



# Habitat II

## Governance, participation and partnerships

While cities are dynamic centres of creativity, commerce and culture, these benefits are often undercut by environmental problems, housing shortages, high rates of unemployment and inefficient and ineffective governance and public administration.

Almost half the world's population live in cities; by the year 2025 more than two thirds of them will do so. Because cities are the fastest growing areas, their problems too will multiply. But, governed well, cities can surmount challenges and maximize the quality of urban living. The term "governance" is broader than "government". It concerns not only the public administrations and official State, regional and municipal institutions that formally manage public affairs, but also encompasses the activities of many other political and social groups. Governance is the sum of many ways individual citizens and institutions, both public and private, manage their common affairs. It is a continuing process through which conflicting or diverse interests and needs may be accommodated and cooperative action taken. It includes formal institutions and regimes empowered to enforce compliance, as well as informal arrangements that people and institutions either have agreed to or perceive to be in their interests.

A main priority of the Second United Nations Conference on Human Settlements (Habitat II)—scheduled for Istanbul in June 1996—is to promote ways to achieve good governance at all levels of society, from the local to the global. Its focus is an Action Plan for future urban development, informed by lessons learned and "best practices" adopted in other cities.

The goal of good governance is implicit in the Habitat II preparatory process and in its Global Plan of Action. Among other things, Habitat II is a means for introducing styles of governance based on transparency, accountability in government, participation of diverse social groups, and partnerships between public and private sectors—between Governments and citizens. Indeed, the Habitat II process itself exemplifies the spirit of good governance. It counts on the wide participation of local authorities, non-governmental organizations and private firms as well as Governments. Through well-informed, structured and wide-ranging debate, all stakeholders will help set priorities for their urban development.

### Elements of good governance

Habitat II preparatory discussions have identified good governance as a commonly shared goal. Good governance requires accountability by public officials, both elected political leaders and civil servants. Their public functions must serve the community at large. These include the allocation of public funds, providing for the safety and security of citizens, and the equitable pursuit of economic well-being for society. Accountability reduces corruption and assures citizens that their Government's actions are guided by the needs of society.

Second, good governance requires transparency in public procedures, processes, investment decisions, contracts and appointments. It is not sufficient that information simply be available. It must also be reliable and presented in useful and

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understandable ways to facilitate accountability. It must be widely accessible so that individual citizens from all walks of life can participate in political and economic debate on a well-informed basis. Information helps to ensure a level playing field that encourages the effective participation of all social groups and partnerships between different sectors.

Third, good governance requires wide participation in making public choices, such as policies and regulations (and even in the operation of markets). The essence of democracy is that it is a process of careful deliberation and choice among diverse social groups and individuals. In most political systems, elected leaders and civil servants make most governmental decisions (which is why accountability is important). Private firms and individuals make most private decisions, such as buying and selling of goods and services.

But the major public choices demand wide participation and debate, involving not just governmental agencies but also diverse, representative and accountable non-governmental organizations. A main objective of good governance as it relates to participation is to encourage a political leadership that reflects and promotes ideals of good citizenship, such as informed participation, compassion and fairness. Well-informed and wider participation by citizens is facilitated by transparency and openness. Participation also helps to ensure greater accountability. Further, many studies show that wider participation also leads to public policies that match better the particular needs of citizens. Such policies are viewed as more legitimate and representative. They tend to be implemented more fully and thus more effectively than policies crafted through narrower, less inclusive debate.

Fourth, good governance is built on the rule of law. Modern societies, especially those in cities, are extremely complex. Those that remain organized and prosperous do so because rules and expectations closely correlate to how political procedures and markets function. Accountability, transparency and participation help to ensure that political and economic institutions make fair and legitimate rules. The rule of law aims to ensure

that those rules are applied evenly, without prejudice, to all members of the society.

Fifth, public and private institutions, such as government agencies and markets, must have some measure of predictability. The rule of law helps to protect against erratic and uneven enforcement and the whims of public officials. But the process of making and changing public rules and expectations must also be predictable. This need is most evident in economic transactions, especially decisions to make long-term investments. Investors orient themselves most to the future when they are confident of fair treatment and stability. The most severe urban challenges, such as providing sewage treatment, safe water and other elements of infrastructure, all demand the long-term view.

These five elements outline a workable and fair mode of governance. They imply the need for fiscal responsibility and sound management of national and local resources. They require building and utilizing the capacity for analysis and formulation of sound social and economic policies. They describe governance as a partnership between the public and private sectors—between Government and private citizens, management and labour. The role of government is partially to catalyze private-sector activities through the effective and efficient provision of vital public services while playing a smaller role in economic activities better handled by the private sector. These five principles describe a system that can provide fair and legitimate governance. Legitimacy is essential to sustaining public support and participation while assuring social justice in the allocation of public resources.

Achieving good governance requires building capacity as well as applying these principles to existing institutions. New capacity may be needed to help assure the rule of law and open access to public information. But “capacity building” is a broader concept as well. It includes the need to ensure that diverse social groups are able to get needed information and participate in the making of public policy. It includes the need for vibrant markets and a private sector that operates in partnership with government, and for both to have sufficient stability and confidence that

they make the investments needed for tomorrow's urban infrastructure.

## Good governance in Habitat II

Habitat II is contributing to the global challenge of providing good governance in cities in two ways.

First, Habitat II has launched a process of international debate on the problems, prospects and priorities of cities. In that context, Habitat II does not impose or promote a single particular vision of good governance. Rather, through structured debate on important issues surrounding urbanization (e.g. environmental protection, poverty reduction and the provision of urban services), participants in the Habitat II process will consider the components of good governance as they consider problems that affect cities.

The effort to prepare action plans in the preparatory phase of Habitat II has helped nations and localities to focus on a wide range of urban issues that are affected and conditioned by governance. The development of national action plans will help nations set priorities through focused deliberation. National plans aid this process for nations individually; the global plan helps the collective of nations debate their future. The United Nations Conference on Environment and Development (Rio de Janeiro, 1992) used such a process, which yielded the blueprint for sustainable development known as Agenda 21. Since then, the International Conference on Population and Development (Cairo, 1994), the World Summit for Social Development (Copenhagen, 1995), and the Fourth World Conference on Women (Beijing, 1995), among others, have used the development of national and intergovernmental plans to raise awareness and promote action. Each of these Conferences has raised issues linked to good governance, making governance a global theme. Human settlements development gives a practical context to these issues, making Habitat II the capstone Conference.

The Habitat II process of preparing local, national and global action plans is itself an example of good governance at the global level. The process has helped to focus and organize the deliberations of many groups from all levels of society on the common task of planning the future of cities. Although it is an international process initiated by national Governments, Habitat II is encouraging the active participation of municipalities, the private sector, non-governmental organizations, community-based organizations and the academic and scientific communities. Support for wide participation is based on the conviction that partnerships with all these groups are vital to improved planning, resource mobilization and investment in all aspects of shelter and human settlements development, and for distributing the benefits of economic growth more equitably. Member States are also preparing national reports to communicate their experiences and perspectives on urbanization to other participants in the global Habitat II process. In the vast majority of countries, Governments are inviting non-governmental representatives to join the national committees preparing those reports. The process of preparing the reports and the Habitat II action plan is conducted in the spirit of fostering civic engagement and partnerships through transparency, accountability and dissemination of useful information to all groups.

## Best practices

The second way that Habitat II contributes to good governance is by identifying and promoting examples of "best practices". These include success stories on local efforts to tackle problems of governance. By showcasing such models and using them to inform debates over the future and opportunities of cities, the Habitat II process will help participants learn how governance has already been improved.

For example, Habitat II "best practices" have shown how partnerships, involving participation of local communities with federal Governments, can improve public housing and reduce the cost of government subsidies. In

Brazil, the Government has launched the Mutirao programme, which provides funding for the purchase of building materials. Money is supplied to a fund managed by the community. Members of the community use the money to construct new houses, which are then allocated. A monthly charge, set at a few per cent of the minimum monthly wage, is then paid by the dwellers, for a fixed period, back to the community fund. As the community fund is replenished, more houses are built; more than 11,000 have been constructed so far. Because the labour is free and monthly charges repay about 50 per cent of the value of their subsidy back to the community fund, the cost of this government-subsidized housing project is extremely low.

Other "best practices" illustrate how public laws and programmes can catalyze individuals and communities to solve pressing urban problems. In 1988, the Philippines Government launched a Community Mortgage Programme to help poor urban households acquire title to the land they occupy and, develop the site and their housing in "depressed" areas. The programme focused on assisting the poorest 30 per cent of households, especially those living illegally on land. Loans are provided through the programme to allow community associations to acquire land on behalf of their members, improve the site, develop individual titling of the land and provide individual housing loans for home improvement or house construction.

To acquire loans, residents are required to organize themselves into a community association responsible for collecting repayments and ensuring that the loan continues to be serviced. The land is purchased on behalf of the members and initially remains under the common ownership of the association. It is the association that is responsible for collecting monthly rentals and amortization from member beneficiaries until the community loan has been individualized. Community-based organizations, NGOs and municipal governments can take out loans and provide assistance in organizing member-beneficiaries and informing them about loan availability. More than 40,000 households have been assisted by this programme.

An essential part of the programme is that either a government agency, a local government, a community organization or an NGO acts as an intermediary, helping the residents form an association and supporting them while they negotiate for official title to the land, apply and secure the land and begin site development and the financial operation of the loan. The programme illustrates that participation of non-governmental organizations is often essential to solving public problems. In fact, many of the most innovative housing credit systems now provided by Governments began with the experience of NGO staff who were brought into government to improve low-income housing strategies and programmes.

In addition to "best practices", participants in the Habitat II process are also focusing on many problems that are common to cities. These include the enormous effect of government intervention on the cost of housing and the responsiveness of the building sector to shifts in public needs. For example, a World Bank study compared the dramatic differences in the supply of housing in the Republic of Korea, Malaysia and Thailand. It concluded that the complexity of law and regulation as well as the stringency of enforcement accounted for the differences among the countries. In the mid- to late 1980s, developers in Malaysia were required to satisfy 55 different steps of a regulatory process that might take them five to seven years before they could deliver their products to the market. By contrast, in Bangkok, the entire process of seeking approval for subdivision, building and land titling takes approximately 100 days. This is reflected in striking differences in housing affordability, measured by house-price-to-income ratios, among the three countries.

Habitat II will be a forum at which the principles of good governance can be debated, and where "best practices" of good governance can be shared so that participants in urban governance can learn what has worked best elsewhere. It is an effort to spread the ideas for good urban governance worldwide and, in doing so, to improve governance everywhere.