL GOVERNMENTS

***With the long service lifetime of infrastructure, today's decisions will determine the extent and impact of climate change and the vulnerability or resilience of cities.***

IN OECD COUNTRIES: KEY DATA; SUBNATIONAL GOVERNMENT STRUCTURE AND FINANCE DATABASE, OECD REGIONAL STATISTICS; OECD/UCLG SUBNATIONAL GOVERNMENT AROUND THE WORLD: STRUCTURE AND FINANCE (2016)

### ***Achieving global goals***

The ratification of the Sustainable Development Goals, the COP21 agreement and World Conference on Disaster Risk Reduction in Sendai Japan, made 2015 a watershed year in the world's commitment to sustainability. Cities will play a critical role in meeting these global goals. The long service lifetime of infrastructure means that decisions made today will determine the extent and impact of climate change and the vulnerability or resilience of cities. Cities are both concentrated producers of greenhouse gases, while being particularly vulnerable to the effects of climate change, including extreme weather events that can disrupt complex urban systems. Because much of the world's urban population lives in low-lying coastal areas, particularly in Asia, urban populations must also increasingly deal with the effects of storm surges and rising sea levels. Nevertheless, current levels of services and water security cannot be taken for grant-

ed in developed OECD cities and action is needed on three fronts: infrastructure, institutions and information.

Cities have a unique ability to address the challenges of global climate change. Doing so must take place on two fronts: reducing emission in line with the 1.5° and 2° targets agreed to at the COP21 conference in late 2015, and adapting cities to ensure the necessary resiliency. At the same time, cities must address a full range of issues directly bearing upon the well-being of urban populations, including income inequality and access to services, in fulfilment of SDGs 3, 10 and 11.

On their own, cities can develop and implement a wide range of policies in support of global goals. Yet, much of the action on the local level takes place in the context of broader national frameworks that can either empower or slow down city-level action. This is because national policies typically determine what cities can do—their responsibilities and their resources are largely defined by legislation adopted at national or, in federal systems, intermediate levels. Also, national policies affect the incentives that cities have to act. Supportive national policies and incentives are required to ensure city-level initiatives have sufficient resources and potential to effect meaningful change.

SEE: "REGIONS AND CITIES IMPLEMENTING GLOBAL AGENDAS: A POLICY FORUM", IN OECD REGIONAL OUTLOOK (2016); OECD RESILIENT CITIES STUDIES; OECD URBAN GREEN GROWTH STUDIES; OECD WORK ON MULTILEVEL GOVERNANCE





# Major OECD Publications on Urban Policy

## National Urban Policies



Poland (2011);  
Korea (2012);  
Chile (2013);  
Mexico (2015);  
China (2015)

## Urban Governance



Governing the City (2015);  
Governance of Land Use in Poland (2016);  
Water Governance in Cities (2016)

## Metropolitan Reviews



Guangdong (2010);  
Chicago (2012);  
Gauteng (2012);  
Rotterdam-The Hague (2015);  
Valley de Mexico (2015)

## Urban Inclusiveness / Well-being



How's Life in Your Region? (2014);  
Making Cities Work for All (2016)

## Green Growth Studies



Compact City Policies (2012);  
Stockholm (2013);  
Kitakyushu (2013);  
Bangkok (2016)

## Public Investment / Subnational Finance



Investing Together (2013);  
Subnational Governments in OECD Countries: Key Data (2016)

## Thematic Urban Studies



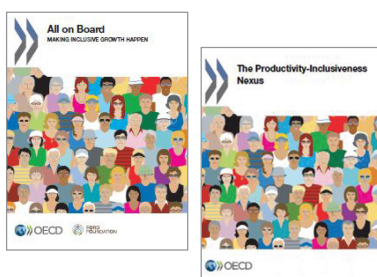
Redefining Urban (2012); Rural-Urban Partnerships (2013);  
The Competitiveness of Global Port Cities (2014); Metropolitan Century (2015);  
Shared Mobility for Liveable Cities (2016)

## Development



African Economic Outlook 2016:  
Sustainable Cities and Structural Transformation (2016)

## Inclusive Growth



All on Board: Making Inclusive Growth Happen (2015);  
The Productivity-Inclusiveness Nexus (2016)

## Local Development / Skills



Local Economic Leadership (2015);  
Skills for Social Progress: The Power of Social and Emotional Skills (2015);  
Montréal : Métropole de talent - Job Creation and Local Economic Development 2016 (forthcoming)