

THE STATE OF EUROPEAN CITIES IN TRANSITION 2013

TAKING STOCK AFTER 20 YEARS OF REFORM

EXECUTIVE SUMMARY



UN HABITAT
FOR A BETTER URBAN FUTURE



Foreword by UN-Habitat

It gives me great pleasure to introduce this first issue of *The State of European Cities in Transition*, the latest addition to UN-Habitat's rapidly-expanding series of regional reports on the state of cities, which already include the African, Arab States, Asia-Pacific and Latin America-Caribbean regions.

The current report is very timely, indeed. It gives an in-depth overview of twenty years' transformation efforts by the 23 countries and territories in northeast, central, east and southeast Europe that, in the early-1990s, embarked on a monumental transition from socialist centrally-planned economies to democratic and market-based systems. As this report shows, the transition has been a long and winding road with these countries now in various phases of completing their reforms.

The European transitional nations are a varied group of countries. Domestic populations in 2011 ranged from 68.9 million people in the Ukraine to as few as 632,000 in Montenegro. National urbanization levels also varied significantly in 2011: from 75 per cent in Belarus to 48 per cent in Moldova, averaging about 60 per cent region-wide. The latter figure would appear to indicate that the region is in the last phases of its urban transition. However, both recorded and projected figures indicate a trend of notable region-wide population declines and near stagnant urban population shares. Consequently, the region-wide urbanization level is projected to only slowly increase to 70 per cent by 2050 and, currently, more as a result of rural depopulation than actual growth of urban populations.

The challenges associated with this on-going historic political and economic transition process faced by the region's more than 200 million inhabitants are enormous and without precedent in modern history.

It involves, as this report shows, deeply unsettling and extremely complex governance reforms that affect all aspects of society.

But disquieting as major change often is, it can also bring new opportunities. Improving the human condition is one of the main aims of the current transition. But, while reform processes unfold, circumstances can be extremely painful by creating turmoil, suffering and deprivations in the short-term. The breaking up of the former Yugoslav Republic, for instance, brought conflict, war and significant loss of human lives. Likewise, throughout the region, the collapse of industries and manufacturing processes rendered uncompetitive by their sudden exposure to global markets had major impacts on the region's cities; especially those whose urban economies were insufficiently diverse, or worse, based only on a single industrial sector. Almost over-night, such cities saw their very economic *raison d'être* evaporate, while the subsequent rapid exodus of many young and entrepreneurial inhabitants left them with even weaker prospects for the future.

But worldwide, cities have a strong record as engines of growth, human development and prosperity. By carefully exploring the human ingenuity embedded in urban areas, together with cities' locational, agglomeration and other advantages - both as individual urban entities or as components of cooperating urban networks - economic revival can often be achieved.

With this report, UN-Habitat hopes to contribute to that revival process and help create a better urban environment for the citizenry of European countries in transition.

A handwritten signature in dark ink, appearing to read 'Joan Clos', with a long, sweeping underline.

Dr. Joan Clos
Under-Secretary General of the United Nations
Executive Director UN-Habitat



Foreword by Poland

Cities – as areas with the highest ability to create economic growth – play an increasingly important role in regional and spatial development policy. Poland is an example of a country that, as a result of 20 years' transformation efforts, has registered significant economic growth which was clearly concentrated in its economically strongest and largest urban agglomerations. These vibrant cities have become key growth drivers of the national economy and contributed to the creation of new jobs, thereby becoming major areas promoting structural change.

The benefits from development of the largest cities do not remain confined within the municipal borders, but also radiate throughout the urban agglomeration and neighbouring areas. That is why the establishment of functional relationships between major cities and their surroundings, and rural-urban linkages in particular, are of crucial importance for increasing both domestic and regional territorial cohesion.

Simultaneously, albeit on a smaller spatial scale, poverty concentration, social problems and loss of economic functions continue to affect particular urban neighbourhoods, even in the most dynamic of cities. That is why urban development has now taken deep root in national policy agendas. Current and future challenges faced by cities highlight the need for promoting smarter, more sustainable and socially inclusive development of cities and their surroundings.

The State of European Cities in Transition 2013: Taking stock after 20 years of reform presents a comprehensive review of the key issues affecting cities, towns and villages in the 23 post-Socialist countries and territories in northeast, central,

east and southeast Europe and provides recommendations for elevating various urban issues on national and regional agendas.

The thematic areas covered in this report are all important ones, including urban growth trends, migratory and other demographic processes; the economic aspects of urban development, housing and social issues; environmental matters; the roles of cities in domestic and regional administrative systems; as well as the continuing need for further urban governance reforms and addressing key emerging issues.

I believe that this comprehensive assessment of European cities in transition will be a great input in the efforts to strengthen and complement the urban dimension in our national policies. Policies based on the principles of integrated, smart, sustainable and inclusive urban development are the best way to achieve greater economic growth and social cohesion in European cities, as well as improve citizens' quality of life now and in the future.

Minister for Regional Development
Elżbieta Bieńkowska



Foreword by Jan Olbrycht

UN-Habitat has successfully analysed different trends in cities in the world in its reports "State of cities" over the last years. With the newest edition of this series, the report "The state of European cities in transition. Taking stock after 20 years of reform", UN-Habitat is tackling for the first time the specific situation of cities in South-East Europe giving a comprehensive overview of a number of aspects related to the transformation in this region.

Cities in this part of Europe are affected by the same processes as cities in the rest of the world. They face the same problems such as economic crisis, missing infrastructure, social exclusion, poverty or demographic change. They need to address such issues as energy efficiency, urban mobility, shrinking cities or urban sprawl and adapt to the changing situation. In this respect they do not differ from cities in the rest of the world.

But the transition of those cities has got also another, additional meaning - the political and social dimension that in consequence leads to a new type of governing. Cities in this region went, to a greater or lesser extent, through democratic changes. This enabled them to build a new identity. It led to the decentralisation of power and to the reinforcement of local administration. But it resulted also in a number of processes that were supposed to be the negation of the previous system, which caused for example weakening of the programming or radical privatisation of the housing sector. Those processes put the local authorities in face of new challenges. "In transition" means therefore for this part of Europe also a change of mentality and awareness.

Part of the cities in South-East Europe is covered by the European Union policies that recognise more and more the importance of their urban dimension and urban policy itself. The participation in European Union's programmes forces multiannual programming, evaluation and partnership. Therefore, the EU membership is yet another aspect influencing their behaviour.

Cities in South-East Europe are affected by a number of issues, be it the global challenges, the effect of the transformation or the EU membership. Positively and suitably, the report shows the true face of the processes and calls them "cities in transition" and not "cities in decline".

Jan Olbrycht
Member of the European Parliament
President of the URBAN Intergroup

Note on the Report's Structure



The transitional European region covered in this report comprises 23 countries which, for the purposes of this report only, have been grouped in four subregions.

This geographic grouping was finalised after long deliberation. It reflects a degree of convergence within each group - despite their often highly different socio-economic, political and administrative status - that made analyses and discussion of the state of their cities more manageable.

For ease of reading, countries and territories are indicated by their popular name, rather than the formal one. Therefore, 'The Former Yugoslav Republic of Macedonia', for instance, has been shortened to 'Macedonia'. Also, despite its complex and sensitive political situation, wherever the term 'Kosovo' is used in this report, this should be understood to be a shortening of 'Kosovo (UN resolution 1244)'.

Key Findings



▲ Baku, the capital of Azerbaijan, is the second largest but fastest growing city in the region ©Dan Vojtech/Shutterstock

- At the beginning of transition there was widespread belief that local democracy and free markets would bring the solutions to all urban problems. This proved to be wrong, because change was, often by necessity, embarked upon in haste and not always based on reliable forward-looking policy, legislative and regulatory foundations. Today, the consequences of short-term governance are particularly clear in the fragmentation of regional and national policies and urban development. All transition countries require far more coherence between regional and national policies and policy documents addressing urban development strategy.
- In some countries, decentralization of political power occurred too rapidly for local authorities to learn and adjust, while lagging fiscal decentralization rendered them incapable of efficiently executing their traditional and new responsibilities. In other countries decentralization remained ineffective due to continued centralized administrative systems, with weak middle tiers and fragmented, non-integrated local governance.
- Housing privatization mostly occurred in the absence of adequate policy, legislation and regulation contexts. It generated significant numbers of house owners too poor for the upkeep and maintenance of shared facilities of their newly-acquired asset. Privatization left too few social housing and affordable rental units for vulnerable groups. Housing deficits and rising house prices are now starting to hamper labour mobility.
- Improved living standards and quality of life neither reached all strata of society nor all parts of countries. Inequality is increasing because economic growth is often concentrated in the capitals and their functional urban areas, as well as in some other larger cities, while many smaller cities cannot catch up. Rapidly-growing and concentrated geographical prosperity differentials have fuelled outmigration and declining fertility trends. Urban and rural depopulation in some economically-depressed regions is so severe that it may have left insufficient demographic capacity for renewed future population growth. Overall population trends also point at significant demographic aging due to out-migrations of the younger population. This will have important fiscal implications for elderly care, services and pension requirements.
- Despite overall shifts towards more environmentally-friendly policies, further awareness building on environmental issues is essential. Non-governmental organizations have potentially important roles but their involvement is still low. More effort and funding are needed for substantial improvements towards healthier urban environments.
- Urban and regional development is hampered by under-developed road and railway networks. Road expansion is also lagging behind motorization rates. More investment is required in integrated public transport networks to offer an attractive alternative to private vehicles.
- Few countries have a single, integrated and cross-sectoral policy document to drive urban strategies. Consequently, repeated interventions lacking territory-wide and/or forward-looking policy bases prevail. National urban policies must clearly define the desirable intra-regional structures and the roles of cities therein, together with supporting inter-regional cooperation for functional and supportive city clustering.
- The above is highly relevant since it implies urgent need for further institutional and legislative reforms to address the governance needs of highly-complex multi-nuclear, multi-municipal *regional* urban entities, including their relations with rural hinterlands as well as their interactions with other domestic urban regions and European urban networks.

Executive Summary

Over the past 20 years, all 23 transitional European countries have made great strides in their transformation from Socialist centrally-planned economies to democratic and market-based systems. Democratization, decentralization and privatization removed the main pillars of the Socialist city development model. With the reduction of central planning and development command, new market-related actors (land owners, enterprises and financial institutions) emerged as important players in urban decision-making. Cities became more independent in determining their spatial and demographic developments. However, changes have often and, perhaps, by necessity begun in haste and were not always based on reliable policy, legislative and regulation considerations. Driven by the desire to pass through the transitional phase rapidly, sound forward-looking policy has at times been compromised by much shorter political time horizons and opportunistic interventions.

The impacts of these early decisions now start to be felt with complex and daunting realities on the ground. With the broad reforms now mostly in place or being implemented in these transitional countries, there is a need to review critically the extent to which market forces alone should be allowed to remain the drivers of urban, housing and social issues in the region. More attention is required to delivering the regulatory frameworks and interventions that can address the undesirable exclusion, inequality and human suffering that followed the rapid transition.

Urban and Rural Population Declines

After 1990, when the politico-administrative barriers to internal population flows were eliminated, urban analysts expected an immediate increase in rural-urban migration. This, however, is not what unfolded.

Urban and rural population shrinkages are among the region's most noteworthy and worrisome demographic trends. Geographically-concentrated prosperity differentials



▲ A Kobzar singing to his own accompaniment in Kiev. Demographic ageing has put pressure on Ukraine's economy. ©Kavun Kseniia/Shutterstock

may indicate population losses, for almost all of the larger cities this is only part of unfolding broader trends.

Progressing urbanization processes due to increased mobility, connectivity and communications technologies produce new urbanization forms and new urban configurations in the region. The traditional mono-centric city defined within

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