OECD Principles on Urban Policy

About CFE

The OECD Centre for Entrepreneurship, SMEs, Regions and Cities provides comparative statistics, analysis and capacity building for local and national actors to work together to unleash the potential of entrepreneurs and small and medium-sized enterprises, promote inclusive and sustainable regions and cities, boost local job creation, and support sound tourism policies.
www.oecd.org/cfe/ | @OECD_local

TABLE OF CONTENTS

Why OECD Principles on Urban Policy?

Make "explicit" the implicit lessons from 20+ years of OECD work on cities & urban policy

Help governments deliver better policies and improve well-being in cities for all

Prepare all cities for technological, demographic and environmental change

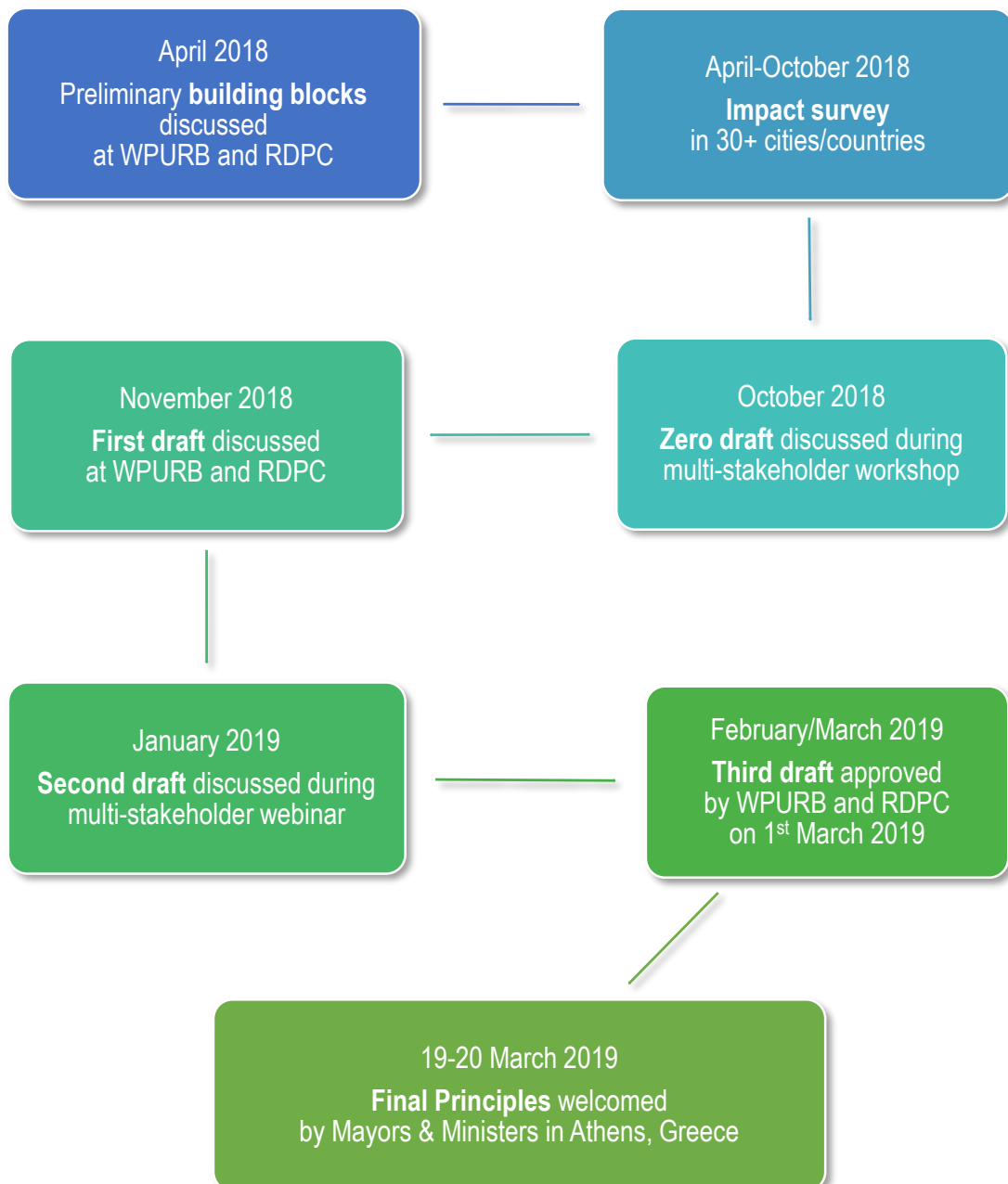Support the commitments of governments to achieve global agendas

The OECD Principles on Urban Policy offer a tool to improve policy and are not binding.

How were
the OECD Principles on Urban Policy developed?

**Led by the OECD Regional Development Policy Committee (RDPC)
and its Working Party on Urban Policy (WPURB)**

In parallel with the development of OECD Principles on Rural Policy
for an integrated approach to the urban-rural continuum

April 2018
Preliminary **building blocks**
discussed
at WPURB and RDPC

April-October 2018
Impact survey
in 30+ cities/countries

November 2018
First draft discussed
at WPURB and RDPC

October 2018
Zero draft discussed during
multi-stakeholder workshop

January 2019
Second draft discussed during
multi-stakeholder webinar

February/March 2019
Third draft approved
by WPURB and RDPC
on 1st March 2019

19-20 March 2019
Final Principles welcomed
by Mayors & Ministers in Athens, Greece

A multi-stakeholder co-production of the OECD Principles on Urban Policy

International organisations:
- European Commission
- UN-Habitat
- UN Environment
- Cities Alliance

Networks of cities, local & regional governments:
- United Cities and Local Governments (UCLG)
- Metropolis
- ICLEI – Local Governments for Sustainability
- European Observation Network for Territorial Development and Cohesion (ESPON)
- Council of European Municipalities and Regions (CEMR)

Development banks:
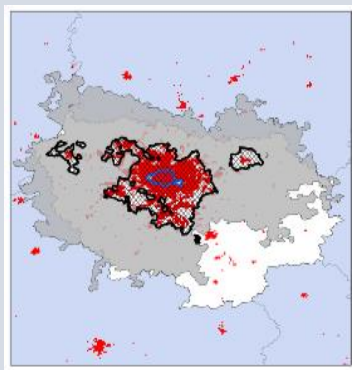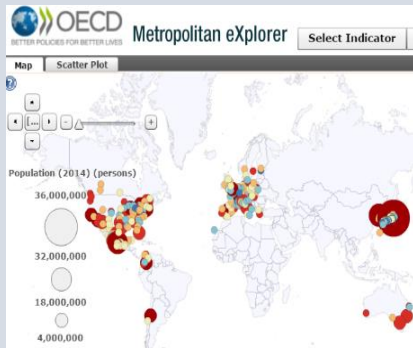- World Bank
- Inter-American Development Bank (IADB)

Research institutes & academia:
- Lincoln Institute of Land Policy
- Urban Land Institute
- Institut de recherche et de développement (IRD)
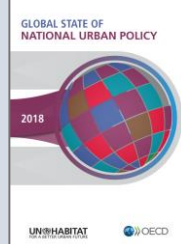- Sorbonne – Chaire Entrepreneuriat Territoires Innovation (ETI)
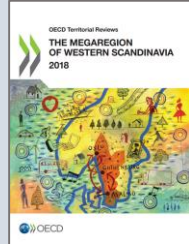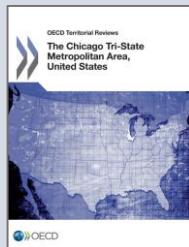
Building on 20+ years of OECD work on urban policy

Statistics & Data

Reports

Metropolitan Reviews

National Urban Policy Reviews

Policy networks

Champion Mayors for Inclusive Growth

National Urban Policy Programme
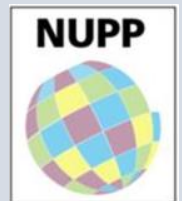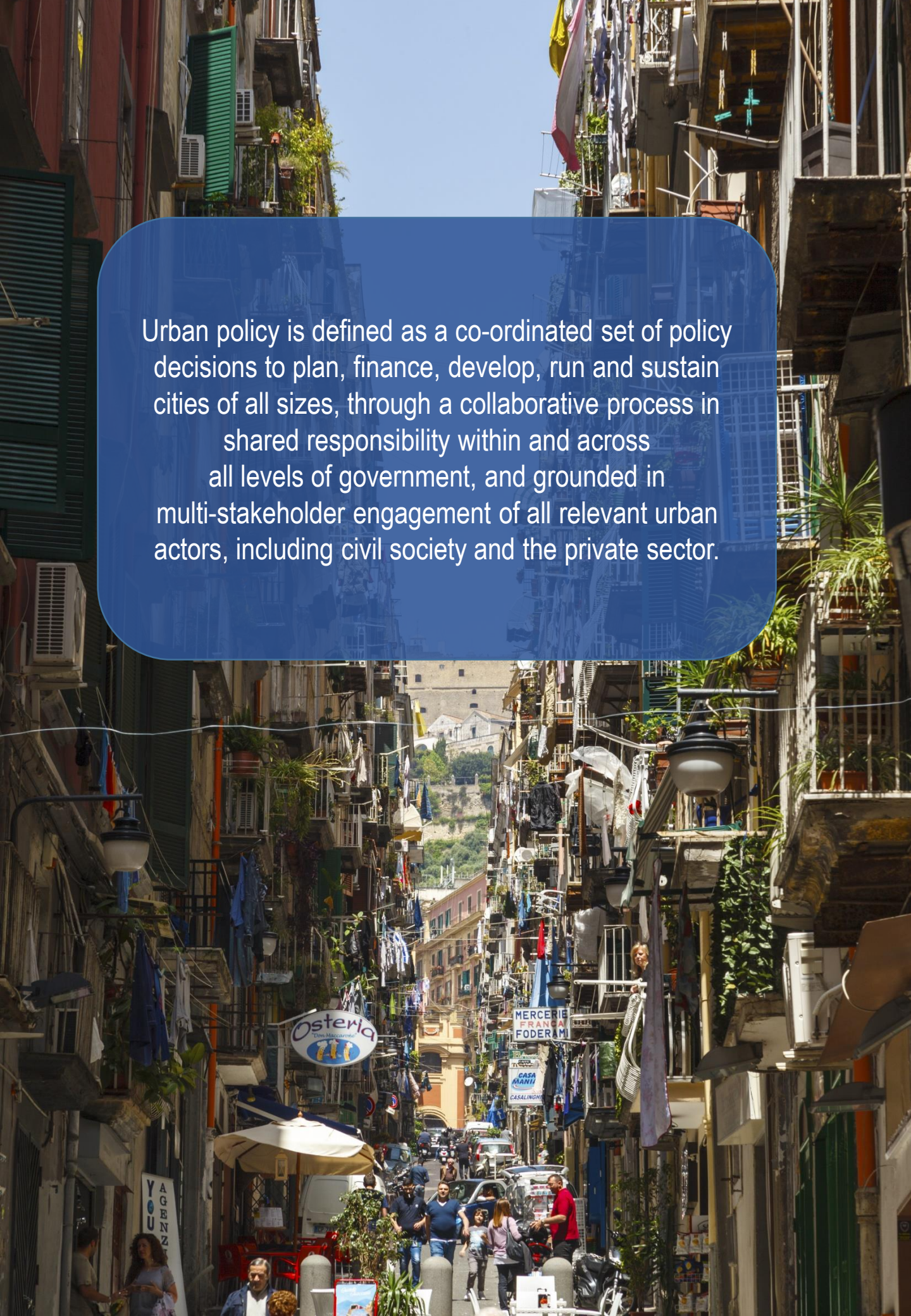
Roundtable of Mayors and Ministers

Thematic analysis

Urban policy is defined as a co-ordinated set of policy decisions to plan, finance, develop, run and sustain cities of all sizes, through a collaborative process in shared responsibility within and across all levels of government, and grounded in multi-stakeholder engagement of all relevant urban actors, including civil society and the private sector.

Who are the OECD Principles on Urban Policy for ?

NATIONAL MINISTRIES

in charge of cities,
urban or regional policies in
OECD Member & Partner
countries

**SUBNATIONAL
LEVELS OF
GOVERNMENT**

such as regions/states,
provinces, cities/
municipalities, etc.

STAKEHOLDERS

involved in, or affected
by urban policy,
from the private sector,
academia, civil society,
etc.

ONLY

BUS

OECD Principles on Urban Policy

National Urban Policy

Environmental quality

Opportunities for all

Policy coherence

Funding

STRATEGY

Urban-rural interdependencies

Functional definition of cities

SCALE

Cities of all sizes

Monitoring, evaluation and accountability

STAKEHOLDERS

Innovation

Engagement

1) Targeting an effective SCALE
of policy action in all cities

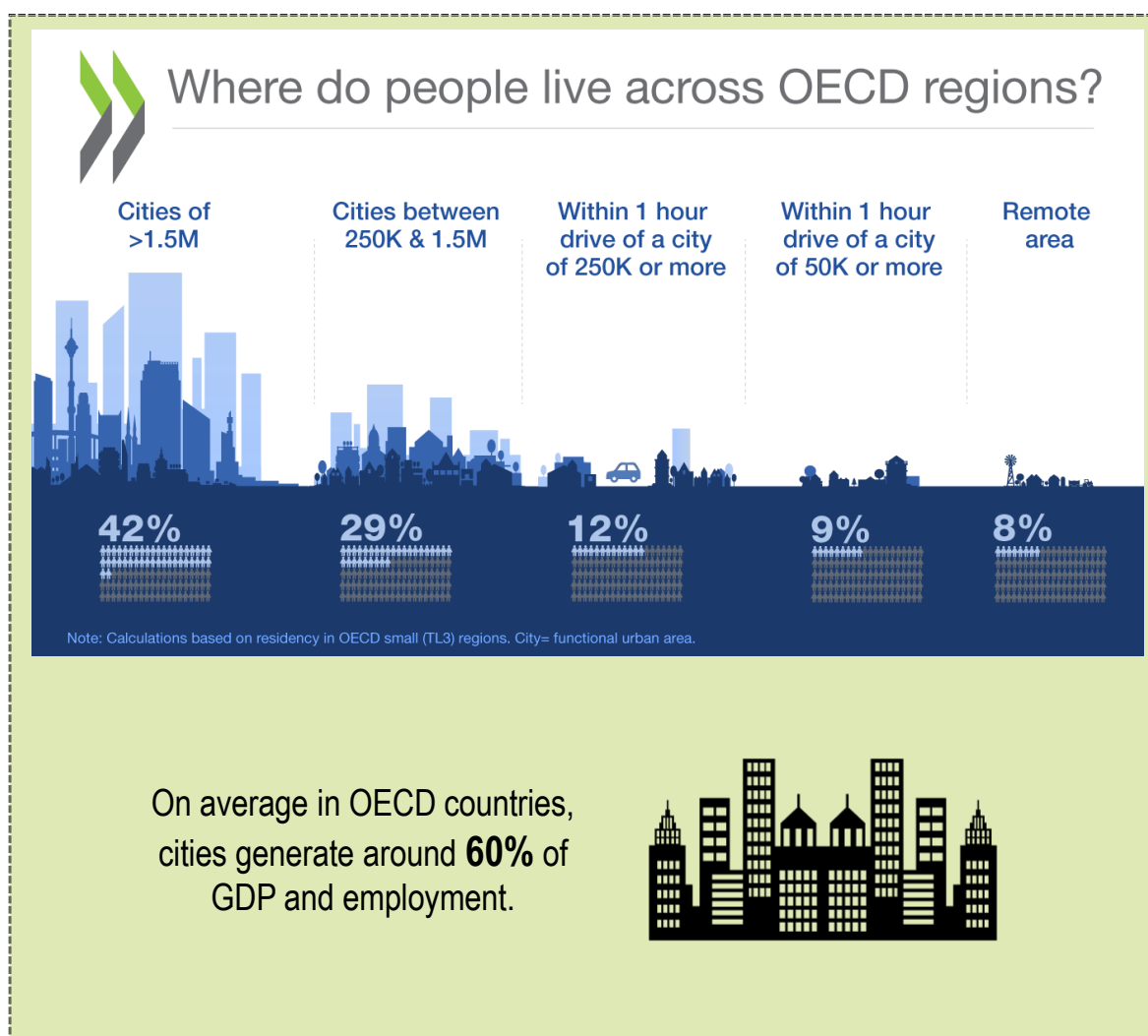# PRINCIPLE 1

Maximise the potential of cities of all sizes to advance national and global prosperity and well-being over time, by:

- Leveraging the territorial assets of small, intermediary and large cities to generate growth and well-being for their immediate and nearby residents and users, as well as for the global community, and foster territorial cohesion and resilience;

- Supporting systems and networks of cities, for example through metropolitan and regional governance, inter-municipal and city-to-city co-operation.

Where do people live across OECD regions?

Cities of >1.5M	Cities between 250K & 1.5M	Within 1 hour drive of a city of 250K or more	Within 1 hour drive of a city of 50K or more	Remote area
42%	29%	12%	9%	8%

Note: Calculations based on residency in OECD small (TL3) regions. City= functional urban area.

On average in OECD countries, cities generate around **60%** of GDP and employment.

PRINCIPLE 2

Adapt policy action to the place where people live and work, by:

- Promoting flexible and collaborative territorial governance and policy beyond administrative perimeters where appropriate, by supporting a functional urban area approach (cities and their commuting zones);

- Adapting development strategies and public service delivery to the diversity of urban scales, ranging from neighbourhoods and intermediary cities all the way to metropolitan areas, large cities and megaregions;

- Promoting synergies across resources and capacities at a relevant scale for efficient, effective and quality local public services and amenities that respond to the population's needs;

- Supporting the preservation and management of public goods and common cultural and natural resources accessible to all members of society, such as fresh air and biodiversity, at the appropriate scale.

Daily activities can often lead people to work, live, commute and socialise across the administrative boundaries of different municipalities, within a single metropolitan area.
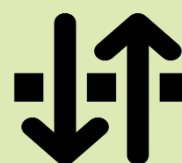
Fragmented metropolitan governance can harm economic growth:

- Increased administrative fragmentation is associated with lower productivity. When the number of municipalities in a metropolitan area doubles, productivity falls by **6%**.
- However, when a metropolitan governance body is in place, productivity only falls by **3%**.

Around **two-thirds** of metropolitan areas in OECD countries have a metropolitan governance authority.

PRINCIPLE 3

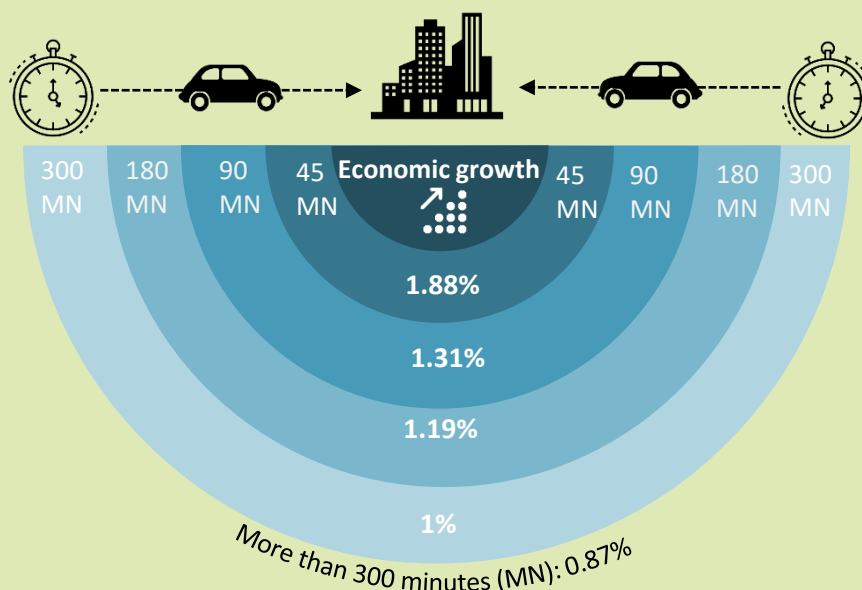## Support interdependencies and co-operation between urban and rural areas, by:

- Leveraging the spatial continuity and functional relationships between urban and rural areas to inform public investment and programme design;
- Carrying out joint strategies and fostering win-win urban-rural partnerships, as appropriate, to promote an integrated development approach.

Agglomeration benefits from urban areas trickle down to nearby rural areas:

- The closer a rural region is to an urban area, the stronger its **population growth**.

- **Economic growth** increases with proximity to large cities. Rural regions close to a city have narrowed their productivity gap *vis-à-vis* urban regions by 3 percentage points since 2010.

The closer to a city (in terms of driving time from a metropolitan area of 2 million or more inhabitants), the stronger the economic growth (GDP per capita growth between 1995 and 2010).

| 300 MN | 180 MN | 90 MN | 45 MN | Economic growth | 45 MN | 90 MN | 180 MN | 300 MN |

1.88%

1.31%

1.19%

1%

More than 300 minutes (MN): 0.87%

2) Adopting a coherent, integrated and effective STRATEGY to build smart, sustainable and inclusive cities

PRINCIPLE 4

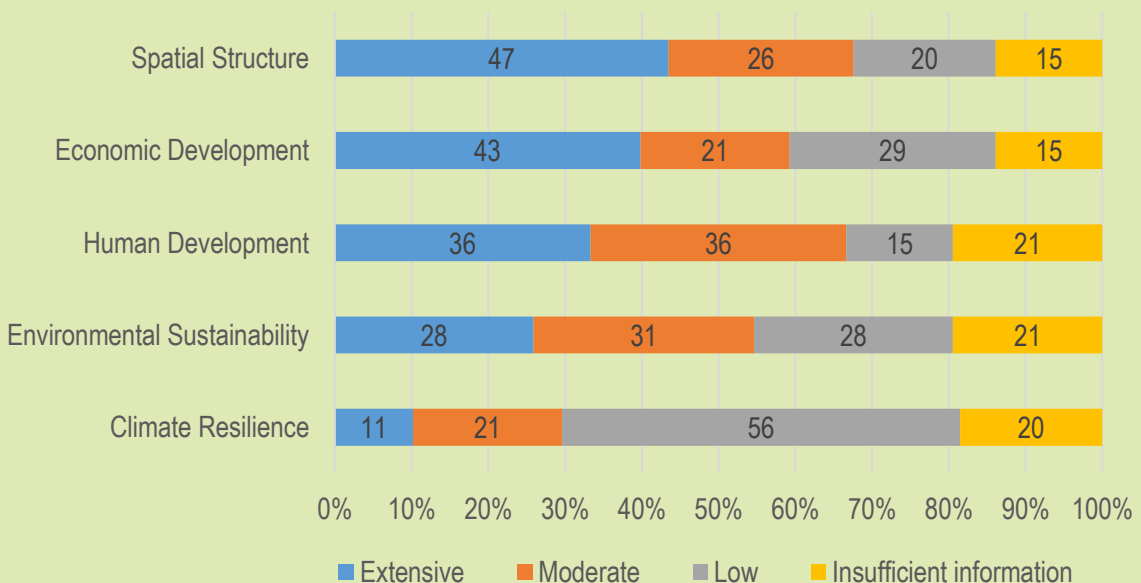## Set a clear vision for national urban policy that is fit for the future, by:

- Assessing and addressing the impact of globalisation, urbanisation, ageing, migration, population growth and decline, the production revolution, digitalisation, climate change, and other transformative trends on cities of all sizes;

- Co-ordinating responsibilities and resources across levels of government to meet concomitantly place-specific needs, national objectives, and global commitments related to urban policy and sustainable development, amongst others.

Almost **90%** of OECD countries reviewed have at least partial elements of a national urban policy in place. But only 15 of 35 OECD countries have an *explicit* national urban policy.

Level of attention given to themes in National Urban Policies in 108 countries

Theme	Extensive	Moderate	Low	Insufficient information
Spatial Structure	47	26	20	15
Economic Development	43	21	29	15
Human Development	36	36	15	21
Environmental Sustainability	28	31	28	21
Climate Resilience	11	21	56	20

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

■ Extensive   ■ Moderate   ■ Low   ■ Insufficient information

PRINCIPLE 5

Leverage the potential of cities of all sizes for advancing environmental quality and the transition to a low-carbon economy, by:
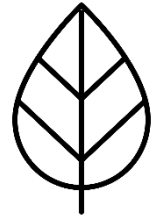
- Encouraging more efficient use of resources, and more sustainable consumption and production patterns, notably by promoting circular economy in small, intermediary and large cities, including at the neighbourhood level;

- Mainstreaming climate mitigation and adaptation priorities in urban planning, urban infrastructure investments and local public service delivery, notably housing, transport, water, solid waste and energy;

- Addressing negative agglomeration externalities, such as traffic congestion, air and noise pollution, slum development, increasing pressure on natural resources and public services, threats to urban safety;

- Exploiting the potential advantages of urban density and urban form (compact or sprawl) to implement green and nature-based solutions, including green buildings, sustainable public transport, and renewable energy;

- Fostering resilient cities that are well prepared to anticipate, respond to and recover from natural and man-made disaster risks and shocks;

- Bridging climate, growth and inclusion objectives in cities, for example by appraising the distributional effects of climate decisions on vulnerable groups, and setting up accompanying measures.
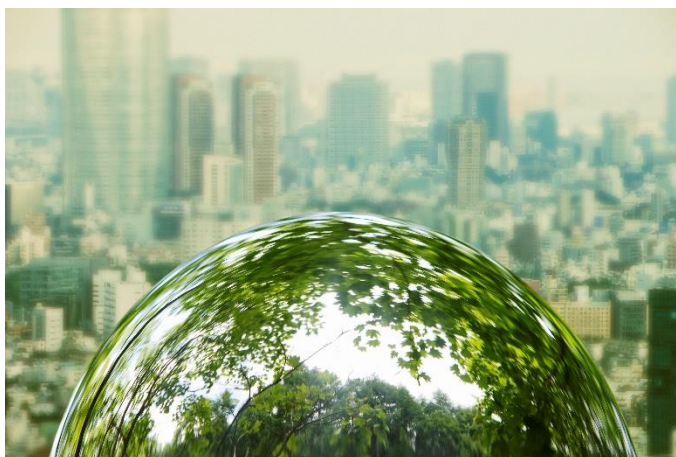
Cities contribute to climate change.

Cities account for:

70% of GHG emissions

⅔ of global energy consumption

50% of the production of solid waste

Despite recent progress, air pollution started to rise again in cities between 2000 and 2015.

But cities can also be part of the solution.

Cities and regions are responsible for:
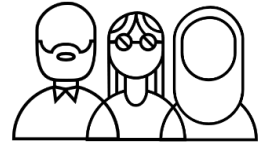
55% of climate and environment related spending

64% of climate and environment related investments.

Aligning urban development with environmental and climate objectives can play a key role in reducing emissions.

PRINCIPLE 6

Promote inclusive cities that provide opportunities for all, by:

- Improving access for all urban residents and users – regardless of their gender, age, ethnic background or health status – to drivers of social inclusion, such as local public services, affordable quality housing, transport, education, health, employment and economic opportunities, cultural heritage and amenities, leisure and safe public spaces;

- Supporting national and local inclusive growth policies that help cities cope with demographic change and foster social cohesion at all urban scales ranging from neighbourhoods to metropolitan areas, including policies for gender equality, healthy ageing, and the local integration of migrants;

- Promoting urban identity and culture and a quality living environment for all neighbourhoods, especially the most degraded.

- Income levels in cities are about **21%** higher than their national average.

- **Income inequality** is higher in metropolitan areas than in non-metropolitan areas (in the 11 OECD countries where comparable data is available).

- **Life expectancy** can vary by 20 years from one neighbourhood to another within cities such as Baltimore (US) or London (UK).

- Individuals who grew up in the poorest neighbourhoods **earn 5-6% less** than those who grew up in the most affluent.
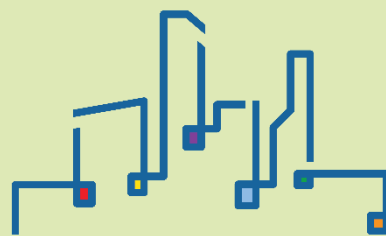
OECD CHAMPION MAYORS
for Inclusive Growth

As part of its Inclusive Growth Initiative, the OECD launched the **Champion Mayors for Inclusive Growth Initiative** in 2016, with support from the Ford Foundation and in partnership with a range of Supporting Institutions. Champion Mayors for Inclusive Growth form a global coalition of 60+ willing leaders who have committed to tackling inequalities and promoting more inclusive economic growth in cities. The initiative aims to provide mayors with a unique platform in the debate on inequality, elevating their voices in national debates and global agendas; and to facilitate exchanges among city leaders, sharing concrete solutions to address inequality.

PRINCIPLE 7

Foster a national and multi-level urban policy approach that sets incentives to align and integrate sectoral policies to jointly promote development and well-being in cities, by:
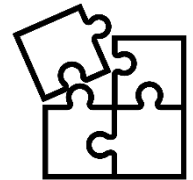
- Setting incentives, regulations and co-ordination mechanisms to manage trade-offs and encourage policy coherence, both across ministries/public agencies and levels of government, notably by:

  - Evaluating how *economic development* policy may affect different cities and how the specific strengths of different cities – including tourism assets – can contribute to local, regional and national prosperity

  - Fostering inclusive *labour markets* for all segments of the skills spectrum

  - Promoting equitable access to quality *education*, especially for low-income youth, and fostering collaboration between higher education institutions, businesses, local and regional governments, and civil society;

  - Taking measures to adjust *housing* quantity, quality and affordability to the variety of housing needs, with a view to promote social cohesion; integrating housing, transport and land use planning;

  - Designing and planning *transport* policies that increase the accessibility of urban residents and users to economic, social and cultural opportunities; improving multimodality; encouraging and harnessing soft mobility and new forms of clean urban mobility; combining supply-side and demand-side transport management policies;

  - Promoting effective *land use* policies that encourage transit-oriented and mixed-use developments to reduce socio-spatial segregation and enhance urban regeneration, including through inclusive urban design.

Compact cities are characterised by:
- dense and proximate development patterns;
- built-up areas linked by public transport systems;
- accessibility to local services and jobs.

A literature review of more than 400 interdisciplinary studies shows that **compact urban development** has positive effects along most dimensions (ranging from productivity and job accessibility to energy efficiency and health)…

… but there are downsides to mitigate, especially the rise in **housing costs** associated with higher population density and land restrictions.

PRINCIPLE 8

Harness adequate funding for effective implementation of responsibilities for urban policy at all levels of government, by:

- Promoting a diversified, balanced and sustainable basket of resources to adequately finance urban development, infrastructure and services across levels of government;

- Using economic instruments such as taxes or fees to catalyse needed revenues and foster behavioural change to build sustainable and inclusive cities;

- Providing subnational governments with sufficient leeway to adjust and manage their revenues to respond to urban development needs;

- Mobilising innovative financing tools such as borrowing, land value capture mechanisms, and infrastructure funds; and

- Leveraging private sector funding where appropriate with a view to maximise related opportunities and address risks.

The OECD estimates that **USD 95 trillion** in public and private investment will be needed at a global scale in energy, transport, water and telecommunications infrastructure between 2016 and 2030.

While some cities and regions are growing, others are shrinking. This will shrink tax bases and will make it more difficult to provide public services.

The current level of total investment is **<50%** of what is required to prepare for new technologies and adequately address challenges such as ageing and climate change.

Subnational governments are responsible for **57% of public investment** in OECD countries. They will play a leading role in scaling up investments and ensuring a high return.

3) Engaging STAKEHOLDERS in a co-designed, co-implemented, and co-monitored urban policy
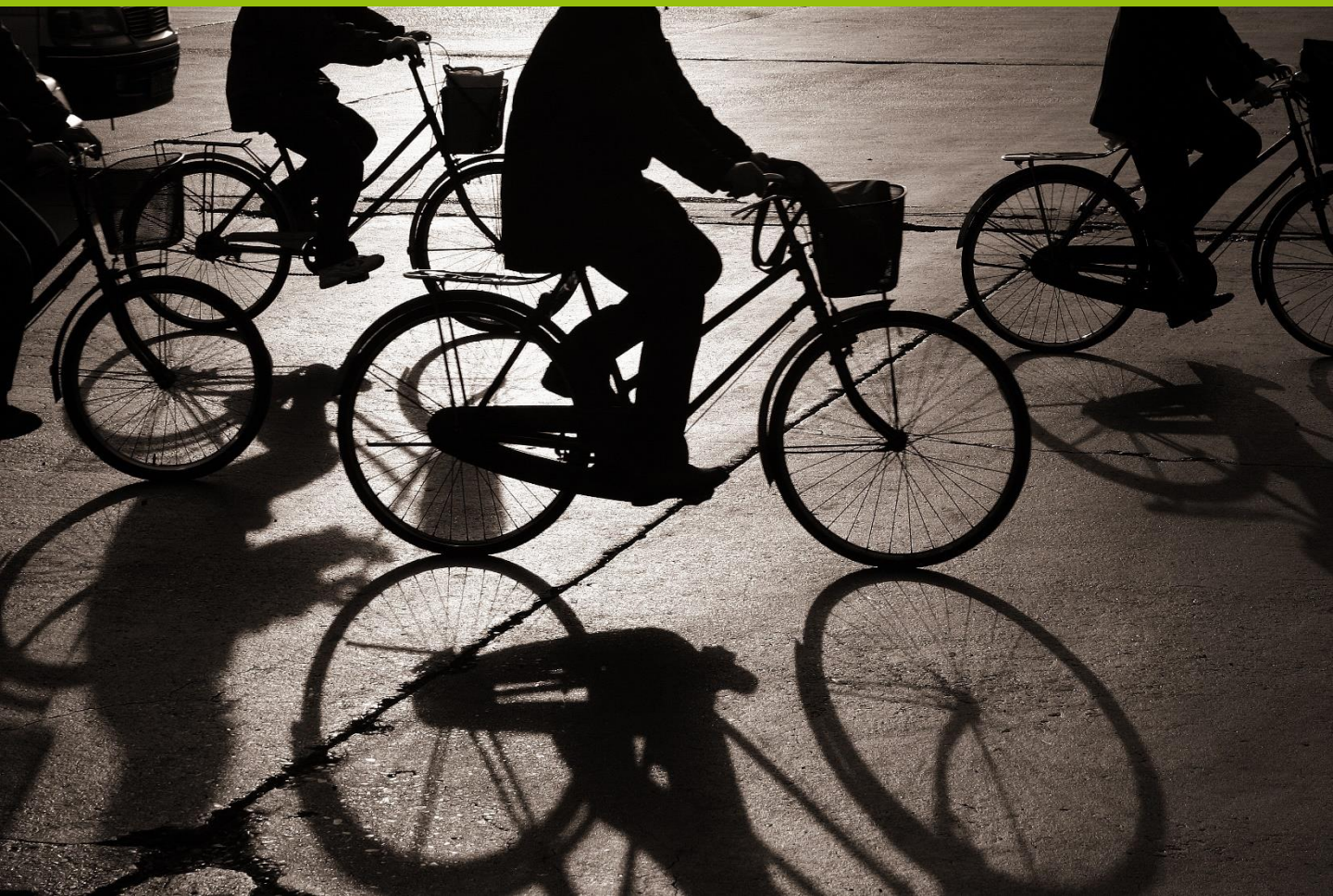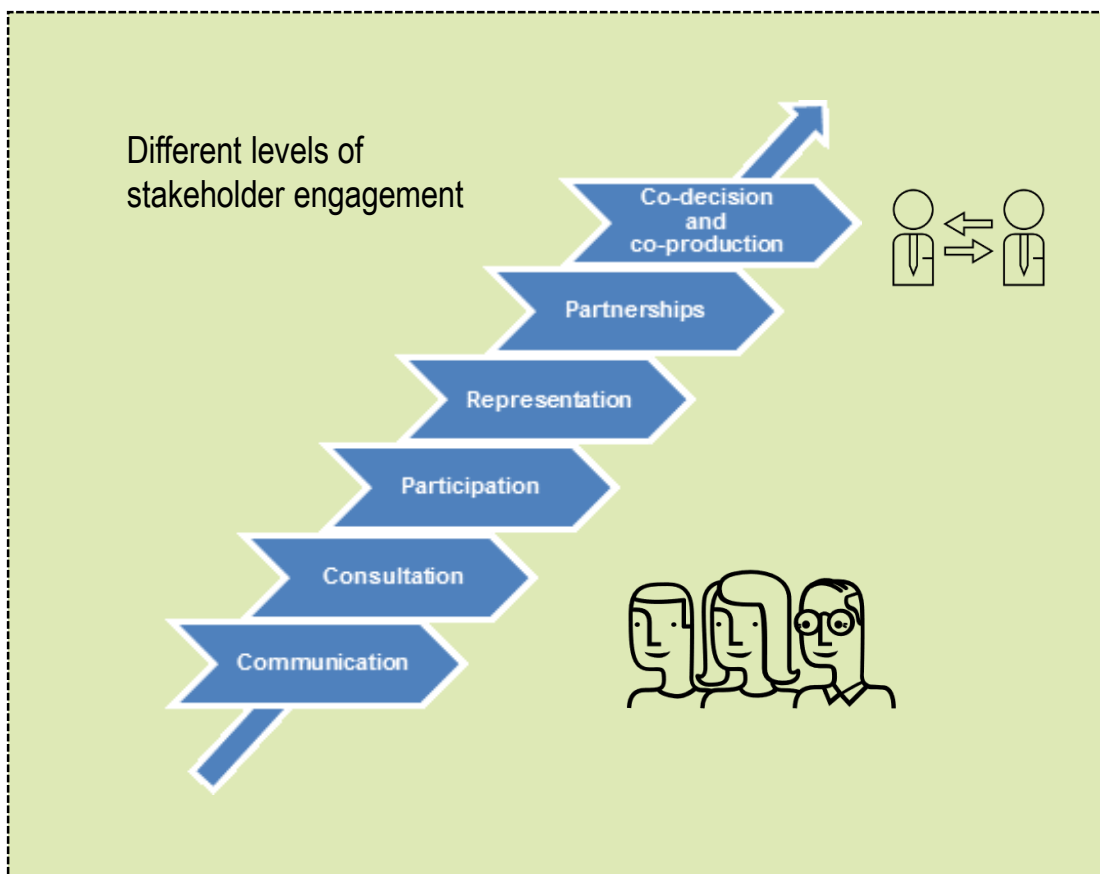
PRINCIPLE 9

Promote stakeholder engagement in the design and implementation of urban policy, by:

- Involving all segments of society, notably the most vulnerable residents and users, such as women, elderly, youth and children, disabled, migrants and minorities;

- Harnessing innovative mechanisms to engage with the private sector, notably property developers, urban planners, institutional investors, the financial sector, as well as with regulators, academia, non-profit organisations and civil society;

- Promoting outcome-oriented engagement by clarifying the decision-making line and how stakeholder inputs will be used, allocating proper resources, sharing information, making it accessible to non-experts and striking a balance between over-represented categories and unheard voices.

Different levels of stakeholder engagement

Co-decision and co-production

Partnerships

Representation

Participation

Consultation

Communication

PRINCIPLE 10

Strengthen the capacity of actors in cities to innovate and fulfil their duties effectively, efficiently and inclusively, by:

- Reinforcing strategic management and innovation capabilities of public officials at all levels of government to design and implement integrated urban strategies that match the complexity of current and future challenges;

- Encouraging policy continuity and independence from political cycles, including through the professionalisation and capacity development of public workforce at national and local levels where appropriate, for example through merit-based recruitment and promotion processes, fair remuneration, and the certification of competencies;

- Promoting innovation platforms, experimentation and pilot-testing to draw lessons from successes and failures in urban policy, and scale up replicable practices; and

- Harnessing the potential of diverse actors, including the private sector, to bolster technological, social, public sector and civic innovation, including through a smart city approach.

According to the OECD/Bloomberg Philanthropies survey on innovation capacity in 89 cities:

77% of cities have dedicated funding to support innovation capacity

55% of cities have formal innovation goals

… but only **44%** of cities have an innovation strategy.

Respondents said that their innovation efforts are helping their city:

- improve service delivery (emergency services, housing, mobility, social services…)

- improve internal government operations (streamline budget processes and workflows, foster inter-agency cooperation), and

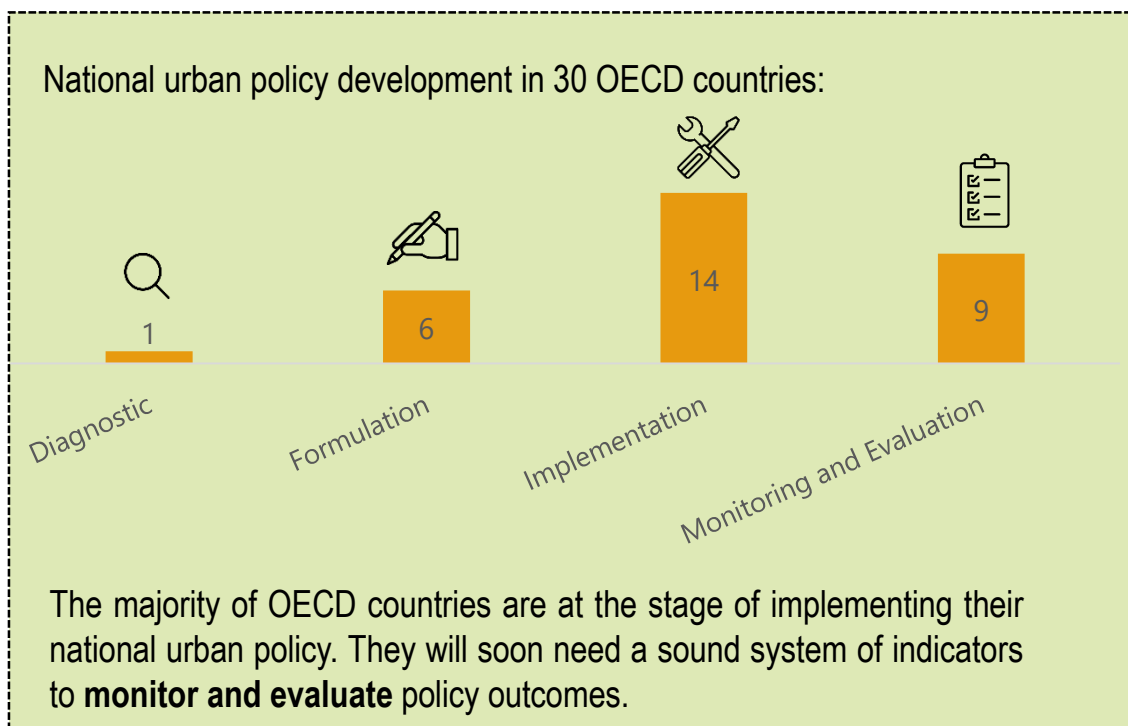- improve resident outcomes (jobs and health)

PRINCIPLE 11

Foster monitoring, evaluation and accountability of urban governance and policy outcomes, by:

- Promoting dedicated monitoring and evaluation tools and/or institutions across levels of government endowed with sufficient capacity, independence and resources throughout the policy making cycle; and fully involving local and regional governments in these processes;

- Leveraging the potential of data, including smart, big, open and geospatial data, to ground urban policy decisions in up-to-date and quality information and evidence, while safeguarding the privacy of individuals;

- Developing a sound system of indicators, including disaggregated data, to assess and benchmark objective and subjective well-being in cities, track progress at sub-national level against national and global commitments and agendas, and foster evidence-based dialogue with stakeholders for policy improvement; and

- Setting up accountability mechanisms that prevent corruption across public and private sectors, promote public scrutiny and foster integrity in urban policy, including at all stages of public procurement in cities.

National urban policy development in 30 OECD countries:

Diagnostic	Formulation	Implementation	Monitoring and Evaluation
1	6	14	9

The majority of OECD countries are at the stage of implementing their national urban policy. They will soon need a sound system of indicators to **monitor and evaluate** policy outcomes.

Selected bibliography

OECD (2019), OECD Regional Outlook 2019: Leveraging Megatrends for Cities and Rural Areas, OECD Publishing, Paris, https://doi.org/10.1787/9789264312838-en

OECD (2019), Building Resilient Cities: An Assessment of Disaster Risk Management Policies in Southeast Asia, OECD Publishing, Paris, https://doi.org/10.1787/9789264305397-en

OECD (2018), Regions and Cities at a Glance 2018, https://doi.org/10.1787/reg_cit_glance-2018-en

OECD (2018), Divided Cities: Understanding Intra-urban Inequalities, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264300385-en

OECD/UN-HABITAT (2018), Global State of National Urban Policy, OECD Publishing, Paris/UN-HABITAT, Nairobi, http://dx.doi.org/10.1787/9789264290747-en

OECD (2018), Productivity and Jobs in a Globalised World: (How) Can All Regions Benefit?, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264293137-en

OECD/The World Bank/UN Environment (2018), *Financing Climate Futures: Rethinking Infrastructure*, OECD Publishing, Paris. https://doi.org/10.1787/9789264308114-en

OECD (2017), National Urban Policy in OECD Countries, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264271906-en

OECD (2017), The Governance of Land Use in OECD Countries: Policy Analysis and Recommendations, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264268609-en

OECD (2016), Making Cities Work for All: Data and Actions for Inclusive Growth, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264263260-en

OECD (2015), Governing the City, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264226500-en

OECD (2015), The Metropolitan Century: Understanding Urbanisation and its Consequences, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264228733-en

OECD (2015), Stakeholder Engagement for Inclusive Water Governance, OECD Publishing, Paris, https://doi.org/10.1787/9789264231122-en

OECD (2014), OECD Regional Outlook 2014: Regions and Cities: Where Policies and People Meet, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264201415-en

OECD (2012), Compact City Policies: A Comparative Assessment, OECD Green Growth Studies, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264167865-en

OECD (2012), Redefining "Urban": A New Way to Measure Metropolitan Areas, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264174108-en

OECD (2010), Cities and Climate Change, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264091375-en

OECD Centre for Entrepreneurship, SMEs, Regions and Cities
www.oecd.org/cfe/ | @OECD_local

https://oe.cd/urban-principles

Organisation for Economic Co-operation and Development
2 rue André-Pascal, 75775 Paris Cedex 16, France