

## **The Medium Term Strategic and Institutional Plan (MTSIP): “Supplementary Report”**

### **1) INTRODUCTION**

#### **The Challenge**

Towns and cities are growing rapidly, faster than ever before in human history. In 1950, one-third of the world's people lived in cities. Today, half of the world's population lives in cities and towns. It is expected that this share will continue to rise to two-thirds, or 6 billion people by 2050. The scale and pace of this growth is creating unprecedented social, political, cultural and environmental challenges that must be addressed by the global community.

Urbanization is a strong force that generates economic growth, social and political advances, as well as technical and scientific progress. But when poorly managed, can generate social exclusion and poverty; it can also result in uncontrolled urban sprawl, pollution and unsustainable consumption of land, water and other natural resources, which accelerate environmental degradation and the negative impacts of climate change.

Cities of the developing world will absorb 95 per cent of urban growth in the next two decades. Recent studies show that the rate of urban growth is almost equal to the rate of slum formation in many developing countries. Slums represent the most visible manifestation of urban poverty, the failure of sectoral policies, and the failure of institutions in providing for the basic needs of people. Today, 1 billion people live in slums and deprived neighborhoods.

The adoption of the Millennium Development Goals (MDGs) and the ongoing process of UN reform have drawn attention to the compelling case for action on urban poverty and the environment.

The need for a new paradigm is urgent. Sustainable urbanisation aims to achieve liveable, productive and inclusive cities, towns and villages. It embraces relationships between all human settlements from small towns to metropolises, between urban centres and their surrounding rural areas, and settlements in crisis. As a process, it captures a vision of inclusive and ecologically sound growth that is people centric and embraces social harmony, economic vitality, and environmental sustainability.

With every passing month a new city the size of Hanoi, Madrid or Porto Alegre is added. The window of opportunity to achieve sustainable urbanisation is closing fast. The time for action is now.

## UN-Habitat's Mandate

The main roles and responsibilities of UN-Habitat derive from the *Habitat Agenda*, adopted at the United Nations Conference on Human Settlements (Habitat II) in Istanbul in 1996. After 1996, the UN General Assembly mandated UN-Habitat with the overall responsibility for the coordinated implementation of the Habitat Agenda.<sup>1</sup> The *Habitat Agenda* has two main goals - adequate shelter for all, and sustainable human settlements development in an urbanising world. As observed above, this mission was restated in MDG 7 on environmental sustainability. Under target 10 it seeks to *reduce by half the proportion of people without sustainable access to safe drinking water and sanitation* by 2015. Under target 11, it seeks to *achieve significant improvement in the lives of at least 100 million slum dwellers by 2020*. The mission is further endorsed by the *Cities without Slum Initiative* of UN-Habitat and the World Bank. The *Johannesburg Plan of Implementation* of the World Summit on Sustainable Development of 2002 further emphasised the importance of shelter as a key focus, alongside water and sanitation, health, agriculture and biodiversity. The 2005 World Summit Outcome, 'in its paragraph 56(m)', carried the matter further and prioritized slum prevention alongside slum upgrading and encouraged support for the Habitat and Human Settlements Foundation and its Slum Upgrading Facility.

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<sup>1</sup> See U.N. General Assembly A/RES/56/206, Strengthening the mandate and status of the Commission on Human Settlements and the status, role and functions of the United Nations Centre for Human Settlements (Habitat), New York, 26 February 2002.

## 2) A STRATEGIC APPROACH

### Box 1

#### Vision

“Sustainable urbanisation through the Habitat Agenda:  
Adequate shelter for all and sustainable human settlements development”

#### Mission Statement

*“To help create by 2013 the necessary conditions for concerted international and national efforts to realize more sustainable urbanisation, including efforts to arrest the growth of slums and to set the stage for the subsequent reduction in and reversal of the number of slum dwellers worldwide.”*

#### Strategic Objectives

- In line with its catalytic role and drawing on its convening power, mobilise networks of Habitat Agenda partners to implement a shared vision of sustainable urbanisation;
- To develop and advocate norms for sustainable and harmonious urban development, housing, upgrading and prevention of slums as well as poverty reduction;
- To improve global knowledge and understanding of urban development issues and development strategies; engage in monitoring and dissemination of best practices about progress in the implementation of the Habitat Agenda and the relevant MDGs;
- To build capacity of governments, local authorities and other Habitat Agenda partners through technical cooperation and training;
- To develop innovative pro-poor mechanisms for financing of housing and urban services and infrastructure and promote their up-scaling by appropriate development actors and investors.

#### Institutional Objectives

- To develop and align its institutional and resource structure to ensure a balanced normative and operational programme of action for human settlements development;
- To continuously develop UN-Habitat’s capacity to bring together all spheres of government, civil society and the private sector by strengthening partnerships for promoting sustainable urban development;
- To become the premier reference institution for global research, monitoring and dissemination of information and best practices on sustainable urbanisation;
- To be the first port of call for pro-poor urban development policy, ideas and strategies;
- To be recognized as a ‘centre of excellence’ in building capacity of governments, local authorities and Habitat Agenda partners through technical cooperation and training and learning; and
- To become a catalyst in creating innovative financing mechanisms for affordable housing, basic urban infrastructure and services to be scaled up by larger resources institutions at national and global level, eg. IFIs.

## **Origins of the MTSIP : The Case for Change**

In 2004, the UN's Office of Internal Oversight Services (OIOS) conducted an in-depth evaluation of UN-Habitat which called for the sharpening of its programmatic focus and the broadening of its funding base.

Specifically, the OIOS evaluation stated:

*“Given its very broad mandate and the very limited scale of its available resources, UN-Habitat should identify a few critical areas within these mandates on which it can focus in order to have the greatest impact within constraints imposed by its approved work programme...”*

The Governing Council of UN-Habitat subsequently endorsed the OIOS recommendations at its twentieth session in May 2005. It called upon the Executive Director to:

*“develop a six-year medium term strategic and institutional plan including clear implications for the organisational structure, financial and human resources of the United Nations Human Settlements Programme, including at the global, regional and country levels taking into account wider United Nations reform processes...”*

## **Focus Areas**

To realise its corporate vision and achieve its strategic objectives, UN-Habitat will concentrate on six mutually reinforcing focus areas in which it enjoys a recognised comparative advantage (see table 1). Focus Area 1 concerns UN-Habitat's global normative and advocacy role. Focus Areas 2 through 5 reflect UN-Habitat's substantive areas of focus. Focus Area 6 concerns UN-Habitat's internal management objective for the plan period.

For each focus area a set of objectives and SMART (Specific, Measurable, Achievable, Realistic and Time-bound) indicators of achievement will be agreed. Baseline data will be collected and both quantitative and qualitative measures will be developed to ensure that the quality of the impact is satisfactorily assessed and to ensure clear attribution to the organisation's interventions. Immediately following the 21<sup>st</sup> session of the Governing Council a process will be elaborated to define specific targets and these will be reflected in the biennial strategic framework and programme budget.

**Table1: Key Focus Areas, Objectives and Indicators of Achievement for the Plan Period**

<b>Key focus area</b>	<b>Objective</b>	<b>Indicator of achievement</b>
<b>1. Effective advocacy, monitoring and partnerships</b>	To promote sustainable urbanisation through evidence-based research, policy dialogue, strategic partnerships, global campaigns, education, communication, and exchange of best practices.	<ul style="list-style-type: none"> <li>(a) An agreed number of countries, municipalities and partnerships engaged in monitoring, reporting and dissemination of key urbanisation trends, including urban poverty and slums;</li> <li>(b) An increased number of strategic partnerships among national and local governments, parliamentarians, the private sector, and civil society, including women and youth groups, engaged in sustainable urbanisation endeavours;</li> <li>(c) An agreed number of countries that include/observe integrated urbanisation principles and urban poverty issues in their respective national development plans, poverty reduction strategies and United Nations Development Assistance Frameworks;</li> <li>(d) An agreed number of best practices replicated and scaled up.</li> </ul>
<b>2. Promotion of participatory urban planning, management and governance</b>	To strengthen the capacity of national governments, local authorities and other stakeholders to develop more liveable, productive and inclusive cities.	<ul style="list-style-type: none"> <li>(a) An agreed number of countries adopting legislation and measures developed to promote fiscal and political decentralisation to the relevant levels of government;</li> <li>(b) An agreed number of cities adopting disaster mitigation, environmental planning and management policies and strategies and crime reduction;</li> <li>(c) An agreed number of countries adopting inclusive and effective urban planning and local development practices at both central and local government levels with gender and age perspectives;</li> <li>(d) An agreed number of cities and towns developing integrated city development strategies including land use.</li> </ul>
<b>3. Promote pro-poor land and housing</b>	To assist national governments and <i>Habitat Agenda</i> partners to adopt pro-poor, gender and age-sensitive housing, land management and property administration through enabling policies and improved legal/regulatory frameworks.	<ul style="list-style-type: none"> <li>(a) An agreed number of countries adopting effective gender and age sensitive housing, land and property strategies and associated improved legal/regulatory frameworks;</li> <li>(b) An agreed number of countries adopting pro-poor housing, land and property delivery systems for the urban poor and populations affected by crises including climate change threats;</li> <li>(c) An agreed number of countries developing and implementing sustainable gender-sensitive shelter relief and reconstruction models in post conflict and post disaster areas;</li> <li>(d) An agreed number of countries enacting legal reforms to empower women with land and property rights including through inheritance.</li> </ul>

<b>4.Environmentally sound basic urban infrastructure and services</b>	To expand access to and sustain provision of adequate clean drinking water, improved sanitation and waste management, ecologically sound energy saving transport and power supply technologies in urban and peri-urban areas, with due regard to small secondary towns.	<ul style="list-style-type: none"> <li>(a) An agreed number of countries and cities adopting improved infrastructure governance frameworks ensuring the involvement of local authorities, communities and vulnerable groups;</li> <li>(b) An agreed number of urban centres, including secondary and small towns adopting environmentally sound and energy efficient technologies in construction and provision of services and basic infrastructure;</li> <li>(c) An agreed number of countries demonstrating increased and sustainable access by the urban poor to adequate clean water, improved sanitation and waste management;</li> <li>(d) An agreed number of cities with strategies to minimise and/deal with climate change effects.</li> </ul>
<b>5. Strengthened human settlements finance systems</b>	To improve access to finance for housing and infrastructure, particularly for the urban poor through innovative finance mechanisms and improved institutional capacity to leverage the contributions of communities, local authorities, the private sector, government and international financial institutions.	<ul style="list-style-type: none"> <li>(a) An agreed number of slum dwellers empowered through effective organization to access institutional credit for housing;</li> <li>(b) An agreed increase in Measurable Official Development Assistance (ODA) flows allocated to pro-poor housing and urban development;</li> <li>(c) An agreed number of countries with pro-poor housing programmes, finance institutions and support systems utilizing domestic capital;</li> <li>(d) An agreed number of private sector, regional and international finance institutions (IFIs) and civil society organisations investing in innovative pro-poor housing and infrastructure development in urban areas;</li> <li>(e) An agreed number of countries making increased national budgetary allocations for pro-poor urban infrastructure and housing development, including transfers and other forms of support to local authorities to improve planning, governance and the provision of basic services.</li> </ul>

<b>6. Excellence in Management</b>	To improve the implementation of the organisation's work through strengthened Results-based Management, improved communication, skills and facilities for better financial, human resources and knowledge management systems.	<ul style="list-style-type: none"> <li>(a) Effective Results-based Management by integrating lessons learnt through monitoring and evaluation process into the programme and project planning process;</li> <li>(b) Improved knowledge management and communication capability as well as internal collaboration;</li> <li>(c) Improved resource mobilization strategy to generate adequate core predictable funding, achieve a balance between earmarked and non-earmarked resources and multi-year framework financing agreements;</li> <li>(d) Positive independent outcomes from biennial staff surveys;</li> <li>(e) Strengthened financial management systems, capacity and procedures, including measures to further enhance transparency and accountability;</li> </ul>
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### 3) IMPLEMENTATION OF THE PLAN

#### **Enhanced Normative and Operational Framework (ENOF)**

Given the magnitude of the challenge and the limited resources available, UN-Habitat will therefore develop an Enhanced Normative and Operational Framework - an, integrated approach to support Governments and their development partners to achieve more sustainable urbanisation. The five substantive focus areas will form the basis for the further conceptual development of the ENOF.

The Enhanced Normative & Operational Framework consists of a strengthened partnership and networking strategy and an integrated programme of activities at the global, regional, national and local levels.

#### **Partnership and Networking**

Consistent with UN-Habitat's catalytic role, a more systematic approach to partnership and networking will be developed. The ultimate aim is to dramatically increase the number of partners and networks engaged in supporting the sustainable urbanisation agenda. Accordingly, the partnership and networking approach will be mainstreamed in the ENOF at the global, regional, national and local levels.

In particular, partnerships will be strengthened and expanded with UN bodies, International Finance Institutions, and *Habitat Agenda* partners for the monitoring, reporting and advocacy of urbanisation and urban poverty issues, and in developing guidelines and tools for policy development and capacity building. Common objectives and activities to promote sustainable urbanisation will be agreed with specific Habitat Agenda partner groups. For example, a new initiative on "Business Partnerships for Sustainable Urbanisation" will be launched at the 21<sup>st</sup> Governing Council.

In addition, for each substantive focus area UN-Habitat will strengthen its working relationships with key professional networks. For example, for Focus Area 2, UN-Habitat will strengthen its ties to associations of urban and regional planners, while in Focus Area 3, close relations are already being developed with surveyors and related land professionals under the auspices of the Global Land Tool Network. Urban legal specialists and parliamentarians represent additional professional groups to be mobilised. The Global Campaign for Sustainable Urbanisation, discussed below, will be an important vehicle for mobilising these networks.

## **Global Level Approach**

Global level activities will concentrate on monitoring, advocacy and promoting normative debate, with the ultimate aim of mobilising a broad constituency of support for sustainable urbanisation. Global level activities will include:

- A Global Campaign for Sustainable Urbanisation to spearhead policy and advocacy work at the global and regional levels and the development of normative tools in support of the implementation of the ENOF at the global, regional, country, and local levels;
- Engagement with International Financial Institutions to strengthen their global and country strategies by incorporating the sustainable urbanisation agenda/approach
- The establishment of a Habitat Agenda task monitoring system, which will enable all Habitat Agenda partners to report in a more coordinated manner on progress in implementing the Habitat Agenda;
- The strengthening of relations with civil society and other partners by sharing experience and best practices at global meetings such as the World Urban Forum.

## **Regional Level Approach**

Regional approaches will consist of normative, advocacy and knowledge management activities. Regional Ministerial meetings will promote normative debate on key issues such as decentralisation and other specific regional and sub-regional issues.<sup>2</sup> UN-Habitat will engage regional development banks and regional economic commissions to raise awareness of the slum challenge and promote more sustainable urbanisation. The regional approach will also emphasize sharing examples of good practice and lessons-learned at the regional and sub-regional levels. Regional “State of the Cities” reports prepared with partners can be an

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<sup>2</sup> These include the African Ministerial Conference on Housing and Urban Development (AMCHUD), the African Ministerial Conference on Decentralisation (AMCOD), the Asia-Pacific Ministerial Conference on Housing and Urban Development (APAMCHUD), and the General Assembly of Ministers and Maximum Authorities for Housing and Urbanism for the Latin American Countries (MINURVI).



important information and advocacy tool to supplement UN-Habitat's State of the World's Cities Report.

### Country Level Approach

The need for more effective country support has been identified as a priority by the *Paris Declaration* and by the United Nations reform process.

In response, the Enhanced Normative and Operational Framework will enable countries to: analyse their respective urbanisation conditions and trends; assess the adequacy of their policy, legal and institutional frameworks; and identify priority initiatives to realize more sustainable urbanisation. The ultimate objective is to have urban issues reflected in national development strategies, poverty reduction strategies and the United Nations Development Assistance Framework (UNDAF).

The ENOF will respond to the priorities of countries in different development and urbanisation contexts, ranging from countries in which the urbanisation process has stabilised, to countries in which the process is more rapid and chaotic, to countries that have suffered a set-back due to natural disaster or conflict.

The ENOF will be implemented through a phased roll-out based on country demand, clear engagement criteria and regular evaluations. It will be implemented in a graduated manner with the level of engagement determined by the capacity of UN-Habitat and/or its partners to respond:

- Where UN-Habitat does not have a presence (neither a Habitat Programme Manager nor an established project office), UN-Habitat will coordinate with the focal Ministry to make available its information materials, policy documents and tools. Consistent with UN reform, UN-Habitat will also make available to UN country teams and other local partners, awareness and information material on the urban challenge. Any Habitat Agenda partner interested in taking the lead in raising the profile of urban issues will be supported. Where appropriate, Habitat National Committees that were originally established for the 1996 Habitat II Conference will be revived. UN-Habitat will monitor country progress and facilitate the sharing of lessons-learned and good practices.
- Where UN-Habitat has established a Habitat Programme Manager (HPM), they will be supported to work with focal Ministries and other Habitat Agenda partners to mainstream urban issues into national development plans and poverty reduction strategies. A robust advocacy, information and communications strategy will be required to raise awareness and mobilise political will.
- In countries in which UN-Habitat has a well-established field presence and where urban issues are well-recognized, the objective will be to mobilise Habitat Agenda partners to develop a comprehensive programme of systemic reforms that will realise positive impacts at scale.

- Finally, in situations in which UN-Habitat is called upon to assist Governments to respond to natural disasters or conflicts, the ENOF will be initiated through the sustainable relief and recovery approach.

## **Local Level Approach**

UN-Habitat has a comparative advantage within the United Nations system in working with local authorities. The agency was instrumental in the formation of United Cities and Local Governments (UCLG), which is a key partner globally and regionally. Where appropriate, UN-Habitat will provide technical advisory and capacity building support for policy and institutional reform in the key focus areas. Such support, however, may be provided through local partners, ‘centres of excellence’ or directly by UN-Habitat. A related role for UN-Habitat will be to facilitate strong working relations between Habitat Agenda partners - particularly communities, civil society, the private sector, local authorities and central governments - to help align efforts to achieve sustainable urbanisation-related goals.

## **Institutional Reform**

Aligning the institution to support the implementation of the MTSIP will be fundamental to the overall success of the MTSIP; it may also require some changes in existing systems, structures and procedures. The key institutional components of the Plan designed to promote management excellence include the following:

### **Integration and harmonisation within the broader UN reform agenda**

Institutional reform will be guided by UN-Habitat’s commitment to focus on achieving outcomes and results at scale, in line with the Paris Declaration and the outcome of discussion on UN reform. In addition, UN-Habitat will harmonise its operations with best practices in areas such as reporting, auditing monitoring and evaluation drawn from within the UN system.

### **Institutional Adjustments**

Since the onset of the reform process of UN-Habitat in 1998 and its upgrading into a programme by the General Assembly in 2002, the agency has been restructured by the Governing Council into four functional sub-programmes that will address the six focus areas of the MTSIP. Further organisational adjustments might be made to provide greater coherence of effort and alignment of activities that contribute towards the achievement of the MTSIP focus areas.

## **Headquarters**

UN-Habitat’s headquarters in Nairobi will play a crucial leadership role in driving institutional reform and mainstreaming it in operations at the regional and country levels.

The organisation of branches, sections and units in each of UN-Habitat's four divisions will also be reviewed and adjusted, where necessary, in order to effectively implement the MTSIP.

#### Regional Level: Providing Regional and Country-level Support

Regional offices have the primary responsibility for coordinating UN-Habitat support to the country level, as well as for facilitating the implementation of the regional elements of the Enhanced Normative and Operational Framework.

UN-Habitat also maintains a network of information and liaison offices. They will play a crucial information and advocacy role for sustainable urbanisation. The role of these offices should be strengthened to ensure a regular two-way flow of information, bringing regional and local issues to global attention, and disseminating the latest tools, methodologies and approaches developed at the global level and by partners. UN-Habitat will further review its regional presence for the next Governing Council in consultation with the CPR.

#### Country Level: Habitat Programme Managers

An independent evaluation of the deployment of Habitat Programme Managers which commenced 3 years ago, concluded it had been broadly successful in promoting UN-Habitat's global and normative agenda, in integrating urban issues into national development policies, UN Development Assistance Frameworks (UNDAF) and poverty reduction strategies (PRs) and in supporting operational activities at the country level. The report noted, however, the need for geographic balance and the need for adequate resources. To strengthen country level operations, UN-Habitat will:

- Ensure that all Habitat Programme Managers have a sound knowledge of sustainable urbanization issues and capacity to support governments and other partners at the local level and that the necessary financial support to carry out their work will be made available;
- Integrate HPMs within UN-Country teams to incorporate sustainable urbanization issues with Habitat Programme Managers as country level catalysts for implementing the MTSIP, especially in targeted countries;

#### **Governance Structures**

The governance structures of UN-Habitat are described in Resolution 56/206 of the United Nations General Assembly.

In providing policy guidance to UN-Habitat, the CPR will engage in enhanced and continuous dialogue on policy matters and any emerging issues. Regular briefings will be organised by the Secretariat, particularly on country-level activities. The Secretariat will facilitate regular communication between the CPR and Habitat Agenda partners.

## **Results Based Management**

The MTSIP will introduce significant improvements in management systems and tools to further enhance Results-based Management. In line with system-wide reform and harmonisation efforts, these will include strengthened auditing, reporting monitoring and evaluation systems. Improvements in programme alignment and cohesion will forge linkages and synergies between global and country-level activities, and contribute to improved efficiency, effectiveness and the reduction of transaction costs. A key area of innovation will be an integrated programme planning, monitoring, reporting and evaluation system to capture knowledge and lessons learned from the collective experience of Habitat Agenda partners and other UN organisations.

Knowledge management and information gathering and sharing have been identified as key contributing factors to building a learning organization and as a means of strengthening cohesion and effectiveness. To achieve this, various functions must be strengthened and aligned to ensure that lessons from the field, be they UN-Habitat's or those of partners, are more systematically linked in a learning cycle that includes evaluation, reporting on lessons-learned, normative debate on the policy implications, advocacy in support of new normative and operational approaches and the production and dissemination of new information materials and tools to enhance impact. Specific external knowledge management expertise will be required to deliver this key result.

## **Human Resources Management**

The sharpened focus and the organisational targets of the MTSIP and the introduction of results-based management will require progressive changes in human resources management, in pursuit of management excellence. Substantial efforts will be made in human resources development, including the following specific measures:

- An organisation-wide job evaluation and human resource needs assessment as a basis for strengthening and developing the skills necessary for the full implementation of the MTSIP; an initial assessment has been carried out and is reflected in the proposed staffing table (see Table 3 below);
- A review of skills available within UN-Habitat and reallocation of staff, where necessary, in accordance with UN system-wide policy on staff mobility;
- On-the-job training of both locally and internationally recruited staff to reorient their skills towards the Focus and Result Areas of the MTSIP; and
- Alignment of recruitment with the Focus and Result Areas of the MTSIP, as well as consideration of possible staff buy-out options as part of this process and in line with UN system-wide policy.

## **UN Habitat and Human Settlements Foundation: Revolving Fund Account (REFA)**

UN-Habitat derives its origins from two main sources. The upgrading of the former United Nations Commission on Human Settlements (CHS) and its secretariat the

United Nations Centre for Human Settlements (UNCHS-Habitat) established in 1978; and the United Nations Habitat and Human Settlements Foundation, established as an outcome of the 1972 Stockholm conference on the environment.

The existing Foundation comprises two funding windows:

- The General Fund (or General Purpose Account) receives un-earmarked voluntary contributions from Member States and other donors to fund the core advocacy and policy development activities of UN-Habitat's work programme;
- The Special Funds (or Special Purpose Accounts) receive earmarked voluntary contributions for specific purposes or projects such as the Slum Upgrading Facility (SUF) and the Water and Sanitation Trust Fund (WSTF) and other Trust Funds and programmes.

While upgrading the United Nations Centre for Human Settlements to a programme, the General Assembly through its resolution 56/206 reconfirmed the role of the Foundation in providing seed capital and in extending the necessary technical assistance to permit effective mobilization of domestic resources for pro-poor housing and infrastructure development. Accordingly, in August 2006 the Secretary General promulgated new Rules and Regulations that enable reimbursable funding operations. The new Rules supersede the earlier Rules of the Foundation and authorize the Executive Director of UN-Habitat to create a new window of the Foundation - the Loan Account (or Revolving Funds Account (REFA) - to finance operations at the local or municipal level (see Figure 1).<sup>3</sup> The rules further require the Executive Director to consult with the Governing Council for the establishment of operational procedures and guidelines for the loan account.

The operationalisation of the Revolving Fund Account would be to fill a gap in the international architecture for financing affordable housing and related services and urban infrastructure for the poor. This may be achieved by working with cooperatives, savings associations, micro-finance institutions and local service providers in order to scale up efforts to improve housing, water and sanitation.

A Revolving Fund Account has the potential to benefit more people and will enhance UN-Habitat's means to implement the *Habitat Agenda* and other mandated activities more effectively. It will be implemented through a cautious phased approach, beginning with the following steps:

- a) UN-Habitat will present to the Governing Council at its twenty-first session, draft Operational Guidelines and Procedures of the new Rules and Regulations for the United Nations Habitat and Human Settlements Foundation for its policy guidance;
- b) UN-Habitat, following from the decision of the Governing Council, will initiate experimental pilot REFA schemes at country level, employing the Slum

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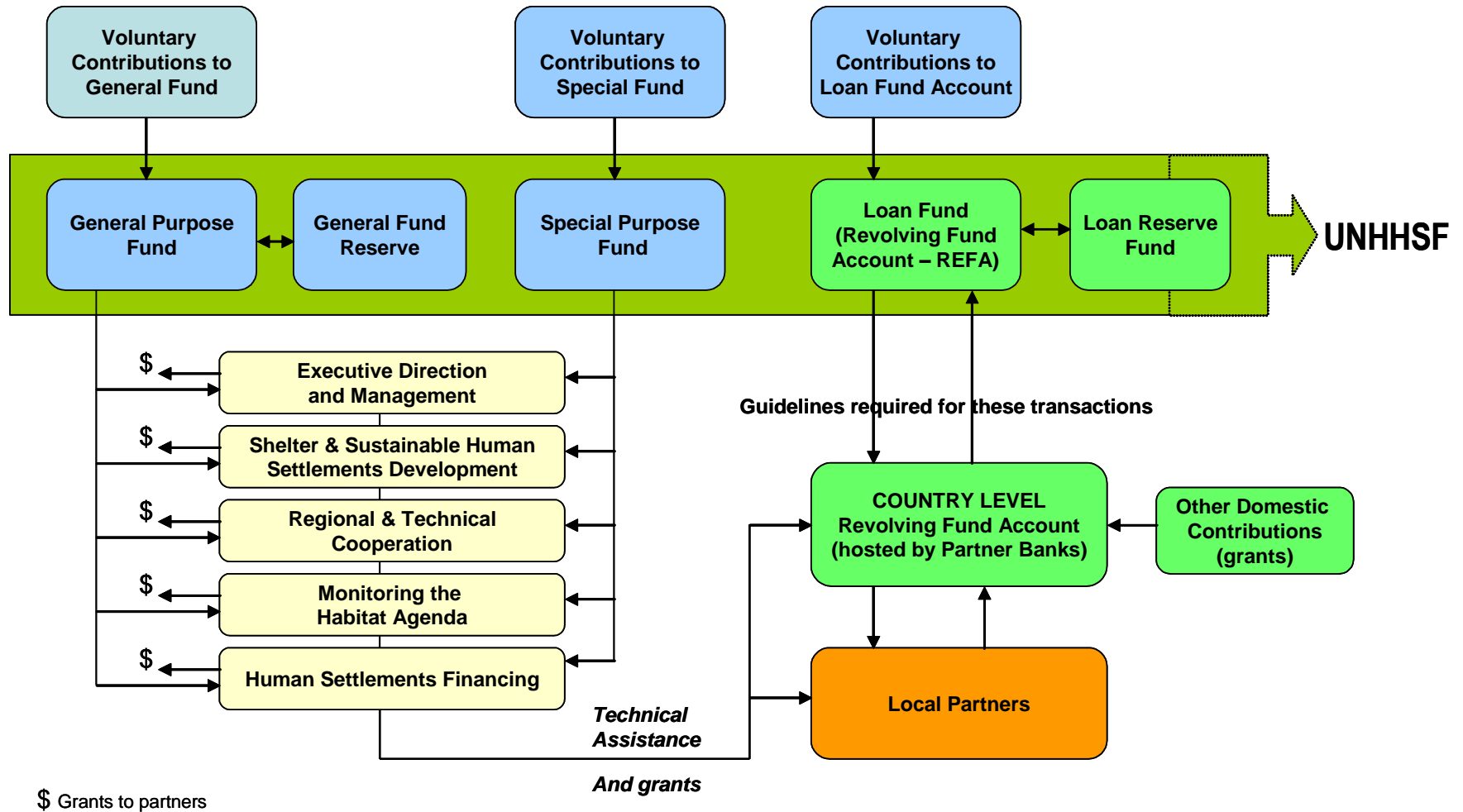
<sup>3</sup> See Secretary General's Bulletin, 01 August 2006, Financial Regulations and Rules for the United Nations (Series 100): Special Annex for the United Nations Habitat and Human Settlements Foundation (Series 300) to the Financial Regulations and Rules of the United Nations (Series 100), New York, United Nations.

Upgrading Facility and the Water and Sanitation Trust Fund frameworks, as appropriate;

- c) Drawing on recently completed studies on the subject and existing data, UN-Habitat will, in consultation with international financial institutions and other relevant external actors, undertake further assessment of the nature and extent of the existing gap in the international architecture for financing affordable housing and related urban infrastructure;
- d) UN-Habitat will define its comparative advantage, and the potential niche to be filled by REFA, taking into account risks, benefits and complementarities with other organisations particularly the role and partnerships with international financial institutions; and
- e) The findings of the reassessment and outcomes of the pilot REFA schemes will be presented to the Governing Council at its twenty-second session for its further review and guidance

**Figure 1 Financial Flow Chart for the United Nations Habitat and Human Settlements Foundation**

**Phase 1: – 2007-2009 and 2009-2011 – How REFA would work in the initial period**



#### 4) RESOURCE IMPLICATIONS

The additional financial resources required to initiate the implementation of the MTSIP in the 2008-2009 biennium proposed appropriation are USD 15 million as illustrated in Table 2 below. Thereafter a budgetary growth of 15% is envisaged for the 2010-11 biennium and 20% for 2012-2013, bringing revised appropriations for the two biennia to USD 300,189.4 and USD 360,227.3 respectively. Table 3 shows the additional human resources requirement.

Table 2: Estimated Resources by sub programme (in thousands of United States dollars)

Sub-programme	2008-2009 Proposed Appropriation (HSP/GC/21/4)	Additional for Implementation of the MTSIP	2008-2009 Revised Appropriation (HSP/GC/21/4 Add 2)
		Amount	
Policy Making Organs	32.3	-	32.3
Shelter and Sustainable Human Settlements Development	40,301.9	1,812.7	42,114.6
Monitoring the Habitat Agenda	25,425.8	1,812.7	27,238.5
Regional and Technical Cooperation	130,102.7	5,733.9	135,836.6
Human Settlements Financing	22,603.1	1,812.7	24,415.8
Programme Support	10,712.0	882.2	11,594.2
Management and Administration	16,856.5	2,945.8	19,802.3
<b>Total</b>	<b>246,034.3</b>	<b>15,000.0</b>	<b>261,034.3</b>

Table 3: Proposed Distribution of Posts

	Professional category and above											Grand Total
	USG	ASG	D-2	D-1	P-5	P-4	P-3	P-2/1	Total	L-L	Other	
<b>2008-2009 Proposed Appropriation (HSP/GC/21/4)</b>												
UN Regular Budget	1	-	1	4	8	17	13	5	49	23	2	74
Foundation General Purpose	-	1	3	6	11	12	18	4	55	40	3	98
Foundation Special Purpose	-	-	-	1	2	2	5	2	12	19	-	31
Technical Cooperation	-	-	-	3	12	5	2	14	36	15	1	52
<b>Total 2004-2005</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>14</b>	<b>33</b>	<b>36</b>	<b>38</b>	<b>25</b>	<b>152</b>	<b>97</b>	<b>6</b>	<b>255</b>
<b>MTSIP Impact (decrease)/increase</b>												
Foundation General Purpose	-	-	-	1	2	12	3	-	18	6	-	24
Foundation Special Purpose	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Changes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>2</b>	<b>12</b>	<b>3</b>	<b>-</b>	<b>18</b>	<b>6</b>	<b>-</b>	<b>24</b>
<b>2008-2009 Revised Appropriation (HSP/GC/21/4 Add2)</b>												
UN Regular Budget	1	-	1	4	8	17	13	5	49	23	2	74
Foundation General Purpose	-	1	3	7	13	24	21	4	73	46	3	122
Foundation Special Purpose	-	-	-	1	2	2	5	2	12	19	-	31
Technical Cooperation	-	-	-	3	12	5	2	14	36	15	1	52
<b>Total 2006-2007</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>15</b>	<b>35</b>	<b>48</b>	<b>41</b>	<b>25</b>	<b>170</b>	<b>103</b>	<b>6</b>	<b>279</b>

Column 1 of Table 2 above illustrates the proposed allocation of resources across the core divisions of UN-Habitat for the biennium 2008-2009. Column 2 shows the additional resources initially required to strengthen the substantive divisions to deliver the full range of activities envisaged in the MTSIP. The lion's share of the



additional resources (38%) will go to regional and technical cooperation activities in line with ENOF approach. The strengthening of management and administrative systems, including for improved internal oversight capacity, are next in line with 20% of the USD 15 million allocation.

In terms of human resources, the additional capacity required to implement the MTSIP in the first biennium is a net of 18 professional staff and 6 general service staff as reflected in Table 3 above. The funding for these posts would be drawn from the USD 15 million additional resources proposed for the 2008-09 biennium. The approval of these posts falls within the mandate of the Governing Council.

### **Funding Scenarios**

Under the envisaged funding scenario of USD 15 million, resources will be utilized primarily: to foster and entrench Results-based Management; to initiate the implementation of the Enhanced Normative and Operational Framework, including in selected One UN Pilot Countries; and to implement a comprehensive and innovative resource mobilization and communication strategy.

While different funding scenarios (zero, USD 5 million and USD 10 million are discussed in Annex 1, USD 15 million is assessed as the minimum level scenario contemplated to allow a meaningful delivery of the MTSIP. Resources permitting higher level performance scenarios could be considered in the course of implementing the MTSIP. However, given the indicative nature of UN-Habitat budgets, all based on forecast income that might or might not materialize, it might be more prudent to focus on the minimum scenario that could be revised upward by the Governing Council at its subsequent sessions, in the event of better resource realities. Lower funding scenarios are unlikely to deliver the MTSIP, beyond what is already contemplated in the existing work programme and budget.

### **Resource Mobilisation and Communication Strategy**

At its 20<sup>th</sup> Session in 2005, the Governing Council requested UN-Habitat to prepare a comprehensive resource mobilisation strategy (see Annex 2 for a more detailed version of the resource mobilisation strategy).<sup>4</sup> The key elements of the strategy will be to maintain and widen the donor base of UN-Habitat, correct the imbalance between earmarked and non-earmarked contributions, and explore non-conventional funding sources, including foundations and the private sector.

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<sup>4</sup> Please see A/60.8, Report of the Governing Council of the United Nations Human Settlements Programme: 20<sup>th</sup> Session (4-8 April 2005), Resolution 20/19: Work programme and budget of the United Nations Human Settlements Programme for the 2006-2007 biennium, United Nations, New York, 2005.

Consolidating the donor base to secure adequate core predictable funding is considered critical to the successful implementation of the MTSIP, especially in its start-up phase. It will help UN-Habitat achieve management excellence, and fine-tune both the strategic and institutional components of the Plan, and stick to its work programme.

Key approaches for broadening the donor base include: (i) packaging the ENOF in support of national development plans and poverty reduction strategies; (ii) partnering with appropriate international financial institutions and regional development banks; (iii) moving towards a voluntary indicative scale of contributions (please see HSP/GC/21/5/Add.3); and (iv) mobilising non-conventional sources of funding, including mass appeal, working with the private sector committed to social responsibility and interested in direct investment in pro-poor housing and urban infrastructure.

While the last 5 years have seen tremendous rise in the visibility of UN-Habitat and its activities in the media, a central feature of the MTSIP is a Communication Strategy to further improved communication with:

- The broader public, both nationally and internationally;
- Governments and donors;
- *Habitat Agenda* partners and UN organisations; and
- Internally, within UN-Habitat.

These efforts will focus on the added value of UN-Habitat's working methodologies and evidence-based approach to sustainable urbanisation.

## **5) IMPLEMENTATION AND REVIEW**

### **Next Steps**

Once the Governing Council endorses the MTSIP and approves the Work Programme and Budget for the 2008-09 biennium the Strategic Framework document will be revised to incorporate the MTSIP and will be submitted for review and endorsement by the Committee on Programme and Coordination (CPC) in June, 2007 in New York. The General Assembly will thereafter consider and approve the revised Strategic Framework in September 2007.

### **Priorities**

Activities will be initiated on several important fronts. These will be prioritized and phased as shown in Figure 2 below. One of the first priorities will be to agree with the Governing Council on a process for setting targets linked to the level of resources made available to support the implementation of the MTSIP. It is proposed that this process include all Habitat Agenda partners and that it culminates in the launching of a global partnership for sustainable urbanisation at the fourth World Urban Forum in

Nanjing, People's Republic of China, in 2008. Another of the early priorities will be the implementation of the institutional adjustments contained within the MTSIP. High priority will be given also to refining the focus areas and indicators in consultation with the CPR and Habitat Agenda partners.

### **Review Process**

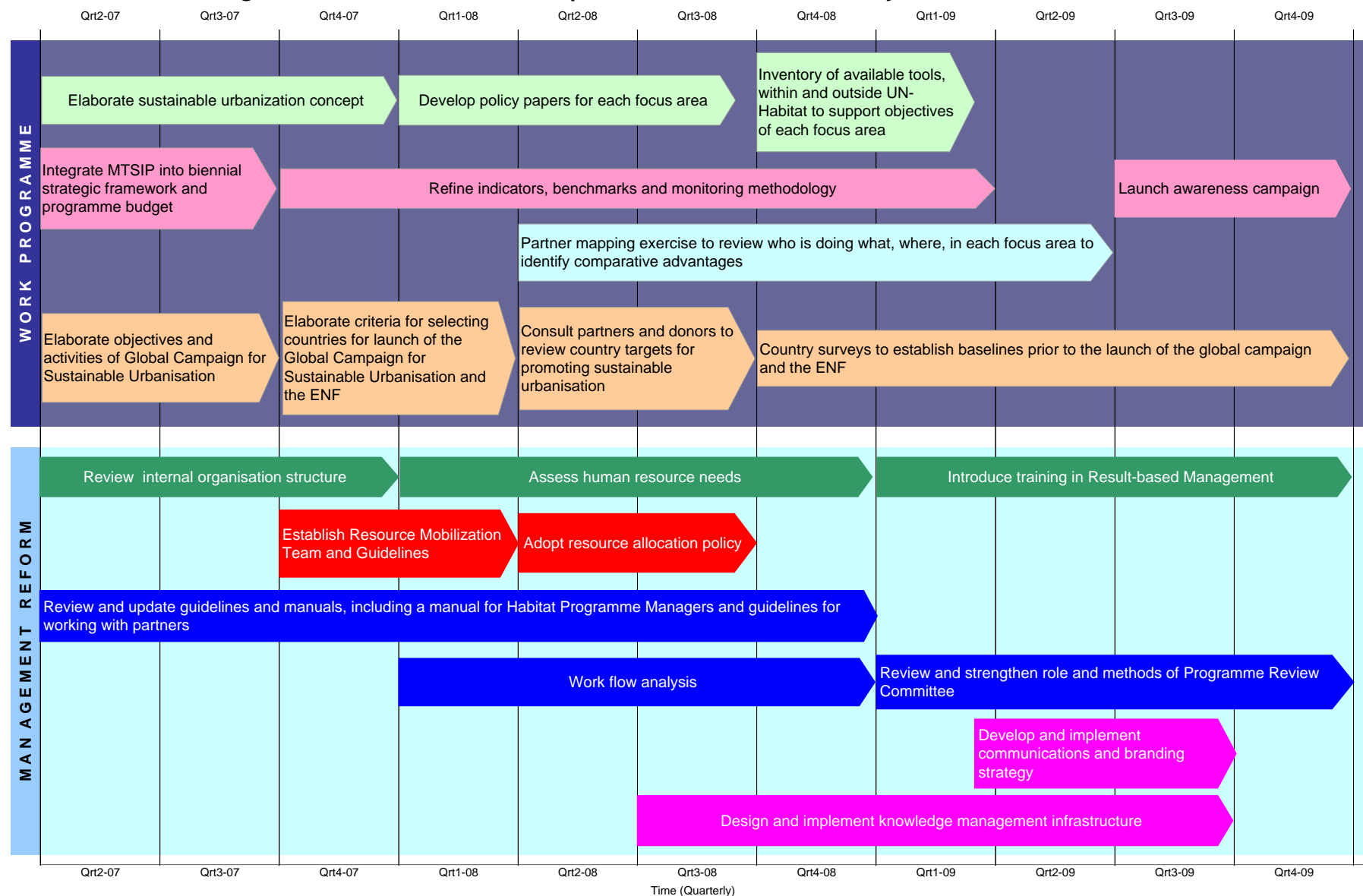
A peer-review process will be established in close collaboration with the Committee of Permanent Representatives (CPR). The peer-review process will comprise a cross-section of Habitat Agenda partners, including other United Nations organisations and international and domestic financial institutions.

## **6) CONCLUSION**

The MTSIP aims to strengthen UN-Habitat's role as a vigorous catalyst of sustainable urban development. Its sharpened focus, Enhanced Normative and Operational Framework for aligning global and country level activities and operations, and commitment to partnerships and pre-investment capacity building, all form the basis of a vision and a commitment to help manage the chaotic aspects of rapid urbanisation and deliver cities without slums, as envisioned in the *Millennium Declaration*.

This is but a first step towards the overarching goal of sustainable urbanisation and as a social, economic and environmental contribution to peace, stability and sustainable development. It is an important first that over 1 billion fellow citizens are counting on. Delayed action or failure is not an option.

**Figure 2. UN-Habitat MTSIP Implementation Time-line: May 2007 - December 2009**



## **Annex 1: Filling the Immediate Funding Gap for 2008-09: Four Scenarios**

*This Annex should be read in conjunction with the relevant section in document HSP/GC/21/5*

The funding gap for the 2008-2009 work programme and budget cycle is USD 15 million of which USD 5 million is required to kick-start results-based management and management reform, and USD 10 million to begin implementation of the enhanced normative framework in the eight UN Pilot Countries that have been retained for the first phase of implementation of UN system-wide coherence at the country level.

Four scenarios are presented corresponding to different levels of funding. These include: (i) zero-based budget; (ii) a contribution of US \$5 million; (iii) an increase in overall funding of US \$10 million; and (iv) full funding. The implications of each of these four scenarios are analysed in terms of organisational outcome, results-based management, and the scope and coverage of the Enhanced Normative and Operational Framework.

### **Scenario A - Zero-based budget**

Scenario A represents no change in the current financial or human resource base of UN-HABITAT. This zero-based option risks seriously compromising the implementation of the MTSIP. The current situation, whereby 80 percent of the work programme and budget is earmarked and 80 percent of the non-earmarked resources are devoted to staff salaries, is unlikely to result in any sustainable changes in programme alignment and cohesion. The zero-based option presents similar restraints as those that confronted UNCHS (HABITAT) in the follow-up to the 1998 revitalisation exercise. While changes were made to organisational structure and mandate, including a major focus on its normative role, the lack of financial resources and specialized expertise to fulfil human resource gaps and support retooling resulted in the failure to address issues of focus, alignment and cohesion.

### **Scenario B - US\$ 5 million**

Scenario B involves a non-earmarked or soft-earmarked contribution for management improvements and resource mobilisation amounting to US \$5 million for the period 2008-2009. In addition to the changes envisaged in Scenario A, this scenario includes a partial effort to implement the Enhanced Normative and Operational Framework in UN Pilot Countries, the partial implementation of results-based management, reporting and monitoring and of the resource mobilisation strategy. Scenario B provides UN-HABITAT with a chance to implement the MTSIP on a pilot basis. It enables the simultaneous implementation, albeit partial, in the three critical areas of results-based management, resource mobilisation, and the enhanced normative and operational framework. A major risk inherent to Scenario B will be the ability to sustain changes in working methods, approaches, systems and to provide consistent country support with financial resources alone and without any additional staff capacity, particularly in the thematic focus areas. While visible and tangible gains can

be expected in terms of efficiency and effectiveness, the bulk of the organisation will continue with business as usual.

### **Scenario C - US\$ 10 million**

The third scenario involves additional funding of US \$10 million either in the form of non-earmarked or soft-earmarked funding. This scenario builds on the two previous ones and addresses the key issue of staff capacity and working with partners. Scenario C provides UN-HABITAT with the seed capital and the human resources required for implementing the MTSIP across the organisation. It helps overcome a fundamental obstacle to alignment and cohesion by reinforcing capacity at the regional and headquarter levels, by providing the means for effective implementation and follow-up at the country level, and to build the knowledge infrastructure for becoming a learning organisation. Benefits arising from this investment include substantial improvements in results, impact and transaction costs.

### **Scenario D - full funding US\$ 15 million**

The fourth scenario, which assumes full funding to the tune of US \$15 million, will enable UN-HABITAT to initiate implementation of the MTSIP in its totality.

Scenario D corresponds, in management practice, to the “big bang” approach involving an in-depth transformation of an organisation in terms of its tools, working methods, information-communication technology, human resources, brand recognition and appeal.

Two major differences with previous scenarios include:

- (i) *The full implementation of the MTSIP including a comprehensive and highly innovative resource mobilisation, communication, branding and mass appeal strategy that would provide UN-HABITAT with an alternative source of revenues. Besides helping overcome the challenge of donor-dependency, this strategy would bring about a profound culture change in terms of client orientation, accountability and transparency;*
- (ii) *It would place UN-HABITAT at the forefront of UN system-wide reform and as a model for other UN agencies, programmes and funds.*

For these reasons Scenario D is considered the minimum funding scenario to seriously kick-start the implementation of the MTSIP. The accompanying Box describes the levels of accomplishment that can be expected to be achieved with each level of funding.

**Box: Summary of scenarios and potential achievement**

	Scenario D (US\$ 15 m)	Scenario C (US\$ 10 m)	Scenario B (US\$ 5 m)	Scenario A (Zero)
<b>Programme alignment focus &amp; result areas of MTSIP</b>				
Global Campaign	✓✓✓	✓✓	✓✓	✓
Sustainable Urbanisation Policy	✓✓✓	✓✓	✓✓	✓
HPM capacity	✓✓✓	✓✓	✓	✓
Regional Office capacity	✓✓✓	✓✓	✓	✓
Flagship reports aligned	✓✓✓	✓✓	✓✓	✓
Country strategies	✓✓✓	✓✓	✓	✓
Partners' policy & strategy	✓✓✓	✓✓✓	✓✓	✓✓✓
Partners' networks	✓✓✓	✓	✓	✓
<b>Knowledge Management System</b>	✓	✓	✓	✓
Policy and strategy	✓✓✓	✓✓✓	✓✓	✓
Results based reporting tools	✓✓✓	✓✓	✓	✓
ICT infrastructure	✓✓✓	✓	✓	✓
<b>Results-based monitoring and reporting</b>	✓	✓	✓	✓
Focus & Result areas	✓✓✓	✓✓	✓	✓
Project evaluations	✓✓✓	✓✓	✓	✓
Targeted research	✓✓✓	✓	✓	✓
Consolidated reporting	✓✓✓	✓✓	✓	✓
National state of the city	✓✓✓	✓	✓	✓
Lessons learned & best practices	✓✓✓	✓✓	✓	✓
<b>Enhanced Normative and Operational Framework (countries)</b>	✓	✓	✓	✓
Focus area policy documents	✓✓✓	✓	✓	✓
Regional strategies	✓✓✓	✓✓	✓	✓
Country assessment tools	✓✓✓	✓✓	✓	✓
National urban fora	✓✓✓	✓	✓	✓
UN Pilot countries/pre-investment	10/8	8/6	6/4	4/2
<b>Resource mobilisation and communications strategy</b>	✓	✓	✓	✓
RM Policy	✓✓✓	✓✓✓	✓✓	✓
RM Team	✓✓✓	✓✓✓	✓✓✓	✓
Donors' database	✓✓✓	✓✓	✓	✓
Consolidating donor base	✓✓✓	✓	✓	✓
Expanding donor base	✓✓✓	✓✓	✓	✓
Non-conventional funding	✓✓✓	✓	✓	✓✓
Packaging donor proposals	✓✓✓	✓✓	✓	✓
Branding and communications	✓✓✓	✓✓	✓	✓
Organisational culture	✓✓✓	✓	✓	✓
<b>Human Resources Management</b>	✓	✓	✓	✓
Alignment of JD's with MTSIP	✓✓✓	✓✓	✓	✓
Performance appraisal system	✓✓✓	✓	✓	✓
Induction training	✓✓✓	✓✓	✓	✓
Priority staff recruitment	✓✓✓	✓✓	✓	✓
RBM & leadership training	✓✓✓	✓✓	✓	✓
Staff buy-outs	✓✓✓	✓✓	✓	✓
<b>Administrative efficiency and transaction costs</b>	✓	✓	✓	✓
Workflow analysis	✓✓✓	✓✓	✓	✓
Delegation of authority	✓✓✓	✓✓	✓	✓
UNON arrangements	✓✓✓	✓✓	✓	✓
Operational/procedural guidelines	✓✓✓	✓✓	✓	✓

Peer review mechanism for monitoring MTSIP	✓✓✓	✓✓	✓	✓
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## Annex 2: Resource Mobilisation Strategy

*This Annex should be read in conjunction with the relevant section in document HSP/GC/21/5.*

1. The objective of UN-Habitat's resource mobilization and communications strategy is to broaden the donor base and to improve the balance between earmarked and non-earmarked contributions on a predictable multi-year basis. The Medium-term Strategic and Institutional Plan provides a clear and compelling framework for doing so. Its sharpened programmatic focus, its commitment to programme alignment and coherence and management excellence and its catalytic role for mobilizing partners and leveraging resources are key contributing factors to enhancing impact and results, reducing transaction costs, improving aid effectiveness and ensuring transparency and accountability. The Strategy covers the following:

### **A. Establishing a resource mobilization policy and team**

2. The comprehensive resource mobilization strategy called for by Governing Council resolution 20/19 comprises a resource mobilization policy informed by in-house consultations, independent analysis and expert input and by an analysis of successful practices of other United Nations agencies, funds and programmes. This strategy will be supplemented by a subset of guidelines, which in turn will inform the work of a new resource mobilization team under the day to day management of the Deputy Executive Director.

### **B. Consolidating the existing donor base**

3. The principle objective of consolidating the existing donor base is to build donor confidence in a progressive shift from earmarked to soft-earmarked and non-earmarked funding on a predictable multi-year basis. This is considered critical to the successful implementation of the Medium-term Strategic and Institutional Plan, especially in its start-up phase to implement management excellence, and in fine-tuning both the strategic and institutional components of the plan.

### **C. Broadening the donor base**

4. The key elements of the strategy for broadening the donor base include:

- (a) *Branding and media strategy:* UN-Habitat has made some significant advances recently in drawing attention to sustainable urbanization;
- (b) *Further strengthening management systems:* reforms will be deepened to ensure that increased donor contributions are matched by strengthened management and reporting systems that focus on results, partnerships and leveraging of resources;
- (c) *Country level emphasis:* will build on existing instruments and on strengthening existing presence at the country level to mobilize and leverage resources in collaboration with the United Nations country teams and bilateral donors within United Nations development assistance frameworks;
- (d) *Introduction of a voluntary indicative scale of contributions:* based on the experience of UNEP, and in line with the preliminary recommendations of the Joint Inspection Unit, it is proposed that similar options be established for UN-Habitat at its 21<sup>st</sup> session. This has potential to increase voluntary contributions by 10 to 15 per cent per biennium over the plan period and to broaden the regular donor base by one-third.

#### **D. Partnering and leveraging resources**

5. Partnering, which is central to renewed focus under the Medium-term Strategic and Institutional Plan on the catalytic role of UN-Habitat, is also a key component of the resource mobilization strategy. The target over the plan period is to leverage resources in the range of 1:3 and 1:10 ratio to enhance results and impact and reduce transaction costs. Specific partner networks will be established for the thematic focus areas of the Medium-term Strategic and Institutional Plan. At the global level, particular emphasis will be placed on managing the inputs from the different networks and converting them into global advocacy tools and on monitoring sustainable urbanization trends and issues. Key partners will include umbrella non-governmental organizations, research and academic institutions, professional associations, the media and the World Bank. In line with its catalytic role, UN-Habitat will also actively support the resource mobilization efforts of partners and report on the contributions of partners to the focus areas and result areas of the Medium-term Strategic and Institutional Plan.<sup>5</sup> This will include working with bilateral and multilateral organizations to monitor overall funding levels for sustainable urbanization. Another key area for partnering will be in global and country-level monitoring and evaluation, particularly with other United Nations bodies that are involved in monitoring the Millennium Development Goals.

#### **E. Strengthening the pre-investment role of UN-Habitat**

6. The Medium-term Strategic and Institutional Plan aims to mobilize international and domestic investment in 25 countries for going to scale in slum upgrading and prevention. The approach is based on lessons learned from the Water and Sanitation Trust Fund and the Slum Upgrading Facility. The Water and Sanitation Trust Fund leveraged an initial investment of US \$1 million by the United Nations Habitat and Human Settlements Foundation to mobilize close to \$50 million in policy, advocacy and pre-investment capacity-building. This, in turn, has catalysed over \$1.5 billion in follow-up investments by international financial institutions. Seed capital, on a grant or reimbursable loan basis, will be packaged to mobilize domestic capital beyond the initial project cycle in, for example, the form of revolving funds.

#### **F. Tapping non-conventional sources of funding**

7. Independent advice solicited in preparing the Medium-term Strategic and Institutional Plan revealed that the issues of urban poverty and slums are of vast potential mass appeal, on the scale of HIV/AIDS and nutrition. The success factors for tapping non-conventional sources of funding including mass appeal are a compelling message and mission and transparent accounting for the use of resources. The external communications strategy is designed to address the first success factor while the implementation of results-based management addresses the second. These will be used to mobilize actors and sources which heretofore have not been fully exploited. They include Foundations, that part of the private sector committed to social responsibility and the general public, which can be reached through mass appeals. Guidelines and strategies will be developed and applied for targeting potential donors and non-conventional sources of funding. Other sources of non-conventional funding include merchandising, advertising and sponsorship. Current efforts in, for example, advertising in Habitat Debate and sponsorship of special events are already underway and will be expanded as supplementary sources of funding.

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<sup>5</sup> The World Urban Forum and other special events will be used to take stock of progress on partners' contributions to the focus areas and result areas of the Medium-term Strategic and Institutional Plan and to establish business plans for concerted follow-up action.