

Abstract

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Goals and benefits of rating systems and certification in sustainable urban development

- Rating systems and certification as counteracting institutions to the effects of information asymmetry and quality uncertainty in urban development projects and to promote sustainable development goals -

In other fields of application rating systems and certification are known and established for a long time. With the latest approaches of awarding neighbourhood development projects by several international assessment systems the instrument of certification has reached the field of urban planning and development.

Assessment systems and certification can be explained as an instrument to increase the efficiency of market-transactions between different partners and to promote higher or specific qualities. The mechanisms base on core problems discussed in the theory of markets and contract theory dealing with the existence of goods of many grades, an imbalance of information in market relationships and transaction costs.

Next to guarantees and reputation there are two primary solutions to solve the difficulty of distinguishing good quality from bad or if one party has more or better information than the other: signaling and screening. Certification allows both, to show and to identify good quality products or skills.

Urban development projects often show a high diversity of market partners with different goals and interests. Various occasions can be found for the use of rating systems and certification. The instrument is a result of changed quality interests and the need of reducing economic risks in high quality projects. The assessment and rating of a project is used by a developer, seller or service provider to signal its quality in comparison with the competitors and to show it to the purchaser (buyer, tenant, investor, finance company, etc.) in a trustful way.

According to the fact that the purchaser has to trust the signal the assessment and the certification must be provided by an accepted and independent organization. A reliable assessment and certification can concurrently be used by the organization to promote higher or specific qualities and to set a standard for example in the sustainable urban development.