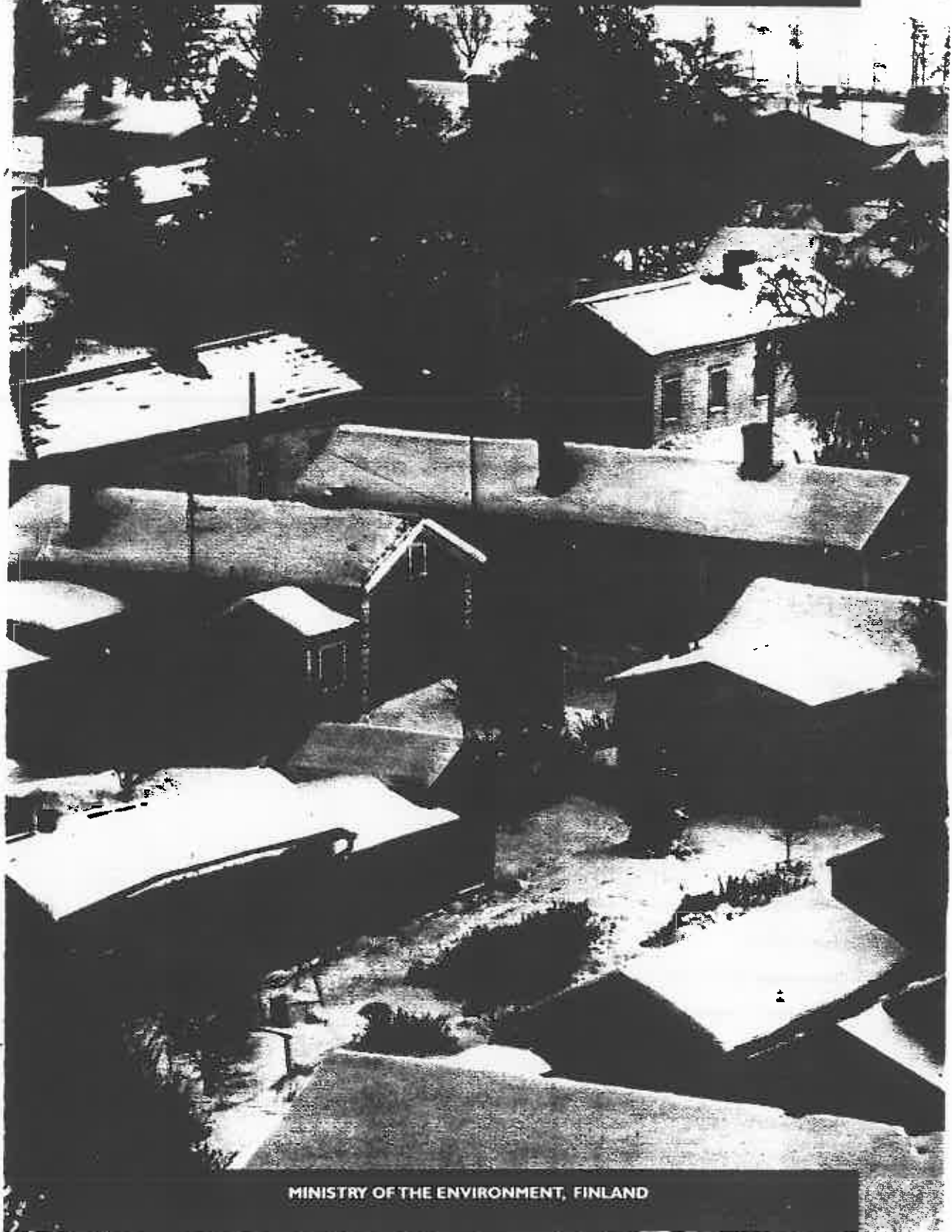


# SUSTAINABILITY AS A CHALLENGE

FINLAND'S NATIONAL REPORT TO  
THE SECOND UNITED NATIONS CONFERENCE ON HUMAN SETTLEMENTS (HABITAT II)



MINISTRY OF THE ENVIRONMENT, FINLAND

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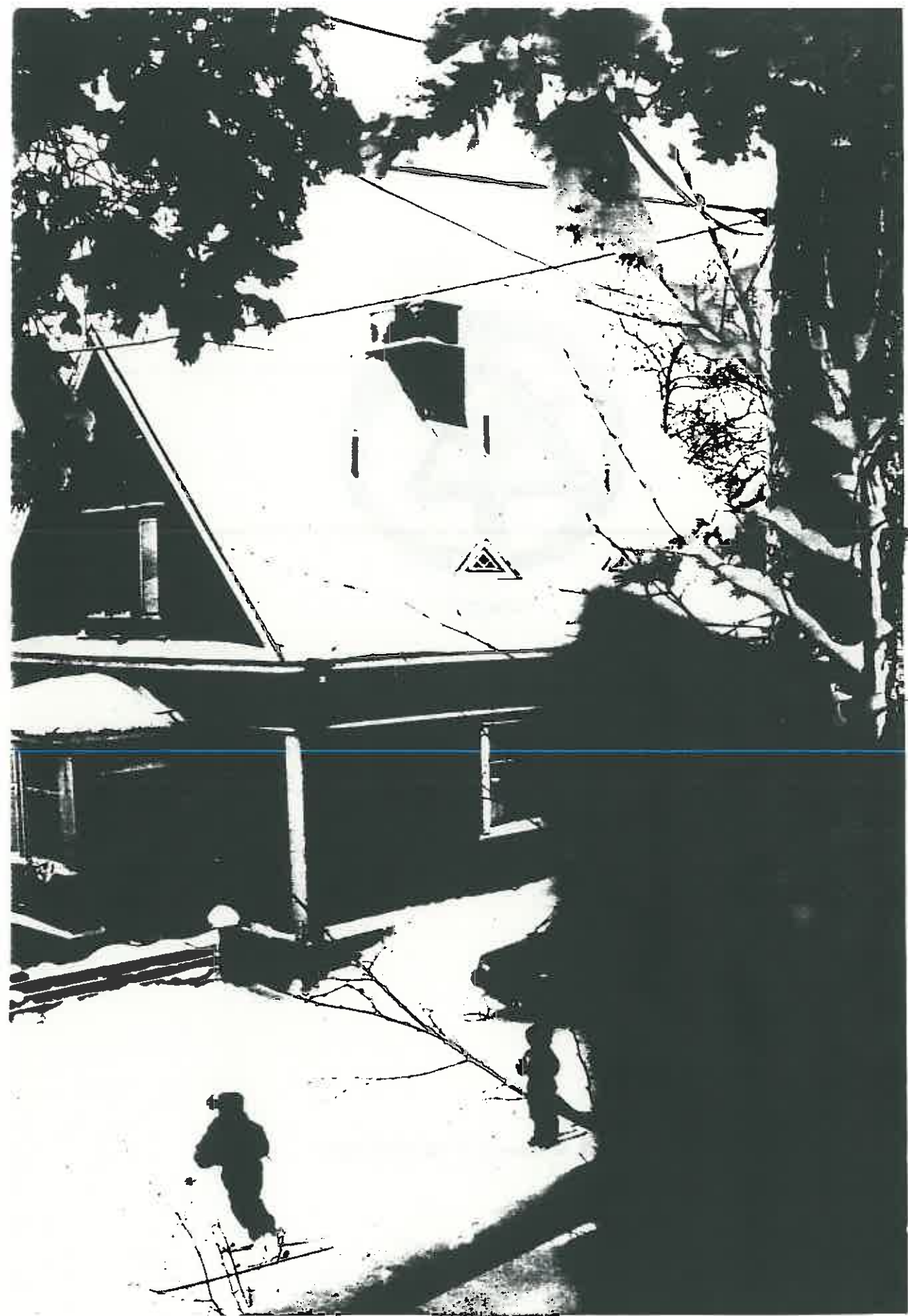
HABITAT II

# SUSTAINABILITY AS A CHALLENGE

FINLAND'S NATIONAL REPORT  
TO THE SECOND UNITED NATIONS  
CONFERENCE ON HUMAN SETTLEMENTS



MINISTRY OF THE ENVIRONMENT





Corilla, M



## INTRODUCTION

This national report by Finland for the UN Habitat II Conference has been divided according to the two main themes of the conference: 'Sustainable Human Settlements Development in an Urbanizing World' and 'Adequate Shelter for All'. It emphasizes the link with practical implementation: in addition to descriptions of the current situation, problems and achievements, it aims to define main areas for future action.

In Finland, these issues are of particular interest at the moment. The new Government, which took office after the parliamentary elections in March 1995, included in its programme explicit reference to the need for an urban policy. Shelter policies have also been under substantial review for the past few years in order to meet the requirements of the changed demographic, social, economic and political situations.

It has therefore been possible to combine the preparation of this report with some ongoing or recently completed work. The Ministry of the Environment's urban policy (1995) and the first-phase report of the Association of Finnish Local Authorities' urban programme (1996) were used, among others, in order to avoid overlap. In June 1995, the new Government established a task force entrusted with the task of preparing recommendations for the Government's new urban policy. The previous Government issued a white paper on housing in 1994. Work on the Government's strategic lines of action in the housing sector has been under way for the past few months.

The Finnish Habitat II report has been prepared in collaboration with the task forces and committees responsible



## INTRODUCTION

for this work. In addition to strengthening the general momentum related to these issues, the work on the Habitat II report has contributed to the policy development process, especially as regards environmental aspects of urban development, long-term perspectives of shelter policies and the further development of shelter indicators. The findings and recommendations of the National Report will now be fed back into the said processes.

The National Report was prepared within the Ministry of the Environment under the guidance of the Minister of the Environment, who also has development cooperation in his portfolio, and the Minister of Social Welfare and Health who has housing in her portfolio. The draft report was then submitted for review by the National Commission on Sustainable Development. The Commission is chaired by the Prime Minister and draws its members from the Cabinet, other high-level political bodies, administration and local authorities and from among the key stakeholders, of society. Concurrently it was presented to the members of the Parliament Committee on the Environment (in charge of housing as well). The NGOs also participated in the preparation of the report, which was distributed to more than 400 NGOs and discussed at a Habitat II NGO seminar. The report was then finalized on the basis of feedback thus received.

The report is organized under three parts:  
**Sustainable Urban Development**  
**Adequate shelter for all**  
**International Cooperation.**

At the end of Parts I and II, critical policy issues are identified and main lines of action are defined.  
Part III also includes policy statements.



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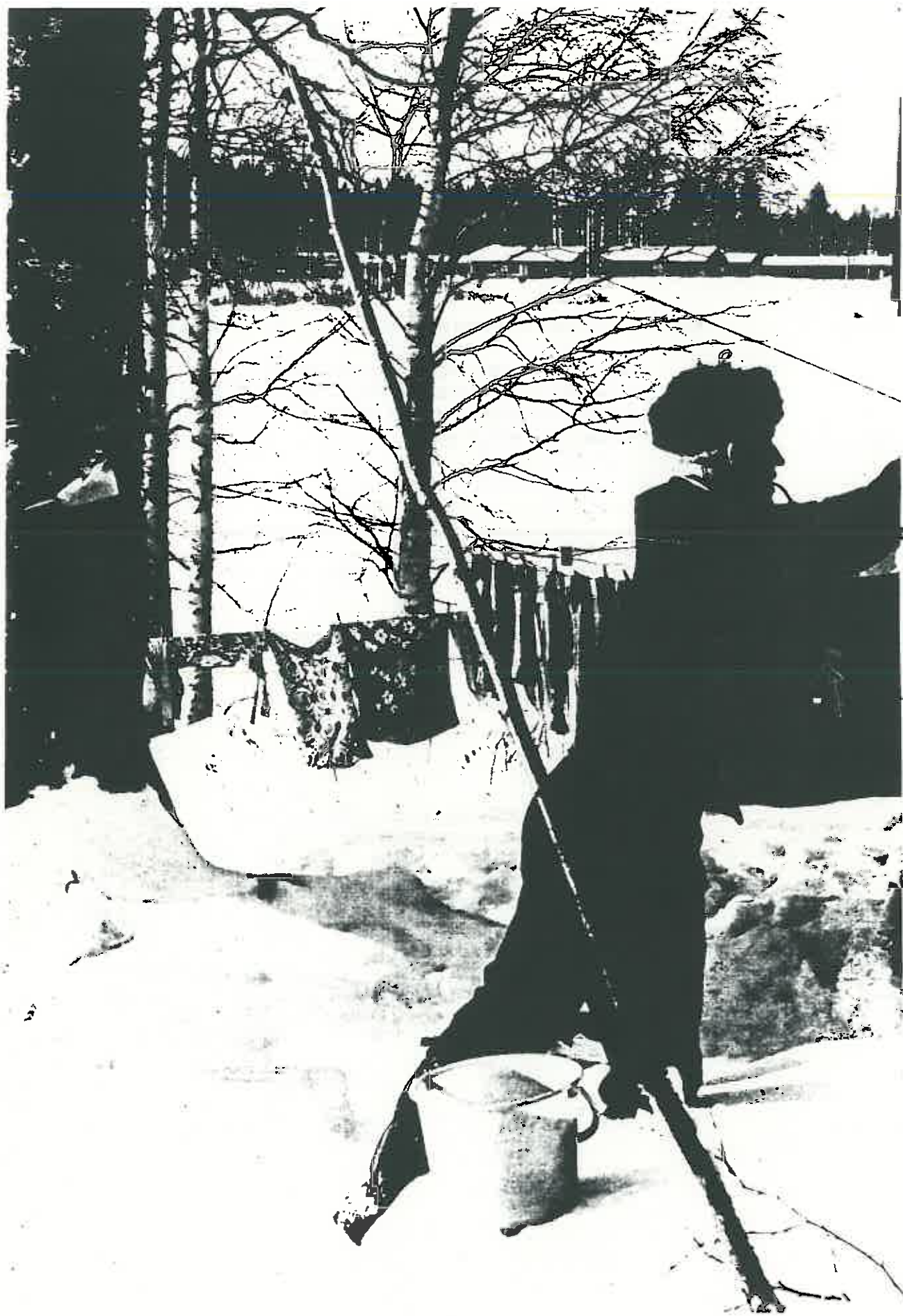
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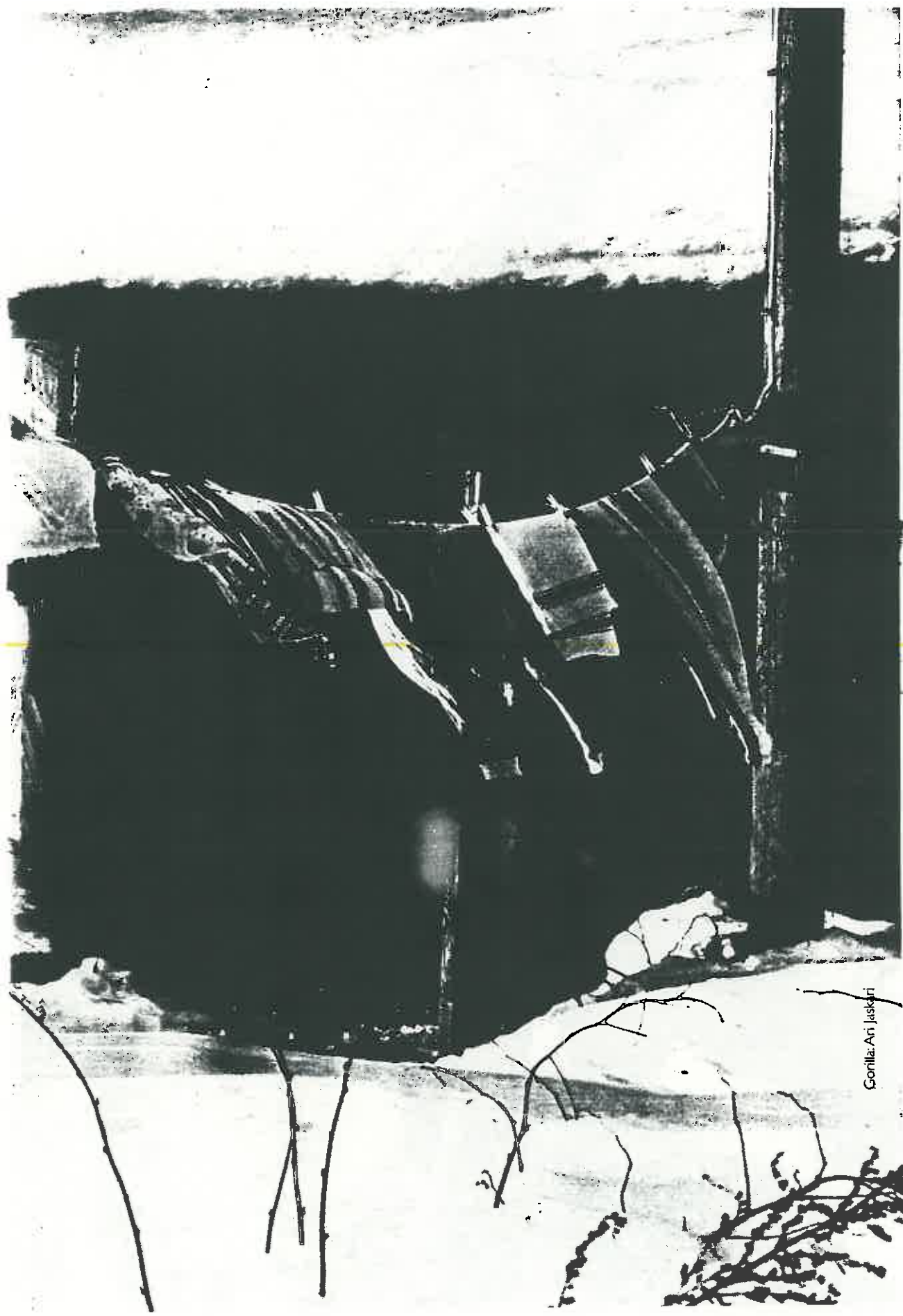


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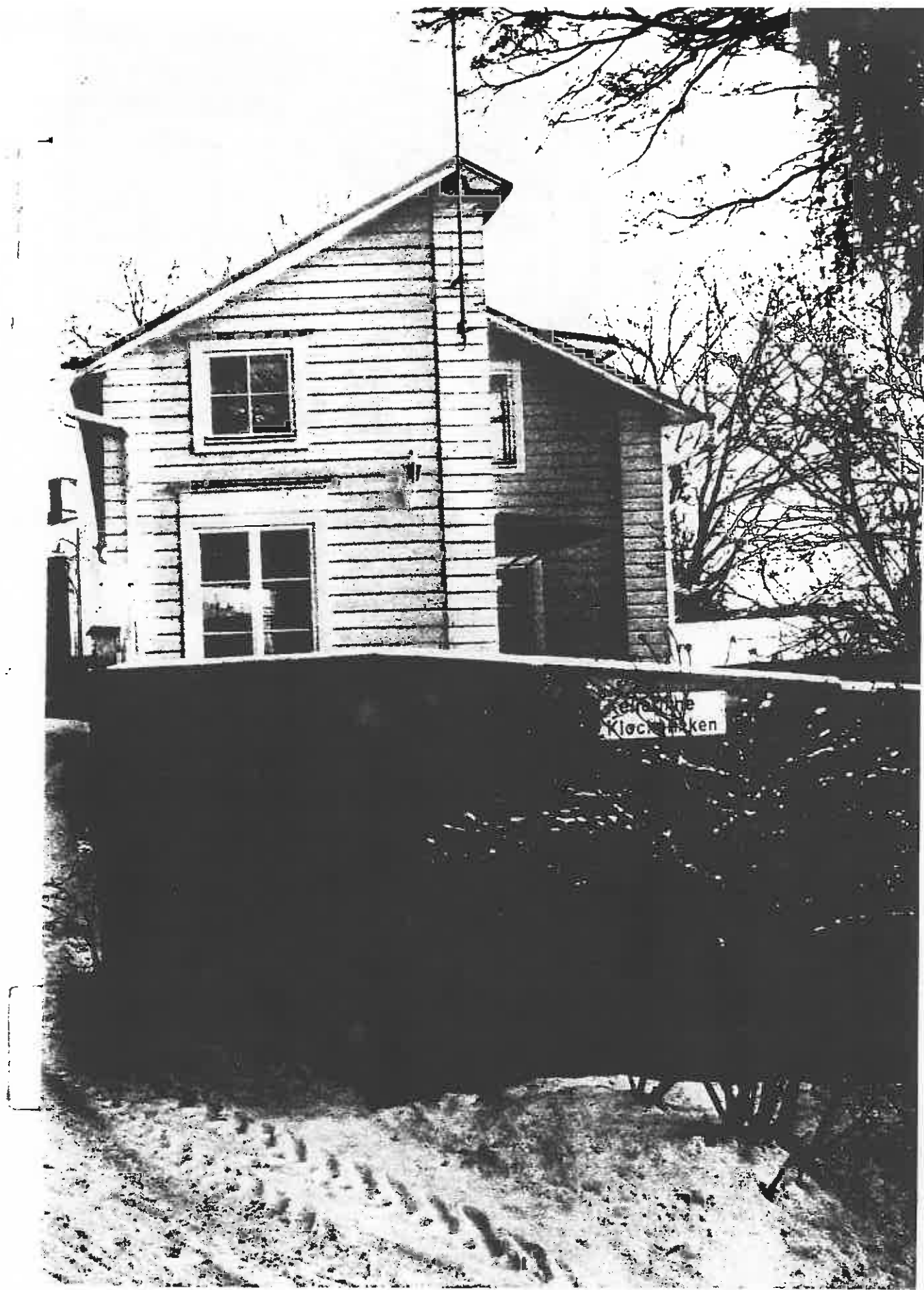
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Gonilla: Ari Jaskari



Kellerei  
Klöckchen

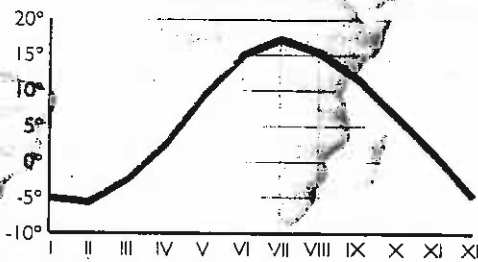
Gorilla. Päivi Valttonen







MEAN TEMPERATURE IN SOUTHERN FINLAND, 1951-99



### FINLAND IN FIGURES

Finland has been a sovereign parliamentary republic since 1917. In 1995, Finland became a member of the European Union.

Finland is one of Europe's largest countries, covering 338,000 km<sup>2</sup>.

One third of Finland lies north of the Arctic Circle. Forests, mainly pine and spruce, cover 69% of the country.

The population is 5 million, with a labour force of 2.5 million, of which 53% are men and 47% women. Population growth is low, as is the number of foreigners.

A typical Finnish family has 1-2 children. The average household size is 2.4 people. Life expectancy is 75 years and the proportion of old people is increasing.

Half of all Finns live in single-family houses, 34% in apartment blocks and 13% in row houses.

Finland has two official languages: 93% of the population speak Finnish as their first language, while 6% speak Swedish.

Half of the population have completed at least secondary education and 14% have a university degree or the equivalent.

The main export sectors are metal and engineering, paper and pulp, timber, chemicals and textiles.





# I FINNISH TOWNS AND CITIES - WHAT ARE THEY LIKE?

## 1.1 Small and democratically governed cities

Finland's urbanization cannot be studied in isolation from the special features of the country at large. By European standards, Finland is a rather sparsely populated country, with fairly small cities located far from each other.

The cold climate affects how Finnish cities are built, as well as their energy use and communications systems. In Finland, a great deal of energy is needed for heating and lighting, houses are very well insulated and throughout this century, Finland has had one of the densest telephone networks in the world.

Finland is a Nordic welfare state with exceptionally extensive public services of a very high standard. These services are mainly produced by local authorities.

The Finnish administrative system, like that of the other Nordic countries, is based on a long tradition of local government. Much of the power is decentralized to independent and strong local authorities, and a considerable number of Finns play a direct role in the decision-making of local governments. The extent of this decentralization is also reflected in the high number of municipalities (approximately 455).

The tradition of democratic government is strong. Universal and equal suffrage for all women and men was introduced in Finland in 1906. At the moment, 34% of the members of the Finnish Parliament are women, and 39% of Finnish ministers. Also, about 24.5% of the members of municipal executive boards and 30% of those of municipal councils are women. Women's educational standards are at a very high level and a majority participate in working life. A gender-based division of labour is, however, in evidence in local politics: men still make the decisions in matters concerning planning, construction and economy.

## 1.2 Rapid urban growth

Compared with developments in Europe at large, urbanization in Finland was slow and late in beginning. As recently as 1950, only 33% of all Finns lived in cities. By 1960, that figure had gone up to 38%, or 67% in urban regions. From then on, developments have been extremely rapid. By now, about 70% of the Finnish population live in urban municipalities, while about 80% live in urban regions. (This definition of an urban region also includes the more sparsely populated areas



(peripheral municipalities) surrounding cities (core municipalities) when the former are part of the same employment area as the latter.) After some slower periods, urbanization has again speeded up in the 1990s, and looks likely to continue.

The developments within urban regions described above also apply to the growth of their centres, or 'core municipalities': these also grew fastest in the 1960s and 1990s. By now, 65% of all Finns in towns live in these core municipalities.

Finnish cities are fairly evenly distributed geographically. In 1994, the population of the Helsinki metropolitan area (in the narrowest sense) amounted to 17% of the population as a whole, and 30% of the urban population. Urban growth is not equal in all urban regions, however. At the moment, for instance, the population of old industrial centres is declining, while that of major diversified and internationally oriented centres and regional centres is increasing.

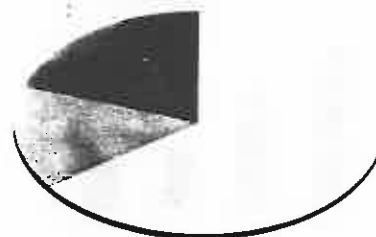
Urban regions differ from the rest of Finland in terms of a number of demographic indicators. The population structure of the core municipalities, especially, is more one-sided than elsewhere: the ratio of people living alone or without families is higher, but on the other hand the population is generally younger. There are relatively few children and young families in urban regions, and families with children tend to live in peripheral municipalities. Urban regions generally also have a higher proportion of highly educated people than the rest of the

TOTAL MUNICIPAL SECTOR INCOME  
Estimate for 1996



- Tax revenues • 45%, FIM 61 billion
- State subsidies • 23%, FIM 31 billion
- Fees and sales revenues 17%, FIM 24 billion
- Loans 2% • FIM 2 billion
- Other income 13% • FIM 18 billion

TOTAL MUNICIPAL SECTOR EXPENDITURE  
Estimate for 1996

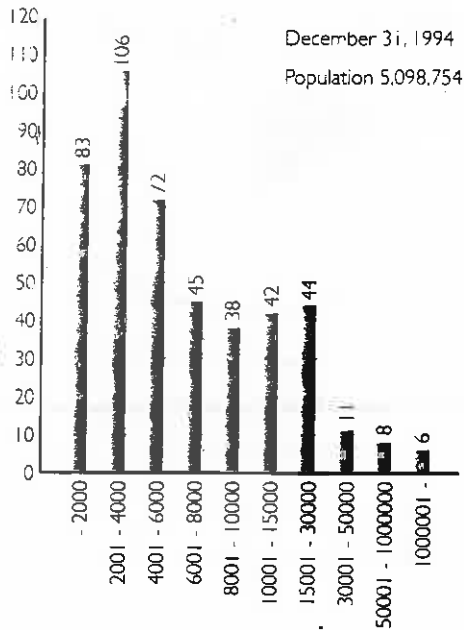


- Social welfare and health care 42%, FIM 57 billion
- Education and culture 23%, FIM 31 billion
- Other operating expenditures 15%, FIM 20 billion
- Financial expenditure 13%, FIM 18 billion
- Investment expenditure 7%, FIM 10 billion

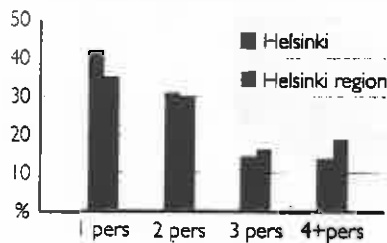


## SUSTAINABLE URBAN DEVELOPMENT

### MUNICIPALITIES BY POPULATION



### HOUSEHOLDS BY SIZE IN THE HELSINKI REGION, 1990



country. Well-educated people tend to gravitate towards the core municipalities. Education is a factor which increases a willingness to move, with students being the biggest group moving to cities. One worrying feature for the core municipalities is that immigration has increased their unemployment rate. It appears that unemployed people from peripheral municipalities have also moved to the core municipalities.

At present, the forces which have always moulded urbanization in Finland are in a transitional stage. Industry has become automated and no longer offers as many jobs. Nevertheless, companies are still attracted to cities by the synergy and competitive advantages of geographical proximity. Diversified, internationally oriented population centres have best weathered the recession in the early 1990s. This may also be a self-perpetuating trend: culture and business life make use of an increasingly varied population structure as a resource, thus further increasing the attraction of such urban centres. Finland's accession to the EU has also contributed to this process.

### FINNISH HOMES AND THE INFORMATION HIGHWAY

	Finland	France	USA	Japan
Television licences / 1000 people (1991)	350	407	814	613
Telephone connections / 1000 people (1991)	540	510	515	451
Newspaper subscriptions / 1000 people (1991)	547	208	249	587
Households with PCs (1991)	26%	15%	39%	10%



### 1.3 Close links with nature

Administratively speaking, 104 of Finland's municipalities are considered cities. Nevertheless, this classification is to some extent haphazard. Individual municipalities are also often too small to be the subject of operational studies or to be a focus for development policy. There are also urban municipalities which are encircled by a rural municipality, with the two local authorities making up a functional whole. In the Helsinki region, the three largest cities in Finland and one smaller city are, in many ways, a unified metropolitan area, surrounded by a constantly expanding commuter belt in nearby peripheral municipalities.

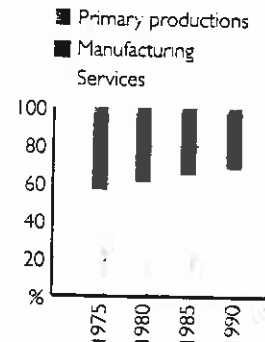
Cities can also be defined according to the occupations of the people who live in them. The role played by industry has declined steadily, compared with the service sector. A small part of the urban dwellers still work in primary production.

A third aspect of city life is culture. Culture is highly regarded in Finland, and buildings designed for culture and services are of a high standard. A great deal is invested in schools, libraries, cultural centres and similar facilities.

Finland's older urban traditions reflect the history of Finnish cities and deserve recognition as part of the country's general cultural heritage. These traditions are exemplified in the goods at covered markets and open marketplaces, special culinary traditions and regional accents specific to certain cities.

Nevertheless, urban traditions in

**ECONOMIC STRUCTURE OF URBAN REGIONS, 1975-1990**



Finland are, generally speaking, scant and very recent. Finnish people appreciate a living environment which provides them with plenty of space, proximity to nature and familiar sights, all values connected with a rural environment. Although most Finns live in cities by now, many people still feel their roots are in the country. A real urban lifestyle is only now coming into existence among the Finnish population at large, as the generation born to city life make themselves at home there.

The built urban environment in Finland is also relatively recent, due to the small size of old cities, but also, in part, to other factors, such as the durability of building materials; the use of timber has always been widespread.

In the 19th century, increasing urbanization coincided with Finland's efforts to define its own identity and to become an independent state. In the early part of this century, the urban identity of this rising nation began to crystallize in the shape of new architectural styles, first



## SUSTAINABLE URBAN DEVELOPMENT

Finnish National Romanticism, based on Art Nouveau, and then Functionalism.

Urbanization was strongly associated with modernity, a fact long evident in the tendency to favour new building at the expense of preserving and renovating old buildings and environments.

### 1.4 Spacious, modern, socially integrated cities

During the last half-century, two significant migration movements have taken place in Finland: the movement of displaced persons during and after the Second World War, and the urbanization movement which began in the 1960s. In the first migration movement, about 10% of the population moved from ceded territories to other parts of Finland. The second migration movement was caused by changes in the economic structure: forestry and agriculture could no longer

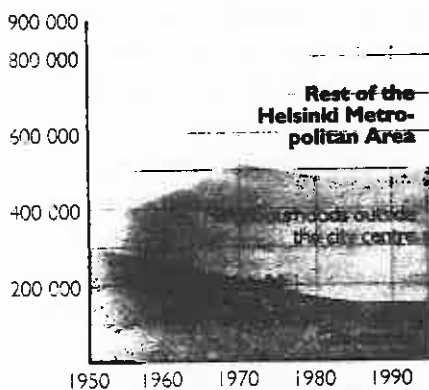
offer as many jobs as before, while industry and services in urban areas were expanding rapidly.

The migrating people needed new housing in the areas they moved to. This enabled Finnish housing construction to remain at a high level for years, and much of the Finnish housing stock is relatively young. During the urbanization wave, new housing was mainly built in neighbourhood units separate from the older parts of town and consisting mostly of high-rise housing. There are now about one million people living in these neighbourhoods, i.e. about one third of the urban population and one fifth of Finland's total population. Since the mid-1970s, the proportion of low-rise construction has also increased (see Part II). With new building, the quality of housing and per capita living space have risen fairly quickly, especially with the increase in building renovation in recent years.

The densities of Finnish cities are very low. The population density in built-up areas averages 530 people per sq km, compared with about 1,650 people per sq km in Sweden and Norway. The same difference applies to the biggest cities; Helsinki has a population density of 2,700/sq km, Stockholm has 3,600/sq km and Copenhagen has about 5,500/sq km. The difference in statistical methods makes it difficult to compare these figures with cities elsewhere in Europe, however.

A notable feature of Finnish cities as a living environment is the low degree of social segregation. Studies carried out in Helsinki, for instance, show that the city's

**CHANGES IN POPULATION FIGURES  
IN THE HELSINKI METROPOLITAN AREA,  
1950-95**





social balance was very good in 1990. While few areas were considered average in status in 1960, low-status areas have since tended to rise towards the average level, while high-status areas have also come closer to it. The same trend can be seen in other Finnish cities. One tangible result is that there are no areas in Finland which could be classified as slums. The economic recession that the country suffered in the early 1990s may however, have changed the situation for the worse (see section 2.1).

In international comparison, there are few traditional stone-built urban centres in Finland. The garden city ideal which was once used as a model for planning the new neighbourhood units did not quite correspond to the Finnish reality, which even in urban areas largely comprised low-rise and low-density housing. In fact, the approach introduced in the 1960s was primarily aimed at coping with a rapid increase in housing need in urban areas. New Finnish neighbourhood units differ from the housing estates in other countries in that they are fairly small and scattered about the outer perimeters of towns. Although the building stock is dominated by blocks of flats, the population density over the whole area is often no higher than in a densely built area of low-rise housing. Thus, the fall in population density in Finland has been caused both by a general increase in per capita living space and generous land use. The most recent development is rapid growth of the partly planned and partly haphazardly growing built areas of single-family housing on the

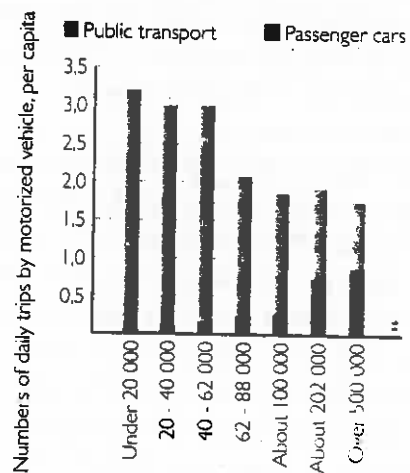
outskirts of towns, which are now spreading into the surrounding countryside.

The infrastructure of Finnish cities is comprehensive in coverage, high in standard and relatively new. In 1994, 86% of Finland's population had access to municipal water supply, 78% were connected to the municipal sewer system and 77% lived in areas with waste water treatment. By this time, infrastructure 'blind spots' are mainly limited to sparsely populated rural areas and holiday homes on sea and lake shores.

### 1.5 Ease of communication

The road and street network in Finnish cities is also of a high standard. The cities are furthermore connected by a safe

**MODAL SPLIT AND DAILY PER CAPITA VOLUME OF VEHICULAR TRAFFIC IN TOWNS AND CITIES BY SIZE OF AREA, 1992**





## SUSTAINABLE URBAN DEVELOPMENT

nationwide network of main roads with a high traffic-handling capacity.

About one third of Finland's total transport is within urban areas. There has been a substantial increase in private car and lorry traffic, distributed almost equally between cities and the national highways. The constant increase in heavy goods traffic places a strain on the system of urban traffic arteries and causes disturbance in other urban functions, such as housing and leisure activities.

In Finland, 80% of all use of public transport is in urban areas. The public transport systems of the largest towns are of a high standard internationally speaking, and the Helsinki public transport system's utilization rate is especially high.

Proportionally, the role played by public transport in individual transportation has decreased steadily: while 55% of all passenger trips by motorized vehicle in the 1960s were made by public transport, the figure was only some 20% in the early 1990s. This decrease was, however, only 15% in the Helsinki region. In general, the smaller the town, the more people rely on private cars. Moreover, a clear majority of the users of public transport are women.

The role played by light traffic has also declined steadily. For instance, in Oulu, the decrease was 29% in the period 1962-1989, while traffic by private car went up by 31% in the same period. At present, light traffic accounts for about 20% of all trips, but only 3% of person kilometres. However, cycle networks in cities have improved considerably in recent years. Extending

them into city centres has proved to be the most difficult aspect; nevertheless, both cycleways and pedestrian precincts are now being established there.

Finland has a highly developed electronic communications system. The telephone network is especially dense, with one of the highest mobile phone concentrations in the world.

### **1.6 Good quality infrastructure has improved the urban environment**

As noted above, the standard of the infrastructure in Finland is high. As a result, basic health problems related to the living environment have been eliminated.

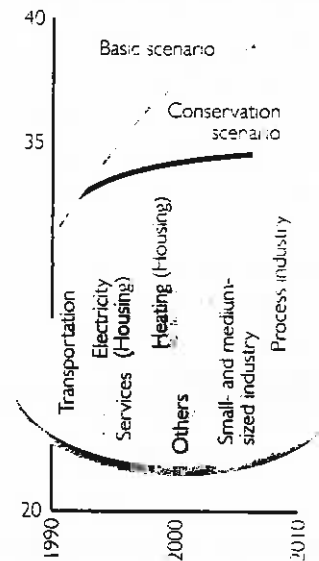
Rapid structural change in the post-war period had a negative effect on the general state of the environment in human settlements, however. Initially, attention focused on water pollution, and particularly industrial discharges, but also on municipal waste water. Achievements have been considerable. Municipal emissions of volatile organic compounds fell by 81% between 1970-1990 (93% for industry). Municipal phosphorus emissions have gone down by 86% since 1970. During the same period, industrial production more than doubled and the number of households connected to sewer systems went up by nearly 60%, from 2.44 million to 3.8 million inhabitants. In the case of nitrogen, developments have not been as favourable: although emissions from industry have gone down by a quarter since 1988, municipal emissions

remain the same.

Based on data on water quality, four fifths of the lakes and shores in Finland are now of excellent or good quality, while only 3.3% are passable or bad. The surface area of waters classified as passable or bad went down by about a quarter in the period 1985-1990. Yet there are still problems with waste water treatment capacity, as is indicated by the fact that the worst water areas are in the same place as most of the population, i.e. the cities. The 'high chimney' policy exercised by municipalities (building high chimneys and long sewage outlet pipes so that residual emissions and effluent are conducted farther away) has also created a situation where cities are gradually polluting uncontaminated natural areas, while their immediate surroundings become cleaner. The systems for monitoring the state of water bodies and pollution loads are by now very well organized.

Waste disposal causes no health hazards to the population, but its volume continues to be a problem. About 80-90 million tonnes of waste are generated annually, 96% originating from the manufacturing industry. In 1989, the volume of municipal waste deposited in landfills was estimated at about 3.1 million tonnes, with household waste accounting for about 1.3 million tonnes. Only one third of this total came from residential properties. The remainder came from commercial and industrial properties or from demolition sites. Municipal waste management has improved significantly in recent years, especially where

**CONSUMPTION OF PRIMARY ENERGY BY SECTOR, Mtoe/year**



intermunicipal cooperation and recycling are concerned.

Out of total energy consumption in Finland, about half is used in human settlements for traffic, heating for buildings and electricity.

The energy efficiency of buildings has always been a focus for attention. The issue took on even more emphasis in the 1970s, following the increase in oil prices. The energy consumption of buildings was then successfully lowered thanks to renovation subsidies and grants and by devising new technical solutions for building. Measures designed solely to promote energy conservation proved a problem, however, as they tended to cause a deterioration in indoor air quality. Recently, damage from mould has also been found in buildings



renovated or built during that period.

The efficiency of municipal energy supply has been considerably improved through technologies based on co-generation of heat and electricity, and comprehensive district heating networks. The efficiency of energy supplied by plants generating both heat and electricity has been raised to over 80%. At present, 45% of Finnish buildings, and 91% of all heated buildings in Helsinki, are served by district heating networks. About 70% of all heating is co-generated. Countrywide, it is almost impossible to increase these figures much more, due to the high proportion of

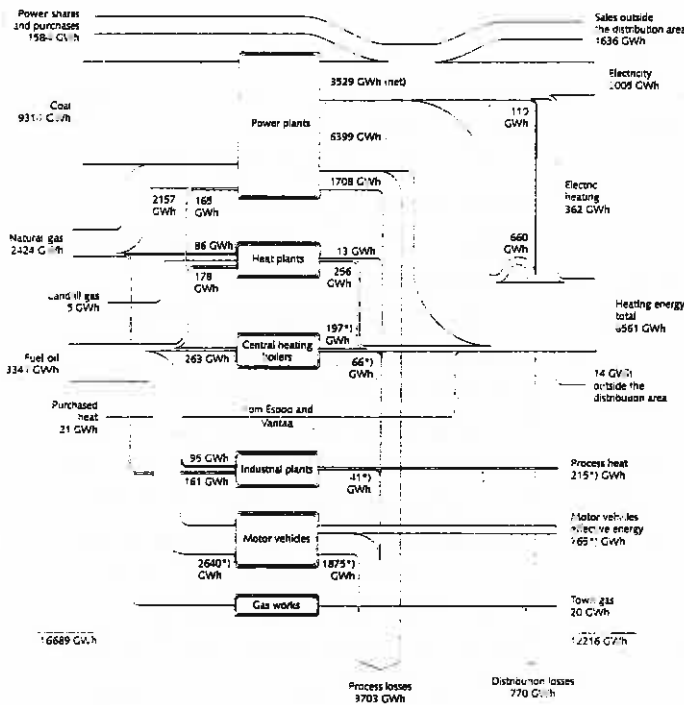
sparsely populated areas. Extensive information campaigns have also been used in the drive to cut down energy consumption. In the 1970s, experiments on the development of alternative sources of energy began.

As the energy needed by cities is generated centrally by plants producing both electricity and heating, and waste incineration by individual properties has been stopped, urban air quality has improved noticeably. Sulphur dioxide emissions took a downward turn as early as 1973. Finland's aim in cutting sulphur dioxide emissions has been very ambitious,

yet the target of a 80% reduction adopted for the period 1980-2000 was achieved as early as in 1994. Attempts to decrease nitrogen dioxide emissions have not been as successful, however, with emissions from traffic accounting for two thirds. Attempts to reduce emissions of carbon dioxide have not had the desired effect, either.

The air quality of the Helsinki area is now monitored on an hourly basis and information is given by local radio stations. A baseline study of air quality has also been carried out in many municipalities, and a wide network of monitoring stations has been established.

### Energy Balance 1995 for Helsinki



Energy efficiency in Helsinki =  $12216 : 16689 = 0,73$   
 Efficiency of the Helsinki Energy =  $0,79$   
 Gross efficiency of the Helsinki Energy own production =  $0,89$

\* Figures estimated.

## 2 CHALLENGES AND OPPORTUNITIES FOR URBAN DEVELOPMENT

### 2.1 Unemployment has come to the cities

Today the greatest threat to positive trends in urban development is persistent mass unemployment. Urban municipalities lost more jobs during the recession than other municipalities, because of the great slump in the building industry and private service sector.

In urban regions, employment trends in the core municipalities have been more alarming than those in the peripheral municipalities. However, there are no clear differences between trends in different types of urban regions. The gradual improvement in the employment situation since 1994 has created new jobs, mainly in industry, and particularly the metal and engineering industry. Employment in the service sector is growing, but more slowly.

Since the employment situation declined at much the same rate everywhere, the absolute number of unemployed people increased the most in major cities. The most drastic change took place in those cities which had virtually no unemployment at the beginning of the decade. The change in the regional distribution of unemployment is illustrated by the fact that the percentage of the unemployed accounted for by the major

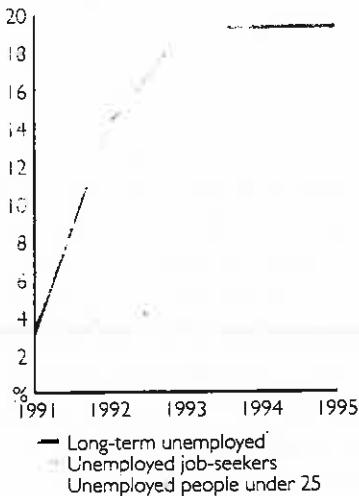
cities - the Helsinki area, Tampere and Turku - went up in four years from 13% to 24%. Long-term unemployment has also gone up most in the larger cities, most of all in Helsinki. In the worst-off cities, 35-40% of all unemployed people have been out of work for at least a year. As urban unemployment skyrocketed, labour policy measures lagged behind. Although such measures have recently focused on population centres, they are still inadequate and disproportionate to the number of unemployed.

Widespread and often long-term unemployment and subsistence problems have created a risk of a new type of exclusion in cities. In terms of sheer numbers, it affects more people than in rural municipalities. Income support is most common in cities, and people rely on it for their livelihood for longer periods in cities than in the countryside. In cities, exclusion also takes on new forms, with problems, such as increased violence towards women, accumulating for both individuals and families. The increase in family problems is indicated not just by the need for child welfare, but by the higher number of clients in statutory child guidance and family counselling, especially in so-called peripheral municipalities in urban regions.



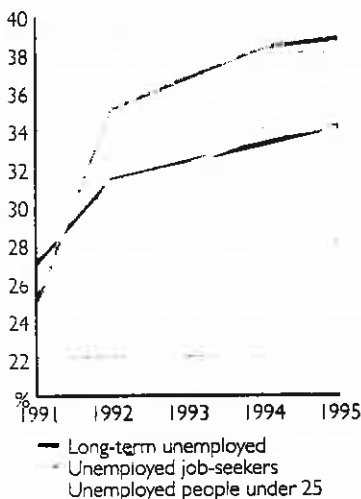
## SUSTAINABLE URBAN DEVELOPMENT

**UNEMPLOYMENT IN THE HELSINKI METROPOLITAN AREA, OF TOTAL UNEMPLOYMENT, 1991-95**



The concentration of unemployment in specific areas within cities constitutes a special threat. It was noted above that differences between residential areas in Finland in terms of socio-economic status are slight. Surveys have shown, however, that unemployment has risen to an exceptionally high level in certain neighbourhoods. Research findings also indicate that exclusion may be a significant problem in certain small- and medium-sized towns, where small neighbourhood units were built in the 1970s on State-subsidized housing finance. The gradual decline in company-owned housing for employees may have sparked a crisis in these areas, which has then been worsened by the recession. The same process may now be taking place in some peripheral neighbourhoods of larger cities, too.

**UNEMPLOYMENT IN THE TEN BIGGEST FINNISH CITIES, OF TOTAL UNEMPLOYMENT, 1991-95**



Other possible threats include a growing gap between high and low incomes and increasing socio-economic segregation, especially if these trends emerge simultaneously with cuts in welfare services or the introduction of marketplace competition or patient fees for these services. At worst, this process could undermine the principle of equal opportunities for all which has so far been followed in Finnish society.

The ageing of the population also requires attention. At the moment, a much smaller proportion of elderly people are in institutional care in cities than in the rest of the country. As the population ages, the number of elderly people increases more in cities, even though the age structure of

cities will remain younger than that of the Finnish population in general. However, this trend is not likely to be the same everywhere. The difficulties faced by major industrial centres are also discernible in their age structure, in that the number of people under 35 has fallen much faster than the average for the whole country, and this trend is expected to continue.

The economic problems of the public sector are reflected in the social sector. Particularly, institutional care has had to be cut to some extent, and savings have been an aim in all areas. Meanwhile, it has not been possible to expand out-patient care to compensate for these cuts. Nevertheless, creative new solutions have also been found during and after the recession. In recent years, measures such as youth workshops and new co-operatives for the unemployed have flourished.

## 2.2 Uneven economic development

In Finland, as elsewhere, cities are engines of the economy. Of all the jobs in Finland 66% are found in urban municipalities. Urban regions account for about four fifths of GDP. Companies in cities have been at the forefront of internationalization. Not all urban regions have recovered since the recession as expected, however, and regional differences in economic growth and productivity have grown in the first half of the 1990s.

The structural adjustment of industry

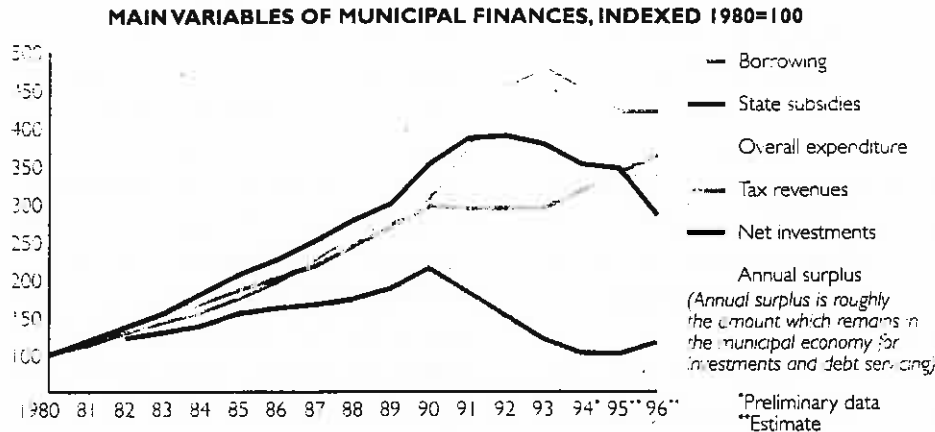
seems to be continuing, with profound implications for the economic base of cities. Urban regions which played a key role in the international success of the Finnish telecommunications, forestry energy, metal and engineering industry have weathered the recession better than others. It is worrying, however, that a number of the biggest urban regions are among the least successful, however. Industrial competitiveness has also grown more slowly than average in urban regions which depend on domestic market demand.

The crisis in the public finance has had an impact on the outlook for cities. The economies of the core municipalities took the hardest blows during the recession. Local tax revenues fell the most in these municipalities, which responded by raising the local tax rate. Real estate tax was a source of significant additional resources. The fact that the child tax deduction and single parents' tax deduction were abolished in 1994 also increased the income of municipalities. Municipal tax revenues have in fact grown rapidly since the recession, yet there was very little real growth in the tax base in 1990-1994. The bill is footed by local people, especially families with children, in the form of higher taxes.

The role played by transfer from central government and fiscal revenues in total municipal income varies considerably from one municipality to the next. In core municipalities, government transfers usually make up about one third of financing, and the financial position of



## SUSTAINABLE URBAN DEVELOPMENT



these municipalities was still solid before the economic recession of 1991-93. According to all indicators for municipal economies, their position deteriorated in 1994 because of the 1993 reform in the State subsidy system.

Urban economies also have expenses which rural municipalities do not have, including the maintenance of roads and public transport. While expenditure on the road and street network is FIM 800-900 per capita p.a. in bigger municipalities, it is FIM 200-300 in smaller municipalities. The reason is that the government maintains national and regional roads, while the municipality takes care of local streets and roads in planned areas. Public transport expenditure is also concentrated in the cities. Furthermore, similar differences exist in expenditures on day-care, income support and other government services.

Urban regions will face three crucial economic challenges at the end of the 1990s: (i) adapting the closed sector to new production methods; (ii) maintaining

the competitiveness of existing industry and service provision; and (iii) creating new production based on information technology.

New opportunities are also generated by Finland's EU membership. Previously, the competitiveness of companies was essentially dependent on macro-level political decisions. Now that Finland has joined the EU, the role of regions in creating the prerequisites for development and growth is vital. In addition to businesses, regional economies are now also competing on the international market. The role of the Helsinki region as the only internationally important information-intensive metropolitan area in Finland should be re-assessed.

The new status of eastern and east-central Europe is a source of many challenges for cities in Finland. This large and growing market close to Finland has already given rise to new forms of cooperation, e.g. between regional councils and local authorities in eastern



## SUSTAINABLE URBAN DEVELOPMENT

and southeastern Finland and their Russian counterparts. At the same time, as businesses throughout this vast area increasingly enter the international market, this means tougher competition for Finnish companies, too.

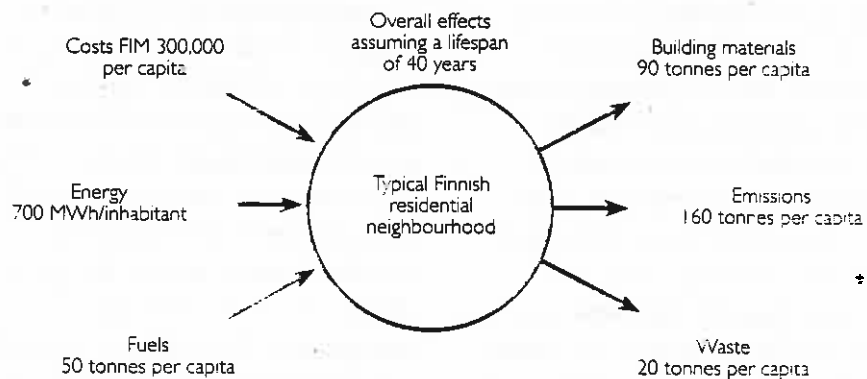
### 2.3 Metabolism of cities causes alarm

Nature and natural values have always been highly regarded in Finland. In recent years, a wider environmental awareness has also rapidly evolved. While in the past, environmental concerns related to human settlements focused on pollution and emissions, today programmes related to monitoring the results of UNCED take a more holistic view. The overall 'metabolism' of human settlements is the starting point, including their life cycle. The aim is to study the natural resources used in the

building, operation and maintenance of human settlements, how efficiently these resources are used, what emissions are thereby produced, and how the emissions in question are treated. Less attention has as yet been given to the 'ecological footprints' of settlements: where are the natural resources needed taken from and where do the emissions and waste end up?

The estimated 'metabolism' or ecological balance for a typical Finnish residential area shows that, during its lifespan (the low figure of 40 years is used in calculations), it uses 90 tonnes of building materials, 50 tonnes of fuel and a total of 700 MWh of energy per capita. Meanwhile, it produces 20 tonnes of waste and 160 tonnes of various emissions (mainly carbon dioxide) per capita. It should be noted that the consumption of energy and fuel and the generation of emissions is greatly affected by the

#### THE METABOLISM OF FINNISH RESIDENTIAL NEIGHBOURHOODS, BASED ON CASE STUDIES OF FOUR TYPICAL NEIGHBOURHOODS. THE ASSUMED LIFESPAN FOR STRUCTURES USED IN CALCULATIONS WAS 40 YEARS





## SUSTAINABLE URBAN DEVELOPMENT

### CERTAIN INDICATORS ILLUSTRATING THE STATE OF THE ENVIRONMENT IN FINNISH HUMAN SETTLEMENTS, AND INTERNATIONAL COMPARISONS, 1993

	Finland	France	USA	Japan
Total energy consumption, kg oil per capita	5,768	4,072	7,650	3,538
Generation of municipal waste, kg per capita	622	358	710	408
Carbon dioxide, tonnes per capita	11.4	7.1	19.9	8.7

location of the residential area, that is, its distance from people's jobs and the services they need. As that distance increases from 5 km to 10 km the overall consumption of energy and fuel in the area goes up by roughly 10-20%, nitrogen oxide emissions by 40-50% and carbon monoxide emissions by up to 80-90%.

Similar ecological balances for any human settlement as a whole have not, as yet, been drawn up in Finland, though there is substantial experience of energy balances.

At present, traffic is the main cause of emissions of nitrogen oxides and VOCs, airborne dust and other particles, and noise pollution in the Helsinki region. Furthermore, it consumes considerable amounts of energy. The connection between traffic energy consumption and settlement structures is clear. Traffic volumes have also been increased by changes in the service structure. In this tangle of different problems - the need to travel and the community structure, including the location of services - there is potential for finding real 'win-win' options for Finnish urban policy, i.e. opportunities to promote both environmental protection

and economic efficiency simultaneously. Due to the economic and social effects of these factors, they are dealt with separately under sections 2.4-2.6.

Air quality also affects people's health. For instance, experiences in Helsinki during the winter of 1995-96 have shown that there are still problems with air quality. This can deteriorate to an alarming degree on cold, still days, when air masses are not mixed by winds. Cutting emissions from traffic is the primary measure needed to combat this. Air quality is also temporarily worse on windy days in spring, immediately after the snow has melted, when dust and sand from winter road maintenance gets carried into the air.

Despite some favourable trends, municipal waste management is not yet completely satisfactory. The main problems are excessive volumes of solid waste generation per capita and the standard of landfill sites. In order to deal with these problems, the municipalities have established about twenty districts in which they jointly see to solid waste management. These districts cover about half of the Finnish population. Work on raising the standard of waste treatment is



also progressing.

Increasing attention is now being paid to urban nature. Surveys have been made of the urban biological diversity and of the prerequisites for its protection. In practice, this has led to new approaches, for instance the importance of ensuring the continuity of the green structure of cities is now recognized.

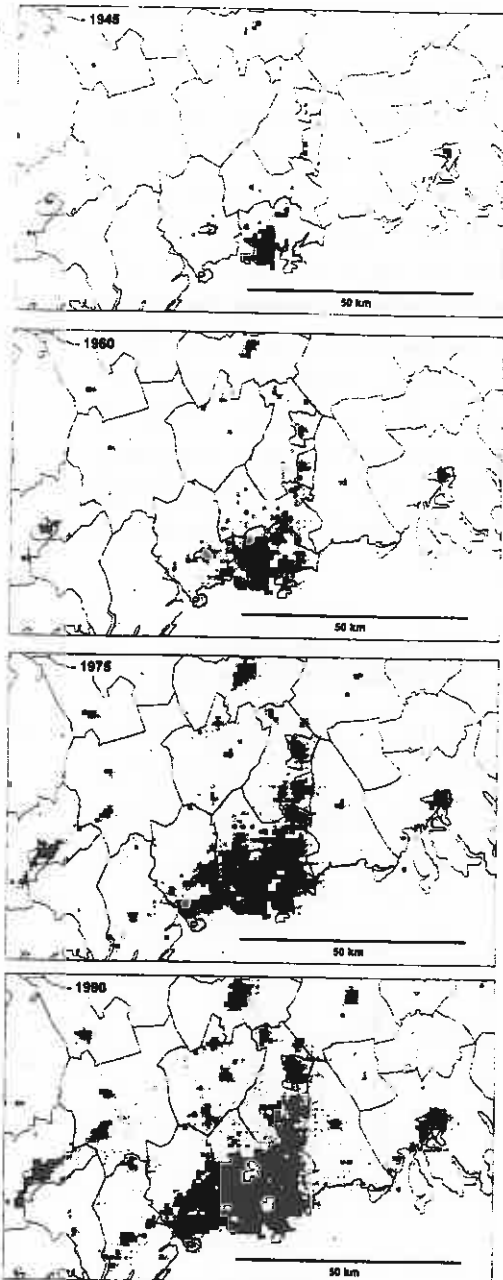
#### 2.4 Urban sprawl is expensive

The construction and maintenance of human settlements and their internal traffic account for 35-40% of the value added produced by the nation. However, towns in Finland use up more than twice as much land per capita as in other countries, without any corresponding improvement in people's housing standards (see 1.4). This implies inefficient use of natural resources, materials and energy for transport networks and other infrastructures as well as for daily activities. This, in turn, causes unnecessary costs and emissions. Technical infrastructure that is not used to full capacity is also indirectly expensive.

Maintaining a good service level in a dispersed settlement structure will soon become an overpowering financial burden for many local authorities.

In such a situation, densification of human settlements offers considerable savings in both infrastructure and passenger traffic (see fig. 5). Unfinished or otherwise dispersed peripheral urban areas could be 'compacted' to satisfy the

**BUILDING STOCK GROWTH IN THE HELSINKI REGION BETWEEN 1945 AND 1990. FLOOR AREA OF COMPLETED BUILDINGS PRESENTED IN GRID SQUARES OF 1 KM<sup>2</sup>. THE DARKER THE SQUARE, THE HIGHER THE LAND USE EFFICIENCY**



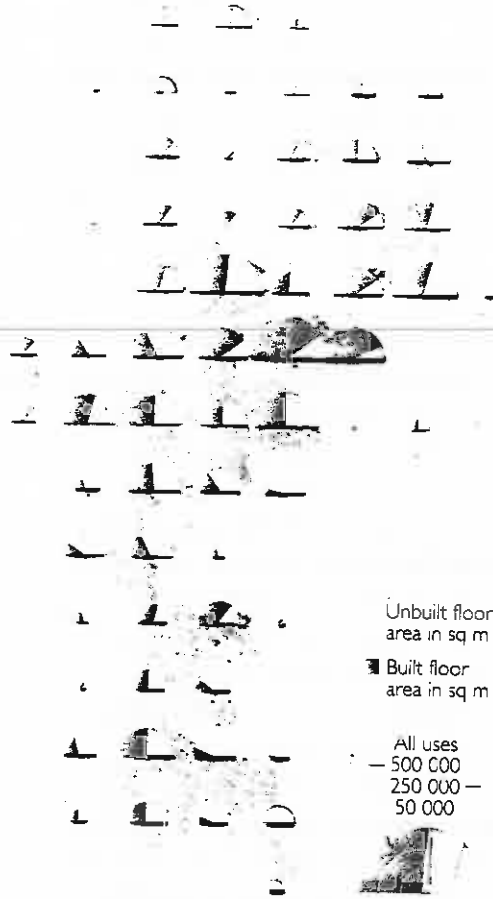




**SUSTAINABLE URBAN DEVELOPMENT**

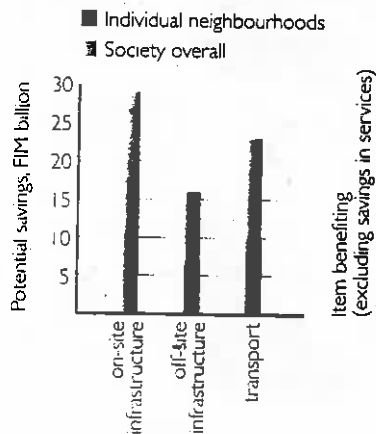
housing needs of as many as 4 million people. The corresponding increase in volume through construction of new neighbourhood units, satellite towns or dispersed low-density housing would be FIM 10 billion more expensive. Similarly, if an annual housing production of 5 million m<sup>3</sup> (predicted total for production begun in 1995 about 6.6 million m<sup>3</sup>) were carried out utilizing the potential of vacant building plots in planned areas, the savings on infrastructure alone would come to about FIM 2 million annually. Although these calculations are theoretical - Finland does not need new housing units for 4 million people, nor does the calculation take the regional distribution of housing needs into account - it still demonstrates the economic significance of the different

**PERMITTED BUILDING VOLUME ACCORDING TO TOWN PLAN**



**POTENTIAL SAVINGS FROM DENSIFICATION IN FINLAND**

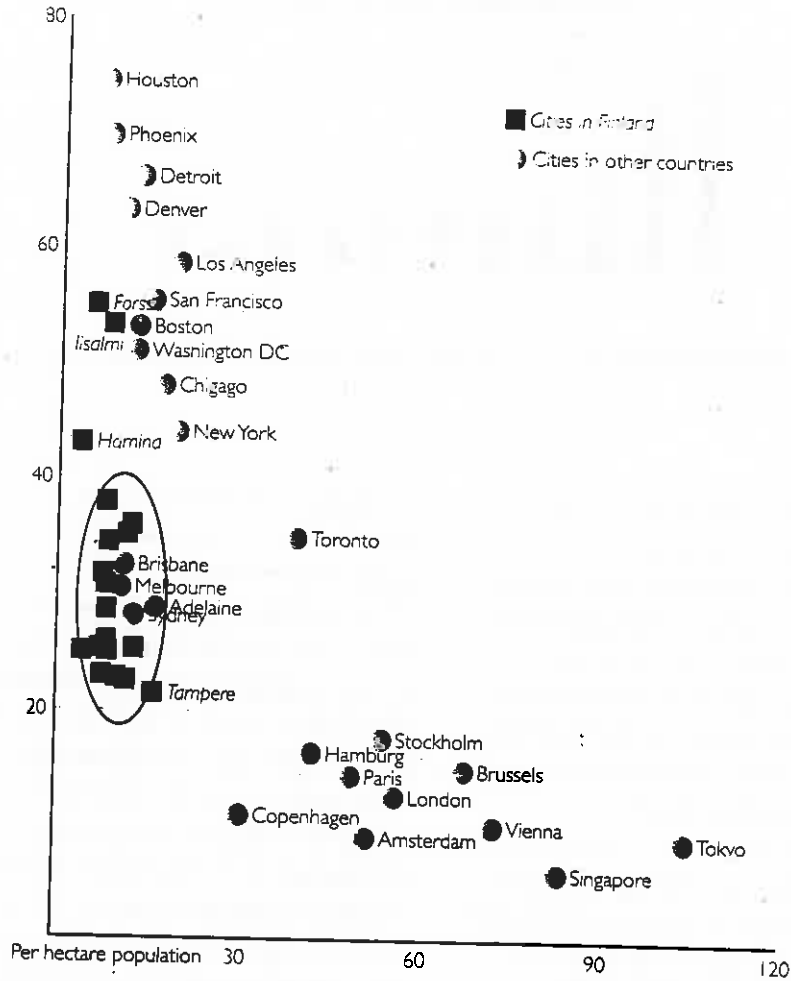
Summary of potential savings (FIM billion) in infrastructure and passenger traffic by utilizing the potential of vacant building plots in planned areas, compared with the cost of the same building volume in new areas (all annual expenditure capitalized to date with a 50 year lifecycle and at 5% interest)



housing development options.

Good planning is not enough to rectify this situation, however; what is needed is funding and compensation systems which support building initiatives but also take into account the indirect costs arising from some locational choices. Those making such decisions should be required to pay for the direct and indirect costs of unfavourable locations, instead of other taxpayers.

PER CAPITA ENERGY CONSUMPTION BY TRAFFIC AND POPULATION DENSITY IN 63 CITIES. THE CIRCLED AREA CONTAINS MOST OF THE FINNISH TOWNS STUDIED



The task of 'patching up' a dispersed settlement structure should not, however, merely be viewed as a question of densification. New building will only gradually have an impact on this structure. Furthermore, in addition to density, there is also the issue of zoning - how services and

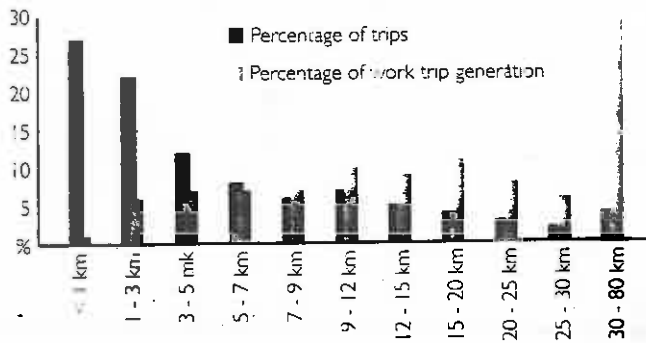
functions are distributed in the urban space, and of the shape of human settlements, which influences issues like the feasibility of public transport. It is far from immaterial whether commuters use their own cars or public transport.

Consolidation of the urban structure



## SUSTAINABLE URBAN DEVELOPMENT

**WORK TRIPS AS A PERCENTAGE OF THE TOTAL TRIP GENERATION. DISTRIBUTION OF WORK TRIPS BY THEIR LENGTH AND SHARE OF TOTAL WORK TRIP GENERATION IN KILOMETRES**



means using the existing settlement structure in new construction, densification of underused central areas (especially the vicinity of traffic terminals), converting old industrial zones into residential areas, and preventing further urban sprawl with a view to reducing the distances that have to be travelled to work, services and leisure activities.

Local authorities have a central role in the consolidation of settlement structure, especially through instruments of physical planning. In fact, they should guide the location of services and jobs more efficiently, so that they find a place in the existing structure.

### 2.5 Reducing daily travel is a key issue

In an international comparison of energy consumption for traffic and population density (see fig. 6), Finnish

towns are in the same category as Australian towns because of their dispersed use of urban land.

In addition to settlement structure, trends affecting the distribution of the use of various modes of transport are also a source of problems. In the 1980s, Finland had the fastest growing motor vehicle stock of all the OECD countries. The transport system was also relying increasingly on roads. However, compared with the population structure, the growth in automobile ownership in Finland has not yet reached a saturation point. Indeed, assuming that Finland resumes its 1980s growth pattern, a 40% increase in road traffic by the year 2020 has been predicted, unless transport and other social policies are geared to prevent this. Much of this growth would affect traffic within cities. Nevertheless, traffic congestion is not a problem on the same scale as in many other countries in Europe.



According to an estimate made about a decade ago, about one third of all Finnish people are exposed to noise levels of over 55 dBA from rail, road or air traffic. There is no recent estimate, which in itself indicates the shortcomings of the monitoring systems. Setting acceptable maximum noise levels from motor vehicles and other noise reduction measures have brought about a slight reduction in exposures to higher noise levels. The benefits thus achieved have, however, almost been outweighed by the increase in traffic volumes.

The best way to achieve safe, smooth running urban traffic with minimal environmental impact and cost is by minimizing trip generation. The main challenge here is not so much to minimize the need for travel per se, as it is to make distances shorter and to increase the part played by modes of transportation which use little energy and have less detrimental impact on the environment. Consolidation of settlement structures in individual cities is not enough. Studies made in the Helsinki region show that densification of the urban structure in Helsinki proper would only cut traffic volumes by about 2-5%, because a great deal of local travelling consists of commuting from peripheral municipalities in the region. Excessively long work trips (more than 30 km) account for less than 4% of the total number, but for more than 29% of the work trip generation in terms of person kilometres. Traffic volumes are also boosted by leisure-time and tourist traffic, which accounts for 40-50% of trip generation and also affects towns.

One reason for the dispersal of settlement structures is that the cost of travel to work is tax-deductible in Finland. The viability of long work trips, combined with the right to build outside centres (under Finnish law, building is always permitted outside planned areas on a plot of land over 2000 sq m in size as long as this does not constitute dense construction) and competition between local authorities has created a situation where the link between workplace and place of residence has disappeared. Even work trips of a considerable length have become worthwhile in terms of time, compared with shorter work trips within built-up areas. The most surprising thing is that though work trips are not very long in the countryside and in sparsely populated areas, they tend to be long in urban regions. On average, the longest work trips are undertaken in the Helsinki region commuter belt and from municipalities which have no rail link with Helsinki and where public transport is not particularly good.

Due to the above factors, some building is located in a way that promotes dispersal of the settlement structure. Trends in commuting cannot really be influenced through land use planning. At the same time, the effect of tax deductions is considerable: according to a study carried out in Uusimaa province, one third of those making long work trips would try to find another job and one third would consider moving house if the cost of travelling to work were no longer tax deductible. In maintaining these tax



deductions, the Finnish government is thus giving an incentive worth about FIM 1.5 billion toward promoting a continuous increase in work trip generation and the associated dispersion of settlement structures, with all the attendant multiplier effects.

In order to reverse this trend, it has been suggested that tax deductions for work trips should be removed, that the focus of taxation be shifted more from car ownership to car use, and that the legislation on building outside planned areas should be changed. Distance and flexitime work arrangements have also been brought forward as potential means to decrease work-related traffic problems. Although these models can reduce congestion and cut down on the number of work trips, they may, however, also promote even further separation between work and home. This might make the week's only trip to work far longer than all the journeys involved in a week's normal work.

The aim should be to extend the scope of traffic planning from the design of individual traffic routes to the planning of entire traffic systems, so that problems related to accessibility and mobility are solved by assessing the various modes of transport and their economic, social and environmental implications. Especially, the continued competitiveness of public transport compared with other modes of transport should be ensured.

## **2.6 Do you have to drive to go shopping?**

Another issue involved in settlement structure and transport is the continuous dispersal of the service structure. In 1980-1993, the fastest growing type of shop was the supermarket, especially those which provide free parking space. The decline in the number of neighbourhood shops has not meant that the number of shopping trips has gone down, rather the reverse in the last few decades. Shopping trips are increasingly made by private car, currently accounting for 65% of the total. A survey made in Helsinki, for instance, showed that when a corner shop closed, and the nearest shops were only two kilometres away, use of cars went up by 20%. Where supermarkets on the outskirts of towns are concerned, shopping trips by car are more or less the only option.

The rapid increase in supermarkets in the 1990s, especially those with a peripheral location, has caused a decline in the services available locally and in town centres. A comparative study of ten European countries showed that Finland had a rather sparse shop network: it had the third highest figure for people per shop even though population density was very low. This trend has made life more difficult for people who cannot or do not want to drive (children, young people, old people, disabled people). It also means that space in commercial centres is not used to capacity, and there are high vacancy rates, especially evident in unoccupied commercial premises on the fringes of



urban centres.

According to some research results, the net economic impact of peripherally located supermarkets is usually unfavourable for both local authorities and local people. This is because local authorities have to provide the necessary infrastructure, including roads, while the travel costs involved in people's shopping trips may increase considerably, reaching, when capitalized, a figure of up to FIM 700-1,100 per square metre of floor area in the shopping unit involved. Meanwhile, shopping centres in city centres are usually profitable for the local authority because of the property tax.

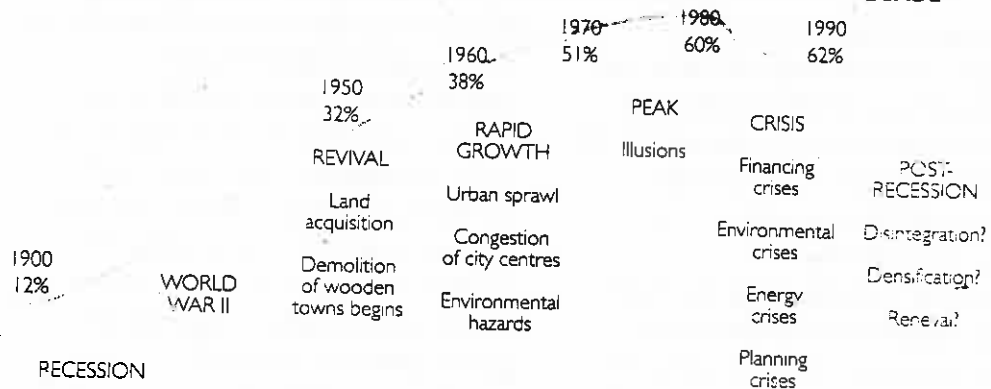
### 2.7 Building is part of production and consumption

In recent years, interest has begun to focus on the environmental impact of

construction. First, there was concern about gravel extraction and similar methods for acquiring building materials. Efforts have also been made to cut down the considerable amounts of building waste generated. Methodologies based on life cycle analysis have been developed for assessing the environmental impact of building materials. This has led to studies on the energy content of building materials, which, among other things, have contributed to a renewed interest in timber as a building material. Investments have also focused on other aspects of research and development, and a number of pilot projects are under way in the building sector. It is eminently clear, however, that work in this area has only just begun.

A crucial change for the building sector is the ever increasing emphasis on renovation, both in housing policy and in building policy in general. This is, in fact, a

**STAGES IN THE DEVELOPMENT OF FINNISH TOWNS THIS CENTURY. THE PERCENTAGE OF CITY DWELLERS IN THE TOTAL POPULATION IS GIVEN FOR EACH DECADE**





## SUSTAINABLE URBAN DEVELOPMENT

necessity: buildings and infrastructure which were built in the same period also begin to require repairs simultaneously; the demand for new housing units has plummeted due to the recession; and labour-intensive renovation has many beneficial economic multiplier effects.

Ensuring a longer life cycle for buildings is also a way of saving natural resources. However, the necessary changes in the production structure continue to require attention. Methods and modes of operation are subject to constant development.

### **3 OUR TOOL KIT - INSTRUMENTS USED TO GUIDE URBAN DEVELOPMENT IN FINLAND**

#### **3.1 There is a need for new urban policies**

Until very recently Finnish urban policy has been largely implicit. Urban development has been based on the goals of different policy sectors and individual actors.

At the national level, perhaps the strongest effect has been exerted by the regional policies, which have aimed at ensuring equality between the regions and at limiting the growth of cities. The development of urban policy can be divided into four stages.

The aim of the first stage was to even out the differences in conditions for service production and in the scope for investments in urban and other areas. To this end, a policy of restricting urban

growth was pursued. The measures involved are still widely used.

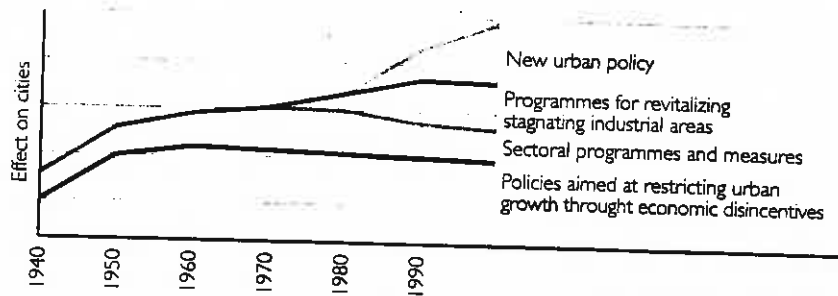
The second stage stressed sectoral programmes. The aim was to promote regionally balanced development of urban centres through measures such as decentralization of government agencies and through targeting corporate grants at certain areas. One example of this policy is the institutes of higher education, which were founded in different parts of Finland.

The third stage, involving support for declining industrial towns, was initiated in the 1970s as a consequence of structural changes in labour-intensive industries. At the time, regional policies were focused on special support areas, and alternative growth centres were sought to counter-balance growth of the metropolitan region. The programmes developed for these



## SUSTAINABLE URBAN DEVELOPMENT

### HISTORICAL LAYERS OF URBAN POLICY



support areas helped steer innovation and enterprises into the areas most affected by structural changes.

In recent years, regional policy tools have been changed so as to be programme-based. One example is the regional development programmes drawn up by regional councils, based on the strengths of each specific region.

The starting point of the currently emerging urban policy is recognition of the economic and cultural importance of urban regions. Urban development is increasingly based on innovations deriving from the synergy of enterprises. In this new situation, restrictive policies that rely on disincentives can only be defended when they are used to prevent the negative effects of excessive growth. Active development of the Helsinki metropolitan area should also be examined against the background of general European trends.

At the level of the individual measures, there have been problems in ensuring the coherence of the actions taken by the

central government, especially in terms of their impact on urban areas. Each sector pursues the objectives set up in accordance with its own interests.

At the regional level, State administration consists of the provincial governments and the district authorities of each administrative sector, while the regional councils represent the local authorities. The cities hold a smaller share of voting rights on the regional councils' decision-making bodies than their relative share of the population would suggest.

The functions of the provincial governments have been cut in recent years, and now the number of provincial governments may also be reduced. The role of regional environment centres is also important, as they are responsible for environmental protection and certain physical planning issues.

The regional councils guide regional development and prepare regional land use plans. In recent years, most of their energies have been spent on revising the regional policies to be compatible with the





## SUSTAINABLE URBAN DEVELOPMENT

programme approach and on the work involved in EU structural funds. Regional planning has progressed more slowly.

On the municipal level, efforts have been made to improve cooperation between different administrative sectors. The instruments at the cities' disposal include the budget, the master plan, the town plan and plans for individual sectors. Sectoral divisions are, however, still regarded as a problem in urban strategic planning.

As cities become internationalized and connected to the network economy, and begin to use factors of environmental quality as competitive arguments, they need new tools for their management. One option is to have joint projects between the private and public sectors, particularly with a view to developing administrative practices and development contract models.

### 3.2 From controlling land use to urban management

Municipalities have the mandate to make decisions on all land use plans in their area. Generally, all building projects in towns and cities are based on a detailed plan. The regional land use plans drawn up by the regional councils apply at the regional level. An increasing number of local authorities have also drawn up a legally binding master plan, which may control land use in the entire municipality or just part of it. These plans are publicly processed and local people can influence

their content as they are drafted. Once the municipal council has approved the plan, inhabitants have the right to appeal to the State authorities. The State environmental administration - either the regional environment centres or the Ministry of the Environment - finally sanctions the plans.

The Finnish Building Act was drawn up in the 1950s, mainly as an instrument of control for the rapid increase in new construction, a purpose for which it proved rather good. In the 1960s, an attempt was made to amend the Act, mainly due to the weaknesses of the land policy instruments it offered. In the 1970s and 1980s, pressure for amendments was generated by demolition of buildings with historical value and the limitations of public participation in the planning and decision-making process. Partial amendments successfully improved the legislation in these respects. The independent decision-making power of local authorities was also increased.

The boom years in the 1980s and the recession which followed introduced new premises for the system of land use management. It was noticeable that urban and settlement structures were closely connected to fluctuations in economic trends. Nevertheless, local instruments, such as master plans, not to mention sectoral plans, were often quite unconnected to societal developments.

Additional challenges for land use control were posed by further dispersal of the settlement structure owing to phenomena such as the new type of shopping centres. Urban ecology



principles and environmental impact assessment - both expanding rapidly - also had to be taken into account in developing instruments of land use control. Finland was aligning itself with the rest of Europe, and these factors were also a focus of interest elsewhere. At the moment, physical planning is part of urban management, and the functions of the planning administration have been expanded.

In the 1990s, strengthening the physical planning system on its own is no longer enough to guide urban development at a municipal level. There is clearly a need for a new approach to urban policy, integrating physical planning, economic instruments, regional policy and other types of environmental management. Furthermore, it is necessary to increase

awareness of the need to develop the regional structure of the country as a whole in a new way so that it answers national and international needs.

In the 1990s, the Ministry of the Environment has actively sought to define the principles and concepts of urban policies. In the environmental programme drawn up in 1995 and extending to 2005, land use control is linked with environmental policy in general. National issues related to regional structure and land use have been examined up to the year 2017. Finland joined in the EU's regional land use programmes at short notice, but with enthusiasm. Finland has also taken an active part in the strategic land use development process in the Baltic Sea region.

## **4 OUR FUTURE IN CITIES - POLICY GUIDELINES FOR SUSTAINABLE URBAN DEVELOPMENT IN THE 21st CENTURY**

### **4.1 Finnish cities of the future - a vision**

Development of Finnish cities should be based on knowledge of their strengths and the factors which threaten their future. Strengths should be consolidated and threats averted.

The economic development of cities contributes greatly to employment and the country's economy as a whole. Economic development is, however, merely a means to an end. The final goal should be sustainable urban development, which is distinguished by:



## SUSTAINABLE URBAN DEVELOPMENT

### **A socially just city**

- districts and population groups in the city have equal access to services
- the opportunities of the elderly to lead a rich life have been improved
- citizens' initiative and participation are encouraged

### **Flourishing urban culture**

- city dwellers identify with their home town, value its traditions and take responsibility for its development
- cities have 'beating hearts' - centres which are attractive, lively and varied - and vital city districts
- residential areas encourage a community spirit

### **A living environment which is continuously developing in response to inhabitants' changing needs**

- inhabitants' energies are harnessed to improve their environment
- the location of functions is based on the 'community services' principle
- it is easy to get around - a city with short distances
- urban disturbance factors have been minimized

### **Nature as an urban resource**

- green structure has been developed as a basic urban network
- urban biodiversity is protected
- urban nature merges organically with the surrounding countryside

### **A low-energy city which conserves natural resources**

- urban functions consume as little energy and material inputs as possible
- waste and emissions have been minimized

### **A city with industry and production**

- a living city has productive livelihoods, which are crucial in order to ensure material welfare
- production fulfils the criteria for sustainable development
- a varied population structure is an urban resource
- productive sectors are an integral part of the city structure (the ideal of a low-energy city is realized in, for instance, work trips)

### **Everyone is responsible for urban development**

- urban development is based on partnerships between residents, and the various public authorities and business sector
- the input of each stakeholder is vital and all share equitably the costs of development according to their own resources
- urban cooperation networks are integrated into international networks of horizontal cooperation

## **4.2 Towards shared responsibility**

The Finnish Constitution stipulates that a good built environment and natural



environment should be ensured for all. There are, however, social, operational and urban development problems related to the living environment. Measures to address such problems must be carefully planned and focused in order to be effective and provide 'win-win' benefits for the different policy sectors, such as economic, employment, social and cultural policy. This situation requires a vision extending beyond traditional governmental boundaries - a sharing of responsibility and a new partnership between the stakeholders.

Finnish cities have always had strong connections with cities elsewhere in Europe. In the future, too, developments in Finland must adjust to urban development in Europe. The strengths of Finland's cities must be made internationally known, and their special features must be emphasized when marketing Finland abroad. Finnish cities have much to offer urban policy-makers in other countries.

Cities 'belong' to their citizens, and urban life develops first and foremost as a result of each citizen's own initiative. Society's role is to create an enabling environment for innovative actions by individuals or enterprises. Access to correct information is part of this environment.

Sustainable urban development requires an awareness of the inherent values of an urban environment and changes in this environment. Increased environmental awareness, combined with a broad range of urban policy tools, promotes change in production and consumption in a more sustainable direction.

#### **4.3 Priority areas for sustainable urban development**

Urban development which conserves natural resources and the environment

##### **Premise**

The sufficiency of natural resources, such as air, soil, water and forests, defines the limits for our economic development. These resources must therefore be managed carefully. Cities' responsibility for atmospheric changes is now widely recognized.

##### **Objectives**

Economical use of natural resources in cities requires investments to be made to ensure conservation of the existing natural resources and support the growth of our natural resource capital by, for instance, reducing our current use of non-renewable energy sources. The end-use efficiency of products must be increased by improving the energy efficiency of buildings and by developing environmentally sound forms of urban transport.

Environmental protection must be integrated into programmes aimed at satisfying people's basic social needs and developing social welfare and health care, employment and housing. Models for sustainable land use and urban transport reduce the need for travel and unnecessary use of motorized vehicles.



## SUSTAINABLE URBAN DEVELOPMENT

### **The main lines for action in this priority area are:**

#### *Integrating environmental values into urban sectoral policies*

Based on its Environment Programme 2005, the Ministry of the Environment will negotiate with different administrative sectors and the most important stakeholders with a view to ensuring their commitment to sustainable urban development. Guidelines for the environmental impact assessment of development strategies are being prepared, based on work already done in the EU.

#### *Introducing systematic monitoring and assessment of urban development*

The Ministry of the Environment will collect information on urban development and changes in the urban environment. In addition, it will develop methods for monitoring and assessing this information, define indicators for measuring urban sustainability and prepare material and energy balances in cooperation with other authorities. Urban development in nearby regions and elsewhere in Europe should also be monitored by contacting international data and monitoring networks such as the EU's Urban Observatory.

#### *Striving to create a low-energy city*

The Ministry of the Environment will work with the Ministry of Transport and Communications to develop planning models for energy-saving land use and traffic systems. Pilot planning and building

projects in urban ecology will be promoted. The life cycle principle can be introduced to the building sector by, for instance, promoting energy audits for buildings, and energy and material balances. The use of timber as a building material will be encouraged by continuing research and experimental construction activities, and through more extensive application of the results.

#### *Tailoring sustainable urban development strategies to cities' own strengths*

Many Finnish cities are committed to their local Agenda 21s and the recommendations of the Aalborg Declaration. A European campaign for sustainable urban development is also in progress, connecting joint projects and networks of cities and local authorities. Local governments have the power, knowledge and creativity to promote sustainable lifestyles and to plan and manage Finnish towns in a sustainable manner. These resources should be further strengthened and efficiently utilized. Issues connected with sustainable development of human settlements should be featured prominently in local Agenda 21s, and citizens should be given an active role in the preparation of these agendas.

### **Consolidation of urban regions**

#### **Premise**

Urban regions are functional areas for living, working and accessing services. Their structure and functionality are



## HELSINKI - THE ENERGY EFFICIENT CITY

Combined heat and electricity production and the district heating system of Helsinki Energy, Finland

Helsinki's district heating system has resulted in some remarkable achievements thanks to its technology based on combined generation of electricity and heat. The process heat obtained in generating electricity is now used to heat the city instead of being discharged into the sea. Because of this technology and district heating, the efficiency of the energy supply has been raised from 40% to 80%.

Moreover, the specific heat consumption in buildings has decreased, thanks to information campaigns.

As a result of energy saving, the quality of the air has improved substantially. For instance, the sulphur dioxide content of urban air has decreased from 50 microgrammes/m<sup>3</sup> to 10 microgrammes/m<sup>3</sup>.

The system has operated on market terms from the beginning. At present, more than 91% of all buildings in Helsinki are connected to district heating.

prerequisites for the sustainable development of both town and countryside.

### Objectives

Disruptive competition should be avoided in urban regions, so that forces can instead be combined for the benefit of the entire area. Joint planning of land use and transport systems, as well as strategic urban development, play a key role in achieving this objective.

The main lines of action in this priority area are:

#### *Promoting planning of urban regions across municipal borders*

In reviewing the Building Act, instruments for planning the land use and infrastructure of urban regions and

improving intermunicipal cooperation will be made more effective.

In this context, consideration will be given to the need to promote efficient regional cooperation to promote efficient regional cooperation in spatial planning and to implement urban renewal projects more effectively. Such regulations could be used to target certain sectoral policies of the State at designated urban regions or renewal areas or to apply special land policies to them, while ensuring that local authorities commit themselves to long-term strategic development of these areas.

#### *Testing new models for urban policy cooperation between the central government, local authorities and the business sector*

Preparations will be made for introducing urban development contracts in major development projects. Through such



**LOCAL SOLUTIONS TO A  
GLOBAL PROBLEM  
- TAMPERE 21 INITIATIVE**

In 1992, the NGO coalition TAMPERE 21 initiated a dialogue between citizens and decision-makers on local action to prevent climate change. This work has resulted in a new environmental policy for the City of Tampere.

The coalition was initiated by a small number of environmental activists. It has worked in partnership with the City Council and the University of Tampere.

TAMPERE 21 has increased public awareness and approached decision-makers through public debate, position papers, petitions, etc. It has also published a handbook for local climate action.

The example of TAMPERE 21 is now being followed by activists in other Finnish cities.

contracts, the government could commit itself to supporting certain investments in housing, transportation, environmental and educational infrastructures, and municipal land acquisition. Local authorities could commit themselves to executing the contracts within the scope of a joint plan for land use and transport systems.

*Guiding urban development to make use of existing investments in infrastructure and settlement structure*

The tendency of human settlements to

expand will be reversed so that they 'fill in' from the inside. Faced by increasing economic constraints, local authorities have begun to take settlement structure issues more seriously. Recent studies have shown, for instance, that building shopping centres in peripheral locations can be up to three times as expensive for the municipal economy as building them in the centre. Consolidation of the urban structure is also beneficial for the conservation of natural resources and environmental quality. Consolidation requires a change in urban planning and administration practices. It also requires more efficient research into the economy and administration of urban regions, as well as monitoring to assess the changes in the settlement structure.

*Supporting consolidation through strategic development of transport systems*

The need for integrated national strategic planning to be focused on regional development and transport systems is generally recognized. National road subsidies should also be allocated to purposes such as improving traffic flow within cities. The proportionally high number and length of work trips in urban regions is a problem due to the energy consumption of vehicles and subsequent environmental impact. The tax deductibility of the cost of work trips should be gradually reduced and the tax burden shifted from car purchases to car use. Public transport as an alternative mode of travel should be made more attractive, using both economic incentives and land use planning.



## SUSTAINABLE URBAN DEVELOPMENT

### Improving the urban environment

#### Premise

Three million Finns have urban areas as their everyday living environment. Improving it is a social and cultural challenge.

#### Objectives

The living environment will be developed in accordance with the needs and goals of the inhabitants through a programme approach. There is a need for new partnerships and new modes of operation. The principle of community services should become the guideline for municipal administration and in areawise development (of estates, neighbourhoods, etc.). The prerequisites of urban culture will be improved.

#### The main lines for action in this priority area are:

*Directing government support for improving the living environment to solve problems identified by cities or communities themselves and to encourage local action*

The problems related to the urban environment are best known in the cities and communities concerned. Local governments, inhabitants and enterprises also largely hold the key to solving these problems. Urban strategic planning and management aim to support specific development areas according to an overall vision for enhancing the quality of the city

environment. Local initiative and energy must be harnessed for this work. Specific development areas include city centres, individual neighbourhoods and changing employment areas. Men and women must be equally represented in the preparatory and decision-making processes.

*Ensuring that citizens have a city which is pleasant, healthy and safe and serves all groups of the population at every stage of life*

In urban planning, the methods of 'polyphonic planning' will be expanded to mobilize new population groups. In planning the living environment, resources should be allocated to experimenting with a new type of planning and decision-making which transcends administrative boundaries, while removing those regulations that block new forms of community-based cooperation.

Safeguarding universal social services and health care is a vital way of preventing segregation. In urban planning and development, increasing attention will be paid to inhabitants' needs at different stages of life, particularly those of the elderly. The principle of local services will be applied when the objectives for restructuring social services and health care are set. More advanced city district government allows inhabitants to share in decision-making.

*Focusing on neighbourhood renovation*

The present renovation phase for neighbourhood units is also an opportunity to improve them as living





## SUSTAINABLE URBAN DEVELOPMENT

### FINNISH MUNICIPALITIES FACE NEW CHALLENGES

Municipalities now face the dilemma of economic constraints together with increasing pressure on social budgets caused by high unemployment. Innovative solutions have been found to maintain the high level and universal coverage of public services and to constantly improve the efficiency of service provision.

#### The Hämeenlinna Model

The City of Hämeenlinna has developed a model which combines Nordic democracy and welfare with new initiatives in customer orientation, citizen empowerment, decentralization and quality of services. The model includes the following key elements: (I) A 'Hämeenlinna charter' through which the City and its various agencies commit themselves to a high standard of services, competitiveness, openness and continuous quality development.

(II) A citizen and customer feedback system which is being built up gradually, to include surveys, national and international benchmarking, interactive fora, a feedback

postcard and phone system, etc. The City is committed to providing an answer within 7 days of receiving a customer query.

(III) Public participation and local democracy, which includes the active involvement of resident and tenant groups, interactive processes in city planning, PTA meetings and other activities.

(IV) Continuous quality development achieved through self-evaluation and practical quality development by various branches of the city administration.

(V) A new management system that combines decentralized public budgeting, management by results, mechanisms providing users of public services with choice, interactive planning, competition, and enhancement of citizen participation. The latter refers to new citizenship, which recognizes inhabitants' different roles as a voter, as a user of public and consumer services, and as a participant in different activities.

(VI) Staff participation and motivation promoted through work in quality teams, modern management systems, interactive fora and continuous human resource development.

environments. In Finland, problems in some neighbourhoods have not yet caused drastic social problems, which makes it possible to take preventive action and also to improve the image of these neighbourhoods. In connection with renovation, the energy efficiency of buildings can also be improved. Localized waste management systems and environmentally sound infrastructure solutions can be developed as well, and in the long-term, even the self-sufficiency of the neighbourhoods can be increased. Neighbourhood development requires a

new areal planning approach, seeking to establish cooperation practices between property owners, inhabitants, various sectors of municipal administration, developers and planners. Planning will proceed in a direction that promotes the use of a wide range of professionals, takes residents into consideration and promotes interaction and shared responsibility - partnership - between the different actors.

*Protecting urban nature and strengthening green structure are features of a new-generation urban policy*



### **CHERISHING THE GREEN STRUCTURE IN CITIES - THE BIODIVERSITY STRATEGY FOR URBAN NATURE IN HELSINKI**

Helsinki, the capital of Finland, has consciously worked to preserve and maintain its unique natural features. The action taken by the City Council aimed at enhancing interaction between nature and people forms part of the City's sustainable development programme.

Helsinki's natural values are considered an important factor contributing to its citizens' quality of life. Nature is maintained and protected from the stress of construction and use by people, for the latter's benefit. Helsinki takes nature's terms and opportunities into

account in its planning and promotes nature conservation with planning, education, training and awareness-raising as its cornerstones.

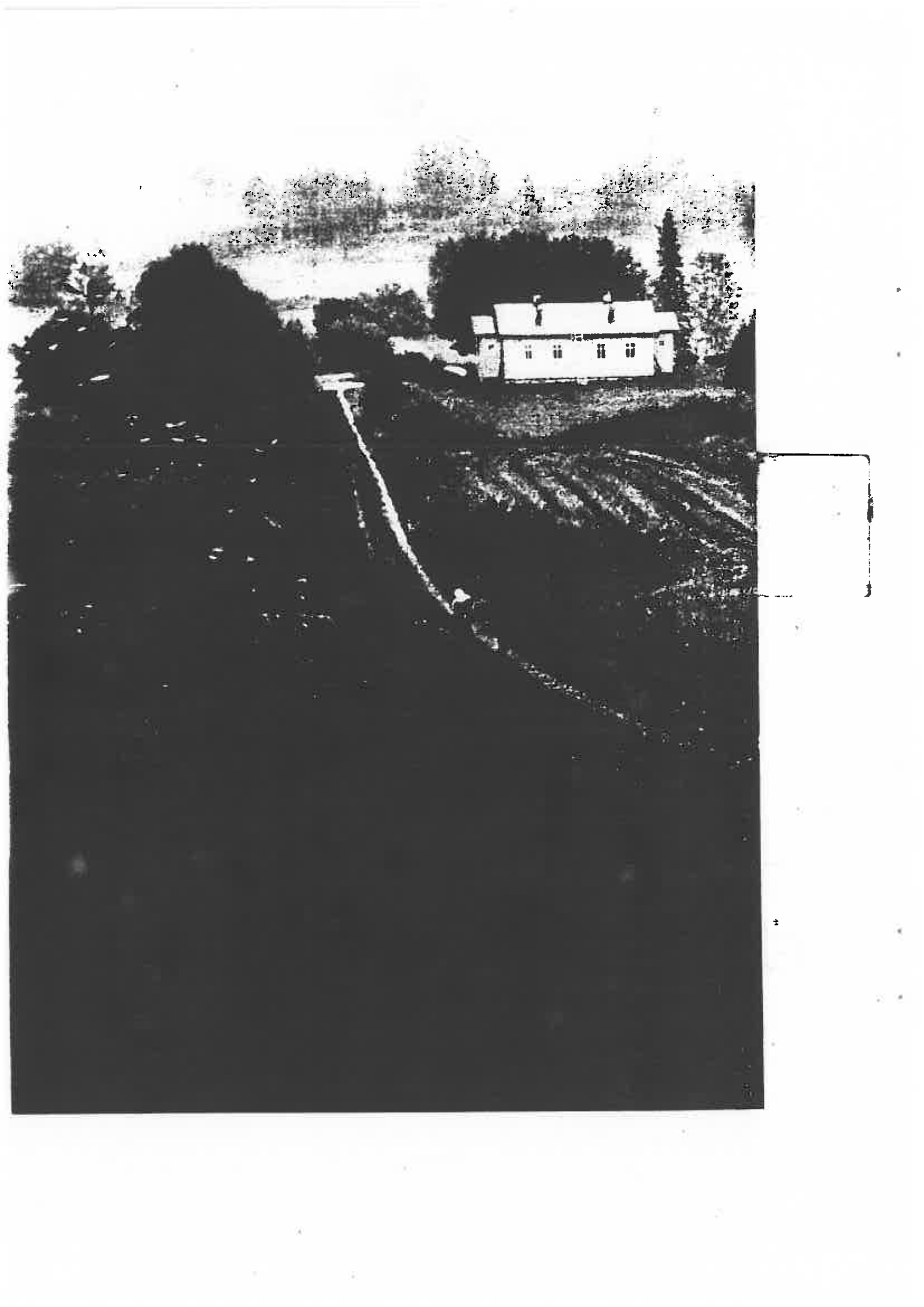
The strategy includes both preventive elements and conservation methods. It is based on extensive knowledge about urban nature compiled together with the University of Helsinki. The nature conservation programme prepared in 1989 recognizes internationally, nationally and locally valuable sites. Master planning is one of the practical instruments used to protect those areas from construction.

Areas with greenery are the city's lungs. They produce oxygen, bind dust, help control pollution, block winds and balance the humidity fluctuations of the microclimate. Green structure is an important part of urban nature, the biodiversity of which should be preserved. In addition, green structure is an integral part of the functional structure of a city, and for its development ecological master planning and landscaping must be made more efficient.

#### *Promoting urban culture is a new aspect of sustainable urban development*

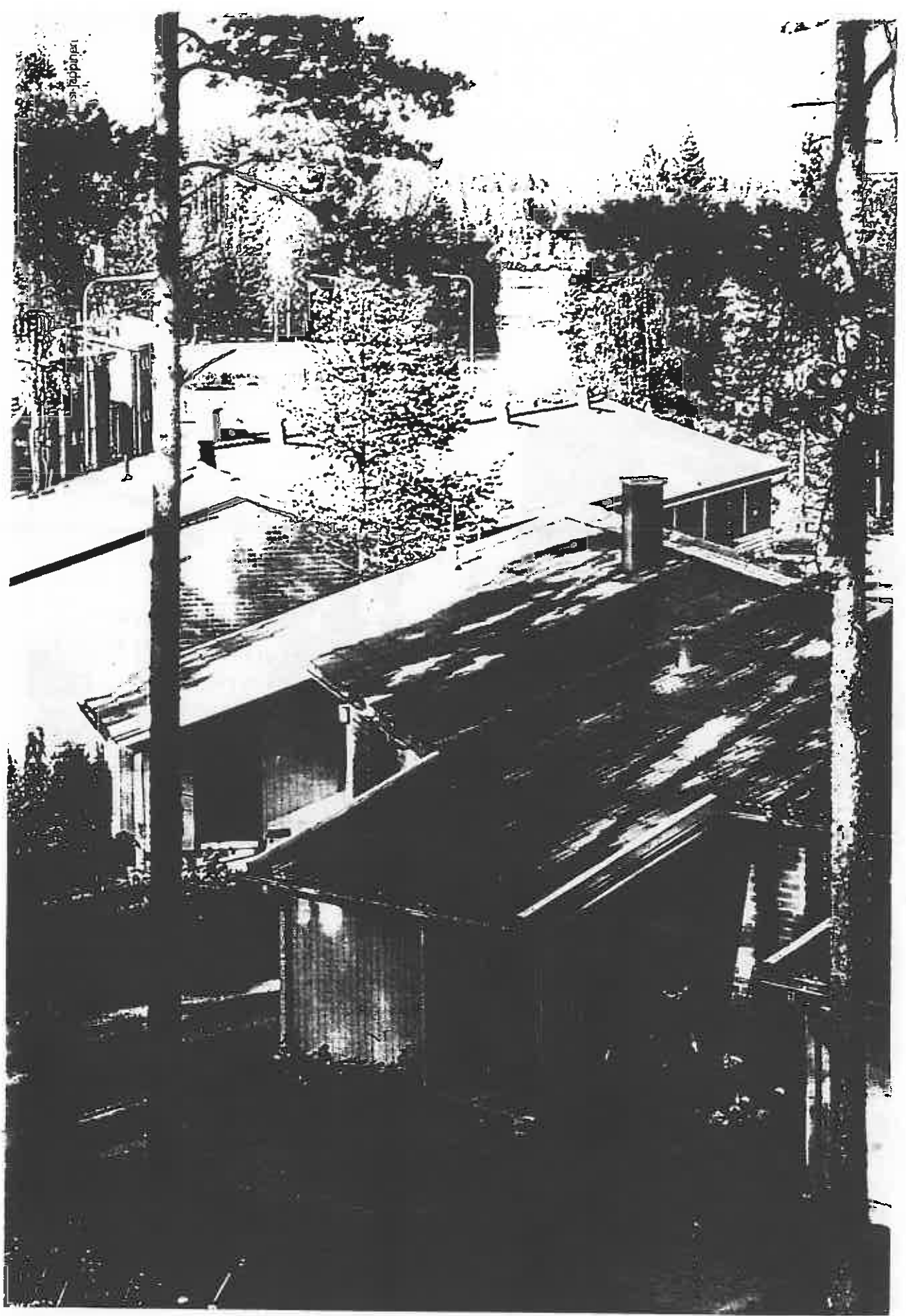
The built urban environment records the ideals of different historical periods and communicates cultural changes. A sense of national identity and self-esteem evolve alongside the strata of the urban cultural heritage and environment. The culturally valuable built environment and landscapes of Finland have been inventoried. Now, we

must use regional and local heritage programmes to promote preservation of our cultural heritage to local authorities, individuals and the business world alike. Economic instruments such as taxation can be used to encourage care of the cultural heritage. The increasingly international character of our cities is valued as an asset that adds to their dynamism. A national architectural programme currently being prepared within the jurisdiction of the Ministry of Education will provide a framework for developing new types of construction better adjusted to the environment and for improving the design of outdoor spaces. The urban renaissance campaign initiated by the Council of Europe in the early 1980s could be repeated. There is special need for the development of city centres. As the core of urban culture, city centres also make the urban environment more attractive for businesses.

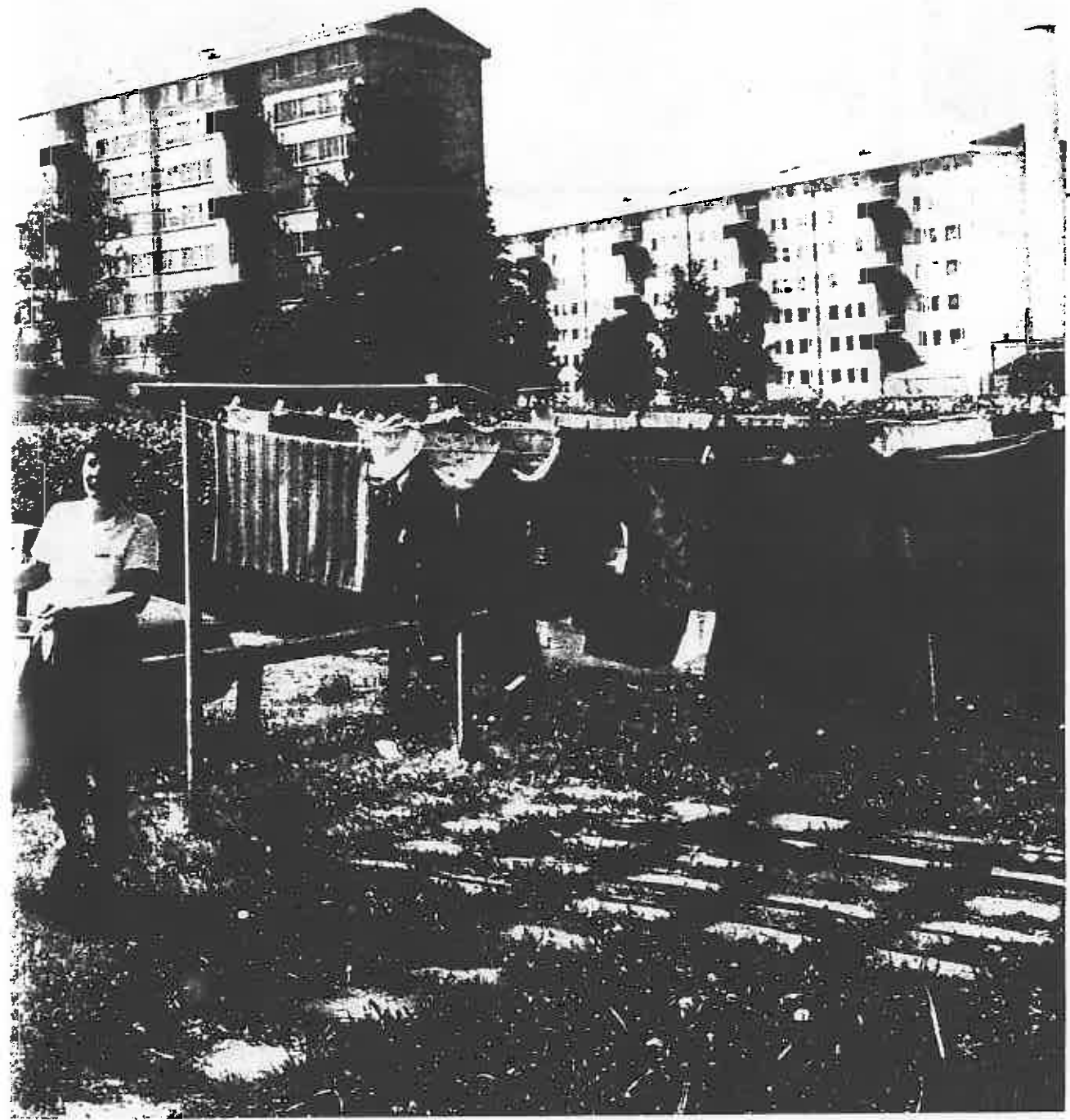








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ADEQUATE SHELTER FOR ALL

# FROM POSTWAR DISTRESS TO THE REVIEW OF THE WELFARE STATE - THE MAIN LINES OF FINNISH HOUSING POLICY SINCE THE SECOND WORLD WAR

## 1.1. Removing the housing deficit

As a result of the Second World War, Finland was hit by a serious housing shortage. A good 10% of the housing stock was either left behind in the areas ceded to the Soviet Union or was destroyed by the war. The shortage was also increased by the relatively limited volume of construction activities in the 1930s and its virtual suspension during the war years. In fact, the pre-war level of housing stock was not regained until 1950.

After the war, housing policy concentrated on increasing production of new housing and regulating the market for existing housing through, for instance, rent control.

Immediately following the end of the war, the emphasis was on rebuilding Lapland, which was nearly completely destroyed, and on settling displaced citizens and front veterans who were allotted land for building what were called 'settlement farms'. The required land was either purchased or expropriated. In addition to meeting housing policy aims, the extensive settlement programmes and

related construction were justified by the need to provide jobs and ensure the peaceful development of society. The settlement farms also provided the forest industry with important part-time labour prior to the mechanization of lumbering. In 1945-1958, some 75,000 new homes were subsidized under the Land Acquisition Act passed in 1945.

Initially, the difficult housing situation in towns was relieved through rent and housing control. In housing control, the lessors' right to select their tenants was limited. Old rental housing could be rented only to tenants approved by municipal rent tribunals. Subtenants could be housed in a dwelling against the owner's will.

At the beginning of the 1950s, the emphasis of State-subsidized housing production was moved from rural areas to towns. The State housing loan system for population centres was created in 1949. The loan was 40% of the total production costs, while the developer was responsible for acquiring the remainder. Up to the early 1990s, subsidized production of housing was based on a combination of State loans and private sector funding. The system



involved negotiations with financial institutions, and agreements on mortgage lending for subsidized housing production.

Non-subsidized housing finance was provided by commercial banks. For a long time, the system required the purchaser to save for a down payment. Thus the funds generated by the system could also be used for other investments in the economy.

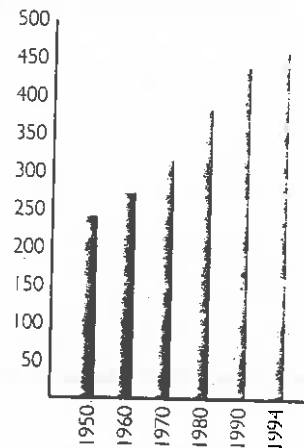
The goals of the 1949 housing legislation were clearly geared towards supporting production. There were only limited objectives concerning selection of occupants and targeting of subsidies on social grounds. Most State-subsidized housing was owner occupied.

State lending for housing in towns was, however, considered a temporary emergency measure comparable to housing control, to be discontinued when the situation improved. The housing shortage suffered by these areas did not, however, improve. On the contrary, it became worse. Yet, until 1958, State mortgage credit allocated to towns was less than that allocated to rural areas.

In addition to State housing loans, housing production was subsidized through tax relief. Revenues from investments in new housing construction were deductible in income and property tax for ten years. From the beginning of the 1960s, this tax relief system was gradually dismantled and finally discontinued in 1972.

The pressure to discontinue rent control also grew, and in 1948, the first steps were taken to lift it. In 1958, old

DWELLINGS PER 1000 PERSONS  
IN 1950-1994



rental housing was excluded from the control system. In 1961, control was discontinued completely and a lighter system of regulating the level of rents and rent increases was adopted. At the same time, the proportion of State loans allocated to rental housing was increased.

## 1.2 Expanding housing policies

In the 1970s, industrialization and urbanization were very rapid in Finland. The economy boomed. Sufficient production of housing thus became one of the prerequisites for economic growth, as it was necessary for ensuring the mobility of labour in industrial centres. In the past, enterprises had often either built or financed the building of homes for their labour force. During the 1970s, however, they began to scale down such activities,

## MAIN FORMS OF FINANCIAL SUPPORT FOR HOUSING

### NEW HOUSING PRODUCTION

#### *State housing loans*

##### for rental housing

- residents selected on social grounds, e.g. means testing
  - central building cost and quality control by the Housing Fund of Finland
- ##### for right-of-occupancy housing
- one type of housing cooperative
  - no means testing in choice of residents
  - central building cost and quality control
  - first loans in 1990

#### *State interest subsidies paid to loans*

##### originated by financial institutions

##### for rental housing

- compared with rental housing with State loans, broader choice of residents, e.g. no means testing in some of the housing
  - central cost and quality control
- ##### for owner-occupied housing
- socially judged assessment of need in the case of loans to private persons, e.g. means testing
  - interest subsidy can also be granted directly to the housing company
  - in the case of single-family housing, the local authority supervises building costs
  - in apartment blocks and row-houses, central cost and quality control

### HOUSING RENOVATION

#### *State housing loans*

- for the renovation of social rental housing
- central building cost and quality control

#### *State interest subsidy paid to loans*

##### originated by financial institutions

- for social rental buildings, single-family housing, housing companies
- the local authority approves the cost of renovation in the case of single-family housing, the Housing Fund of Finland in the case of other housing

#### *Repair grants*

- to repair housing for old people and the disabled on social grounds
- for housing companies in the case of certain types of repair

### HOUSING ACQUISITION

#### *State housing loans*

- to purchase rental housing for the homeless, refugees and Romanies
- to buy up social rental housing for owner-occupation
- of little significance in Finland

#### *State interest subsidy paid to*

##### loans originated by financial institutions

- interest subsidy granted to first-home buyers
- no socially based assessment of need

### TO HOUSEHOLDS TO REDUCE THEIR HOUSING EXPENDITURE

- general housing allowance (for households with children), housing allowance for pensioners and students
- interest subsidy paid to over-indebted households
- right to tax-deduct interest on housing loans



## ADEQUATE SHELTER FOR ALL

and production of housing with a view to promoting labour mobility became part of the Government's housing policy. Increasing production remained the main emphasis in housing policy, the explicit goal of which was now to remove subtenancy and to raise the average number of rooms per occupant to one, including kitchen, by 1975. The latter aim was actually achieved before 1970. The quantitative target set for the housing policy was the construction of 500,000 new housing units during 1966-1975. An increase in State housing loans was proposed as the main instrument to achieve this. Both the objective for number of rooms per occupant and the volume of housing production were surpassed.

The volume of housing production, including that subsidized by the State, was at a very high level in the early 1970s. State housing loans allocated to rental housing increased substantially. The majority of Finnish new neighbourhood units - the Finnish version of suburban housing estates - were built in the 1970s, often under what were called 'site development agreements'. Construction companies procured large areas of undeveloped land for their own production and commissioned town plans for them. The location of the land owned by these companies had a considerable effect on the siting of new neighbourhood units and the formation of the urban settlement structure.

During the 1970s, aspects of quality, renovation and building in existing residential areas gained more attention in

housing policy. In addition, the 1973 energy crisis introduced energy efficiency into housing, as well as State subsidies for related repairs. State-subsidized renovation began in 1979, although initially only in pilot areas.

A more narrowly targeted policy instrument was the system of housing allowances. The general housing allowance was introduced in the 1940s and at first was allocated only to renter households.

Housing allowances were used to lower households' housing expenditure, with the intention of making a reasonable standard of housing affordable to low-income households. The allowance was paid to households whose income did not exceed limits set annually. In addition, a limit was set on housing expenditure and dwelling size.

From 1970, the general housing allowance was extended to cover the elderly and those of incapable-working, and a year later, to households with one child. Later on, people living in owner-occupied housing became eligible, and, since 1981, single-person households as well. Today, the general housing allowance covers all types of households regardless of the type of tenure under which a dwelling is held. The students' housing allowance was introduced in 1977, and in 1984 coverage of the pensioners' housing allowance system was expanded.

In Finnish housing companies the owners of the apartments have always had the decision-making power. Tenants' opportunities to share in management were also given more attention in the



## ADEQUATE SHELTER FOR ALL

1970s, initially on a voluntary and experimental basis. Statutory joint management was implemented in social rental housing in 1991.

### **1.3 Focus on special groups - better targeting of support**

On average, the standard of housing had improved considerably by the beginning of the 1980s. As a result, raising general standards was no longer a key goal in housing policy, and today more emphasis is put on targeting the support to the most needy. Moreover, the recession of the 1990s has left its mark on housing policy. The state of central government finances has forced cutbacks in resources allocated to housing subsidies during the 1990s.

To alleviate the problems faced by young adults buying their first home, an interest subsidy system earmarked for them was introduced in the 1980s. During the latter half of the decade, new subsidies were initiated to promote the acquisition of housing for the homeless and refugees.

In the 1990s, the tax deductibility of housing credit has been reduced and aimed more at larger families and those buying their first home.

The dismantling of rent regulation began in the early 1990s in order to boost the supply of rental housing. Regulation was first discontinued in the case of new buildings in some parts of the country, and a little later new leases were exempt from regulation in both existing and new

buildings throughout the whole country. Rent control was lifted completely in 1995.

To limit the growth of central government debt, State housing loans and the interest subsidy paid on housing mortgages from private sector financial institutions, both of which have been funded from the State budget, have been transferred to the Housing Fund of Finland. Securitization of outstanding State housing loans has been used in order to acquire finance for the Housing Fund.

In the 1980s, the advance saving prerequisite was discontinued in lending for homes. This led to a substantial increase in the demand for loans and to overheating of the housing market. Today, buyers are again required to make a down payment. In 1996, State guarantees have been made available for some of the housing loans granted by commercial banks, with the aim of increasing demand for housing as well as boosting housing construction.

Cuts in housing subsidy appropriations have been inevitable because of the central government's dire economic straits. At the end of the 1980s, housing prices skyrocketed. Many home buyers funded the acquisition almost completely with credit. When unemployment increased, many of them found it hard to service their loans. The subsequent abrupt fall in housing prices further aggravated the problem. Therefore, at the same time as cuts were made in general housing-subsidy appropriations, new types of support targeted at over-indebted households were introduced.

During the 1990s, housing policy has



been also used as an instrument to help achieve labour policy goals. The government has increased the amount of subsidy allotted to renovation, which is more labour intensive than new construction. Employment generation has also been used as a justification for allocating subsidies to privately funded housing companies in addition to repairs on social rental housing.

Finland's public administration is

currently being downsized. This process also affects the housing administration, where much of the decision-making has been delegated from central to local governments. The central government continues to make decisions on the allocation of State housing loan funds to local authorities, but the latter decide for themselves whether to finance new construction, renovation, or owner-occupied or rental housing.

## 2. FROM QUANTITY TO QUALITY - TRENDS IN HOUSING CONDITIONS SINCE THE 1970s

The majority of Finns live in owner-occupied housing (some 70% in 1994). Home ownership has been promoted through fiscal incentives in particular. The interest on housing credit is tax deductible, and taxation of the profit made on selling one's home and on housing income has been very low. In addition, the limited stock of rental housing and its dominance by small dwelling units has increased demand for owner-occupied housing.

In Finland, owner-occupied housing is more common not only in rural areas, where most homes are detached houses,

but also in cities, which are dominated by apartment blocks, most of them condominium-style housing companies. This sets Finland apart from many other countries.

The proportion of owner-occupied housing, contrary to the situation in many other European countries, has fallen in Finland during the 1990s. This is largely due to the recession, which has made households less willing and able to purchase a home. At the same time, the deregulation of renting has increased the supply of rental housing.



ADEQUATE SHELTER FOR ALL

## THE FINNISH CONDOMINIUM

About one third of all Finns live in apartments in condominium-style housing companies of which there are some 60,000 in Finland. In these housing companies, the owner of the apartment does not, in fact, own the apartment directly, but instead owns shares in the company that entitle him to occupy a given apartment.

The highest decision-making power in a housing company is held by meeting of shareholders, who decide on matters such as maintenance and repairs to the building, the housing company's budget, and the maintenance charges to be paid by inhabitants. In addition to shareholders, people renting apartments in the building also have a limited right to take part in meetings. The board of directors in charge of the administration of the housing company is elected at the annual general meeting. A managing director elected by the board is responsible for day-to-day management.

The Finnish Act on housing companies contains clear provisions on the procedures applicable when a shareholder fails to fulfill his obligations. If the shareholder neglects to pay the maintenance charges, the housing company can, by majority decision, appropriate his apartment for a maximum period of three years. In most cases, the housing company evicts the shareholder, leases the flat and collects the unpaid maintenance charge in rent.

The housing company system makes it possible to have apartments funded in different ways in the same building, i.e. owner-occupied apartments funded without government subsidies and government-subsidized owner-occupied housing, as well as privately owned and social rental housing. Transactions involving housing company shares are quick and straightforward, making it easy, for instance, to sell one owner-occupied apartment and buy another one. Housing company shares can be used as collateral for loans, making it easier to obtain the financing needed for housing purchases and other purposes.

## Production of housing

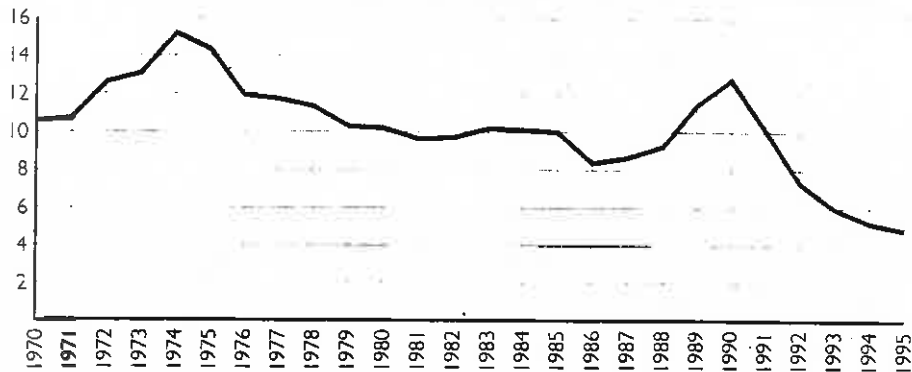
An important factor in the improvement of Finnish housing standards is the volume of new construction, which was long sustained at an exceptionally high level even by international comparison. Since 1970, 1.26 million new apartments have been constructed in Finland. This is equal to 90% of the total housing stock in 1970. Technically, this high production level was made possible by the advanced prefabrication

technologies developed during the 1960s and 1970s, which enabled the contractors to continue building during the cold winter months.

To some extent, the construction boom of the 1970s led to fragmentation of the settlement structure. Especially at the beginning of the decade, construction concentrated on apartment blocks and on neighbourhood units often located outside the existing structure. On the other hand, the new neighbourhood units have fewer inhabitants and the buildings are smaller



NEW DWELLINGS PER 1000 PERSONS IN 1970-1995



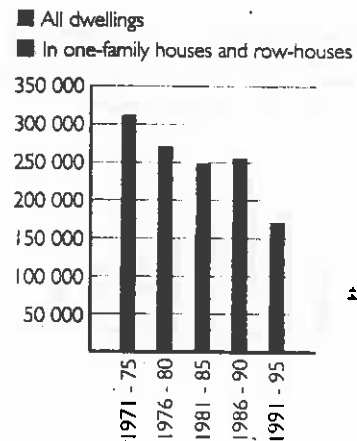
than in many similar places of the same date in other European countries. After the first half of the 1970s, however, the emphasis in construction shifted to houses and row-houses. In the 1990s, the proportion of apartment blocks has increased again, as the recession has reduced construction of detached houses and non-subsidized construction of row-houses.

Of the housing produced within the period 1971-1995, half was constructed without State-subsidized funding (without direct State loans or interest subsidy). The proportion of State-subsidized production has, however, varied considerably. It was highest during the 1970s when much of the social rental housing was constructed. During the recession of the 1990s, the proportion of housing produced without State subsidies has fallen and most production is now subsidized.

As a result of the large volume of production, there is no general housing shortage in Finland. There are, however,

regional differences in the sufficiency of supply. In regions with a growing population, such as the metropolitan area, there is demand for new housing. Demand for social rental housing is also greatest in these regions, and both rents and housing prices are higher than elsewhere. At the same time, in much of the country there is an oversupply of housing, and rents and prices are low.

NEW DWELLINGS BUILT IN 1971-95







**HOUSING STARTS AND STATE-SUBSIDIZED PRODUCTION IN 1971-1995**

	All housing starts	State-subsidized housing production		
		Dwellings	% of all dwellings	Rental dwellings, % of State-subsidized
Total	242 000	623 000	50	52
1971 - 75	321 000	170 000	53	48
1976 - 80	261 000	158 000	61	42
1981 - 85	247 000	99 000	40	42
1986 - 90	270 000	98 000	36	65
1991 - 95	143 000	98 000	69	70

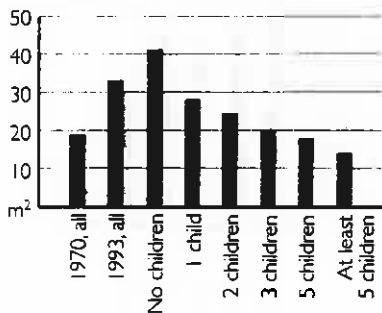
**Standard of housing**

Since the beginning of the 1970s, the average standard of housing has improved considerably in Finland. The problems today are related to distribution factors. On average, the standard is rather high, but there are clear differences between social groups as well as regions.

Current housing conditions and trends are very well known in Finland, thanks to our highly developed housing information

system and a long tradition of producing statistical data. The present focus in strengthening this information base is on developing indicators for measuring distribution problems. Arithmetical means or medians do not provide an adequate picture of the quantity and nature of Finnish housing problems. New goals concerning living environments and ecological construction also set challenges for expansion of the information base.

**AVERAGE DENSITY OF OCCUPANCY IN 1970 AND 1993, AND DENSITY OF OCCUPANCY ACCORDING TO CHILDREN IN 1993 ( m<sup>2</sup> per person)**



The density of occupancy has decreased substantially. Since 1970, the average living space per occupant has increased nearly 80%. There are no significant regional differences, although occupancy density is slightly higher in towns than in rural areas, despite the fact that households have fewer members. On the other hand, there are considerable differences between social groups. The larger the family and the lower the income, the less space per person there is likely to be. In addition, in rental dwellings the average density of occupancy is higher than in owner-occupied homes.



Housing units also have much better amenities than before. For instance, in 1970 just over 50% of households had central heating; today, the proportion is over 90%. At present, technically inadequate housing is a problem mainly in rural areas and among the elderly.

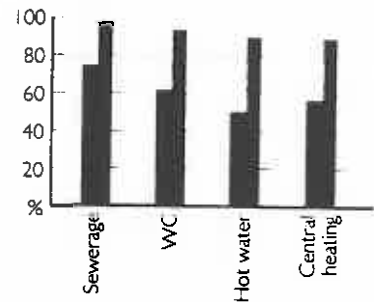
Homelessness is the most serious problem that can affect a person and household. In Finland, a person is considered homeless if, due to lack of housing, he/she lives:

- outdoors;
- in temporary housing or a shelter;
- in a half-way house or welfare home, an overnight shelter, a residential home or some other corresponding care unit;
- temporarily or permanently in an institution; or
- temporarily with friends or relatives.

In quantitative terms, homelessness is not a crucial problem in Finland. There is enough special accommodation, so the insufficiency of such shelters is not the reason why some people live outdoors. On the basis of data provided by local authorities, there were 10,500 homeless people (2.1 per 1000 inhabitants) in Finland in 1995, most of them in the Helsinki metropolitan area.

Despite the fall in housing prices in the 1990s and the reasonably low increases in rent levels, the poor financial standing of households has increased the average proportion of their disposable income consumed by housing expenditure. For

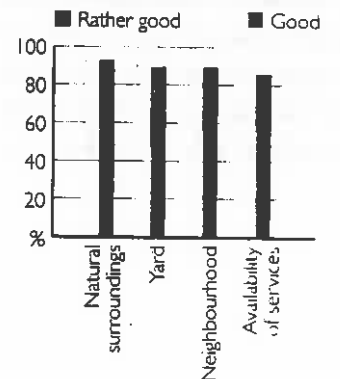
SHARE OF DWELLINGS WITH CERTAIN AMENITIES IN 1970 AND 1994



rental housing, housing expenditure comprises the rent including heating, and for owner-occupied housing, management and maintenance costs and mortgage amortization and interest.

This negative trend notwithstanding, affordability in general is not the main problem, but rather the uneven distribution of the financial burden. The heaviest burden is carried by heavily indebted households most of which

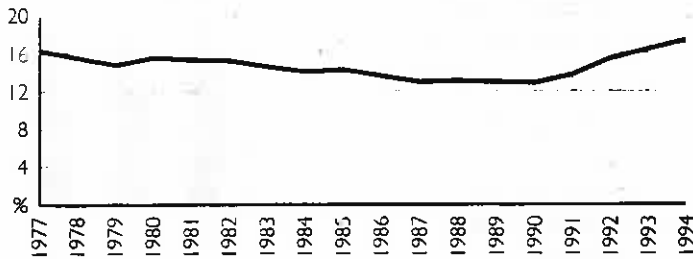
SATISFACTION WITH LIVING ENVIRONMENT AND AVAILABILITY OF SERVICES IN 1994



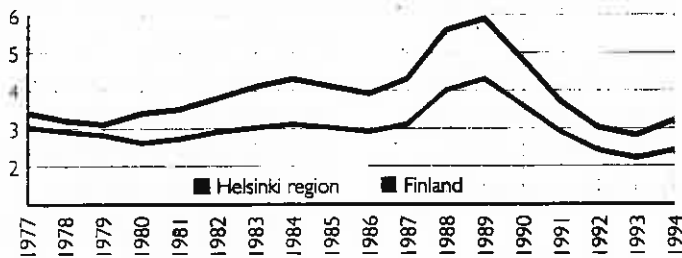


## ADEQUATE SHELTER FOR ALL

**RATIO OF AVERAGE ANNUAL RENT TO HOUSEHOLDS' AVERAGE DISPOSABLE INCOME IN 1977-1994**



**RATIO OF AVERAGE HOUSE PRICE TO HOUSEHOLDS' AVERAGE DISPOSABLE INCOME IN 1977-1994**



comprise young couples living in recently acquired homes. At the other end of the scale are owner occupant households who have repaid their mortgages.

The criteria of adequate housing have expanded to include new aspects. Added to targets set for living space, standard of amenities and housing costs are demands for a good residential environment and availability of services. According to a

study made in 1994, more than nine out of ten Finns aged fifteen or over considered the natural setting, yard and neighbourhood of their home to be at least satisfactory. Dissatisfaction was somewhat more common in city centres than elsewhere. People living in rural areas were much more likely to be dissatisfied with their access to services than those living in cities.



### 3. NEW PRIORITIES FOR THE NEW MILLENNIUM

#### 3.1. A new look at the basic principles of Finnish housing policy

The constitutional rights laid down in the legislation state the basis for the Finnish housing policy and its goals. Accordingly, it is the duty of the government to promote everyone's right to housing, and to support attempts by persons to find housing on their own initiative. The emphasis is on the responsibility of all branches of government to secure the realization of this right to housing.

If living conditions are poor, if housing costs are not reasonable or if there is no security of tenure, people are less likely to be able to manage on the housing market without support. Poor living conditions can also lead to other social problems. Housing policy aims to further socially sustainable development and progress towards greater social equality while also promoting environmentally sustainable development.

In housing, the goal of socially sustainable development implies reducing the differences in standards of living between regions and social groups. The aim is to facilitate everybody's access to housing that meets reasonable criteria of size and standards at reasonable costs in a

satisfying and functional environment.

In Finland, inhabitants themselves have the primary responsibility for housing themselves; they also know their own needs best. The authorities' duty is to enable inhabitants to do this through instruments related to legislation, urban planning, research, education and training, and the creation of an information base. It is also vital that conditions be created for sufficient competition on the housing market with a view to ensuring its economic efficiency.

The authorities are responsible for promoting social equality in housing. In addition to enabling policies, the authorities have to provide financial support for those who need it.

In Finland, local authorities have an important role and responsibility in improving standards of housing within their areas of jurisdiction. It is their foremost task to ensure that their measures are targeted at the homeless and those living in inadequate conditions. Local authorities must also seek to guide the development of the settlement structure in their areas.



### *Policy guidelines*

- For reasons of central government economics, funds allocated for housing subsidy (including tax relief) cannot be increased. Subsidies must, therefore, be targeted efficiently in order to remove housing problems.
- Housing subsidies are targeted especially at young adults, households with children, the over-indebted, households living in inadequate conditions, and to reduce homelessness. Support is primarily allocated directly to households with a view to reducing their housing expenditure.
- In order to secure a stock of affordable housing and to generate employment, funds are also allocated for housing construction and renovation. At the same time, every effort is made to ensure that production subsidies benefit the occupant. When the production of housing picks up and the employment situation begins to improve, it will be possible to reduce these subsidies for new construction and renovation.
- Funds for owner-occupied housing are provided through market-based financing. State-subsidized housing loans are subject to a means test, with the exception of interest-subsidy provided to those acquiring their first apartment and to housing companies.
- Credit financing for rental and right-of-occupancy apartments included in social housing production will be provided mainly by public sector funding.

### **3.2 The priority areas for shelter policies**

#### **Housing the growing proportion of elderly people**

At present, there are 700,000 persons 65 years of age or older in Finland, corresponding to 14% of the population. The proportion is increasing rapidly and is expected to be one of Europe's highest by 2020. According to estimates, there will be over 1,000,000 people at least 65 years old by that year, comprising more than a fifth of the population. Furthermore, the proportion of people over 75 years of age is growing rapidly.

The increasing number of elderly people has a significant influence on housing policy. In the future, a majority of the elderly will live in housing already built, usually owned by themselves and with good basic amenities. Hence, the emphasis on solving the specific housing problem of the elderly will shift from improving their inadequate living conditions to enabling them to continue to live in an ordinary dwelling.

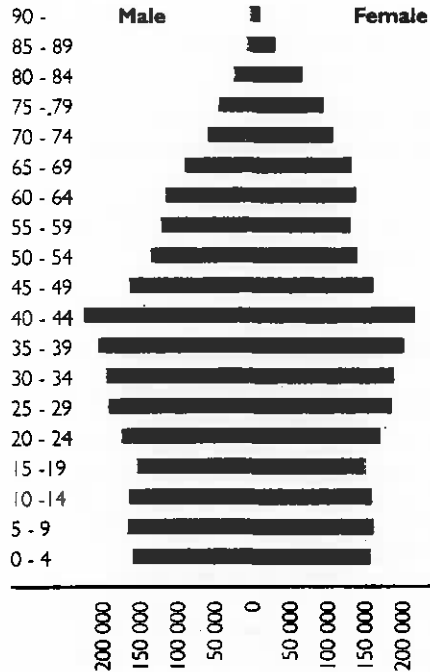
One of the main issues in future housing policy will be to develop living environments to meet the needs of the elderly for housing, and housing-related services. The aim is to promote barrier-free living, and sufficiency and accessibility of services, with a view to ensuring that the elderly can lead as productive a life as possible.

Within the social welfare and health care sector, the objective is to cut the

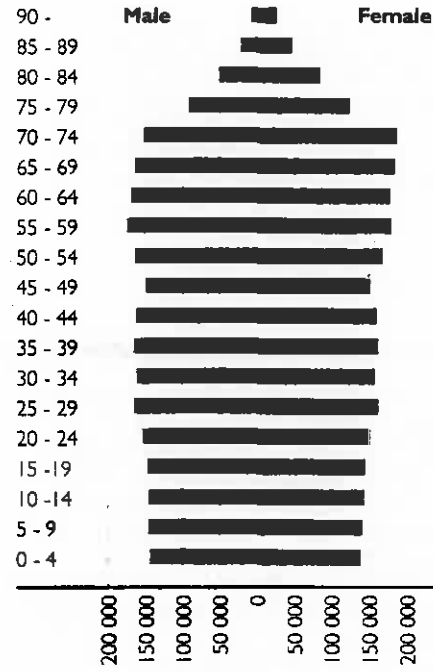


ADEQUATE SHELTER FOR ALL

AGE STRUCTURE IN FINLAND IN 1990



AGE STRUCTURE IN FINLAND IN 2020



number of openings by 15,000 by the year 2000. In addition, 90% of those aged 75 or older should be able to live in their own homes either independently or with the help of services arranged by the social welfare and health care authorities. By 2000, sheltered housing should be made available for 3% of those aged 65 or older.

**Policy guidelines**

- Cooperation between housing and social welfare and health authorities will be

furthered in order to solve the housing problems affecting the elderly and to realize the goals set for the structure of social welfare and health care.

- The needs of the elderly will be given more attention in urban planning.
- The objectives set for subsidizing new construction will be reviewed taking into account the restructuring of social welfare and health care services.
- Measures to provide barrier-free dwellings and buildings and to promote the independence of the elderly, such as the installation of lifts in apartment blocks,



ADEQUATE SHELTER FOR ALL

## THE HOUSING FAIR - BETTER HOUSING FOR PEOPLE AND THE ENVIRONMENT

Every year since 1970 a new residential area has been developed as a "housing fair" in Finland. After being open to the public for one month, the fair grounds become an ordinary residential area. The Finnish Housing Fair co-operative organizes the fairs, jointly with municipalities and private enterprises.

The housing fairs attract more visitors than any other fair in Finland. By enabling users to compare various companies' products, they have increased the competitiveness of the housing market. They have also promoted experimental construction.

The system is financially self-supporting and the idea has proved capable of replication in other Nordic countries.

### Example: Marjala area - the 1995 housing fair

For the 1995 housing fair, a totally barrier-free urban residential area was built in Marjala, in the city of Joensuu. The area and the buildings in the neighbourhood were designed to ensure easy access even for those whose mobility is impaired, for example, all the flats are suitable for wheelchair-bound people either immediately or with minor alterations. This also means that when residents grow older, they will be able to live and move around safely in their own homes and familiar surroundings.

The flats in Marjala may be rented, partially owned, right-of-occupancy, "rent-and-redeem" or owner-occupied dwellings. These different forms of tenure ensure a mix of social groups in the district. The vitality of the area is already indicated by one joint action taken by the inhabitants, together with a private entrepreneur, which has resulted in the establishment of a multi-purpose community centre providing day-care for children and services for senior citizens and the disabled on a cooperative basis.

will be increasingly promoted.

- Opportunities for and constraints on new types of owner-occupied service housing will be studied.

### Cities: the centres of growth

There are great regional differences in demographic trends in Finland. According to projections, 80% of the total increase in population from 1995 to 2000 will take place in the towns. The population of

Finland's major cities, excluding Turku, will grow throughout the period, and there will be some spill-over effects on surrounding municipalities. The greatest decreases in population will be in old industrial cities, whilst the relative decrease will be highest in municipalities located peripherally in provinces. (See part D)

Regional demographic differences will also lead to differences in housing markets and in the need for new housing construction. Many of the regions which will experience a decrease in their



population already have a sufficient housing stock in view of their likely population trends. Within such regions, price and rent levels will develop very differently from those in regions where the population is growing, the Helsinki metropolitan area in particular.

By international standards, the quality and standard of amenities in housing and buildings in Finnish neighbourhood units is high. Many are constructed with their natural environment in mind and are in a pleasant setting. Several urban neighbourhood units are, however, too detached from the city centre, and insufficient attention has been paid to extending these areas, building on undeveloped plots or upgrading residential areas. Lack of jobs, recreational opportunities and services give many neighbourhood units a monotonous and dreary appearance.

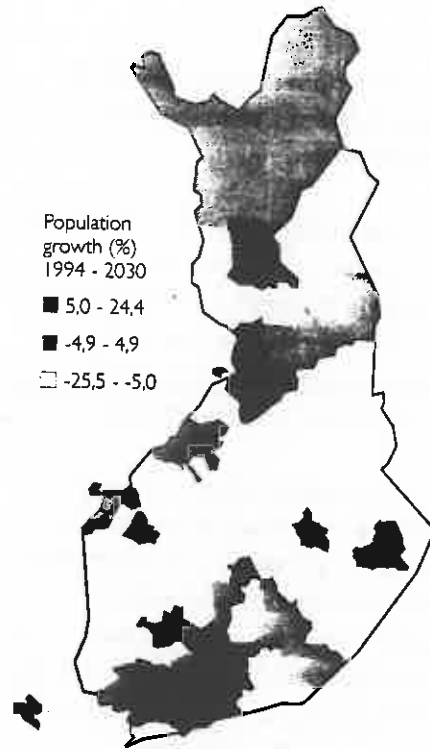
Although the social segregation of residential areas is not as bad a problem in Finland as it is in many other European countries, social adequacy and the prevention of social exclusion must be given the attention they demand in view of the current mass employment.

#### ***Policy guidelines***

- Subsidized production of housing will be concentrated primarily in regions where demographic trends make it inevitable.

- Total costs will be taken into account in a comprehensive way and the goals of

#### **POPULATION GROWTH (%) BY REGIONS**



sustainable development will be given more focused attention in all future construction. Projects will be implemented utilizing existing investments in settlement structure and infrastructure.

- Support will be directed at the comprehensive development of neighbourhood units, paying attention to the improvement of their social adequacy, residential environment, services and the renovation of buildings.

- The aim in community development is to promote operating models based on





partnerships between residents and the public and private sectors.

**Shifting emphasis: from production of new buildings to maintenance and renovation**

Compared with many other countries, Finland has paid little attention to renovation of its existing housing stock. The reason for this is that the housing stock is very recent, the majority of buildings having been constructed since 1970.

A considerable volume of housing will soon require renovation at around the same time, as a large proportion has been constructed within a short period. Although more renovation has been done in recent years, the backlog created in the past has added to the current need. In addition, the needs of the ageing population, the renovation required on prefabricated apartment blocks and combatting the sick-building syndrome all call for immediate attention.

When the emphasis was on constructing new housing, developers, contractors, sources of finance and local authorities played a key role in initiating, planning and implementing all activities. The shift to maintenance and renovation replaces them with the occupants of existing housing in that role. The occupants' needs and their opinions are fundamental to decision-making concerning renovation and maintenance of residential areas and buildings.

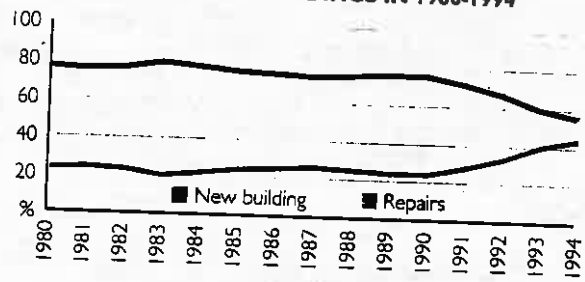
***Policy guidelines***

- The goal is to ensure that the entire housing stock is covered by continuous and planned maintenance and correctly timed renovation.
- Primary responsibility for maintenance and renovation rests with the property owners.
- A principal task of the authorities is to create an enabling environment for renovation.
- The authorities will also provide financial support for renovation. Funds will be granted on social grounds and to encourage the launching of renovation activities. State loans will be targeted at renovations on social rental housing.
- Renovation of owner-occupied housing will be subsidized by the provision of interest-subsidy loans, State guarantees for renovation loans and repair grants.
- The fact that renovation is more labour intensive than new construction will be taken into account in allocating funds for renovation based on other than social grounds. As employment improves, the proportion of support based on such grounds can be decreased.

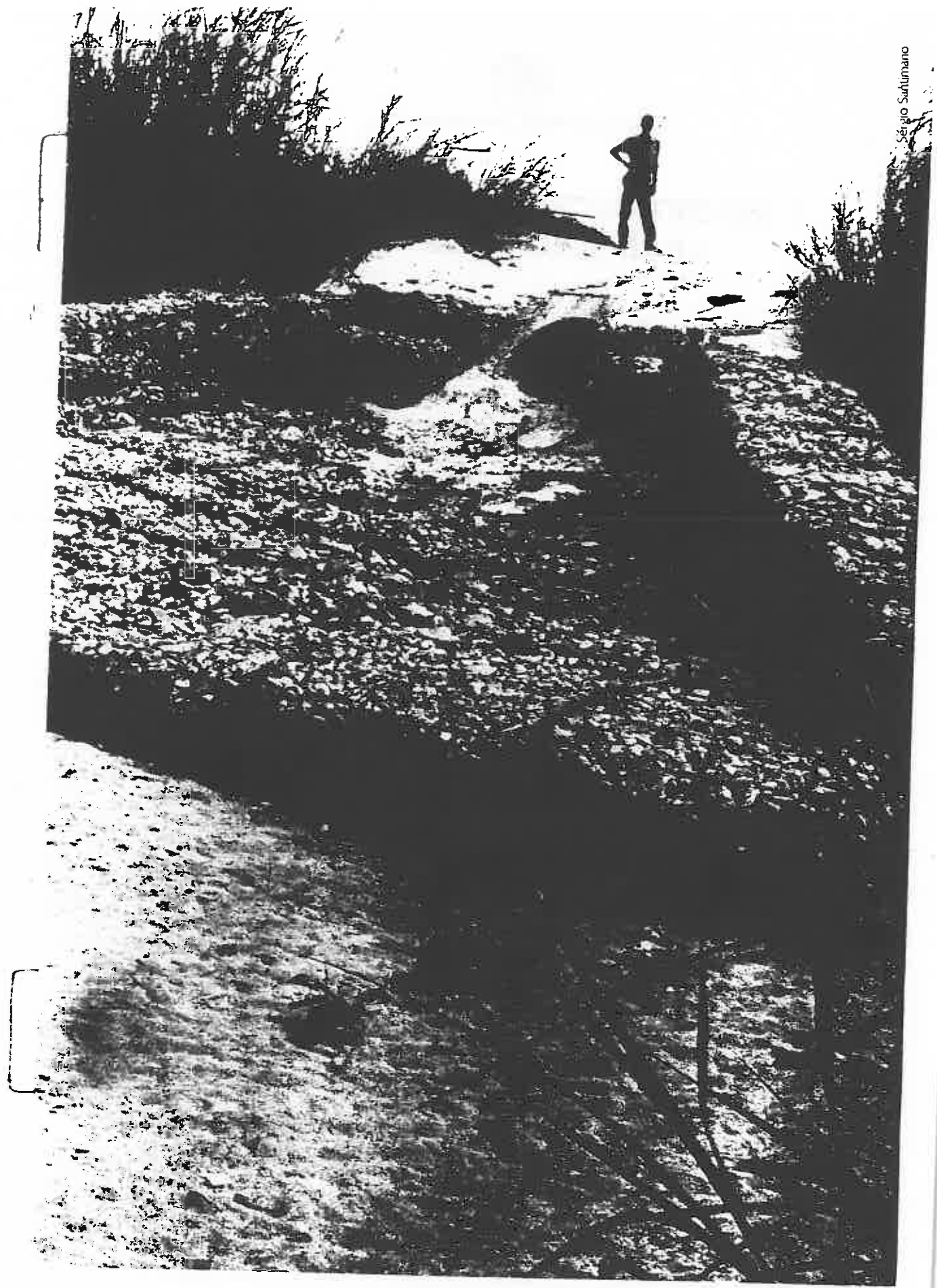


ADEQUATE SHELTER FOR ALL

THE DISTRIBUTION OF BUILDING CONSTRUCTION,  
RESIDENTIAL BUILDINGS IN 1980-1994









## I. IMPORTANCE OF WORKING AND LEARNING TOGETHER

In the field of human settlements and housing, Finland works at the international level in numerous ways, both regionally and globally. This work is based on the conviction that many problems can best be addressed through joint action and that international exchange is essential if we are ourselves to learn.

There is a long tradition of close co-operation among the Nordic countries. One example of this, is the work carried out within the framework of the Nordic Council of Ministers. In addition to exchanging information and sharing lessons learnt, the countries have taken practical steps, for instance, towards promoting harmonization of building standards. Joint training programmes have also been implemented. Some of this work is now being reviewed since Finland and Sweden joined the European Union at the beginning of 1995.

A major change has taken place in Finland's relations with its neighbours to the east and south. After the political situation of the former socialist countries altered so radically at the end of the 1980s, cooperation with them has not only broadened but has also assumed many new forms on both a bilateral and a regional basis.

At the European level, the Economic

Commission for Europe (ECE), was long the most important forum. Finland still emphasizes the role of the ECE as a broadly-based body which is especially appropriate for exchange between well-established market-economy countries and economies in transition. We also value the work of the Council of Europe in fields such as protection of the cultural heritage and social rights.

Ever since Finland gained membership in the European Union, its role in many arenas has changed and new avenues for work have opened up. In addition to work on legal and economic instruments such as taxation and building standards, which also apply in Finland, Finland is paying a great deal of attention to the review of the fifth environmental programme and the EU's action within the UN Commission on Sustainable Development, fields which also have relevance for the human settlements sector. Finland further stresses the work being carried out within various projects on sustainable cities as well as the need to strengthen the focus on urban development in all fields of the EU's activities. Not only does this increase our know-how, but it also paves the way for joint action.

Finland is also participating in the work done within the OECD. OECD's



efforts to contribute to the state-of-the-art knowledge of human settlements development have proved valuable.

At the global level, Finland has always emphasized the role of the UN and its development activities. In the field of human settlements, Finland has consistently supported the UNCHS, as well as agencies such as the UNDP, UNICEF, WHO and UNFPA, whose work is also

relevant for human settlements development. Finland's development cooperation programmes take place within both multilateral and bilateral frameworks.

The following sections take a closer look at cooperation with neighbouring countries, especially those whose economies are in transition, and at development cooperation.

## 2. NEIGHBOURS JOIN FORCES

The most striking feature in the new cooperation links in the Baltic Sea region is the wide variety of actors involved. Cooperation used to be largely carried out through official intergovernmental channels. Today there are links at every possible level, including those between ordinary citizens. At the same time, the various modalities of cooperation have multiplied.

At the governmental level, technical and economic assistance and financial aid are provided to create the conditions for economic and industrial cooperation and to promote the improvement of basic services. Efforts are also being made to mitigate or prevent developments detrimental to Finland, such as environmental effluent and emissions, and risks of accidents at nuclear power plants

in nearby areas. Much of this work is directly related to urban development and management.

One of the cooperation goals with the areas of the Russian Federation adjacent to Finland - the city of St. Petersburg, the Leningrad area, the Republic of Karelia and the Murmansk Region - is to strengthen the preconditions for democracy and socially sustainable development. Policy actions are directed towards ensuring the supply of sustainable energy, reducing the load on the environment, developing transport and communications, and improving social and health services. The Finnish Ministry of the Environment and the Russian authorities have identified a number of practical projects, for instance, modernization of the sewerage system and sewage treatment in St. Petersburg. Many of these projects are



being implemented with co-financing from agencies such as the World Bank and the ERDB. The TACIS programme of the European Union will also be an important instrument in the field of environmental cooperation, especially in the future.

In the Baltic countries, steps have been taken to implement projects with similar arrangements and objectives. Many projects involve training and capacity building at the local level. The EU PHARE programme will be essential here, too. The Ministry of the Environment has supported joint projects related to property management, development of building-regulations, technologies for repair and upgrading of the housing stock, and land use planning. Finland has also taken an active part in regional cooperation within the joint framework set up for spatial development in the Baltic Sea Region called Visions and Strategies around the

Baltic Sea 2010.

One special form of regional cooperation is the Baltic Sea Joint Comprehensive Environmental Action Programme coordinated by the Helsinki Commission (HELCOM). As a great deal of its work focuses on land-based pollution, HELCOM inevitably also takes environmental impacts of urban development into consideration.

Local authorities and their joint organizations have systems of direct horizontal cooperation. Traditional twinning relations have taken on altogether new forms and dimensions, involving also municipal management and the development of local services and infrastructures. Depending on the type of city concerned, a variety of actors participate in the work, including NGOs; in the case of university cities, universities have lively exchange programmes.

### **3. IN DEVELOPMENT COOPERATION ATTENTION IS PAID TO BOTH RURAL AND URBAN POVERTY**

In recent years, urban development has come to be an increasingly important goal in Finland's development cooperation. The reason for this is the rapid urbanization which outstrips even population growth in almost all the developing countries,

causing severe social, economic and environmental problems. The key factors in the drive towards sustainable solutions are a housing policy which enables affordable housing development, good governance and the vital basic infrastructure. The



crucial role of the private sector. NGOs and the communities concerned has been recognized in recent years together with attention paid to democracy, human rights and development of a pluralistic civic society.

Finland does not consider urban development and rural development to be mutually exclusive objectives. Dynamic interaction between a developing countryside and a developing town is a basic requirement for economically and environmentally sustainable development. Urban development, or even solving the most urgent urban problems, is not possible in many countries, if the present urbanization rate continues. Rural development, which improves amenities and means of livelihood in rural areas and prevents uncontrolled urbanization, without viable alternatives is thus another important means of promoting good urban development.

The goals of Finnish development cooperation - reducing widespread poverty, addressing environmental threats, and promoting human rights and democracy - are crucial in the efforts to create conditions for good urban development. Finland also believes that the efficiency and effectiveness of its development cooperation can be ensured only if the recipient countries strive for the same goals.

Poverty plays a critical role in housing problems and homelessness. The public sector cannot possibly provide inexpensive, heavily subsidized housing to more than a fraction of urban inhabitants.

Nor can inhabitants afford conventional "adequate" housing. Therefore, the efforts of the developing countries to achieve stable economic development and an equal distribution of its benefits are crucial prerequisites for healthy urban development and improved living conditions. In planning urban development projects and, particularly, housing projects, it is essential to take into account the feminization of poverty. This has created a situation where the worst problems of urbanization hit women and, subsequently, children particularly hard. Adequate financial resources should be ensured for NGOs, especially women's organizations, to carry out projects at the grassroots level in countries involved in development cooperation with Finland.

Responsibility for urban development, particularly housing production, should be divided among several different actors. The public sector should, above all, implement housing policy and promote standards which enable poor people to acquire or build housing for themselves with the resources at their disposal. Decentralization of decision making and increased opportunities for public participation create the circumstances necessary for improving housing conditions according to inhabitants' needs and possibilities. The efforts to promote democracy and human rights are aimed at strengthening good, responsible governance.

Creating situations where the private sector can contribute effectively to urban development and, particularly, to





## INTERNATIONAL COOPERATION

improvement of housing conditions, is another important goal.

In the beginning of the next millennium more than half of the world's population will live in cities. The number of megacities is growing rapidly in developing countries, as are the environmental problems of cities, especially those related to housing, transport, water supply and sanitation.

Therefore, Finland will shift the focus of its development cooperation in the environmental sector towards urban development. At the same time Finland stresses cooperation with countries that themselves seek to implement housing, transport and energy policies that are based on the principles of sustainable development.

### EXAMPLES OF DEVELOPMENT COOPERATION FUNDED BY FINLAND

Finland is funding extensive water supply projects in Hanoi and Haiphong in Vietnam. Within these projects, not only has the functioning of the cities' waterworks been improved, but their management and the principles for future water supply have also been developed in order to ensure the sustainability of results. In Vietnam, a project has also been launched to strengthen the national water supply policy, including wastewater treatment and sanitation. Similar water supply projects have been carried out in cities in other recipient countries.

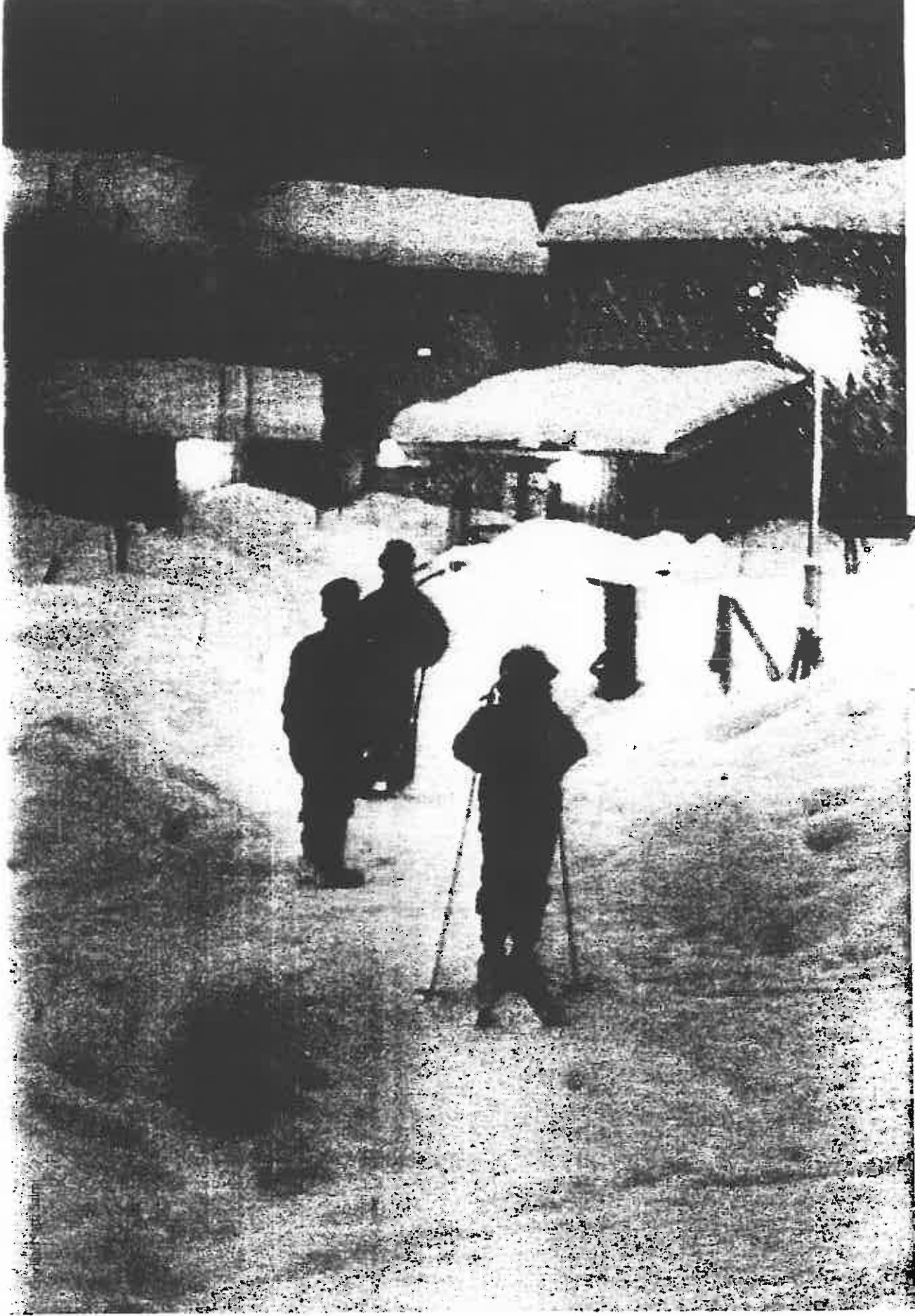
Finland is also funding a comprehensive urban development project in Nacala in Mozambique. The project has involved improving the municipal management and vital municipal services, and supporting efforts to keep the city environmentally viable. Special attention is focused on combatting the severe erosion problems in the area.

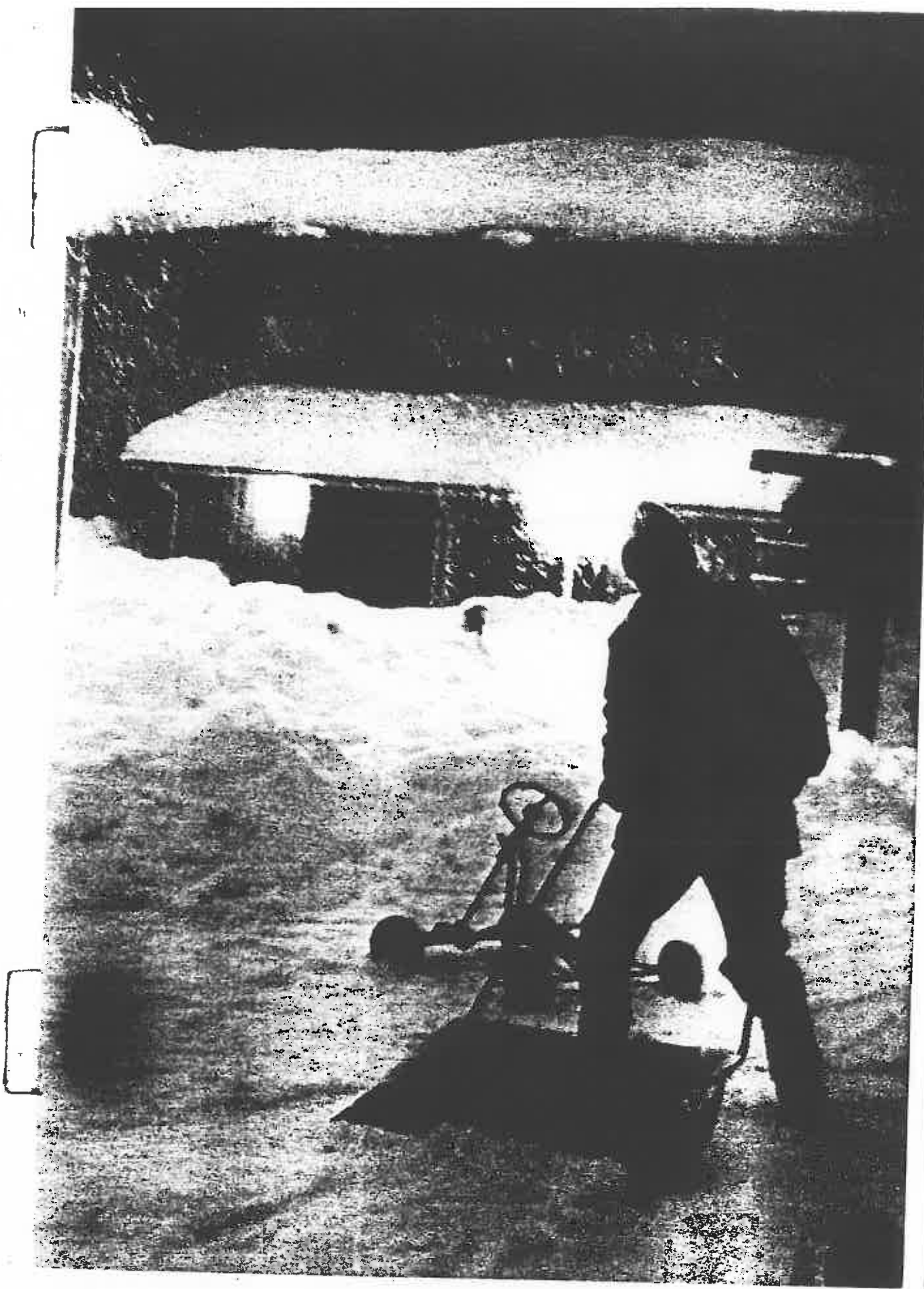
Finland also implemented jointly with the UNCHS (Habitat) the global programme aimed at identifying enabling policies which

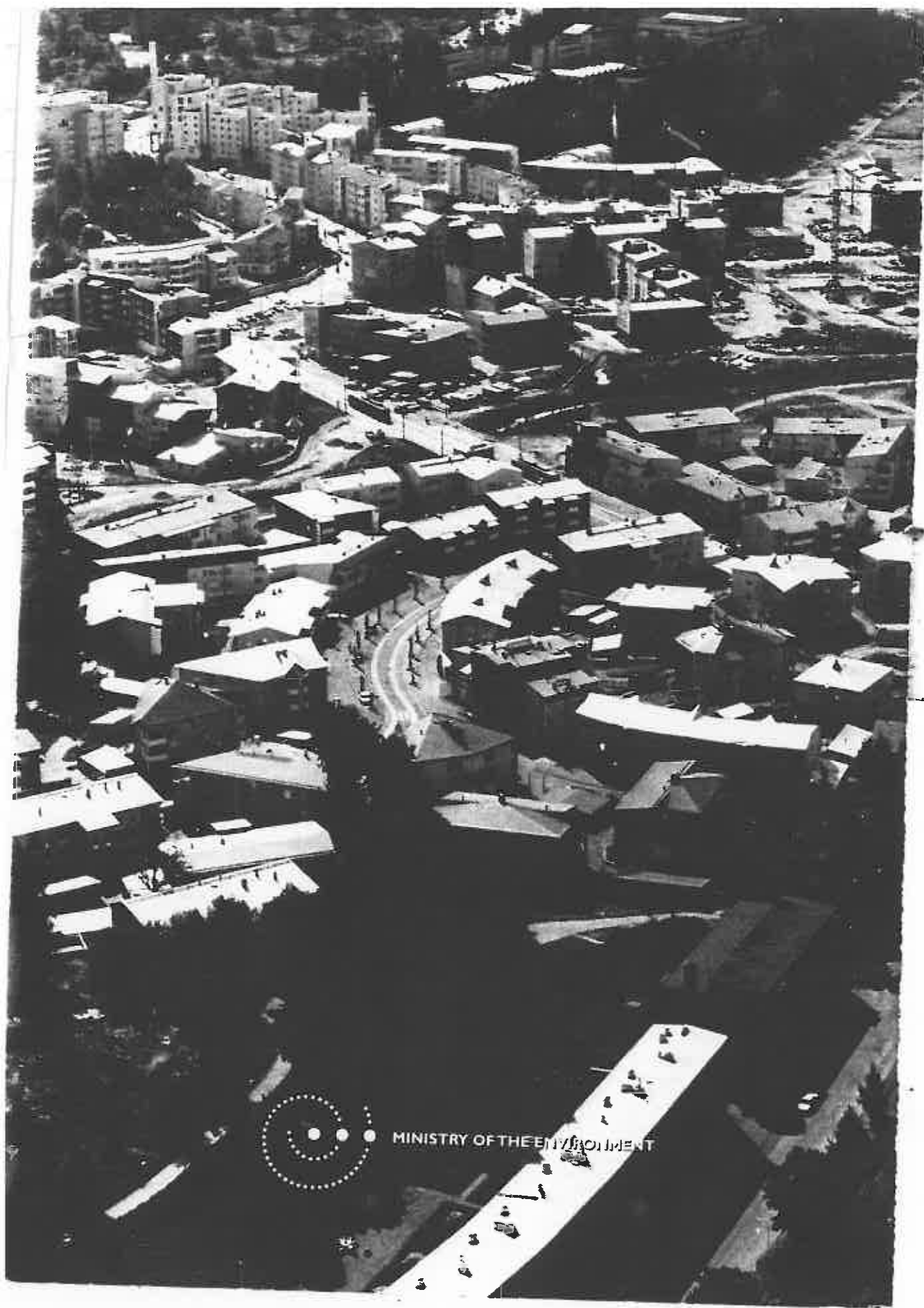
would address housing problems in a sustainable manner. The opportunities and constraints for housing development were studied in six different countries, with special attention to resources available. The programme also promoted strategic planning in the sector in general, and in many countries has led to practical measures aimed at institutional development.

In Cairo, Egypt, Finland is funding a project to improve underground engineering systems. The goal of the project is to ensure that the city's water supply, sewerage, electricity and communications networks can operate free from disturbances.

In order to facilitate physical planning, a special computerized programme called 'ViSP' has been developed by the Technical Research Centre of Finland. This facilitates planning in situations where no reliable maps are available. The system will be presented at Habitat II as a joint development project between Finland, Italy and UNCHS.







MINISTRY OF THE ENVIRONMENT

