

Urban Sustainability and Governance; Conclusions from a Nordic-Baltic Project on Housing Policies

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Abstract:

The aim of the paper is to point out how the paths chosen in housing policies and planning within four Nordic (Norway, Sweden, Denmark, Finland) and three Baltic (Estonia, Latvia, Lithuania) countries effect urban and housing sustainability. One main focus of the Nordic-Baltic project, now resulting in a book, has been on the ways in which housing policies influence morphology and social geography of urban areas. Important as background in this context has been the common Nordic understanding of the *welfare state* and *sustainable development*. Yet, despite this common understanding, policy solutions differ between the Nordic countries. In comparison, the Baltic countries are, as emerging new market economies, under pressure from different economic and political ideologies and have not yet found a stable agreement on the relations between the state and the market, and between governance and government. First discussing the Nordic countries and then turning to the Baltic countries, the key themes *social sustainability*, *environmental sustainability* and *governance* developed in the project will be raised.

The Theme

The Nordic countries developed their post World War II housing policies in the frameworks of a social-democrat egalitarian spirit. In the same period Soviet state-socialist egalitarian intentions were the basis for large-scale uniform housing estates providing housing for the masses in the now *post-communist* Baltic countries. This provided housing estates in both the Nordic and the Baltic countries with a *relatively socially mixed population*. Privatisation in the East and increasing market liberalism in the Nordic countries have, however, created new social cleavages and challenges. This triggered a comparative Nordic-Baltic housing research project involving partners from Norway, Sweden, Denmark, Finland, Estonia, Latvia and Lithuania (1). In this article housing policies in Nordic and Baltic countries are analysed in terms of what political choices and events had a decisive role in determining current housing situations and policies.

We have employed (Julegina, Cars and Holt-Jensen 2009) the 'path dependency' theory to reflect on policy evolution, but refrain from presenting the theory as such here, focusing on the phases in the housing policy development. We should note, however, that the path-dependency theory provides good explanations for housing policy evolutions (Bengtsson et al 2006). There are special reasons why an institutional arrangement in the housing field, once it is established, is rather stable. A major change may heavily affect the housing situation of a majority of residents, as well as interests of institutionalized non-governmental organizations (for example co-ops), public institutions, credit institutions, private housing providers and many other related actors. This means that every major change would be confronted by massive opposition unless the existent situation is considered as unsatisfactory by the majority of actors

Phases of housing policy evolution in the Nordic and the Baltic countries

In the NEHOM project (Holt-Jensen et al 2004) it was found that in a western European context there were some relatively distinct phases in the national housing policy evolution. An *introduction phase* started with the early urbanisation around 1900. After World War 2 (WW2) came the '*construction phase*' caused by large housing deficits, low standards and increased social ambitions. Targets were set for numbers of housing units to produce. During the 1970s the housing market seemed to reach saturation and critics were raised against the social and environmental effects of the high-rise housing estates. All over Western Europe we saw a change of focus from *quantity to environmental and social quality*, transition to a *management phase*. Bengtsson et al.(2006) also identify a fourth *unwinding phase* starting in some countries in the 1990s, linked to increased market liberalism and critique of the welfare state. We agree there are some indications of such a fourth phase, but that transitions to it are rather blurred.

In the Baltic countries, a deliberate housing policy was not developed in pre-World War II period. The *introduction phase* in housing policy in the Baltic countries came after 1945 under the Soviet rule. After the Baltic countries were forcefully incorporated into the Soviet Union most of the housing stock was nationalised. A *construction phase* became apparent only in 1960s and reached its peak in 1970s. It was tightly connected with the overall aim of the Soviet Union to build a strong industrial base. The Soviet planning system sought to optimise the whole settlement structure and new housing was built in proximity to jobs to minimize travel (Raagmaa and Kroon, 2005:10). The majority of housing construction and social infrastructure were done by the state. Through the direct provision of housing (mainly high-rise blocks of flats) the state sought to ensure relatively egalitarian living conditions for all (Kährnik, 2006:23). Such high housing production rates remained till the end of 1980s.

Odstraněno: may be seen

The collapse of the Soviet Union 1989-1991 created a new 'introductory phase' for the Baltic housing policies as the former state ownership and top-down management of housing were discarded completely. In the Nordic countries the different options were discussed in the interwar period, but the decisive time of institutional choices was 1946-48.

Urban and housing policies in the Nordic countries.

Even if there are a lot of deficiencies openly discussed in the press and by critics, the Nordic countries have to be regarded as the part of the world in which *governance* is quite close to the ideal. Central and local governments are in general trusted and non-corrupt, the Nordic *welfare provisions* and subsequent high taxation is generally supported by the great majority. The political parties are based in broad local organisations with long traditions and so are the large number of NGOs both in the environmental, cultural and other fields. There are open lines of communications, hearings and respected legal openings for broad participation in planning processes. Although the population through high taxation pay for a lot of welfare and service provisions, these countries have a much larger participation in '*free communal work*' ('Dugnad' in Norwegian) than other nations. This is work done for housing associations, sports clubs, charity organisations, repair work at tourist organisation cabins in the mountains, political organisations, NGOs, local culture activities etc. In some cases 'dugnad' has also been utilized in broad public participation to develop local master plans. There has in the Nordic countries been political agreement on the universal *Nordic welfare model* and also on a general housing policy that did not single out *social housing* per se. The

welfare system include obligations to provide housing for the homeless, for social clients, for immigrants etc., but this housing should not be concentrated in special neighbourhoods, but be integrated in the ordinary neighbourhoods. *Social mix* is a general aim that has been differently promoted in each of the countries, but intentions have been the same. Swedish public housing estates have been intended as housing for everybody. The Danish ‘almene boliger’ is likewise housing provision for the general population or the part of the population that do not want, or temporarily can not afford, private housing. The Norwegian coops and the Finnish housing supported by ARAVA loans were also intended as housing for the general public.

Despite the common shared principles there are surprisingly large differences between the countries in the way housing is provided and financed. Norway and Iceland have given strong priority to *home ownership*, while Denmark and Sweden have a relatively strong tradition for *rented housing*. In Denmark, Norway and Iceland there has been and is remarkably little *public, municipally owned housing*. Finland has a larger percentage of, often selfbuilt, owner-occupied housing than Sweden and Denmark, but also a larger part of public and non-profit renting than in Norway and Iceland. The 17 per cent *social rented housing* in Finland belong to municipal or non-profit housing companies that have been granted subsidised *ARAVA loans*. In Norway it was the *share-owning coops* that provided the element of ‘social housing’ after WW2, today these must be regarded as private or rather *indirect ownership*. Indirect ownership in coop housing is also of importance in Sweden. Sweden has a rather large municipally owned, rented sector (see Table 1).

Table 1. Distribution of the housing stock in Nordic countries by tenure form, per cent in 2000.

	Direct Ownership	Indirect Ownership	Public and Social rental sector	Private rental sector	Other	SUM
Denmark	51	6	20	19	5	100
Finland	64	-	17	15	4	100
Iceland*	81	5	4	10	-	100
Norway	63	14	5	18	-	100
Sweden*	38	16	23	17	6	100

*estimate. Source: Karlberg, B. and A. Victorin (2004)

‘Why do Nordic housing policies differ so much across the countries?’ Despite common views on obligations of the welfare state quite different *housing institutions* were chosen in the years 1945-48 to carry out the welfare aims. The political situation was to a large extent the same, at least in Norway, Sweden and Denmark. Social-democrat (labour) governments were ruling Sweden and Norway. In Denmark, there were shifting coalition governments, but social democrats had in most cases a strong position.

In Norway the *cooperative housing model* was chosen and the *State Housing Bank (SHB)* was established to fund and also subsidise home-building of a reasonable size and standard. This constituted an institutional framework that facilitated citizens to become *home-owners*. The cooperative housing system implies that to get an apartment you have to pay a share (most often 1/3 of the building costs for an apartment) to move in. This share can be sold, but until 1982 the sale prices were strictly controlled. Today shares can be sold at the price the market is willing to pay. The changes in the system has created a very *market-oriented housing system in Norway*. The entry ticket is very high, making it increasingly difficult for young people and people without means to acquire an apartment. Only 5 % of housing is municipally owned and this is insufficient to cater for socially problematic families and new

immigrants. Another important effect of the policy chosen is the creation of a dominating 'property-owning electorate'. Property taxation is almost non-existent in Norway, because 85 % of the electorate are home owners (including the co-op share owners), while property taxation is rather important in Sweden and Denmark.

In 1945 Sweden had experiences both with cooperative housing in the form Norway adopted and with public housing provided by municipal housing companies. This meant that both a cooperative option and a public ownership option were open. Cooperatives continued to play a role, but *in 1947 provision of housing became a municipal task* based on new legal frameworks and important priorities given to public, non-profit housing in state, so called, 'tertiary' loans. The result of the decisions in 1946-47 was that housing provided by municipal housing companies provided a major part of the new homebuilding. The aim was to provide decent and affordable housing for everybody and not 'social rented housing'. Rent was not, and is not even today, based on market rent in Sweden. The rents are based on a *utility value*, or cost-price basis in corporate negotiations between the housing companies and the very strong national *tenants association*.

This system has proved to be rather stable. Important critics has, however, been raised in the last decades, mainly because the public housing companies are very top-down ruled. Rents are set from the top, services are provided without any decision making left to the local tenants. Through the NEHOM-project (Holt-Jensen et al 2004, Martinsson 2005) it has been pointed out that solving social problems, for instance integration of immigrants, must be based on a bottom-up local tenant empowerment.

In Denmark the crucial decisions were also taken in the years 1946-48. The political situation was different from Sweden and Norway as a broad agreement had to be reached from left to right. The conservatives argued for support of home ownership, the communists argued for public ownership of multi-apartment tower-blocks, a compromise was needed (Bengtsson 2006, Jensen 2006). The idea of *non-profit housing associations* (almene boligselskaber) had been launched earlier and was chosen as the solution for provision of housing to the general public. They are defined as collectively owned associations, in which it is forbidden to buy the apartments. Rents should be based on real costs of running the individual housing estate. This system differ from the co-ops in that there is no entry fee or ownership share, and from the Swedish municipal housing in that the tenants collectively own the individual estates. Due to the role given the housing associations municipally owned rented dwellings is almost non-existent (1%). Although the housing associations provide housing for the general public, the municipalities can use their nomination rights to choose tenants on social criteria for 25% of the dwellings in the associations. This is equivalent to the Norwegian law, which gives the municipalities the right to buy 10% of the apartments in co-ops for social clients.

The Danish housing associations (as well as the Norwegian Co-ops) have a decentralised decision making system based on local rule by the inhabitants in the individual estates. They can decide on social and environmental improvements and initiatives as well as investments that could influence the non-profit rent. They facilitate in this way local *estate governance*, while top-down management of Swedish public housing estates create challenges for tenant participation. One general conclusion from our work is that the Danish system of *non-profit housing associations* is probably *the best system of general social housing in Europe*. It gives bottom-up governance possibilities and secures reasonable housing costs for the large group of the population that are not able or willing to invest in private housing.

Changes in the last few decades have created new challenges for the Nordic housing policies. The major challenge is due to immigration of new *ethnic groups* from Asia and Africa as this creates a new situation for nations that through centuries had developed uniform ethnic identities. The largest part of non-European ethnic groups have settled in Sweden, but Norway and Denmark have also significant immigrant groups particularly in the capital regions. Finland has still less non-European immigrants. The typical Nordic attitude is that these ‘newcomers’ ought to be Nordic, join the workforce, learn the language and be secularised. But this has not happened, instead immigrants from each ethnic group has tended to stick together, to settle in neighbourhoods where there are others of the same ethnic group. Such trends have led to *ethnic segregation* in the housing districts.

Tensta in Stockholm is one such housing estate with a large percentage of non-Western immigrants and also with a high level of unemployment. The normal Swedish way of solving local problems does not function here, much more effort is needed in new *governance* structures and initiatives. Quite new ways of thinking have been necessary in the *municipal housing company* which run the neighbourhood in a very efficient way with regard to repairs and upkeep of the area, but which has had to introduce new social instruments and *tenant participation* to reduce stigmatisation and social problems (Cars 2009).

Three non-profit housing estates in Helsingør in Denmark (Vestergaard 2009) all have a large percentage of immigrants and also higher unemployment than in the rest of the town. As parts of the Danish system of ‘*almene boliger*’, the inhabitants own the housing collectively and have a major say in the running of the estates. There is thus a basic *governance* structure in place, but major problems have emerged as the immigrant groups do not communicate in the ‘Danish way’ through bottom-up initiatives. In Denmark, top-down measures have had to be introduced, with new municipal and social initiatives being taken from authorities outside the estates.

Fjell Coop neighbourhood (studied by Rød 2004) in Drammen Norway represents a positive example. Although very mixed in ethnicity Fjell does not suffer from high unemployment among the non-Western ethnic groups living there. The integration of the different ethnicities is fairly good. One reason is the fact that Fjell is a share-owning coop, to live there you have to buy the share at market price. Pakistanis and other immigrants did this in the 1980s when the share prices were relatively low. This does not, however, mean that all Norwegian co-ops have solved the problems posed by different ethnicities. But the main problem in the Norwegian housing is the strict market orientation and presence of pockets with pure public housing for social clients and jobless immigrants that exist in the major cities.

Urban environmental sustainability in the Nordic Countries

There are also relatively large differences between the Nordic countries in regards to *urban environmental sustainability*. Denmark may be seen as ‘the best in the class’, while Norway is the worst. Denmark is the most densely settled country in Northern Europe and this to some extent explains why strict limits for urban and summer house development have been settled in order to protect the open and very productive farmland and forests. But Denmark has also taken a lot of other steps that mark the country, maybe in line with The Netherlands, as a forerunner in environmental sustainability. The public transport, particularly in Copenhagen is used relatively more than for example in Stockholm, which also have an extensive and effective metro system (Næss 2005). The Danes are also in the forefront in developing new heating systems for houses.

Norway is in a special situation due to its very rich supply of energy resources. Hydropower is covering almost all electricity production; petroleum from the continental shelf is the major export commodity. Since the first 'oil crisis' in 1974 heating of Norwegian housing has almost entirely been by electric panels that are energy-uneconomic. Private housing is becoming larger and larger (now average 54 square meter per inhabitant) and so are vacation cabins in the mountains and along the coast. Eighty per cent of the energy use in Norwegian households is provided by electricity, not counting car use. One positive trend since 1990 is that household energy use has flattened out in spite of large increase in number of houses and their size; this is because they have become more energy-effective. New building codes may require that all new housing is built as so called 'passive houses' in which heating can be reduced to a fraction of what it is today (Myhre & Meyer 2007).

The Norwegian GDP per inhabitant in 2007 was 55 per cent larger than in Sweden and 37 per cent larger than in Denmark, which of course cater for affluence. When this is combined with the traditionally very strong *individualism* in the Norwegian society, it is difficult to enforce a policy for reduced consumption. The first signs of *urban sprawl* emerged just after WW2 and it was impossible to control it as the needed regulative measures did not exist before master plans were required by law in 1965

The planning framework and the major system for housing provision to the general public was well developed in *Sweden* after WW2. In some cases owner-occupied standardised small houses were built by low income families. But these represented only a tiny fraction of the total production. More often private enterprises built housing in rural districts in which planning control was less, resulting in *urban sprawl*. This development became, however, much less prominent in Sweden than in Norway, also because Swedish social democrats through votes and participation were linked to urbanisation and industrialisation. The housing policy development was facilitated in close communication between the social democrats and functionalist architects which lead to a housing policy focused on the building of *blocks of flats*. Through both the municipal housing companies and housing co-ops this has become the dominant housing form in Sweden. In environmental terms this means much better possibilities for energy saving both for heating, services and public transport than in case of detached or semidetached Norwegian housing.

In environmental terms Finland may be placed somewhat between Norway and Sweden. Urbanisation came later than in the other Nordic countries, agriculture and forestry were prime activities for many years after WW2. Towns were in general well planned, the form of *urban sprawl* typical in Norway in the 1950s was a minor problem. The town planning ideals were rather different from what was prominent in Sweden. Sundman (1991) points to the influence of the grand city planner Eliel Saarinen, who was influenced by the *garden city ideas* developed in the UK by Ebenezer Howard and Raymond Unwin. Saarinen's plan of 1915 for Munkkieniemi-Haaga as a garden city stand out as the first modern master plan in Finland, which also is important in international terms. Although later grand masters of Finnish planning like Alvar Aalto, were influenced by modernism and functionalism, functionalism did not have the same importance as in Sweden. Sundman (1991:84) points out that the big-city tenements and sanitary problems were absent in Finland in the 1930s. The main task for city planners was to regulate uncontrolled growth of wooden shanty towns around many cities and railway station communities. The 'forest towns' with relatively low population density seemed more relevant for Finland.

Urban and housing policies in the Baltic countries

As pointed out by Paadam (2009), the two disruptions in societal development that took place in the 1940s and 1991 have caused profound structural changes in the three countries in economic, political and social terms. Both disruptions are in the back of people's minds and influence the way they think and act. The political mainstream leading the thinking in 1991 focused on bringing back national freedom and a private ownership system that somehow had functioned before WW2. The simple solutions in the housing field were first *restitution* of property that had been unlawfully expropriated by the Soviet State and secondly *privatisation* of housing built after WW2. The intentions were also to abandon the top-down allocation of housing that was typical of the Soviet era and provide inhabitants with free choice possibilities. The 1990s saw fast evolvement of the housing markets, gradually an enlargement of the residential choices and potential for moving to other housing. In the first ten years new housing development was, however, constrained by rising unemployment, unstable economy and limited loan possibilities. Fast growth of particularly suburban housing and *urban sprawl* took on the other hand place particularly in the years 2004-2008.

From capitalism to state socialism

Whereas the Nordic countries have benefited from long lines in the development of organisational and political life, the Baltic countries have had very little organisational traditions to learn from at the restoration of local and national policies after 1991.

In the interwar freedom period the medieval cores in the cities were preserved, most notably in the Estonian capital Tallinn, and new suburbs spread out around them. While some industrial firms provided minimum standard dwellings for their workers, national housing policies to regulate the private market were not adopted in any of the countries in the interwar period. The Soviet republics inherited in 1945 a private housing stock with one-family suburban and countryside dwellings and private multi-family housing in the cities as well as substantial war destructions. The primary Soviet action was to nationalise the multi-family housing. People could be shifted around to utilise the space better. But in general, the majority of the inhabitants in the old stock continued to be Estonians, Latvians or Lithuanians in each country respectively.

The strategic importance of the Baltic countries for the Soviet Union was primarily the industrial base that could be built in the ice-free harbours. Most important was Riga, Tallinn and the other Latvian and Estonian ports. Localisation of industries was done top-down, in principle from Moscow. Industrial plants needed increased workforce and this was transferred from Russia and the other soviet republics. This immigration was so large that ethnic Latvians became minority in the major Latvian towns. In Estonia the Russian-speaking population is generally in minority, but make up almost 40% of the population in Tallinn and 80% in the border town Narva.

The state had to provide housing both for the new generations on the housing market, but even more so for the workers' families transferred from Russia and elsewhere. New housing was, however, only given priority from the 1960s, and large-scale construction of blocks of flats started. These housing estates appear now as rather 'grey' and the standard size of apartments is small compared to Nordic estates built at the same time. But the apartments were modern in the sense that they provided each family with bathroom and kitchen with running water and modern facilities. To be allocated an apartment in the new estates was regarded as a special 'gift' in a time when great deficits in housing prevailed. In principle the

housing provision was for everybody, the allocation secured a *social mix*, if it at all could be observed in a 'classless' society. The allocation of the new apartments were, however, lopsided in the sense that 'immigrant groups were privileged compared to the native Estonians or Latvians who, to a large extent, remained in the gradually degrading stock built before 1945' (Paadam, 2009). The situation in Lithuania was somewhat different as Russian immigration was much smaller.

The housing policy decisions made in all three countries in the 1990s must be seen against this background. The independent countries inherited state owned housing both in the cities and in the countryside. Parts were old, not very well maintained pre-WW2 housing, parts were the stereotype housing estates built from the 1960s in the cities and collective farms housing blocks. What to do and what options were open for choice? Was this in reality a time for a complete new development, or had the Soviet legacies a profound importance?

From state socialism to capitalism

Kährik (2006) adopts the 'path-dependency approach' in her analyses of socio-spatial residential segregation in post-socialist cities, focusing on Tallinn. She suggests that 'the pre-socialist and socialist legacy has a strong and long-lasting impact on the socio-spatial urban outcomes in post-socialist societies' (Kährik 2006 p.14). She does not argue for a 'strong path dependency', but provides arguments that make it more difficult to state 1991 as a complete new start at which actors were open for a contingent choice between different options. She maintains that the 'socialist city will act as a constraint on the development of new social formation'. The material form is there, the social networks are inherited as well as the inhabitants allocated housing in the old system of top-down rule. In addition, and even as important, is a continuity in *people's mind structures*. The long term exposure to certain types of institutions, organisations and relationships in the socialist system have created certain values and restrictions on what you can do or not. Civil society was under-developed, or rather repressed in the Soviet period.

Civil organisations on most fields are still rudimentary. Where are the labour unions, farmers unions, environmental pressure groups, tenants organisations, community welfare organisations, 'self-help organisations', kindergartens run by local families and why are political parties at the municipal level so rudimentary in membership? One reason, in addition to the fact that such activities were in general not allowed in Soviet times, might be that there was not even a lost tradition for such organisations in the 1930s. But pre-Soviet values were also important throughout the socialist period, the value of private spaces is deeply rooted in common European cultural traditions. The population rejected the egalitarian ideology in housing production and allocation. The decision makers of the 1990s had, however, not a clear understanding of the role of housing policies under market economy, that is the *role of regulating* a market dominated development. This means control of the market actors, in the first place to secure that investments in infrastructure, schools, kindergartens, social institutions, roads, collective transport systems, sewage, water supply etc. are *planned* in coordination with private investments in housing, industries etc. Secondly a housing policy is needed to secure that the market supply everybody with decent and affordable housing. These issues were solved top-down in the communist system. That system had its assets; but was for political reasons completely discarded in the 1990s.

In theory the decision makers in post-socialist countries had different options when selecting a new housing policy. The political situation was, however, such that continuation of state, or transfer to municipal, ownership of multi-family housing was not an option. In Estonia, Latvia

and Lithuania it was decided to *transfer ownership of all apartments built in the Soviet period to the 'sitting tenants'*, in most cases they did not need to pay for this transfer (see table 2). At the same time there was not set any restrictions on further sale of the privatised apartments. Rents in this housing had been low. Now both interior and exterior rehabilitation was needed in many of the pre-fabricated element blocks of flats, and payment for heating, insurance, garbage collection etc was needed. Inflation was high in the 1990s and many, particularly pensioners longed back to Soviet times. At the same time the transfer to 'sitting tenants', which was an easy option, consolidated any 'unfair' allocation of flats that had been done in the Soviet period (Paadam 2009).

Table 2. Housing ownership structure in the Baltic countries (%).

	Private sector		Public sector	
	1991	2007	1991	2007
Estonia	30	96	70	4
Latvia	31	88	69	12
Lithuania	42	99	58	1

The other major decision done in the Baltic countries concerned *restitution* of property that had been confiscated by the state in the communist period. Confiscation is morally wrong, so the only way to get it right is to give this property back to those that were owners before WW2. The problem was, however, that most of these were dead, others had emigrated. Restitution was not either carried out in just the same way in the three countries. Politically, restitution was most needed in the countries that had the largest number of Russian immigrants, as owners before the war in most cases were of ethnic Baltic origin. In Latvia and Estonia where Russian immigration had been large, restitution became an issue of restoring national ethnic control. Restitution covered multifamily pre-WW2 housing, but also land that had been owned as private farms in 1940. In Latvia the restitution also included former farmland on which housing estates had been built after the war. This has led to some rather strange developments, in some cases people that has got back land on which a housing estate had been built, have been allowed to build their own private houses on green fields between the blocks of flats.

In the transactions of restitution and privatisation and the trading of properties that followed some got very rich, while others lost their homes. Those that had benefited in the Soviet housing allocation also benefited in the transformations in the 1990s. Those that had been public tenants in pre WW2 housing, found themselves in 'shock situation' in a new role of private tenants when their housing was *restituted*. Therefore, a part of the urban population was unable to act in the housing market. Also many of those who had become flat owners through privatisation experienced problems in covering costs of maintenance, public services, heating and insurance in blocks of flats.

Urban sustainability

The Soviet urban areas were in some respects more *environmentally sustainable* than the typical West European or American cities as the uniform new districts of blocks of flats were built near industries or workplaces in collective farms. No Western-type large scale sub-urbanisation was allowed and as car ownership was restricted a relatively effective public transport system was developed. It has been argued that

‘the panel-built blocks and neighbourhood structures lack social, retail and cultural facilities, but what becomes clear in any comparison with similar peripheral local authority housing estates in the West, especially in the UK, or indeed with private housing estates developed after 1989, is that they are in fact very well-provisioned’. (Stenning 2004 p. 99).

Our case studies of panel-housing estates, Mustamäe in Tallinn (Ojamäe et al 2009) and Meziems in Riga (Treija 2009) confirm this. Local markets were functioning in the communist time, and later a lot of small shops and service provisions have developed in the estates. Schools and kindergartens are in place and the public transport system too.

But there are also environmental deficiencies, mainly related to poor technical standards. Many houses are poorly built and maintained, heating systems do not comply to good environmental standards.

The pre WW2 cores of the Baltic cities have in most cases witnessed environmental improvements since 1991. The medieval cores of the capital cities have attracted huge investments due to their attractions as tourist and business destinations. *Gentrification* takes place not only in the core of the major cities, but also in neighbouring housing areas from before 1940. One example is Uzupis in Vilnius (Mickaityte et al 2009), a former stigmatised area which has become a centre for artists etc. Other quite striking physical changes take place in old villa quarters built between WW1 and WW2. In neighbourhoods like Mezaparks in Riga and Nõmme in Tallinn villas in large gardens were not taken much care of during the Soviet time, but has become a focus for new investors since 1991. Today they represent a strange mixture: some houses are in a run-down condition, some are even torn down, whereas nearby can be newly renovated high-standard villas and new condominiums.

Parts of the Baltic cities were seriously damaged during the two world wars, and a lot of buildings in drab communist style were built on sites of war destruction. But large parts of the old building structure, for instance in Tallinn, were not damaged in WW2. Contrary to what happened in Western Europe, there was no pressure to tear down buildings that could function during the Soviet time. This means that an important building legacy of the past has been preserved, and today this represents a major asset in town marketing.

Major *environmental challenges* relate, however, to the following legacies of the past:

- Old run-down pre-WW2 working class housing and Roma settlements like Kirtimu in Vilnius (Kaklauskas 2009);
- Urban settlements that were built around military bastions in the Soviet period and where housing built for Russian military have been abandoned. Once almost exclusive military towns like Paldiski in Estonia and the northern part of Liepaja in Latvia experienced rapid population outflow which resulted in empty housing areas.
- Soviet industrial towns where the main work place is closed down;
- Ruins of collective farms, including farm buildings and blocks of flats for the farm workers;
- Older wooden housing alongside the main roads; their present exposure to heavy traffic make them uneconomic for rehabilitation

In addition to the challenges posed by the past development, new ones have come with the new capitalist investments and turbulent housing development. Although there are no significant urban population growth in the Baltic cities there has been, particularly in the period 2000-2008, an increasing *urban sprawl* around bigger cities. As other post-socialist states, the Baltic countries have particular traits that facilitate urban sprawl such as: a) sudden

and fast economic development after the collapse of the Soviet Union, furthered by an active inflow of foreign investment and b) availability of vast undeveloped areas as a legacy from Soviet planning. Preference for suburban housing in the new middle- and high income groups has been coupled with the desires of the new suburban local authorities to attract tax payers, with the interests of restitutees that had got suburban farmland to sell for property development and with the interest of new real estate developers to earn fast money. In some cases, during the first years of transition, housing properties were built and sold without proper connection to infrastructure like water and sewage.

This may be blamed on the fast political decisions made in the 1990s. When the top-down central state rule was discarded, responsibilities were loaded down to the municipalities. Control of physical planning and housing development became municipal tasks. In Latvia and Estonia municipalities are on average very small, whereas in Lithuania small municipalities were amalgamated to larger units in the 1990s. It took some years before planning and new property laws were passed. The Estonian planning law was modelled after the Danish, whereas Estonia more or less copied the German property law. This unfortunately means that the property rights in many cases overrule the area planning carried out by the municipalities. Private plans often mean that new master plans are changed, not because this will give better overall solutions, but because private investors win in the power game. (Raagmaa 2009).

One environmentally damaging effect of the new capitalism is the establishment of large, new *car-based shopping centres* on the main roads, but in the outskirts of the cities. The investors have to a large extent been foreign, and many from the Nordic countries. The municipal authorities have readily welcomed the investors without any analyses of traffic consequences, and without any assessment of *environmental sustainability*. Today a sustainable urban development according to Agenda 21 and guidelines from EU is required in these new member states and gradually new planning policies are being implemented. Municipalities thus had to take a harsh learning medicine. Some grave failures were done in the initial phase after 1990, but gradually it has been understood that *municipal planning and housing policy is needed to control and regulate the market* to achieve a sustainable development (Julegina 2007).

When considering *social sustainability* the main consideration is whether the social cleavages will increase and create a growing number of *stigmatised neighbourhoods* on the one side and *gated neighbourhoods* on the other. Some *gated neighbourhoods* already exist and there has not been any discussion on this, which is rather shocking in the eyes of Nordic city planners and social researchers. In some central European cities like Praha and Budapest there are clear tendencies that some of the more peripheral panel-housing estates deteriorate and become gradually stigmatised. This seems, however not yet to be the case in Baltic cities. For instance both Meziems in Riga and Mustamäe in Tallinn are places where people like to live. These estates have an asset in good public transport and service provisions, whereas people living in the new suburban housing now increasingly complain about traffic congestion. But continued popularity of the large housing estates definitely depends on housing renovation and improvement in the green areas between the blocks of flats. Socially stigmatised areas are still rather small like the Roma settlement of Kirtimu in Vilnius and a small housing area in Kopli, Tallinn. A main problem relates, however, to the lack of *public housing*, a result of the very fast privatisation and restitution. A new generation of young people that could not benefit from the 'give-away-privatization' have entered the housing market. They have to buy at market prices which are far above what they can manage with bank loans. And there is an increasing problem of *homelessness*. For this reason the authorities in major cities like Riga

have now realised that they need to build or buy new public housing for rent and for provision to social clients.

The economic recession starting in 2008 may in some ways be an asset; the building boom has abruptly collapsed. It gives a respite to consider new policy options and more public involvement in the housing and building development.

Conclusion

The challenges for sustainable development are global. However, certain parts of the world may have greater possibilities in achieving a degree of success which can serve as good examples to follow. The Nordic and Baltic countries have many special features, making it possibly easier to achieve some of the goals of sustainable development. Car and air transport can be reduced by investment in and subsidy of the still quite good collective transport networks in region, and building of high speed train lines. Active discussions are going on along these lines in all Nordic countries, now stimulated by the new price and policy recommendations given by the European Commission (CEC – COM(2008) 30 final) for Europe's climate change opportunity by 2020. If these are followed it will mean a great stimulus for transition to renewable energy forms and reduction of greenhouse gas emissions. The Nordic countries have different natural assets in this connection (like hydro and wind power), and are able to play a leading role in these policy changes. The three Baltic countries also have the possibility to develop for instance bioenergy and control unsustainable urban development through better planning control (Julegina 2007)

Residential social mix, so typical for most housing neighbourhoods in the Baltic and Nordic countries, has made *social exclusion* less acute than in many other parts of the world. In relation to housing this has led to the promotion of housing and neighbourhoods that are not specially set aside for socially needy households. Policy makers across the Nordic countries have striven to prevent ethnic and economic segregation, with this social consensus policy being in place for decades. This dominant political force based on universalism extended to all classes has been beneficial both to Nordic society and long term sustainability goals.

Experiences with the global recession starting in 2008 have so far demonstrated the robustness of the 'Nordic Model'. It has been possible to handle the social and economic problems following in the wake of the recession, not only in rich Norway, but also in the other Nordic countries. This is despite the fact that they are small countries in which foreign trade and dependency on global development are relatively much larger than in countries with much larger populations. The results are credited to the strong welfare state institutions, the corporative system of cooperation between strong trade unions, state and employers; the 'flat organisational structure at workplaces. The Nordic banking system is also in general solid and responsible. The notable exception is the Icelandic banks, which were completely caught in an irresponsible speculation boom, that brought the country with 300 000 inhabitants to bankruptcy in spring 2008.

Within the *Baltic countries*, it is evident that a *neo-liberal welfare regime* has been in charge. Many commentators have argued that it is perhaps ironic that most of the former communist-controlled countries of central Europe, in a process of economic transition, rapidly embarked on the liberal welfare model, with the promotion of housing privatisation and owner occupation. The strengths and weaknesses of alternatives to neo-liberalism, such as a corporatist or a social-democratic regime as within the Nordic countries, were not readily

considered (Balchin et al 1995, Balchin et al 2000). Yet, it was also understandable in the 1990s, the need to shake off the constraints of a command economy, state control over allocation and centralised production formerly imposed under communism.

However, the neo-liberalist policies have had adverse consequences, which have been highlighted particularly since 2008. Even at low purchase prices, many low income households are finding the cost of repairs and services a considerable burden, with the condition of the privatised stock suffering. The substantial reductions in state funded housing investments and massive programmes of privatisation have relegated public rented stock to a residual sector. This has subsequently led to fewer opportunities to provide for the many socially marginalised households. Moreover, the mixed diversely populated neighbourhoods formed within the former communist period are now undergoing transformation. The urban residential districts that have always been relatively mixed, are now in danger of witnessing growing socio-economic and ethnic segregation.

The recession since 2008 has also hit the Baltic countries strongly. Up till that year, and particularly after joining EU in 2004, all three countries have had a very strong growth in GDP. But a large part of this has not been related to growth in export and manufacturing, but rather to very fast development in building activities, including housing, based on loans from foreign banks. The neo-liberal regimes have welcomed this development and unemployment was reduced to almost nil; partly due to immigrant workers to other EU countries sending money home. The economic recession seems to have hit Latvia hardest, and be best manageable in Estonia. The banking system has, however, not collapsed as on Iceland. The main reason is that the banks to a large extent are Finnish and Swedish subsidiaries, which have had to handle losses in the Baltic countries.

Whilst the embracement of a neo-liberal model may have contributed to worsening housing problems, it may also hamper the scope for achieving *sustainable development*. The stronger emphasis upon market liberalism in the Baltic countries compared to the Nordic countries has meant much less engagement and effort at the national level to enable local authorities to focus upon sustainable development. Improving the situation is very much dependent on introducing 'good governance' to check the new capitalist investments and the resultant social, environmental and economic challenges facing each country. In comparison to other post communist countries in Europe, Lithuania, Latvia and Estonia are small and seems at present to have managed developing local democratic institutions, after the turbulent transition years in the 1990s. This gives hopes for a sustainable future development. The Nordic countries are also relatively small, with stabler economies and stronger democratic traditions. This is beneficial in creating the basis for 'good governance' that can promote sustainable housing solutions. A stronger planning framework exists, with policies being introduced to tackle urban sprawl and poor energy efficient developments. Similarly, the initiatives introduced by the Swedish municipal owned housing companies to strengthen tenant participation, the bottom-up structures of Danish non-profit housing associations and Norwegian co-operatives, each provide clear examples in which formalised bottom-up governance structures and integration policies are being supported at all levels of government and society.

Good *governance*, however, continues to be a problem in the Baltic countries, mainly because bottom-up democratic traditions are lacking. Public participation is particularly hampered by a weakness within the *third sector* organisations. Poor democratic traditions and rejection of the Soviet legacies has created distrust in public planning. Another problem is the

professional and factual limits in the planning capacity in many of the small municipalities. Yet a number of strategies are being put into place to strengthen both the institutional and also investment capacities of local actors. A realisation of the consequences of rapid sub-urbanisation and desertification of poorly built panel housing areas, particularly those linked to closed down industries and collective farms, is growing, with both central government and newly established municipalities beginning to work together to resolve these tensions. Similarly, new forms of maintenance and management practices within the housing sector are being introduced, particularly in relation to the renovation of the growing number of low quality buildings that do not comply to modern European environmental standards. The hope is in the experiences at the local level and the trickling down of recommendations from the European Union and international think tanks.

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